VICTORY NICKEL INC.

(A Development Stage Entity)

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

DATED MAY 6, 2010

Management's comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Victory Nickel Inc. for the three months ended March 31, 2010 and 2009 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 interim financial statements have not been reviewed by an auditor.

VICTORY NICKEL INC.
(A Development Stage Entity)
BALANCE SHEETS

(in thousands of Canadian dollars)		March 31, 2010 (unaudited)		December 31, 2009
ASSETS				
Current				
Cash and cash equivalents	**$**	**2,071**	$	4,078
Marketable securities (Note 5)		**4,387**		1,254
Accounts receivable		**252**		294
Prepaid expenses and deposits		**69**		35
Total Current Assets		**6,779**		5,661
Exploration and Development Projects (Note 6)		**35,293**		33,597
Property and Equipment (Note 7)		**87**		88
	$	**42,159**	$	39,346
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**$**	**1,968**	$	1,367
Due to Nuinsco Resources Limited (Note 12)		**22**		33
Total Current Liabilities		**1,990**		1,400
Future Income Taxes (Note 9)		**260**		387
		2,250		1,787
Shareholders' Equity (Note 8)				
Share capital		**39,481**		38,937
Contributed surplus		**3,615**		2,980
Deficit		**(5,688)**		(5,356)
Accumulated other comprehensive income (Note 10)		**2,501**		998
		39,909		37,559
	$	**42,159**	$	39,346

NATURE OF OPERATIONS (Note 1)

The accompanying notes are an integral part of these financial statements

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except per share amounts)		Three Months Ended March 31, 2010 (unaudited)		2009 (unaudited)
Revenue				
Interest income	**$**	**6**	$	27
		6		27
Costs and Expenses				
General and administrative (Note 12)		**377**		427
Stock option compensation (Note 8)		**544**		191
Amortization of property and equipment		**1**		3
Recovery of exploration and development projects (Note 6)		**(203)**		-
		719		621
Loss before the Undernoted		**(713)**		(594)
Gain on Securities Held for Trading (Note 5)		**282**		-
Future Income Tax Recovery (Note 9)		**(99)**		(546)
Net Loss for the Period	**$**	**(332)**	$	(48)
Loss per Share - Basic and Diluted	**$**	**(0.00)**	$	(0.00)
Weighted Average Common Shares Outstanding		**329,445,000**		261,710,000

The accompanying notes are an integral part of these financial statements

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)		Three Months Ended March 31, 2010 (unaudited)		2009 (unaudited)
Net loss for the period	**$**	**(332)**	$	(48)
Other comprehensive income (Note 10)		**1,503**		428
Comprehensive Income for the Period	**$**	**1,171**	$	380

The accompanying notes are an integral part of these financial statements

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)		Three Months Ended March 31, 2010 (unaudited)		2009 (unaudited)
Cash from (used by)				
Operating Activities				
Net loss for the period	**$**	**(332)**	$	(48)
Items not affecting cash:				
Stock option compensation		**544**		191
Amortization		**1**		3
Gain on securities held for trading		**(282)**		-
Recovery of exploration and development projects		**(203)**		-
Future income tax recovery		**(99)**		(546)
Non-controlling interests		**-**		-
Change in non-cash working capital (Note 11)		**(160)**		448
Cash (used by) from operating activities		**(531)**		48
Financing Activity				
Issue of common shares and warrants		**618**		-
Cash from financing activity		**618**		-
Investing Activities				
Exploration and development projects		**(2,223)**		(1,213)
Proceeds from option of Lynn Lake		**300**		-
Purchase of marketable securities		**(171)**		-
Cash used by investing activities		**(2,094)**		(1,213)
Net Decrease in Cash During the Period		**(2,007)**		(1,165)
Cash and Cash Equivalents, Beginning of the Period		**4,078**		4,418
Cash and Cash Equivalents, End of the Period	**$**	**2,071**	$	3,253

The accompanying notes are an integral part of these financial statements

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited) (in thousands of Canadian dollars)	Share Capital Number of Shares	Share Capital Amount	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance as at December 31, 2008	**261,709,809**	**$ 38,264**	**$ 1,857**	**$ (4,771)**	**$ -**	**$ 35,350**
Options granted and vesting	-	-	250	-	-	250
Flow-through share renunciation	-	(2,192)	-	-	-	(2,192)
Shares and warrants issued under rights offering	65,489,952	2,783	907	-	-	3,690
Options exercised	950,000	82	(34)	-	-	48
Net loss for the year	-	-	-	(585)	-	(585)
Other comprehensive income	-	-	-	-	998	998
Balance as at December 31, 2009	**328,149,761**	**38,937**	**2,980**	**(5,356)**	**998**	**37,559**
Options granted and vesting	-	-	544	-	-	544
Shares and warrants issued under private placement	3,429,139	544	91	-	-	635
Net loss for the period	-	-	-	(332)	-	(332)
Other comprehensive income	-	-	-	-	1,503	1,503
Balance as at March 31, 2010	**331,578,900**	**$ 39,481**	**$ 3,615**	**$ (5,688)**	**$ 2,501**	**$ 39,909**

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Entity)

March 31, 2010 and 2009 (unaudited)

(all tabular amounts are in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

The Company is primarily engaged in the acquisition, exploration and development of nickel properties in Canada. The Company conducts its activities on its own or participates with others on a joint venture basis. The Company was formed on February 1, 2007 pursuant to a plan of arrangement.

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

As at March 31, 2010, the Company has working capital of $4,789,000 (December 31, 2009 - $4,261,000) which, along with expected cash flows from the option of the Lynn Lake property as described in Note 6, is available to fund ongoing operations. The Company has announced the results of its feasibility study on its Minago project.

However, none of the Company's exploration or development projects have 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 development projects, and ultimately the Company's ability to continue as a going concern, is dependent upon the discovery of economically recoverable reserves and resources, the Company's ability to finance development of its projects through debt or equity financings and achieving future profitable production, or alternatively upon the profitable disposal of projects.

Should the Company not be able to discover economically recoverable reserves, 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 Canadian generally accepted accounting principles ("Canadian GAAP").

2. BASIS OF PRESENTATION, USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

Basis of Presentation

These unaudited interim financial statements have been prepared by management in accordance with Canadian GAAP and include the accounts of the Company and those of Independent Nickel Corp. ("Independent"). Independent was formally wound up into Victory Nickel effective August 31, 2009.

These unaudited interim financial statements have been prepared by management in accordance with Canadian GAAP. These financial statements reflect the accounting principles described in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2009 (the "2009 Audited Financial Statements") (with the exception of any changes set out in Note 3 below) and accordingly, should be read in conjunction with those annual financial statements and the notes thereto.

The accompanying unaudited interim 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.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes those estimates are reasonable. The accounting elements which require management to make significant estimates and assumptions include determining impairment in and values of exploration and development projects and future income taxes and the valuation of stock option compensation and investments. Accounting for these areas is subject to estimates and assumptions regarding, among other things, nickel recoveries, future nickel prices, future operating costs, future mining activities and future market volatility. Management bases its estimates on historic experience and other assumptions it believes to be reasonable under the circumstances. However, actual results could differ from those estimates.

