VICTORY NICKEL INC.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

DATED NOVEMBER 29, 2016

Management's Comments on Unaudited Condensed Consolidated Financial Statements
The accompanying unaudited Condensed Consolidated Financial Statements of Victory Nickel Inc. for the three and nine months ended September 30, 2016 and 2015 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited Condensed Consolidated Financial Statements have not been reviewed by an auditor.

Condensed Consolidated Balance Sheets

(in thousands of United States dollars)	*Notes*	**Sept 30, 2016** (unaudited)	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	*6*	**$ 26**	$ 85
Restricted deposits	*6*	**-**	36
Receivables and prepaids	*7*	**116**	306
Marketable securities	*8*	**558**	216
Inventory	*9*	**2,846**	2,874
Total current assets		**3,546**	3,517
Non-current assets			
Property, plant and equipment	*10*	**3,766**	4,169
Mine property and development project	*11*	**34,971**	34,952
Exploration and evaluation projects	*12*	**13,420**	13,409
Total non-current assets		**52,157**	52,530
Total Assets		**$ 55,703**	$ 56,047
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	*13*	**$ 2,492**	$ 3,335
Loans and borrowings - current	*14*	**4,386**	12,111
Total current liabilities		**6,878**	15,446
Non-current liabilities			
Loans and borrowings - long-term	*14*	**6,969**	-
Participating Interest	*15*	**-**	1,702
Lease obligations - long-term	*16*	**31**	135
Deferred tax liability	*25*	**3,144**	-
Total non-current liabilities		**10,144**	1,837
Total Liabilities		**17,022**	17,283
Shareholders' equity			
Share capital	*19*	**53,241**	52,570
Contributed surplus		**5,696**	5,696
Accumulated other comprehensive loss		**(3,904)**	(4,130)
Deficit		**(16,352)**	(15,372)
Total shareholders' equity		**38,681**	38,764
Total Liabilities and Shareholders' Equity		**$ 55,703**	$ 56,047

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
The accompanying notes are an integral part of these condensed consolidated financial statements

Condensed Consolidated Statements of Operations

(in thousands of United States dollars, except per share amounts)	Notes	Three months ended Sept 30, 2016 (unaudited)	2015 (unaudited)	Nine months ended Sept 30, 2016 (unaudited)	2015 (unaudited)
Revenues		**$ -**	$ 325	**$ 69**	$ 2,478
Cost of goods sold		**-**	(509)	**27**	(2,833)
Gross margin		**-**	(184)	**96**	(355)
Operating expenses					
General and administrative		**(212)**	(313)	**(790)**	(952)
Share based payments:	*19*				
Options		**-**	(5)	**-**	(53)
Amortization of property, plant and equipment	*10*	**(152)**	(161)	**(464)**	(491)
Recovery (writedown) of E and E projects	*12*	**-**	-	**-**	186
Gain on sale of partnership	*24*	**-**	-	**283**	-
Non-recurring plant costs	*21*	**-**	13	**-**	(643)
Operating loss		**(364)**	(1,029)	**(875)**	(2,687)
Finance income	*20*	**(137)**	185	**4,057**	1,944
Finance costs	*20*	**(423)**	(755)	**(1,098)**	(2,595)
Net finance income		**(560)**	(570)	**2,959**	(651)
Income (loss) before income taxes		**(924)**	(1,599)	**2,084**	(3,338)
Income tax recovery (expense)	*26*	**-**	-	**(3,064)**	562
Net loss for the Period		**$ (924)**	$ (1,599)	**$ (980)**	$ (2,776)
Gain (loss) per share	*18*				
Basic gain (loss) per share		**$ (0.01)**	**$ (0.03)**	**$ (0.01)**	**$ (0.05)**
Diluted gain (loss) per share		**$ (0.01)**	$ (0.03)	**$ (0.01)**	$ (0.05)

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

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands of United States dollars)	Notes	Three months ended Sept 30, 2016 (unaudited)	2015 (unaudited)	Nine months ended Sept 30, 2016 (unaudited)	2015 (unaudited)
Net income (loss) for the period		**$ (924)**	$ (1,599)	**$ (980)**	$ (2,776)
Other comprehensive (loss) income ("OCI")					
Net change in fair value of financial assets	*8*	**145**	(69)	**436**	(83)
Income tax gain (loss)		**(40)**	8	**(80)**	0
Foreign exchange (loss)	*2*	**(34)**	(20)	**(130)**	57
Other comprehensive income for the period		**71**	(80)	**226**	(26)
Total Comprehensive Income (loss) for the period		**$ (853)**	$ (1,679)	**$ (754)**	$ (2,802)

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

Condensed Consolidated Statements of Shareholders' Equity

(in thousands of United States dollars)	*Notes*	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income / (Loss)	Deficit	Total Equity
Balances as at January 1, 2015		$ 52,570	$ 5,644	$ (4,144)	$ (10,260)	$ 43,810
Total comprehensive loss for the year						
Net loss for the year					(2,776)	(2,776)
Other comprehensive loss						
Net change in fair value of financial assets				(83)	-	(83)
Income tax expense				0	-	0
Foreign exchange on change in functional currency				57	-	57
Total other comprehensive income (loss)				(26)	-	(26)
Total comprehensive loss for the period						(2,802)
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Options granted and vesting	*19*	-	52	-	-	52
Total contributions by owners		-	52	-	-	52
Total transactions with owners		-	52	-	-	52
Balances as at Sept 30, 2015.		$ 52,570	$ 5,696	$ (4,170)	$ (13,036)	$ 41,060
Balances as at January 1, 2016		$ 52,570	$ 5,696	$ (4,130)	$ (15,372)	$ 38,764
Total comprehensive loss for the year						
Net Loss for the period					(980)	(980)
Other comprehensive income (loss)						
Net change in fair value of financial assets				436	-	436
Income tax loss				(80)	-	(80)
Foreign exchange gain on change in functional currency				(130)	-	(130)
Total other comprehensive income				226	-	226
Total comprehensive income for the period						(754)
Transactions with owners, recorded directly in equity						
Contributions in the period						
Refinancing	*17*	671	-	-	-	671
Total contributions		671	-	-	-	671
Total transactions with owners		671	-	-	-	671
Balances as at Sept 30, 2016		**$ 53,241**	**$ 5,696**	**$ (3,904)**	**$ (16,352)**	**$ 38,681**

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

Condensed Consolidated Statements of Cash Flows

(in thousands of United States dollars)	*Notes*		Nine months ended Sept 30, **2016**		2015
Cash flows from operating activities					
Net gain (loss) for the period		**$**	**(980)**	$	(2,776)
Adjustments for:					
Share-based payments	*19*		**-**		53
Amortization of property, plant and equipment	*10*		**464**		491
Provision for inventory					494
Recovery of exploration and evaluation project			**-**		186
Net refinancing	*14,15*		**(3,498)**		651
Income tax (recovery) loss	*25*		**3,144**		(562)
Net change in working capital:					-
Change in receivables	*7*		**190**		3,017
Change in inventory	*9*		**28**		(884)
Change in accrued interest	*14*		**1,386**		804
Change in trade and other payables	*13*		**(841)**		(579)
Net cash from operating activities			**(107)**		895
Cash flows from investing activities					
Expenditures on mine property and development project	*11*		**(19)**		(114)
Expenditures on exploration and evaluation projects	*12*		**(11)**		(26)
Proceeds on sale of partnership	*24*		**174**		-
Expenditures on 7P Plant	*10*		**-**		(33)
Net cash used by investing activities			**144**		(173)
Cash flows from financing activities					
Payments of interest	*14,15,16*		**(28)**		(677)
Payments under leases	*16*		**(104)**		(132)
Net (repayment) proceeds of loans	*14*		**-**		(850)
Deposits of restricted cash	*6*		**36**		234
Net cash used by financing activities			**(96)**		(1,425)
Net increase (decrease) in cash and cash equivalents			**(59)**		(703)
Cash and cash equivalents, beginning of the period			**85**		712
Cash and cash equivalents, end of the period		**$**	**26**	$	9

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of Operations

Victory Nickel Inc. ("Victory Nickel" or the "Company") is a company domiciled in Canada. The address of the Company's registered office is 80 Richmond St. West, Suite 1802, Toronto, Ontario, M5H 2A4. The unaudited Condensed Consolidated Financial Statements ("Condensed Consolidated Financial Statements") as at and for the nine months ended September 30, 2016 and 2015 comprise the Company and its subsidiary Victory Silica Ltd. ("VSL" or "Victory Silica") together referred to as "Victory Nickel" and individually as "Victory Nickel Entities". Victory Nickel was primarily engaged in the acquisition, exploration and development of nickel properties and associated products in Canada until the second quarter of 2014 when the Company became a producer and supplier of premium frac sand from its frac sand plant (the "7P Plant"), having a nominal capacity of 500,000 ton per annum ("tpa"), located near Seven Persons, Alberta approximately 18 kilometres southwest of Medicine Hat, Alberta. Frac sand is specialized sand that is used as a proppant to enhance recovery from oil and gas wells. The Company was formed on February 1, 2007 pursuant to a plan of arrangement.

On February 22, 2016 the Company commenced trading its common shares on the Canadian Securities Exchange ("CSE") under the symbol NI. Prior to this date, The Company was listed on the Toronto Stock Exchange ('TSX') under the symbol NI.

Going Concern

The Company's Condensed Consolidated Financial Statements have been prepared using Generally Accepted Accounting Principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at September 30, 2016, the Company had a working capital deficiency of $3,332.000 calculated as current assets less current liabilities, down from the working capital deficiency of $11,929,000 at the end of December 2015 and up from $2,850,000 at the end of the second quarter ended June 30, 2016.

On April 14, 2015, the Company announced that operations at the 7P Plant were temporarily suspended until the demand for frac sand improved; this temporary suspension was due to the dramatic decrease in energy pricing that began in 2014. Since March 14, 2015 sales have not been at the rates achieved during 2014 and continue below the level required to generate positive cash flow. The 7P Plant continues to operate on an as-needed basis in order to fulfil customer needs. During the nine months ended September 30, 2016 sales of frac sand were, and continue to be, very low.

The near-term outlook in the frac sand market remains unclear due to the continuing pressure on the oil price and the related impact on exploration and production and oilfield services companies. The strength of the US dollar is also impacting demand for high-quality Wisconsin sand in Canada as the price for domestic sand has dropped and service companies appear satisfied with using lower-quality domestic sand because of the price differential. This will continue to stress the Company's liquidity until such time as the market demand recovers and operations can resume on a consistent basis.

Given the decline in frac sand sales, the Company was not able to make the interest payments due on June 30, 2015, September 30, 2015 and December 31, 2015. As a result the Company was in default on its secured debt and unsecured promissory convertible notes as at December 31, 2015.

On November 26, 2015, the Company announced that it had entered into a binding term sheet to extend the SPA amended loan ("SPA Amended Loan") which included terms of a debt restructuring package for the holders of the promissory convertible notes (the "Promissory Convertible Notes") and the Company's trade creditors (the "Debt Restructuring Agreement") as defined in note 14. On March 3, 2016 the Company announced the restructuring of the SPA Amended Loan per the terms of the Debt Restructuring Agreement. The SPA Amended Loan was increased to $5,500,000 and the maturity date extended by 30 months to January 31, 2018 (the "Senior Secured Debt").

On March 7, 2016, March 31, 2016 and June 7, 2016 the Company announced that it had completed private placements with certain of its unsecured lenders, trade creditors and management in settlement of $2,924,000 of Promissory Convertible Notes and $1,508,115 of trade payables per the terms of the Debt Restructuring Agreement as described in Note 14 of the Condensed Consolidated Financial Statements. All of the Promissory Convertible Note holders participated in the Debt Restructuring except for one holder of a $3,000,000 Promissory Convertible

Note (the "Outstanding Note"). On March 27, 2016, the Company announced that it had received notice that the holder of one $3,000,000 unsecured Promissory Convertible Note had filed a statement of claim concerning non-payment of principal and interest on its Promissory Convertible Note. The Company has reviewed this statement of claim with legal counsel to assess its impact on the Company and has concluded that this has little effect on the status of the Company's debt.

Pursuant to the terms of the Senior Secured Debt, the Company is prevented from making payments under outstanding unsecured debt until the Senior Secured Debt Is repaid. As a result, the Company has not paid accrued interest on the Outstanding Note. In addition, only a portion of the interest due under the Senior Secured Debt for the first nine months of 2016 was paid. The Secured Lender provided a forbearance agreement for the balance of accrued interest and made short term advances to cover non-discretionary costs such as equipment lease payments. All advances are included in accounts payable and were paid after the end of the third quarter.

On July 4, 2016 the Company announced the sale of a non-core partnership interest for net proceeds of approximately CAD$358,000. The net proceeds were used to fund working capital requirements. On October 21, 2016 the Company sold its interest in Corazon for net proceeds of AU$514,900. The Company's secured lender is committed to ensuring the protection of the Company's assets.

Without an injection of capital before the demand for frac sand returns, the Company will not be able to meet its outstanding obligations or any new obligations as they become due.

There can be no assurance that the Company will be able to restructure its debt with the remaining unsecured lenders and trade creditors per the terms of the Debt Restructuring Agreement and/or recapitalize, and there is no certainty as to what further steps, if any, the secured and unsecured lenders may take.

In addition to the above liquidity issues, the Company is subject to similar risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, a continued prolonged slowdown in the frac sand market which would limit the Company's ability to generate cash flow from the 7P Plant, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully fund its projects and operating expenses.

None of the Company's mining projects have commenced commercial production and, accordingly, the Company is dependent upon debt or equity financings, the optioning and/or sale of resource or resource-related assets or interests, exploration results which have the potential for the discovery of economically-recoverable reserves and resources, and/or the ability to generate sufficient cash flow from its other operating activities for its funding. Development of the Company's current nickel mining projects to the production stage will require significant financing. Given the current economic climate, the ability to raise sufficient funds may prove difficult.

Should the Company not be able to overcome the risks described in this section, the carrying value of the Company's assets would be subject to material adjustment and, in addition, other adjustments may be necessary to these Condensed Consolidated Financial Statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP. There is no certainty, especially in the present environment, that the Company's initiatives to restructure its debt and improve working capital will be sufficient to fund the Company's activities including debt servicing, project expenditures and corporate costs. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

These unaudited Condensed Consolidated Financial Statements reflect the accounting policies described in Note 3 to the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014 (the "2015 Audited Consolidated Financial Statements") (with the exception of any changes set out in Note 3 below) and

accordingly, should be read in conjunction with those financial statements and the notes thereto.

The management of Victory Nickel prepare the Condensed Consolidated Financial Statements which are then reviewed by the Audit Committee and the Board of Directors. The Condensed Consolidated Financial Statements were authorized for issue by the Board of Directors on November 29, 2016 and are made available to shareholders and others through filing on SEDAR shortly thereafter.

(b) Basis of Measurement
The Condensed Consolidated Financial Statements have been prepared on the historic cost basis except for derivative financial instruments such as warrants and the participating interest which are measured at fair value with changes through operations and financial assets such as marketable securities which are measured at fair value with changes recorded through other comprehensive income or loss ("OCI").

