



VICTORY NICKEL INC.

UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

DATED MAY 14, 2012

Management's Comments on Unaudited Condensed Financial Statements

The accompanying unaudited condensed financial statements of Victory Nickel Inc. for the three months ended March 31, 2012 and 2011 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 financial statements have not been reviewed by an auditor.

Condensed Balance Sheets

(in thousands of Canadian dollars)	Notes	March 31, 2012	December 31, 2011
		(unaudited)	
ASSETS			
Current assets			
Cash and cash equivalents	6	\$ 581	\$ 517
Receivables	7	279	129
Marketable securities	8	2,220	2,383
Total current assets		3,080	3,029
Non-current assets			
Property and equipment	10	1,423	1,277
Mine property and development project	11	36,914	35,571
Exploration and evaluation projects	12	14,613	14,577
Total non-current assets		52,950	51,425
Total Assets		\$ 56,030	\$ 54,454
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	13	\$ 1,086	\$ 322
Total current liabilities		1,086	322
Non-current liability			
Deferred tax liability		2,811	2,702
Total Liabilities		3,897	3,024
Shareholders' equity			
Share capital	15	47,631	47,631
Contributed surplus		4,148	4,134
Accumulated other comprehensive income		2,644	2,422
Deficit		(2,290)	(2,757)
Total shareholders' equity		52,133	51,430
Total Liabilities and Shareholders' Equity		\$ 56,030	\$ 54,454

NATURE OF OPERATIONS (Note 1)

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

Condensed Statements of Operations

(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended March 31,	
		2012 (unaudited)	2011 (unaudited)
Operating expenses			
General and administrative		\$ (435)	\$ (379)
Share-based payments:	16		
Options		(14)	(2)
Amortization of property and equipment	10	(4)	(2)
Recovery of exploration and evaluation project	12	1,000	599
Operating profit		547	216
Finance income	17	1	2
Finance costs	17	(5)	(97)
Net finance costs		(4)	(95)
Profit before income taxes		543	121
Income tax (expense) recovery		(76)	180
Net Profit for the Period		\$ 467	\$ 301
Earnings per share			
	15		
Basic earnings per share		\$ 0.00	\$ 0.00
Diluted earnings per share		\$ 0.00	\$ 0.00

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

Condensed Statements of Comprehensive Income

(in thousands of Canadian dollars)	Note	Three months ended March 31,	
		2012 (unaudited)	2011 (unaudited)
Net profit for the period		\$ 467	\$ 301
Other comprehensive income ("OCI")			
Net change in fair value of financial assets	9	256	6
Income tax expense		(34)	(1)
Other comprehensive income for the period		222	5
Total Comprehensive Income for the Period		\$ 689	\$ 306

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

Statements of Shareholders' Equity

(unaudited) (in thousands of Canadian dollars)		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income / (Loss)	Deficit	Total Equity
Balances as at January 1, 2011	<i>Notes</i>	\$ 46,114	\$ 3,721	\$ 4,119	\$ (1,620)	\$ 52,334
Total comprehensive income for the period						
Net profit for the period					301	301
Other comprehensive income						
Net change in fair value of financial assets	9			6		6
Income tax expense				(1)		(1)
Total other comprehensive income						
						5
Total comprehensive income for the period						
						306
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Issue of common shares and warrants under private placement		471	26	-	-	497
Options granted and vesting	16	-	2	-	-	2
Warrants exercised	16	146	(28)	-	-	118
Total contributions by owners						
						617
Total transactions with owners						
						617
Balances as at March 31, 2011						
		\$ 46,731	\$ 3,721	\$ 4,124	\$ (1,319)	\$ 53,257
Balances as at January 1, 2012						
		\$ 47,631	\$ 4,134	\$ 2,422	\$ (2,757)	\$ 51,430
Total comprehensive income for the period						
Net income for the period					467	467
Other comprehensive income						
Net change in fair value of financial assets	9			256		256
Income tax expense				(34)		(34)
Total other comprehensive income						
						222
Total comprehensive income for the period						
						689
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Options vesting	16	-	14	-	-	14
Total contributions by owners						
						14
Total transactions with owners						
						14
Balances as at March 31, 2012						
		\$ 47,631	\$ 4,148	\$ 2,644	\$ (2,290)	\$ 52,133

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

Condensed Statements of Cash Flows

(in thousands of Canadian dollars)	Notes	Three months ended March 31,	
		2012 (unaudited)	2011 (unaudited)
Cash flows from operating activities			
Net profit for the period		\$ 467	\$ 301
Adjustments for:			
Share-based payments	16	14	2
Amortization of property and equipment	10	4	2
Recovery of exploration and evaluation project	12	(1,000)	(599)
Net finance costs	17	3	97
Income tax expense (recovery)		76	(180)
Net change in working capital:			
Change in receivables		(150)	(183)
Change in trade and other payables		78	131
Net cash used by operating activities		(508)	(429)
Cash flows from investing activities			
Expenditures on mine property and development project	11	(637)	-
Expenditures on exploration and evaluation projects	12	(56)	(1,454)
Purchase of marketable securities	8	-	(114)
Proceeds on sale of marketable securities	8	415	946
Proceeds from option of Lynn Lake	12	1,000	600
Deposits on equipment	10	(150)	(100)
Net cash from (used by) investing activities		572	(122)
Cash flows from financing activity			
Issue of common shares and warrants		-	614
Net cash from financing activity		-	614
Net increase in cash and cash equivalents		64	63
Cash and Cash Equivalents, Beginning of the Period		517	170
Cash and Cash Equivalents, End of the Period		\$ 581	\$ 233

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

Notes to the Financial Statements

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

1. NATURE OF OPERATIONS

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. Victory Nickel is primarily engaged in the acquisition, exploration and development of nickel properties in Canada. The Company was formed on February 1, 2007 pursuant to a plan of arrangement.

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

Going Concern

These 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, 2012, the Company had working capital of \$1,994,000 (December 31, 2011 – \$2,707,000). Working capital is defined as current assets less current liabilities, excluding restricted cash, if any.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Development of the Company's current projects to the production stage will require significant financing. Given the current economic climate, the ability to raise funds may prove difficult.

None of the Company's projects has commenced commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The recoverability of the carrying value of exploration and evaluation projects and the mine property and development project, and ultimately the Company's ability to continue as a going concern, is dependent upon exploration results which have the potential for the discovery of economically-recoverable reserves and resources, the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

Should the Company not be able to continue to achieve favourable exploration results, obtain the necessary financing or achieve future profitable production or sale of properties, the carrying value of the Company's assets could be subject to material adjustment and, in addition, other adjustments may be necessary to these financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

These condensed financial statements reflect the accounting policies described in the Company's Audited Financial Statements for the years ended December 31, 2011 and 2010 ("2011 Audited Financial Statements") (with the exception of any changes set out in Note 3 below) and accordingly, should be read in conjunction with those financial statements and the notes thereto.

The management of Victory Nickel prepare the unaudited condensed financial statements which are then reviewed by the Audit Committee and the Board of Directors. The unaudited condensed financial statements were authorized for issue by the Board of Directors on May 14, 2012 and are made available to shareholders and others through filing on SEDAR shortly thereafter.

Notes to the Financial Statements

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

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

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

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

- Note 9 valuation of financial assets at fair value through operations;
- Note 9 valuation of financial assets at fair value through OCI;
- Note 11 measurement of the recoverable amount of mine property and development project;
- Note 12 measurement of the recoverable amount of exploration and evaluation projects; and
- Note 16 measurement of share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in detail in Note 3 to the 2011 Audited Financial Statements, as updated under New Accounting Policies below. Such policies have been applied consistently to all periods presented in these financial statements.

(a) New Accounting Policies

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

(b) New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company's 2011 Audited Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued no additional new and revised standards and interpretations which are applicable to the Company. Refer to Note 3 to those statements.

Notes to the Financial Statements

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

4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES

Overview

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

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

A complete description of the Company's financial risk management and capital management is included in Note 4 to the 2011 Audited Financial Statements. This note updates information about the Company's exposure to each of the above risks where there have been material or noteworthy changes. Further quantitative disclosures are included throughout these financial statements.

Capital Management Disclosures

	March 31, 2012	December 31, 2011
Shareholders' equity	\$ 52,133	\$ 51,430
	\$ 52,133	\$ 51,430

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

5. DETERMINATION OF FAIR VALUES

There have been no changes in how the Company determines fair value for both financial and non-financial assets and liabilities from the descriptions included in Note 5 to the Company's 2011 Audited Financial Statements. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

6. CASH AND CASH EQUIVALENTS

	March 31, 2012	December 31, 2011
Bank balances	\$ 581	\$ 517
Cash and Cash Equivalents in the Statement of Cash Flows	\$ 581	\$ 517

7. RECEIVABLES

	<i>Note</i>	March 31, 2012	December 31, 2011
Receivables		\$ 202	\$ 106
Prepaid expenses and deposits		38	3
Due from Nuinsco Resources Limited	19	39	20
		\$ 279	\$ 129

Notes to the Financial Statements

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

8. MARKETABLE SECURITIES

	<i>Note</i>	March 31, 2012	December 31, 2011
Financial assets at fair value through OCI:			
Shares	9	\$ 2,220	\$ 2,380
Financial assets at fair value through operations:			
Warrants	9	-	3
		\$ 2,220	\$ 2,383

The Company records its portfolio of shares at available market prices with any excess of fair value above acquisition cost being recorded as gain on financial assets at fair value through OCI.