Measurement Uncertainty

The carrying values of the Company's exploration and development projects at March 31, 2010 was $35,293,000 (December 31, 2009 - $33,597,000). Management's review of these carrying values indicated that at March 31, 2010, the properties were not impaired. Management's conclusion is dependent on assumptions about several factors including future operating costs, nickel production levels, future nickel prices and capital equipment needs and costs. Over the last year or so, there has been unprecedented volatility in several of the factors involved in such an analysis including nickel and other metals prices, costs of fuel, power and other operating supplies and the costs of capital equipment which has resulted in an increased amount of measurement uncertainty. While such volatility appears to have somewhat calmed, future changes in these parameters could give rise to material changes in asset carrying values. Management will continue to monitor the critical factors impacting its impairment analysis and will re-evaluate the carrying value of its long-lived assets as necessary.

3. NEW AND FUTURE ACCOUNTING POLICIES

New Accounting Policies

There have been no new accounting policies adopted in these unaudited interim financial statements. The volume of accounting pronouncements being introduced by The Canadian Institute of Chartered Accountants ("CICA") applicable to the Company has reduced significantly pending the transition to International Financial Reporting Standards ("IFRS").

Future Accounting Changes

There have been no additional future accounting changes from those reported in Note 3 to the 2009 Audited Financial Statements.

4. FINANCIAL RISK MANAGEMENT

Financial Risk Management

The Company's financial instruments include cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities and amounts due from or to Nuinsco. The fair value of these financial instruments approximates their carrying value.

The Company's risk exposures with respect to its financial instruments and the impact on the Company's financial statements are described in Note 4 to the 2009 Audited Financial Statements and are updated below:

Liquidity risk

As at March 31, 2010, the Company had working capital of $4,789,000 (December 31, 2009 - $4,261,000). The Company believes it has sufficient working capital to meet its obligations as they become due. As explained in Note 1, 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 challenging. The Company currently has no long-term liabilities except for future income taxes of $260,000 (2009 - $387,000). All contractually obligated cash flows are payable within the next fiscal year.

Market risk

The Company is exposed to interest rate risk and commodity price risk. It is not exposed to any significant currency risk with respect to its financial instruments.

Interest rate risk

The Company's cash equivalents earn interest at fixed short-term rates of approximately 0.7% at March 31, 2010 and at December 31, 2009. None of the Company's other financial investments are interest-bearing, and therefore the Company is not exposed to any significant interest rate risk which could be caused by a sudden change in market interest rates.

5. MARKETABLE SECURITIES

		March 31, 2010		December 31, 2009
Level One Securities:				
Wallbridge Mining Company Limited - Common Shares	**$**	**1,357**	$	1,254
Prophecy Resources Inc. - Common Shares		**2,810**		-
		4,167		1,254
Level Two Securities:				
Prophecy Resources Inc. - Warrants		**220**		-
	$	**4,387**	$	1,254

On January 4, 2010, the Company received 2,419,548 shares of Prophecy Resources Inc. ("Prophecy") in accordance with the option agreement for the Lynn Lake property (refer to Note 6). At that date the fair value of the shares was $0.40. The Company has the right to maintain its interest at 10%, accordingly, the Company subscribed under a private placement for an additional 570,270 units comprising a share and one-half of a share purchase warrant at $0.30 on January 21, 2010 for $171,081. At that date, the fair value of the shares was $0.41; in accordance with Canadian GAAP, the shares were recorded at that price with the excess of $0.11 over cash cost being recorded as a gain on securities held for trading through the statement of operations.

Each whole warrant is exercisable at $0.40 for a period of two years from issue date. The warrants in Prophecy are not publicly-traded. However, they are susceptible to valuation using the Black-Scholes option-pricing model, the inputs for which are readily determinable. As at March 31, 2010, the Prophecy warrants were valued, using the Black-Scholes option-pricing model, at $0.77 using the following assumptions:

Warrant Assumptions	
Dividend yield	**-**
Expected volatility	**153%**
Risk free interest rate	**1.65%**
Expected remaining term - years	**1.75**

6. EXPLORATION AND DEVELOPMENT PROJECTS

Cumulative costs relating to the acquisition of mineral properties, and deferred exploration and development expenditures, have been incurred on the following projects:

		Balance as at December 31, 2009 [1]		Current Expenditures		Writedowns/ Recoveries		Balance as at March 31, 2010
Lac Rocher [2]	$	4,505	$	21	$	-	$	4,526
Mel		2,473		76		-		2,549
Minago [3]		25,576		2,862		(220)		28,218
Lynn Lake [4]		1,043		(1,246)		203		-
	$	33,597	$	1,713	$	(17)	$	35,293

		Balance as at December 31, 2008		Current Expenditures		Writedowns		Balance as at March 31, 2009
Lac Rocher [2]	$	3,580	$	36	$	-	$	3,616
Mel		2,462		7		-		2,469
Minago		23,905		527		-		24,432
Lynn Lake		1,483		66		-		1,549
Other		-		1		-		1
	$	31,430	$	637	$	-	$	32,067

(1) The balance as at December 31, 2009 is shown net of recoveries of $991,000 representing the effects of tax credits on expenditures claimed for investment tax credit ("ITC") purposes.

(2) The expenditures on the Lac Rocher project in the years ended December 31, 2009 and 2008 are shown net of Québec mining duties receivable of $28,000 and $179,000, respectively. The claim reflected in 2008 was reduced and adjusted against current expenditures in 2009.

(3) The Minago project is shown net of recoveries of $220,000 representing the effects of tax credits on expenditures claimed for ITC purposes.

(4) The expenditures on the Lynn Lake property are shown net of a $300,000 payment by Prophecy in the last quarter of 2009, $300,000 in January 2010 and reflect the receipt of Prophecy investments in January 2010 with a fair value at that time of $968,000. The amount of $203,000 represents the excess of consideration received under the option agreement and is reflected as a recovery of exploration and development projects through the statement of operations.

Lac Rocher

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

In 2007, the Company began environmental work in support of obtaining a permit for the Lac Rocher deposit in order to extract and direct ship mineralized material to an offsite mill for processing. A 12-hole, 1,500 metre drill program was also completed to test for extensions to the nickel sulphide mineralization and to provide metallurgical samples for the Preliminary Economic Assessment (PEA) to determine the near-term production and cash generation potential of the project. No fieldwork was conducted on the property during 2008.

Metallurgical testing of the massive sulphide mineralization from the deposit was completed in December, 2007. In February, 2008, the Company announced the positive 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 for approximately $389,000 in the third quarter of 2009 and performed diamond drilling to provide geotechnical data for portal and ramp development.

Mel

Effective August 27, 1999, Nuinsco (the predecessor entity of Victory Nickel) entered into an option agreement (the "Agreement") with Inco Limited (predecessor to CVRD Inco Limited, now Vale Inco) for the exploration and development of Vale Inco'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 Inco has the right to earn back a 51% interest by incurring expenditures of $6,000,000 over a four-year period. Vale Inco has not yet notified the Company if it intends to exercise this back-in right.