(c) Functional and Presentation Currency
Under IFRS, an entity's functional currency should reflect the underlying transactions, events and conditions relevant to the entity. Given the Company's transition into an operating entity with revenues and significant expenses driven by prices in US$ and which currency influences management's primary operating, capital and financing decisions, effective October 1, 2014, the Company changed its functional currency to the US$. This change in accounting treatment is applied prospectively. Concurrently, the Company determined that it would change its presentation currency to the US$.

These Condensed Consolidated Financial Statements are presented in US dollars, which is the Company's functional currency. All financial information is expressed in US dollars unless otherwise stated; tabular amounts are stated in thousands of dollars.

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

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

The accompanying Condensed Consolidated Financial Statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

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

Information regarding significant areas of estimation uncertainty made in applying accounting policies that have the most significant effect on the amounts recognized in the Condensed Consolidated Financial Statements is included in the following notes:

- Note 7 – valuation of receivables;
- Note 9 – valuation of inventory;
- Note 11 - measurement of the recoverable amount of mine property and development project;
- Note 12 - measurement of the recoverable amount of exploration and evaluation projects;
- Note 14 - measurement and valuation of the embedded options in convertible notes;
- Note 15 – measurement and valuation of the participating interest; and
- Note 19 - measurement of share-based payments.

Significant judgements
Judgements are reviewed on an ongoing basis. Changes resulting from the effects of amended judgements are recognized in the period in which the circumstance giving rise to the change occurs and in any future periods presented. Information regarding significant areas of critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the Condensed Consolidated Financial Statements is included in the following notes:

- Note 1 - going concern assessment;
- Note 2 - determination of the functional currency for the Company and its subsidiaries;
- Note 7 - impairment of receivables;
- Note 9 - impairment of inventory;
- Note 11 - classification of expenditures as mine property and development project or operating expenses;
- Note 12 - classification of expenditures as exploration and evaluation projects or operating expenses;
- Note 11 - impairment of mine property and development project;

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in detail in Note 3 to the 2015 Audited Consolidated Financial Statements. Such policies have been applied consistently to all periods presented in these Condensed Consolidated Financial Statements, and have been applied consistently by Victory Nickel Entities.

(a) New Accounting Policies

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

(b) New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company’s 2015 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee (“IFRIC”) have issued several new and revised standards and interpretations. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

(c) Revenue Recognition

Revenues from frac sand sales are recognized when legal title passes to the customer which may occur at the Company’s production facility, rail origin or at the destination terminal or transload facility. At that point, delivery has occurred, evidence of a contractual arrangement exists and collectability is reasonably assured.

(d) Inventory

Finished products and raw materials inventories are valued at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of processing and other costs incurred in bringing inventories to their present location and condition. Net realizable value for finished products and raw materials is generally considered to be the selling price of the finished product in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. Inventory is reviewed to ensure the carrying value does not exceed net realizable value. A write-down is recognized when carrying cost exceeds net realizable value. The write-down may be reversed if the circumstances which caused it no longer exist.

(e) Property, Plant and Equipment

Plant and equipment at the 7P Plant (other than mobile equipment) is being amortized on a straight-line basis based on estimated useful lives of between five and ten years.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES

Overview

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

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

A complete description of the Company’s financial risk management and capital management is included in Note 4 to the 2015 Audited Consolidated Financial Statements.

This note updates information about the Company’s exposure to each of the above risks where there have been material or noteworthy changes. Further quantitative disclosures are included throughout these Condensed Consolidated Financial Statements.

Capital Management 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.

		September 30, 2016		December 31, 2015
Shareholders' equity		**38,681**	$	38,764
Loans and borrowings - long-term portion		**6,969**		-
Participating Interest		**-**		1,702
Lease obligations - long-term portion		**31**		135
	$	**45,681**	$	40,601

Neither the Company, nor its subsidiary, are subject to externally-imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

5. DETERMINATION OF FAIR VALUES

There have been no changes in how the Company determines fair value for both financial and non-financial assets and liabilities from the descriptions included in Note 5 to the Company's 2015 Audited Consolidated Financial Statements. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

6. CASH AND CASH EQUIVALENTS

		September 30, 2016		December 31, 2015
Bank balances	**$**	**26**	$	85
Cash and Cash Equivalents in the Statements of Cash Flows	**$**	**26**	$	85

The Company had placed $36,000 (December 31, 2015 - $36,000) on deposit with a Canadian chartered bank to support a letter of credit being used to facilitate business activity and are presented as restricted cash on the consolidated balance sheet. During the nine month period of 2016 the term deposit was cancelled.

7. RECEIVABLES AND PREPAIDS

		September 30, 2016		December 31, 2015
Trade accounts receivable	**$**	**23**	$	256
Less: Allowance for doubtful accounts		**(23)**		-
		-		256
Other receivables		**99**		-
Prepaid expenses and deposits		**17**		50
	$	**116**	$	306

The aging of trade accounts receivable is as follows:

		September 30, 2016		December 31, 2015
Trade accounts receivable				
Current	**$**	**-**	$	71
Past due 0-30 days		**-**		165
Past due 31-60 days		**-**		20
Past due 61-90 days		**-**		-
	$	**-**	$	256

The Company maintains an allowance for doubtful accounts that represents its estimate of the uncollectible amounts based on specific losses estimated on individual exposures.

8. MARKETABLE SECURITIES

	September 30, 2016	December 31, 2015
Financial assets at fair value through OCI:		
Shares	$ 558	$ 216
	$ 558	$ 216

The Company records its portfolio of shares at available market prices with any difference in fair value compared with acquisition cost being recorded as gain or loss on financial assets at fair value through OCI.

On April 6, 2015, the Company received 40,000,000 shares of Corazon Mining Limited ("Corazon") valued at $192,000 as part of the option agreement of Lynn Lake as described in Note 12.

The Company's financial assets at fair value through OCI are listed on public stock exchanges, including the TSX, TSX-V and ASX. The portfolio consists of three publicly traded companies.

During the period, the Company sold Marketable Securities for net proceeds of $7,100. Subsequent to the period, on October 21, 2016 the Company sold its interest in Corazon for net proceeds of AU$514,900. The Company's secured lender is committed to ensuring the protection of the Company's assets.

9. INVENTORY

	September 30, 2016	December 31, 2015
Raw material		
At transload facility	$ 231	$ 231
Stored at 7P Plant	621	669
	852	900
Finished goods	1,994	1,974
	$ 2,846	$ 2,874

10. PROPERTY, PLANT AND EQUIPMENT

Balances as at January 1, 2015	Land and Building	7P Plant	Vehicles and Mobile Equipment	Equipment and Furniture	Total
Cost	83	4,774	708	1,641	7,206
Accumulated Amortization	(11)	(382)	(202)	(30)	(625)
Effect of Foreign Exchange	(8)	(187)	(47)	(160)	(402)
Carrying Amount	**64**	**4,205**	**459**	**1,451**	**6,179**
Additions	-	30	-	3	33
Disposals - cost	-	-	-	1,424	1,424
Amortization	(1)	(518)	(125)	(5)	(649)
Balances as at December 31, 2015					
Cost	83	4,804	708	220	5,815
Accumulated Amortization	(12)	(900)	(327)	(35)	(1,274)
Effect of Foreign Exchange	(8)	(157)	(47)	(160)	(372)
Carrying Amount	**63**	**3,747**	**334**	**25**	**4,169**
Amortization	(1)	(367)	(93)	(3)	(464)
Balances as at September 30, 2016					
Cost	83	4,804	708	220	5,815
Accumulated Amortization	(13)	(1,267)	(416)	(38)	(1,734)
Effect of Foreign Exchange	(8)	(100)	(47)	(160)	(315)
Carrying Amount	**$ 62**	**$ 3,437**	**$ 245**	**$ 22**	**$ 3,766**

In 2015, the Company sold the transformers and other equipment for $250,000 in cash and the purchaser assuming all the outstanding storage costs of approximately $61,000. Vehicles and Mobile Equipment include $614,000 (December 31, 2015 - $629,000) of equipment acquired under leases (Note 16).

11. MINE PROPERTY AND DEVELOPMENT PROJECT

	January 1, 2016	Current Expenditures	Recoveries	**September 30, 2016**
Minago	$ 34,952	$ 19	$ -	**$ 34,971**
	$ 34,952	$ 19	$ -	**$ 34,971**

	January 1, 2015	Current Expenditures	Recoveries	December 31 2015
Minago	$ 34,893	$ 59	$ -	$ 34,952
	$ 34,893	$ 59	$ -	$ 34,952

Minago

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

From 2006 to date, considerable work has been performed, including diamond drilling, metallurgical testing and engineering studies and all the studies required to complete the Environmental Impact Study which was filed in May 2010. As a result, in August 2011, the Company received its Environmental Act Licence ("EAL"). In April 2014 the Company announced the filing of an amendment to the EAL to relocate the permitted Minago tailings facilities such that it will not interfere with potential nickel resources and also reduce operating costs. Consultations with First Nations by the Government of Manitoba continue. On completion the government is expected to issue the amendment to the existing EAL which continues to be valid. The results of the Minago Feasibility Study ("FS") were announced in December 2009 and improvements thereto announced in June 2010 and July 2011.

Five mineral claims totalling 691 ha located at the north end of the Company's existing Minago property package are subject to a maximum 2% net smelter return royalty with a 50% back-in right; these claims represent approximately 2.4% of the total Minago project and are not contained in the FS pit footprint.

The Minago project is not in production. Accordingly, the Minago project is not being depreciated.

12. EXPLORATION AND EVALUATION PROJECTS

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

	January 1, 2016	**Current Expenditures**	**Writedowns/ Recoveries**	**September 30, 2016**
Lac Rocher	**$ 6,617**	**5**	**$ -**	**$ 6,622**
Mel	**6,792**	**6**	**-**	**6,798**
Lynn Lake	**-**	**-**	**-**	**-**
	$ 13,409	**$ 11**	**$ -**	**$ 13,420**

	January 1, 2015	Current Expenditures	Writedowns/ Recoveries	December 31, 2015
Lac Rocher	$ 6,609	8	$ -	$ 6,617
Mel	6,771	21	-	6,792
Lynn Lake	-	185	(192)	-
	$ 13,380	$ 214	$ (192)	$ 13,409

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

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

Mel
The Company purchased a 100% interest in the Mel properties located near Thomson, Manitoba from Vale. Vale is entitled to a 10% royalty on "distributable earnings" defined as net revenue less operating expenses, before federal and provincial income taxes, after provincial mining taxes and less aggregate pre-production capital but before depreciation.

Vale has a contractual obligation to mill ore mined from the Mel deposit at its cash cost plus 5% provided that the product meets Vale specifications and that Vale has sufficient mill capacity.

Lynn Lake
The Company owns a 100% right, title and interest in the Lynn Lake nickel property ("Lynn Lake"), covering approximately 600 ha in northern Manitoba. As at December 31, 2013, the Lynn Lake property was subject to an option agreement with Wellgreen Platinum Ltd. ("Wellgreen") (formerly Prophecy Platinum Corp.).

On March 17, 2014, Wellgreen formally confirmed to the Company that it was relinquishing the Lynn Lake option.

On November 4, 2014, the Company announced that it had optioned the Lynn Lake property to Corazon.

On April 6, 2015, the Company received 40,000,000 shares of Corazon valued at $192,000 as part of the option agreement. On October 21, 2016 the shares were sold for net proceeds of AU$514,900.

Bear Coulee
In October 2014, the Company entered into an option to acquire a 100% interest in a frac sand land package totalling over 300 acres in Trempeleau County Wisconsin, USA (the "Bear Coulee Property"). The option agreement provides for a cash payment on signing of the agreement, a second cash payment on delivery of permits and a third cash payment on exercise of the option. The option is valid for six months from receipt of permits with two equivalent extensions available under certain circumstances. Prior to production, the Company will be required to pay $40,000 per annum as advance royalties on the initial 20,000 tons of sand production. Once the Bear Coulee Property is in production, the Company will be required to pay a royalty of $2.00 per ton of frac sand sold that is mined from the property.

In February 2015, the Company announced that a resource estimate of approximately 11 million tons of sand has been completed on the Bear Coulee Property and was incorporated into a National Instrument 43-101 technical report.

13. TRADE AND OTHER PAYABLES

	September 30, 2016	December 31, 2015
Accounts payable		
Mine property and development project	$ 10	$ 16
Exploration and evaluation projects	5	-
Property and equipment	181	202
Other accounts payable	2,065	2,795
Accrued liabilities		
Other accrued liabilities	93	181
Lease obligations - current portion	138	141
	$ 2,492	$ 3,335

During the nine months ended September 30, 2016 the Company completed the restructuring of a portion of its trade payables by way of three private placements of common shares and unsecured Promissory Convertible Notes in settlement of approximately $1,302,000 of current trade payable indebtedness and approximately $206,000 of indebtedness to directors and management.

14. LOANS AND BORROWINGS

	September 30, 2016	December 31, 2015
Current loans		
SPA Amending Agreement	$ -	$ 5,150
Short-term loan	-	-
Current portion of Promissory Convertible Notes	3,000	5,942
Accrued interest	1,386	1,019
Total current loans	4,386	12,111
Long-term loans		
SPA Amending Agreement	$ 5,444	$ -
Promissory convertible notes	1,525	-
Total long-term loans	6,969	-
	$ 11,355	$ 12,111

(a) Senior Secured Debt	September 30, 2016	December 31, 2015
Carrying balance beginning of the year	5,150	4,000
Advances in US$	-	1,150
Conversion from accrued interest	350	-
Less: fair value of Warrants with a cashless exercise feature	(20)	-
Less: unamortized loan fees	(36)	-
Senior Secured Debt	$ 5,444	$ 5,150

On May 15, 2014, the Company announced that it had executed, the SPA Loan ("SPA Loan"), to issue and sell to the purchaser senior secured 14.8% notes in the aggregate principal amount of $4,000,000.

On June 3, 2015, the Company announced it had entered into an amending agreement (the "SPA Amending Agreement") with respect to the SPA Loan. Under terms of the SPA Amending Agreement, the SPA Loan was amended to permit the issuance of additional notes by the Company for an additional sum of $1,150,000, the proceeds of which were used to repay the $1,000,000 owed under the Promissory Convertible Note, as outlined in note 15 (b), and for working capital purposes. The aggregate principal amount of $5,150,000 under the SPA Amending Agreement was due on July 30, 2015.

On July 1, 2015, the Company announced that it was not able to make the quarterly interest payment due June 30,

2015 under the SPA Amending Agreement. On July 30, 2015, the Company announced it had not repaid the amounts due, including the principal amount, under the SPA Amending Agreement, and that it was continuing with discussions among the holder of the SPA Amending Agreement and other potential financing sources to restructure the Company's debt and recapitalize the Company.

On March 3, 2016 the Company announced the Debt Restructuring Agreement under which the SPA Amended Loan in the amount of $5,150,000 which matured July 31, 2015 was restructured. The amount has been increased to $5,500,000 and the maturity date has been extended 30 months to January 31, 2018. The facility amount under the New SPA Loan was used to repay the principal of $5,150,000 and accrued interest. The Debt Restructuring Agreement also included restructuring terms for the holders of the Promissory Convertible Notes and the Company's trade creditors, as described below.