The financial assets at fair value through operations consist of warrants which are not publicly-traded. However, they are susceptible to valuation using the Black-Scholes option-pricing model, the inputs for which are readily determinable. Any change in fair value after initial recognition, is recorded through the statement of operations as a gain or loss on financial assets at fair value in *Finance income or Finance costs* (Note 18). The change in the fair value of the warrants of a decline of \$3,000 during 2012 is included in *Finance costs* (March 31, 2011 – a decline of \$97,000 in *Finance costs*).

Sensitivity Analysis – Equity Price Risk

All of the Company's financial assets at fair value through OCI are listed on public stock exchanges, including the TSX and the TSX-V. For such investments, a 5% increase in the equity prices at the reporting date would have increased equity by \$96,000, after tax effects of \$15,000 (as at December 31, 2011 - an increase of \$103,000, after tax effects of \$16,000); an equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

For financial assets at fair value through operations, the impact on operations of a 5% increase in the fair value at March 31, 2012 and at December 31, 2011 would not have been material.

The analyses were performed on the same basis for 2012 and 2011.

9. FINANCIAL INSTRUMENTS

Credit Risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. All amounts are held domestically in Canada.

The maximum exposure to credit risk at the reporting date was:

	<i>Notes</i>	March 31, 2012	December 31, 2011
Carrying amount			
Cash and cash equivalents	6	\$ 581	\$ 517
Receivables	7	279	129
Financial assets at fair value through OCI	8	2,220	2,380
Financial assets at fair value through operations	8	-	3
		\$ 3,080	\$ 3,029

Liquidity Risk

The contractual maturities of financial liabilities are equal to their carrying amounts which are all due within six months or less.

Notes to the Financial Statements

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

Currency Risk

Exposure to currency risk

The company's exposure to foreign currency risk is immaterial; periodically the Company may have trade payables in US\$. Refer also to Note 20 for commitments.

Sensitivity analysis

A 10% strengthening or weakening of the Canadian dollar would have an immaterial effect on the Company's equity or profit or loss. The analysis assumes that all other variables, in particular interest rates, remain constant.

Fair Value

Fair values versus carrying amounts

The fair values of the Company's financial assets and liabilities equal their carrying amounts shown in the balance sheets. The Company has not made any reclassifications between assets recorded at cost or amortized cost and fair value.

The table below analyzes financial instruments carried at fair value by valuation method:

	Level 1	Level 2	Level 3	Total
As at March 31, 2012				
Financial assets at fair value through OCI	\$ 2,220	\$ -	\$ -	\$ 2,220
Financial assets at fair value through operations	-	-	-	-
	\$ 2,220	\$ -	\$ -	\$ 2,220
As at December 31, 2011				
Financial assets at fair value through OCI	\$ 2,380	\$ -	\$ -	\$ 2,380
Financial assets at fair value through operations	-	3	-	3
	\$ 2,380	\$ 3	\$ -	\$ 2,383

There have been no transfers between Level 1 and Level 2 during the current and prior reporting periods. During 2011, certain warrants were exercised from the portfolio of financial assets at fair value through operations and replaced by shares which are financial assets at fair value through OCI. All of the shares owned by the Company are valued using Level 1 methodologies; warrants are not publicly-traded but are susceptible to valuation using the Black-Scholes option-pricing model, the inputs for which are readily determinable.

The warrants were valued using the Black-Scholes option-pricing model, using the following parameters and assumptions:

	March 31, 2012	December 31, 2011
Fair values	\$0.000	\$ 0.009
Share prices at valuation date	\$0.42 and \$2.92	\$0.41 and \$2.05
Assumptions		
Exercise prices	\$0.8 and \$8.44	\$0.8 and \$8.44
Expected volatilities	16% and 44%	81% and 113%
Expected remaining terms (years)	0.058	0.308
Expected dividends	-	-
Risk-free interest rates	1.19%	0.96%

Pursuant to a corporate transaction entered into by the issuer of the warrants, the warrants entitle the holder to 0.094758 of a share of the spin-off company. Accordingly, the parameters for the shares of both companies have been considered in arriving at the estimated value of the warrant. The issuer announced an extension to the expiry period effective April 5, 2012. The extension will be reflected in the Black-Scholes parameters effective second quarter reporting.

Notes to the Financial Statements

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

10. PROPERTY AND EQUIPMENT

	Land and Building		Vehicle	Equipment and Furniture		Total
Balance as at January 1, 2011						
Cost	\$	83	\$	32	\$	637
Accumulated Depreciation		4		3		30
Carrying Amount		79		29		607
Additions		-		-		574
Depreciation		2		8		2
Balance as at December 31, 2011						
Cost		83		32		1,211
Accumulated Depreciation		6		11		32
Carrying Amount		77		21		1,179
Additions		-		-		150
Depreciation		-		2		2
Balance as at March 31, 2012						
Cost		83		32		1,361
Accumulated Depreciation		6		13		34
Carrying Amount	\$	77	\$	19	\$	1,327
					\$	1,423

Equipment and furniture includes deposits of \$1,284,000 related to the purchase of transformers and other electrical equipment; the equipment is not available for use and is not being depreciated. On May 10, 2010, the Company entered into an agreement to purchase the equipment for the Minago project. The total price is US\$2,840,000 with the full remaining balance due prior to shipping (Note 20).

11. MINE PROPERTY AND DEVELOPMENT PROJECT

Effective September, 2011, the Board of Directors approved the development of the Minago mine and, accordingly, the Company transferred expenditures of \$34,807,000 on its Minago project from Exploration and Evaluation ("E&E") assets to Mine Property and Development ("MP&D") assets on its balance sheet.

	January 1, 2012	Current Expenditures	Recoveries	March 31, 2012
Minago	\$ 35,571	\$ 1,393	\$ (50)	\$ 36,914
	\$ 35,571	\$ 1,393	\$ (50)	\$ 36,914

Recoveries in the period represent a grant from the Manitoba Government which was received in April, 2012.

Minago

The 100%-owned Minago project covers approximately 28,928 ha, through a combination of mining claims, mineral leases and a mineral exploration licence, on Manitoba's Thompson Nickel Belt. The property encompasses the Nose Deposit, which contains the entire current nickel mineral resource, and the North Limb, a zone of nickel mineralization with a known strike length of 1.5 kilometres located to the north of the Nose Deposit.

From 2006 to date, considerable work has been performed, including diamond drilling, metallurgical testing and engineering studies and all the studies required to complete the Environmental Impact Study which was filed in May 2010. As a result, in August 2011, the Company received its Environmental Act Licence. The results of the Minago Feasibility Study ("FS") were announced in December 2009 and improvements thereto announced in June 2010.

In January, 2008, the Company entered into an option agreement with Xstrata Nickel ("Xstrata"), a business unit of Xstrata Canada Corporation, to acquire a 100% interest in five mineral claims ("the Properties") totalling 691 ha



Notes to the Financial Statements

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

located at the north end of the Company's existing Minago property package; this is approximately 2.4% of the total Minago project.

The acquisition has been ratified by Xstrata and a 100% interest in the Properties has been registered with the Company. The Properties will be subject to a net smelter return royalty ("NSR") interest retained by Xstrata, as follows:

- In respect of nickel:
 - a 2% NSR when the LME three-month nickel price is equal to or greater than US\$13,227 per tonne in that quarter; and
 - a 1% NSR when the LME three-month nickel price is less than US\$13,227 per tonne in that quarter.
- In respect of other metals, minerals and concentrates:
 - a 2% NSR.

In the event that the NSR is a 2% royalty, the Company may buy back up to 50% of the NSR royalty interest for a maximum of \$1,000,000. In addition, Xstrata has the right (the "Back-in Right") to earn a 50% interest in the Properties if any resource is discovered on the Properties that exceeds 500,000,000 pounds of contained nickel in measured and indicated resources. To exercise the Back-in Right, Xstrata must commit to pay direct expenditures or an amount in cash to the Company equal to twice the aggregate of all direct exploration, development and mining expenditures incurred by the Company on the Properties prior to the delivery by Xstrata of the Back-in Right notice.

The Minago project is under evaluation and is not in production. Accordingly, the Minago project is not being depreciated. On September 19, 2011, the Company announced that the Board of Directors had approved the development of Minago and directed management to proceed with securing financing arrangements.

12. EXPLORATION AND EVALUATION PROJECTS

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

	January 1, 2012	Current Expenditures	Recoveries	Excess Proceeds	March 31, 2012
Lac Rocher	\$ 7,254	\$ 17	\$ -	\$ -	\$ 7,271
Lynn Lake	-	-	(1,000)	1,000	-
Mel	7,323	19	-	-	7,342
	\$ 14,577	\$ 36	\$ (1,000)	\$ 1,000	\$ 14,613

	January 1, 2011	Current Expenditures	Recoveries	Excess Proceeds	March 31, 2011
Lac Rocher	\$ 7,026	\$ 43	\$ -	\$ -	\$ 7,069
Lynn Lake	-	1	(600)	599	-
Mel	6,618	558	-	-	7,176
Minago	31,059	2,515	-	-	33,574
	\$ 44,703	\$ 3,117	\$ (600)	\$ 599	\$ 47,819

The expenditures on the Lynn Lake property are shown net of a \$300,000 option payment by Prophecy Resource Corp. (now Prophecy Coal Corp. or "Prophecy Coal") in the last quarter of 2009, an aggregate of \$1,100,000 in 2010 and receipt of Prophecy Coal common shares in January 2010 with a fair value at that time of \$968,000 and option payments of \$600,000 in February 2011 and \$1,000,000 in February 2012. The excess proceeds of \$1,000,000 and \$599,000 for the three months ended March 31, 2012 and 2011, respectively, represent the excess of consideration received under the option agreement above carrying value and are reflected in *Recovery of exploration and evaluation project* through operations.