Under the Agreement, Vale Inco has a contractual obligation to mill ore mined from the Mel deposit at its cash cost plus 5% (provided that the product meets Vale Inco specifications and that Vale Inco has sufficient mill capacity). The Company has the option to manage the development and operation of any mines developed on the Mel Properties.

Minago
At March 31, 2010, the 100%-owned Minago project covered approximately 28,928 hectares, 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. Early work was incorporated into the PEA of the Minago Project, completed in November, 2006 and more recently, into the feasibility study which began in early 2007 and the results of which were announced in December 2009.

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 hectares located adjacent to the Company's existing Minago property package.

Under the terms of the agreement, the Company could acquire a 100% interest in the Properties through:

- A one-time cash payment of $150,000 upon signing (which was paid and is included in 2008 project expenditures); and
- Incurring $500,000 of expenditures before September 30, 2008. The Company has fulfilled this obligation.

The acquisition has been ratified by Xstrata and a 100% interest in the claims 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 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.

Lynn Lake
The Company owns a 100% right, title and interest in the Lynn Lake nickel property ("Lynn Lake"), located in northern Manitoba. Lynn Lake consists of approximately 600 hectares.

On October 21, 2009, the Company announced that it had optioned Lynn Lake to Prophecy. Under the terms of the agreement, Prophecy can acquire a 100% interest in Lynn Lake by paying the Company an aggregate of $4 million over approximately four and a half years, by incurring $3 million in exploration expenditures over approximately three years and by issuing a 10% equity interest in Prophecy calculated on a diluted basis after Prophecy 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. Because of delays experienced by Prophecy in receiving regulatory approvals, certain of the timing contemplated under the agreement was extended.

The agreement, as extended, provides for the $4 million 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 million on March 1 of each of 2011, 2012 and 2013.

Failure on the part of Prophecy to meet any of the terms will result in cancellation of the option on the property and it will revert to the Company.

As at the end of March 31, 2010, $203,000 excess of proceeds under the option agreement above the book value of the property had been received and accordingly was recorded through the statement of operations as a recovery of exploration and development projects in respect of Lynn Lake.

Wakami, Lar and Wellmet Projects
The Company has incurred minimal expenditures on these properties in 2010 and 2009.

Flow-through Commitment
As at March 31, 2010, the Company had fulfilled its commitment to incur exploration expenditures in relation to prior flow-through share financings in February 2010.

7. PROPERTY AND EQUIPMENT

	As at March 31, 2010			As at December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 43	$ -	$ 43	$ 43	$ -	$ 43
Building	40	3	37	40	3	37
Equipment	29	29	-	29	28	1
Vehicle	11	4	7	11	4	7
	$ 123	$ 36	$ 87	$ 123	$ 35	$ 88

8. SHAREHOLDERS' EQUITY

Share Capital
Authorized:
The Company is authorized to issue an unlimited number of common shares.

Issued and Outstanding:

	Number of Shares	Amount
Balance as at December 31, 2009	**328,149,761**	**$ 38,937**
Shares issued pursuant to private placement (a)	3,429,139	544
Balance as at March 31, 2010	**331,578,900**	**$ 39,481**

(a) On February 26, 2010, the Company completed the first tranche of a flow-through financing of 3,429,139 units of securities at a price of $0.20 per Unit generating gross proceeds of $686,000. 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. Upon closing of the second tranche of financing in April (Note 13), the Company will issue finders 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. The share issue costs were approximately $68,000 before income taxes of $17,000 and the Company apportioned proceeds of approximately $91,000 to the cost of the warrants and finders warrants.

Stock Options

A summary of options outstanding is as follows:

	Number of Options Outstanding		Average Exercise Price
As at December 31, 2009	**24,221,498**	**$**	**0.30**
Options granted during the period	5,490,000		0.16
As at March 31, 2010	**29,711,498**	**$**	**0.28**

In total, 5,490,000 options were granted during the three months ended March 31, 2010 at a weighted average exercise price of $0.16 per share. The weighted average grant date fair value of options granted during the period was $0.12 (2009 - $0.04). The granting and vesting of 5,490,000 options resulted in compensation expense of $544,000.

The value assigned to options was calculated using the Black-Scholes option-pricing model, with the following assumptions:

	Three Months Ended March 31,	
Option Assumptions	**2010**	**2009**
Dividend yield	**-**	-
Expected volatility	**110%**	106%
Risk free interest rate	**2.50%**	2.03% to 2.08%
Expected option term - years	**4**	4 to 5
Fair value per share of options granted	**$0.119**	$0.036 and $0.027

Of the 29,711,498 options outstanding at March 31, 2010, 1,245,000 are subject to vesting in the next fiscal year. The aggregate fair value of these unvested options not yet charged to operations is $113,000. The weighted average exercise price of fully-vested options at March 31, 2010 was $0.28.

The following table summarizes information about the stock options outstanding at March 31, 2010:

Range of Exercise Prices	Options Exercisable	Options Outstanding	Years to Expiry [(1)]		Exercise Price [(1)]
$0.03 - $0.05	5,115,000	5,115,000	3.83	$	0.05
$0.09 - $0.21	10,001,250	11,246,250	2.94		0.15
$0.22 - $0.27	3,609,512	3,609,512	2.87		0.24
$0.28 - $0.49	3,695,000	3,695,000	2.67		0.34
$0.50 - $0.82	6,045,736	6,045,736	2.07		0.68
	28,466,498	29,711,498	2.87	$	0.28

(1) In this table, “Years to Expiry” and “Exercise Price” have been calculated on a weighted average basis.

Warrants

The following table describes the warrants outstanding:

	Date Issued	Expiry Date	Number of Warrants		Average Exercise Price
Issued pursuant to rights offering [1]:	August 17, 2009	August 17, 2011	32,744,976	$	0.120
Balance as at December 31, 2009			32,744,976		0.120
Issued pursuant to private placement:					
Unit warrants	February 26, 2010	February 26, 2011	1,714,569		0.260
Balance as at March 31, 2010			**34,459,545**	**$**	**0.127**

(1) Warrants issued pursuant to the rights offering are not exercisable until August 17, 2010.

The proceeds attributable to the Unit warrants were estimated using the Black-Scholes option pricing model, with the assumptions as described below.

Warrant Assumptions	
Dividend yield	-
Expected volatility	**116%**
Risk free interest rate	**1.10%**
Expected term - years	**1 year**

9. INCOME TAXES

The income tax recovery differs from the amount computed by applying statutory federal and provincial income tax rates of 31.0% for the three months ended March 31, 2010 (2009 – 33.0%), to the loss before income taxes.

