VICTORY NICKEL INC.

(A Development Stage Entity)

UNAUDITED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND THE THREE MONTHS ENDED JUNE 30, 2007 AND THE PERIOD FROM INCEPTION, FEBRUARY 1, 2007 to JUNE 30, 2007

Management's Comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Victory Nickel Inc. for the three and six months ended June 30, 2008 and the three months ended June 30, 2007 and the period from inception, February 1, 2007 to June 30,2007 have been prepared by management, reviewed by the Audit Committee, and approved by the Board of Directors of the Company.

VICTORY NICKEL INC.
(A Development Stage Entity)
BALANCE SHEETS
(in thousands of Canadian dollars)

		June 30, 2008 (unaudited)		December 31, 2007
ASSETS				
Current				
Cash and cash equivalents	**$**	**2,746**	$	7,466
Cash for exploration expenditures (Note 6)		**-**		5,419
Marketable securities (Note 5)		**2,565**		-
Accounts receivable		**1,034**		480
Prepaid expenses and deposits		**120**		3
Total Current Assets		**6,465**		13,368
Exploration Advances		**280**		280
Exploration and Development Projects (Note 6)		**23,268**		15,762
	$	**30,013**	$	29,410
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**$**	**1,278**	$	825
Due to Nuinsco Resources Limited (Note 10)		**933**		158
Total Current Liabilities		**2,211**		983
Future Income Taxes (Note 9)		**5,024**		1,689
		7,235		2,672
Shareholders' Equity (Note 7)				
Share capital		**24,377**		27,606
Stock option compensation		**1,490**		1,335
Share purchase warrants		**25**		25
Deficit		**(3,178)**		(2,228)
Accumulated other comprehensive income (Note 8)		**64**		-
Net Shareholders' Equity		**22,778**		26,738
	$	**30,013**	$	29,410

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

(unaudited - in thousands of Canadian dollars, except per share amounts)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Period from Inception, February 1, 2007 to June 30, 2007
Revenue				
Interest income	**$ 45**	$ 157	**$ 154**	$ 192
Gain on marketable securities	**-**	62	**-**	62
	45	219	**154**	254
Costs and Expenses				
General and administrative (Note 10)	**352**	521	**960**	750
Stock option compensation (Note 7)	**44**	147	**155**	1,010
	396	668	**1,115**	1,760
Loss before Income Taxes	**(351)**	(449)	**(961)**	(1,506)
Income Tax Provision (Recoveries) (Note 9)	**169**	-	**(11)**	-
Net Loss for the Period	**$ (520)**	$ (449)	**$ (950)**	$ (1,506)
Loss per Share - Basic and Diluted	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted Average Common Shares Outstanding	**176,860,000**	173,084,000	**176,811,000**	168,829,000

The accompanying notes are an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE LOSS

(unaudited - in thousands of Canadian dollars)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Period from Inception, February 1, 2007 to June 30, 2007
Net loss for the period	**$ (520)**	$ (449)	**$ (950)**	$ (1,506)
Other comprehensive (loss) income (Note 8)	**(993)**	-	**64**	-
Comprehensive Loss for the Period	**$ (1,513)**	$ (449)	**$ (886)**	$ (1,506)

The accompanying notes are an integral part of these financial statements

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENTS OF CASH FLOWS
(unaudited - in thousands of Canadian dollars)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Period from Inception, February 1, 2007 to June 30, 2007
Cash from (used by)				
Operating Activities				
Net loss for the period	**$ (520)**	$ (449)	**$ (950)**	$ (1,506)
Items not affecting cash:				
Stock option compensation	**44**	147	**155**	1,010
Other stock-based compensation	**32**	78	**65**	127
Gain on marketable securities	**-**	(62)	**-**	(62)
Income tax provision (recoveries)	**169**	-	**(11)**	-
Change in non-cash working capital (Note 11)	**1,597**	390	**997**	39
Cash from (used by) operating activities	**1,322**	104	**256**	(392)
Financing Activities - issue of common shares	**-**	508	**41**	11,236
Net Cash Received on Formation (Note 1)	**-**	-	**-**	11,906
Investing Activities				
Additions to exploration and development projects	**(5,166)**	(3,884)	**(7,946)**	(5,482)
Purchase of marketable securities	**(577)**	(1,727)	**(2,490)**	(1,727)
Cash used by investing activities	**(5,743)**	(5,611)	**(10,436)**	(7,209)
Net (Decrease) Increase in Cash During the Period	**(4,421)**	(4,999)	**(10,139)**	15,541
Cash and Cash Equivalents, Beginning of the Period	**7,167**	20,540	**12,885**	-
Cash and Cash Equivalents, End of the Period	**$ 2,746**	$ 15,541	**$ 2,746**	$ 15,541
Cash and Cash Equivalents, End of the Period				
Cash and Cash Equivalents	**$ 2,746**	$ 6,260	**$ 2,746**	$ 6,260
Cash for Exploration Expenditures	**-**	9,281	**-**	9,281
	$ 2,746	$ 15,541	**$ 2,746**	$ 15,541

The accompanying notes are an integral part of these financial statements

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENT OF SHAREHOLDERS' EQUITY
For the Period From Inception, February 1, 2007, to June 30, 2008
(unaudited - in thousands of Canadian dollars)