Notes to the Financial Statements

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

During September, 2011, the Board approved the development of the Minago project, accordingly, the Company reviewed amounts recorded at that date for impairment and transferred \$34,807,000 to MP&D project (Note 11).

Lac Rocher

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

In 2007, the Company began environmental work in support of obtaining a permit for the Lac Rocher deposit in order to extract and direct ship mineralized material to an offsite mill for processing. A 12-hole, 1,500 metre drill program was also completed to test for extensions to the nickel sulphide mineralization and to provide metallurgical samples for the Preliminary Economic Assessment ("PEA") to determine the near-term production and cash generation potential of the project.

Metallurgical testing of the massive sulphide mineralization from the deposit was completed in December, 2007. In February, 2008, the Company announced the results from metallurgical testing of the disseminated sulphide zone and they were incorporated into the PEA completed in November 2008. The Company completed the construction of an access road in the third quarter of 2009 and performed diamond drilling to provide geotechnical data for portal and ramp development.

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.

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.

On October 21, 2009, the Company announced that it had optioned Lynn Lake to Prophecy Coal; pursuant to a corporate transaction by Prophecy Coal, the option was assigned, with the Company's consent to Prophecy Platinum Corp. ("Prophecy Platinum"). Under the terms of the agreement, Prophecy Platinum can acquire a 100% interest in Lynn Lake by paying the Company an aggregate of \$4,000,000 over approximately three and a half years, by incurring \$3,000,000 in exploration expenditures over approximately three years and by issuing a 10% equity interest in Prophecy Coal calculated on a diluted basis after Prophecy Coal completes a private placement; such placement was completed in January 2010. The Company also has the right to participate in future equity financings on a pro-rata basis to maintain its 10% interest.

The Company received \$1,000,000 in February 2012 and has received all payments scheduled under the option agreement to date; \$1,000,000 remains due by March 1, 2013. In June, 2011, Prophecy Coal completed a corporate transaction to spin off its non-coal assets into Prophecy Platinum in exchange for shares. The Company agreed to assign the option agreement with Prophecy Coal to the third party. Failure on the part of Prophecy Platinum (if not cured by Prophecy Coal) to meet any of the terms will result in cancellation of the option on the property and it will revert to the Company.

By March 31, 2012, \$1,000,000 excess of proceeds under the option agreement above the book value of the property had been received in the period and accordingly was recorded through the statement of operations as a recovery of exploration and evaluation projects in respect of Lynn Lake (March 31, 2011 - \$599,000). There is one option payment remaining to fulfil the option conditions. At that point, the Company will transfer ownership of Lynn Lake to Prophecy Platinum.

Notes to the Financial Statements

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

Mel

Effective August 27, 1999, Nuinsco Resources Limited (“Nuinsco”) (the predecessor entity of Victory Nickel) entered into an option agreement (the “Agreement”) with Inco Limited (predecessor to CVRD Inco Limited, now Vale) for the exploration and development of Vale’s Mel properties (the “Mel Properties”) located in the Thompson area of northern Manitoba. Pursuant to the Agreement, sufficient expenditures have been incurred to earn a 100% interest in the Mel Properties, and in 2007 the Company exercised its option to acquire such interest. Vale had the right to earn back a 51% interest by incurring expenditures of \$6,000,000 over a four-year period. On September 14, 2010, Vale notified the Company that it will not exercise this back-in right. 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.

Also under the Agreement, 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).

In the first quarter of 2011, the Company completed a drilling program at Mel which had positive results. The Mel dataset is currently being vetted and updated. Following completion of this work, additional modelling of the resource is contemplated.

Wakami, Lar and Wellmet Projects

The Company has incurred minimal expenditures on these properties in 2012 and 2011.

Impairment

Pre-E&E (project generation) costs and/or E&E costs relating to discontinued projects in the amounts of \$nil were provided for through operations as *Writedown of exploration and evaluation projects* in the statement of operations during the three months ended March 31, 2012 and 2011.

13. TRADE AND OTHER PAYABLES

	<i>Notes</i>	March 31, 2012	December 31, 2011
Trade payables			
Mine property and development project	11	\$ 876	\$ 158
Exploration and evaluation projects	12	6	12
Non-project related		112	20
Accrued liabilities			
Mine property and development project	11	-	12
Exploration and evaluation projects	12	-	14
Non-project related	19	77	89
Other payables		15	17
Flow-through premium liability (see table below)		-	-
		\$ 1,086	\$ 322

The following table shows the transactions and balances of the flow-through premium liability:

	March 31, 2012	December 31, 2011
Balance as at beginning of period	\$ -	\$ -
Flow-through premium from financing - May, 2011	-	87
Flow-through premium adjusted through finance income	-	(87)
	\$ -	\$ -

Notes to the Financial Statements

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

14. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares.

Number of shares issued and outstanding

There were no common shares issued during the three months ended March 31, 2012.

Share Incentive Plan

The Company has a Share Incentive Plan which includes both a Share Purchase Plan and a Share Bonus Plan. Both are described fully in the Company's 2011 Audited Financial Statements.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan which is described fully in the Company's 2011 Audited Financial Statements.

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

AOCI is comprised of the following separate components of equity:

Net change of financial assets at fair value through OCI

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

Income tax on other comprehensive income

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

15. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings per share ("EPS") for the three months ended March 31, 2012 is based on the income attributable to common shareholders of \$467,000 (March 31, 2011 – income of \$301,000) and, a weighted average number of common shares outstanding of 395,807,000 (March 31, 2011 – 385,185,000) or after adjustment for the effects of all dilutive potential common shares of 397,030,000 (March 31, 2011 – 387,819,000).

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

Weighted Average Number of Common Shares Basic and Diluted

	Three months ended March 31,	
	2012	2011
Balance as at beginning of period	395,807,000	380,026,000
Effect of shares issued	-	4,500,000
Effect of warrants exercised	-	659,000
Weighted average number of common shares as at end of period - Basic	395,807,000	385,185,000
Effect of options granted and outstanding	1,223,000	2,634,000
Weighted average number of common shares as at end of period - Diluted	397,030,000	387,819,000

For the three months ended March 31, 2012, 21,091,000 options and 4,805,000 warrants (March 31, 2011 – 22,639,000 and 34,453,000 warrants) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the respective periods during which the options were outstanding.



Notes to the Financial Statements

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

16. SHARE-BASED PAYMENTS

Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are described in Note 17 to the Company's 2011 Audited Financial Statements.

Stock Option Plan (equity-settled)

As at March 31, 2012, the Company had 37,057,000 common shares available for the granting of future options (December 31, 2011 – 32,296,000). Options are exercisable at the closing market price of the shares at the date prior to grant. The Company does not have any cash-settled transactions.

Share purchase warrants (equity-settled)

Outstanding warrants as at March 31, 2012 consists of warrants issued pursuant to the private placements completed during 2011. The Company does not have any cash-settled transactions.

Share Bonus Plan

The terms of the Share Bonus Plan are set out in Note 15 to the Company's 2011 Audited Financial Statements.

Terms and Conditions of Share-based Payment Arrangements

Stock Option Plan and Share purchase warrants

The terms and conditions relating to the grants of the Company's Stock Option Plan and share purchase warrants are set out in Note 17 to the Company's 2011 Audited Financial Statements.

Disclosure of Share-based Payment Arrangements

Stock Option Plan

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

	Number of options		Weighted average exercise price	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Outstanding as at beginning of period	27,074,736	25,402,248	\$ 0.28	\$ 0.30
Granted	-	4,335,000	-	\$ 0.11
Exercised	-	(300,000)	-	\$ 0.05
Expired	(4,760,736)	(2,362,512)	\$ 0.71	\$ 0.24
Outstanding as at end of period	22,314,000	27,074,736	\$ 0.18	\$ 0.28
Exercisable as at end of period	21,571,500	26,332,236	\$ 0.19	\$ 0.28

For options exercised during 2011, the weighted average share price at the date of exercise was \$0.09.

Range of exercise prices	Number of options outstanding		Weighted average remaining contractual life (years)	
	March 31, 2011	December 31, 2011	March 31, 2011	December 31, 2011
\$0.03 to \$0.05	4,265,000	4,265,000	1.83	2.08
\$0.06 to \$0.14	5,585,000	5,585,000	3.46	3.71
\$0.15 to \$0.16	5,490,000	5,490,000	2.76	3.01
\$0.17 to \$0.25	1,593,750	1,593,750	1.82	2.07
\$0.26 to \$0.32	2,956,250	2,956,250	1.09	1.34
\$0.33 to \$0.50	2,074,000	2,074,000	0.91	1.16
\$0.51 to \$0.64	50,000	2,850,000	0.50	0.19
\$0.65 to \$0.82	300,000	2,260,736	0.11	0.20
	22,314,000	27,074,736	2.26	2.10

Notes to the Financial Statements

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

There were no options granted in the three months ended March 31, 2012. For options granted during 2011, the weighted average fair value at the date of grant was \$0.074. A total of 4,335,000 options were granted during 2011 to key management personnel, employees and consultants. The vesting of options resulted in share-based payment expense of \$14,000 in the three months ended March 31, 2012 (March 31, 2011 - \$2,000). Of the 22,314,000 options outstanding at March 31, 2012, 742,500 are subject to vesting during the same year (at December 31, 2011 – 27,074,736 were outstanding of which 742,500 were subject to vesting in the following year). The aggregate fair value of these unvested options not yet charged to operations is \$6,000 (unvested options outstanding as at December 31, 2011 - \$20,000).

