VICTORY NICKEL INC.

UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

DATED NOVEMBER 7, 2011

Management's Comments on Unaudited Condensed Financial Statements

The accompanying unaudited condensed financial statements of Victory Nickel Inc. for the three and nine months ended September 30, 2011 and 2010 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	September 30, 2011 (unaudited)	December 31, 2010 (unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	*6*	**$ 1,509**	$ 170
Receivables	*7*	**139**	96
Marketable securities	*8*	**2,816**	10,556
Total current assets		**4,464**	10,822
Non-current assets			
Property and equipment	*10*	**1,084**	715
Mine property and development project	*11*	**35,101**	-
Exploration and evaluation projects	*12*	**14,493**	44,703
Total non-current assets		**50,678**	45,418
Total Assets		**$ 55,142**	$ 56,240
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	*13*	**$ 291**	$ 592
Total current liabilities		**291**	592
Non-current liability			
Deferred tax liability		**2,840**	3,314
Total Liabilities		**3,131**	3,906
Shareholders' equity			
Share capital	*14*	**47,575**	46,114
Contributed surplus		**4,120**	3,721
Accumulated other comprehensive income		**2,745**	4,119
Deficit		**(2,429)**	(1,620)
Total shareholders' equity		**52,011**	52,334
Total Liabilities and Shareholders' Equity		**$ 55,142**	$ 56,240

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 September 30, 2011 (unaudited)	Three months ended September 30, 2010 (unaudited - Note 21)	Nine months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2010 (unaudited - Note 21)
Operating expenses					
General and administrative costs		**$ (475)**	$ (293)	**$ (1,248)**	$ (1,047)
Share-based payments:	*16*				
Options		**(186)**	(39)	**(328)**	(620)
Share Bonus Plan		**-**	-	**-**	(173)
Amortization of property and equipment	*10*	**(2)**	(5)	**(7)**	(7)
(Writedown) recovery of exploration and evaluation projects	*12*	**-**	(5)	**597**	680
Operating loss		**(663)**	(342)	**(986)**	(1,167)
Finance income	*17*	**82**	130	**78**	1,690
Finance costs	*17*	**-**	(72)	**(153)**	(33)
Net finance income (costs)		**82**	58	**(75)**	1,657
(Loss) profit before income taxes		**(581)**	(284)	**(1,061)**	490
Income tax (provision) recovery		**(24)**	(15)	**252**	(263)
Net (Loss) Profit for the Period		**$ (605)**	$ (299)	**$ (809)**	$ 227
(Loss) Earnings per share	*15*				
Basic (loss) earnings per share		**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ 0.00
Diluted (loss) earnings per share		**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ 0.00

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

Condensed Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Notes	Three months ended September 30, 2011 (unaudited)	Three months ended September 30, 2010 (unaudited - Note 21)	Nine months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2010 (unaudited - Note 21)
Net (loss) profit for the period		**$ (605)**	$ (299)	**$ (809)**	$ 227
Other comprehensive income (loss) ("OCI")					
Net change in fair value of financial assets	*9*	**1,054**	67	**(1,589)**	(1,450)
Income tax (expense) recovery		**(142)**	(2)	**215**	(21)
Other comprehensive income (loss) for the period		**912**	65	**(1,374)**	(1,471)
Total Comprehensive Income (Loss) for the Period		**$ 307**	$ (234)	**$ (2,183)**	$ (1,244)

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

Condensed Statements of Shareholders' Equity

(restated - Note 21) (unaudited) (in thousands of Canadian dollars)		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income / (Loss)	Deficit	Total Equity
Balances as at January 1, 2010	***Notes***	$ 40,508	$ 2,980	$ 998	$ (1,874)	$ 42,612
Total comprehensive loss for the period						
Net profit for the period					227	227
Other comprehensive loss						
Net change in fair value of financial assets				(1,450)		(1,450)
Income tax expense				(21)		(21)
Total other comprehensive loss						**(1,471)**
Total comprehensive loss for the period						**(1,244)**
Transactions with owners, recorded directly in equity						
Contributions by owners - in the period						
Issue of flow-through common shares and warrants under private placement		1,120	188	-	-	1,308
Issue of common shares pursuant to reciprocal placement		3,798	-	-	-	3,798
Issue of common shares under Share Bonus Plan		173	-	-	-	173
Options granted and vesting		-	620	-	-	620
Warrants exercised		493	(92)	-	-	401
Total contributions by owners		**5,584**	**716**	**-**	**-**	**6,300**
Total transactions with owners		**5,584**	**716**	**-**	**-**	**6,300**
Balances as at September 30, 2010		**$ 46,092**	**$ 3,696**	**$ (473)**	**$ (1,647)**	**$ 47,668**
Balances as at January 1, 2011		**$ 46,114**	**$ 3,721**	**$ 4,119**	**$ (1,620)**	**$ 52,334**
Total comprehensive loss for the period						
Net loss for the period					(809)	(809)
Other comprehensive loss						
Net change in fair value of financial assets	*9*			(1,589)		(1,589)
Income tax recovery				215		215
Total other comprehensive loss						**(1,374)**
Total comprehensive loss for the period						**(2,183)**
Transactions with owners, recorded directly in equity						
Contributions by owners - in the period						
Issue of common shares and warrants under private placement	*14*	471	26	-	-	497
Issue of flow-through common shares and warrants under private placement	*14*	796	88	-	-	884
Options granted, vesting or modified	*16*	-	328	-	-	328
Warrants exercised	*14,16*	168	(32)	-	-	136
Options exercised	*14,16*	26	(11)			15
Total contributions by owners		**1,461**	**399**	**-**	**-**	**1,860**
Total transactions with owners		**1,461**	**399**	**-**	**-**	**1,860**
Balances as at September 30, 2011		**$ 47,575**	**$ 4,120**	**$ 2,745**	**$ (2,429)**	**$ 52,011**

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

Condensed Statements of Cash Flows

(in thousands of Canadian dollars)	*Notes*	**Nine months ended September 30,** **2011** (unaudited)	2010 (restated - Note 21) (unaudited)
Cash flows from operating activities			
Net (loss) profit for the period		**$ (809)**	$ 227
Adjustments for:			
Share-based payments	*16*	**328**	793
Amortization of property and equipment	*10*	**7**	7
Recovery of exploration and evaluation projects	*12*	**(597)**	(680)
Net finance costs (income)	*17*	**81**	(1,648)
Income tax (recovery) expense		**(252)**	263
Net change in working capital:			
Change in receivables		**(43)**	89
Change in trade and other payables		**(25)**	(257)
Net cash used by operating activities		**(1,310)**	(1,206)
Cash flows from investing activities			
Expenditures on mine property and development project	*11*	**(229)**	-
Expenditures on exploration and evaluation projects	*12*	**(4,971)**	(5,121)
Purchase of marketable securities	*8*	**(114)**	(4,526)
Proceeds on sale of marketable securities	*8*	**6,112**	825
Proceeds from option of Lynn Lake	*12*	**600**	1,100
Deposits on equipment	*10*	**(376)**	(608)
Net cash from (used by) investing activities		**1,022**	(8,330)
Cash flows from financing activity			
Issue of common shares and warrants	*14*	**1,627**	6,055
Net cash from financing activity		**1,627**	6,055
Net increase (decrease) in cash and cash equivalents		**1,339**	(3,481)
Cash and Cash Equivalents, Beginning of the Period		**170**	4,078
Cash and Cash Equivalents, End of the Period		**$ 1,509**	$ 597

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

Notes to the Condensed 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 September 30, 2011, the Company had working capital of $4,173,000 (as at December 31, 2010 – $10,230,000).

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 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 in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). In particular, the Company followed the guidance under IAS 34, *Interim Financial Reporting* ("IAS 34").

Victory Nickel's first financial statements prepared in accordance with IFRS wherein IFRS 1, *First time adoption of International Financial Reporting Standards* ("IFRS 1"), was applied were the unaudited interim financial statements as at and for the three months ended March 31, 2011 and 2010 ("First Quarterly Financial Statements of 2011"). Note 23 to those statements included a detailed explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Victory Nickel for the periods then presented.

These condensed financial statements reflect the accounting policies described in the Company's First Quarterly Financial Statements of 2011 (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 disclosures in the First Quarterly Financial Statements of 2011 exceeded the minimum requirements under IAS 34. In particular, the Company's accounting policies under IFRS were presented in full and certain notes included more detail than the conventional updates required under interim reporting standards in order to provide the reader with additional contextual information. In this and successive interim reports, the Company has not and may not in future provide the same amount of disclosure as the reader will be able to refer to earlier reports prepared in accordance with IFRS. Note 21 to these unaudited condensed financial statements explains the adjustments which were necessary to the comparative information included in this report which was not reported in the First Quarterly Financial Statements of 2011.

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 November 7, 2011. Shortly thereafter, the financial statements are made available to shareholders and others through filing on SEDAR.

(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 First Quarterly Financial Statements of 2011, as updated under New Accounting Policies below. Such policies have been applied consistently to all periods presented in these financial statements.

Notes to the Condensed Financial Statements

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

(a) New Accounting Policies

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

Mine Property and Development Project

Pre-production development expenditures

The Company considers a project to be in the development phase when an identified mineral reserve is being prepared for production as approved by the Board, for example when there is construction of access to the mineral reserves upon determination that there is economic viability of the project under a successful feasibility study and is permitted for development. As such, project development activities are related to the construction of an asset to be used in production or preparation for extraction of a specific mineral resource.

The costs of mining properties, which include the costs of acquiring and developing mining properties and mineral rights, are capitalized in the same manner as property, plant and equipment under *Mine Property and Development Project* ("MP&D") assets on the balance sheet in the period in which they are incurred or transferred from Exploration and Evaluation Projects ("E&E") assets upon determination of economic viability. At that point, all further pre-production primary development expenditure other than land, buildings, plant and equipment, etc is capitalized as part of the cost of the project until the project is capable of commercial production. This includes costs incurred in preparing the site for mining operations, including pre-stripping costs.

Presently, the Company's sole project classified as *Mine Property and Development Project* on the balance sheet is the Minago project; it continues to be in the pre-production phase and costs continue to be capitalized without depreciation.

Impairment

If a property were to be abandoned, there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, the cumulative capitalized cost relating to the property is written off to its recoverable amount through operations.

(b) New Standards and Interpretations Not Yet Adopted

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following new and revised standard and interpretations which are applicable to the Company but which are not yet effective for the year ended December 31, 2011 and have not been applied in preparing these financial statements.

IFRS 13 – Fair Value Measurement

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 13 provides a definition of fair value, a single framework for measuring fair value and disclosure requirements about fair value measurements.

This standard, amendments and interpretations has not been early adopted by the Company. Furthermore, the Company is currently assessing the impact that the application of this standard or amendments may have on the financial statements of the Company.

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 First Quarterly Financial Statements of 2011. 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.

Notes to the Condensed Financial Statements

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

Capital Management Disclosures

	September 30, 2011	December 31, 2010
Shareholders' equity	**$ 52,011**	$ 52,334
	$ 52,011	$ 52,334

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to financial risk management or 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 First Quarterly Financial Statements of 2011. 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

	September 30, 2011	December 31, 2010
Bank balances	**$ 1,509**	$ 12
Short-term deposits	**-**	158
Cash and Cash Equivalents in the Statement of Cash Flows	**$ 1,509**	$ 170

7. RECEIVABLES

	Note	September 30, 2011	December 31, 2010
Receivables		**$ 112**	$ 82
Prepaid expenses and deposits		**14**	14
Due from Nuinsco Resources Limited	*19*	**13**	-
		$ 139	$ 96

8. MARKETABLE SECURITIES

	Note	September 30, 2011	December 31, 2010
Financial assets at fair value through OCI:			
Shares	*9*	**$ 2,752**	$ 10,167
Financial assets at fair value through operations:			
Warrants	*9*	**64**	389
		$ 2,816	$ 10,556

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 17). The change in the fair value of the warrants of a gain of $35,000 and a decline of $153,000 in the three and nine months ended September 30, 2011 is included in *Finance income* and *Finance costs*, respectively (2010 – a decline of $39,000 and a net increase of $1,050,000 in *Finance costs* and *Finance income*, respectively).

