



**VICTORY NICKEL INC.**  
(A Development Stage Entity)

**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND**  
**THE THREE MONTHS ENDED SEPTEMBER 30, 2007 AND THE**  
**PERIOD FROM INCEPTION, FEBRUARY 1, 2007 to**  
**SEPTEMBER 30, 2007**

**Management's Comments on Unaudited Interim Financial Statements**

The accompanying unaudited interim financial statements of Victory Nickel Inc. for the three and nine months ended September 30, 2008 and the three months ended September 30, 2007 and the period from inception, February 1, 2007 to September 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)

	September 30, 2008 (unaudited)	December 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 99	\$ 7,466
Cash for exploration expenditures (Note 6)	7,332	5,419
Marketable securities (Note 5)	990	-
Due from Nuinsco Resources Limited (Note 10)	19	-
Accounts receivable	538	480
Prepaid expenses and deposits	182	3
<b>Total Current Assets</b>	<b>9,160</b>	<b>13,368</b>
<b>Exploration Advances</b>	<b>-</b>	<b>280</b>
<b>Exploration and Development Projects (Note 6)</b>	<b>26,446</b>	<b>15,762</b>
<b>Deferred Acquisition Costs (Note 12)</b>	<b>562</b>	<b>-</b>
	<b>\$ 36,168</b>	<b>\$ 29,410</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,649	\$ 825
Due to Nuinsco Resources Limited (Note 10)	-	158
<b>Total Current Liabilities</b>	<b>2,649</b>	<b>983</b>
<b>Future Income Taxes</b>	<b>5,024</b>	<b>1,689</b>
	<b>7,673</b>	<b>2,672</b>
<b>Shareholders' Equity (Note 7)</b>		
Share capital	32,098	27,606
Stock option compensation	1,593	1,335
Share purchase warrants	25	25
Deficit	(3,721)	(2,228)
Accumulated other comprehensive loss (Note 8)	(1,500)	-
<b>Net Shareholders' Equity</b>	<b>28,495</b>	<b>26,738</b>
	<b>\$ 36,168</b>	<b>\$ 29,410</b>

**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 September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Period from Inception, February 1, 2007 to September 30, 2007
<b>Revenue</b>				
Interest income	\$ 41	\$ 147	\$ 195	\$ 339
Gain on marketable securities	-	-	-	62
	<b>41</b>	<b>147</b>	<b>195</b>	<b>401</b>
<b>Costs and Expenses</b>				
General and administrative (Note 10)	470	431	1,430	1,181
Stock option compensation (Note 7)	103	103	258	1,113
	<b>573</b>	<b>534</b>	<b>1,688</b>	<b>2,294</b>
<b>Loss before Income Taxes</b>	<b>(532)</b>	<b>(387)</b>	<b>(1,493)</b>	<b>(1,893)</b>
<b>Income Tax Provision (Note 9)</b>	<b>11</b>	-	-	-
<b>Net Loss for the Period</b>	<b>\$ (543)</b>	<b>\$ (387)</b>	<b>\$ (1,493)</b>	<b>\$ (1,893)</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Common Shares Outstanding</b>	<b>189,281,000</b>	<b>173,383,000</b>	<b>180,998,000</b>	<b>170,537,000</b>

The accompanying notes are an integral part of these financial statements

**STATEMENTS OF COMPREHENSIVE LOSS**

(unaudited - in thousands of Canadian dollars)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Period from Inception, February 1, 2007 to September 30, 2007
Net loss for the period	\$ (543)	\$ (387)	\$ (1,493)	\$ (1,893)
Other comprehensive loss (Note 8)	(1,564)	-	(1,500)	-
<b>Comprehensive Loss for the Period</b>	<b>\$ (2,107)</b>	<b>\$ (387)</b>	<b>\$ (2,993)</b>	<b>\$ (1,893)</b>

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 September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Period from Inception, February 1, 2007 to September 30, 2007
<b>Cash from (used by)</b>				
<b>Operating Activities</b>				
Net loss for the period	\$ (543)	\$ (387)	\$ (1,493)	\$ (1,893)
Items not affecting cash:				
Stock option compensation	103	103	258	1,113
Other stock-based compensation	32	42	97	169
Gain on marketable securities	-	-	-	(62)
Income tax provision	11	-	-	-
Change in non-cash working capital (Note 11)	(972)	60	25	99
<b>Cash used by operating activities</b>	<b>(1,369)</b>	<b>(182)</b>	<b>(1,113)</b>	<b>(574)</b>
<b>Financing Activities - issue of common shares</b>	<b>7,689</b>	<b>116</b>	<b>7,730</b>	<b>11,352</b>
<b>Net Cash Received on Formation (Note 1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,906</b>
<b>Investing Activities</b>				
Additions to exploration and development projects	(1,318)	(2,324)	(9,264)	(7,806)
Sale of marketable securities	-	1,789	-	1,789
Purchase of marketable securities	-	-	(2,490)	(1,727)
Deferred acquisition costs (Note 12)	(317)	-	(317)	-
<b>Cash used by investing activities</b>	<b>(1,635)</b>	<b>(535)</b>	<b>(12,071)</b>	<b>(7,744)</b>
<b>Net Increase (Decrease) in Cash During the Period</b>	<b>4,685</b>	<b>(601)</b>	<b>(5,454)</b>	<b>14,940</b>
<b>Cash and Cash Equivalents, Beginning of the Period</b>	<b>2,746</b>	<b>15,541</b>	<b>12,885</b>	<b>-</b>
<b>Cash and Cash Equivalents, End of the Period</b>	<b>\$ 7,431</b>	<b>\$ 14,940</b>	<b>\$ 7,431</b>	<b>\$ 14,940</b>
<b>Cash and Cash Equivalents, End of the Period</b>				
Cash and Cash Equivalents	\$ 99	\$ 7,782	\$ 99	\$ 7,782
Cash for Exploration Expenditures	7,332	7,158	7,332	7,158
	<b>\$ 7,431</b>	<b>\$ 14,940</b>	<b>\$ 7,431</b>	<b>\$ 14,940</b>