Share purchase warrants

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

	Date Issued	Life ^(a)	Number of warrants		Weighted average exercise price	
			March 31,	December 31,	March 31,	December 31,
			2012	2011	2012	2011
Issued pursuant to private placements						
Unit warrants	January 10, 2011	12	2,500,000	2,500,000	\$ 0.140	\$ 0.140
	Expired		(2,500,000)			
Unit warrants	May 25, 2011	18	4,347,826	4,347,826	\$ 0.150	\$ 0.150
Finder's warrants	May 25, 2011	18	456,960	456,960	\$ 0.150	\$ 0.150
Outstanding as at end of period			4,804,786	7,304,786	\$ 0.147	\$ 0.147

(a) The life of warrants is shown in number of months from issue date.

Inputs for Measurement of Grant Date Fair Values

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

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

	Options		Warrants	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Fair values at grant dates	n/a	\$0.070 and \$0.077	n/a	\$0.011 and \$0.019
Share prices at grant dates	n/a	\$0.10 and \$0.11	n/a	\$0.100
Fair values of options modified	n/a	\$0.00 to \$0.07	n/a	n/a
Assumptions				
Exercise prices	n/a	\$0.05 to \$0.64	n/a	\$0.14 and \$0.15
Expected volatilities	n/a	42% to 106%	n/a	56% and 65%
Life (years)	n/a	1.3 to 4.7	n/a	1 and 1.5
Expected dividends	n/a	-	n/a	-
Risk-free interest rate	n/a	0.95% to 2.22%	n/a	1.57% and 1.69%

Notes to the Financial Statements

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

17. FINANCE INCOME AND FINANCE COSTS

	Three months ended March 31,	
	2012	2011
Interest income on bank deposits	\$ 1	\$ 1
Net foreign exchange gain	-	1
Finance income	1	2
Net change in fair value of financial assets at fair value through operations	(3)	(97)
Net foreign exchange loss	(2)	-
Finance costs	(5)	(97)
Net Finance Costs	\$ (4)	\$ (95)

18. OPERATING SEGMENT

Reporting Segment

The Company is engaged in the exploration, evaluation and development of properties for the mining and production of nickel. The Company does not have formal operating segments and does not yet have operating revenues, products, processes or customers. The corporate office operates to support the Company's projects and receives administrative support from Nuinsco (Note 19) to do so. The projects are all located in Canada. Senior management makes decisions by considering exploration potential and results on a project basis. Any applicable amounts relating to projects are capitalized to the relevant project as either *Exploration and evaluation projects* or *Mine property and development project* on the balance sheet.

Geographical Information

	March 31, 2012	December 31, 2011
Canada		
Corporate	\$ 4,503	\$ 4,306
Lac Rocher	7,271	7,254
Lynn Lake	-	-
Mel	7,342	7,323
Minago	36,914	35,571
Total Assets	\$ 56,030	\$ 54,454

Revenues in each period are wholly attributable to the corporate office. There have been no changes in the reportable segment or the treatment of segmented assets and revenues year-over-year.

19. RELATED PARTIES & MANAGEMENT AGREEMENT

Transactions and Balances with Nuinsco and Related Parties

The Company shares management, administrative assistance and facilities with Nuinsco pursuant to a management agreement. The costs charged by Nuinsco are recorded at the cost to Nuinsco of such services plus 10 per cent. The management agreement commenced February 1, 2007 and is terminable by the Company upon 180 days notice and by Nuinsco upon 90 days notice.

Balances and transactions with Nuinsco and related parties are shown in the following tables:

	March 31, 2012	December 31, 2011
Balances Outstanding		
Receivable from Nuinsco Resources Limited	\$ 39	\$ 20
Payable to key management personnel	\$ 59	\$ 47

Notes to the Financial Statements

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

	Three months ended March 31,	
	2012	2011
Overhead charges from Nuinsco Resources Limited	\$ 214	\$ 197
Overhead charges to Nuinsco Resources Limited	\$ 7	\$ -
Project costs charged to Nuinsco Resources Limited	\$ 9	\$ 7
Project recoveries charged by Nuinsco Resources Limited	\$ 5	\$ 16

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

Transactions with Key Management Personnel

Short-term employee benefits provided by the Company include salaries, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue options and shares as part of the Stock Option Plan and Share Bonus Plan (Notes 16 and 14).

Key management personnel compensation comprised:

	Three months ended March 31,	
	2012	2011
Short-term employee benefits	\$ 221	\$ 223
	\$ 221	\$ 223

There were no outstanding balances as at March 31, 2012 and December 31, 2011 relating to key management personnel except as included in the tables above.

20. COMMITMENTS

Flow-through Commitment

As at December 31, 2011, the Company had fulfilled its flow-through commitment from the financing in May, 2011. There were no flow-through financings during 2012.

Transformer Equipment

On May 10, 2010, the Company entered into an agreement to purchase equipment for the Minago project. The total price is US\$2,840,000 with the balance due prior to shipping. The Company has made aggregate deposits of \$1,284,000 as at March 31, 2012.



VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2012

DATED MAY 14, 2012

VICTORY NICKEL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three Months ended March 31, 2012

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 14, 2012 consolidates management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2012, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited condensed financial statements for the three months ended March 31, 2012 ("Unaudited Condensed Financial Statements") and the notes thereto.

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

Readers are also encouraged to consult the audited financial statements for the years ended December 31, 2011 and 2010 ("2011 Audited Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). The Unaudited Condensed Financial Statements and the 2011 Audited Financial Statements are available at www.sedar.com and at the Company's website www.victorynickel.ca. All amounts disclosed are in Canadian dollars unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

COMPANY OVERVIEW

Victory Nickel is a Canadian exploration and development-stage mineral resource company and is engaged in the acquisition, exploration, evaluation and development of nickel projects in Canada.

Formed on February 1, 2007, Victory Nickel owns 100% of four advanced sulphide nickel projects: the Minago, Lynn Lake (under option with Prophecy Coal Corp. ("Prophecy Coal" – formerly Prophecy Resource Corp.)) and Mel projects in Manitoba and the Lac Rocher project in Québec. The results of a feasibility study on the Minago Project ("FS") were announced in December 2009, the Environmental Impact Study ("EIS") was filed in May 2010 with subsequent improvements to the project announced in June 2010 and July 2011. Receipt of the Environmental Act Licence ("EAL") was announced in August 2011. A preliminary economic assessment of Lac Rocher (Lac Rocher "PEA") was announced in November 2008 indicating that a nickel price in excess of US\$10 per pound is necessary to make the project economic. At the Mel project, now 100%-owned, baseline studies are ongoing in preparation of information which will be required for environmental permitting to advance the Mel project.

Option of Lynn Lake Property

On October 21, 2009, the Company announced that it had optioned its Lynn Lake property ("Lynn Lake") to Prophecy Coal. In 2011, the agreement, with the consent of Victory Nickel, was assigned to Prophecy Platinum Corp. (Prophecy Platinum) pursuant to a corporate transaction between Prophecy Coal and Prophecy Platinum. The terms of the agreement wherein Prophecy Coal can acquire a 100% interest in Lynn Lake are outlined in Note 12 to the Unaudited Condensed Financial Statements.

In accordance with the contract, the Company received its scheduled amount of \$1,000,000 due by March 1, 2012. The final payment of \$1,000,000 is due by March 1 of 2013. Failure on the part of Prophecy Platinum to meet any of the terms and failure of Prophecy Coal to remedy any such deficiency will result in cancellation of the option and Lynn Lake will revert to the Company. The Company has no reason to believe that Prophecy Platinum will not meet its payment schedule and accordingly expect the property to be transferred at that time.

HIGHLIGHTS

During and subsequent to the three months ended March 31, 2012, the Company:

Corporate

- Participated in Vancouver Resource Investment Conference.
- Participated in PDAC 2012 International Convention
- Completed road show meetings with potential financiers and investors.



Minago

- Completed 3,500m of diamond drilling at Minago.
- Received a blanket one-year work permit which will eliminate delays in the receipt of individual permits.
- Initiated a new metallurgical study to improve concentrate grade and quality.
- Evaluated relocation of certain infrastructure components at the Minago site in an effort to enhance accessibility and reduce capital costs.
- Identified additional potential savings on overburden removal.
- Announced drilling nickel-bearing area south of Minago sulphide nickel deposit.

OUTLOOK

Victory Nickel has achieved many major milestones, as described below, since it was created in February 2007. After Nuinsco Resources Limited ("Nuinsco") completed a PEA on its Minago project ("Minago PEA") in November 2006, the Company was created and distributed to Nuinsco shareholders. The economic results of the Minago PEA prepared by Nuinsco were sufficiently robust to justify the preparation of a FS. Although the Minago PEA was prepared based on the mining of resources not only from an open pit but also from underground, under the rules for preparation of feasibility studies, only measured and indicated resources can be included and, as such, the FS could only be based on the open pit portion of the resource. The decision was made to proceed with the FS without the underground portion as it would have been too costly and time consuming to complete the drilling required to upgrade the inferred resource at depth into the measured and indicated categories for use in the FS. As it turns out, this was the right decision as the open pit portion has proven to be adequate to produce a positive FS. The underground portion is there for the future and will add to the mine life at Minago. The North Limb is also turning out to be very promising for extending the mine life.