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

Sensitivity Analysis – Equity Price Risk
All of the Company's financial assets at fair value through OCI are listed on public stock exchanges such as 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 $119,000, after tax effects of $19,000 (as at December 31, 2010 - an increase of $440,000, after tax effects of $69,000); 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 the reporting date would have been an increase of $3,000 after tax effects of $nil (as at December 31, 2010 - $17,000, after tax effects of $3,000).

The analyses were performed on the same basis for 2011 and 2010.

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:

	Notes		**September 30, 2011**		December 31, 2010
Carrying amount					
Cash and cash equivalents	*6*	**$**	**1,509**	$	170
Receivables	*7*		**139**		96
Financial assets at fair value through OCI	*8*		**2,752**		10,167
Financial assets at fair value through operations	*8*		**64**		389
		$	**4,464**	$	10,822

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

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 19 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.

Notes to the Condensed Financial Statements

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

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

	Level 1	Level 2	Level 3	Total
As at September 30, 2011				
Financial assets at fair value through OCI	$ 2,752	$ -	$ -	$ 2,752
Financial assets at fair value through operations	-	64	-	64
	$ 2,752	$ 64	$ -	$ 2,816
As at December 31, 2010				
Financial assets at fair value through OCI	$ 10,167	$ -	$ -	$ 10,167
Financial assets at fair value through operations	-	389	-	389
	$ 10,167	$ 389	$ -	$ 10,556

There have been no transfers between Level 1 and Level 2 during the current and prior reporting periods. 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:

	September 30, 2011	December 31, 2010
Fair values	**$0.189**	$0.601 and $0.643
Share price at valuation date	**$0.455 and $2.8**	$1.00
Assumptions		
Exercise prices	**$0.8 and $8.44**	$0.8 and $0.4
Expected volatility	**107% and 282%**	42% and 149%
Expected remaining terms (years)	**0.5**	0.1 and 1.25
Expected dividends	**-**	-
Risk-free interest rates	**0.95%**	1.67%

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.

10. PROPERTY AND EQUIPMENT

Balance as at January 1, 2010	**Land and Building**	**Vehicle**	**Equipment**	**Total**
Cost	$ 83	$ 11	$ 29	$ 123
Accumulated Depreciation	3	4	28	35
Carrying Amount	**80**	**7**	**1**	**88**
Additions	-	28	608	636
Disposal	-	(7)	-	(7)
Depreciation	1	3	2	6
Balance as at December 31, 2010				
Cost	83	32	637	752
Accumulated Depreciation	4	3	30	37
Carrying Amount	**79**	**29**	**607**	**715**
Additions	-	-	376	376
Depreciation	1	6	-	7
Balance as at September 30, 2011				
Cost	83	32	1,013	1,128
Accumulated Depreciation	5	9	30	44
Carrying Amount	**$ 78**	**$ 23**	**$ 983**	**$ 1,084**

Notes to the Condensed Financial Statements

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

Equipment includes deposits of $984,000 related to the purchase of transformers and other electrical equipment; the equipment is not in service 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 E&E assets to MP&D on its balance sheet.

	Transfer from E&E projects September 2011	Current Expenditures	Recoveries	**September 30, 2011**
Minago	$ 34,807	$ 294	$ -	**$ 35,101**
	$ 34,807	$ 294	$ -	**$ 35,101**

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 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 an 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.

Notes to the Condensed Financial Statements

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

12. EXPLORATION AND EVALUATION PROJECTS

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

	January 1, 2011	Current Expenditures	Recoveries/ Transfer to MP&D Projects	Writedown of E&E Projects/ Excess Proceeds	**September 30, 2011**
Lac Rocher	$ 7,026	$ 184	$ (8)	$ -	**$ 7,202**
Lynn Lake	-	3	(600)	597	**-**
Mel	6,618	673	-	-	**7,291**
Minago	31,059	3,748	(34,807)	-	**-**
	$ 44,703	$ 4,608	$ (35,415)	$ 597	**$ 14,493**

	January 1, 2010	Current Expenditures	Recoveries/ Transfer to MP&D Projects	Writedown of E&E Projects/ Excess Proceeds	September 30, 2010
Lac Rocher	$ 6,962	$ 52	$ -	$ -	$ 7,014
Lynn Lake	1,356	32	(2,068)	680	-
Mel	6,421	168	-	-	6,589
Minago	26,183	4,442	-	-	30,625
	$ 40,922	$ 4,694	$ (2,068)	$ 680	$ 44,228

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, $300,000 in January 2010, $400,000 in April 2010, $400,000 in June 2010, $600,000 in February 2011 and reflect the receipt of Prophecy Coal common shares in January 2010 with a fair value at that time of $968,000. The excess proceeds of $597,000 and $680,000 for the nine months ended September 30, 2011 and 2010, respectively, represent the excess of consideration received under the option agreement above carrying value and are reflected in *(Writedown) recovery of exploration and evaluation projects* through operations.

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% net smelter return royalty ("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,

Notes to the Condensed Financial Statements

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

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 four 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 agreement, as extended, provides for the $4,000,000 to be paid to the Company as follows:

- $300,000 within five business days of receiving conditional regulatory approval (such amount was received in November 2009);
- $300,000 within 60 days of October 21, 2009 (later extended to January 9, 2010 with cash received on January 6, 2010);
- $400,000 within 180 days of October 21, 2009 (cash was received on April 13, 2010); and
- $1,000,000 on March 1 of each of 2011, 2012 and 2013.

In June, 2010, the Company received an advance of $400,000 from Prophecy Coal out of its scheduled amount of $1,000,000 due in March 2011. Accordingly, a balance of $600,000 was due by March 1, 2011. The Company received this payment on February 28, 2011. The Company received 2,419,548 shares of Prophecy Coal on January 6, 2010, at which date the bid price of the shares was $0.40. 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.

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. Accordingly, the Company received 0.094758 shares (on a post-consolidation basis) of Prophecy Platinum on the basis of Prophecy Coal shares held on June 13, 2011, the record date, or approximately 596,000 shares at a fair value of $0.80 per share. Such shares were accounted for as marketable securities as financial assets with changes in fair value recorded through OCI.

As at September 30, 2011, $597,000 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.

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.

Notes to the Condensed Financial Statements

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

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 2011, 2010 and 2009.

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 in the three and nine months ended September 30, 2011 and 2010.

13. TRADE AND OTHER PAYABLES

	Notes	**September 30, 2011**	December 31, 2010
Trade payables			
Mine property and development project	*11*	**$ 56**	$ -
Exploration and evaluation projects	*12*	**25**	374
Non-project related		**29**	23
Due to Nuinsco Resources Limited	*19*	**-**	21
Accrued liabilities			
Mine property and development project	*11*	**7**	-
Exploration and evaluation projects	*12*	**3**	55
Non-project related	*14,19*	**134**	92
Other payables		**20**	27
Flow-through premium liability		**17**	-
		$ 291	$ 592

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

	Note	**September 30, 2011**	December 31, 2010
Balance as at beginning of period		**$ -**	$ -
Flow-through premium from financing - February, 2010		**-**	171
Flow-through premium adjusted through finance income		**-**	(171)
Flow-through premium from financing - April, 2010		**-**	460
Flow-through premium adjusted through finance income		**-**	(460)
Flow-through premium from financing - May, 2011	*14*	**87**	-
Flow-through premium adjusted through finance income		**(70)**	-
		$ 17	$ -

Notes to the Condensed 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

The issued and outstanding common shares for the nine months ended September 30, 2011 are as follows:

	Notes	Number of Shares	Gross Proceeds/ Consideration	Share Issue Costs	Income Taxes	Flow-Through Premium	Finder's Unit Warrants	Other Warrants	Share Capital
Balance as at January 1, 2011		380,025,528							$ 46,114
Issue of common shares	*(a)*	5,000,000	$ 500	$ (4)	$ 1	$ -	$ -	$ (26)	471
Issue of flow-through common shares	*(b)*	8,695,652	1,000	(20)	5	(87)	(14)	(88)	796
Warrants exercised	*(c)*	1,137,627	136	-	-	-	-	32	168
Options exercised	*(d)*	300,000	15	-	-	-		11	26
		395,158,807	$ 1,651	$ (24)	$ 6	$ (87)	$ (14)	$ (71)	$ 47,575

(a) On January 10, 2011, the Company completed a private placement financing of common shares at a price of $0.10 per unit. Each unit comprises one common share and one-half of one 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. The Company apportioned proceeds of $26,000 to the cost of the unit warrants in contributed surplus as indicated in the table above.

(b) On May 25, 2011, the Company completed a private placement of flow-through common shares at a price of $0.115 per unit. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.15 for a period of 18 months from closing. Upon closing, the Company issued 456,960 finder's warrants that entitle the holder to purchase one finder's unit at an exercise price of $0.15 for a period of 18 months from issuance. Each finder's unit entitles the holder to acquire one common share and one-half of one finder's unit warrant. Each whole finder's unit warrant entitles the holder to purchase one common share at an exercise price of $0.15 for a period of 18 months from the issuance of the finder's unit warrant. The Company apportioned proceeds of $87,000 to the flow-through premium, $79,000 was attributed to the unit warrants and $9,000 to the cost of the finder's warrants recorded in contributed surplus. The warrants included in the finder's unit have been recorded at a fair value of $14,000 in accrued liabilities and will be adjusted through equity as the finder's units are exercised.

(c) During 2011, 1,137,627 warrants were exercised at an exercise price of $0.12 per share. The aggregate consideration plus the aggregate amount previously recorded through contributed surplus is reflected as an increase in share capital.

(d) In July, 2011, 300,000 options were exercised at an exercise price of $0.05 per share. The aggregate consideration plus the aggregate amount previously recorded through contributed surplus is reflected as an increase in share capital.

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 First Quarterly Financial Statements of 2011.

Shareholder Rights Plan

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

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.

Notes to the Condensed Financial Statements

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

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

Basic Earnings (Loss) per Share

The calculation of basic earnings (loss) per share ("EPS") for the three and nine months ended September 30, 2011 is based on the losses attributable to common shareholders of $605,000 and $809,000, respectively (2010 – loss of $299,000 and income of $227,000), and a weighted average number of common shares outstanding of 395,167,000 and 390,004,000 (2010 – 376,412,000 and 352,718,000).

The capital transactions from the reporting date to the date of this filing have not had a material impact on EPS.

Weighted Average Number of Common Shares (Basic)

		Three months ended September 30,		Nine months ended September 30,
	2011	2010	**2011**	2010
Balance as at beginning of period	**394,711,000**	376,336,000	**380,026,000**	328,150,000
Effect of shares issued	**-**	-	**8,944,000**	23,824,000
Effect of shares issued under Share Bonus Plan	**-**	-	**-**	719,000
Effect of options exercised	**209,000**	-	**70,000**	-
Effect of warrants exercised	**71,000**	76,000	**905,000**	25,000
Balance as at end of period	**394,991,000**	376,412,000	**389,945,000**	352,718,000

Diluted Earnings per Share

The calculation of diluted EPS for the three and nine months ended September 30, 2011 is based on the losses attributable to common shareholders of $605,000 and $809,000, respectively (2010 – loss of $299,000 and income of $227,000), and a weighted average number of common shares outstanding, after adjustment for the effects of all dilutive potential common shares of 397,245,000 and 392,385,000 (2010 – 378,991,000 and 356,266,000).

Weighted Average Number of Common Shares (Diluted)

		Three months ended September 30,		Nine months ended September 30,
	2011	2010	**2011**	2010
Weighted average number of common shares (basic)	**394,991,000**	376,412,000	**389,945,000**	352,718,000
Effect of options granted and outstanding	**2,078,000**	2,579,000	**2,381,000**	3,548,000
Weighted average number of common shares (diluted)	**397,069,000**	378,991,000	**392,326,000**	356,266,000

For the three and nine months ended September 30, 2011, 25,259,000 and 24,956,000 options and 7,305,000 warrants (2010 – 23,674,000 and 22,704,000 options and 34,656,000 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.