The differences are summarized as follows:

	Three Months Ended March 31, 2010	2009
Current income taxes		
Expected income tax recovery based on statutory income tax rate of 31.0% (2009 - 33.0%)	**$ (133)**	$ (199)
Non-deductible items, net	**171**	69
Non-deductible portion of (gain) loss on securities	**(44)**	-
Effect of change in expected future income tax rates	**1**	25
Valuation allowance	**(94)**	(441)
Future income tax recovery	**$ (99)**	$ (546)

The future income tax recovery represents the recognition of future income tax assets (to the extent of the future income tax liability) since the Company currently believes that it is more likely than not that the benefit associated with these losses and costs will be realized prior to their expiry. It also includes the effect of enacted rate changes.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income ("OCI") is comprised of unrealized gains on marketable securities that are classified as available for sale (see Note 5). Changes in the components of OCI are summarized as follows:

	Three Months Ended March 31, 2010	2009
Accumulated OCI at beginning of period	**$ 998**	$ -
OCI for the period representing the change in the fair value of financial assets available for sale, net of related future income taxes of $209 (2009 - $67)	**1,503**	428
Accumulated OCI at end of period	**$ 2,501**	$ 428

11. CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital balances related to operations, for the three months ended March 31, 2010 and 2009, are as follows:

	Three Months Ended March 31, 2010	2009
Accounts receivable, prepaid expenses and deposits	**$ 8**	$ 391
Due to Nuinsco Resources Limited	**(11)**	3
Accounts payable and accrued liabilities	**(157)**	54
	$ (160)	$ 448

12. TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT AGREEMENT

Included in accounts payable and accrued liabilities at March 31, 2010 are amounts due to officers and directors of the Company in the amount of $95,000 (December 31, 2009 - $265,000). These amounts relate primarily to directors' fees and expense reimbursements payable.

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 months ended March 31, 2010 amounted to $170,000 (2009 - $150,000) and have been included in general and administrative expenses. In addition, project-related costs aggregating $18,000 have been charged to the Company by Nuinsco during the first quarter of 2010 (2009 - $17,000) and are included in exploration and development costs on the balance sheet. The Company charged Nuinsco $5,000 for the three months ended March 31, 2010 for project-related costs incurred by it on behalf of Nuinsco (2009 - $4,000).

Amounts due to Nuinsco are unsecured, non-interest bearing and due on demand.

13. SUBSEQUENT EVENTS

Subsequent events not otherwise disclosed in these financial statements are as follows:

Flow-through Financing

On April 9, 2010, the Company completed the second tranche of a flow-through financing of 6,570,861 units of securities at a price of $0.21 per Unit generating gross proceeds of $1,380,000. 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 Company also issued 250,000 finder 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.

Additional Subscription to Prophecy

On April 22, 2010, the Company subscribed for an additional 675,500 Units in Prophecy at $0.59 per Unit pursuant to a private placement. Each Unit consists of one common share and one half of one common share purchase warrant, each whole warrant is exercisable at $0.80 for a two-year period subject to reduction. If the closing price of the Prophecy shares is at least $1.10 for 20 consecutive trading days at any time following four months and a day from closing, Prophecy may provide notice to reduce the remaining exercise period of the warrants to not less than 30 days from the date of such notice.

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2010

DATED MAY 6, 2010

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months ended March 31, 2010

The following discussion of the results of operations, financial condition and cash flows of Victory Nickel Inc. ("Victory Nickel" or the "Company") prepared as of May 6, 2010 consolidates management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2010, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited interim financial statements for the three months ended March 31, 2010 ("Unaudited Interim Financial Statements") and the Company's audited consolidated financial statements for the year ended December 31, 2009 ("2009 Audited Financial Statements") and the notes thereto. Readers are encouraged to consult the 2009 Audited Financial Statements which were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and are available at www.sedar.com and at the Company's website www.victorynickel.ca. All amounts disclosed are in Canadian dollars unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

COMPANY OVERVIEW

Victory Nickel is a Canadian exploration and development-stage mineral resource company (an enterprise in the development stage as contemplated within Accounting Guideline 11 of the Canadian Institute of Chartered Accountants ("CICA")) and is engaged in the acquisition, exploration 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 Resources Inc. ("Prophecy") described in the Unaudited Interim Financial Statements) and Mel projects in Manitoba and the Lac Rocher project in Québec. The results of a definitive feasibility study on the Minago Project ("DFS") were announced in December 2009. At the Lac Rocher Project, a review of the preliminary economic assessment ("PEA") is ongoing to better reflect current cost realities and permitting efforts will continue in preparation to advance to mining when metal prices recover. At the Mel project, the Company is preparing an internal study to evaluate the production potential and to identify the next program required to advance the Project.

HIGHLIGHTS

During and subsequent to the three months ended March 31, 2010, the Company:

- Completed a non-brokered private placement financing in two tranches that generated aggregate gross proceeds of $2,065,708.
- Signed a contract with a consortium of Aboriginal contractors from the communities surrounding Minago for construction of a 4.3km exploration road at the Minago site providing direct access from paved Hwy 6 to a limestone outcrop and the property in general.
- Completed construction of the Minago exploration road in April, on time and on budget.
- Hosted an analyst site visit at the Minago project.
- Began and completed the 2010 diamond drilling program at Minago, which comprised approximately 10,000 metres of diamond drilling designed to upgrade and add to the known resource and further evaluate North Limb mineralization.
- Announced positive results from the first seven holes of the Minago drill program.
- Continued to evaluate financing structures in an effort to ensure that Minago mine development will proceed on a timely basis.
- Continued discussions with Vale Inco Limited ("Vale Inco") with respect to Vale Inco's 51% back-in right on the Mel project. A decision is expected in the third quarter.
- Produced a positive internal economic evaluation of the Mel project and initiated a 43-101-compliant economic evaluation .
- Began a comprehensive re-evaluation of the Lac Rocher project in light of current metal price levels.
- Participated in a private placement with Prophecy; Prophecy optioned the Lynn Lake project from the Company in October 2009.
- Completed and filed the Minago Environmental Impact Statement (EIS), the most significant milestone in the Minago permitting process.

OUTLOOK

The metals market has experienced extreme volatility over recent years. Nickel in particular has seen some historically high pricing at above US$24 per pound just to very quickly find itself at below US$5 per pound. Similar swings were experienced by copper, zinc and lead, all of which have recovered sooner than nickel. Just as in the last metal price surge, nickel seems to lag the recovery. We are now seeing the start of what could be the recovery we have been waiting for. Nickel has increased to the US$12 per pound range for the first time since mid-2008. Victory Nickel considers this an attractive price and would welcome it as a long-term average. Market consensus appears to be settling on a US$10 per pound price. CRU, a London-based research group are suggesting that nickel production may fall behind demand in 2010 for the first time in four years on increased stainless steel production, the largest user of nickel. Although LME inventories appear high, we believe that consumers have been destocking to conserve cash and have depleted their inventories, especially in the United States. China continues to be the main influence on all metal prices and it is expected to boost output by 19% this year. The US economy is showing signs of recovery, especially in the automotive sector. As the US economy recovers, capacity utilization will increase.

All this bodes well both for the price of nickel and for Victory Nickel. We believe that the time to build mines is when prices are recovering. We are there now and are planning for a robust nickel market for many years.