The interest rate on the New SPA Loan will remain unchanged at 14.8% with interest payable in arrears. The New SPA Loan will be due in full on the Maturity Date, subject to a cash sweep of 75% of free cash flow ("Free Cash Flow") payable within 45 days following the end of each fiscal quarter and 90 days from year end. Free Cash Flow will be calculated based on the Company's quarterly unaudited and annual audited consolidated statements of cash flows, and be calculated as net cash from operating activities, plus net cash from investing activities, plus interest and lease payments as shown in cash flows from financing activities. Allowable investing activities must be approved by the lender of the New SPA Loan (the "Secured Lender") in advance.

The Secured Lender received a fee in shares equal to 4% of the outstanding shares prior to the restructuring of the SPA Amending Agreement and accordingly 2,305,404 shares were issued. In addition, the Company agreed to not make any payments to settle past unsecured debt prior to repayment of the secured debt without the Secured Lender's approval.

Under the terms of the SPA Loan, the Company issued to the purchaser 2,000,000 common share purchase warrants. The number of warrants is subject to an increase from 500,000 to 1,000,000 warrants for each $1,000,000 Note issued if any of the Notes is prepaid and the closing price of the Company's common shares is C$2.00 or lower on the trading day preceding the date of such prepayment (the "Original Warrants"). Given that there are costs associated with the prepayment right, the Company has valued the prepayment right at $nil. Each Original Warrant entitles the holder to purchase one common share of the Company at an exercise price of C$1.00 for a period of 36 months from the initial closing date.

Pursuant to the SPA Amending Agreement, the terms of the Original Warrants were amended to reduce the exercise price to $0.50 and to extend the expiry date to June 3, 2017 (from May 15, 2017). Additionally, as partial consideration for entering into the SPA Amending Agreement, the Company has issued to the Secured Lender an additional 575,000 common share purchase warrants on the same terms, including the pre-payment terms, as the Original Warrants, as amended (together with the Original Warrants, the "Warrants").

Pursuant to the terms of New SPA Loan, the terms of the Warrants were amended to reduce the exercise price to $0.25 and to extend the expiry date to January 31, 2018 (from June 3, 2017). Additionally, as partial consideration for entering into the New SPA Loan, the Company has issued to the Secured Lender an additional 225,000 common share purchase warrants on the same terms, including the pre-payment terms, as the Warrants, as amended (together with the Warrants, the "New Warrants").

In the nine months ended September 30, 2016 the Company paid $28,000 in interest, representing only a portion of the outstanding interest due. The Secured Lender provided a forbearance agreement for the balance of accrued interest and made short-term advances to cover non-discretionary costs. For further information see the Going Concern note above.There are no amounts remaining to be drawn under the SPA Loan.

The values of the warrants have been calculated using the Black-Scholes option-pricing model using the following parameters:

		September 30, 2016	December 31, 2015
Fair values	$	**0.006**	C$0.00
Share prices at valuation dates	$	**0.02**	C$0.02
Assumptions			
Exercise price	$	**0.25**	C$1.00
Expected volatilities		**210.97%**	176%
Expected remaining terms (years)		**1.33**	0.52
Risk-free interest rates		**0.55%**	0.41%

(b) Short-term loan

On October 1, 2014, the Company completed the arrangement of short-term financing by way of a promissory note (the "Promissory Note") amounting to $2,000,000. The promissory note bears interest at an annual rate of 28% and was originally due on December 1, 2014. The lender agreed to several monthly extensions of the short-term facility upon payment of extension fees, and penalties. During the first quarter ended March 31, 2015 the Company repaid $1,000,000 and paid interest expense, extension fees, and penalties aggregating $179,000. The outstanding balance of $1,000,000 was due on or before May 31, 2015. On June 3, 2015, the Company announced it had entered into the SPA Amending Agreement with respect to the SPA loan as explained in Note 14 (a). Under terms of the SPA Amending Agreement, the SPA Loan was amended to permit the issuance of additional notes by the Company for an additional sum of $1,150,000, the proceeds of which were used to repay the $1,000,000 owed under the Promissory Note.

(c) Promissory Convertible Notes

		September 30, 2016		December 31, 2015
Total Principal Outstanding at beginning of period	$	**5,942**	$	5,979
Less: March 7, 2016 refinancing of Promissory Convertible Notes		**(1,462)**		-
Add: March 7, 2016 refinincing of trade payables		**359**		-
Add: March 31, 2016 refinincing of trade payables		**77**		-
Add: March 31, 2016 refinincing of management and directors		**206**		-
Add; June 7, 2016 refinancing of trade payables		**76**		
Add: effect of foreign exchange		**-**		(37)
Effect of embedded option derivatives		**(673)**		-
Carrying balance end of the period		**4,525**		5,942
Less: current portion of Promissory Convertible Note		**(3,000)**		(5,942)
New Promissory Convertible Notes - Long term portion	$	**1,525**	$	-

On November 11, 2013 and during 2014, the Company entered into several unsecured Promissory Convertible Notes for $6,750,000 and C$265,000 by way of private placements; $1,000,000 was converted into a SPA Note as referred to above. The Promissory Convertible Notes bear interest calculated and payable quarterly at 14.8% and are convertible at the option of the holder into the Company's shares at C$1.00. All Promissory Convertible Notes have two-year terms.

The Company was not able to make the interest payment due on June 30, 2015, September 30, 2015 and December 31, 2015. On November 12, 2015, the Company announced it had not repaid $2,000,000 in principal due under the Promissory Convertible Notes. As a result of nonpayment of amounts due, all of the Promissory Convertible Notes were in default at December 31, 2015 and accordingly were reported at their present value.

On March 7, 2016, March 31, 2016 and June 7, 2016 the Company announced that it has completed the restructuring of a portion of its debt through private placements of common shares and unsecured New Promissory Convertible Notes (as defined below) in settlement of approximately $6,106,934 of current indebtedness to certain of its unsecured lenders and trade creditors (collectively the "Unsecured Debt Restructuring"). The Unsecured Debt Restructuring included issuing 35,661,651 common shares of the Company at C$0.05 per share and C$0.25 per share, for a weighted average price of C$0.12 per common share and issuing $2,194,000 of New Promissory Convertible Notes.

Completion of the Unsecured Debt Restructuring represents approximately 50% of the value owed to the Promissory Convertible Note Holders and Trade Creditors that were presented with the terms of the Unsecured Debt Restructuring. A condition of the Company's secured debt restructuring was that unsecured debt held by those unsecured Promissory Convertible Note Holders and Trade Creditors who choose not to participate in the Unsecured Debt Restructuring cannot be paid before the secured debt is repaid in full without prior approval from the Secured Lender.

Promissory Convertible Note Holders

Approximately $2,949,000 of the debt held by unsecured Promissory Convertible Note Holders was repaid under the following terms:

1) 50% of the value of unsecured Promissory Convertible Notes issued between November 11, 2013 and July 7, 2014 with an interest rate of 14.8% per annum was converted to common shares of the Company based on a price of C$0.25 per share.
2) The remaining 50% of the value of the Promissory Convertible Notes were replaced with new promissory convertible notes (the "New Promissory Convertible Notes") having the following terms:

    - A maturity date of July 31, 2018.
    - An interest rate of 7% per annum, payable annually or at any time in cash or in shares valued at market at the option of the Company
    - Convertible at C$0.25 per share.
    - On conversion of the New Promissory Convertible Notes, holders will also receive warrants, with an exercise price of C$0.50 per share exercisable for a five-year period from the date of conversion, to acquire one additional common share of Victory Nickel for each four Victory Nickel common shares acquired.

Outstanding interest amounting to approximately $244,000 on the unsecured Promissory Convertible Notes for the second and third quarters of 2015 was settled in shares based on C$0.05 per share.

On March 27, 2016, the Company announced that it had received notice that the holder of one $3,000,000 unsecured Promissory Convertible Note had filed a statement of claim concerning payment of outstanding principal and interest on its Promissory Convertible Note.

Trade Creditors

1) Approximately $510,000 of debt to trade creditors was paid in shares at a price of C$0.05 per share, as follows:
    a. March 7, 2016 - $359,000
    b. March 31, 2016 - $77,000
    c. June 7, 2016 - $74,000

2) An equal amount of $510,000 of debt to Trade Creditors was paid with New Promissory Convertible Notes with the same terms as outlined above.

On March 7, 2016, March 31, 2016 and June 7, 2016 the Company announced that it has completed the restructuring of unsecured debt through three private placements of common shares and the issuance of New Promissory Convertible Notes as described above. The total amount of debt restructured included the restructuring of $1,431,000 of outstanding debt (the "Debt") owed to certain of the Company's trade creditors ("Trade Creditors"), directors and management.

Under the three tranches, the Company issued 35,661,651 common shares of the Company at C$0.05 per share to settle 50% of the Debt. The other 50% of the Debt owing to directors and management was deferred for payment no sooner than January 31, 2018; the other 50% of the Debt owed to Trade Creditors was settled with New Promissory Convertible Notes having the terms outlined above.

The market price for the Company's common shares on March 7 was C$0.03 per share, on March 31 was C$0.045 and on June 7, 2016 the share price was C$0.04 per share resulting in equity increasing by $671,000 for the shares issued and a non-cash gain of $2,295,000 being realized.

In the nine months ended September 30, 2016 the Company paid $28,000 for interest in cash and accrued another $1,386,000 of interest expense.

The embedded option derivatives have been calculated using the Black-Scholes option-pricing model using the following parameters:

		September 30, 2016	December 31, 2015
Fair values	**$**	**0.010**	C$0.00
Share prices at valuation dates	**$**	**0.02**	C$0.02
Assumptions			
Exercise price	**$**	**0.25**	C$1.00
Expected volatilities		**202.17%**	176%
Expected remaining terms (years)		**1.75**	0.52
Risk-free interest rates		**0.55%**	0.41%

15. PARTICIPATING INTEREST

Participating Interest		**September 30, 2016**		December 31 2015
Opening balance	**$**	**1,702**	$	3,548
Change in fair value		**(1,702)**		(1,846)
Participating Interest	**$**	**-**	$	1,702
Long-term portion	**$**	**-**	$	1,702
Participating Interest	**$**	**-**	$	1,702

In 2012, the Company entered into a loan agreement for C$1,000,000 with Nuinsco (the “Lender”). The loan was amended and restated on March 25, 2013 (the “Amended Participating Interest Loan”) to up to C$3,000,000 with the additional amount being available to fund capital expenditures relating to the 7P Plant. The Amended Participating Interest Loan bore interest at 12% per annum and was set to mature on January 31, 2015.

Prior to June 1, 2014, the Lender had the right to convert the outstanding balance of the Amended Participating Interest Loan into a limited participating interest (the “Conversion”) whereby the Lender is entitled to receive a share of cash flows earned from the sale of frac sand from the 7P Plant. The Lender’s participation was capped at C$10,000,000, with a minimum of C$7,500,000, and was subject to adjustment under certain circumstances.

On February 4, 2014, the Company amended the range of the Lender’s participation in the net cash flows earned from the sale of frac sand to a maximum of C$10,223,831 with a minimum of C$7,667,124.

The loan is classified as a financial liability carried at amortized cost and is defined as “Participating Interest”. From recognition until the fourth quarter of 2013, the Company considered that there were no changes in estimated cash flows since Nuinsco had not converted its loan and the 7P Plant was not built and there were other significant uncertainties. During the fourth quarter of 2013, the plant construction was well underway and the probability of Conversion had increased substantially. Accordingly, the Company revised the estimated future cash flows and discounted these cash flows at 15%. The estimated future cash flows were determined using a probability-weighted estimation of future expected cash flow scenarios from the frac sand business based on current expectations of business results, capital costs and pre-operating expenditures. An assessment is made regarding the applicable ceiling for the cash flows which is dependent upon the phase attained by the Company when payments under the Participating Interest are anticipated. These cash flows were on the basis of Phase Two completion; the Company still expects to enter Phase Two before paying out the expected cash flows despite announcing a deferral of Phase Two during February, 2015. The Company also included probability weightings of 25%, 50% and 25% (2014 - 5%, 40% and 55%) as risk factors applied to varying levels of expected cash flows – being zero, 50% and 100% of the applicable ceiling maximum of C$7,667,124.

As described earlier, the percentage participation in net cash flows is 52.16% and the applicable ceiling for Phase Two is C$7,667,124 (Phase One - C$10,222,831). The recent slowdown in demand for frac sand and the losses incurred during 2015 and 2016 necessitated an elimination of the Participating Interest liability and resulted in a gain of $1,702,000 in the nine months ended September 30, 2016. This is a Level 3 methodology and is subject to the highest level of uncertainty. The Company will continue to review and revise its estimates of expected future cash flows as the expectations of payments of the Participating Interest change. Changes in that estimate will be recorded through operations with appropriate adjustment for actual cash flows paid**.**

16. LEASE OBLIGATIONS

		September 30, 2016		December 31, 2015
Vehicles and Mobile Equipment:				
Total present value of minimum lease payments	**$**	**551**	$	551
Principal payments		**(382)**		(275)
Total present value of minimum lease payments remaining		**169**		276
Lease obligations - current portion		**(138)**		(141)
Lease obligations - long-term	**$**	**31**	$	135

The Company has finance lease obligations for equipment in use at the 7P Plant. At the end of the lease obligations, ownership is transferred to the Company for all leases except two, whereby an election is to be made 60 days prior to the end of the lease term at the purchase option price of C$1 and C$10.

The future minimum lease payments are as follows:

		September 30, 2016		December 31, 2015
Less than 1 year	**$**	**145**	$	154
Between 1 and 5 years		**32**		139
Total minimum lease payments payable		**177**		293
Future finance charges on minimum lease payments		**8**		17
Present value of minimum lease payments	**$**	**169**	$	276

17. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Number of shares issued and outstanding

The issued and outstanding common shares for the nine months ending September 30, 2016 and for the year ended December 31, 2015 are:

	Notes	Number of Shares	Gross Proceeds/ Consideration	Non-cash Items	Share Issue Costs	Share Capital
Balance as at January 1, 2015		57,634,578				$ 52,570
Options exercised		-	$ -	$ -	$ -	-
Warrants exercised		515	-	-	-	-
Issue of common shares for fractional positions		-	-	-	-	-
Issue of common shares for commitment fee		-	-	-	-	-
Balance as at December 31, 2015		57,635,093	$ -	$ -	$ -	$ 52,570

	Notes	**Number of Shares**	**Gross Proceeds/ Consideration**	**Non-cash Items**	**Share Issue Costs**	**Share Capital**
Balance as at January 1, 2016		**57,635,093**				**$ 52,570**
Issue of common shares upon refinincing		**34,735,875**	**$ -**	**$ -**	**$ -**	**$ 671**
Balance as at September 30, 2016		**92,370,968**	**$ -**	**$ -**	**$ -**	**$ 53,241**

Share Incentive Plan
The Company has a Share Incentive Plan which includes a Share Purchase Plan and a Share Bonus Plan. Both are described fully in the Company's 2015 Audited Consolidated Financial Statements.

Accumulated Other Comprehensive Income or (Loss) ("AOCI")
AOCI is comprised of the following separate components of equity:

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

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

18. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted EPS for the three and nine months ended September 30, 2016 and 2015 was based on the information in the table below.