16. SHARE-BASED PAYMENTS

Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are described in Note 16 to the Company's First Quarterly Financial Statements of 2011.

Stock Option Plan (equity-settled)

As at September 30, 2011, the Company had 31,937,000 (December 31, 2010 – 31,602,000) common shares available for the granting of future options. Options are exercisable at the market price of the shares at the date of

Notes to the Condensed Financial Statements

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

grant. The Company does not have any cash-settled transactions.

Share purchase warrants (equity-settled)
Outstanding warrants as at September 30, 2011 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 Company's Share Bonus Plan are set out in Note 14 to the Company's First Quarterly Financial Statements of 2011.

Terms and Conditions of Share-based Payment Arrangements
Stock Option Plan
The terms and conditions relating to the grants of the Stock Option Plan are set out in Note 14 to the Company's First Quarterly Financial Statements of 2011.

Share purchase warrants
The terms and conditions relating to the grants of the share purchase warrants are set out in Note 14 to the Company's First Quarterly Financial Statements of 2011.

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**	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
Outstanding as at beginning of period	**25,402,248**	24,221,498	**$ 0.30**	$ 0.30
Granted	**4,335,000**	5,540,000	**$ 0.11**	$ 0.16
Cancelled	**-**	(200,000)	**$ -**	$ 0.05
Exercised	**(300,000)**	(350,000)	**$ 0.05**	$ 0.05
Expired	**(2,100,012)**	(3,809,250)	**$ 0.21**	$ 0.14
Outstanding as at end of period	**27,337,236**	25,402,248	**$ 0.28**	$ 0.30
Exercisable as at end of period	**26,594,736**	24,132,248	**$ 0.28**	$ 0.30

For options exercised during 2011, the weighted average share price at the date of exercise was $0.09 (2010 - $0.105).

	Number of options outstanding		**Weighted average remaining contractual life (years)**	
	September 30, 2011	December 31, 2010	**September 30, 2011**	December 31, 2010
Range of exercise prices				
$0.03 to $0.05	**4,265,000**	4,565,000	**2.33**	3.08
$0.06 to $0.14	**5,585,000**	1,250,000	**3.96**	2.27
$0.15 to $0.16	**5,490,000**	5,490,000	**3.26**	4.01
$0.17 to $0.25	**1,593,750**	3,204,262	**2.33**	1.82
$0.26 to $0.32	**2,956,250**	3,445,750	**1.59**	2.09
$0.33 to $0.50	**2,336,500**	2,336,500	**1.27**	2.02
$0.51 to $0.64	**2,850,000**	2,850,000	**0.44**	1.19
$0.65 to $0.82	**2,260,736**	2,260,736	**0.45**	1.20
	27,337,236	25,402,248	**2.33**	2.47

Notes to the Condensed Financial Statements

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

There were 4,335,000 options granted in the nine months ended September 30, 2011, with a weighted average fair value at the date of grant of $0.074. For options granted during 2010, the weighted average fair value at the date of grant was $0.12. A total of 5,540,000 options were granted during 2010 to key management personnel, employees and consultants. These issuances resulted in a total share-based payment expense of $148,000 in the third quarter of 2011, $290,000 in the nine months ended September 30, 2011; $657,000 in the year ended December 31, 2010. Of the 27,337,236 options outstanding at September 30, 2011, 742,500 are subject to vesting in the next fiscal year (at December 31, 2010 – 25,402,248 were outstanding of which 1,270,000 were subject to vesting in the following year). The aggregate fair value of these unvested options not yet charged to operations is $34,000 (unvested options outstanding as at December 31, 2010 - $3,000).

During 2011, the Company agreed to extend 1,550,000 options of a retiring director to their original expiry dates, such options would have otherwise expired 90 days after retirement. The extension was treated as a modification and an additional share-based payment of $38,000 was charged to operations.

Share purchase warrants

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

		Number of warrants		Weighted average exercise price	
	Date Issued	**September 30, 2011**	December 31, 2010	**September 30, 2011**	December 31, 2010
Issued pursuant to rights offering	August 17, 2009	32,744,976	32,744,976	**$ 0.120**	$ 0.120
Exercised		(4,476,909)	(3,339,282)		
Expired		(28,268,067)			
Outstanding as at end of period		-	29,405,694	**$ 0.120**	$ 0.120
Issued pursuant to private placements:					
Unit warrants	February 26, 2010	1,714,569	1,714,569	**$ 0.260**	$ 0.260
Expired		(1,714,569)			
Unit warrants	April 9, 2010	3,285,431	3,285,431	**$ 0.260**	$ 0.260
Expired		(3,285,431)			
Finder's warrants	April 9, 2010	250,000	250,000	**$ 0.175**	$ 0.175
Expired		(250,000)			
Unit warrants	January 10, 2011	2,500,000	n/a	**$ 0.140**	n/a
Unit warrants	May 25, 2011	4,347,826	n/a	**$ 0.150**	n/a
Finder's warrants	May 25, 2011	456,960	n/a	**$ 0.150**	n/a
Outstanding as at end of period		**7,304,786**	34,655,694	**$ 0.147**	$ 0.141

The warrants issued in the first quarter of 2011 expire 12 months from issue date; warrants issued in the second quarter of 2011 expire 18 months from issue date. Warrants issued pursuant to the rights offering were exercisable for a period of 12 months commencing August 18, 2010; all other warrants have expired and were exercisable upon issue for a term of 12 months.

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.

Notes to the Condensed Financial Statements

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

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

	Options		Warrants	
Granted, modified or issued during the period	**September 30, 2011**	December 31, 2010	**September 30, 2011**	December 31, 2010
Fair value at grant date	**\$0.070 and \$0.077**	\$0.066 and \$0.119	**\$0.011 and \$0.019**	\$0.038 to \$0.053
Share price at grant date	**\$0.10 and \$0.11**	\$0.09 and \$0.16	**\$0.100**	\$0.140 to \$0.150
Fair value of options modified	**\$0.00 to \$0.07**			
Assumptions				
Exercise price	**\$0.05 to \$0.64**	\$0.09 and \$0.16	**\$0.14 and \$0.15**	\$0.175 to \$0.260
Expected volatility	**42% to 106%**	108% to 110%	**56% and 65%**	115% to 116%
Life (years)	**1.3 to 4.7**	4	**1 and 1.5**	1
Expected dividends	**-**	-	**-**	-
Risk-free interest rate	**0.95% to 2.22%**	2.06% to 2.50%	**1.57% and 1.69%**	1.10%

17. FINANCE INCOME AND FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
Interest income on bank deposits	**\$ 3**	\$ 1	**\$ 6**	\$ 9
Net change in fair value of financial assets at fair value through operations	**35**	-	**-**	1,050
Premium on flow-through spending	**44**	129	**70**	631
Net foreign exchange gain	**-**	-	**2**	-
Finance income	**82**	130	**78**	1,690
Net change in fair value of financial assets at fair value through operations	**-**	(39)	**(153)**	-
Fee to Nuinsco Resources Limited	**-**	(33)	**-**	(33)
Finance costs	**-**	(72)	**(153)**	(33)
Net Finance Income (Costs)	**\$ 82**	\$ 58	**\$ (75)**	\$ 1,657

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 Resources Limited ("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.

Notes to the Condensed Financial Statements

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

Geographical Information

	September 30, 2011	December 31, 2010
Canada		
Corporate	$ 5,548	$ 11,537
Lac Rocher	7,202	7,026
Lynn Lake	-	-
Mel	7,291	6,618
Minago	35,101	31,059
Total Assets	$ 55,142	$ 56,240

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 period-over-period.

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.

Transactions and balances with Nuinsco and related parties are shown in the following tables:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Overhead charges from Nuinsco Resources Limited	$ 197	$ 192	$ 609	$ 529
Project costs charged to Nuinsco Resources Limited	$ 10	$ 5	$ 24	$ 19
Project recoveries charged by Nuinsco Resources Limited	$ 21	$ 4	$ 55	$ 29

	September 30, 2011	December 31, 2010
Balances Outstanding		
Payable to Nuinsco Resources Limited	$ -	$ 21
Receivable from Nuinsco Resources Limited	$ 13	$ -
Payable to key management personnel	$ 107	$ 34

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).

Notes to the Condensed Financial Statements

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

Key management personnel compensation comprised:

	Note	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Short-term employee benefits		**$ 215**	$ 218	**$ 660**	$ 666
Share-based payments - options		**133**	-	**320**	619
Share-based payments - Share Bonus Plan	*(a)*	**201**	-	**201**	138
		$ 549	$ 218	**$ 1,181**	$ 1,423

(a) Granted in the third quarter of 2011, but issued during the fourth quarter of 2011.

There were no outstanding balances as at September 30, 2011 and December 31, 2010 relating to key management personnel except as included in the tables above.

20. COMMITMENTS

Flow-through Commitment

The Company has a remaining flow-through commitment from the financing in May, 2011, of $193,000; this is required to be fulfilled by December 31, 2012. As at December 31, 2010, the Company had fulfilled its commitment to incur exploration expenditures in relation to prior flow-through share financings.

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 $984,000 as at September 30, 2011.

21. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2(a), these financial statements are prepared in accordance with IFRS.

The accounting policies set out in Note 3 to the Company's First Quarterly Financial Statements of 2011 have been applied in preparing the condensed financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and the opening IFRS balance sheet as at January 1, 2010 (Victory Nickel's date of transition). The First Quarterly Financial Statements of 2011 included detailed information and reconciliations as at the transition date, December 31, 2010 and March 31, 2010; supplemental information as at and for the three and nine months ended September 30, 2010 is included below and should be read in conjunction with Note 23 to the First Quarterly Financial Statements of 2011.

In preparing its IFRS financial information, Victory Nickel has adjusted amounts reported previously in financial statements prepared in accordance with predecessor Canadian GAAP in effect for the Company prior to the transition date ("pre-transition Canadian GAAP"). An explanation of how the transition from pre-transition Canadian GAAP to IFRS has affected Victory Nickel's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The Company identified an arithmetic error in its cash flow for the nine months ended September 30, 2010 wherein the Company added back its recovery of exploration and development projects in its operating activities rather than deducting it with an opposite but equal effect on its cash outlays on exploration and evaluation projects. Refer to Note (a) below. Otherwise the Company did not identify any material errors in its application of pre-transition Canadian GAAP.

Concurrent with the work performed for transition to IFRS, the Company took the opportunity to consider its financial disclosures and decided to make additional reclassifications. While these are not as a direct result of the IFRS transition, the Company has identified such reclassifications in order to assist the reader in making comparisons with historic financial information which has previously been published. These reclassifications are identified as being non-IFRS reclassifications in the notes to the reconciliations.