For this reason, completion of the Minago DFS is timely and the Company plans to move ahead with this mega project. Financing is the immediate challenge, but the strengthening of metal prices should help us to meet it.

The Company's Mel project has been inactive for some time as we await a decision by Vale Inco on their back-in right. This decision is expected before the end of summer. Mel is a project which should be advanced while metal prices are attractive.

The equity markets have been good to the major mining companies as they recovered from the lows of 2008. Unfortunately, this recovery has yet to filter down to the juniors such as Victory Nickel but we are confident that, once the majors are fully priced, investors' attention will shift to the junior level. We believe that this time is quickly approaching.

The global financial crisis which appeared to be behind us with signs of recovery in many countries has recently been set back with the sovereign debt crisis in Greece and the potential for other countries in the EU to be in a similar situation as Greece. It is yet unknown how this will affect our industry.

Victory Nickel's objective continues to be to transition from developer to nickel producer. This is eminently possible with its four sulphide nickel projects. With the Minago DFS completed, we are accelerating our efforts to structure a financing proposal that will work in today's environment. At the same time, we are reviewing opportunities to maximize the economics of Minago. A recent drill program to upgrade resources in the area of the pit appears to suggest that mineable tonnage will be increased. Minago will be a mega project for Manitoba which will make a significant contribution to the welfare of that province and its residents, particularly those living in the Minago area. We are receiving the full support of the Manitoba government and communities of interest to move the project forward.

In April, the Company filed its EIS with regulators in Manitoba which represents the final stage in the permitting process. This is a major achievement and represents the culmination of four years of work by the Company and its third-party consultants. It will form the blueprint for the mine and is the final step or requirement to preparing the project for development. Filing of the EIS triggers a 30-day public comment period. Construction at Minago is expected to provide approximately 600 jobs and 400 full-time jobs during production.

During 2009, the Company entered into an agreement to option its Lynn Lake property("Lynn Lake") to Prophecy. In addition to receiving cash, the Company became a 10% shareholder of Prophecy and will share in the upside potential of Lynn Lake through this equity stake. Prophecy is advancing this project as expected and is planning a drill program. Prophecy's strategy is to create appeal to international institutional investors by consolidating advanced projects in a range of commodities located worldwide. In addition to the Lynn Lake property, Prophecy presently has an interest in a copper/molybdenum property in BC, a vanadium project in Ontario and recently completed a merger with Red Hill Energy Inc. which has interests in coal in Mongolia. By executing this strategy, Prophecy's market capitalization has increased significantly since the fourth quarter of 2009 and those benefits are passed on to Victory Nickel via its shareholding.

Lac Rocher continues to be held ready to develop until such time as metal prices are attractive enough to generate positive cash flow. With the price of nickel in the US$12 per pound range and the price of copper above US$3.30, that time may be near.

With four projects and over 900 million pounds of in-situ nickel in NI 43-101-compliant measured (171 million pounds) and indicated (778 million pounds) resources, plus an additional 244 million pounds of in-situ nickel in inferred resources, Victory Nickel has one of Canada's largest undeveloped sulphide nickel inventories. Victory Nickel will continue to take advantage of the worldwide shortage of sulphide nickel assets and to capitalize on higher nickel prices as they return.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2010 Compared With Three Months Ended March 31, 2009

For the three months ended March 31, 2010, the Company had a net loss of $332,000 or $0.00 per share (2009 - net loss of $48,000, or $0.00 per share).

The loss resulted from general and administrative expenses of $377,000 (2009 - $427,000), stock option compensation of $544,000 (2009 - $191,000) and, in 2010 included the $203,000 recovery with respect to the Lynn Lake property as a result of option amounts received in excess of the recorded value of the property. Results in 2010 include a gain on securities held for trading of $282,000 related to the Company's interest in Prophecy and are shown net of a recovery of future income taxes of $99,000 ($546,000 in 2009).

General and administrative expenses include $170,000 in costs charged by Nuinsco Resources Limited ("Nuinsco") as described under related party transactions and management agreement below (2009 - $150,000). Costs allocated from Nuinsco pursuant to the management agreement between the Company and Nuinsco are activity related. The relationship with Nuinsco allows the Company to have access to disciplines which would otherwise be cost-prohibitive to a junior company.

Costs reduced in 2010 by approximately $50,000, from $427,000 to $377,000. Discretionary expenditures continue to be closely monitored. Costs in the first quarter of 2009 included consulting and audit fees as well as premises costs related to the operation of the Sudbury office of Independent until it was functionally amalgamated into the Toronto office in the second quarter. In addition, there were fewer directors' meetings in 2010 and therefore lower directors' fees in 2010. Expenses in 2009 included provisions for Part XII.6 tax on unexpended flow-through amounts; there were no unexpended amounts subject to such tax in 2010.

The costs of public company compliance for Victory Nickel in the first quarter of 2010 are approximately $205,000 compared with $210,000 in 2009. Such costs are non-discretionary and are weighted to the first quarter of a financial year. In 2009, the Company decided to eliminate the formal review process formerly performed by its auditors on its interim information as an additional way to conserve cash resources; this approach has continued in 2010.

Stock option compensation expense relates to stock options granted to officers, directors and employees, some of which are vesting in future periods. The expense in the first quarter of 2010 reflects the grant of 5,490,000 options at a weighted average exercise price of $0.16. The expense in 2009 reflected the grant of 6,065,000 options at a weighted average exercise price of $0.05. The value assigned to the stock options was calculated using the Black-Scholes option-pricing model as explained in Note 8 to the Company's Unaudited Interim Financial Statements.

Management of the Company determined that no significant impairment had been experienced in its exploration and development projects in the period. Metals prices and other market factors continue to improve. This conclusion is discussed further under Impairment Analysis Update below. The Company received a favourable feasibility study on its Minago project and is presently reviewing alternative financing opportunities to move the project ahead as well as opportunities to optimize the feasibility study itself. In the first quarter of 2010, the all-season road at Minago was completed and drilling to extend resources was substantially complete.

In the first quarter of 2010, the Company received additional consideration from the Lynn Lake option with Prophecy in the form of cash of $300,000 and 2,419,548 shares of Prophecy with a fair value of $968,000. In accordance with Canadian 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 development projects and recorded through operations. Accordingly the Company recorded a recovery of $203,000 through operations in the first quarter of 2010.

As part of the option agreement with Prophecy, the Company is entitled to maintain its 10% interest in Prophecy by participating in financings of the company. In the first quarter of 2010, the Company acquired 570,270 Units comprising one share and one-half of a share purchase warrant in Prophecy at a cash cost of $0.30 per unit. At that time, the fair value of each share was $0.41. In accordance with Canadian GAAP, the difference of $0.11 per Unit is a gain on security held for trading and an amount of $63,000 was recorded through operations. The warrants were valued at acquisition using the Black-Scholes option-pricing model with an additional gain on securities held for trading being recorded through operations of $82,000. At March 31, 2010, the warrants were revalued and an additional $137,000 was recorded through operations at that time. The assumptions used are disclosed in Note 5 to the Company's Unaudited Interim Financial Statements.