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2016	2015	**2016**	2015
Balance as at beginning of the period	**92,370,968**	57,634,578	**57,635,093**	57,634,578
Effect of shares issued for private placements - weighted average	**-**	-	**24,667,374**	-
Effect of warrants exercised	**-**	-	**-**	-
Weighted average number of common shares as at end of period - Basic and Diluted	**92,370,968**	57,634,578	**82,302,467**	57,634,578
Effect of options granted and outstanding	**-**	-	**-**	-
Weighted average number of common shares as at end of the period - Diluted	**92,370,968**	57,634,578	**82,302,467**	57,634,578
Number of options excluded	**2,683,000**	2,841,000	**2,683,000**	2,841,000
Number of warrants excluded	**5,500,000**	12,799,935	**5,500,000**	12,799,935
Number of shares from conversion of promissory notes excluded	**2,633,046**	6,935,575	**2,633,046**	6,935,575
Net loss attributable to shareholders - Basic	**$ (924)**	$ (1,599)	**$ (980)**	$ (2,776)
Net loss attributable to shareholders - Diluted	**$ (924)**	$ (1,599)	**$ (980)**	$ (2,776)
Basic income (loss) per share	**$ (0.01)**	**$ (0.03)**	**$ (0.01)**	**$ (0.05)**
Diluted income (loss) per share	**$ (0.01)**	**$ (0.03)**	**$ (0.01)**	**$ (0.05)**

The effect of adjustments to the weighted average number of common shares would be anti-dilutive when the Company incurs losses. The table above provides the weighted average number of shares on a diluted basis for periods where losses are incurred for information only. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on quoted market prices for the respective periods during which the options were outstanding.

19. SHARE-BASED PAYMENTS

Description of the Share-based Payment Arrangements
The Company's share-based payment arrangements are described below.

Stock Option Plan (equity-settled)
The Company has a stock option plan to encourage ownership of its shares by key management personnel (directors and executive management), employees and consultants, and to provide compensation for certain services. The terms of the Stock Option Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. No compensation is recognized when options are exercised. The number of shares reserved for issuance is not to exceed 15% of the aggregate number of common shares issued and outstanding (calculated on a non-diluted basis) from time to time.

As at September 30, 2016, the Company had 11,445,645 common shares available for the granting of future options (December 31, 2015 – 5,962,264 common shares). Options are exercisable at the closing market price of the shares at the date prior to grant. The Company does not have any cash-settled transactions.

Share purchase warrants (equity-settled)
For each $1,000,000 advanced under the New SPA Loan, the Lender received warrants entitling the Lender to purchase 500,000 Victory Nickel shares exercisable at C$0.25 per share for a period of two years from the closing date of the transaction. Any Warrants previously issued under the SPA Amending Agreement will be cancelled and replaced with New Warrants (see Note 14).

20. FINANCE INCOME AND FINANCE COSTS

	Notes	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015	Nine months ended Sept 30, 2016	Nine months ended Sept 30, 2015
Change in value of options and warrants	*14*	**$ 161**	$ -	**$ 358**	$ 226
Gain on refinancings		**(239)**	-	**2,056**	-
Change on the value of Participating Interest	*15*	**-**	73	**1,702**	1,566
Net foreign exchange gain (loss)		**(59)**	112	**(59)**	152
Finance income		**(137)**	185	**4,057**	1,944
Interest expense on loans					
Accrued and cash settled	*14*	**418**	494	**1,087**	1,477
Amortization of loan fees	*14*	**5**	102	**11**	587
Amortization of embedded option derivatives	*14*	**-**	159	**-**	531
Finance costs		**423**	755	**1,098**	2,595
Net Finance Income/(Costs)		**$ (560)**	$ (570)	**$ 2,959**	$ (651)

21. OPERATING SEGMENT

Reporting Segment

The Company is engaged in the exploration, evaluation and development of properties for the mining and production of nickel and associated products; since January 1, 2014, it also is a producer and supplier of premium frac sand from its 7P Plant. Accordingly, the Company has three reporting segments: Corporate, Exploration and Development, and Frac Sand.

The Corporate segment operates to support the Company’s activities, including exploration and development projects and the frac sand business.

Senior management makes decisions with respect to Exploration and Development by considering exploration and development potential and results on a project basis. The exploration and development projects are all located in Canada. Any applicable amounts relating to such projects will continue to be capitalized to the relevant project as either *Exploration and evaluation projects* or *Mine property and development project* on the consolidated balance sheets.

The Frac Sand segment is managed and operated by Victory Silica’s executives and employees although the business and operating assets are part of Victory Nickel (refer also to Note 23). The segment is located in Canada although raw materials purchases are sourced from the US.

The following tables provide information on the Company’s segments:

	September 30, 2016	December 31, 2015
Canada		
Corporate	**$ 2,123**	$ 1,446
Exploration and Development	**48,508**	48,480
Frac Sand	**6,497**	7,256
Intersegment elimination	**(1,425)**	(1,135)
Total Assets	**$ 55,703**	$ 56,047

Nine months ended September 30, 2016	Corporate	Exploration and Development	Frac Sand	Total
Revenues	$ -	$ -	$ 69	$ 69
Cost of goods sold	-	-	27	27
Gross margin	-	-	96	96
Operating expenses				
General and administrative	(709)	(23)	(58)	(790)
Share-based payments:				
Options	-	-	-	-
Amortization of property, plant and equipment	(3)	(2)	(459)	(464)
Recovery (writedown) of E and E projects	-	-	-	-
Non-recurring plant costs [(1)]	-	-	-	-
Gain on sale of partnership	283	-	-	283
Operating loss	(429)	(25)	(421)	(875)
Finance income	4,057	-	-	4,057
Finance costs	(1,098)	-	-	(1,098)
Net finance costs	2,959	-	-	2,959
Income (loss) before income taxes	2,530	(25)	(421)	2,084
Income tax expense	(3,064)	-	-	(3,064)
Net income (loss) for the Period	$ (534)	$ (25)	$ (421)	$ (980)

Three Months ended September 30, 2016	Corporate	Exploration and Development	Frac Sand	Total
Revenues	$ -	$ -	$ -	$ -
Cost of goods sold	-	-	-	-
Gross margin	-	-	-	-
Operating expenses				
General and administrative	(212)	-	-	(212)
Amortization of property, plant and equipment	(1)	-	(151)	(152)
Recovery (writedown) of E and E projects	-	-	-	-
Non-recurring plant costs	-	-	-	-
Operating loss	(213)	-	(151)	(364)
Finance income	(137)	-	-	(137)
Finance costs	(423)	-	-	(423)
Net finance costs	(560)	-	-	(560)
Income (loss) before income taxes	(773)	-	(151)	(924)
Income tax expense	-	-	-	-
Net income (loss) for the Period	$ (773)	$ -	$ (151)	$ (924)

There have been no changes in the reportable segments or the treatment of segmented assets and revenues during the period.

22. RELATED PARTIES AND MANAGEMENT AGREEMENT

Related Party Balances and Transactions

Short-term employee benefits provided by the Company to key management personnel include salaries, directors'

fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue options and shares as part of the Stock Option Plan and Share Bonus Plan (Notes 17 and 19).

Balances and transactions with related parties as at September 30, 2016 and December 31, 2015 and for the nine months ended September 30, 2016 and 2015 are shown in the following tables:

	September 30, 2016	December 31, 2015
Balances Outstanding		
Payable to key management personnel	**$ 350**	$ 277

Key management personnel compensation comprises:

	Three months ended Sept 30,		**Nine months ended Sept 30,**	
	2016	2015	**2016**	2015
Short-term employee benefits	**$ 84**	$ 206	**$ 252**	$ 206
Share-based payments - options	**-**	-	**-**	-
	$ 84	$ 206	**$ 252**	$ 206

Balances and Transactions with Nuinsco Resources Limited under the Management Agreement

The Company shared management, administrative assistance and facilities with Nuinsco pursuant to a management agreement since February 1, 2007 until cancelled in March 2015. The costs charged by Nuinsco were recorded at the cost to Nuinsco of such services plus 10%. The Company has continued to share resources and costs with Nuinsco under an informal cost sharing arrangement. As a result of the Amended Participating Interest Loan described in Note 15, Nuinsco became a related party of the company effective July 30, 2013. Nuinsco's shareholding in the Company has fallen below 10% and it is no longer considered a related party.

As at September 30, 2016 the Company had no receivable due from Nuinsco. Amounts due to Nuinsco are unsecured, non-interest bearing and due on demand. Amounts due to or from Nuinsco thereby are settled on a regular basis

The terms of the Amended Loan/Participating Interest with Nuinsco and the balances and transactions related thereto are described in Note 15.

23. COMPANY ENTITY

Significant Subsidiary - Victory Silica

On June 19, 2012, the Company announced a new initiative through the creation of Victory Silica. The objective of the creation of Victory Silica is to establish the Company as a supplier of premium frac sand prior to commencing frac sand sales from the Minago project. Victory Silica's executives and employees manage the frac sand business on behalf of the Company. Until the end of the first quarter of 2014, most costs of the frac sand business net of pre-operating revenue related either to pre-operating costs which have been expensed through operations or to plant commissioning and mobile equipment which have been capitalized.
Full commissioning of the 7P Plant occurred in August, 2014.

	September 30, 2016	December 31, 2015
Victory Silica Ltd.		
Current Assets	**$ 17**	$ 22
Current Liabilities	**$ 40**	$ 176

24. SALE OF PARTNERSHIP

On March 22, 2016 the Company entered into a general partnership agreement (the "Partnership") for the purpose of carrying on a trading and investment business. The Company's initial contribution to the capital of the Partnership was C$999.90 plus a subsequent C$170,000, representing 99.9% of the Partnership. The Partnership entered into various forward foreign exchange contracts. The Company sold its interest in the Partnership effective June 1, 2016 for C$430,766 less fees and costs of approximately C$73,000.

25. DEFERRED TAX LIABILITY

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying value of

the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are considered probable to be realized.

Significant components of the Company's deferred tax assets and liability, after applying enacted corporate income tax rates, are as follows:

	September 30, 2016	December 31, 2015
Property and equipment	**$ (97)**	$ (69)
Exploration and evaluation projects	**6,027**	6,027
Share issue and other costs	**(471)**	(502)
Net tax losses carried forward	**(2,355)**	(6,115)
Capital losses (net)	**(2,343)**	(100)
Capital losses unrealized	**230**	(64)
	991	(823)
Unrecognized deferred tax assets	**2,113**	823
Deferred tax liability, net	**$ 3,104**	$ -

In the current period, the Partnership (see note 24) generated income for tax purposes significantly in excess of its accounting income and a significant capital loss for tax purposes on the sale of the Partnership. As a result, the Company expects to utilize the majority of its non-capital tax losses carried forward from prior years.

Movement in Deferred Tax Assets and Liability During the Period

	As at January 1, 2015	Effect of foreign exchange	Recognized in operations	Recognized in OCI	Recognized in share capital	December 31, 2015
Property and equipment	$ (93)	$ -	$ 24	$ -	$ -	$ (69)
Exploration and evaluation projects	4,986	-	1,041	-	-	6,027
Share issue and other costs	(392)	-	(110)	-	-	(502)
Net tax losses carried forward	(4,169)	43	(1,989)	-	-	(6,115)
Capital losses (net)	(50)	-	(50)	-	-	(100)
Capital losses unrealized	(77)	-	-	13	-	(64)
	205	43	(1,084)	13	-	(823)
Unrecognized deferred tax assets	612	(43)	271	(17)	-	823
Deferred tax liability, net	$ 817	$ -	$ (813)	$ (4)	$ -	$ -

	As at January 1, 2016	foreign exchange (Note 2)	Recognized in operations	Recognized in OCI	Recognized in share capital	**As at September 30, 2016**
Temporary differences						
Property and equipment	$ (69)	$ -	$ (28)	$ -	$ -	**$ (97)**
Exploration and evaluation projects	6,027	-	-	-	-	**6,027**
Share issue and other costs	(502)	-	31	-	-	**(471)**
Net tax losses carried forward	(6,115)	-	3,760	-	-	**(2,355)**
Capital losses (net)	(100)	-	(2,243)	-	-	**(2,343)**
Capital losses unrealized	(64)	-	256	38	-	**230**
	(823)	-	1,776	38	-	**991**
Unrecognized deferred tax assets	823	-	1,290	-	-	**2,113**
Deferred tax liability, net	$ -	$ -	$ 3,066	$ 38	$ -	**$ 3,104**

26. INCOME TAX

The income tax recovery differs from the amount computed by applying the statutory federal and provincial income tax rates for 2016 and 2015 of 27.0%, to the loss before income taxes. The differences are summarized as follows:

	September 30, 2016	December 31, 2015
Statutory rate applied to loss before income taxes	**$ 812**	$ (470)
Effect of investment tax credit, net	**-**	
Non-deductibe items - net	**-**	13
Non-taxable portion of capital gain on financial loss through operations	**(256)**	(105)
Differences with respect to Partnership	**1,243**	-
Effect of change in future income tax rates and other	**(25)**	-
Unrecognized deferred tax assets	**1,290**	-
Income Tax Expense (Recovery)	**$ 3,064**	$ (562)

27. SUBSEQUENT EVENTS

Subsequent to the period, on October 21, 2016, the Company sold its interest in Corazon for net proceeds of AU$514,900. The Company's secured lender is committed to ensuring the protection of the Company's assets.

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

DATED NOVEMBER 29, 2016

VICTORY NICKEL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Nine Months ended September 30, 2016

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 29, 2016 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2016, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016 ("Condensed Consolidated Financial Statements") and the notes thereto.

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

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2015 and 2014 ("2015 Audited Consolidated Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). The Condensed Consolidated Financial Statements and the 2015 Audited Consolidated Financial Statements are available at www.sedar.com and at the Company's website www.victorynickel.ca. All amounts disclosed are in United States dollars ("US$" or "US dollars") unless otherwise stated. All tabular amounts are in thousands of US dollars.

Shares of the Company trade on the Canadian Securities Exchange ("CSE") under the symbol NI as of February 22, 2016. Prior to that date, shares of the Company traded on the Toronto Stock Exchange.

COMPANY OVERVIEW

The Company was formed on February 1, 2007 as an exploration and development mineral resource company and is primarily engaged in the acquisition, exploration, evaluation and development of nickel projects and associated products in Canada and is a producer and supplier of premium Wisconsin frac sand from its frac sand plant (the "7P Plant") located near Seven Persons, Alberta approximately 18 kilometres southwest of Medicine Hat, Alberta. Victory Nickel owns 100% of four advanced sulphide nickel projects: the Minago, Lynn Lake (under option with Corazon Mining Ltd. ("Corazon"), an Australian public company (ASX: CZN) - refer below) and Mel projects in Manitoba and the Lac Rocher project in Québec.

The Minago project is the Company's most advanced nickel/frac sand project. A feasibility study on the Minago project ("Minago FS") was completed and the results announced in December 2009, the Environmental Impact Study ("EIS") was filed in May 2010 and receipt of the Environmental Act Licence ("EAL") was announced in August 2011. Subsequent improvements to the project were announced in June 2010 and July 2011. In April 2014 the Company announced the filing of an amendment to the EAL to relocate the permitted Minago tailings facilities such that it will not interfere with potential nickel resources and also reduce operating costs. Consultations with First Nations by the Government of Manitoba are ongoing. On completion, it is expected that the Government will issue the requested amendment to the existing EAL.