	Share Capital			Share		Accumulated Other	
	Number of Shares	Amount	Stock Option Compensation	Share Purchase Warrants	Deficit	Accumulated Other Comprehensive Income	Total
Issued on formation of the Company	154,003,146	$ 15,713	$ -	$ -	$ -	$ -	$ 15,713
Private placement	16,428,571	10,694	-	-	-	-	10,694
Options exercised	475,000	209	-	-	-	-	209
Warrants exercised	5,502,514	847	-	-	-	-	847
Shares issued under Share Bonus Plan	232,650	109	-	-	-	-	109
Warrants issued for services rendered	-	-	-	25	-	-	25
Options granted and vesting	-	-	1,369	-	-	-	1,369
Transfer of value on exercise of options	-	34	(34)	-	-	-	-
Net loss for the period	-	-	-	-	(2,228)	-	(2,228)
Balance as at December 31, 2007	**176,641,881**	**27,606**	**1,335**	**25**	**(2,228)**	**-**	**26,738**
Options exercised	150,000	41	-	-	-	-	41
Shares issued under Share Bonus Plan	130,750	65	-	-	-	-	65
Options granted and vesting	-	-	155	-	-	-	155
Flow-through share renunciation	-	(3,335)	-	-	-	-	(3,335)
Net loss for the period	-	-	-	-	(950)	-	(950)
Other comprehensive income	-	-	-	-	-	64	64
Balance as at June 30, 2008	**176,922,631**	**$ 24,377**	**$ 1,490**	**$ 25**	**$ (3,178)**	**$ 64**	**$ 22,778**

The accompanying notes are an integral part of these financial statements

VICTORY NICKEL INC.
(A Development Stage Entity)
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007 (unaudited)
(all tabular amounts are in thousands of Canadian dollars)

1. BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Basis of Presentation
The unaudited interim financial statements of Victory Nickel Inc. (the "Company") are prepared by management using generally accepted accounting principles for interim financial statements and reflect the accounting principles in the notes to the Company's audited financial statements for the period from inception, February 1, 2007, to December 31, 2007 (with the exception of the changes in accounting policies set out in Note 2 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 periods presented are not necessarily indicative of the results to be expected for the full year.

Nature of Operations
Pursuant to a Plan of Arrangement which became effective February 1, 2007, the Company was formed upon the amalgamation of two predecessor companies incorporated in December, 2006 for the purpose of carrying out the Plan of Arrangement. Upon completion of the amalgamation and pursuant to the Plan of Arrangement, the Company completed a series of transactions which resulted in the following acquisitions:

(a) three mineral resource properties, namely the Minago and Mel sulphide nickel projects in Manitoba and the Lac Rocher sulphide nickel project in Québec (collectively the "Nickel Properties"), from Nuinsco Resources Limited ("Nuinsco"). These properties were recorded at their carrying values in the accounts of Nuinsco of $5,800,746, net of related accounts payable of $527,871;
(b) exploration advances to the Company's joint venture partner managing the Mel project of $448,428; and;
(c) cash of $12,667,740

in exchange for the issuance of 154,003,146 common shares of the Company.

The terms of the Plan of Arrangement resulted in Nuinsco initially owning 25% of the Company's common shares and 75% being distributed to Nuinsco's shareholders. Accordingly, Nuinsco's shareholders continued to own 100% of the transferred assets by virtue of their direct holdings of the Company's shares and their indirect ownership interest through their Nuinsco share ownership. As a consequence, this related party transaction was recorded by the Company at Nuinsco's recorded carrying values of the Nickel Properties transferred and the cash received.

The cash transferred from Nuinsco to the Company was the amount of the net proceeds of $14,045,317 received by Nuinsco in a December, 2006 private placement, less the aggregate of $929,149 expended by Nuinsco on the transferred Nickel Properties from the date of the private placement to February 1, 2007, the effective date of the Plan of Arrangement and exploration advances as at February 1, 2007 amounting to $448,428. The latter amount represents cash advanced to CVRD Inco Limited (now Vale Inco Limited), the Company's joint venture partner on the Mel project, in excess of exploration costs incurred.

In addition, the Company was responsible for all costs relating to the Plan of Arrangement. The total of such costs has been treated as a capital transaction and shown as a reduction in share capital.

A summary of net assets acquired is as follows:

Cash (net of out-of-pocket costs incurred to complete the Plan of Arrangement of $762)			$	11,906
Nickel Properties				
Exploration advances - Mel				448
Exploration and development projects				
Minago	$	2,976		
Mel		706		
Lac Rocher		2,118		5,800
				18,154
Less Liabilities:				
Accounts payable				527
Future income taxes [1]				1,914
			$	15,713

(1) The future income taxes result from the fact that, pursuant to the tax elections filed as part of the Plan of Arrangement, the cost bases for tax purposes of the nickel assets is $nil, versus a net carrying value on acquisition of $5,800,746.

At June 30, 2008, the Company had working capital of $4,254,000 available to fund ongoing operations. However as a development stage enterprise, 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, or alternatively upon the profitable disposal of projects.

Should the Company not be able to discover economically recoverable reserves, obtain the necessary financings and 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 ("GAAP").

2. NEW AND FUTURE ACCOUNTING POLICIES

Financial Instruments and Capital Disclosures

The Canadian Institute of Chartered Accountants ("CICA") has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862) and Financial Instruments – Presentation (Handbook Section 3863).

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv), if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook Section in Note 3 to these unaudited interim financial statements.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook Section in Note 4 to these unaudited interim financial statements.

Inventories
Effective January 1, 2008, the CICA has issued accounting standard Section 3031 Inventories. Section 3031 Inventories provides guidance on the method of determining the cost of the Company's materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031 Inventories did not impact the Company's financial statements.

Government Assistance
Government assistance is recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions necessary to obtain the assistance. Any government assistance relating to the exploration and development properties is recorded as a reduction of those related expenditures.

Future Accounting Changes
In February, 2008, the CICA issued accounting standard Section 3064 Goodwill and Intangible Assets, replacing accounting standard 3062 Goodwill and Other Intangible Assets and accounting standard Section 3450 Research and Development Costs. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standard for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

3. CAPITAL DISCLOSURES

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued project development and corporate activities. Capital is defined by the Company as the aggregate of its shareholders' equity as well as any long-term debt, equipment-based and/or project-based financing.

The Company manages its capital structure and makes adjustments to it based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company expects that it will be able to obtain long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful. In order to achieve these objectives, the Company invests its unexpended cash in highly liquid, rated financial instruments.

4. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial statements are summarized below:

The Company's financial instruments include cash and cash equivalents (including cash for exploration expenditures), marketable securities, accounts receivable, accounts payable and accrued liabilities and amounts due from/to Nuinsco. The fair value of these financial instruments approximates their carrying value. The Company is not exposed to significant currency or credit risks arising from these financial instruments. The Company's cash and cash equivalents earn interest at fixed short-term rates of approximately 4% at June 30, 2008 and December 31, 2007. None of the Company's other financial investments are interest-bearing, and therefore the Company is not exposed to any significant interest rate risk.

Cash equivalents include bank-guaranteed investment certificates and bank discount notes. The Company does not own asset-backed commercial paper. 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.

5. MARKETABLE SECURITIES

In March 2008, the Company privately purchased from a third party 7,500,000 units of Wallbridge Mining Company Limited ("Wallbridge"), a public company, for $1,912,500. Each unit comprises one common share and one-half of one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of Wallbridge at an exercise price of $0.80 per share if the warrant is exercised prior to March 26, 2009, or $1.00 per share if exercised during the period between March 26, 2009 and March 26, 2010. As a consequence of this transaction, the Company held an approximate 8.4% interest in Wallbridge and, if all of the warrants are exercised, the Company's ownership interest would have increased to 12.2% on a partially diluted basis (not including the exercise of any other securities convertible into Wallbridge shares held by any other holder). The units are subject to a hold period expiring on July 27, 2008.

On initial recognition, no value was allocated to the share purchase warrants given the significant excess of the exercise price over current market value. The Wallbridge shares have been classified as a financial asset available for sale.

In April, 2008, the Company acquired a further 1,500,000 Wallbridge common shares at a cost of $577,515, increasing its ownership to approximately 10.1% (13.8% if the warrants are exercised).

The Company recorded the net after-tax increase in the estimated fair value of the shares from the date of acquisition to June 30, 2008 of $64,000 as other comprehensive income. Other comprehensive loss in the three months ended June 30, 2008 of $993,000 is shown net of taxes, related to future income taxes of $169,000.

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, 2007	Current Expenditures	Balance as at June 30, 2008
Lac Rocher [1]	$ 3,314	$ 156	$ 3,470
Mel	2,158	27	2,185
Minago	10,290	7,323	17,613
	$ 15,762	$ 7,506	$ 23,268

	Acquired on Formation of the Company (Note 1)	Current Expenditures	Balance as at June 30, 2007
Lac Rocher	$ 2,118	$ 172	$ 2,290
Mel [2]	706	1,223	1,929
Minago	2,976	4,574	7,550
	$ 5,800	$ 5,969	$ 11,769

(1) The expenditures on the Lac Rocher project in the period ended June 30, 2008 are shown net of Québec mining duties receivable of $179,331.

(2) The expenditures on the Mel project in the period ended June 30, 2007 include $448,428 funded from exploration advances on deposit with Vale Inco and transferred to the Company on formation, February 1, 2007 (see Note 1).

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 will 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 current period project expenditures); and
- Incurring $500,000 of expenditures before September 30, 2008.

Once acquired, Victory Nickel's 100% interest in 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.

As at June 30, 2008, the Company had fulfilled its commitment to incur exploration expenditures in relation to prior flow-through share financings in 2007.

7. SHAREHOLDERS' EQUITY

Share Capital

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

Issued and Outstanding:

	Number of Shares		Amount
Issued on formation of Company pursuant to Plan of Arrangement (Note 1)	154,003,146	$	15,713
Shares issued pursuant to private placement [a]	16,428,571		10,694
Options exercised [b]	475,000		243
Warrants exercised [c]	5,502,514		847
Shares issued under the Share Bonus Plan [d]	232,650		109
Balance as at December 31, 2007	**176,641,881**		**27,606**
Options exercised [e]	150,000		41
Shares issued under the Share Bonus Plan [f]	130,750		65
Flow-through share renunciation [g]	-		(3,335)
Balance as at June 30, 2008	**176,922,631**	**$**	**24,377**

(a) In March, 2007, the Company issued 16,428,571 flow-through shares at $0.70 per share for gross proceeds of $11,500,000, before costs of issue of $805,463.
(b) During the period ended December 31, 2007, 475,000 common shares were issued upon the exercise of options for proceeds of $209,329 plus the carrying value of the options exercised of $33,400.
(c) During the period ended December 31, 2007, 5,502,514 common shares were issued upon the exercise of warrants for proceeds of $846,900.

(d) During the period ended December 31, 2007, 232,650 common shares were issued to employees and consultants as discretionary bonuses and were valued at $108,763.
(e) During the six months ended June 30, 2008, 150,000 common shares were issued upon the exercise of options, for proceeds of $40,500.
(f) During the six months ended June 30, 2008, 130,750 common shares were issued to employees and consultants as discretionary bonuses, and were valued at $65,375.
(g) In February, 2008, the Company renounced $11,500,000 in Canadian Exploration Expenditures to investors of flow-through shares. The tax value of these renunciations amounts to $3,335,000, and has been recorded as a future income tax liability and charged against share capital.