In December 2009, another milestone was achieved. The FS was completed showing very positive results indicating that the Minago project should be advanced. The next major step on the road to development was the preparation of the EIS. The preparation of this major study was a significant effort and in May 2010, the EIS was filed - another major milestone.

The Company took the concerns of all stakeholders into consideration when preparing the EIS. Numerous meetings with the federal and provincial governments and agencies, the First Nations and the Métis communities took place and on August 3, 2011, the Manitoba Government issued Victory Nickel's final EAL for the Minago project. Receiving the EAL is the most significant milestone achieved so far. It means that Victory Nickel is one of the few companies to have successfully permitted a green-fields hard-rock mining project in Canada in many years. This licence allows us to move ahead with the development of this outstanding project.

With the EAL in hand, in September, 2011, the board of directors approved Minago development and has charged management with the challenge of financing the project to development and production. One of the conditions is that the financing structure keeps shareholder dilution to a minimum.

This effort is now in full swing and discussions with potential financiers and joint venture partners are advancing. The pre-production capital cost to bring the Minago mine to production is in the range of \$550-600 million over a three to four year period. The first year's initial requirement in the Base Case scenario FS is in the range of \$75-100 million excluding any cost associated with ordering long lead time equipment. This amount will provide the funds necessary to remove the surface water, install pumps, prepare the camp, bring Manitoba Hydro electricity to the site, remove the top layer of overburden comprising 11 million tonnes of muskeg and clay and begin detailed engineering. Electricity from Manitoba Hydro is approximately one sixth the cost of diesel generated power so it is important to bring it in as early as possible. Discussions with equipment providers to structure a lease or other financing arrangements have been successful and, at the necessary time, management is confident that a leasing arrangement can be completed which will fund approximately \$100 million of mobile equipment.

The objective was to get the first year's requirement funded in time to start removal of the overburden during the 2011/2012 winter. Unfortunately, due to market conditions, the Company has not yet been able to obtain the necessary funding. This is not to say that progress has not been made over the last quarter. Management has received, and continues to receive, serious expressions of interest but the uncertainty in the financial and equity markets is delaying decisions by potential investors and joint venture partners.

This is a lot to take on for a junior company such as ours, especially in the current confused market environment. However, management always believed that the key to kick-starting the process is to bring in a joint venture partner such as Duluth Metals Limited did with Antofagasta plc and as Aur Resources Inc. did when Teck Cominco Ltd. stepped up to act as guarantor for bank financing for developing its share of the Louvicourt deposit back in the early '90s. Aur went on to become a significant mining company after receiving this kick-start. These are only two of many such examples.

Other milestones achieved include the optimization of the FS in June 2010 and again, more recently with the announcement that, as the result of the 2010 drilling program, a 24% increase in the in-pit resources of the open pit nickel mine increased the mine life to 8.6 years from 7 years.

The significance of the increased in-pit resource is not only the resulting increase in base case undiscounted value by \$360 million (\$143 million at an 8% discount rate) but the longer life of the pit provides what is known as the reserve tail which lending institutions require if they are to provide debt. This is very significant.

The 2011 drill program also identified additional mineralization to the west of the current pit limit. This is very positive and could result in identifying additional resources. In addition to the increased resource in the pit shell, the Company announced that drilling in the North Limb provided sufficient data for the calculation of an ETMI of 21 to 34 million tonnes. This, along with approximately 30 million tonnes of inferred resources already delineated in the underground beneath the pit, bodes well for additional mine life and long-term production at Minago.

Pit Optimization

- 1) Optimization efforts continue with a new metallurgical study aimed at not only improving the concentrate grade but also the quality of the concentrate. This will expand our markets and hopefully bring better smelter terms.
- 2) Efforts to identify used equipment to bring down the upfront capital costs will continue and indications are that there is substantial high-quality used equipment available to suit our needs.
- 3) The positive developments in the North Limb have necessitated a reassessment of the location of various infrastructures and additional condemnation drilling is currently ongoing to identify the most suitable locations.
- 4) The acquisition of properties that has expanded the Minago land package to the west provides a better location for the tailings facility at a significantly lower cost than originally thought. The relocation of the tailings impoundment facility is being engineered and priced.
- 5) A recent overburden characterization program over the pit area indicates that muskeg and clay overburden will be reduced by 18.5% from the FS results and will bring estimated savings of \$5.6 million.
- 6) The overburden test pitting and drilling also showed that there are no soft clays as previously predicted in the FS. This will change the overburden removal from dredging to mechanical excavation, a more economic method of removal.
- 7) A test drainage ditch from the centre of the proposed pit is performing better than expected and demonstrates that the muskeg can be drained in a cost-effective manner. This also established that year-round construction will be feasible where previous predictions from the FS indicated that construction activities would only be feasible during the winter season. This is very good news.
- 8) The Manitoba Government issued a blanket Work Permit which covers all work on the project for a full year. This will eliminate delays in applying for individual permits.

Frac Sand

We shouldn't forget the very significant co-product of frac sand. Although the frac sand will be mined during the first three years, the FS assumed that it will only be sold over a ten-year period. The recent growth in the frac sand market suggests that this assumption is very conservative. This market continues to expand and recent discussions with a frac sand consultant indicate that, if Minago was in production, Victory Nickel would sell all the frac sand it could produce. In a recent transaction, Preferred Sands purchased the assets of Winn Bay Sand, including its Hanson Lake frac sand mine in Saskatchewan for \$200 million. Winn Bay is on the same geological structure as Minago, just a bit farther north. To Victory Nickel, this is an indication of the attractiveness and value of its Minago sand deposit.

It should also be noted that the FS includes only the 15 million tonnes of sand within the pit footprint. This represents only a fraction of the overall sand resource which covers the entire property. Within the quarry licence, we can identify 75 million tonnes and a virtually unlimited amount on the property in general.

There has recently been a lot of attention paid in the media to the pros and cons of hydraulic fracturing ("fracking"). There is concern that the fracking process may cause unintended environmental consequences including groundwater issues

and seismic events. The industry, governments and NGOs are studying these and other issues, and efforts are underway by the fracking and oil & gas industries to educate the public on the fracking process and to clarify any perceived or actual risks. The UK has recently declared fracking a safe activity and has allowed fracking to resume.

Victory Nickel is a Canadian company with four sulphide nickel projects containing significant NI 43-101-compliant nickel resources. The projects are all located in Canada in advantageous locations: close to highways and rail, low cost power and metallurgical facilities. They are not in the hinterland requiring significant infrastructure to develop.

The Minago project has become the focus of our efforts. However, management is continuing the work required to obtain permits for the Mel Project in Manitoba and the Lac Rocher project in Québec. Prophecy Platinum Corp. continues to fulfil its obligations under the option agreement on Lynn Lake.

Management is focused on financing and developing Minago as quickly as possible and is exploring all options in order to realize the substantial value of this large, permitted sulphide nickel resource for shareholders in the least dilutive manner possible.

RESULTS OF OPERATIONS

Three months Ended March 31, 2012 Compared With Three Months Ended March 31, 2011

For the three months ended March 31, 2012, the Company had a net profit of \$467,000, or \$0.00 per share, (March 31, 2011 – net profit of \$301,000, or \$0.00 per share).

The results are mainly a function of general and administrative expenses of \$435,000 (March 31, 2011 - \$379,000), offset by a \$1,000,000 recovery (March 31, 2011 - \$599,000) with respect to the Lynn Lake property as a result of option amounts received in excess of the recorded value of the property. Results in the three months ended March 31, 2012 also include an income tax expense of \$76,000 (March 31, 2011 – recovery of \$180,000).

General and administrative expenses increased by \$56,000, to \$435,000 from \$379,000, for the three months ended March 31, 2012 and 2011, respectively. Expenses that increased in 2012 from 2011 included directors' fees and costs charged by Nuinsco as described below as well as convention costs; these expense increases were partially offset by decreased investor and public relations costs. Furthermore, in 2011, a refund for Part XII tax was received in relation to flow-through financing completed during 2008; no such refund was received in 2012.

General and administrative expenses include \$214,000 in costs charged by Nuinsco for administrative services, partly offset by \$7,000 charged to Nuinsco by Victory as described under transactions with related parties and management agreement below (March 31, 2011 - \$197,000 and \$nil, respectively). Costs allocated from Nuinsco pursuant to the management agreement are activity related; the increase in costs is primarily a result of decreased people costs allocated under the agreement, but increased overheads due to general cost increases at Nuinsco (primarily office costs due to increased space). This arrangement allows the Company to have access to disciplines which would otherwise be cost-prohibitive to a junior company.

The costs of public company compliance for Victory Nickel for the three months ended March 31, 2012 are approximately \$229,000, compared with \$232,000 in the three months ended March 31, 2011. Such costs are non-discretionary and are generally weighted to the beginning of a financial year because of audit and other compliance requirements.

In the three months ended March 31, 2012, the Company received additional consideration from the Lynn Lake option with Prophecy Platinum in the form of \$1,000,000 cash as noted above (March 31, 2011 - \$600,000). In accordance with GAAP, the fair value of such consideration is deducted from the value of the property until it reaches \$nil. Any excess of consideration over the recorded value is treated as a recovery of exploration and evaluation project and recorded through operations. Accordingly, the Company recorded a net recovery of \$1,000,000 through operations in the three months ended March 31, 2012 (March 31, 2011 - \$599,000). The Company had received an advance in June 2010 of \$400,000 of its option payments otherwise due in the first quarter of 2011; thus, the remaining amount due was the reduced amount of \$600,000 which was duly received in accordance with the timing in the option agreement.