A preliminary economic assessment of Lac Rocher ("PEA") was announced in November 2008. Baseline environmental studies are ongoing at Mel in preparation for permit applications should the economics support development.

Victory Nickel produces high-quality "Northern White" frac sand sourced from Wisconsin, USA, through its wholly-owned subsidiary Victory Silica Ltd. ("Victory Silica"). Northern White occurs predominantly in the US Mid-West and generally exceeds American Petroleum Institute ("API") specifications for frac sand. For this reason, it is highly-desirable as frac sand. Frac sand is used as a proppant to enhance the recovery from oil and gas wells. The 7P Plant comprises a wet plant with a nominal capacity of approximately 120,000 tons per annum ("tpa") and a fully-operational dry plant with a nominal capacity of 500,000 tpa. The Company established itself as a frac sand producer by acquiring concentrated sand in Wisconsin, USA and processing it into four main categories of finished frac sand products at the 7P Plant. The 7P Plant was considered out of commissioning in early August 2014. The Company's 7P Plant is located in close proximity to oil and gas producing plays in Alberta, BC, Saskatchewan and North Dakota, allowing customers to purchase sand FOB the 7P Plant and use their own trucks to deliver to the wellhead or, alternatively, to have the Company deliver frac sand directly to the wellhead.

Due to the sudden drop in the price of oil during late 2014, drilling activity by oil and gas exploration and production ("E&P") companies has decreased significantly, and sustained relatively low oil and gas prices continued to negatively affect frac sand demand through 2015 and into 2016. The drop in sales required a temporary suspension in production in April 2015. The 7P Plant operates on an as-needed basis only (see Going Concern below).

The Company's decision to enter the frac sand business was initially based on the need to generate cash flow and the desire to highlight the value of the frac sand as a co-product at its Minago nickel project in Manitoba. Based on the Minago FS, approximately 11 million tonnes of frac sand exist within the Minago pit footprint. The pit footprint represents only a small portion of the Minago property. The frac sand is a significant contributor to the economics of the Minago project.

In October 2014, the Company entered into an option to acquire a 100% interest in a frac sand land package totalling over 300 acres in south western Wisconsin, USA (the "Bear Coulee Property"). The option is valid for six months from receipt of permits with two equivalent extensions available under certain circumstances. Prior to production the Company will be required to pay $40,000 per annum as an advance royalty on the initial 20,000 tons of sand production. Once the Bear Coulee Property is in production, the Company will be required to pay a royalty of $2.00 per ton of frac sand sold from the property. The Bear Coulee frac sand property is located in Trempeleau County, Wisconsin. In February 2015, the Company announced that a resource estimate of approximately 11 million tons of sand has been completed by Summit Envirosolutions Inc. on the Bear Coulee Property and was incorporated into a National Instrument 43-101 technical report.

The Company has considered constructing a wet plant in Wisconsin or Minnesota and has considered building a second 1,000,000 tpa dry plant in or near Winnipeg, Manitoba. Market conditions necessitate the deferral of any such construction until more certainty returns to the oil and gas sector.

Going Concern

The Company's condensed consolidated financial statements have been prepared using Generally Accepted Accounting Principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at September 30, 2016, the Company had a working capital deficiency of $3,332,000 calculated as current assets less current liabilities, down from the working capital deficiency of $11,929,000 at the end of December 2015 and up from $2,850,000 at the end of the second quarter ended June 30, 2016.

On April 14, 2015, the Company announced that operations at the 7P Plant were temporarily suspended until the demand for frac sand improved; this temporary suspension was due to the dramatic decrease in energy pricing that began in 2014. Since March 14, 2015 sales have not been at the rates achieved during 2014 and continue below the level required to generate positive cash flow. The 7P Plant continues to operate on an as-needed basis in order to fulfil customer needs. During the nine months ended September 30, 2016 sales of frac sand were, and continue to be, very low.

The near-term outlook in the frac sand market remains unclear due to the continuing pressure on the oil price and the related impact on exploration and production and oilfield services companies. The strength of the US dollar is also impacting demand for high-quality Wisconsin sand in Canada as the price for domestic sand has dropped and service companies appear satisfied with using lower-quality domestic sand because of the price differential. This will continue to stress the Company's liquidity until such time as the market demand recovers and operations can resume on a consistent basis.

Given the decline in frac sand sales, the Company was not able to make the interest payments due on June 30, 2015, September 30, 2015 and December 31, 2015. As a result the Company was in default on its secured debt and unsecured promissory convertible notes as at December 31, 2015.

On November 26, 2015, the Company announced that it had entered into a binding term sheet to extend the SPA amended loan ("SPA Amended Loan") which included terms of a debt restructuring package for the holders of the promissory convertible notes (the "Promissory Convertible Notes") and the Company's trade creditors (the "Debt Restructuring Agreement") as defined in note 14. On March 3, 2016 the Company announced the restructuring of the SPA Amended Loan per the terms of the Debt Restructuring Agreement. The SPA Amended Loan was increased to $5,500,000 and the maturity date extended by 30 months to January 31, 2018 (the "Senior Secured Debt").

On March 7, 2016, March 31, 2016 and June 7, 2016 the Company announced that it had completed private placements with certain of its unsecured lenders, trade creditors and management in settlement of $2,924,000 of Promissory Convertible Notes and $1,508,115 of trade payables per the terms of the Debt Restructuring Agreement as described in

Note 14 of the Condensed Consolidated Financial Statements. All of the Promissory Convertible Note holders participated in the Debt Restructuring except for one holder of a $3,000,000 Promissory Convertible Note (the "Outstanding Note"). On March 27, 2016, the Company announced that it had received notice that the holder of one $3,000,000 unsecured Promissory Convertible Note had filed a statement of claim concerning non-payment of principal and interest on its Promissory Convertible Note. The Company has reviewed this statement of claim with legal counsel to assess its impact on the Company and has concluded that this has little effect on the status of the Company's debt,

Pursuant to the terms of the Senior Secured Debt, the Company is prevented from making payments under outstanding unsecured debt until the Senior Secured Debt Is repaid. As a result, the Company has not paid accrued interest on the Outstanding Note. In addition, only a portion of the interest due under the Senior Secured Debt for the first nine months of 2016 was paid. The secured lender provided a forbearance agreement for the balance of accrued interest and made short term advances to cover non-discretionary costs such as equipment lease payments. All advances are included in accounts payable and were paid after the end of the third quarter.

On July 4, 2016 the Company announced the sale of a non-core partnership interest for net proceeds of approximately CAD$358,000. The net proceeds were used to fund working capital requirements. On October 21, 2016 the Company sold its interest in Corazon for net proceeds of AU$514,900. The Company's secured lender is committed to ensuring the protection of the Company's assets.

Without an injection of capital before the demand for frac sand returns, the Company will not be able to meet its outstanding obligations or any new obligations as they become due.

There can be no assurance that the Company will be able to restructure its debt with the remaining unsecured lenders and trade creditors per the terms of the Debt Restructuring Agreement and/or recapitalize, and there is no certainty as to what further steps, if any, the secured and unsecured lenders may take.

In addition to the above liquidity issues, the Company is subject to similar risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, a continued prolonged slowdown in the frac sand market which would limit the Company's ability to generate cash flow from the 7P Plant, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully fund its projects and operating expenses.

None of the Company's mining projects have commenced commercial production and, accordingly, the Company is dependent upon debt or equity financings, the optioning and/or sale of resource or resource-related assets or interests, exploration results which have the potential for the discovery of economically-recoverable reserves and resources, and/or the ability to generate sufficient cash flow from its other operating activities for its funding. Development of the Company's current nickel mining projects to the production stage will require significant financing. Given the current economic climate, the ability to raise sufficient funds may prove difficult.

Should the Company not be able to overcome the risks described in this section, the carrying value of the Company's assets would be subject to material adjustment and, in addition, other adjustments may be necessary to these financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP. There is no certainty, especially in the present environment, that the Company's initiatives to restructure its debt and improve working capital will be sufficient to fund the Company's activities including debt servicing, project expenditures and corporate costs. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

OUTLOOK

As a typical junior resource company with limited access to financial and capital markets necessary to move mineral projects forward, the Company had to find an alternative. Waiting for the resource markets, more specifically the nickel markets, to turn around was not considered to be an acceptable option.

Frac Sand

So in 2012 the Company announced its intention to enter the frac sand business with a plan that was certainly considered very aggressive and a vision at best. That vision became a reality in 2014 when the Company completed construction and commissioning of its Seven Persons frac sand plant in Alberta.

Choosing to enter the frac sand business was not without reason. The strong market fundamentals for frac sand suggested

continuing growth of the industry and new public information and strong peer group valuations indicated the availability of near-term cash flow. With an entry fee of approximately $6,000,000 to build a frac sand processing facility, the risk was considered acceptable based on expected cash flows. Soon after commissioning, toward the end of 2014 and apparently to everyone's surprise, the bottom fell out of the oil industry and the price of oil crashed from in excess of $100 per barrel to below $30 per barrel of oil. Except for a few short signs of recovery, the price of oil has remained around the $40-$50 level. Whether this is an indication of bottoming out with a gradual recovery is uncertain. The price decrease is similar for natural gas.

As a result, drill rig utilization decreased substantially from Q1 2015 to Q1 2016. However, over the last several months there have been signs of improvement in drill rig utilization. As a direct response to the declining utilization, E&P companies reduced, cancelled or deferred capital programs. All of this has led to an unprecedented decline in the pricing of drilling and well completions and the resulting pressure on the price of frac sand. The frac sand pricing index prepared by New York investment bank Cowen and Company indicates a price decrease of approximately 25% since the highs of October 2014. The price of oil necessary to create a resurgence of demand and a return to drilling activity is yet to be understood. This period of declining activity and price decreases has necessitated that the industry step back and evaluate ways of reducing costs. Such cost reduction measures include lengthening of both lateral and horizontal drilling, increasing the number of stages per foot and using more sand per stage. All of these changes has increased sand intensity, using more sand per well, to increase the oil flow and thereby improve the economics. This trend bodes well for frac sand consumption even in a quiet drilling environment.

Major suppliers of frac sand have said that the long-term fundamental trends for sand demand remain favourable and that the price discounts are not sustainable in the long term. Indications are that uncompleted wells could represent a significant pent up demand for frac sand. With all of the cut backs in capital spending and development of projects, a case can be made for a potential and very sudden and significant increase in demand for sand while the industry catches up to increase supply. The exact timing of this is difficult to predict but this has been seen in the past as industry overreacts on the downside and gets into a catch-up situation when business improves.

The sudden negative turn of events towards the end of 2014 could not have come at a more crucial time in Victory Nickel's development and entry into the frac sand industry. Production was ramping up and could not keep up with demand but the sudden slowdown in demand required that the Company temporarily suspend production at its 7P Plant. As demand returns, the Company has inventory of sand at various stages of completion to enable it to immediately respond to customer needs. The 7P Plant can be restarted very quickly.

The business plan has not changed; it is only deferred. Having completed Phase One, the Board of Directors approved moving forward to Phase Two of the Company's three-phase business plan. With the decline in demand caused by the drop in the price of oil, Phase Two will be difficult to finance in the current market. However, Phase Two is a desirable next step which would not only make the Company more competitive but also provide significant flexibility to target certain markets which often require different grades of sand.

Phase Two is to build a wash plant on a Wisconsin sand resource. Frac sand production is a two-stage process: the wet stage and the dry stage. The Company has historically contracted out the wet stage in Wisconsin prior to shipping the wet sand to its plant in Alberta. The wet stage removes the fines and clays, allowing transport of only the coarser fractions. The dry stage, where the sand is dried and separated into several products of different sizes, is completed at the Company's 7P Plant a 500,000 tpa dry processing facility. The Company having its own wash plant is of great advantage in maintaining the high quality of the sand.

Phase Three of the business plan is to build a second dry processing facility in or around Winnipeg, Manitoba capable of producing 1,000,000 tpa. The Company is targeting a site which is serviced by multiple rail carriers. This gives the Company more flexibility in accessing only the highest quality sand from the Wisconsin/Minnesota region. The ultimate plan is to provide customers with a variety of qualities which would include domestic sand, possibly from the Company's Minago project in Manitoba which has been permitted and is ready for development when the price of nickel recovers. The Minago project is a nickel project overlain by overburden which includes sand meeting the tier two frac sand specs. The Winnipeg formation sand located at Minago is the highest-quality domestic sand and would be a welcome addition to the Company's mix of products. Not all of our customers' applications require Wisconsin tier one frac sand.

Nickel

The Minago FS completed in 2009 indicated that the frac sand component of the Minago open pit contributed approximately $2.90 per pound of nickel; a very significant co-product. The sand resource at Minago is not restricted to the footprint of the open pit but extends beyond the pit limit such that it is not unreasonable to expect that there is sufficient sand to last in excess of 100 years at the million ton per year rate of extraction; this would be a new industry for Manitoba.

The Minago FS was based on an open pit mining project with a nickel reserve of approximately 30 million tonnes of nickel ore to be mined over about eight years. Below the pit exists another potential 30 million tonnes for potential future mining Immediately to the north of the pit, the Company has identified an additional potential 30 million tonnes. The Minago project was permitted in 2011 and is shovel-ready. With the frac sand co-product credit, the C1 cost to produce a pound of nickel is projected to be $2.20 per pound. The price of nickel has dropped significantly since the preparation of the Minago FS reaching the $3.40 per pound level in 2015 and recently recovering to the $5.32 per pound level in 2016. The price has since drifted back to the $5.20 per pound level but the trend appears to be upward. A third party long-term forecasted price is $7.37 per pound of nickel. Using this price at the current exchange rate of US$0.74212:C$1.00 and other metal prices at the current price, the Minago project IRR of return based on the original Minago FS is 16.57% compared to 22.4% in the original FS. At today's price of nickel the pretax IRR is 8.26%.

Debt Restructuring

We cannot change the market. All we can do is work with it and within it. The immediate concern has been to satisfy the secured lender and to implement an acceptable and achievable debt restructuring plan to allow the Company to bridge the gap until markets recover. The restructuring is designed to strengthen the balance sheet and defer cash requirements until operations can resume generating cash flow to repay the debt. The successful restructuring of debt has resulted in the improvement of the working capital deficiency of $11,929,000 at the end of December 2015 to a working capital deficiency of $3,285,000 at the end of September 2016. In March 2016, the Company announced that the secured debt maturity date was extended by 30 months to January 31, 2018 (the "Senior Secured Debt") and that certain 14.8%.

Promissory Convertible Notes and trade payables were restructured whereby 50% was paid with shares and the other 50% paid with a new Promissory Convertible Note maturing in July 2018 at an interest rate of 7% per annum (the "New Promissory Convertible Note"). Management would like to thank the Company's creditors for their participation in the restructuring plan.

Management is now developing plans to implement strategies based on what we have learned since getting into the frac sand business and having dealt with one of the worst ever downturn in the oil and gas industry. In addition, we remain confident that sulphide nickel demand will improve such that not only the Minago nickel project can be developed but that the Company's other nickel projects, Mel and Lac Rocher, can be advanced as potential producers.