Stock Options

The following table reflects the continuity of stock options during the period:

	Number of Options		Average Exercise Price		Amount
Outstanding as at December 31, 2007	**13,385,000**	**$**	**0.32**	**$**	**1,335**
Options granted and vesting	500,000		0.40		155
Options exercised	(150,000)		0.27		-
Outstanding as at June 30, 2008	**13,735,000**	**$**	**0.32**	**$**	**1,490**

During the six months ended June 30, 2008, 500,000 options were granted pursuant to the Company's stock option plan, with an average exercise price of $0.40. The value assigned to these options was calculated using the Black-Scholes option-pricing model, with the following assumptions:

Option Assumptions	Six Months Ended June 30, 2008	Period from Inception, February 1, 2007 to June 30, 2007
Dividend yield	**-**	-
Expected volatility	**75%**	75%
Risk free interest rate	**4.50%**	5.00%
Expected option term - years	**3**	3
Fair value per share of options granted	**$ 0.20 to $0.25**	$0.33 to $0.43

The following table summarizes information about the stock options outstanding at June 30, 2008:

Range of Exercise Prices	Options Outstanding	Years to Expiry (1)		Exercise Price (1)
$0.09 - $0.21	6,543,750	2.95	$	0.13
$0.23 - $0.25	1,781,250	5.58	$	0.23
$0.28 - $0.49	875,000	3.91	$	0.42
$0.50 - $0.82	4,535,000	3.90	$	0.62
$0.09 - $0.82	13,735,000	3.66	$	0.32

[1] In this table, "Years to Expiry" and "Exercise Price" have been calculated on a weighted average basis.

Of the 13,735,000 options outstanding at June 30, 2008, 467,500 are subject to vesting over the next 12 months. The aggregate fair value of these unvested options not yet charged to operations is $69,241. The weighted average exercise price of fully-vested options at June 30, 2008 was $0.32.

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated Other Comprehensive Income ("OCI") is comprised of unrealized gains and losses on marketable securities (shares of Wallbridge) that are classified as available for sale. Changes in OCI are summarized as follows:

	Six Months Ended June 30, 2008	Period from Inception, February 1, 2007 to June 30, 2007
Accumulated OCI at beginning of period	**$ -**	$ -
OCI for the period representing the change in the fair value of financial assets available for sale, net of related future income taxes of $11	**64**	-
Accumulated OCI at end of period	**$ 64**	$ -

9. INCOME TAXES

The income tax recovery differs from the amount computed by applying statutory federal and provincial income tax rates for the periods presented. The differences are summarized as follows:

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Period from Inception, February 1, 2007 to June 30, 2007
Expected income tax recovery based on statutory income tax rate of 2008 - 33.5% (2007 - 36.0%)	**$ (118)**	$ (162)	**$ (322)**	$ (544)
Non-deductible items, net	**28**	85	**82**	415
Share issue and Plan of Arrangement costs	**-**	(403)	**-**	(403)
Tax treatment of capital gains	**-**	-	**-**	(11)
Effect of change in expected future income tax rates	**12**	15	**32**	28
Valuation allowance	**247**	465	**197**	515
Future income tax provision (recovery)	**$ 169**	$ -	**$ (11)**	$ -

Non-capital losses as of December 31, 2007 totalling $1,122,328 expire in 2028. No income tax recoveries, other than the net recovery of $11,000 recognized in the six months ended June 30, 2008, have been recorded with respect to the non-capital losses or other tax assets as it cannot be determined at this time whether it is more likely than not that the benefit associated with these losses and costs will be realized prior to their expiry.

10. RELATED PARTY TRANSACTIONS

Related party transactions not described elsewhere in these financial statements include the following:

a. The Company shares management, administrative assistance and facilities with Nuinsco (which, by virtue of its approximate 22% ownership interest has the ability to exercise significant influence over the Company) pursuant to a management agreement. The costs payable by the Company are equal to the cost to Nuinsco of such services plus 10 per cent. The management agreement has an initial term of 24 months commencing February 1, 2007 and is terminable thereafter by Nuinsco upon 90 days notice and by the Company upon 180 days notice. Costs charged to the Company in the six and three months ended June 30, 2008 totalled $251,106 and $128,341 respectively (period from inception, February 1, 2007, to June 30, 2007 and March 31, 2007 - $349,077 and $247,462 respectively) and have been included in general and administrative expenses. The Company charged Nuinsco $23,250 and $11,625 for the six and three months ended June 30, 2008 for project-related costs incurred by it on behalf of Nuinsco. In addition, project-related costs aggregating $26,667 and $13,667 have been charged to the Company by Nuinsco during the six and three months ended June 30, 2008, respectively and are included in exploration and development costs on the balance sheet (period from inception, February 1, 2007, to June 30, 2007 and the three months ended June 30, 2007 - $182,834 and $110,665, respectively).

b. Amounts due to and from Nuinsco are unsecured, non-interest bearing and due on demand. The balance was settled prior to the end of July, 2008.

c. Included in accounts payable and accrued liabilities at June 30, 2008 are amounts due to Officers and Directors of the Company in the amount of $48,850 (December 31, 2007 - $64,267). These amounts relate primarily to Directors' fees payable.

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

11. CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital balances related to operations impacting cash from operations are as follows:

	Three Months Ended June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Period from Inception, Feb 1, 2007 to June 30, 2007
Accounts receivable, prepaid expenses and deposits	**$ (129)**	$ (111)	**$ (492)**	$ (440)
Due from/to Nuinsco Resources Limited	**1,175**	495	**775**	259
Accounts payable and accrued liabilities	**551**	6	**714**	220
	$ 1,597	$ 390	**$ 997**	$ 39

12. SUBSEQUENT EVENT

On July 29, 2008, the Company issued 18,046,700 flow-through shares by way of private placement at a price of $0.45 per share generating gross proceeds of approximately $8.1 million before commissions of 5% and other fees.

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008

DATED JULY 31, 2008

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Three and Six Months Ended June 30, 2008

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 July 31, 2008 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and six-month periods ended June 30, 2008, 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 and six months ended June 30, 2008 and the Company's 2007 audited financial statements as at and for the period ended December 31, 2007 (the "2007 Audited Financial Statements") and the notes thereto. Readers are also encouraged to consult these financial statements which were prepared in accordance with Canadian generally accepted accounting principles 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.

COMPANY OVERVIEW

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

Formed on February 1, 2007 as described below, Victory Nickel owns 100% of three advanced sulphide nickel projects, the Mel and Minago projects located in Manitoba and the Lac Rocher project in Québec. The Company is advancing a definitive feasibility study, expected to be completed in 2008, on the Minago Project; the Company is completing the balance of permitting required to bring the Lac Rocher Project into production; and, the near-term production potential of the Mel Project is also being evaluated.