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 September 30, 2008**

(unaudited - in thousands of Canadian dollars)

	Share Capital		Stock Option Compensation	Share Purchase Warrants	Deficit	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount					
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)
<b>Balance as at December 31, 2007</b>	<b>176,641,881</b>	<b>27,606</b>	<b>1,335</b>	<b>25</b>	<b>(2,228)</b>	<b>-</b>	<b>26,738</b>
Private placement	18,046,700	7,689	-	-	-	-	7,689
Options exercised	150,000	41	-	-	-	-	41
Shares issued under Share Bonus Plan	196,125	97	-	-	-	-	97
Options granted and vesting	-	-	258	-	-	-	258
Flow-through share renunciation	-	(3,335)	-	-	-	-	(3,335)
Net loss for the period	-	-	-	-	(1,493)	-	(1,493)
Other comprehensive loss	-	-	-	-	-	(1,500)	(1,500)
<b>Balance as at September 30, 2008</b>	<b>195,034,706</b>	<b>\$ 32,098</b>	<b>\$ 1,593</b>	<b>\$ 25</b>	<b>\$ (3,721)</b>	<b>\$ (1,500)</b>	<b>\$ 28,495</b>

The accompanying notes are an integral part of these financial statements

**VICTORY NICKEL INC.**

(A Development Stage Entity)

**NOTES TO FINANCIAL STATEMENTS**

September 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**

At September 30, 2008, the Company had working capital of \$6,511,000 (including cash for exploration expenditures of \$7,332,000) available to fund ongoing operations. However as a development stage entity, 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”).

**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 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
		18,154
Less Liabilities:		
Accounts payable		527
Future income taxes <sup>(1)</sup>		1,914
	\$	15,713

<sup>(1)</sup> 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.

## 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.

### 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.

**Marketable securities**

Investments, other than derivatives, are classified as available for sale and recorded at fair value. Changes in fair value are recorded in other comprehensive income. The change in fair value of an investment appears in net income only when it is sold or impaired. The Company currently only holds public investments traded in active markets. The fair value is based on the quoted market prices at the reporting date. When information or events indicate other than a temporary decline in value, the impairment loss is recognized in income in the period in which such events occur. Impairment losses recognized in net income for a financial instrument classified as available for sale are not reversed.

**Future Accounting Changes**

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 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's risk exposures with respect to its financial instruments and the impact on the Company's financial statements are summarized below:

**Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to significant credit risks arising from its financial instruments.

The Company's cash and cash equivalents are held through large Canadian financial institutions. 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. The Company does not own asset-backed commercial paper. The Company's accounts receivable consist of amounts due from federal and provincial governments. Amounts due from or to Nuinsco are settled on a regular basis.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents.

The Company manages its liquidity risk through the mechanisms described in Note 3. The Company has historically relied on issuances of shares to develop projects and to finance day to day operations and may require doing so again in the future.

As at September 30, 2008, the Company had working capital of \$6,511,000 (December 31, 2007 - \$12,385,000). The Company believes it has sufficient working capital to meet its obligations.



**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*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash equivalents earn interest at fixed short-term rates of approximately 3% at September 30, 2008 and 4% at 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 which could be caused by a sudden change in market interest rates.

*Commodity price risk*

Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

The value of the Company's mineral resource properties is related to the price of, and outlook for, nickel. Historically, nickel prices have fluctuated and are affected by numerous factors outside of the Company's control, including, but not limited to: industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities and other factors. The Company does not have any hedging or other commodity-based risks respecting its operations.

*Price risk*

The Company's marketable securities are subject to price risk. The values of these investments will fluctuate as a result of changes in market prices, the price of metals or other factors affecting the value of the investments.

**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 were subject to a hold period which expired 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; the warrants, as a financial derivative, have been classified as held for trading.

In April, 2008, the Company acquired a further 1,500,000 Wallbridge common shares at a cost of \$577,515, increasing its ownership at that time to approximately 10.1% (13.8% if the warrants were exercised). During the third quarter, Wallbridge issued shares under private placements; accordingly, as at September 30, 2008, the Company's interest has been diluted to approximately 9.8% (or 13.3% on a partially diluted basis, if all the Company's warrants are exercised).