The Company plans to participate in the turnaround in not only the oil and gas industry but also the nickel industry and we thank our shareholders, lenders and suppliers for their continued patience and support.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2016 Compared with Three Months Ended September 30, 2015

Three Months ended September 30, 2016	Corporate	Exploration and Development	Frac Sand	Total	September 30, 2015 Total
Revenues	$ -	$ -	$ -	$ -	$ 325
Cost of goods sold	-	-	-	-	(888)
Gross margin	-	-	-	-	(563)
Operating expenses					
General and administrative	(212)	-	-	(212)	(313)
Amortization of property, plant and equipment	(1)	-	(151)	(152)	(161)
Recovery (writedown) of E and E projects	-	-	-	-	-
Non-recurring plant costs	-	-	-	-	13
Operating loss	(213)	-	(151)	(364)	(1,029)
Finance income	(137)	-	-	(137)	185
Finance costs	(423)	-	-	(423)	(755)
Net finance costs	(560)	-	-	(560)	(570)
Income (loss) before income taxes	(773)	-	(151)	(924)	(1,599)
Income tax expense	-	-	-	-	-
Net income (loss) for the Period	$ (773)	$ -	$ (151)	$ (924)	$ (1,599)

Overall

For the three months ended September 30, 2016, the Company had a net loss of $924,000 ($0.01 per share). This compares to a loss of $1,599,000 or $0.02 per share for the same period of 2015. The following narrative discusses the relevant operations of the Frac Sand and Exploration and Development segments first, and then addresses more general and corporate activities.

Frac Sand Segment

Due to a decline in the price of oil beginning in 2014, demand for frac sand in the Company's target markets was under pressure throughout 2015 and into 2016. The Company accumulated inventory of in excess of 35,000 tons at the end of 2015 at various stages of the process and made no sales of frac sand during the three months ended September 30, 2016. This compares with sales of 2,829 tons during the same period of 2015.

Revenues

During the third quarter ended September 30, 2016, the Company generated no revenue. This compares with revenue of $325,000 or $114.88 per ton during the same period of 2015. Revenue includes periodic freight for sales delivered to the customer. The sudden material and prolonged drop in the price of oil beginning late in 2014 and sustained into 2016 caused such uncertainty in the market that E&P companies effectively stopped activities in the Company's market area.

Cost of goods sold

The cost of goods sold includes the cost of concentrated sand purchased in Wisconsin, the cost of delivery to the 7P Plant including handling and trans-loading costs and the operating cost to dry and screen the concentrated sand into four main dry products. These costs are capitalized as a component of inventory on a normalized basis and are charged to cost of goods sold when title to the product passes to the customer.

The cost of goods sold was nil for the three months ended September 30, 2016 compared with $888,000 or $313.89.78 per ton for the same period of 2015; a portion of the sales are priced on a delivered basis and include transportation costs to the customer. The 7P Plant continues to operate on an as needed basis, resulting in higher operating costs per ton of product produced than what is expected on a continuous operating basis.

Costs incurred from the 2015 temporary suspension are included in *Non-recurring plant costs* and do not form part of the cost of sales or inventory. The Company has now reduced manpower to a skeleton crew sufficient to serve customers on an as-needed basis.

The Company wrote down inventory to net realizable value and recorded finished inventory at the lower of cost or net realizable value as at March 31, 2016 and continues to carry inventory at market.

Costs per ton are per dry ton, unless otherwise stated.

Concentrated wet sand is purchased through long-term supply agreements with third parties at specified prices per ton. No sand was purchased during the quarter ended September 30 30, 2016,

Gross margin
The 7P Plant generated a gross margin of $nil for the three-month period ended September 30, 2016 (2015 – gross margin of $563,000). As described in cost of sales, the gross margin was affected by a combination of price reductions and an adjustment for a prior period cost reduction. The continuing low price of oil is putting pressure on the price of frac sand as producers discount excess inventory.

General and administrative and other costs
General and administrative ("G&A") costs for the frac segment amounted to $nil for the three month period ended September 30, 2016 (2015 - $106,000). These costs include Victory Silica administration, marketing and logistics management. The Company has reduced manpower to a skeleton crew sufficient to operate the 7P Plant as demand requires.

Amortization of property, plant and equipment of $151,000 was recorded for the period, compared with $157,000 for the same period of 2015, for items in use at the 7P Plant including owned and leased equipment.

Net loss
All of the above items combined to produce a net loss for the frac sand segment of $151,000 for the three-month period ended September 30, 2016 compared to $813,000 for the same period of 2015.

Exploration and Development
There were no write-downs necessary for impairment of projects and no pre-exploration expenditures for the three month period ending September 30, 2016. For the same period of 2015 there was a net loss of $24,000.

Net Income/Loss for the Three Months Ended June 30, 2016 – Corporate and Total
The net loss for the three month period ended September 30, 2016 was $924,000, compared with a net loss of $1,599,000 for the same period of 2015.

G&A expenses of $212,000 were down compared to the $313,000 incurred for the same period of 2015. G&A costs include: statutory costs incurred as a public company, general investor relations expenses, consulting, travel costs, salaries and wages, health benefits and director costs and G&A expenses incurred for the frac sand business including Victory Silica administration, marketing and logistics management. Although salaries of $105,000 were accrued, no salaries were paid during the third quarter.

Net Finance Income (Costs)

	Notes		Three months ended Sept 30, 2016		2015
Change in value of options and warrants	14	$	**161**	$	-
Gain on refinancings			**(239)**		-
Change on the value of Participating Interest	15		**-**		73
Net foreign exchange gain (loss)			**(59)**		112
Finance income			**(137)**		185
Interest expense on loans					
Accrued and cash settled	14		**418**		494
Amortization of loan fees	14		**5**		102
Amortization of embedded option derivatives	14		**-**		159
Finance costs			**423**		755
Net Finance Income/(Costs)		**$**	**(560)**	$	(570)

For the three months ended June 30, 2016 net finance loss was $560,000, compared with a net finance cost of $570,000 for the same period in 2015. The Company considers financing activities, other than those related to equipment leased in the frac sand segment, to be part of the Corporate segment.

Finance income for the three month period ending September 30, 2016 was comprised of a gain on the change in value of options and warrants of $161,000 offset with foreign exchange of loss $59,000 and an adjustment to the value of the embedded derivatives related to the debt restructuring of $239,000, resulting in a loss of $137,000, compared with $185,000 in the prior year. The recent slowdown in demand for frac sand and the losses incurred during 2015 and 2016 necessitated an elimination of the Participating Interest liability and resulted in a gain of $1,650,000 in the second quarter. The Company previously applied probability weightings of 25%, 50% and 25% as risk factors to varying levels of expected cash flows. The probability weighted average cash flows has been reduced to 0% as at June 30, 2016 (June 30, 2015 – 75%). The percentage participation in net cash flows under the Participating Interest is 52.16%. This liability will be revisited as more certainty returns to the frac sand market. An impairment in the carrying value of the frac sand assets was not considered necessary as this investment will be recovered before any liability is payable under the participating Interest.

Finance costs were $423,000 for the three months ended September 30, 2016, compared with $755,000 for the same period of 2015. Cash and accrued interest expense was $418,000 for the three months ended September 30, 2016 (2015- $494,000). The decrease in interest expense was primarily attributable to the terms under the Debt Restructuring Agreement.

The Company has issued several tranches of New Promissory Convertible Notes as part of the Debt Restructuring Agreement. There are several elements of finance expense associated with these: cash-settled interest expense paid on a calendar quarter and year basis, non-cash amortization of loan fees, non-cash amortization of the embedded derivative related to the value of the convertibility feature at inception and the change in the value of that embedded derivative at the end of a reporting period. All amortizable elements are calculated using the effective interest rate method. The aggregate outstanding principal value of the New Promissory Convertible Notes due July 31, 2018 is $4,355,000 as at September 30, 2016.

Aggregate interest settled in cash or accrued for the three months ended September 30, 2016 amounted to $348,000. On July 1, 2015, the Company announced that it was not able to make the quarterly interest payment due June 30, 2015 on the SPA Amended Loan and the approximately $6,000,000 of Promissory Convertible Notes. On July 30, 2015 the Company announced that it had not repaid the amounts due, including the principal amount, on July 30, 2015, under the SPA Amended Loan. The Company was also unable to make the quarterly interest payments due September 30, 2015 and December 31, 2015. As a result of the default in the loans all unamortized loan fees and embedded derivatives have been amortized. Accrued interest of $218,000 to September 30, 2015 was paid as part of the Debt Restructuring.

Amortization of loan fees in the three months ended September 30, 2016 amounted to $5,000.In the same period ending June 30, 2015 the amortization of loan fees amounted to $102,000 and amortization of embedded option derivatives was $159,000.

The embedded option derivatives are calculated using the Black-Scholes option-pricing methodology and are a function of share price, the conversion price, risk-free interest rate, length of time to expiry and share price volatility as well as the US dollar exchange rate for loans denominated in US dollars but convertible using a Canadian dollar price. All other things being equal, one would expect the value of the option to decline as time approaches the expiry date. However, because of the volatility of exchange rates and the Company's share price, this may not always be the case. The SPA Loan does not contain an embedded option derivative feature; however, the warrants which were issued therewith may be exercised on a cashless basis. The value of the warrants is considered to be debt rather than equity and changes in the fair value of the warrants is also recorded through net finance income.

As at September 30, 2016, the Participating Interest was revalued at $nil to take into account future expected cash flows based on current market information. This compares with $1.979,000 at September 30, 2015. The change in value has been recorded through Finance Income in the Statement of Operations (for further description see Note 16 to the Condensed Consolidated Financial Statements).

Other comprehensive income

Other comprehensive income ("OCI") for the three months ended September 30, 2016 relates to an increase of $145,000 (September 30, 2015 – loss of $69,000) in the market value of the Company's financial assets at fair value through OCI along with an income tax loss recorded through OCI of $40,000 (September 30, 2015 – income tax recovery of $8,000). These changes are a result of net market value changes in the Company's marketable securities. During the period, the Company sold Marketable Securities for net proceeds of $7,100. Furthermore, a foreign exchange loss in OCI of $34,000 was incurred in the three months ended September 30, 2016 from translation of its subsidiaries as their functional currency is C$.

Other significant changes

The changes in other balances not specifically addressed in other sections of this MD&A are described herein.

SEGMENT OPERATING STATEMENT

Nine Months Ended September 30, 2016 Compared with Nine Months Ended September 30, 2015

Nine months ended September 30, 2016	Corporate	Exploration and Development	Frac Sand	Total	September 30, 2015 Total
Revenues	$ -	$ -	$ 69	$ 69	$ 2,478
Cost of goods sold	-	-	27	27	(3,212)
Gross margin	-	-	96	96	(734)
Operating expenses					
General and administrative	(709)	(23)	(58)	(790)	(952)
Share-based payments:					
Options	-	-	-	-	(53)
Amortization of property, plant and equipment	(3)	(2)	(459)	(464)	(491)
Recovery (writedown) of E and E projects	-	-	-	-	186
Non-recurring plant costs [(1)]	-	-	-	-	(643)
Gain on sale of partnership	283	-	-	283	-
Operating loss	(429)	(25)	(421)	(875)	(2,687)
Finance income	4,057	-	-	4,057	1,944
Finance costs	(1,098)	-	-	(1,098)	(2,595)
Net finance costs	2,959	-	-	2,959	(651)
Income (loss) before income taxes	2,530	(25)	(421)	2,084	(3,338)
Income tax expense	(3,064)	-	-	(3,064)	562
Net income (loss) for the Period	$ (534)	$ (25)	$ (421)	$ (980)	$ (2,776)

Frac Sand Segment

The Company accumulated inventory of in excess of 35,000 tons at the end of 2015 at various stages of the process and made sales of 875 tons of various grades of frac sand during the nine months ended September 30, 2016 (2015-17,570) .

Revenues

During the nine-month period ended September 30, 2016, revenue was $69,000 or $78.85 per ton. This compares to revenue of $2,478,000 or $141.04 per ton during the same period of 2015. Revenue includes periodic freight for sales delivered to the customer. The sudden material and prolonged drop in the price of oil beginning late in 2014 and sustained into 2016 caused such uncertainty in the market that E&P companies effectively stopped activities in the Company's market area.

Cost of goods sold

The cost of goods sold includes the cost of concentrated sand purchased in Wisconsin, the cost of delivery to the 7P Plant including handling and trans-loading costs and the operating cost to dry and screen the concentrated sand into four main dry products. These costs are capitalized as a component of inventory on a normalized basis and are charged to cost of goods sold when title to the product passes to the customer.

The cost of goods sold was a gain of $27,000 for the nine months ended September 30, 2016 compared with an expense of $3,212,000 or $182.81 per ton for the same period of 2015. The 2016 gain reflects a recovery of $127,000 previously charged to Cost of Sales: a portion of the sales are priced on a delivered basis and include transportation costs to the customer. The 7P Plant continues to operate on an as needed basis, resulting in higher operating costs per ton of product produced than what is expected on a continuous operating basis. Costs of $658,000 incurred in 2015 for the temporary suspension of the 7P Plant is included in *Non-recurring plant costs* and do not form part of the cost of sales or inventory.

Gross margin

The 7P Plant generated gross margin of $96,000 for the nine month period ended September 30, 2016 (2015 – negative gross margin of $734,000). The negative gross margin was affected by a combination of price reductions, the write down to the lower of cost or market inventory adjustment. The continuing low price of oil is putting pressure on the price of frac sand as producers discount excess inventory.

General and administrative and other costs

General and administrative (“G&A”) costs for the frac segment amounted to $58,000 for the nine-month period ended September 30, 2016 (2015 - $186,000). These costs include Victory Silica administration, marketing and logistics management. The Company has reduced manpower to a skeleton crew and overhead sufficient to operate the 7P Plant as demand requires.

Amortization of property, plant and equipment of $459,000 was recorded for the period, compared with $485,000 for the same period of 2015, for items in use at the 7P Plant including owned and leased equipment.

Net loss

All of the above items combined to produce a net loss for the frac sand segment of $421,000 for the nine month period ended September 30, 2016 compared with $2,069,000 for the same period of 2015.

Exploration and Development

There were no write-downs necessary for impairment of projects and no pre-exploration expenditures for the nine-month period ending September 30, 2016. For the same period of 2015 there was a recovery of $186,000 representing the value of shares received on optioning the Lynn Lake project less minor expenditures on properties.

Net Income/Loss for the Nine Months Ended September 30, 2016 – Corporate and Total

For the nine months ended September 30, 2016, the Company had a net loss of $980,000, or $0.01 per share, compared with a net loss of $2,776,000, or $0.05 per share, for the nine months ended September 30, 2015 on sales of $69,000 and $2,478,000 respectively.

The main components creating the net loss were G&A expenses of $790,000 (2015 - $952,000) and amortization of property and equipment of $464,000 (2015-$491,000), Net finance income was $4,057,000 (2015 net finance income - $1,944,000). For the nine month period ended September 30, 2016, income tax expense was $3,064,000 compared to a recovery in the first nine months of 2015 of $562,000. In the nine months of 2016, the Partnership generated income for tax purposes significantly in excess of its accounting income and a significant capital loss for tax purposes on the sale of the Partnership. As a result, the Company expects to utilize the majority of its non-capital tax losses carried forward from prior years.