It is important to note that any future changes in the value of the Prophecy warrants will be reflected through operations. Given the high level of volatility being experienced by Prophecy shares in the marketplace, such changes could be significant.

In the fourth quarter of 2008, the Company changed its assessment of the likelihood that the benefit associated with certain of the losses and costs creating future income tax assets will be realized prior to their expiry. The expiry of non-capital losses is detailed in Note 10 to the Company's 2009 Audited Financial Statements. Accordingly, the Company has recorded a future income tax recovery of $99,000 in the first quarter of 2010 (2009 - $546,000).

Other comprehensive income in the three months ended March 31, 2010 relates to changes in the market value of the Company's available-for-sale investments of $1,712,000, net of income taxes of $209,000. The most significant change is in the value of Prophecy shares which were $0.94 per share as at March 31, 2010.

The changes in other balances not specifically addressed in this or other sections of this Management's Discussion & Analysis ("MD&A") are as follows:

Marketable securities as at March 31, 2010 consist of the Company's available-for-sale investments and securities held-for-trading. The fair value of shares held at December 31, 2008 improved but the largest increase is from Prophecy shares received pursuant to the option of Lynn Lake, along with the acquisition of further shares by the Company to maintain a 10% interest in Prophecy.

Accounts payable and accrued liabilities consist primarily of project-related expenditures, and increased over December 31, 2009 balances because of road construction and drilling activity at the Minago project.

Share capital has increased over December 31, 2009 as a result of a the flow-through private placement which closed in February and generated gross proceeds of $686,000 and is discussed more fully under Liquidity and Capital Resources below. Accumulated other comprehensive income reflects the improvements in the market values of available-for-sale securities.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last nine quarters ended March 31, 2010 is as follows:

Fiscal year 2010				1st Quarter
Revenue and other income				$ 6
Net loss				$ (332) (1)
Comprehensive income				$ 1,171 (2)
Loss per share - basic and diluted				$ (0.00)

Fiscal year 2009	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue and other income	$ 8	$ 220 (4)	$ 39	$ 27
Net (loss) income	$ (229)	$ 35	$ (343)	$ (48)
Comprehensive income (loss)	$ 359 (3)	$ 145 (5)	$ (471)	$ 380
(Loss) income per share - basic and diluted	$ (0.00)	$ 0.00	$ (0.00)	$ (0.00)

Fiscal year 2008	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue and other income	$ 46	$ 41	$ 45	$ 109
Net loss	$ (1,050) (6)	$ (543)	$ (520)	$ (430)
Comprehensive income (loss)	$ 450 (7)	$ (2,107) (8)	$ (1,513)	$ 627
Loss per share - basic and diluted	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)

(1) Net loss for the period reflects $544,000 stock option expense, $203,000 recovery on the Lynn Lake option with Prophecy and $282,000 gain on securities held for trading.
(2) Comprehensive income for the period includes $1,503,000 other comprehensive income related to the improvement in market values of the Company's available-for-sale investments net of income taxes.
(3) Comprehensive income for the period includes an increase in the market value of available-for-sale securities, previously written down through operations in the fourth quarter of 2008.
(4) Revenue for the period includes $211,000 gain on sale of shares.
(5) Comprehensive income for the period reflects the partial recovery of the market value of available-for-sale investments.
(6) The net loss for the period includes $2,040,000 writedown of shares, offset by future income tax recoveries of $1,544,000.
(7) Comprehensive income for the period reflects the effect of the net loss combined with the effects of the transfer through operations of the change in market value of shares.
(8) Comprehensive loss for the period reflects the decline in market value of available-for-sale shares.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2010, the Company had working capital, including cash and cash equivalents, totalling $4,789,000 (December 31, 2009 - $4,261,000). Cash equivalents include bank-guaranteed investment certificates and bank discount notes. 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.

During the three months ended March 31, 2010, the Company used $531,000 in operating activities, (three months ended March 31, 2009 – cash from operating activities of $48,000) comprising cash used in operations before changes in non-cash working capital of $371,000 (2009 - $400,000). In the three months ended March 31, 2010, non-cash working capital balances reduced by $160,000 primarily as a result of a decrease in non-project accounts payable (2009 – an increase of $448,000 including a $391,000 decrease in accounts receivable, prepaid expenses and deposits). Accounts receivable at December 31, 2008 included approximately $351,000 of GST recoverable which was settled in early 2009.

As the Company is in the 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 2009 amounted to $639,000. In the three months to date, such costs are estimated at $205,000. 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.

Financing activities for the period generated gross proceeds of $686,000 (2009 - $nil) before issue costs of approximately $68,000. This represented the completion of the first tranche of a flow-through financing of 3,429,139 Units of securities at a price of $0.20 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 $0.26 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. On completion of the second tranche, the Company issued 250,000 finder 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.

In August 2009, the Company successfully completed a rights offering which included the issuance of 32,744,976 share purchase warrants. Whole warrants are exercisable at $0.12 during the 12-month period commencing August 18, 2010. As at March 31, 2010, the Company's shares had a closing price of $0.135 and the warrants, although not exercisable, were "in-the-money". Aggregate proceeds from the warrants, if fully exercised, would amount to $3,929,000.

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 the Company's public listing cannot be financed with flow-through shares. Proceeds from the Company's warrants are not flow-through, are "hard" dollars and can be utilized without restriction. As at March 31, 2010, the Company had fulfilled its commitment under the flow-through financing completed in February.

The Minago DFS has been completed and the Company plans to move ahead with this mega project. Financing is the immediate challenge but the strengthening of metal prices should help meet this challenge.

During the three months ended March 31, 2010, investing activities used $2,094,000, compared with $1,213,000 in 2009. An aggregate of $2,223,000 was used to advance exploration and development projects (2009 - $1,213,000). Funds of $300,000 were received in January, 2010 on account of the option agreement with Prophecy for the Lynn Lake property. The Company exercised its right to maintain its 10% interest in Prophecy by participating in a financing by Prophecy and acquired additional Prophecy securities for $171,000. As described earlier, the fair value of such securities improved significantly to March 31, 2010. Although not a cash transaction, the Company received its initial holding of Prophecy shares of 2,419,548 in January – these were subject to a customary hold period which expired on May 1, 2010 and are now available for sale by the Company to fund its activities.

These activities required cash and cash equivalents of $2,007,000 during the first three months of 2010, compared with cash requirements of $1,165,000 for the three months ended March 31, 2009.

As described above, exploration 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 realization of assets. Opportunities available to Victory Nickel for financing would normally be through private placements in the equity markets. Despite experiencing some improvements during 2009 and in 2010, today's equity markets continue to make this alternative difficult if not impossible without incurring significant dilution to existing shareholders. The rights offering in 2009 was one way to raise financing while allowing existing shareholders the opportunity to participate and avoid dilution.