CORPORATE REORGANIZATION AND FORMATION OF THE COMPANY

Pursuant to a Plan of Arrangement which became effective February 1, 2007, the Company was formed upon the amalgamation of two predecessor companies incorporated in December, 2006 for the purpose of carrying out the Plan of Arrangement. Upon completion of the amalgamation and pursuant to the Plan of Arrangement, the Company completed a series of transactions which resulted in the following:

The acquisition of:

a) three mineral resource properties, namely the Minago and Mel sulphide nickel projects in Manitoba and the Lac Rocher sulphide nickel project in Québec (collectively the "Nickel Properties") from Nuinsco Resources Limited ("Nuinsco"). The Nickel Properties were recorded at their carrying value in the accounts of Nuinsco of $5,800,746, net of related accounts payable of $527,871;
b) exploration advances of $448,428 to the Company's joint venture partner managing the Mel project; and
c) cash of $12,667,740,

in exchange for the issuance of 154,003,146 common shares of the Company.

The terms of the Plan of Arrangement resulted in Nuinsco initially owning 25% of the Company's common shares and 75% being distributed to Nuinsco's shareholders. Accordingly, Nuinsco's shareholders continued to own 100% of the transferred assets by virtue of their direct holdings of the Company's shares and their indirect ownership interest through their Nuinsco share ownership. As a consequence, this related party transaction was recorded by the Company at the carrying value of the Nickel Properties transferred and the cash received.

The cash transferred from Nuinsco to the Company was the amount of the net proceeds of $14,045,317 received by Nuinsco in a December, 2006 private placement less the aggregate of $929,149 expended by Nuinsco on the transferred Nickel Properties from the date of the private placement to February 1, 2007, the effective date of the Plan of Arrangement, and exploration advances as at February 1, 2007 amounting to $448,428. The latter amount represents cash advanced to CVRD Inco Limited (now Vale Inco Limited

("Vale Inco")), the Company's joint venture partner on the Mel project, in excess of exploration costs incurred.

In addition, the Company was responsible for all costs relating to the Plan of Arrangement. The total of such costs in the amount of $762,062 has been treated as a capital transaction and shown as a reduction in share capital.

A summary of the net assets acquired is as follows:

Cash (net of out-of-pocket costs incurred to complete the Plan of Arrangement of $762,062)		$ 11,905,678
Nickel Properties:		
Exploration Advances - Mel		448,428
Exploration and Development Projects		
Minago	$ 2,976,125	
Mel	706,311	
Lac Rocher	2,118,310	5,800,746
Total Assets		18,154,852
Less: Liabilities:		
Accounts Payable		(527,871)
Future Income Taxes		(1,914,000)
Net Assets Acquired		$ 15,712,981

(1) The future income taxes result from the fact that, pursuant to tax elections filed as part of the Plan of Arrangement, the cost bases for tax purposes of the Nickel Properties is $nil versus a net carrying value on acquisition of $5,800,746.

SECOND QUARTER HIGHLIGHTS

Achievements during the three months ended June 30, 2008 include:

- Announcing further positive Minago deep drilling results which complement those announced earlier and provide continuing evidence of a significant nickel resource at depth while supporting and supplementing previous results from the open pit resource. Of particular note are the intersections from V-08-04b which intersected the enormous interval of 656.98m grading 0.4% Ni (between 217.61m and 874.5m), V-08-06 with 47.82m grading 1.30% Ni (between 217.44m and 265.26m) and 99.86m grading 0.84% Ni (between 547.47m and 647.45m).
- Increasing both the quantity and value of frac sand by-product at its Minago nickel deposit and subsequently engaging Raymond James Ltd. to determine the most effective strategy to maximize the value of the frac sand by-product.
- Engaging Outotec USA to complete a feasibility-level design of a frac sand processing plant.
- Announcing that the Board of Directors has authorized management to begin ordering long-lead time equipment for the Minago project.
- Announcing the appointment of the Honourable Ethel Dorothy Blondin-Andrew, P.C., B.Ed., LL.D as an additional Director of the Company. A former federal Minister of State, Ms Blondin-Andrew became the first Native woman elected to Canada's House of Commons in 1988.
- Completing a comprehensive metallurgical study of composite samples from the Minago deposit confirming that a high-grade nickel concentrate can be produced, achieving an increased total nickel recovery at 58.2%, using conventional milling and flotation methods.
- Using magnetic inversion geological techniques, identifying the possibility of a large volume of nickeliferous rock extending from the known mineralization in the Nose Deposit and the North Limb.

OUTLOOK

With over 660 million pounds of in-situ sulphide nickel in measured and indicated resources at its three projects, plus an additional 530 million pounds of in-situ nickel in inferred resources, Victory Nickel has one of Canada's largest undeveloped nickel inventories. With near-term production potential at all three projects, the Company is well-positioned to benefit from the worldwide shortage of sulphide nickel assets.

The Company's near-term project-related objectives include:

- Completing all permitting required at Lac Rocher.
- Completing the Minago frac sand feasibility study.
- Completing the Minago definitive feasibility study.
- Placing orders for long lead time items at Minago.
- Completing metallurgical testing on mineralization at the Mel Deposit.
- Completing the Preliminary Economic Assessment of the Mel Deposit.

RESULTS OF OPERATIONS

Three months ended June 30, 2008, compared with the three months ended June 30, 2007

For the three-month period ended June 30, 2008, the Company had a net loss of $520,000, or $0.00 per share, versus a net loss of $449,000, or $0.00 per share, in the three-month period ended June 30, 2007.