Management determined that no significant events had been experienced during 2012 that would prompt impairment of its Exploration and evaluation ("E&E") projects or on its Mine property and development ("MP&D") project. This conclusion is summarized under Impairment Analysis Update below. The Company received a favourable FS on its Minago project and is presently reviewing alternative financing opportunities to advance development of the project as well as opportunities to

optimize the FS itself. Drilling to upgrade and increase resources was completed in the first quarter of 2011 and the Company received its EAL during the year, which is the key step towards developing Minago. Drilling has been completed in 2012.

For the three months ended March 31, 2012, net finance costs were \$4,000 (March 31, 2011 – \$95,000). The decrease in finance costs over the comparative period is due to the reduced decline in the net change in the fair value of warrants being \$3,000 in the three months ended March 31, 2012 (March 31, 2011 - \$97,000). The assumptions used in determining the fair value of the warrants are included in Note 9 to the Unaudited Condensed Financial Statements. The main reason for the decline in fair value as at March 31, 2012 is the fact that the warrants are scheduled to expire on April 21, 2012. Note that, effective April 5, 2012, the issuer extended the expiry date by a year. Since the effective date of this was after the financial period end, the impact of this on the parameters used in the valuation of the warrants will be amended for reporting in the second quarter.

It is important to note that any future changes in the value of the shares will be reflected through other comprehensive income (“OCI”) and changes in the value of warrants until their exercise or expiry will be reflected through operations in finance income or costs as appropriate. Given the high level of volatility being experienced in the marketplace, such changes could be, and indeed, have been, significant.

The Company believes that it is more-likely-than-not that the benefit associated with certain of the losses and costs creating future income tax assets will be realized prior to their expiry. Accordingly, the Company may record periodic future income tax recoveries. In the three months ended March 31, 2012, the Company recorded an income tax expense of \$76,000 (March 31, 2011 – a recovery of \$180,000).

OCI in the three months ended March 31, 2012 relates to an increase of \$222,000 (March 31, 2011 – \$5,000) in the market value of the Company’s financial assets at fair value through OCI net of income tax expense recorded through OCI of \$34,000 (March 31, 2011 – \$1,000). These changes are a result of net market value increases in marketable securities.

The changes in other balances not specifically addressed in other sections of this MD&A are as follows:

Receivables increased by \$150,000 from December 31, 2011, primarily due to an increase in the HST/GST refund receivable as a result of expenditures on the drilling program at Minago during the three months ended March 31, 2012 and a government grant of \$50,000 receivable from the Ministry of Finance in Manitoba. The grant was received in April 2012. The HST/GST refund outstanding was received in May 2012.

Marketable securities as at March 31, 2012 consist of the Company’s financial assets at fair value through OCI and operations; the Company’s investment in shares is at fair value through OCI and the investment in warrants is at fair value through operations. Accordingly, any volatility in the market price of warrants will impact the statement of operations but changes in the market value of shares will be recorded through OCI whether generated from sales or unrealized market changes. Marketable securities decreased by \$163,000 from December 31, 2011 mainly as a result of sales and partly offset by the increase in market prices. The Company generated \$415,000 in the first quarter of 2012 from sales of marketable securities.

Property and equipment increased from December 31, 2011 mainly as a result of deposits of \$150,000 made during the three months ended March 31, 2012 relating to the purchase of transformers and other electrical equipment for the Minago project. The total price is US\$2,840,000 with the full remaining balance due prior to shipping. The Company has paid an aggregate of \$1,284,000 since 2010.

Trade and other payables consist primarily of project-related expenditures. The balance increased by \$746,000 when compared with December 31, 2011 primarily due to the timing of project-related expenditures – there was significant project activity at Minago around the end of the first quarter of 2012. Project expenditures are described in Mine Property and Development Activities and Exploration and Evaluation Activities below.

The deferred tax liability balance amounts to \$2,811,000 as at March 31, 2012 compared with \$2,702,000 as at December 31, 2011. The main components of the balance relate to the tax effects of E&E projects and the MP&D project, partly offset by the tax value of net operating tax losses carried forward.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last nine quarters ended March 31, 2012 is as follows:

<u>Fiscal year 2012</u>		<u>1st Quarter</u>			
Net finance costs					\$ (4)
Net profit					\$ 467 ⁽¹⁾
Total comprehensive income					\$ 689 ⁽²⁾
Income per share - basic and diluted					\$ 0.00
<u>Fiscal year 2011</u>		<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u>
Net finance (costs) income		\$ (46)	\$ 82	\$ (62)	\$ (95)
Net (loss) profit		\$ (328)	\$ (605) ⁽³⁾	\$ (505) ⁽⁵⁾	\$ 301
Total comprehensive (loss) income		\$ (652)	\$ 307 ⁽⁴⁾	\$ (2,795) ⁽⁶⁾	\$ 306
(Loss) income per share - basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00
<u>Fiscal year 2010</u>		<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u>
Net finance income		\$ 232 ⁽⁷⁾	\$ 58	\$ 1,140 ⁽⁹⁾	\$ 459 ⁽¹²⁾
Net income (loss)		\$ 27	\$ (299)	\$ 859 ⁽¹⁰⁾	\$ (333)
Total comprehensive income (loss)		\$ 4,619 ⁽⁸⁾	\$ (234)	\$ (2,180) ⁽¹¹⁾	\$ 1,170 ⁽¹³⁾
Income (loss) per share - basic and diluted		\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)

(1) Net profit for the period includes \$1,000,000 recovery on the Lynn Lake option with Prophecy Platinum.

(2) Total comprehensive income for the period includes the recovery noted above as well as \$222,000 net after-tax improvement in the market value of securities.

(3) Net loss for the period includes \$186,000 for share-based payments and \$97,000 for bonus expense.

(4) Comprehensive income for the period includes \$1,054,000 OCI related to the increase in the market value of the Company's financial assets at fair value through OCI, partly offset by income taxes of \$142,000.

(5) Net income for the period includes share-based payments of \$140,000 for options granted and vesting in the period.

(6) Comprehensive loss for the period includes \$2,648,000 OCI related to the decrease in market value of the Company's financial assets at fair value through OCI, offset by income taxes of \$358,000.

(7) Finance income for the period includes a net change in fair value of financial assets through operations of \$231,000.

(8) Comprehensive income for the period includes \$5,189,000 OCI related to the increase in market value of the Company's financial assets at fair value through OCI, offset by income taxes of \$597,000.

(9) Finance income for the period includes a net change in fair value of financial assets through operations of \$807,000 and a flow-through premium recorded through operations of \$331,000.

(10) Net income for the period includes \$685,000 recovery on the Lynn Lake option with Prophecy Platinum.

(11) Comprehensive loss for the period includes \$3,229,000 decline in market values of the Company's financial assets at fair value through OCI, offset by income tax recoveries of \$209,000.

(12) Finance income for the period includes a net change in the fair value of financial assets through operations of \$282,000 and a flow-through premium recorded through operations of \$171,000.

(13) Comprehensive income for the period includes \$1,712,000 increase in market value of the Company's financial assets at fair value through OCI, offset by income taxes of \$209,000.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2012, the Company had working capital, including cash and cash equivalents and marketable securities, of \$1,994,000 (December 31, 2011 - \$2,707,000). The Company sold a portion of its marketable securities in the three months ended March 31, 2012, as described below. Cash equivalents as at March 31, 2012 and December 31, 2011 were held with major Canadian banks. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board. Marketable securities are available for sale for liquidity purposes, as the Company requires, providing funds for its operations and exploration, evaluation and development activities. The Company sold marketable securities for proceeds of \$415,000 during the three months ended March 31, 2012 (March 31, 2011 - \$946,000) and continues to do so.

For the three months ended March 31, 2012, the Company used cash in operating activities of \$508,000 (March 31, 2011 - \$429,000). As the Company is in the exploration, evaluation and development stage, there are no revenues to recover expenses and the operating activities represent the corporate and administrative costs incurred mostly to maintain a public company. The Company estimates that such costs in first quarter of 2012 amounted to \$229,000. Many of these

costs are incurred in the early part of the year. In 2011, such costs were approximately \$815,000 for the year, calculated on a comparable basis. Consequently, the Company's liquidity is reduced unless and until there are financing activities or sales of assets to provide funds. Note that the costs cited above do not include the costs of financing arrangements which are deducted directly from equity. Costs incurred to advance the Company's projects are capitalized, as summarized below under the discussion of investing activities.

During the three months ended March 31, 2012, net cash generated by investing activities was \$572,000, compared with cash used of \$122,000 in the prior comparable period. Aggregate amounts of \$56,000 and \$637,000 were used to advance E&E projects and the MP&D project, respectively, during the three months ended March 31, 2012 (March 31, 2011 - \$1,454,000 and \$nil). Effective September, 2011, the Board of Directors approved the development of the Minago mine and, accordingly, the Company transferred its Minago project from E&E to MP&D assets.

In February, 2011, the Company exercised certain warrants for cash of \$114,000, thereby reclassifying the amount previously in financial assets at fair value through operations to OCI. During the three months ended March 31, 2012, the Company sold shares for aggregate proceeds of \$415,000 (March 31, 2011 - \$946,000). Funds of \$1,000,000 were received with respect to the option agreement with Prophecy Coal for the Lynn Lake property (March 31, 2011 - \$600,000) as described earlier.