G&A expenses decreased significantly in 2016 compared with the same period of 2015. The main reason for the decrease is related to the Company reducing its overhead due to the slowdown in the market for frac sand.

Net Finance Income/Costs

	Nine months ended Sept 30,	
	2016	2015
Change in value of options and warrants	**$ 358**	$ 226
Gain on refinancings	**2,056**	-
Change on the value of Participating Interest	**1,702**	1,566
Net foreign exchange gain (loss)	**(59)**	152
Finance income	**4,057**	1,944
Interest expense on loans		
Accrued and cash settled	**1,087**	1,477
Amortization of loan fees	**11**	587
Amortization of embedded option derivatives	**-**	531
Finance costs	**1,098**	2,595
Net Finance Income/(Costs)	**$ 2,959**	$ (651)

The finance income of $4,057,000 for the nine month period ending September 30, 2016 primarily relates to the gain on the estimated cash flows from the Participating Interest of $1,702,000 discussed below and the gain on debt restructuring of $2,056,000. Finance income of $1,944,000 for the nine month period ending September 30, 2015 was primarily due to the change in the value of the Participating Interest.

Finance costs for the first nine months of 2016 were to $1,098,000 compared to $2,595,000 for the same period in 2015. These include cash-settled and accrued interest, amortization of cash and non-cash-based fees, changes in embedded option values associated with the convertible debt and amortization of inception values of embedded option derivatives related to debt as well as the change in value of estimated cash flows associated with the Participating Interest. Of all the elements in the table, the only ones which are immediately cash-settled are interest income on bank deposits (which is insignificant) and cash-settled interest expense.

Other significant changes
The changes in other balances not specifically addressed in other sections of this MD&A are described herein.

Cash and cash equivalents have decreased from $85,000 to $26,000 excluding restricted deposits in 2015 of $36,000 which supported a letter of credit provided to one equipment supplier. The Liquidity and Capital Resources section describes the cash flows for the period in detail.

Inventory of $2,846,000 comprises various grades of finished product and concentrated sand at various locations from the transload facilities in Wisconsin and Minnesota, in transit to Seven Persons and at the 7P Plant itself. The cost of the inventory is based on normalized costs anticipated during normal production levels and inventory is carried at the lower of cost or market. As at the end of September 2016, inventory is carried at market values.

Receivables and prepaids decreased from $306,000 to $116,000 during the nine months ended September 30, 2016. The decrease of $256,000 to nil in trade accounts receivable from frac sand sales reflects the slowdown in demand and includes a $23,000 provision for bad debt. Prepaids include $8,000 of deposits to sand suppliers as at September 30, 2016 (December 31, 2015 - $36,000).

Marketable securities as at September 30, 2016 increased by $342,000 from December 31, 2015 entirely due to improvement in the market price of the shares owned. Subsequent to the period, on October 21, 2016 the Company sold its interest in Corazon for net proceeds of AU$514,900. The Company's secured lender has agreed to allow the Company to use these funds to pay costs related to the protection of the Company's assets until the market turns around and inventories can be sold and production resumed. No such sales occurred during 2015.

Project expenditures are described below in Mine Property and Development Activities and Exploration and Evaluation Activities. Property, plant and equipment decreased to $3,766,000 at the end of September 2016 from $4,169,000 as at December 31, 2015 primarily due to amortization.

The decrease in trade and other payables of $843,000 to $2,492,000 relates primarily to the payment under the debt restructuring. With the slowdown in sales and the resulting impact on cash availability, the Company has had to defer payments to suppliers who have not participated in the debt restructuring.

As previously described, at December 31, 2015, Victory Nickel has several loans and borrowings due within one year amounting to $12,111,000. At the end of September 2016 this amount was reduced to $4,386,000 as a result of the debt restructuring transactions.

Note 14 to the Condensed Consolidated Financial Statements include an analysis of the loans and borrowings balances. Refer to the Liquidity and Capital Resources section for additional discussion.

The Company has entered into several finance leases to purchase mobile equipment with a total fair value of $554,000 at various acquisition dates; the long-term portion of the related obligation is $31,000 at the end of September 2016 (December 31, 2015 - $135,000) and the short-term lease obligation of $138,000 (December 31, 2015 - $141,000) is included in *Trade and other payables*. Note 16 to the Condensed Consolidated Financial Statements include an analysis of the lease obligation.

The Participating Interest is a financial liability carried at amortized cost. The valuation thereof is determined by a model of estimated cash flows. As a result of the continuing uncertainty in the oil and gas markets and the resulting negative impact on drilling and the use of frac sand, changes in model assumptions resulted in an elimination of the carrying amount of the Participating Interest (December 31, 2015 - $1,702,000) and, accordingly $1,702,000 was recorded as a *gain on adjustment of estimated cash flows* through the statement of operations.

The deferred tax liability balance amounts to $3,144,000 as at September 30, 2016 (December 31, 2015 - $nil). Deferred income tax assets and liabilities are recognized for temporary differences between the carrying value of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are considered probable to be realized. The deferred tax liability amount reflects a rate of 27%. In the current period, the Partnership (see note 24) generated income for tax purposes significantly in excess of its accounting income and a significant capital loss for tax purposes on the sale of the Partnership. As a result, the Company expects to utilize the majority of its non-capital tax losses carried forward from prior years.

The share capital balance has increased by $671,000 as at September 30, 2016 to $53,241,000 (December 31, 2015 - $52,570,000) mainly as a result of the shares issued as part of the Debt Restructuring

The income tax recovery has increased significantly, as has the pre-tax loss. Certain of the elements in finance costs are not taxable and their volatility has an apparent effect on the effective income tax recovery rate.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eleven quarters ended September 30, 2016 is as follows:

Fiscal year 2016		3rd Quarter	2nd Quarter	1st Quarter
Revenue		$ - (1)	$ 4 (1)	$ 65
Gross margin (loss)		$ - (2)	$ 116 (2)	$ (20)
Net finance income (costs)		$ (137) (3)	$ 1,920 (3)	$ 1,599
Net income (loss)		$ (423) (4)	$ (1,117) (4)	$ 1,061
Total comprehensive loss		$ (806)	$ (1,047)	$ 1,146
Earnings (loss) per share - basic and diluted (13)		$ (0.01)	$ (0.01)	$ 0.02

Fiscal year 2015	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	$ 518 (1)	$ 325 (1)	$ 631 (1)	$ 1,522
Gross margin (loss)	$ (189) (2)	$ (563) (2)	$ 76 (2)	$ (247)
Net finance income (costs)	$ (760) (3)	$ (570) (3)	$ (794) (3)	$ 713
Net income (loss)	$ (2,336) (4)	$ (1,599) (4)	$ (906) (4)	$ (271)
Total comprehensive loss	$ (2,296)	$ (1,679)	$ (945)	$ (178)
Earnings (loss) per share - basic and diluted (13)	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.00)

Fiscal year 2014	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	$ 7,203 (1)	$ 5,463 (1)	$ 1,310 (1)	$ -
Gross margin (loss)	$ 670 (2)	$ 689 (2)	$ (146) (2)	$ -
Net finance income (costs)	$ 714 (5)	$ (255) (7)	$ (47) (9)	$ (872)
Net income (loss)	$ 96 (6)	$ (373) (8)	$ (693) (10)	$ (1,446)
Total comprehensive loss	$ (2,287)	$ (464)	$ (724)	$ (1,371)
Earnings (loss) per share - basic and diluted (13)	$ 0.00	$ (0.01)	$ (0.01)	$ (0.02)

1. Revenue represents sales of frac sand (first sales were recognized in the second quarter of 2014).
2. Gross margin (loss) includes cost of goods sold which include operating costs for a full period despite production being at less-than-full capacity.
3. Net finance income includes the change in the fair value of the embedded option derivatives related to the Promissory Convertible Notes, a reduction in fair value of warrants issued in connection with SPA Loan, and a gain on adjustment of estimated cash flows for the Participating
Interest, offset by amortization of embedded derivatives and loan fees.
4. Includes the effects noted above.
5. Net finance costs include $708,000 change in the fair value of the embedded option derivatives related to the Promissory Convertible Notes partly offset by $493,000 gain on adjustment of estimated cash flows for the Participating Interest.
6. Includes the effects noted in (1), (2), and (5).
7. Net finance costs include $827,000 change in the fair value of the embedded option derivatives related to the Promissory Convertible Notes as well as $20,000 loss on adjustment of estimated cash flows for the Participating Interest.
8. Includes the effects noted in (1), (2), and (7).
9. Net finance costs include $450,000 change in the fair value of the embedded option derivatives related to the Promissory Convertible Notes as well as $135,000 loss on adjustment of estimated cash flows for the Participating Interest.
10. Includes the effects noted in (1), (2), and (9).
11. Net finance costs include $505,000 change in the fair value of the embedded derivatives related to the Promissory Convertible Notes as well as $97,000 loss on adjustment of estimated cash flows for the Participating Interest.
12. Includes the effects noted above combined with increased costs relating to the frac sand business and net frac sand pre-operating costs of $194,000.
13. After the retroactive effect of the Share Consolidation.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2016, the Company had a working capital deficiency of $3,332,000, compared with a working capital deficiency of $11,929,000 as at December 31, 2015.

The decrease in working capital deficiency since December 31, 2015 resulted primarily from the restructuring of the Senior Secured Debt and the Promissory Convertible Notes that are due at various times in 2018 as part of the Debt Restructuring Agreement. An analysis of the Debt Restructuring Agreement can be found in Note 14 of the Condensed Consolidated Financial Statements. Also see the Going Concern note above.

Participating Interest

On April 22, 2014, Nuinsco exercised its conversion option and converted its loan to the Participating Interest. At the same time, Nuinsco relinquished its security over the assets of the Company since the conversion constituted payment of the loan in full. This obligation will be settled through a 52.16% participation in net operating cash flows from the frac sand business after recoupment of capital costs for Phase One and pre-operating expenses. The participation is capped at C$7,667,124 provided the Company proceeds with Phase Two, otherwise the cap is approximately C$10,222,831 Phase One and Phase Two are described under *Frac Sand Segment* below). Distributions under the Participating Interest terms are calculated based on operating cash flow after recovery of capital and pre-operating costs and take into account working capital. The continuing uncertainty surrounding the oil and gas industry and the related use of frac sand has made the determination of the timing of the first payment under the Participating Interest impossible. As a result, at September 30, 2016 the carrying value of the Participating Interest was $nil, compared with $1,702,000 at December 31, 2015. The change in value has been recorded through Finance Income in the statement of operations (for further descriptions see Note 15 to the Condensed Consolidated Financial Statements).

The Company will continue to reassess the carrying value of the Participating Interest as circumstances warrant.

Promissory Convertible Notes

During 2013 and 2014 Promissory Convertible Notes aggregating $5,979,000 were issued to fund the construction of the 7P Plant and working capital requirements. The accounting complexities of these financial liabilities have been described earlier. During the nine months ended September 30, 2016, $2,924,000 of the Promissory Convertible Notes were restructured under the terms of the Debt Restructuring Agreement by the issuance of New Promissory Convertible Notes and shares, as discussed earlier. In addition, certain trade payables were paid through the issuance of New Convertible Notes and shares. The New Promissory Convertible Notes aggregate $1,985,000 as at September 30, 2016.

Senior Secured Debt

On May 15, 2014, the Company entered into the SPA Loan, as described in the Condensed Consolidated Financial Statements for the nine months ended September 30, 2016 and 2015.

The warrants issued in connection with the SPA Loan contain a cashless exercise feature which requires the warrants to be recognized as a liability rather than as equity within contributed surplus. Accordingly, the fair value of the warrants at inception of $18,000 is recorded as a liability with the balance of the Senior Secured Debt. Any change in the fair value of the warrants is also recorded as a component of the Senior Secured Debt and charged to finance income or costs in the statement of operations.

In the period ended September 30, 2016, the Company paid $27,000 in cash and accrued $604,000 for interest related to a SPA Amended Loan.

In June 2015 the SPA Loan was increased by $1,150,000 to $5,150,000. Of the increase, $1,000,000 was used to repay its short-term facility and $150,000 was made available for working capital purposes. As consideration, the warrant price was reduced from C$1.00 per share to C$0.50 per share and an additional 575,000 warrants were granted.

On July 1, 2015, the Company announced that it was not able to make the quarterly interest payment due June 30, 2015 on the SPA Amended Loan and on the Promissory Convertible Notes outlined above, and that it was in discussion with its secured lender (the “Secured Lender”) to restructure the Company’s debt.

On July 30, 2015, the Company announced it had not repaid the principal amounts due under the SPA Amended Loan, and that it was continuing with discussions among the Secured Lender and other potential financing sources to restructure the Company’s debt and recapitalize the Company. The Company was unable to make the interest

payment due September 30, 2015 and December 31, 2015.

On March 3, 2016 the Company announced that it has completed the restructuring of the SPA Amended Loan.The amount has been increased to $5,500,000 and the maturity date has been extended 30 months to January 31, 2018 and used to repay the principal of $5,150,000 and accrued interest on the SPA Amended Loan.

Promissory Note
On October 1, 2014, the Company completed a short-term financing by way of a $2,000,000 Promissory Note with the Secured Lender (the "Promissory Note"). The Promissory Note bears interest at 28%, calculated and settled monthly. The Promissory Note was renewed on a monthly basis upon payment of extension fees and penalties. The Company repaid $1,000,000 during the first two months of 2015 and in November 2015, the Company announced it had entered into agreement binding term sheet whereby the short-term facility and the SPA loan were combined to create the SPA Amended Loan.

Cash Flows in the First Nine Months of 2016
Cash and cash equivalents as at September 30, 2016 and December 31, 2015 were held with major Canadian banks. The Company has a 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.

For the nine-month period ending September 30, 2016, the Company used cash from operating activities of $107,000, compared with cash generated by operations of $895,000 during the same period of 2015. Receivables as at December 31, 2015 were all collected, with the exception of $23,000 which was included in bad debts during the period to September 30, 2016 and provided an increase in cash of $194,000. Payment of trade payables and accrued interest used $885,000. The non-payment of interest on debt improved cash by $1,386,000. There continues to be limited revenues due to the slowdown in operating activity during the year as mentioned earlier.

Costs incurred to advance the Company's exploration, evaluation and development projects are capitalized, as summarized below under the discussion of investing activities. Costs to maintain the properties are expensed. In the nine months ended September 30, 2016, $25,000 was charged to expense.

Operating activity was minimal during the first nine months of 2016 due to the continued low price environment in the oil and gas sector and the protracted period of minimal drilling activity in the Company's market area. Receivables for frac sand sales were $nil at the end of September 2016 after taking a $23,000 bad debt allowance.

During the nine months ended September 30, 2016, net cash generated by investing activities was $144,000, compared with cash used of $173,000 in the prior comparable period. The sale of a partnership provided $174,000 in 2016. $30,000 was capitalized against MP&D and E&E projects during the period ending September 30, 2016, (2015 - $140,000). In the period, no expenditures were incurred for 7P Plant equipment and improvements (2015 – $33,000).

The Company used $96,000 in financing activities during the six months ended September 30, 2016, compared with $1,425,000 used in 2015. In 2015, $1,000,000 of the Promissory Note was repaid in cash and the balance was repaid with proceeds from the SPA Amended Loan. Interest of $1,386,000 was accrued for all debt in the nine months ended September 30, 2016, compared with $804,000 paid and accrued in 2015. The increase in interest accrual is due to the non-payment of interest on the Debt Restructuring Agreement described elsewhere in this MD&A.