As mentioned above, the Company will 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 an upside in the subject property. The Company currently owns 3,665,318 shares in Prophecy with a market value as at May 6, 2010 of $0.70 per share as well as 622,885 warrants exercisable at $0.40 and $0.80. Further, the Company received $400,000 in April 2010 and, in accordance with the option agreement, expects to receive additional amounts annually of $1 million on March 1 of each of 2011, 2012 and 2013.

However, despite recent improvements, the market continues to be volatile and it is uncertain how future financing initiatives will be received and how successful they 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 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 documentation Victory Nickel made provisions to ensure that any failure on the part of Prophecy to meet its 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 March 31, 2010, the major items requiring financing were Québec mining duties receivable aggregating $28,000 and a GST receivable of $152,000 which is expected to be received in May. The GST receivable is a function of project activity and averaged approximately $53,000 per quarter in 2009. Monthly average administrative costs for 2010 are estimated at $122,000, most of which are incurred to meet statutory requirements. As at March 31, 2010, the Company had fulfilled its obligation under flow-through commitments for the 2010 financing. The financing in April will require flow-through expenditures to be completed by the end of 2011.

Given its current cash position, liquid assets and expected inflows as described, the Company continues to improve its financial position. However, it will monitor its activities closely and continue to spend wisely until additional financing is available. The operating cost reduction measures which were implemented in 2008 continue in force although a portion of salary deferrals were paid in 2009 and unpaid directors' fees for 2008 and 2009 were settled in early 2010.
Access road construction at Minago was completed in early 2010 and the drilling program results are being assessed as to whether resources can be upgraded in the designed open pit shell and on the North Limb.
Development of the Minago mine will require considerable financial resources. The Company is considering all manner of financings to proceed. Management is monitoring the outcome of financing initiatives being undertaken in the marketplace, such as rights offerings, equity issuances, etc. as well as market conditions. The Company is actively putting together a financing strategy which considers the market conditions in order to progress the Minago project.

EXPLORATION AND DEVELOPMENT ACTIVITIES

For the three months ended March 31, 2010, the Company incurred exploration costs on its nickel properties (before the effect of investment tax credits of $220,000 and transfer of $203,000 through operations with respect to the Lynn Lake option) of $2,981,000 (2009 - $637,000). This includes $2,862,000 on the Minago project, $76,000 on the Mel project, $22,000 on Lynn Lake (before $300,000 option payment received from Prophecy and fair value of Prophecy securities of $968,000) and $21,000 at the Lac Rocher project (2009 - $527,000; $7,000; $66,000 and $36,000, respectively).

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

Minago Project

The Company's l00%-owned Minago project is located on the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped sulphide nickel deposits with measured and indicated resources of 54.2 million tonnes grading 0.52% nickel, or 620 million pounds of in-situ nickel (0.25% nickel cut-off grade), comprised of an 11.1 million tonne measured resource grading 0.56% nickel and a 43.1 million tonne indicated resource grading 0.51% nickel. A further 14.6 million tonne inferred resource at 0.53% nickel contains an additional 170 million pounds of in-situ nickel.

Following the completion of a scoping study in the fall of 2006, Wardrop, a Tetra Tech Company ("Wardrop") was engaged to conduct a feasibility study. Results of the DFS confirm that the development of an open pit mine and concentrator at Minago is technically and commercially feasible. The base case pricing uses three-year trailing averages for metal prices and the US: Canadian dollar exchange rate in accordance with the recommended practice of the US Securities and Exchange Commission Industry Guide 7. The DFS is based on mining open pit reserves only and does not incorporate the potential for underground mining that was included in the Preliminary Economic Assessment ("PEA") completed by Wardrop in November 2006.

Significant parts of the resources are below the pit bottom and require additional drilling to be upgraded from Inferred to Indicated. As a result, any resources below the pit bottom are not considered in estimating the economics of the DFS.

The DFS is posted at ***www.sedar.com***

Highlights of the DFS Base Case

Overall Economics

The Base Case was derived using a nickel price of US$11.15 and an exchange rate of US$0.9116: C$1.00 and resulted in:

- An undiscounted cash flow (pre-tax) of $917.7 million;
- A net present value ("NPV"), using a discount rate of 8%, of $293.8 million;
- An internal rate of return ("IRR") of 17.66%;
- Capital costs - primarily pre-production – of $596 million, including a contingency of $50 million;
- A payback period of four years from the start of nickel production; and
- All other things remaining equal in the Base Case, a breakeven price of nickel of US$5.06.

Production and Operating Statistics

The Base Case reflected the following production and operating results for the open pit:

- A Measured and Indicated resource of Sulphidic Nickel ("Ni(S)") of 44.1 million tonnes grading 0.43% nickel;
- A Proven and Probable reserve of Ni(S) of 25.2 million tonnes grading 0.43% nickel;
- A strip ratio of 11.7:1 to mine the nickel including hydraulic fracturing sand ("frac sand") as overburden;
- Production of the world's highest grade nickel concentrate at 22.3% Ni with 10.4% magnesium oxide ("MgO") content;
- Total ore tonnes mined over a seven-year nickel production mine life is 57.1% of the Measured and Indicated Ni(S) resource;
- The open pit mine would average annual ore production of 3.6 million tonnes with average annual nickel production in concentrate of approximately 11,000 tonnes; and
- Average annual frac sand sales revenue, net of freight, of $70 million.

Production Costs per Pound of Nickel

- Cash cost (C-1), net of credits, of $2.12 (US$1.94);
- Metal by-product credits of $0.79 (US$0.72);
- Frac sand by-product value of $4.04 (US$3.68); and
- Cash cost before by-product credits of $6.95 (US$6.34).

Minago is one of Canada's largest undeveloped sulphide nickel deposits and has been shown to be capable of producing a nickel concentrate grading up to 22.3%, making it 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 9 metres thick overlies the nickel mineralization within the open pit. With the optimum grading splits, approximately 84% of annual sand production is marketable frac sand, which is used to improve 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 DFS, production of frac sand could begin 20 months after the start of mine development.

A work program conducted through the winter of 2010 has consisted of 26 drill holes comprising 9,680.75m. The work program was in large part directed at optimizing the near surface resource at Minago to enhance the economics of the deposit. As expected, drilling continued to intersect mineralization at the top of the deposit near the contact with the immediately overlying sandstone (frac sand) that was excluded by Wardrop, from the resource and reserve estimates used in the DFS due to a perceived lack of drill coverage. In addition, a significant portion of in-pit resources currently classified as Inferred are expected to be upgraded to at least the Indicated category for inclusion in future economic evaluations. The Company is presently collecting and assessing the results of the drilling program.

Frac Sand

Frac sand is a significant contributor to the positive economics at Minago. As part of the DFS, 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.

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.

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 has fully funded sufficient expenditures to earn a 100% ownership interest in this project subject to a 51% Vale Inco back-in. The Company awaits a decision by Vale Inco as to whether it will exercise its back-in right on the project. The Company continues to evaluate the viability of the project. By agreement, Vale Inco must mill ore from the Mel project at cash costs plus 5% subject to capacity availability and metallurgy.

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.