The Company made deposits of \$150,000 in the three months ended March 31, 2012 under an agreement to purchase transformers and other electrical equipment at an aggregate cost of US\$2,840,000 (March 31, 2011 - \$100,000). The balance is due prior to shipping.

There were no financing activities during the three months ended March 31, 2012. Financing activities during the three months ended March 31, 2011, and described below, generated net proceeds of \$614,000, after cash-settled share issue costs of approximately \$4,000.

In January, 2011, the Company issued 5,000,000 units at a price of \$0.10 per unit generating gross proceeds of \$500,000. Each unit comprises one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.14 for a period of 12 months from closing. These warrants expired unexercised in January 2012.

In addition, 988,385 warrants were exercised during the three months ended March 31, 2011 that were issued pursuant to the rights offering in August 2009 at an exercise price of \$0.12 per share for aggregate consideration of approximately \$118,000.

There were no flow-through financings completed during the three months ended March 31, 2012 and 2011. However, flow-through financings do not provide the funding necessary to meet corporate expenditures which do not qualify for flow-through eligibility. The significant cost to maintain and comply with regulatory requirements for the Company's public listing cannot be financed with flow-through shares. Proceeds from the Company's warrants and non-flow-through financings are "hard" dollars and can be utilized without restriction.

These activities provided cash and cash equivalents of \$64,000 during the three months ended March 31, 2012, compared with \$63,000 during the three months ended March 31, 2011.

As at December 31, 2011, the Company had fulfilled its flow-through commitment that would have been required to be satisfied by December 31, 2012. Since there were no flow-through financings completed during 2012, there is no flow-through commitment outstanding for Victory Nickel as at March 31, 2012.

As described above, exploration, evaluation and development companies such as Victory Nickel are heavily reliant upon the equity markets to fund their activities as they have no short-term sources of revenue other than through monetization of assets. Opportunities available to Victory Nickel for financing would normally be through private placements in the equity markets. Despite experiencing some improvements during 2011, circumstances have toughened recently and today's equity markets continue to make this alternative difficult if not impossible without incurring significant dilution to existing shareholders. For this reason, the Company has recently chosen to liquidate portions of its securities holdings rather than raise equity financing. However, the results of this are also dependent upon market conditions which are outside the control of the Company, and market circumstances have also impacted the Company's investees. The Company will continue to balance its financing choices as a function of availability and market activity. During 2011, the

Company took advantage of market activity to dispose of marketable securities at opportune pricing. Such opportunities have all but disappeared, however, the Company may be forced to liquidate securities to maintain liquidity.

The Company will continue to consider all financing alternatives given appropriate pricing and other market conditions to advance its projects. The optioning of the Lynn Lake property is one way in which a corporate transaction to generate cash can be structured to add value for shareholders while maintaining participation in the upside in the subject property. The Company received its scheduled amount of \$1,000,000 that was due by March 1, 2012 and expects to receive the remaining amount of \$1,000,000 by March 1, 2013, in accordance with the Lynn Lake option agreement.

As at May 14, 2012, the aggregate market value of the Company's marketable securities held in public company shares is approximately \$1,417,000. The market value of such shares may go up or down.

As at March 31, 2012, the Company had warrants outstanding and options outstanding which could bring in additional cash funds of approximately \$4,737,000. Most of those instruments are presently not "in-the-money" however.

Despite recent improvements, the equity markets continue to be volatile and it is uncertain how future financing initiatives will be received, what the future market value of securities will be and how successful liquidity efforts will be in generating cash to finance activities. In particular, the financing required for the Minago project is considerable.

The Company has good title to its projects and will continue to maintain the projects in good standing. Prophecy Platinum has expenditure commitments to meet on the Lynn Lake project as described earlier which mitigates the pressure on the Company to do so and maintains ongoing investment in the property. In the option to Prophecy Resource, (now Prophecy Coal) and its assignment to Prophecy Platinum, Victory Nickel made provisions to ensure that any failure on the part of Prophecy Platinum (or Prophecy Coal should Prophecy Platinum not comply) to meet the contractual commitments would result in the Lynn Lake property reverting to full ownership by Victory Nickel. The Company expects the option terms to be fulfilled and for the ownership of Lynn Lake to be transferred to Prophecy Platinum.

The Company's working capital requirements continue to be modest. As at March 31, 2012, the major item requiring financing was an HST/GST refund receivable of \$107,000, which was received in May 2012. The HST/GST refund receivable is a function of project activity and averaged approximately \$119,000 in 2011. Monthly average administrative costs for 2012 are budgeted at \$160,000, most of which are incurred to meet statutory requirements; actual monthly costs to date are \$144,000. The Company continues to have amounts owing to fulfil the electrical equipment purchases initiated during 2010.

In addition to current cash resources and expected inflows as described, the Company has non-core liquid assets which can be liquidated to support core activities. However, it will monitor its activities closely and continue to spend wisely until additional financing is available. The Company continues to monitor operating costs; Victory Nickel and Nuinsco did not implement an across-the-board salary increase for 2012; executive salaries for both companies remained at 2011 levels.

Results from the 2010 drilling program have been added to the resource and reserve models to determine whether resources and reserves can be upgraded at the Minago project which is now classified as *Mine property and development project* on the Consolidated Balance Sheet. This exercise resulted in the Company's announcement in 2011 of a 24% increase in the pit-constrained measured and indicated resource. Results from the FS continue to be optimized with respect to capital cost reductions and other enhancements and further potential improvements, including the incorporation of 2011 drill results for additional improvement in resources, are being evaluated on an ongoing basis. Improvements in resources of such a magnitude should improve the probability of successful financing.

The 2011 drill program is discussed further in Mine Property and Development Activities below. Note that this has not been included in the pit-constrained resource update at April, 2011 as shown in the table within Mine Property and Development Activities, and therefore represents a potential additional increase.

Development of the Minago mine will require considerable financial resources. Management is monitoring the outcome of various financing initiatives being undertaken in the marketplace. The Company has put together a financing strategy which includes several components; the relative proportion of each will be dependent upon the market conditions at the time the strategy is executed. Components include: securing a joint venture partner for nickel and/or frac sand, off-take agreements for both nickel concentrate and frac sand, plant and equipment leasing for the mine and frac sand processing plant, bank borrowing and/or equity issues (which may include one or more of: rights offering, private placement or a fully-marketed prospectus issue).

Although discussions with various parties occurred throughout 2011 and continue into 2012, the pace and volume of discussions increased, as expected, since the announcement of the receipt of the final EAL in August, 2011. The Company continues to hold discussions with local and overseas financiers and potential business partners with respect to the nickel and frac sand opportunities.

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

MINE PROPERTY AND DEVELOPMENT ACTIVITIES

Pursuant to the Board approval to develop and finance the Minago mine, expenditures of \$34,807,000 at the approval date were transferred from *Exploration and evaluation projects* into *Mine property and development project* on the balance sheet effective September 2011. During the first quarter of 2012, \$1,393,000 before a government grant of \$50,000 was incurred on the project. Note that from the date of transfer to MP&D to December 31, 2011, \$764,000 was incurred on the Minago project for an aggregate total spending of \$4,512,000 in 2011. (For greater clarity, \$3,748,000 of the 2011 spending is included in the total transfer to MP&D of \$34,807,000.)

Minago Project

The Company's 100%-owned Minago project is located on 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”, which is used to improve well recoveries in the oil and gas industry. The frac sand forms part of the overburden that must be removed prior to mining the nickel ore. According to the FS, production of frac sand could begin 20 months after the start of mine development.

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

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

A winter work program will be conducted in 2012 during which approximately 3,500m of drilling has been completed. The principal focus of the program will be to evaluate geophysical responses in the immediate area of the Minago Deposit – particularly where these responses coincide with planned infrastructure development. Additional work will be conducted in the vicinity of the Minago Nose Deposit and approximately 5km to the south on Mining Lease ML-003 while work is ongoing with regard to evaluation of the local region for additional exploration targets.

Frac Sand

An indicated resource of 15 million tonnes of sand has been estimated to occur within the current Minago pit shell. The frac sand component of this resource 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, 2012, the Company incurred exploration expenditures on its E&E projects of \$36,000 (March 31, 2011 - \$3,117,000). This includes \$19,000 on the Mel project, \$nil on Lynn Lake (before \$1,000,000 option payment received from Prophecy Platinum) and \$17,000 at the Lac Rocher project (March 31, 2011 - \$2,515,000 on Minago, prior to its transfer to MP&D project, \$558,000 on Mel; \$1,000 on Lynn Lake (before \$600,000 option payment received from Prophecy Coal) and \$43,000 on Lac Rocher). The 2012 expenditures are shown before the transfer of \$1,000,000 through operations (March 31, 2011 - \$599,000) with respect to the Lynn Lake option receipts in excess of carrying value.

Mel Project

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

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

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

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

The Mel dataset is currently being vetted and updated – this work will apply to both the drilling data on the Mel deposit as well as the considerable drilling (111 drill holes) conducted of the claims portion of the property. Following completion of this work, additional modelling of the resource is contemplated. No fieldwork was conducted during the winter work season 2012.

Under the terms of the option agreement, Vale must mill ore from the Mel project at cash costs plus 5% subject to capacity availability and metallurgy – this is unaffected by Vale's decision. 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.