The Company recorded the decrease in the estimated fair value of the shares from the date of acquisition to September 30, 2008 of \$1,500,000 as other comprehensive loss. Other comprehensive loss in the three months ended September 30, 2008 of \$1,564,000 is shown net of taxes, related to the reversal of future income taxes of \$11,000 previously recognized in the first six months of 2008. A full valuation allowance has been taken against future tax assets that would arise from the capital loss that would occur if the shares were disposed of at current prices.

The Company believes that the decline is due to general market conditions which are not specific to Wallbridge. The junior resource sector has been adversely affected by the tightening in the credit and equity markets and the decline in commodity prices. Given the volatility in the sector over a short period of time, the Company believes

that this loss is temporary. Accordingly, the Company has continued to record the change in market value through other comprehensive loss rather than recording a permanent impairment through the statement of operations.

## 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 September 30, 2008
Lac Rocher <sup>(1)</sup>	\$ 3,314	\$	237	\$	3,551
Mel	2,158		335		2,493
Minago	10,290		10,112		20,402
	<u>\$ 15,762</u>	<u>\$</u>	<u>10,684</u>	<u>\$</u>	<u>26,446</u>

  

	Acquired on Formation of the Company (Note 1)		Current Expenditures		Balance as at September 30, 2007
Lac Rocher	\$ 2,118	\$	776	\$	2,894
Mel <sup>(2)</sup>	706		1,298		2,004
Minago	2,976		5,689		8,665
	<u>\$ 5,800</u>	<u>\$</u>	<u>7,763</u>	<u>\$</u>	<u>13,563</u>

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

<sup>(2)</sup> The expenditures on the Mel project in the period ended September 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. The Company has fulfilled this obligation.

Once the acquisition is ratified by Xstrata, 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 September 30, 2008, the Company had fulfilled its commitment to incur exploration expenditures in relation to prior flow-through share financings in 2007. The remaining flow-through commitment outstanding for flow-through share financings in 2008 is \$5,380,000 after taking into consideration amounts included in accounts payable and accrued liabilities of \$1,952,000.

## 7. SHAREHOLDERS' EQUITY

### Share Capital

Authorized:

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

Issued and Outstanding:

	<b>Number of Shares</b>	<b>Amount</b>
Issued on formation of Company pursuant to Plan of Arrangement (Note 1)	154,003,146	\$ 15,713
Shares issued pursuant to private placement <sup>(a)</sup>	16,428,571	10,694
Options exercised <sup>(b)</sup>	475,000	243
Warrants exercised <sup>(c)</sup>	5,502,514	847
Shares issued under the Share Bonus Plan <sup>(d)</sup>	232,650	109
<b>Balance as at December 31, 2007</b>	<b>176,641,881</b>	<b>27,606</b>
Shares issued pursuant to private placement <sup>(e)</sup>	18,046,700	7,689
Options exercised <sup>(f)</sup>	150,000	41
Shares issued under the Share Bonus Plan <sup>(g)</sup>	196,125	97
Flow-through share renunciation <sup>(h)</sup>	-	(3,335)
<b>Balance as at September 30, 2008</b>	<b>195,034,706</b>	<b>\$ 32,098</b>

- (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) In July, 2008, the Company issued 18,046,700 flow-through shares at \$0.45 per share for gross proceeds of \$8,121,015 before costs of issue of \$432,636.
- (f) During the nine months ended September 30, 2008, 150,000 common shares were issued upon the exercise of options, for proceeds of \$40,500.
- (g) During the nine months ended September 30, 2008, 196,125 common shares were issued to employees and consultants as discretionary bonuses, and were valued at approximately \$97,000.
- (h) 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:

	<b>Number of Options</b>		<b>Average Exercise Price</b>		<b>Amount</b>
<b>Outstanding as at December 31, 2007</b>	<b>13,385,000</b>	<b>\$</b>	<b>0.32</b>	<b>\$</b>	<b>1,335</b>
Options granted and vesting	875,000		0.40		258
Options exercised	(150,000)		0.27		-
<b>Outstanding as at September 30, 2008</b>	<b>14,110,000</b>	<b>\$</b>	<b>0.33</b>	<b>\$</b>	<b>1,593</b>

During the nine months ended September 30, 2008, 875,000 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:

<b>Option Assumptions</b>	<b>Nine Months Ended September 30, 2008</b>	<b>Period from Inception, February 1, 2007 to September 30, 2007</b>
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	<b>\$0.20 to \$0.25</b>	\$0.29 to \$0.43

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

<b>Range of Exercise Prices</b>	<b>Options Outstanding</b>	<b>Years to Expiry <sup>(1)</sup></b>	<b>Exercise Price <sup>(1)</sup></b>
\$0.09 - \$0.21	6,543,750	2.69	\$ 0.13
\$0.22 - \$0.27	1,781,250	5.32	\$ 0.23
\$0.28 - \$0.49	1,250,000	4.01	\$ 0.41
\$0.50 - \$0.82	4,535,000	3.65	\$ 0.62
<b>\$0.09 - \$0.82</b>	<b>14,110,000</b>	<b>3.45</b>	<b>\$ 0.33</b>

<sup>1</sup>In this table, "Years to Expiry" and "Exercise Price" have been calculated on a weighted average basis.