Notes to the Condensed Financial Statements

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

Reconciliation of Equity – Interim Comparative Balance Sheet

(unaudited)	Notes	September 30, 2010 Pre-transition Canadian GAAP (Restated - see below)	Effect of Transition	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 597	$ -	$ 597
Receivables	b	180	50	230
Marketable securities		5,523	-	5,523
Due from Nuinsco Resources Limited	b	22	(22)	-
Prepaid expenses and deposits	b	28	(28)	-
Total current assets		6,350	-	6,350
Non-current assets				
Property and equipment		718	-	718
Exploration and development projects	c	36,982	(36,982)	-
Exploration and evaluation projects	cde	-	44,228	44,228
Total non-current assets		37,700	7,246	44,946
Total Assets		$ 44,050	$ 7,246	$ 51,296
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables	f	$ 734	$ -	$ 734
Total current liabilities		734	-	734
Non-current liability				
Deferred tax liability	i	382	2,512	2,894
Total Liabilities		1,116	2,512	3,628
Shareholders' equity				
Share capital	f	45,076	1,016	46,092
Contributed surplus	f	3,772	(76)	3,696
Accumulated other comprehensive loss	h	(611)	138	(473)
Deficit	j	(5,303)	3,656	(1,647)
Total shareholders' equity		42,934	4,734	47,668
Total Liabilities and Shareholders' Equity		$ 44,050	$ 7,246	$ 51,296

Restatement of September 30, 2010 Figures

With the optioning of the Lynn Lake project, certain of the Company's tax pools acquired pursuant to the acquisition of Independent Nickel Corp. ("Independent") no longer met the test of being more-likely-than-not to be utilized. Accordingly, the Company should have recorded a valuation allowance in future income taxes against such pools of $295,000 in the fourth quarter of 2009. Therefore, as at December 31, 2009, the Company increased the future income tax liability by $295,000 and increased the deficit by the same amount. Accordingly, the January 1, 2010 balance sheet which forms the basis for the transition to IFRS, has been restated from that reported in the December 31, 2009 financial statements; the adjustment was reflected in the comparative financial statements included in the December 31, 2010 financial statements and has been reflected in the pre-transition Canadian GAAP balance sheet as at September 30, 2010.

Notes to the Condensed Financial Statements

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

Reconciliation of Profit or Loss for the Three and Nine Months Ended September 30, 2010

		Three months ended September 30, 2010			Nine months ended September 30, 2010		
(unaudited)	*Notes*	Pre-transition Canadian GAAP	Effect of Transition	IFRS	Pre-transition Canadian GAAP	Effect of Transition	IFRS
Revenues							
Interest income	*g*	$ 1	$ (1)	$ -	$ 9	$ (9)	$ -
Gain on sale of marketable securities	*h*	16	(16)	-	159	(159)	-
Operating Expenses							
General and administrative costs		(293)	-	(293)	(1,047)	-	(1,047)
Share-based payments - options		(39)	-	(39)	(620)	-	(620)
Share-based payments - Share Bonus Plan		-	-	-	(173)	-	(173)
Amortization of property and equipment		(5)	-	(5)	(7)	-	(7)
Fee to Nuinsco Resources Limited	*g*	(33)	33	-	(33)	33	-
Recovery of exploration and evaluation projects	*e*	(5)	-	(5)	993	(313)	680
Operating loss		(358)	16	(342)	(719)	(448)	(1,167)
Finance income	*g*	-	130	130	-	1,690	1,690
Finance costs	*g*	-	(72)	(72)	-	(33)	(33)
Net finance income		-	58	58	-	1,657	1,657
Gain on financial assets at fair value through operations	*g*	(39)	39	-	1,050	(1,050)	-
(Loss) profit before income taxes		(397)	113	(284)	331	159	490
Income tax recovery (expense)	*i*	87	(102)	(15)	17	(280)	(263)
Net (Loss) Profit for the Period		$ (310)	$ 11	$ (299)	$ 348	$ (121)	$ 227
Earnings (loss) per share							
Basic earnings (loss) per share		$ (0.00)	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)	$ 0.00
Diluted earnings (loss) per share		$ (0.00)	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)	$ 0.00

Reconciliation of Other Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2010

		Three months ended September 30, 2010			Nine months ended September 30, 2010		
(unaudited)	*Note*	Pre-transition Canadian GAAP	Effect of Transition	IFRS	Pre-transition Canadian GAAP	Effect of Transition	IFRS
Net (loss) profit for the period		$ (310)	$ 11	$ (299)	$ 348	$ (121)	$ 227
Other comprehensive income (loss)	*h*						
Net change in fair value of financial assets		51	16	67	(1,609)	159	(1,450)
Income tax expense		-	(2)	(2)	-	(21)	(21)
Other comprehensive income (loss) for the period		51	14	65	(1,609)	138	(1,471)
Total Comprehensive Loss for the Period		$ (259)	$ 25	$ (234)	$ (1,261)	$ 17	$ (1,244)

Notes to the Condensed Financial Statements

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

Notes to the Reconciliations

a) Adjustments to the Statement of Cash Flows for 2010

Consistent with the Company's accounting policy choice under IAS 7, Statement of Cash Flows, there were several reclassifications required as a result of the requirements for reporting finance income and finance costs. There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under pre-transition Canadian GAAP. Note that the Company identified an arithmetic error in its statement of cash flow for the nine months ended September 30, 2010 as described above; the effects of which are summarized below.

Statement of Cash Flows	***Note***	**Recovery of E&E**	**Expenditures on E&E**
As originally reported		$ 993	$ (7,107)
Adjustment to correct arithmetic error		(1,986)	1,986
Pre-transition Canadian GAAP		(993)	(5,121)
Adjustment for IFRS difference for ITCs	*e*	313	-
As restated and under IFRS		$ (680)	$ (5,121)

b) Non-IFRS reclassifications

While not specifically related to IFRS changes, the Company determined that it would reclassify certain elements on the face of the balance sheets; these elements are now included in the notes to the financial statements. Such reclassifications are summarized as follows:

Balance Sheet	**September 30, 2010**
Increase in receivables	$ 50
Decrease in due from Nuinsco Resources Limited	(22)
Decrease in prepaid expenses and deposits	(28)
	$ -

c) Exploration and evaluation projects

In accordance with IFRS 6, the Company reclassified its exploration and development projects into exploration and evaluation projects on the balance sheets. The impact arising from the changes is summarized as follows:

Balance Sheet	**September 30, 2010**
Decrease in exploration and development projects	$ (36,982)
Increase in exploration and evaluation projects	36,982
	$ -

The Company has elected to continue to capitalize exploration costs; furthermore, the Company believes that the value of exploration and evaluation projects does not contain any material costs which were incurred prior to securing the legal right to explore the properties.

d) Impairment of exploration and evaluation projects

The Company was created under a plan of arrangement on February 1, 2007. Nuinsco formed the Company to spin out its three nickel projects and cash to its shareholders. The formation of Victory Nickel was a business combination under common control. As such, the Company has accounted for this transaction using continuity of interest accounting. Accordingly, any adjustments to historic costs of the properties acquired such as impairment reversals and pre-production write-offs that occurred while the properties were owned by Nuinsco have been treated as if the properties have always been owned by Victory Nickel. Accordingly, assets and liabilities were recorded at the time of the plan of arrangement at the then-carrying values on Nuinsco's accounting records.

Notes to the Condensed Financial Statements

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

At December 31, 2005, Nuinsco recorded a writedown of $3,906,000 against its Mel property due to non-receipt of an agreement confirming its tenure by the Company by the date the financial statements for that year had to be released. The agreements were subsequently received. Pre-transition Canadian GAAP did not permit a reversal of any previous writedown despite the fact that the writedown was technical and was not caused by any change in recoverable value. Furthermore, Nuinsco had recorded aggregate writedowns of $2,428,000 against its Lac Rocher property.

Under IFRS, reversals of writedowns are permitted and required where the recoverable value of the project is supported. The Company has determined that, at the time of the plan of arrangement, Victory Nickel constituted a “business” as defined under IFRS. Accordingly, following continuity of interest accounting, the Company has increased the value of the Mel and Lac Rocher projects which are included in exploration and evaluation projects by the amount of the previous writedowns.

The impact arising from the reversal of the writedowns is summarized as follows:

Balance Sheet		**September 30, 2010**
Increase in exploration and evaluation projects - Mel	$	3,906
Increase in exploration and evaluation projects - Lac Rocher		2,428
Related tax effect		(1,710)
Decrease in deficit	$	4,624

e) Accounting for Investment Tax Credits (“ITCs”)

Under pre-transition Canadian GAAP, the Company accounted for ITCs by deducting the tax item from the associated exploration and evaluation project and adjusting the future income tax liability. Under IFRS, the ITC is adjusted to the income tax recovery. This also had an impact on the amount of recovery on Lynn Lake recorded due to excess proceeds under the option agreement which also created an additional tax effect.

The impact arising from the adjustment for ITCs is summarized as follows:

Balance Sheet		**September 30, 2010**
Increase in exploration and evaluation projects	$	1,225
Decrease in exploration and evaluation projects - recovery on Lynn Lake		(313)
Increase in deferred tax liability on increase in projects from ITCs		(330)
Decrease in deferred tax liability on recovery on Lynn Lake		85
Decrease in deficit	$	667

Statements of Operations		**Three months ended Sept 30, 2010**		**Nine months ended Sept 30, 2010**
Decrease in recovery of exploration projects - Lynn Lake	$	-	$	(313)
Increase in future income tax recovery from recovery on Lynn Lake		-		85
Increase in future income tax recovery from ITCs		-		234
Decrease in future income tax recovery - tax effect of ITCs		-		(63)
Decrease in net profit	$	-	$	(57)

f) Flow-through share financing

Under pre-transition Canadian GAAP, the Company accounted for the tax effects of renouncing expenditures in favour of its investors upon formal renunciation to the Canada Revenue Agency (“CRA”) on its deadline of February 28 in each year. Furthermore, the Company recorded the entire amount of financing received, net of issue expenses and any related taxes, as equity in share capital with an appropriate apportionment of proceeds to any warrants is-

Notes to the Condensed Financial Statements

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

sued. In accordance with interpretations of IFRS, the Company's selected accounting treatment requires recognition of the tax effects of renunciation upon incurring expenditures related to the flow-through shares, as well as an identification of the premium associated with the tax benefits passed on to the subscribers of the flow-through shares and amortization thereof to operations upon incurring expenditures related to the flow-through shares. Flow-through expenditures are sometimes made in different reporting periods than the one in which formal renunciation to the CRA takes place.

The accounting policy determined by the Company is reflected in Note 3 to the Company's First Quarterly Financial Statements of 2011.

There is no applicable exemption available to the Company and the cumulative impact of the bifurcation of the flow-through premium as well as the different treatment of renunciation must be made. The Company made a best-efforts attempt to calculate the historic impact of renunciation and premium recognition based upon the presently-available information; given that historic differences would represent a reclassification between share capital and deficit upon transition, both of which are components of equity, the Company considers that any differences are not material. The impact arising from the change is summarized as follows:

Balance Sheet	September 30, 2010
Decrease in share capital - set up flow-through premium liability	$ 631
Decrease in deficit - adjust flow-through premium liability	(631)
Increase in trade and other payables	**$ -**

Balance Sheet	September 30, 2010
Increase in deficit - adjust tax expense upon flow-through spending	$ 557
Increase in deferred tax liability	**$ 557**

Balance Sheet	September 30, 2010
Increase in trade and other payables - set up flow-through premium liability	$ (631)
Decrease in contributed surplus - adjust proceeds attributable to warrants	76
Increase in deficit - reverse historic renunciation	5,528
Decrease in deficit - set up historic premium	(3,957)
Increase in share capital	**$ 1,016**

Statements of Operations	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
Increase in finance income - record premium upon flow-through spending	$ 129	$ 631
Increase in future income tax expense - recognize upon flow-through spending	(104)	(557)
Increase in net profit	**$ 25**	**$ 74**

Notes to the Condensed Financial Statements

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

g) Finance income and finance costs

Under IFRS there are several reclassifications required to report components of net finance income or costs. The reclassifications are summarized as follows:

Statements of Operations	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
Interest income	$ 1	$ 9
Increase in fair value of financial assets through operations	-	1,050
Record premium upon flow-through spending	129	631
Finance income	$ 130	$ 1,690

Statements of Operations	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
Decrease in fee to Nuinsco Resources Limited	$ 33	$ 33
Decrease in fair value of financial assets at fair value through operations	39	-
Finance costs	$ 72	$ 33

h) IFRS 9 – Financial instruments

The Company has chosen to early-adopt the provisions of IFRS 9 whereby it has made a determination for each of its marketable securities as to whether it will be accounted for through operations or through OCI. This will not be a retroactive adjustment but will be treated as if in force from January 1, 2010. Once a determination is made, all gains or losses arising on each marketable security is recorded either through operations or through OCI; the concepts under pre-transition Canadian GAAP of realized and unrealized gains being treated differently and permanent impairment no longer exist. The Company has determined to account for the changes in value of its portfolio of shares through OCI and changes in value of its warrants through operations.