The loss in the current period reflects reduced stock option compensation in the current period of $44,000, versus $147,000 in the prior year period, augmented by decreased general and administrative costs of $352,000, compared to $521,000 in the prior-year period. General and administrative costs are shown net of charges to Nuinsco of $120,000 related to its portion of the severance to a former employee whose severance entitlement included tenure with Nuinsco. General and administrative expenses in the current period also include costs allocated from Nuinsco of $128,000, versus $247,000 in the comparative period in 2007. These charges are activity related. The prior-year comparative period reflected the significant amount of time spent by senior Nuinsco management during the period pursuing a potential acquisition by the Company.

Stock option expense was higher in the 2007 period, as 3,437,500 stock options were granted to Directors, employees and consultants shortly after the formation of the Company, some of which vested over a one-year period following the date of grant. In the current period, stock option compensation relates to the 100,000 options issued in the quarter as well as compensation expense relating to the vesting of options issued subsequent to April 1, 2007.

The current-period results include a non-cash provision for income taxes of $169,000, as explained in Note 9 to the June 30, 2008 unaudited interim financial statements and effectively eliminates the majority of the non-cash tax recovery recorded in the first quarter of 2008 of $180,000.

During the current three-month period, the Company recorded an other comprehensive loss of $993,000. This amount represents the decrease in the estimated fair value of the Company's 7,500,000 Wallbridge shares from the date of acquisition to June 30, 2008 of $1,162,000, less related income taxes of $169,000. This essentially offsets the increase in the estimated fair values of such shares in the first three months of 2008 totalling $1,057,000 net of income tax of $180,000. This amount, combined with the net loss for the period of $520,000, resulted in comprehensive loss for the period of $1,513,000. There was no other comprehensive income or loss in the 2007 comparative period.

Six months ended June 30, 2008, compared with the period from inception February 1, 2007 to June 30, 2007

For the six-month period ended June 30, 2008, the Company had a net loss of $950,000, or $0.01 per share, compared with a net loss of $1,506,000 in the comparative period ended June 30, 2007.

The decrease in the loss is primarily a result of decreased stock option compensation resulting from the option grants described above on inception of the Company. This is partially offset by increases in general and administrative expenses (reflecting a six-month period in 2008 versus a five-month period in 2007) combined with reductions in interest income due to lower invested cash balances and no gains on marketable securities in 2008.

Other comprehensive income during the six-month period was $64,000 as described above which is net of taxes of $11,000. There was no other comprehensive income or loss in 2007.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last six quarters ended June 30, 2008 is as follows:

Fiscal year 2008			2nd Quarter	1st Quarter
Revenue and other income			$ 45,000	$ 109,000
Net loss			$ (520,000)	$ (430,000)
Comprehensive (loss) income			$ (1,513,000)	$ 627,000
Loss per share - basic and diluted			$ (0.00)	$ (0.00)
Fiscal period 2007	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter (1)**
Revenue and other income	$ 158,000	$ 147,000	$ 219,000	$ 35,000
Net loss and comprehensive loss	$ (335,000)	$ (387,000)	$ (449,000)	$ (1,057,000) (2)
Loss per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

(1) For the period from inception, February 1, 2007, to March 31, 2007.
(2) Includes stock option compensation of $863,000.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2008, the Company had working capital, including cash and cash equivalents and cash for exploration expenditures, totalling $4,254,000. Cash equivalents include bank-guaranteed investment certificates and bank discount notes. The Company does not own asset-backed commercial paper. 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 six-month period ended June 30, 2008, the Company generated $256,000 in operating activities, comprising cash used in operations of $741,000 before decreases in non-cash working capital of $997,000. This compares with the use of $392,000 in cash in the 2007 comparative period, comprising cash used in operations before changes in non-cash working capital of $431,000, plus a decrease in non-cash working capital balances of $39,000.

Financing activities for the period generated an aggregate of $41,000, representing the proceeds from the exercise of options. In the comparative period, the Company completed a private placement of common shares which resulted in the issuance of 16,428,571 flow-through common shares at $0.70 per share for net proceeds after costs of issue of $10,695,000. It also received $541,000 on the exercise of warrants during the 2007 period.

Investing activities in the 2008 period included $7,946,000 expended on exploration and development projects and $2,490,000 spent to acquire marketable securities. In the prior-year period, exploration expenditures totalled $5,482,000, net of exploration advances transferred to the Company on inception of $448,000 which were used to fund exploration expenditures during that period. In addition, $1,727,000 was used to purchase marketable securities in the period ended June 30, 2007.

In the first quarter of 2008, the Company spent $1,913,000 to acquire 7,500,000 units of Wallbridge. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of Wallbridge at an exercise price of $0.80 per share if the warrant is exercised prior to March 26, 2009, or $1.00 per share if exercised during the period between March 26, 2009 and March 26, 2010. In the second quarter of 2008, the Company acquired an additional 1,500,000 shares of Wallbridge at a cost of $577,000. As a consequence of these transactions, the Company holds an approximate 10.1% interest in Wallbridge and, if all of the warrants are exercised, the Company's ownership interest would increase to 13.8% on a partially diluted basis (not including the exercise of any other securities convertible into Wallbridge shares held by any other holder).

The net result of the above operating, financing and investing activities was a net decrease in cash and cash equivalents in the current six-month period of $10,139,000. This compares with a net increase in cash and cash equivalents in the 2007 comparative period of $15,541,000, which amount includes cash of $11,906,000 transferred to the Company on its formation.

Subsequent to the end of the second quarter of 2008, the Company completed a flow-through share financing by way of private placement for gross proceeds of $8.1 million upon the issuance of 18,046,700 flow-through shares at a price of $0.45 per share. The financings closed on July 29, 2008.

In addition, the Company engaged Raymond James Ltd. to provide financial advisory services in connection with the most effective strategy to maximize the value of the frac sand resource at its Minago nickel project.

Given its current cash position and current plans in place as described above, the Company is sufficiently financed to fund its anticipated future administration costs to completion of the Minago definitive feasibility study. Assuming a positive outcome of the Minago definitive feasibility study and/or a decision to bring the Lac Rocher project to production, additional financing will be required for construction of either or both of these projects.