Of the 14,110,000 options outstanding at September 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 \$41,948. The weighted average exercise price of fully-vested options at September 30, 2008 was \$0.32.

## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated Other Comprehensive Income (Loss) ("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:

	Nine Months Ended September 30, 2008	Period from Inception, February 1, 2007 to September 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 \$nil	(1,500)	-
Accumulated OCI at end of period	\$ (1,500)	\$ -

## 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 September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Period from Inception, February 1, 2007 to September 30, 2007
Expected income tax recovery based on statutory income tax rate in 2008 of 33.5% (2007 - 36.0%)	\$ (178)	\$ (139)	\$ (500)	(681)
Non-deductible items, net	46	53	128	466
Share issue and Plan of Arrangement costs	(125)	-	(125)	(399)
Tax treatment of capital gains	-	-	-	(11)
Effect of change in expected future income tax rates	18	17	50	42
Valuation allowance	250	69	447	583
Future income tax provision (recovery)	\$ 11	\$ -	\$ -	-

Non-capital losses as of December 31, 2007 totalling \$1,122,328 expire in 2028. No income tax recoveries 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 20% 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 three and nine months ended September 30, 2008 totalled \$196,053 and \$447,159 respectively (three months ended September 30, 2007 and period from inception, February 1, 2007, to September 30, 2007- \$188,344 and \$537,421 respectively) and have been included in general and administrative expenses. The Company charged Nuinsco \$11,625 and \$34,875 for the three and nine months ended September 30, 2008 for project-related costs incurred by it on behalf of Nuinsco. In addition, project-related costs aggregating \$13,667 and \$40,333 have been charged to the Company by Nuinsco during the three and nine months ended September 30, 2008, respectively and are included in exploration and development costs on the balance

sheet (three months ended September 30, 2007 and period from inception, February 1, 2007, to September 30, 2007 - \$132,447 and \$315,281, respectively).

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

c. Included in accounts payable and accrued liabilities at September 30, 2008 are amounts due to Officers and Directors of the Company in the amount of \$69,079 (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:

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>	<b>Nine Months Ended September 30, 2008</b>	<b>Period from Inception, February 1, 2007 to September 30, 2007</b>
Accounts receivable, prepaid expenses and deposits	\$ 434	\$ (84)	\$ (58)	\$ (524)
Due from/to Nuinsco Resources Limited	(952)	252	(177)	511
Accounts payable and accrued liabilities	(454)	(108)	260	112
	<b>\$ (972)</b>	<b>\$ 60</b>	<b>\$ 25</b>	<b>\$ 99</b>

## 12. TAKEOVER OFFER FOR INDEPENDENT NICKEL CORP. AND SUBSEQUENT ACQUISITION

On August 19, 2008, the Company launched an unsolicited offer to purchase all of the common shares of Independent Nickel Corp. ("Independent"). The assets of Independent include a royalty on Victory Nickel's Minago nickel project in Manitoba and exploration and development properties in Lynn Lake, Manitoba.

Accordingly, in October, 2008, the Company acquired an aggregate of 50,830,249 shares of Independent representing approximately 84% of the issued and outstanding Independent shares. It is the intention of the Company to acquire the remaining 16% of shares not already tendered and to pursue an amalgamation of the two companies prior to the end of the year. The Company also intends to apply to the relevant securities commissions to cease Independent's registration as a reporting issuer.

The Company acquired the Independent shares through the issuance of an aggregate of 55,913,274 shares of the Company to former holders of Independent shares on the basis of 1.1 of a Victory Nickel share for each Independent share. As part of the acquisition, Victory Nickel also issued 6,644,000 replacement options to the option holders of Independent based upon the same ratio. The fair value of options issued was estimated at \$956,000 using the Company's Black-Scholes assumptions in Note 7. The predecessor Independent options were cancelled.



As at September 30, 2008, the Company had incurred costs related to the acquisition of \$562,000. These amounts have been deferred and will become part of the acquisition costs of Independent.

The pro forma preliminary consolidated balance sheet showing the effect of the acquisition of Independent upon the balance sheet of Victory Nickel as if it had taken place on September 30, 2008 is as follows:

	<b>Victory Nickel</b>	<b>Independent Nickel</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma Consolidated</b>
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents	\$ 7,431	\$ 2,308	\$ -	\$ 9,739
Marketable securities	990	-	-	990
Due from Nuinsco Resources Limited	19	-	-	19
Accounts receivable	538	223	-	761
Prepaid expenses and deposits	182	63	-	245
<b>Total Current Assets</b>	<u>9,160</u>	<u>2,594</u>	<u>-</u>	<u>11,754</u>
<b>Capital Assets</b>				
<b>Exploration and Development Projects</b>	-	83	-	83
<b>Royalty</b>	26,446	11,514	12,956	50,916
<b>Deferred Acquisition Costs</b>	-	6,346	(6,346)	-
	562	-	(562)	-
	<u>\$ 36,168</u>	<u>\$ 20,537</u>	<u>\$ 6,048</u>	<u>\$ 62,753</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 2,649	\$ 362	\$ 738	\$ 3,749
<b>Total Current Liabilities</b>	<u>2,649</u>	<u>362</u>	<u>738</u>	<u>3,749</u>
<b>Non-controlling Interests</b>	-	-	3,160	3,160
<b>Future Income Taxes</b>	5,024	598	3,102	8,724
	<u>7,673</u>	<u>960</u>	<u>7,000</u>	<u>15,633</u>
<b>Shareholders' Equity</b>				
Share capital	32,098	25,235	(25,235)	49,767
			17,669	
Stock option compensation	1,593	-	956	2,549
Contributed surplus	-	2,432	(2,432)	-
Share purchase warrants	25	-	-	25
Deficit	(3,721)	(8,090)	8,090	(3,721)
Accumulated other comprehensive loss	(1,500)	-	-	(1,500)
<b>Net Shareholders' Equity</b>	<u>28,495</u>	<u>19,577</u>	<u>(952)</u>	<u>47,120</u>
	<u>\$ 36,168</u>	<u>\$ 20,537</u>	<u>\$ 6,048</u>	<u>\$ 62,753</u>

The pro forma preliminary consolidated balance sheet includes the effect of the preliminary allocation of the aggregate purchase price to Independent's net assets acquired as described below:

	<b>As at September 30, 2008</b>
<b>Purchase Price</b>	
Issuance of 55,913,274 common shares of the Company	\$ 17,669
Transaction costs (estimated)	1,300
Issuance of replacement options	956
	<u>\$ 19,925</u>
<b>Preliminary Fair Value of Independent Nickel's Net Assets Acquired:</b>	
Current assets	\$ 2,594
Capital assets, net	83
Exploration and development projects	24,470
	<u>27,147</u>
Current liabilities	(362)
Future income taxes	(3,700)
Non-controlling interests	(3,160)
	<u>\$ 19,925</u>

Independent owns a Net Smelter Return Royalty ("NSR") in respect of the Minago nickel property (the "Minago NSR") located in Manitoba and owned by the Company. For purposes of the pro forma preliminary consolidated balance sheet, the value assigned to the Minago NSR is included in the cost of Exploration and Development Projects.

In accordance with GAAP, the actual measurement date of the purchase consideration occurs on the date that the takeover bid became supported by the Board of Directors of Independent which was September 3, 2008. Accordingly, the value of the purchase consideration is based on the market price of Victory Nickel common shares around the measurement date of \$0.316 per share.





# **VICTORY NICKEL INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2008**

**DATED NOVEMBER 5, 2008**



## VICTORY NICKEL INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS Three and Nine Months Ended September 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 November 5, 2008 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and nine-month periods ended September 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 nine months ended September 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](http://www.sedar.com) and at the Company's website [www.victorynickel.ca](http://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 feasibility study, expected to be completed in the second quarter of 2009 on the Minago Project; completing the balance of permitting required to be prepared to commence mining at the Lac Rocher Project at appropriate metal prices; and evaluating the production potential of the Mel Project.

The Company also holds an approximate 10% interest in Wallbridge Mining Company Limited ("Wallbridge") as well as warrants, which if exercised would increase the ownership to approximately 13% on a partially diluted basis.

As described more fully below, the Company acquired approximately 84% of the common shares of Independent Nickel Corp. ("Independent") pursuant to an offer launched in August, 2008.

#### 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		<u>18,154,852</u>
Less: Liabilities:		
Accounts Payable		(527,871)
Future Income Taxes		<u>(1,914,000)</u>
Net Assets Acquired		<u>\$ 15,712,981</u>

- <sup>(1)</sup> 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.

#### **OFFER FOR INDEPENDENT NICKEL CORP. SHARES AND SUBSEQUENT ACQUISITION**

On August 19, 2008, the Company launched an unsolicited offer (the "Offer") to purchase all of the common shares of Independent. The assets of Independent include a royalty on Victory Nickel's Minago nickel project in Manitoba and nickel exploration and development properties in Lynn Lake, Manitoba.

The Offer was amended on September 3, 2008, at which point the Independent Board of Directors recommended that Independent shareholders accept the amended offer which increased the consideration payable by Victory Nickel from one common share of Victory Nickel for each share of Independent to 1.1 Victory Nickel shares for each share of Independent.

Accordingly, in October, 2008, the Company acquired an aggregate of 50,830,249 shares of Independent representing approximately 84% of the issued and outstanding Independent shares. It is the intention of the Company to acquire the remaining 16% of shares not already tendered through an amalgamation of the two companies prior to the end of the year. The Company also intends to apply to the relevant securities commissions to cease Independent's registration as a reporting issuer.

The Company acquired the Independent shares through the issuance of an aggregate of 55,913,274 shares of the Company to former holders of Independent shares on the basis of 1.1 of a Victory Nickel share for each Independent share. As part of the acquisition, Victory Nickel also issued replacement options to the option holders of Independent based upon the same ratio. The predecessor Independent options were cancelled.



The acquisition of Independent will combine the complementary properties and talents of each company and effectively eliminates the royalty interest in the Minago property.