Statements of Operations	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
Decrease in gain on sale of marketable securities	$ 16	$ 159
Effect of income taxes	(2)	(21)
Decrease in net profit and increase in OCI	$ 14	$ 138

i) Deferred tax liability and income tax expense

The combined effects of the adjustments outlined above on the deferred tax liability are as follows:

Balance Sheet	September 30, 2010
Effect of reversal of writedown of exploration and development properties	$ 1,710
Effect of flow-through financing	557
Effect of ITCs	330
Effect of ITCs on Lynn Lake recovery	(85)
Increase in deferred tax liability	$ 2,512

Notes to the Condensed Financial Statements

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

The combined effects of the adjustments outlined above on income tax recovery are as follows:

Statements of Operations	**Three months ended Sept 30, 2010**	**Nine months ended Sept 30, 2010**
Effect of flow-through financing	$ (104)	$ (557)
Effect of ITCs	-	234
Effect of ITCs - tax effect thereon	-	(63)
Effect of ITCs on Lynn Lake Recovery - tax effect thereon	-	85
Effect of implementation of IFRS 9 - reclassification of tax to OCI	2	21
Decrease in income tax recovery and net profit	$ (102)	$ (280)

j) Deficit

The impact arising from the matters discussed above, have the following effects on the Company's deficit:

Balance Sheet	**September 30, 2010**
Effect of reversal of property writedowns	$ 6,334
Effect of reversal of property writedowns - tax effects	(1,710)
Effect of flow-through financing - historic premium	3,957
Effect of flow-through financing - recognition of premium on 2010 financings	631
Effect of flow-through financing - historic renunciation	(5,528)
Effect of flow-through financing - recognition of expenditures	(557)
Effect of implementation of IFRS 9 - reclassification in OCI	(159)
Effect of implementation of IFRS 9 - reclassification of tax to OCI	21
Effect of accounting for ITCs - on properties	1,225
Effect of accounting for ITCs - on recovery related to Lynn Lake option	(313)
Effect of accounting for ITCs - on recovery related to Lynn Lake option - tax	85
Effect of accounting for ITCs - on future income tax recovery	(330)
Decrease in deficit	$ 3,656

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

DATED NOVEMBER 7, 2011

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Nine Months Ended September 30, 2011

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 November 7, 2011 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2011, 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 and nine months ended September 30, 2011 and 2010 ("Unaudited Condensed Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

Victory Nickel's first unaudited interim financial statements prepared in accordance with IFRS wherein IFRS 1, First time adoption of International Financial Reporting Standards ("IFRS 1"), was applied were the unaudited interim financial statements as at and for the three months ended March 31, 2011 and 2010 ("First Quarterly Financial Statements of 2011"). Note 32 to those statements included a detailed explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Victory Nickel for the periods then presented. The First Quarterly Financial Statements of 2011 included detailed information and reconciliations as at the transition date, December 31, 2010 and March 31, 2010.

As described in previously-filed management's discussion and analysis ("MD&A"s), the Company had an IFRS implementation project plan which involved its advisers; this plan is essentially complete. However, it should be noted that, because of the nature of IFRS being principles-based, accounting practice under IFRS will continue to develop and evolve in Canada and in the junior mining sector. While the Company has been diligent in its selection of appropriate accounting policies and methodologies and has been guided by the anticipated papers of the Mining Industry Task Force on IFRS (the "Mining Industry Task Force"), it may later choose to amend those selections. Any changes will be accounted for in accordance with the accounting and disclosure requirements under IFRS, including any concessions made to first-time adopters.

Readers are also encouraged to consult the audited financial statements for the years ended December 31, 2010 and 2009 ("2010 Audited Financial Statements"), which were prepared in accordance with predecessor Canadian generally accepted accounting principles prior to the transition date to IFRS ("pre-transition Canadian GAAP"). Certain information and discussion included in this 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.

The Unaudited Condensed Financial Statements, First Quarterly Financial Statements of 2011 and the 2010 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, evaluation 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 (refer to option agreement with Prophecy Coal Corp. ("Prophecy Coal" – formerly Prophecy Resource Corp.) described below) and Mel projects in Manitoba and the Lac Rocher project in Québec. The results of a feasibility study on the Minago Project ("FS") were announced in December 2009, the Environmental Impact Study ("EIS") was filed in May 2010 and the Environmental Act Licence ("EAL") was received in August 2011. At the Lac Rocher Project, a review of the preliminary economic assessment (Lac Rocher "PEA") initially announced in November 2008 is ongoing to better reflect current cost realities and permitting efforts will continue in preparation to advance to mining as metal prices are recovering. The Company is looking to collar the portal or identify other means to proceed to a bulk sample on a cost-effective basis as soon as regulatory requirements for permit issuance are met – this includes determining a site for milling. At the Mel project, Vale announced its decision not to exercise its back-in right, allowing the Company to determine its own strategy to advance the Mel project – drilling has been completed at Mel and results have been announced.

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 Platinum can acquire a 100% interest in Lynn Lake are outlined in Note 6 to the 2010 Audited Consolidated Financial Statements. In accordance with the contract, two payments of $1,000,000 due by March 1 of each of 2012 and 2013 remain outstanding. Failure on the part of Prophecy Platinum, or Prophecy Coal under the assignment agreement, to meet any of the terms will result in cancellation of the option and Lynn Lake will revert to the Company.

HIGHLIGHTS

During and subsequent to the nine months ended September 30, 2011, the Company:

Corporate

- Announced the resignation of T. Michael Young from the Board of Directors for personal reasons.
- Welcomed two new directors: Peter R. Jones, former CEO of Hudbay Minerals Inc., and Michael Anderson, a former senior partner at a national law firm whose previous experience included General Counsel and Secretary with Denison Mines Limited.
- Completed a flow-through financing in May raising $1,000,000.

Minago

Mine Development

- Received the EAL, the final major regulatory requirement for mine development, from the Manitoba government, making Minago one of a select few permitted sulphide nickel projects and enabling development to commence this winter, subject to financing.
- Optimized the feasibility study to further improve the economics at Minago, increasing the IRR to 22.9% from 17.7% and the net present value at an 8% discount rate to $513 million from $371 million.
- Received approval from the Board of Directors to proceed with financing and development of the Minago mine.

Nose Deposit

- Increased, by 24%, the measured and indicated NI-43-101 pit-constrained resource to 302.3 million pounds of sulphide nickel ("NiS") which added approximately 1.5 years to the open pit mine life.
- Completed an 11,000m drill program targeting the extension to depth of the Nose Deposit and the North Limb.
- Established additional potential to extend the open pit mine life in the Minago Nose Deposit by identifying a previously unknown western extension of nickel mineralization through diamond drilling.

North Limb

- Completed an 11,000m drill program targeting the extension to depth of the Nose Deposit and the North Limb.
- Announced diamond drill results that continued to confirm the continuity of the North Limb nickel mineralized domain.
- Estimated a 21 million tonne to 35 million tonne NI-43-101-compliant Exploration Target Mineralization Inventory ("ETMI") in the North Limb grading between 0.49% and 0.59% Ni, demonstrating the potential for a significant expansion of the nickel resource exploitable by open pit over and above current known resource in the Nose Deposit.

Mel

- Completed 3,500m of diamond drilling at Mel to explore for extensions of the known resource.
- Added to the potential for increased sulphide nickel resources at Mel by identifying a previously unknown extension of nickel mineralization, with drill intercepts up to 13.71m grading 0.96% Ni, including 2.64% Ni over 1.2m.

Lac Rocher

- Continued a comprehensive re-evaluation of the Lac Rocher project in light of current metal price levels.
- Continued efforts to obtain mining permits.

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 from an open pit and 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 bring 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 is adequate to produce a positive FS report. The underground portion is there for the future and will add to the mine life at Minago.

In December 2009, another milestone was achieved with the completion of the FS. The results of the study were very positive and indicated that the Minago project should be advanced. The next step on the road to development was the preparation of the Environmental Impact Study ("EIS"). The preparation of this major study was a significant effort and in May 2010, the EIS was filed, another major milestone.

This EIS was initially designed to address concerns of all stakeholders but, after the study was filed, certain other concerns were raised and addressed. After numerous meetings with the federal and provincial governments and agencies, the First Nations and the Métis communities, the EIS was amended to accommodate the diverse needs of all stakeholders and on August 3, 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 has begun. The pre-production capital cost to bring the Minago mine to production is in the range of $550-600 million over a three-year period. The first year's initial requirement is in the range of $75 million excluding any cost associated with ordering long lead time equipment. This amount will provide the funds necessary until December 2012 to dewater 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 costs approximately one sixth of diesel generated power so it is important to bring it in early. We are currently is discussions with equipment providers to structure a lease or other financing arrangement.

This is a lot to take on for a junior company such as ours, especially in the current confused market environment. However, we always believed that we would need to bring on a joint venture partner such as Duluth Mining did recently and as Aur Resources did with Teck Cominco to help and 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 last drilling program, the in-pit resources increased by approximately 24% resulting in an extension of the open pit nickel mine life to 8.6 years from 7 years. With the frac sand, the pit mine life is ten years. The significance of this 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.

In addition to the increased resource in the pit shell, we announced that drilling in the North Limb enabled the calculation of an ETMI of 21 to 34 million tonnes. Recent drilling has also identified a previously unknown zone of mineralization beyond the western edge of the pit. This, along with the approximate 30 million tonnes of inferred resources below the pit, bodes well for long term production at Minago.

Optimization efforts continue and we are well advanced in 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. We continue to source used equipment to bring down the upfront capital costs.

Management believes that the financing is achievable by bringing in a joint venture partner. In addition to funding their share of the project development costs, as described earlier, we will be looking for debt support from our joint venture partner. Other forms of non-dilutive financing includes off take agreements on nickel concentrate and on frac sand.

So our next step is to find a joint venture partner to help us fund our activities until the end of 2012. As mentioned earlier, we estimate that we will require approximately $75 million to get ready for full development in the first quarter of 2013.

Lead time on the required mobile fleet is approximately 18 months. This fits in very well with the development schedule as delivery can be expected in the first quarter of 2013, a time when the limestone is exposed and ready to be removed.

Assuming we can achieve this schedule, we can expect to be producing frac sand in the first quarter of 2014 followed by nickel in the first quarter of 2015. This seems like a long time away but if we look back, the permitting took almost four years and it has been almost four-and-a-half years since Victory Nickel was created by Nuinsco.

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, 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, we are continuing the work required to obtain permits for our Mel Project in Manitoba and our Lac Rocher project in Québec. Prophecy Platinum continues to fulfil its obligations under the option agreement on Lynn Lake.

Commenting on the confused state of the fickle financial markets would only be repeating what we read and hear every day. This is completely beyond our control. We are focused on those elements that are within our control – to finance and develop Minago as quickly as possible in order to realize the substantial value of this large, permitted sulphide nickel resource for our shareholders.

RESULTS OF OPERATIONS

All of the information described below is accounted for in accordance with IFRS. The reader is encouraged to refer to Notes 3 and 23 of the Company's First Quarterly Financial Statements of 2011 for the Company's IFRS accounting policies and a complete analysis and reconciliation of the Company's accounting under pre-transition Canadian GAAP and IFRS. Furthermore, the Company's Unaudited Condensed Financial Statements also include information pertinent to the three and nine months ended September 30, 2010. The discussion below includes certain references to some of the main effects of changes under IFRS where it is considered helpful.

Three Months Ended September 30, 2011 Compared With Three Months Ended September 30, 2010

For the three months ended September 30, 2011, the Company had a net loss of $605,000 or $0.00 per share (for the three months ended September 30, 2010 – $299,000 or $0.00 per share).

The net loss resulted primarily from general and administrative costs of $475,000 (2010 - $293,000), share-based payments from options of $186,000 (2010 – $39,000), net finance income of $82,000 (2010 - $58,000) and a future income tax provision of $24,000 (2010 - provision of $15,000).