A road connecting the end of the existing logging road to the site of the proposed Lac Rocher portal was completed in August 2009 at a cost of approximately $389,000. The road will allow year-round ground access to the site. In December 2009, diamond drilling was conducted to provide geotechnical data deemed necessary for 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.

Lynn Lake
Lynn Lake 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 Lynn Lake nickel mine was first operated by Sherritt-Gordon from 1953 to 1976. During its 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 mine closed in 1977 due to a period of stagnant growth in the nickel market, not because the ore was mined out.

Lynn Lake has 0.86 million tonnes of measured resources grading 0.80% nickel or 15 million pounds of in-situ nickel as well as 13.7 million tonnes of indicated resources at 0.65% grade or 196 million pounds. A further 4.2 million tonnes inferred resources grading 0.59% nickel contains an additional 55 million pounds of in-situ nickel.

As discussed earlier and described in Note 6 to the Unaudited Interim Financial Statements, the Company has optioned Lynn Lake to Prophecy. Failure on the part of Prophecy to meet any of the terms will result in cancellation of the option on the property and it will revert to the Company. Among other things, Prophecy has committed to make $3 million in expenditures on the property. By optioning Lynn Lake, the Company has ensured that the property will have expenditures made upon it whilst the Company maintains an upside in the property through its ownership interest in Prophecy shares.

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 on each of its exploration and development projects as at December 31, 2009. The Company does not believe that there have been any material changes to date which would adversely affect this analysis. Furthermore there has been no change in management's plans for the projects which would cause a reassessment.

Management concluded that no impairment existed in each of its projects effective March 31, 2010 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 and exploration and development projects, assessing the impairment of long-lived assets, determining future income taxes and the valuation of stock option compensation. These estimates involve considerable judgment 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 of the Company's 2009 Audited Financial Statements and the updates reflected in the notes to the Unaudited Interim Financial Statements. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2009 Audited Financial Statements as well as to Note 1 to the Unaudited Interim Financial Statements.

The Company's recorded value of its exploration and development projects 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
The volume of accounting pronouncements being introduced by The Canadian Institute of Chartered Accountants ("CICA") applicable to the Company has reduced significantly pending the transition to International Financial Reporting Standards ("IFRS") discussed in more detail below.

There have been no new accounting policies adopted in the Unaudited Interim Financial Statements.

FUTURE ACCOUNTING CHANGES
International Financial Reporting Standards
Overview
The Company is continuing to review the requirements of IFRS. Senior financial management has attended training courses on IFRS designed to be industry-specific. Victory Nickel will be required to produce IFRS-compliant financial statements for the quarter ended March 31, 2011 which will include the applicable disclosures and information for the comparative 2010 period.

Project Plan
The Company's project plan is summarized in the 2009 Annual Management's Discussion and Analysis ("2009 MD&A").

Status of Project
The Company has completed Phase 1 and is working on Phase 2 of its IFRS transition. The diagnostic review, in particular, has been prepared and the preliminary selection of transition election options has been made. All such work has been carried out primarily on a "business as usual" basis; should the Company make significant capital acquisitions, secure significant financing and move ahead towards production, it will need to upgrade accounting systems and make additional accounting policy selections. Such choices will be made with IFRS transition in mind in order to manage differences until full conversion is achieved. The Company believes that it is well-positioned to meet the transition to IFRS.

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 interim financial statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the unaudited interim financial statements. The Board of Directors has also appointed compensation and corporate governance and nominating committees composed of non-executive directors.

Design of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, (collectively, the "Certifying Officers"), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. For the fiscal quarter ended March 31, 2010, the Certifying Officers have concluded that the design of the Company's disclosure controls and procedures were effective as at March 31, 2010. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

There were no changes to the Company's disclosure controls and procedures that occurred during the quarter ended March 31, 2010 that materially affected, or are reasonably likely to affect, the Company's disclosure controls and procedures.

Design of Internal Control over Financial Reporting

The Company's Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the fiscal quarter ended March 31, 2010, the Certifying Officers have concluded that the design of the Company's internal controls over financial reporting and procedures were effective as at March 31, 2010.

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

There were no changes to the Company's internal controls over financial reporting that occurred during the quarter ended March 31, 2010 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

RELATED PARTY TRANSACTIONS AND MANAGEMENT AGREEMENT

Included in accounts payable and accrued liabilities at March 31, 2010 are amounts due to officers and directors of the Company in the amount of $95,000 (December 31, 2009 - $265,000). These amounts relate primarily to expense reimbursements incurred by directors and officers and directors' fees payable

The Company obtains management, administrative assistance and facilities from Nuinsco pursuant to a management agreement. The fees payable by the Company under the arrangement are recorded at the exchange amount which is equal to the cost to Nuinsco of providing such services plus 10 percent. The management agreement commenced February 1, 2007 and is terminable by Nuinsco upon 90 days notice and by the Company upon 180 days notice. General and administrative costs charged to the Company during the quarter ended March 31, 2010 totalled $170,000 (2009 - $150,000). In addition project-related costs aggregating $18,000 (2009 - $17,000) have been charged to the Company by Nuinsco during the year and are included in exploration and development costs on the balance sheet. Victory Nickel charged Nuinsco $5,000 for the quarter ended March 31, 2010 (2009 - $4,000) for project-related costs incurred by it on behalf of Nuinsco.
Amounts due to Nuinsco are unsecured, non-interest bearing and due on demand.

OUTSTANDING SHARE DATA

At May 6, 2010, the Company had 338,149,761 common shares issued and outstanding, including the flow-through financing completed in April 2010. In addition, there were 29,623,498 stock options and 37,994,976 warrants outstanding on May 6, 2010, which if exercised and issued would bring the fully diluted issued common shares to a total of 405,768,235, and would generate cash of approximately $13,392,000 in addition to the $1,380,000 received in April. The majority of the warrants cannot be exercised until August 2010.

RISKS AND UNCERTAINTIES

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. The risk factors which should be taken into account in assessing Victory Nickel's activities and an investment in its securities include, but are not necessarily limited to, those set out in detail in the Company's 2009 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.

Development Projects

In general, development projects have no operating history upon which to base estimates of future cash operating costs. For 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 DFS for Minago differed from the PEA and may differ again upon actual development.

Competition

The mineral exploration business is highly competitive in all of its phases. Victory Nickel competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Victory Nickel, in the search for and acquisition of exploration and development rights on attractive mineral properties.

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 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 DFS 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, subject to option by Prophecy, is a former operating mine, however indemnifications exist from the Manitoba Government with respect to any pre-existing environmental concerns at that property.

Key Personnel

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

Conflicts of Interest

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

Investments and Other Agreements with Resource Companies

In addition, Victory Nickel makes, from time to time, investments in the common shares of publicly traded companies in the junior natural resources sector or may enter into option or other agreements therewith. These companies are subject to similar risks and uncertainties as is Victory Nickel, and Victory Nickel's investments in and agreements with these companies are subject to similar areas of risk as noted above. Victory Nickel seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's 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 historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

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

May 6, 2010