A summary of the preliminary allocation of the aggregate purchase price for the 84% interest to Independent's net assets acquired is as follows:

	<b>As at September 30, 2008</b>
<b>Purchase Price</b>	
Issuance of 55,913,274 common shares of the Company	\$ 17,669
Transaction costs (estimated)	1,300
Issuance of replacement options	956
	<u>\$ 19,925</u>
<b>Preliminary Fair Value of Independent Nickel's Net Assets Acquired:</b>	
Current assets	\$ 2,594
Capital assets, net	83
Exploration and development projects	24,470
	<u>27,147</u>
Current liabilities	(362)
Future income taxes	(3,700)
Non-controlling interests	(3,160)
	<u>(7,222)</u>
Fair value of net assets acquired	<u>\$ 19,925</u>

Independent owns a Net Smelter Return Royalty ("NSR") in respect of the Minago nickel property (the "Minago NSR") located in Manitoba and owned by Victory Nickel. For purposes of the allocation of the aggregate purchase price, the value assigned to the Minago NSR is included in the cost of Exploration and Development Projects.

### **THIRD QUARTER HIGHLIGHTS**

Achievements during and subsequent to the three months ended September 30, 2008 include:

- Confirmation of improved metallurgical recovery and the ability to produce one of the world's highest grade nickel concentrates (22.23%) at Minago.
- Announcing further positive results from diamond drilling at Minago, including 47.82 metres of 1.30% nickel within a 623.48 metre intercept grading 0.36% nickel, demonstrating the presence of higher-grade nickel domains below the existing open pit resource.
- Completing an \$8.1 million non-brokered private placement financing.
- Engaging Raymond James Ltd. as advisor to determine the most effective strategy to maximize the value of the Minago frac sand by-product.
- Making an offer to acquire all of the outstanding common shares of Independent in order to effectively eliminate the royalty interest owned by Independent on the Minago property, to acquire additional nickel resources and exploration upside via Independent's Lynn Lake properties in Manitoba and to capitalize on synergies corporately and within the province of Manitoba.
- Acquiring the common shares tendered to the Independent Offer, representing 84% of the outstanding Independent shares, and announcing that Independent directors Richard Murphy and Wayne Whymark had joined Victory Nickel's Board of Directors.



- Announcing the results of the frac sand plant design and operating cost study completed by Outotec (USA) Inc., which indicates significant potential to generate substantial value from the sale of frac sand as a by-product of mining the sulphide nickel deposit at Minago.
- Completing the hydrogeology tests at Minago by Golder Associates.
- Announcing the results of the Lac Rocher Preliminary Economic Assessment while continuing to move ahead with permitting and road construction activities.

## **OUTLOOK**

Victory Nickel, like all other junior exploration, development and producing companies in the resource sector, has been negatively impacted by the current stock and financial credit market turmoil. The extent of this disorder was dramatic and caused by factors unrelated to the mining industry. Junior resource companies generally rely on the equity markets to fund their activities. These markets, along with credit markets, have all but disappeared and, as a result, financing the Company's activities will be more challenging than ever before. As a result, companies will be looking to fund only necessary expenditures to maintain, rather than to build, their assets until the financial markets rebound. The resource industry is the foundation of the Canadian economy and we can only hope that the provincial and federal governments will be as supportive of resource companies as they are of other industries when examining ways to sustain and rebuild the economy.

The uncertainty in world financial markets causes metal prices to drop on expectations of slowing economies resulting in decreasing demand for all metals. We believe that the historically high metal prices of the last several years resulted in expectations being too high and, as a result, many marginal nickel projects, mostly laterites, attracted significant capital for development. We believe that the recent nickel price drop is an aberration which must correct itself as high cost projects become unprofitable and are shut down. This should drive nickel prices to more realistic and sustainable levels.

Victory Nickel's projects are high-quality, sulphide-nickel projects and management, along with its board of directors, will do everything possible to ensure that when world markets surface from this financial crisis, Victory Nickel will be well positioned to advance its projects quickly to production.

Today, this can only be accomplished with the continued support of our shareholders.

The third quarter of 2008 continued to be a busy one with several of the component studies required to complete the Minago feasibility study nearing completion. Victory Nickel recently announced the results of the frac sand plant design completed by Outotec. Frac sand will be an important by-product which should help the Company finance its large Minago sulphide nickel project in Manitoba. The hydrogeology testing was completed by Golder Associates with very positive results. As a result, any misconception regarding potentially negative water issues at Minago has now been disproved as the results of the study show that water can be dealt with in an efficient and environmentally sound manner.

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, and its recent acquisition of 84% of Independent Nickel with measured and indicated resources of 16 million tonnes grading 0.7% nickel and 0.4% copper and inferred resources of 4.6 million tonnes grading 0.6% nickel and 0.3% copper at its Lynn Lake, Manitoba project, Victory Nickel has one of Canada's largest undeveloped nickel inventories. With production potential at all four projects, the Company is well-positioned to benefit from the worldwide shortage of sulphide nickel assets.