General and administrative expenses were $475,000 in 2011, compared with $293,000 in 2010. Expenses that increased from 2010 to 2011 included conference costs, investor and public relations costs and legal fees. In 2011, bonuses were also recorded for senior management to recognize the significant effort and accomplishment of successfully obtaining the Minago EAL; there were no bonuses in 2010.

General and administrative expenses include $197,000 (2010 - $192,000) in management costs charged by Nuinsco under the management agreement as described under Transactions with Related Parties and Management Agreement below. Costs allocated from Nuinsco pursuant to the management agreement are activity related. This arrangement allows the Company to have access to disciplines which would otherwise be cost-prohibitive to a junior company. In common with many other companies, the efforts required to support increased corporate compliance such as for internal controls and accounting transitions are extensive. By sharing such expertise with Nuinsco, the Company is able to realize on cost savings while maintaining regulatory adherence.

The costs of public company compliance for Victory Nickel in the third quarter of 2011 are approximately $191,000, compared with $129,000 in 2010. Such costs are non-discretionary and are generally weighted to the beginning of a financial year because of audit and other compliance requirements. The increase from 2010 to 2011 is mainly due to higher investor and public relations expenses and legal fees.

The Company's primary award of options to officers, directors, consultants and employees occurred in the second quarter of 2011. An additional 1,900,000 options were issued in the third quarter of 2011 (2010 – nil), primarily to directors, which vest immediately. Certain stock options issued to a retiring director which would otherwise have expired, were approved by the Board to retain their original terms. Accordingly, these were treated as a modification. The aggregate share-based payments associated with the vesting of options was $148,000 (2010 - $39,000) and option modifications in the third quarter was $38,000 (2010 - $nil).

Management of the Company determined that no significant events had been experienced during the period which would prompt an impairment review of its exploration and evaluation projects; in accordance with IFRS, the Minago project was reviewed for impairment prior to its transfer to *Mine property and development project* on the balance sheet upon Board approval to develop the mine and proceed with financing discussions. Metals prices and other market factors continue to improve or remain stable. 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 move development of the project ahead as well as opportunities to optimize the FS itself. Drilling to upgrade and increase resources was substantially complete in the first quarter of 2011 and the Company received its Environment Act License, which is a key step towards developing Minago.

The writedown of $5,000 in the three months ended September 30, 2011 represented minimal costs incurred on projects in the period.

Finance income in the quarter ended September 30, 2011 includes the following primary elements: the net change in fair value of financial assets at fair value through operations of $35,000 and the recognition of the premium on flow-through financings of $44,000, as well as minimal interest income. Finance income in the quarter ended September 30, 2010 primarily comprises the recognition of premium on flow-through financings of $129,000; the value of warrants decreased in that period and was reflected in finance cost.

In the third quarter of 2010, $129,000 was recorded in finance income and reflects the portion of the premium on flow-through spending which is recorded through income as applicable expenditures related to that flow-through financing from April 2010 were incurred. The flow-through premium concept is one of the more significant changes to the Company's routine accounting as a result of transition to IFRS. The Company completed its obligations under flow-through financings from April 2010 in the third quarter of 2010; accordingly, the entire flow-through premium was reflected through operations by the end of that accounting period.

In May, 2011, the Company completed a flow-through financing. An amount of $44,000 was recorded in finance income during the third quarter of 2011 and reflects the portion of the premium on flow-through spending which is recognized in income as applicable expenditures related to that flow-through financing were incurred. Note 13 to the Company's Unaudited Condensed Financial Statements includes an analysis of the flow-through premium liability.

As at September 30, 2010, the Black-Scholes parameters on the warrants then-held were updated and the fair values were calculated at $0.287 and $0.227; the resultant aggregate decrease in fair value was $39,000.

During June, 2011, one of the Company's investees completed a corporate transaction whereby its non-coal assets, including the Lynn Lake option, were spun off in exchange for shares in that company (the "Spin off company"). Shareholders of record in the investee became shareholders in the Spin off company on the basis of 0.094758 shares (post-consolidation) of each share held on June 13, 2011. Accordingly, Victory Nickel received approximately 596,000 shares of the Spin off company at a then-market value of $0.80 per share.

The warrants acquired during the first quarter of 2010 were exercised during the first quarter of 2011. As at September 30, 2011, the Black-Scholes parameters were updated for the warrants acquired during the second quarter of 2010 and the fair value was calculated at $0.189; the resultant aggregate increase in fair value was $35,000. Pursuant to the corporate transaction entered into as described above, the warrants entitle the Company to 0.094758 of a share of the Spin off company, as well as a share of the originating investee. Accordingly, the parameters for the shares of both companies have been considered in arriving at the estimated value of the warrant. The assumptions used in determining the fair value of the warrants at September 30, 2011 are included in Note 9 to the Company's Unaudited Condensed Financial Statements.

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.

Finance costs in the third quarter of 2010 include $33,000 related to fee and interest expense charged by Nuinsco for an advance prepayment for the exercise of warrants. The warrants were exercised by Nuinsco in September, 2010.

OCI in the third quarter of 2011 of $912,000 relates to an increase of $1,054,000 in the market value of the Company's financial assets at fair value through OCI offset by income tax expense through OCI of $142,000. OCI in the third quarter of 2010 of $65,000 was related to an increase of $67,000 in the market value of the Company's financial assets at fair value through OCI offset by income tax expense of $2,000. Note that under IFRS 9, all changes in market value on financial assets at fair value through OCI are reflected in OCI; this includes realized gains or losses which, under pre-transition Canadian GAAP, were formerly reflected through operations.

The significant increase in the change in fair value of financial assets through OCI in the quarter was largely attributable to the significant increase in the market price of the Spin off company's shares.

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

Receivables increased by $43,000 from December 31, 2010, primarily due to a significant increase in the sales tax receivable as a result of expenditures on programs at the Minago and Mel projects during the three months ended September 30, 2011. The amount outstanding was received in October, 2011.

Marketable securities as at September 30, 2011 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 $7,740,000 from December 31, 2010.

In February, 2011, the Company exercised warrants at a cash cost of $114,000 which moved part of the Company's portfolio from financial assets with value changes through operations to financial assets with value changes recorded through OCI.

In the third quarter of 2011, the Company's special warrants received in May 2010 were converted into shares at no cost to the Company. The market value at the time of conversion was $0.30 and this amount was recorded through OCI since the warrants had previously been recorded at $nil.

Property and equipment increased over December 31, 2010 as a result of deposits of US$376,000 made during 2011, 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.

Trade and other payables consist primarily of project-related expenditures. The balance decreased by $301,000 when compared with December 31, 2010 primarily due to the timing of project-related expenditures. Project expenditures are described in Mine Property and Development Activities and Exploration and Evaluation Activities below.

The deferred tax liability balance amounts to $2,840,000 as at September 30, 2011 compared with $3,314,000 as at December 31, 2010. The main components of the balance relate to the tax effects of exploration and evaluation properties, including the effect of renunciation of flow-through expenditures to investors, partly offset by the tax value of net operating tax losses carried forward. The conversion to IFRS included some significant changes to tax-related elements including flow-through financing and investment tax credits as well as the effects of the reversal of previously-recorded impairment provisions on Mel and Lac Rocher.

Share capital has increased by $1,461,000 over December 31, 2010 primarily as a result of shares issued pursuant to two private placements and the exercise of warrants and options that generated aggregate gross proceeds of $1,500,000, $136,000 and $15,000, respectively. This is discussed more fully under Liquidity and Capital Resources below. The conversion to IFRS also had significant impact on the components of shareholders' equity; in particular, as a result of changes in flow-through accounting and the reversal of previously-recorded impairment.

Nine Months Ended September 30, 2011 Compared With Nine Months Ended September 30, 2010

For the nine months ended September 30, 2011, the Company had a net loss of $809,000, or $0.00 per share (2010 – net profit of $227,000, or $0.00 per share).

The results are a function of general and administrative expenses of $1,248,000 (2010 - $1,047,000), share-based payments from options of $328,000 (2010 – $620,000), share-based payments from bonus shares of $nil (2010 - $173,000), a $597,000 recovery (2010 - $680,000) with respect to the Lynn Lake property as a result of option amounts received in excess of the recorded value of the property, net finance costs of $75,000 (2010 – net finance income of $1,657,000). Results in 2011 also include a recovery of income taxes of $252,000 (2010 – provision of $263,000).

General and administrative expenses include $609,000 in costs charged by Nuinsco as described under related party transactions and management agreement below (2010 - $529,000). Costs allocated from Nuinsco pursuant to the management agreement are activity related; the increase in costs is primarily as a result of salary increases at Nuinsco – as well as the effects of Nuinsco hiring an extra staff member in July 2010 to support additional compliance requirements. As referred to earlier, this allows the Company to have access to disciplines which would otherwise be cost-prohibitive to a junior company.

General and administrative expenses increased by $201,000, from $1,047,000 to $1,248,000 for the nine months ended September 30, 2010 and 2011, respectively; most of this increase occurred in the third quarter of 2011. Expenses that increased from 2010 to 2011 included consulting costs in relation to work performed with respect to the implementation of IFRS, investor and public relations expenses, costs charged by Nuinsco as described under Related Party Transactions and Management Agreement below; these expenses were partially offset by decreased travel and entertainment expenses and directors' expenses. In 2011, bonuses were also recorded for senior management for successfully obtaining the Minago permit; there were no bonuses in 2010.

The costs of public company compliance for Victory Nickel for the nine months ended September 30, 2011 are approximately $640,000, compared with $550,000 in 2010. Such costs are non-discretionary and are generally weighted to the beginning of a financial year because of audit and other compliance requirements. The increase from 2010 to 2011 is mainly due to higher investor relation expenses along with increased management agreement charges as described above.

Share-based payments decreased by $292,000 to $328,000 in 2011 which is a result of lower fair value of options in 2011 compared with 2010 combined with a lower number of options issued in 2011 compared with 2010, partly offset by the cost to modify the terms of the retiring director's options which would otherwise have expired as discussed above.

Share-based payments from bonus shares expense relates to common shares issued to employees and consultants as discretionary bonuses pursuant to the Company's Share Bonus Plan. The expense of $173,000 for the nine months ended September 30, 2010 reflects the issuance of 1,571,100 shares; there were no shares issued under the Share Bonus Plan during the nine months ended September 30, 2011. On October 4, 2011, 648,235 bonus shares were issued to senior management for successfully obtaining the Minago permit, at a share price of $0.085 per share.

In the nine months ended September 30, 2011, the Company received additional consideration from the Lynn Lake option with Prophecy Coal in the form of cash of $600,000 (2010 - $1,100,000 cash and 2,419,548 shares of Prophecy Coal with a fair value of $968,000). 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 projects and recorded through operations. Accordingly, the Company recorded a net recovery of $597,000 through operations in 2011 (2010 - $680,000). As described earlier, the accounting changes under IFRS related to ITC's revised the carrying values of Lynn Lake which had an impact on the pre-transition Canadian GAAP amounts recorded for Lynn Lake recoveries.

Finance income of $78,000 in the first nine months of 2011 is primarily comprised of the recognition of premium on flow-through spending of $70,000 related to the flow-through financing in May, 2011 as discussed above. In the comparative period, the Company recorded $1,690,000 in finance income; $631,000 represents recognition of premium on flow-through financings completed in February and April, 2010, and $1,050,000 represents gains associated with changes in fair value of warrants and differences in fair values as described below. The Company completed its obligations under flow-through financings from February and April 2010 by the third quarter of 2010; accordingly, the entire flow-through premium was reflected through operations by the end of that accounting period.

In the first nine months of 2010, the Company acquired 570,270 units in an investee comprising one share and one-half of a share purchase warrant at a cash cost of $0.30 per unit. At that time, the fair value of each share was $0.41. The Company also subscribed for 675,500 units in the same investee at $0.59 per unit pursuant to a further private placement as mentioned earlier. Under a reciprocal placement, the Company subscribed for 7,000,000 common shares for $0.544 per share. At the time of issue, the fair value of each share was $0.62.