EXPLORATION AND DEVELOPMENT ACTIVITIES

During the six months ended June 30, 2008, the Company incurred exploration costs on its nickel properties of $7,506,000, including $7,323,000 on the Minago project, $27,000 on the Mel project and $156,000 at the Lac Rocher project. In the comparative 2007 period, the Company incurred $5,969,000, including $4,574,000 on the Minago project, $1,223,000 on the Mel project and $172,000 on the Lac Rocher project.

Paul Jones, Vice-President, Exploration, is a "qualified person" as defined under National Instrument 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 (which is subject to a graduated net smelter royalty, up to 3% if the nickel price exceeds US$6 per pound) is located on the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped nickel deposits with measured and indicated resources of 49.1 million tonnes grading 0.516% nickel, or 558 million pounds of in-situ nickel (0.25% nickel cut-off grade), comprised of a 10.3 million tonne measured resource grading 0.593% nickel and a 38.8 million tonne indicated resource grading 0.496% nickel. A further 44.1 million tonne inferred resource at 0.528% nickel contains an additional 513 million pounds of in-situ nickel.

Following the completion of a Preliminary Economic Assessment ("PEA") scoping study in the fall of 2006, Wardrop Engineering Inc. was engaged to conduct a definitive feasibility study. The definitive feasibility study is ongoing, and is expected to be completed in 2008. In 2007, a 13,000 metre, 44-hole winter drilling program was completed to provide data for inclusion in the definitive feasibility study. During 2007, the Company announced drill results, including intercepts grading up to 1.4% nickel over 36.0 metres. In addition, a geotechnical hole which did not target mineralization, intersected 6.1 metres grading 1.03% nickel demonstrating the widespread nature of nickel mineralization at Minago.

In December, 2007, the Company announced the signing of a Memorandum of Understanding ("MOU") with the Misipawistik Cree Nation (Grand Rapids), Mosakahiken Cree Nation (Moose Lake) and Cross Lake Band of Indians.

The MOU addresses traditional rights of these First Nations communities, and establishes the guiding principles for the development of an Impact and Benefit Agreement ("IBA"). The IBA will cover a number of areas, including: communication; the environment; social support; training, employment and contract opportunities; and education.

Infrastructure at Minago is excellent. The property is right beside Manitoba Highway 6, which extends south to Winnipeg and north to Thompson. A railway line continues to the port of Churchill. A major power line runs alongside the property as well.

Exploration upside exists north of the Nose Deposit, (which contains the entire current resource) in the North Limb, as well as at depth beneath the current resource, where one drill hole ended at 830 metres in 3.93 metres grading 1.91% nickel. In the first quarter of 2008, re-interpretation of an airborne electromagnetic and magnetic survey identified drill targets extending to a vertical depth in excess of 1.5 kilometres and confirmed the potential for a continuous mineralized body linking the Nose Deposit and the North Limb. The magnetic inversion study interprets the mass to extend to depths exceeding 1.5 kilometres vertically while forming a continuous body extending over two kilometres north-south and incorporating the Nose Deposit and the North Limb nickel mineralization. This indicates the potential for a significant increase in the volume of rock available to host nickel mineralization.

In the second quarter of 2008, the Company announced the following Minago deep drilling results which complement earlier ones and provide continuing evidence of a significant nickel resource at depth while supporting and supplementing previous results from the open pit resource. Drill holes V-08-01 through V-08-08 continue to intersect impressive intercepts of nickeliferous rock and, importantly, demonstrate the presence of higher-grade nickel domains with the ultramafic intrusion that could provide a resource for underground mining below the existing resource for which open pit exploitation is anticipated. Of particular note are the intersections from V-08-04b which intersected the enormous interval of 656.98m grading 0.4%Ni (between 217.61m and 874.5m) and that obtained from V-08-06 where 47.82m grades 1.30% Ni (between 217.44m and 265.26m) and 99.86m grades 0.84% Ni (between 547.47m and 647.45m).

In addition to the large nickel resource and other metal byproducts, including copper, gold, platinum, palladium, silver and rhodium, the PEA identified the presence of hydraulic or fracturing ("frac") sand, a material used to enhance recoveries in the oil and gas industry. Several parties have already expressed interest in this frac sand, which overlies the proposed open pit and will need to be removed as part of pre-stripping the nickel deposit.

In December, 2007, Victory Nickel announced a 73% increase in projected byproduct revenue from the sale of the frac sand and a further 60% increase in April, 2008. A feasibility study on the frac sand operation is being completed in parallel with the Minago definitive feasibility study. In effect, the expected quantity of marketable sand increased from zero prior to the PEA, to 4.0 million tonnes in the PEA, to 6.9 million tonnes as of December, 2007 and to 11.0 million tonnes as of April 2008. A potentially significant revenue-generator, the Company is evaluating the potential to begin frac sand production as soon as possible and prior to the production of nickel.

Mel Project

The Mel project is located just north of Thompson, Manitoba. It is a large property, approximately 25 kilometres east-west by about 6 kilometres north-south.

The Company has fully funded sufficient expenditures to earn a 100% ownership interest in this project subject to a Vale Inco back-in. This project has measured and indicated resources totaling 4,300,000 tonnes grading 0.88% nickel (approximately 83,000,000 pounds in-situ nickel) and an additional inferred resource of 1,000,000 tonnes grading 0.84% nickel (approximately 19,000,000 pounds in-situ nickel), and offers significant exploration upside as well as near-term production potential.

The 2007 winter drill program comprised 30 drill holes encompassing 5,733 metres of drilling to better define and add to the existing resource. This program intersected significant grades over mineable widths, including 1.11% nickel over 13.67 metres. The Company is currently in discussions regarding Vale Inco's intentions with respect to its 51% back-in right. A decision by Vale Inco is expected by the end of the third quarter of 2008 and at that point the Company will determine the appropriate next steps in its development strategy.