The Company's current project-related commitments that will be maintained include:

- Completing the acquisition of 100% of Independent Nickel.
- Completing the Minago feasibility study.
- Completing metallurgical testing on the underground portion of the Minago project.
- Completing all permitting required at Lac Rocher.
- Sourcing 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 September 30, 2008, compared with the three months ended September 30, 2007***

For the three-month period ended September 30, 2008, the Company had a net loss of \$543,000, or \$0.00 per share, versus a net loss of \$387,000, or \$0.00 per share, in the three-month period ended September 30, 2007.

The loss in the current period reflects reduced interest earned of \$41,000, versus \$147,000 in the prior year period, augmented by increased general and administrative costs of \$470,000, compared to \$431,000 in the prior-year period. General and administrative costs are shown inclusive of costs allocated from Nuinsco of \$196,000, versus \$188,000 in the comparative period in 2007. These charges are activity related. The current period includes allocations of time spent by senior Nuinsco management related to the takeover bid for Independent.

Stock option expense was unchanged period over period. In 2008, stock option compensation relates largely to the 375,000 options issued and fully vesting in the quarter. In the comparative period, 50,000 options were granted and fully vested but the period also included higher amortization of options not yet fully vested.

The current-period results include a non-cash provision for income taxes of \$11,000, which effectively eliminates the remaining balance of the non-cash tax recovery originally recorded in the first quarter of 2008 of \$180,000. This provision relates to changes in other comprehensive income as described below.

During the current three-month period, the Company recorded an other comprehensive loss of \$1,564,000. This amount represents the decrease in the estimated fair value of the Company's 7,500,000 Wallbridge shares in the period to September 30, 2008 of \$1,575,000, less related income taxes of \$11,000. This amount, combined with the net loss for the period of \$543,000, resulted in comprehensive loss for the period of \$2,107,000. There was no other comprehensive income or loss in the 2007 comparative period; comprehensive loss related solely to the net loss for the period.

### ***Nine months ended September 30, 2008, compared with the period from inception February 1, 2007 to September 30, 2007***

For the nine-month period ended September 30, 2008, the Company had a net loss of \$1,493,000, or \$0.01 per share, compared with a net loss of \$1,893,000, or \$0.01 per share in the comparative period ended September 30, 2007.

The decrease in the loss is primarily a result of decreased stock option compensation resulting from the option grants which occurred on inception of the Company. This is partially offset by increases in general and administrative expenses (reflecting a nine-month period in 2008 versus an eight-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 loss during the nine-month period was \$1,500,000 and relates to the Wallbridge shares as described above. There was no other comprehensive income or loss in 2007.



## SUMMARY OF QUARTERLY RESULTS

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

<u>Fiscal year 2008</u>		<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Revenue and other income		\$ 41,000	\$ 45,000	\$ 109,000
Net loss		\$ (543,000)	\$ (520,000)	\$ (430,000)
Comprehensive (loss) income		\$ (2,107,000)	\$ (1,513,000)	\$ 627,000
Loss per share - basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.00)
<u>Fiscal period 2007</u>	<u>4<sup>th</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u> <sup>(1)</sup>
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) <sup>(2)</sup>
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

<sup>(1)</sup> For the period from inception, February 1, 2007, to March 31, 2007.

<sup>(2)</sup> Includes stock option compensation of \$863,000.

## LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2008, the Company had working capital, including cash and cash equivalents and cash for exploration expenditures, totalling \$6,511,000. 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 nine-month period ended September 30, 2008, the Company used \$1,113,000 in operating activities, comprising cash used in operations of \$1,138,000 before increases in non-cash working capital of \$25,000. This compares with the use of \$574,000 in cash in the 2007 comparative period, comprising cash used in operations before changes in non-cash working capital of \$673,000, plus an increase in non-cash working capital balances of \$99,000.

Financing activities for the nine-month period generated an aggregate of \$7,730,000, primarily representing the proceeds from the private placement of common shares which resulted in the issuance of 18,046,700 flow-through common shares at \$0.45 per share for net proceeds after costs of issue of \$7,688,379 in July, 2008. 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 \$657,000 on the exercise of warrants and options during the 2007 period.

Investing activities in the 2008 period included \$9,264,000 expended on exploration and development projects and \$2,490,000 spent to acquire marketable securities. Deferred acquisition costs paid of \$317,000 relating to the acquisition of Independent will form part of the purchase cost in the fourth quarter. In the prior-year period, exploration expenditures totalled \$7,806,000, 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 September 30, 2007 and \$1,789,000 was generated from the sale of marketable securities.

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 and issuances of shares by Wallbridge in the third quarter of 2008, the Company holds an approximate 9.8% interest in Wallbridge and, if all of the warrants are exercised, the Company's ownership interest would increase to 13.3% 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 nine-month period of \$5,454,000. This compares with a net increase in cash and cash equivalents in the 2007 comparative period of \$14,940,000, which amount includes cash of \$11,906,000 transferred to the Company on its formation.

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 feasibility study. Assuming a positive outcome of the Minago feasibility study and/or a decision to bring the Lac Rocher, Mel or Lynn Lake projects to production, additional construction financing will be required. Given present market conditions, securing such financing may be challenging.