The combined effect of the above-noted transactions for the nine months ended September 30, 2010 of $1,050,000 was recorded in finance income; $160,000 is as a result of the recognition of the initial fair value of warrants adjusted for fair value changes to September 30, 2010 and $890,000 is from the fair value of shares received being in excess of the amounts paid.

The warrants acquired during the first quarter of 2010 contained an acceleration clause which was invoked by the company in early 2011. Accordingly, the Company exercised all of these warrants in February, 2011, thereby acquiring 285,135 shares at a cash cost of approximately $114,000, or $0.40 per share. At the time of exercise of the warrants, the related shares had a market value of $1.00 per share which coincided with the cash cost plus carrying value of the warrants.

The fair value of the warrants acquired during the second quarter of 2010 and upgraded pursuant to a corporate transaction, was updated at September 30, 2011 as described above and was calculated at $0.189; the resultant net decrease in fair value of $153,000 during the nine months ended September 30, 2011 was recorded in finance cost. The assumptions used in determining the fair value of the warrants at September 30, 2011 are disclosed in Note 9 to the Company's Unaudited Condensed Financial Statements.

Finance costs in 2010 comprise $33,000 related to fee and interest expense charged by Nuinsco for an advance prepayment for the exercise of warrants. The warrants were exercised by Nuinsco in September, 2010.

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 2011, the Company recorded an income tax recovery of $252,000 (2010 – provision of $263,000).

OCI in 2011 of a net loss of $1,374,000 (2010 - $1,471,000) relates to a decrease of $1,589,000 (2010 - $1,450,000) in the market value of the Company's financial assets at fair value through OCI net of income tax recovery recorded through OCI of $215,000 (2010 – expense of $21,000). These changes are primarily a result of market value decreases which occurred during 2011. In 2010, the market value decreases were smaller.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eleven quarters ended September 30, 2011 is as follows:

The information for 2011 and 2010 is accounted for in accordance with IFRS

Fiscal year 2011	3rd Quarter	2nd Quarter	1st Quarter
Net finance income (costs)	$ 82	$ (62)	$ (95)
Net (loss) profit	$ (605) [1]	$ (505) [3]	$ 301
Total comprehensive income (loss)	$ 307 [2]	$ (2,795) [4]	$ 306
(Loss) income per share - basic and diluted	$ (0.00)	$ (0.00)	$ 0.00

Fiscal year 2010	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net finance income	$ 232 [5]	$ 58	$ 1,140 [7]	$ 459 [10]
Net income (loss)	$ 27	$ (299)	$ 859 [8]	$ (333)
Total comprehensive income (loss)	$ 4,619 [6]	$ (234)	$ (2,180) [9]	$ 1,170 [11]
Income (loss) per share - basic and diluted	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)

The information for 2009 is accounted for in accordance with pre-transition Canadian GAAP

Fiscal year 2009	*4th Quarter (restated)* [12]	*3rd Quarter*	*2nd Quarter*	*1st Quarter*
Revenue and other income	*$ 8*	*$ 220* [15]	*$ 39*	*$ 27*
Net (loss) income	*$ (524)* [13]	*$ 35*	*$ (343)*	*$ (48)*
Total comprehensive income (loss)	*$ 64* [14]	*$ 145* [16]	*$ (471)*	*$ 380*
(Loss) income per share - basic and diluted	*$ (0.00)*	*$ 0.00*	*$ (0.00)*	*$ (0.00)*

The information for 2011 and 2010 is accounted for in accordance with IFRS and the notes thereto are as follows:

(1) Net loss for the period includes $186,000 for share-based payments and $97,000 for bonus expense.
(2) 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.
(3) Net income for the period includes share-based payments of $140,000 for options granted and vesting in the period.
(4) 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.
(5) Finance income for the period includes a net change in fair value of financial assets through operations of $231,000.
(6) 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.
(7) 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.
(8) Net income for the period includes $685,000 recovery on the Lynn Lake option now with Prophecy Platinum.
(9) 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.
(10) 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.
(11) 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.

The information for 2009 is accounted for in accordance with pre-transition Canadian GAAP and the notes thereto are as follows:

(12) Restated to reflect unrecognized deferred tax assets against certain tax pools associated with the acquisition of Independent Nickel Inc. The restatement was reflected in the Company's 2010 Audited Financial Statements.

(13) Net loss was increased by $295,000 as a result of the restatement described above.
(14) Comprehensive income for the period includes an increase in the market value of financial assets at fair value through OCI.
(15) Revenue for the period includes $211,000 gain on sale of shares.
(16) Comprehensive income for the period reflects the partial recovery of the market value of financial assets at fair value through OCI.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2011, the Company had working capital, including cash and cash equivalents and marketable securities, totalling $4,173,000 (December 31, 2010 - $10,230,000). Cash equivalents at December 31, 2010 included a guaranteed investment certificate. 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, to provide funds for its operations and exploration, evaluation and development activities. The Company sold marketable securities during 2011 and continues to do so.

For the nine months ended September 30, 2011, the Company used cash in operating activities of $1,310,000 (2010 - $1,206,000). 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 2011 amounted to $640,000 (2010 - $550,000). Many of these costs are incurred in the early part of the year. In 2010, such costs were approximately $698,000 for the year, calculated on a comparable basis. Consequently, the Company's liquidity is reduced unless and until there are financing activities 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 nine months ended September 30, 2011, net cash generated by investing activities was $1,022,000, compared with cash used of $8,330,000 in the nine months ended September 30, 2010. An aggregate of $4,971,000 and $229,000 was used to advance exploration and evaluation ("E&E") projects and mine property and development ("MP&D") project, respectively, during the nine months ended September 30, 2011 (September 30, 2010 - $5,121,000 and $nil).

In February, 2011, the Company exercised certain warrants for cash of $114,000 as discussed above thereby reclassifying the amount previously in financial assets through operations to financial assets in OCI. During the nine months ended September 30, 2010, the Company acquired additional Prophecy Coal securities for $4,526,000. During the nine months ended September 30, 2011, the Company sold shares for aggregate proceeds of $6,112,000 (September 30, 2010 – aggregate proceeds of $825,000). Funds of $600,000 were received with respect to the option agreement with Prophecy Coal for the Lynn Lake property (September 30, 2010 - $1,100,000).

The Company made deposits of $376,000 in the nine months ended September 30, 2011 under an agreement to purchase transformers and other electrical equipment at an aggregate cost of US$2,840,000, as referenced above (September 30, 2010 - $608,000). The balance is due prior to shipping.

Financing activities in the first nine months of 2011 generated net proceeds of $1,627,000 (September 30, 2010 - $6,055,000) after cash-settled share issue costs of approximately $24,000 (September 30, 2010 - $187,000). This included two private placement financings.

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.

In May, 2011, the Company issued 8,695,652 flow-through common shares at a price of $0.115 per unit generating gross proceeds of $1,000,000. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.15 for a period of 18 months from closing. The Company issued 456,960 finder's warrants that entitle the holder to purchase one finder's unit at an exercise price of $0.15 for a period of 18 months from issuance. Each finder's unit entitles the holder to purchase one common share and one-half of one finder's unit warrant. Each whole finder's unit warrant entitles the holder to purchase one common share at an exercise price of $0.15 for a period of 18 months from the issuance of the finder's unit warrant.

In addition, 1,137,627 warrants were exercised in 2011 that were issued pursuant to the rights offering in August 2009 at an exercise price of $0.12 per share for an aggregate consideration of approximately $136,000 with 28,268,067 warrants expiring unexercised. In July, 2011, 300,000 options were exercised at a price of $0.05 per share for an aggregate consideration of $15,000.

Financing activities in the first nine months of 2010 of $6,055,000 included the completion of the first and second tranches of a flow-through financing as well as a reciprocal placement. The first tranche of the flow-through financing closed on February 26, 2010 and generated gross proceeds of $686,000 through the issuance of 3,429,139 units of securities at a price of $0.20 per unit. Cash-settled share issue costs before income taxes were $69,000. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.26 for a period of 12 months from closing.

The second tranche closed on April 9, 2010 and generated gross proceeds of $1,380,000 through the issuance of 6,570,861 units at $0.21 per unit, each unit as described above. Share issue costs before income taxes were $104,000. On completion of the second tranche, the Company issued 250,000 finder's warrants which entitle the holder to purchase one common share at an exercise price of $0.175 for a period of 12 months from issuance. On May 28, 2010, the Company issued 36,615,385 common shares pursuant to the reciprocal placement with Prophecy Coal. The common shares were issued at a price of $0.104 per share generating gross proceeds of $3,808,000 with share issue costs of approximately $14,000 before income taxes. The reciprocal financing is a way to raise liquid assets with minimal share issue costs; share issue costs are not flow-through eligible so it is important to minimize such costs.

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 are "hard" dollars and can be utilized without restriction.

These activities provided cash and cash equivalents of $1,339,000 during the nine months ended September 30, 2011, compared with cash requirements of $3,481,000 during the nine months ended September 30, 2010.

As at September 30, 2011, the Company had a remaining flow-through commitment outstanding of $193,000 that is required to be satisfied by December 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 and in 2010, 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 financing. However, the results of this are also dependent upon market conditions which are outside the control of the Company. The Company will continue to balance its financing choices as a function of availability and market activity. In the third quarter of 2011, the Company took advantage of market activity to dispose of marketable securities at opportune pricing, as further described below.

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 expects to receive additional amounts of $1,000,000 by March 1 of each of 2012 and 2013 in accordance with the Lynn Lake option agreement.

As described earlier, a Company investee completed a corporate transaction which transferred the non-coal properties, including the option in Lynn Lake, to the Spin off company. As part of this transaction, the investee retained an approximate interest in the Spin off company upon closing of approximately 44% and shareholders received shares in the Spin off company. Victory Nickel thereby maintains an interest in the Lynn Lake property through holdings of the Spin off company and indirectly through its holdings in the investee which retained a significant interest in that Spin off company.

In July, 2011, Prophecy Platinum made announcements on its Wellgreen property and this sparked significant market activity in its shares as well as those of Prophecy Coal. The increase in trading activity provided Victory Nickel with an opportunity to dispose of a portion of its holdings of both Prophecy Coal and Prophecy Platinum shares. This generated proceeds of approximately $3,087,000 in the third quarter.

As at November 7, 2011, the aggregate market value of the Company's marketable securities held in public company shares is approximately $3,004,000. The market value of such shares may go up or down.

As at September 30, 2011, the Company had warrants outstanding and options exercisable which could bring in additional cash funds of approximately $8,452,000. Not all those instruments are presently "in-the-money" however.

Despite recent improvements, the market continues 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 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's working capital requirements continue to be modest. At September 30, 2011, the major item requiring financing was an HST/GST receivable of $86,000, which was received in October, 2011. The HST/GST receivable is a function of project activity and averaged approximately $87,000 in 2010; the average balance in 2011 is likely to be higher due to a full year of HST. Monthly average administrative costs for 2011 are estimated at $146,000, most of which are incurred to meet statutory requirements. As at September 30, 2011, the Company has a remaining flow-through commitment from the financing in May 2011 of $193,000 that is required to be fulfilled by December 31, 2012. Also, 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.

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*. This exercise resulted in the Company's recent announcement 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 resource update at April, 2011.

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 is actively putting together a financing strategy which is expected to include several components; the relative proportion of each will be dependent upon the market conditions at the time the strategy is executed. Anticipated 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 have been ongoing since the completion of the financial statements, the pace and volume of discussions have increased, as expected, since the announcement of the receipt of the final Environment Act License in August, 2011. The Company has held several 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*. From the date of transfer to September 30, 2011, approximately $294,000 was spent on Minago. From January 1, 2011 to the date of transfer, $3,748,000 was incurred on the project.