Lac Rocher

The Lac Rocher project has measured and indicated resources of 1,190,288 tonnes grading 0.91% nickel, at a 0.5% nickel cutoff, for approximately 25,000,000 pounds of in-situ nickel located between surface and 125 vertical metres. Mineralization is open to the southwest, and Victory Nickel is currently evaluating near-term production potential from the property.

During 2007 and the first six months of 2008, the Company was very active with respect to advancing the Lac Rocher property. A 12-hole, 1,500 metre diamond drill program tested for extensions to the nickel sulphide mineralization and provided metallurgical samples for completing a PEA of the near-term production and cash generation potential of the project that has been completed by Roche Engineering. Drill results graded up to 9.5% nickel over 2.29 metres within a larger intercept of 45.92 metres grading 1.42% nickel, and continued to expand the Company's geological and metallurgical understanding of the massive sulphide zone at Lac Rocher.

In addition, Victory Nickel entered into a Memorandum of Understanding with the Waswanipi Cree First Nation ("WCFN") whereby the parties have agreed to work together to support development of the Lac Rocher deposit in a way that respects the collective interests of Victory Nickel, the WCFN and other stakeholders.

In the first quarter of 2008, the Company received positive metallurgical results on material from the disseminated sulphide zone at Lac Rocher that complemented test results from Xstrata Process Support, Process Mineralogy, in Falconbridge, Ont., announced late in 2007 on mineralization from the massive sulphide zone. A total of 15 flotation tests were completed by Corem, an independent laboratory based in Quebec, on material from the disseminated sulphide zone, yielding nickel recovery of 79.9% and copper recovery of 94.2% to a nickel/copper concentrate. This compares favourably with nickel recovery of 85.04% and copper recovery of 96.67% from the massive sulphide zone.

The Company is presently in the process of completing all the permitting necessary and access road improvements to be in a position to commence production.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the financial statements include determining the carrying value of exploration and development projects and 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.

The Company's recorded value of its exploration and development projects is based on historical 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.

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.

For a complete list of the significant accounting policies, reference should be made to Note 2 of the Company's 2007 Audited Financial Statements.

NEW ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants ("CICA") has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863).

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to its unaudited interim financial statements.

Handbook Sections 3862 and 3863 replace handbook Section 3861, Financial Instruments – Disclosure and Presentation revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4 to its unaudited interim financial statements.

Inventories

Effective January 1, 2008, the CICA has issued accounting standard Section 3031 Inventories. Section 3031 Inventories provides guidance on the method of determining the cost of the Company's materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard required the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031 Inventories did not impact the Company's financial statements.

Government Assistance

Government assistance is recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions necessary to obtain the assistance. Any government assistance relating to the exploration and development properties is recorded as a reduction of those related expenditures.

Future Accounting Changes

In February 2008, the CICA issued accounting standard Section 3064 Goodwill and Intangible Assets, replacing accounting standard 3062 Goodwill and Other Intangible Assets and accounting standard Section 3450 Research and Development Costs. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly the Company will adopt the new standard for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included n the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

The CICA plans to transition Canadian generally accepted accounting principles for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

DISCLOSURE CONTROLS

The Company's certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them with respect to financial and operational conditions as of June 30, 2008. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures as of June 30, 2008 and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

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 in the Company's internal controls over financial reporting that occurred during the period ended June 30, 2008 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

RELATED PARTY TRANSACTIONS

The Company obtains management, administrative assistance and facilities from Nuinsco pursuant to a management agreement. The fees payable by the Company are equal to the cost to Nuinsco of providing such services plus 10 percent. General and administrative costs charged to the Company during the three and six-month period ended June 30, 2008 totalled $128,341 and $251,106, respectively (2007 period - $247,462 and $349,077). The Company charged Nuinsco $23,250 and $11,625 for the six and three months ended June 30, 2008 for project-related costs incurred by it on behalf of Nuinsco ($nil in 2007). In addition project-related costs aggregating $13,667 and $26,667 have been charged to the Company by Nuinsco during the three and six-month periods respectively (2007 periods - $110,665 and $182,834 respectively), and are included in exploration and development costs on the balance sheet. The management agreement has an initial term of 24 months and is terminable thereafter by Nuinsco upon 90 days notice and by the Company upon 180 days notice.

OUTSTANDING SHARE DATA

At July 31, 2008, the Company had 194,969,331 common shares issued and outstanding, including the flow-through offering. In addition, there were 13,735,000 stock options, 150,000 warrants and entitlements to 65,375 common shares under the Share Bonus Plan outstanding on July 31, 2008, which if exercised and issued would bring the fully diluted issued common shares to a total of 208,919,706, and would generate cash of approximately $4,467,000 (excluding the flow-through offering proceeds).

RISKS AND UNCERTAINTIES

The Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. The Company is always at risk of losing its experienced mineral industry management, Directors and consultants as it is very reliant on key personnel.

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).

The Company experiences the normal safety risks associated with exploration fieldwork, and diamond drilling. The Company carries insurance for such risk but is protected primarily by the insurance carried by the contractors who carry out such work. Safe practices are mandated by the Company for all its work.

The cyclical nature of metal markets creates large variation in the Company's ability to raise the capital required for its exploration and development initiatives. This risk is managed by designing the Company's exploration and development commitments and progress to its financial capability.

Certain Directors of the Company also serve on the Board of Directors of other natural resource exploration and development companies, thereby providing the possibility that a conflict of interest may arise. Any corporate decisions made by such Directors are made in accordance with their duty and obligation to deal fairly and in good faith with the Company and such other companies. Directors are required to declare and refrain from voting on matters on which they have a conflict of interest.

FORWARD LOOKING STATEMENTS

These unaudited interim financial statements and Management's Discussion and Analysis contain certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe," "expect," "goal," "plan," "intend," "estimate," "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

July 31, 2008