### **EXPLORATION AND DEVELOPMENT ACTIVITIES**

During the nine months ended September 30, 2008, the Company incurred exploration costs on its nickel properties of \$10,684,000, including \$10,112,000 on the Minago project, \$335,000 on the Mel project including \$280,000 transferred from exploration advances in the period and \$237,000 at the Lac Rocher project. In the comparative 2007 period, the Company incurred \$7,763,000, including \$5,689,000 on the Minago project, \$1,298,000 on the Mel project and \$776,000 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 100%-owned Minago project (which is subject to a graduated net smelter royalty, up to 3% if the nickel price exceeds US\$6 per pound owned by Independent, 84% of the common shares of which were acquired by Victory Nickel in October, 2008) 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.

Upon completion of the acquisition of Independent described earlier, the net smelter royalty associated with the Minago property will be effectively eliminated, thereby improving the potential economics of the Minago project. Victory Nickel shareholders will now be entitled to 100% of the cash flow from future production.

Following the completion of a Preliminary Economic Assessment ("PEA") scoping study in the fall of 2006, Wardrop Engineering Inc. was engaged to conduct a feasibility study. The feasibility study is advancing with major component studies such as geological, metallurgy, water, frac sand by-product, and others being completed. The feasibility study is expected to be completed in the second quarter of 2009.

Infrastructure at Minago is excellent. The property is next to 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 giving access to Manitoba's favourable power rates.

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, 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 third quarter of 2008, the Company announced additional drilling results from the ten-hole, 7,532 metre program conducted on the Minago Deposit. The results continue to confirm continuity of nickel mineralization to depth beneath the large, open pit exploitable resource and offer the potential for substantial expansion of the known resource at Minago. Drill hole V-08-09 intersected 43.73 metres grading 0.78% Ni (including 14.73 metres grading 1.02% Ni) while V-08-10 intersected 20.07 metres grading 0.45% Ni (including 12.93 metres grading 1.38% Ni). Hole V-08-09 was collared to enhance confidence in a deeper resource designated the eastern "Root" of the deposit, while hole V-08-10 tested an undrilled area directly beneath the known open pit resource. These drill holes are among the deepest drilled at the project to date and continue to show that nickel mineralization persists to considerable depth beneath the known open pit resource. The drilling clearly supports the potential to further enhance the nickel resource at Minago. The deposit remains open at depth, and of particular importance is hole V-08-10, drilled in the gap between existing resources, which demonstrates the potential presence of a volume of rock comparable in size to the existing open pit exploitable resource.

In addition to the large nickel resource and other metal byproducts, including copper, gold, platinum, palladium, silver and rhodium, the PEA completed in 2006 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 nickel resource and needs to be removed as part of pre-stripping the nickel deposit. Raymond James Ltd. has been engaged to provide financial advisory services to determine the most favourable approach to realize the value of this by-product.

In December, 2007, Victory Nickel announced a 73% increase in projected by-product revenue from the sale of the frac sand and a further 60% increase in April, 2008. The plant design and operating cost study on the frac sand operation has been completed by Outotec and will be incorporated in the Minago 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.

### **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 51% Vale Inco back-in right. 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 Company is currently in discussions regarding Vale Inco's intentions with respect to its 51% back-in right. A decision will be made when technical studies, currently underway, are completed that will provide sufficient understanding of the deposit geology, geometry and metallurgy.

### **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 remains open to the southwest.



During 2007 and the first nine months of 2008, the Company has been very active with respect to advancing the Lac Rocher property.

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.

Subsequent to the end of the third quarter, Roche Engineering completed a preliminary economic assessment indicating that the project is not viable at today's metal prices. The Company will continue the process to obtain the required permit, complete the access road improvements and do further geological work to be in a position to commence mining when metal prices reach economic levels.

### **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. 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.

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.



### **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.

### **Marketable securities**

Investments, other than derivatives, are classified as available for sale and recorded at fair value. Changes in fair value are recorded in other comprehensive income. The change in fair value of an investment appears in net income only when it is sold or impaired. The Company currently only holds public investments traded in active markets. The fair value is based on the quoted market prices at the reporting date. When information or events indicate other than a temporary decline in value, the impairment loss is recognized in income in the period in which such events occur. Impairment losses recognized in net income for a financial instrument classified as available for sale are not reversed.

### **Future Accounting Changes**

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 September 30, 2008. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures as of September 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 September 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 nine-month periods ended September 30, 2008 totalled \$196,053 and \$447,159, respectively (2007 period - \$188,344 and \$537,421). The Company charged Nuinsco \$11,625 and \$34,875 for the three and nine months ended September 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 \$40,333 have been charged to the Company by Nuinsco during the three and nine-month periods respectively (2007 periods - \$132,447 and \$315,281 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 November 5, 2008, the Company had 250,947,980 common shares issued and outstanding, including the issuance of 55,913,274 shares related to the acquisition of Independent. In addition, there were 20,754,000 stock options, including the 6,644,000 replacement options issued related to the acquisition of Independent and 150,000 warrants, which, if exercised and issued, would bring the fully diluted issued common shares to a total of 271,851,980, and would generate cash of approximately \$7,680,000.

## **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 expected 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 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 "Risk Factors" and elsewhere in the Company's annual information form dated August 18, 2008 filed on SEDAR at [www.sedar.com](http://www.sedar.com). Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.*

November 5, 2008

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