Lac Rocher

Lac Rocher is located in northwestern Québec and has measured (0.29 million tonnes grading 1.23% Ni) and indicated (0.51 million tonnes grading 1.05% Ni) resources of 0.80 million tonnes grading 1.12% nickel, at a 0.5% nickel cutoff, for approximately 20 million pounds of in-situ nickel located between surface and 125 vertical metres. Additional inferred

resources total 0.44 million tonnes grading 0.65% Ni. Mineralization remains open to the southwest. The breakeven price of nickel per lb in the Lac Rocher PEA was US\$9.74 with copper at US\$3.65.

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

Year round access is now available to the site. In December 2009, diamond drilling was conducted to provide geotechnical data deemed necessary for future portal and ramp development. An InfiniTem ground electromagnetic survey was conducted over a portion of the property to test for deeper extensions to the nickel mineralization. At the same time, evaluation of the availability of borrow material was also conducted in the local region. No work was conducted on the site during 2011 or the winter work season of 2012.

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. Lynn Lake is the former Sherritt producing mine site known as the Lynn Lake A Mine and Farley Mine. The mines were first operated by Sherritt-Gordon from 1953 to 1976. During their 23 years of operation, the mine produced over 20 million tonnes of nickel-copper ore at a grade of 1.02% nickel and 0.54% copper, making Lynn Lake the third largest nickel producer in North America. The mines closed in 1977 due to a period of stagnant growth in the nickel market, not because the ore was mined out.

From an updated resource estimate released in February 2010 by Prophecy Coal, Lynn Lake has 22.9 million tons of measured and indicated resources grading 0.57% nickel or 263 million pounds of in-situ nickel as well as 8.1 million tons inferred resources grading 0.51% nickel which contains an additional 81.6 million pounds of in-situ nickel. In addition, it announced the resource contained measured and indicated resources grading 0.30% copper or 136 million pounds of in-situ copper plus inferred resources grading 0.28% copper or 45.6 million pounds of in-situ copper.

As discussed earlier and described in Note 12 to the Unaudited Condensed Financial Statements, the Company has optioned Lynn Lake to Prophecy Coal with subsequent assignment to Prophecy Platinum. Failure on the part of Prophecy Platinum to meet any of the terms (or Prophecy Coal's rectification of Prophecy Platinum's deficiencies) will result in cancellation of the option on the property and it will revert to the Company. Among other things, the option includes a commitment to make \$3,000,000 in expenditures on the property. There is no reason to believe that Prophecy Platinum will not meet its commitments to acquire the property and it will transfer to Prophecy Platinum at that point.

IMPAIRMENT ANALYSIS UPDATE

The Company performed a detailed impairment analysis on each of its E&E projects and the MP&D project as at December 31, 2011. The Company does not believe that there have been any material changes to date which would adversely affect this analysis or would cause the Company to initiate another recoverability assessment. Furthermore there has been no change in management's plans for the projects which would cause a reassessment.

Management concluded that no impairment existed in each of its E&E and MP&D projects effective March 31, 2012 and that costs incurred to date are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the financial statements include determining the carrying value of investments, mine property and development project and exploration and evaluation projects, assessing the impairment of long-lived assets, determining deferred income taxes and the valuation of share-based payments. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates and measurement uncertainty, reference should be made to Note 3 to the Company's 2011 Audited Financial Statements as updated by Note 3 to the Unaudited Condensed Financial Statements. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2011 Audited Financial Statements as well as to Note 1 to the Company's Unaudited Condensed Financial Statements.

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

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

NEW ACCOUNTING POLICIES

IFRS issued by the International Accounting Standards Board ("IASB") have been adopted in the Company's 2011 Audited Financial Statements. Note 3 to those statements include the accounting policies that have been applied. Note 3 to the Unaudited Condensed Financial Statements includes any new accounting policies – there have been none implemented to date.

FUTURE ACCOUNTING CHANGES

New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company's 2011 Audited Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued no additional new and revised standards and interpretations which are applicable to the Company. Refer to Note 3 to those statements.

CORPORATE GOVERNANCE

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

Design of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, (collectively, the "Certifying Officers"), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. For the fiscal quarter ended March 31, 2012, the Certifying Officers have concluded that the design of the Company's disclosure controls and procedures were effective as at March 31, 2012. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

There were no changes to the Company's disclosure controls and procedures that occurred during the quarter ended March 31, 2012 that materially affected, or are reasonably likely to affect, the Company's disclosure controls and procedures.

Design of Internal Control over Financial Reporting

The Company's Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP. The Company used the

COSO control framework. For the fiscal quarter ended March 31, 2012, the Certifying Officers have concluded that the design of the Company's internal controls over financial reporting and procedures were effective as at March 31, 2012.

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

There were no changes to the Company's internal controls over financial reporting that occurred during the quarter ended March 31, 2012 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT AGREEMENT

Included in accounts payable and accrued liabilities as at March 31, 2012 are amounts due to officers and directors of the Company in the amount of \$59,000 (December 31, 2011 - \$47,000). These amounts relate primarily to directors' fees payable and expense reimbursements to officers.

The Company shares management, administrative assistance and facilities with Nuinsco pursuant to a management agreement. The costs payable by the Company under the arrangement are recorded at the exchange amount which is equal to the cost to Nuinsco of such services plus 10 per cent. The management agreement commenced February 1, 2007 and is terminable by Nuinsco upon 90 days notice and by the Company upon 180 days notice.

Transactions with Nuinsco for the three months ended March 31, 2012 and 2011 are shown in the following table:

	Three months ended March 31,	
	2012	2011
Overhead charges from Nuinsco Resources Limited	\$ 214	\$ 197
Overhead charges to Nuinsco Resources Limited	\$ 7	\$ -
Project costs charged to Nuinsco Resources Limited	\$ 9	\$ 7
Project recoveries charged by Nuinsco Resources Limited	\$ 5	\$ 16

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

OUTSTANDING SHARE DATA

At May 14, 2012, the Company had 395,807,042 common shares issued and outstanding. In addition, there were 22,014,000 stock options and 4,804,786 warrants outstanding, which if exercised and issued would bring the fully diluted issued common shares to a total of 422,625,828, and would generate cash of approximately \$4,683,000. However, not all of the options and warrants are "in the money".

RECENT DEVELOPMENTS

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

RISKS AND UNCERTAINTIES

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. The risk factors which should be taken into account in assessing Victory Nickel's activities and an investment in its securities include, but are not necessarily limited to, those set out in detail in the Company's 2011 MD&A. A summary is provided below.

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

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

Industry Risks

Speculative Nature of Mineral Exploration

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that Victory Nickel's exploration efforts will be successful. No assurance can be given that Victory Nickel's exploration programs will result in the establishment or expansion of resources or reserves.

Evaluation Projects

In general, evaluation and development projects have no operating history upon which to base estimates of future cash operating costs. For evaluation and development projects such as the mineral resource properties owned by Victory Nickel, estimates of proven and probable reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. The costs estimated under the FS for Minago differed from the PEA and may differ again upon actual development.

Competition

The mineral exploration business is highly competitive in all of its phases. Victory Nickel competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Victory Nickel, in the search for and acquisition of exploration and development rights on attractive mineral properties. There is no assurance that Victory Nickel will compete successfully in acquiring exploration and development rights on such other properties.

Operational Risks

Limited History of Operations

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

Development Targets, Permitting and Operational Delays

There can be no assurance that Victory Nickel will be able to complete the planned development of its projects on time or on budget due to, among other things, delays in receiving required consents, permits and registrations, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support Victory Nickel's operations.

Resources and Reserves

The figures for mineral resources and mineral reserves are estimates and no assurance can be given that the anticipated level of recovery and/or grades of mineral reserves or mineral resources will be realized.

Title Risks

Victory Nickel's ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. However, Victory Nickel's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies.

Insurance Risk

Victory Nickel faces all of the hazards and risks normally incidental to the exploration and development of base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. Not all such risks are insurable.

Financial and Investment Risks

Substantial Capital Requirements

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

Market Perception

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

Metal Prices

There is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Nickel and by-product prices fluctuate on a daily basis and are affected by numerous factors beyond Victory Nickel's control – including factors which are influenced by worldwide circumstances. However, these factors are of significant importance for the FS and decisions related thereto.

Areas of Investment Risk

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

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

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

Regulatory Risks**Government Regulation**

Existing and possible future environmental and social impact legislation, regulations and actions, including the regulation of air and water quality, mining reclamation, solid and hazardous waste handling and disposal, the promotion of occupational health and safety, the protection of wildlife and ecological systems and the protection of the societies and communities of indigenous peoples, could cause significant expense, capital expenditures, restrictions and delays in activities, the extent of which cannot be predicted and which may well be beyond Victory Nickel's capacity to fund.

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

Victory Nickel may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Victory Nickel does or will operate and holds its interests, as well as unforeseen matters.

Other Risks**Environmental and Health Risks**

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

Key Personnel

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

Conflicts of Interest

Certain of the Company's directors and officers are also directors and officers of other natural resource companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict.

Investments and Other Agreements with Resource Companies

In addition, Victory Nickel makes, from time-to-time, investments in the common shares of publicly-traded companies in the junior natural resources sector or may enter into option or other agreements therewith. These companies are subject

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

Summary

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector. These include the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Another significant factor is the ability of the Company to obtain necessary financing or to find strategic partners to fund expenditure commitments as they fall due, as the Company currently has limited funds. Furthermore, the development of any natural resource interest may take years to complete and the resulting income, if any, from the sale of any natural resources produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product.

FORWARD-LOOKING STATEMENTS

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

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainties relating to the availability and costs of financing needed in the future; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; 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 14, 2012