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 consisted of diamond drilling, 20 drill holes comprising 8,793m, and 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). The purpose of this drilling was to evaluate the nickel mineralization along the North Limb in order to begin to define the possible scale of the nickel endowment there. Work conducted to date by the Company on the North Limb has demonstrated significant continuous intervals or nickel bearing rock and good continuity between holes on adjacent cross-sections. The host rock, sulphide mineralization and grades are very similar to those observed in the Main Zone. All total nickel analytical results have now been released for the 2011 North Limb drilling.

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. Results of a downhole geophysical survey conducted on this hole are expected shortly.

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**	**%**	**M Lb NiS**	Millions	%	M Lb NiS	**M Lb NiS**	**%**
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

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. Considerable potential exists to expand the resource beyond the limits of the current pit.

EXPLORATION AND EVALUATION ACTIVITIES

For the nine months ended September 30, 2011, the Company incurred exploration expenditures on its E&E properties of $4,608,000 (September 30, 2010 - $4,694,000). This includes $3,748,000 on Minago, prior to its transfer to MP&D, $673,000 on the Mel project, $3,000 on Lynn Lake (before $600,000 option payment received from Prophecy Coal) and $184,000 at the Lac Rocher project (September 30, 2010 - $4,442,000, $168,000; $32,000 (before $1,100,000 option payment received from Prophecy Coal and fair value of Prophecy Coal shares of $968,000) and $52,000, respectively). The 2011 expenditures are shown before the effect of transfer of $597,000 through operations (2010 - $680,000) 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. The Mel project has been idle for some time, awaiting a decision by Vale as to whether it would exercise its back-in right. During the third quarter of 2010, the Company announced that Vale had determined that it would not exercise its back-in right. Title to the property 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 that is associated with prospective nickel results obtained from semi-massive sulphide mineralization returning 1.24% Ni over 2.41m intersected in an earlier drill hole. Although the holes intersected the target stratigraphy, no sulphide mineralization was encountered. Eight drill holes, totalling 2,720m, were collared to test the down-dip extension of the Mel resource shell. These holes tested between 185m and 300m vertically and 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. Following completion of this work, additional modelling of the resource is contemplated.

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.

A road connecting the end of the existing logging road to the site of the proposed Lac Rocher portal was completed in August 2009. The road allows year-round ground access 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 the year to date, 2011.

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 6 to the 2010 Audited 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. By optioning Lynn Lake, the Company has ensured that the property will have expenditures made upon it.

IMPAIRMENT ANALYSIS UPDATE

While the metals markets and other general economic factors have improved over the prior year, the Company performed a detailed impairment analysis, which considered factors pertinent to IFRS such as the reversals of prior writedowns, on each of its exploration and evaluation projects as at December 31, 2010. 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 E&E projects which would cause a reassessment. The Company considered the recoverability of expenditures on its Minago project prior to its transfer to MP&D; no impairment allowance was required.

Management concluded that no impairment existed in each of its E&E and MP&D projects effective September 30, 2011 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 Notes 2 and 3 to the Company's First Quarterly Financial Statements of 2011 as updated by Notes 2 and 3 in the Unaudited Condensed Financial Statements. The reader may also choose to review Notes 2 and 3 to the Company's 2010 Audited Financial Statements. However, the reader is cautioned that the 2010 Audited Financial Statements were prepared under pre-transition Canadian GAAP and are no longer directly comparable to the present basis of accounting under IFRS. Note 23 to the First Quarterly Financial Statements and Note 21 to the Unaudited Condensed Financial Statements do provide the reader with information, analyses and reconciliations of historic information from pre-transition Canadian GAAP to IFRS. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2010 Audited Financial Statements as well as Note 1 to the Company's Unaudited Condensed Financial Statements.

The recorded value of the Company's exploration and evaluation projects and mine property and development 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 an 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 Unaudited Condensed Financial Statements. Note 3 to the Company's First Quarterly Financial Statements of 2011 include the accounting policies that have been applied in preparing the financial statements as at and for the three and nine months ended September 30, 2011 and 2010. Note that, with the Board approval of the development of the Minago mine, it was transferred to MP&D expenditures; the accounting policy for this is shown in Note 3 to the Unaudited Condensed Financial Statements. The comparative information presented in the financial statements as at December 31, 2010 and as at and for the three and nine months ended September 30, 2010 were also compiled using IFRS. Note 23 to the First Quarterly Financial Statements of 2011 and Note 21 to the Unaudited Condensed Financial Statements detail the adjustments made and the reconciliations between pre-transition Canadian GAAP and IFRS for the relevant periods.

SUMMARY OF IFRS IMPLEMENTATION

Overview

As discussed above and in the Company's previous MD&As, the Company implemented a project plan to guide its transition to IFRS. The project plan is essentially complete. However, the Company will continue to monitor the publications of the Mining Industry Task Force and how practice develops with respect to some of the more industry-specific matters such as accounting for flow-through financings.

Note 21 to the Unaudited Condensed Financial Statements include detailed reconciliations of the effects of IFRS on the Company's previously-published financial statements issued under pre-transition Canadian GAAP as at and for the three and nine months ended September 30, 2010. The reader is encouraged to refer to that information for a full description of matters summarized below. Furthermore, the Company has identified the more significant adjustments to IFRS throughout this MD&A in places where it was considered helpful.

The Company's guiding principle during the transition was to manage the number of changes and to minimize the effect of implementation of IFRS unless there was a compelling reason for change. Where pre-transition Canadian GAAP was consistent with IFRS, the Company generally made no change to its accounting policies. Certainly, the volume of disclosure has increased. At present, the Company has taken a more conservative approach to disclosure but it expects to streamline future disclosures as part of its post-implementation review and ongoing monitoring of industry practice.

The following sections summarize the effects of IFRS as at and for the three and nine months ended September 30, 2010. Information on IFRS 1 Elections and information impacting previously disclosed accounting periods are included in the MD&A for the three months ended March 31, 2010 and are not repeated here.

Summary of Significant Accounting Policy Differences and/or Choices under IFRS

Impairment of exploration and evaluation projects

Under IFRS, impairment provisions must be reversed where there is evidence supporting the recoverable value. The Company was created under a plan of arrangement which was a business combination under common control. Under IFRS, the transaction was accounted for using continuity of interest accounting whereby the historic impairments that occurred to the properties have been treated as if they occurred under the Company's ownership. Accordingly, the values of the Mel and Lac Rocher projects as at September 30, 2010 have been increased by $3,906,000 and $2,428,000 respectively. The tax effect of this was to increase deferred tax liabilities by $1,710,000. The net effect on deficit was a decrease of $4,624,000.

Accounting for ITCs

Under IFRS, the Company does not credit the value of the exploration and evaluation project, but credits the income tax recovery in the statement of operations. This had consequential effects on the recovery on the Lynn Lake project through option receipts in excess of carrying values being reduced. Furthermore, the adjustment to exploration and evaluation projects created timing differences which were also tax-effected. The net effect on deficit was a decrease of $667,000 as at September 30, 2010.

Flow-through share financing

In accordance with interpretations of IFRS, the Company's selected accounting treatment requires recognition of the tax effects of renunciation upon incurring expenditures related to the flow-through shares, as well as an identification of the premium associated with the tax benefits passed on to the subscribers of the flow-through shares and amortization thereof to operations upon incurring expenditures related to the flow-through shares. The Company has chosen to record the flow-through premium as an element of finance income.

The accounting treatment has impacts upon trade and other payables, share capital, contributed surplus, deficit, tax expense and deferred tax liability as well as finance income. Since there is no applicable exemption, the Company made a best-efforts attempt to calculate the historic impact of renunciation and premium recognition; given that historic differences would represent a reclassification between share capital and deficit upon transition, the Company considers that any differences are not material. The following table summarizes the effects on the balance sheet of flow-through accounting.

Balance Sheet		September 30, 2010
Net change in trade and other payables	$	-
Increase in deferred tax liability		557
Decrease in contributed surplus		(76)
Increase in share capital - net		1,016
Increase in deficit - net		(1,497)
	$	-

Finance income and finance costs
Under IFRS there are several reclassifications required to report the components of finance income and finance costs. The Company has chosen to record the premium on flow-through as a component of finance income. The components are reported in Note 17 to the Unaudited Condensed Financial Statements.

Deferred tax liability
The combined effects of the IFRS accounting changes with respect to impairment reversals, flow-through financing and ITCs were to increase the deferred tax liabilities by $2,512,000 as at September 30, 2010.

Deficit
The combined effects of the matters discussed above on deficit are as follows:

Balance Sheet		September 30, 2010
Effect of exploration and evaluation projects impairment reversals	$	4,624
Effect of accounting for ITCs		667
Effect of flow-through financing		(1,497)
Effect of implementation of IFRS 9		(138)
	$	3,656

Involvement by Advisers
The Company engaged its auditors, BDO Canada LLP, to conduct a special consultation with respect to its IFRS transition project. While the consultation was neither an audit nor a review, as such terms are formally defined and therefore cannot and should not be relied upon, it was undertaken to assist the Company in ensuring that its IFRS adjustments were complete and appropriate and that its Unaudited Condensed Financial Statements, in particular Note 21 thereto, contain materially complete and appropriate disclosures. The IFRS consultation is complete.

FUTURE ACCOUNTING CHANGES

New Standards and Interpretations Not Yet Adopted
The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following new and revised standard and interpretations which are applicable to the Company but which are not yet effective for the year ended December 31, 2011 and have not been applied in preparing these financial statements.

IFRS 13 – Fair Value Measurement
Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 13 provides a definition of fair value, a single framework for measuring fair value and disclosure requirements about fair value measurements.

This standard, amendments and interpretations has not been early adopted by the Company. Furthermore, the Company is currently assessing the impact that the application of this standard or amendments may have on the financial statements of the Company.

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 unaudited condensed 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 September 30, 2011, the Certifying Officers have concluded that the design of the Company's disclosure controls and procedures were effective as at September 30, 2011. 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 September 30, 2011 that materially affected, or are reasonably likely to affect, the Company's disclosure controls and procedures.

Design of Internal Controls 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 IFRS. The Company used the COSO control framework. For the fiscal quarter ended September 30, 2011, the Certifying Officers have concluded that the design of the Company's internal controls over financial reporting and procedures were effective as at September 30, 2011.

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 September 30, 2011 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 trade and other payables as at September 30, 2011 are amounts due to officers and directors of the Company in the amount of $107,000 (December 31, 2010 - $34,000). These amounts relate primarily to directors' fees payable, bonus payable and expense reimbursements.

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. Costs charged to the Company in the three and nine months ended September 30, 2011 amounted to $197,000 and $609,000 (2010 - $192,000 and $529,000), respectively, and have been included in general and administrative expenses. In addition, project-related costs aggregating $21,000 and $55,000 have been charged to the Company by Nuinsco during the three and nine months ended September 30, 2011 (2010 - $4,000 and $29,000), respectively, and are included in capitalized project costs on the balance sheet. The Company charged Nuinsco $10,000 and $24,000 for the three and nine months ended September 30, 2011, respectively, for project-related costs incurred by it on behalf of Nuinsco (2010 - $5,000 and $19,000).

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

As at November 7, 2011, the Company had 395,807,042 common shares issued and outstanding. In addition, there were 27,337,236 stock options and 7,304,786 warrants outstanding, which if exercised and issued would bring the fully diluted issued common shares to a total of 430,449,064 and would generate cash of approximately $8,725,000.

At the Company's Annual and Special Meeting on June 29, 2011, the requisite number of shareholders approved the principle of a stock consolidation. At this time, management has no plans to consolidate the Company's shares.

On October 4, 2011, 648,235 bonus shares at a price of $0.085 per share were issued to senior management, approved by the Board of Directors, for success in obtaining the Minago permit. These shares are included in the figures as at November 7, 2011.

RISKS AND UNCERTAINTIES

The exploration, evaluation 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 2010 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 and development 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.

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, Reserves and Production
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, co-product 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. 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 Platinum, 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.

November 7, 2011