The Company's activities during the period ended September 30, 2016 decreased cash and cash equivalents by $59,000, compared with a use of cash of $703,000 during the first nine months of 2015.

Table of Contractual Commitments

	Due Date	Currency	Sept 30, 2016	December 31, 2015
Promissory Convertible Notes	July 7, 2016	US Dollar	**$ 3,000**	$ 3,000
Promissory Convertible Notes [(2)]	July 18, 2018	US Dollar	**$ 1,375**	$ 2,750
Promissory Convertible Notes [(2)]	July 18, 2018	Canadian Dollar	**$ 133**	$ 265
SPA Amended Loan [(1)]	January 31, 2018	US Dollar	**$ 5,500**	$ 5,150
Promissory Convertible Notes [(2)]	July 18, 2018	Canadian Dollar	**$ 706**	$ -
Promissory Convertible Notes [(2)]	July 18, 2018	US Dollar	**$ 106**	$ -
Promissory Convertible Notes [(2)]	July 18, 2018	Canadian Dollar	**$ 894**	$ -
Leased mobile equipment	Within one year	Canadian Dollar	**$ 143**	$ 195
	One to five years	Canadian Dollar	**$ 34**	$ 187

(1) A Promissory Note was due by January 31, 2015. The Promissory Note was renewed on a monthly basis upon payment of extension fees and penalties. The Company repaid $1,000,000 during the first two months of 2015 and in June the Company entered into an amending agreement whereby the Promissory Note and the SPA Loan were combined. On March 3, 2016 the SPA Loan was extended to January 31, 2018 and $350,000 of accrued interest outstanding was capitalized as part of the SPA Loan.

(2) Promissory Notes part of the Debt Restructuring Agreement closing on March 7, March 31 and June 7, 2016.

Using November 28, 2016 prices, the aggregate market value of the Company's marketable securities held in public company shares is approximately $174,000.

As at November 29, 2016, the Company had options and warrants outstanding which could bring in additional funds. All of those instruments are not "in-the-money" and the receipt of such funds cannot be relied upon.

The Company has good title to its projects and will continue to maintain the projects in good standing.

The Company has in excess of 35,000 tons of sand in inventory at September 30, 2016 which should generate cash to fund cash requirements and bring suppliers debt up-to-date. The Company has eliminated all discretionary costs which should not have a negative impact on its ability to resume production. Staffing, salaries, and director fees have been reduced or deferred where possible.

BUSINESS UPDATE

Reporting Segment

The Company is engaged in the exploration, evaluation and development of properties for the mining and production of nickel and associated products. The Company also produces frac sand for the oil and gas industry in Canada and the northern US. Accordingly, the Company commenced reporting on a segmented basis in 2014. The Company has three reporting segments: Corporate, Exploration and Development, and Frac Sand.

The Corporate segment supports all of the Company's activities.

Senior management makes decisions with respect to Exploration and Development by considering exploration and development potential and results on a project basis. The exploration and development projects are all located in Canada.

The Frac Sand segment is managed and operated by Victory Silica's executives and employees although the business and operating assets are part of Victory Nickel (refer also to Note 20 in the 2015 Audited Consolidated Financial Statements). The segment is located in Canada although sand as raw material is imported from the US.

The following table provides additional information on the Company's total segment assets:

	September 30, 2016	December 31, 2015
Canada		
Corporate	**$ 2,123**	$ 1,446
Exploration and Development	**48,508**	48,480
Frac Sand	**6,497**	7,256
Intersegment elimination	**(1,425)**	(1,135)
Total Assets	**$ 55,703**	$ 56,047

EXPLORATION AND DEVELOPMENT ACTIVITIES

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

MINE PROPERTY AND DEVELOPMENT ACTIVITIES

During the period ended September 30, 2016, $19,000 was incurred on the Minago project (2015 - $59,000).

Minago Project

The Company's 100%-owned Minago project is a permitted project ready for development. It is located on the unexposed southern part of the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped sulphide nickel deposits. Minago has been shown to be capable of producing a nickel concentrate grading from 22.3% up to 35.0%, making it reportedly the world's highest grade nickel concentrate. In addition to metal by-products such as copper, cobalt, gold, platinum, palladium, silver and rhodium, a layer of silica sand averaging approximately nine metres thick overlies the nickel mineralization within the open pit. Approximately 84% of the sand is marketable as frac sand. The frac sand forms part of the overburden that must be removed prior to mining the nickel ore. According to the Minago FS, production of frac sand could begin 20 months after the start of mine development.

The analytical data and geological interpretations obtained from a work program in 2010 were incorporated into an updated geological model and resource estimate. The updated resource incorporates a 24% increase (over the previous resource estimate) in the NI-43-101-compliant measured and indicated and pit-constrained sulphide nickel resource used in the Minago FS. The Minago FS is posted at www.sedar.com. Note that all resources are contained in the Nose Deposit and the update below does not include the results of the 2011 drilling program.

	April 2011 Pit-Constrained Resource[1]			**March 2010 In-Pit Resource[2]**			**Increase (Decrease) in Contained Metal**	
	Tonnes	**Grade**	**Ni Content**	Tonnes	Grade	Ni Content	**Ni Content**	**Change**
Category	**Millions**	**%NiS[3]**	**M Lb**	Millions	%NiS[3]	M Lb	**M Lb**	**%**
Measured	**8.2**	**0.473**	**85.0**	6.6	0.488	71.4	**13.7**	**19.2**
Indicated	**22.8**	**0.432**	**217.2**	19.1	0.410	172.6	**44.6**	**25.9**
M&I	**31.0**	**0.443**	**302.2**	25.7	0.430	243.9	**58.3**	**23.9**
Inferred	**0.2**	**0.380**	**1.4**	1.4	0.402	12.2	**(10.8)**	**(88.4)**

[1] Lerch-Grossman pit optimization shell [2] Whittle pit optimization shell [3] Nickel in sulphide form

A winter work program was conducted at Minago in 2011 comprised 8,793m of diamond drilling in 20 drill holes with associated ground and borehole electromagnetic geophysics. A total of 15 holes were collared to intersect the "North Limb", a domain of nickel-bearing ultramafic rock extending at least 1.5km north from the Nose Deposit.

A 3,500m winter work program was conducted in early 2012 to test a number of targets around the property that have been identified in previous work programs as well as areas that are scheduled for Minago mine infrastructure development. In part, the drilling evaluated the nickel-bearing Ospwagan Group/Pipe Formation rocks in the vicinity of the Minago Nose Deposit.

Importantly, two holes of the 2012 program tested known nickel-bearing serpentinite that underlies mining lease ML-003 approximately 5km south of the Nose Deposit. Thirteen historic drill holes are known to have been drilled by previous operators in the area between 1968 and 1971. Ten of the thirteen holes intersected serpentinized ultramafic rock, while seven of these holes obtained significant intersections of nickel-mineralized serpentinite from within a body interpreted to be >2 km long. The most extensive intersection, in MXB-70-60, was 605m grading 0.3% Ni from 154m down hole. DDHs V-12-07 and V-12-09 completed in the winter of 2012 both intersected significant widths of serpentinite and obtained analytical results consistent with historic results.

No fieldwork has been conducted on the project subsequent to the winter 2012 work program; current work is related to reporting and evaluation of existing results as well as gathering additional geochemical information from existing drill core. An application to renew the Minago mining leases ML-002 and ML-003 was successful and both leases have been renewed for a 21-year term.

On August 23, 2011, the Manitoba Government issued Victory Nickel's final EAL for the Minago project. The licence was to expire on August 22, 2014 unless the Company completes a certain amount of work to move the project forward. During 2014, the Company complied with the conditions of the EAL and, in December 2014, filed an

Environmental Act Proposal ("EAP") to amend the EAL to relocate the proposed tailings and waste rock management facility. The construction of drainage ditches installed to lower down the water table within the pit shell limits, the installation of Flow Gauging and Telemetry systems and the implementation of a comprehensive environmental monitoring program are considered part of the site development necessary to maintain the EAL. Consultations with First Nations by the government of Manitoba continue. On completion the government is expected to issue the amendment to the existing EAL, which continues to be valid.

Minago Frac Sand

An indicated resource of 15 million tonnes of sandstone has been estimated to occur within the current Minago pit shell. The frac sand component of this resource of approximately 11 million tonnes is a significant contributor to the positive economics at Minago. As part of the FS, Outotec produced a feasibility-level design for a frac sand plant complete with capital and operating costs to produce 1,140,000 tonnes of frac sand annually for a ten-year period. Considerable potential exists to expand the resource beyond the limits of the current pit.

EXPLORATION AND EVALUATION ACTIVITIES

For the nine months ended September 30, 2016, the Company incurred exploration expenditures on its E&E projects of $11,000 for (2015 – $214,000). Expenditures have been minimal due to the tight equity markets and management's focus on Victory Silica and the frac sand business.

Frac Sand

Bear Coulee Property

In October 2014, the Company entered into an option to acquire a 100% interest in a frac sand land package totalling over 300 acres in Trempeleau County Wisconsin, USA (the "Bear Coulee Property"). The option agreement provides for a cash payment of $10,000 on signing of the agreement (and paid in 2014), a second cash payment on delivery of permits (which has not yet been completed) and a third cash payment on exercise of the option. The option is valid for six months following receipt of permits with two equivalent extensions available under certain circumstances. Prior to production, the Company will be required to pay $40,000 per annum as advance royalties on the initial 20,000 tons of sand production. Once the Bear Coulee Property is in production, the Company will be required to pay a royalty of $2.00 per ton of frac sand sold from the property.

In February 2015, the Company announced the completion of a National Instrument 43-101 technical report describing a resource estimate of approximately 11 million tons of frac sand on the Bear Coulee Property.

Nickel

Lac Rocher

Lac Rocher, with year round access, is located in northwestern Québec and has measured (0.29 million tonnes grading 1.23% Ni) and indicated (0.51 million tonnes grading 1.05% Ni) resources of 0.80 million tonnes grading1.12% nickel, at a 0.5% nickel cutoff, for approximately 20 million pounds of in-situ nickel located between surface and125 vertical metres. Additional inferred resources total 0.44 million tonnes grading 0.65% Ni. Mineralization remains open to the southwest. The breakeven price of nickel per pound in the Lac Rocher PEA was US$9.74 with copper at US$3.65 with an exchange of C$0.95 / US$1.00.

The Lac Rocher property is subject to a discovery incentive plan (the "DIP") to reward certain individuals involved in the discovery of Lac Rocher with a 2% net smelter royalty ("NSR") for mines that were discovered on certain properties prior to the expiry of the DIP. The NSR is payable only on revenues earned after recovery of all development costs for any mine on the property. The terms of the DIP provide the Company with a right of first refusal on any proposed disposition of the NSR. In addition, the DIP contains put/call provisions under which the Company may be required to purchase, or may exercise an option to purchase, the NSR at the value of its discounted cash flows, as defined therein. The Lac Rocher property is the only property subject to the DIP. As the Lac Rocher property is not yet in production, no royalties are currently payable. No work has been conducted on site since December 2009.

Mel Project

The 100% owned Mel project is located on the Thompson Nickel Belt, just north of Thompson, Manitoba. It is a large property, approximately 25km east-west by about 6km north-south, and remains underexplored.

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

The re-evaluation of the Mel dataset has been completed for both the drill hole data on the Mel deposit and the

considerable drilling (111 drill holes) conducted of the claims portion of the property. The study has included reinterpretation of the geological context in order to evaluate new or under-tested target areas for future work and that can be incorporated into further, more refined, modelling of the Mel resource. No fieldwork was conducted since 2011. An application to renew Mel mining lease ML-007 was successful and the lease has been renewed for a 21-year term.

Under the terms of the Mel option agreement with Vale, Vale must mill ore from the Mel project at cash costs plus 5% subject to capacity availability and metallurgy – this is unaffected by Vale's decision not to exercise its back-in right. Furthermore, in accordance with the terms of the agreement with Vale, they now are entitled to a 10% royalty on "distributable earnings" as defined in the agreement. Distributable earnings is defined as net revenue less operating expenses, before federal and provincial income taxes, after provincial mining taxes and less aggregate pre-production capital but before depreciation.

Lynn Lake
The Lynn Lake property is located in the historic mining town of Lynn Lake in northern Manitoba, about 320km by road northwest of the Thompson mining camp. The property is the former Sherritt Gordon Mines Limited ("Sherritt") mine site known as the Lynn Lake A Mine and Farley Mine, comprised of 13 mining claims, 14 mining claim leases and 2 mineral leases covering an area of 2,170.26 hectares. The property was operated by Sherritt from 1953 to 1976 with reported production of 22.2 million tons at an average grade of 1.023% nickel and 0.535% copper.

As described in the 2015 Audited Consolidated Financial Statements, the Company had optioned Lynn Lake to Prophecy Platinum Corp. with subsequent assignment to Wellgreen Platinum Ltd ("Wellgreen"). In March, 2014, Wellgreen relinquished the option on the property and it has reverted to the Company. On November 4, 2014, the Company announced that it had optioned the Lynn Lake project to Corazon which has assets in the Lynn Lake area. Under the terms of the agreement, Corazon can acquire a 100% interest in Lynn Lake by issuing 40,000,000 Corazon shares to the Company upon closing and incurring A$3,500,000 in exploration expenditures or in payments (in cash or Corazon shares at Corazon's option) to Victory Nickel over five years. In addition, Victory Nickel will retain a 1.5% net smelter royalty on production from the Lynn Lake nickel project, and receive a payment of A$1,000,000 (in cash or Corazon shares at Corazon's option) within 30 days of the commencement of ore processing activities at the Lynn Lake nickel project.

On April 6, 2015 Corazon issued 40,000,000 Corazon shares to Victory Nickel as part of the terms of the option agreement between the two companies. On October 21, 2016 the shares were sold for net proceeds of AU$514,900.

FRAC SAND SEGMENT
As explained above, the Frac Sand segment is managed and operated by Victory Silica's executives and employees although the business and operating assets are part of Victory Nickel (refer also to Note 21 in the 2015 Audited Consolidated Financial Statements). The segment is located in Canada although sand as raw material is currently imported from the US. The plan is to eventually produce both domestic and imported sand.

The Company completed Phase One of its three phase business plan. Phase One provided for the refurbishment and upgrading of the 7P Plant to a capacity of 500,000 tpa of high-quality frac sand. The 7P Plant was completed in March 2014 followed by commissioning until early August.

Successful completion of Phase One was expected to lead to Phase Two which provides for the building of a wash plant in Wisconsin, USA followed by Phase Three which provides for the construction of a second dry processing facility in Manitoba with a capacity of approximately 1,000,000 tpa. With the completion of Phase One, the Board of Directors approved proceeding with Phase Two provided non-dilutive financing could be arranged. However, in February 2015, the Company announced that Phase Two had been deferred due to the uncertainty caused by the drop in the price of oil.

As mentioned above, sales decreased monthly from January to March and, as a result of commodity market uncertainty and longer than expected spring break-up conditions, the Company temporarily suspended the frac sand operations on April 14, 2015. In May 2015, spot sales of frac sand from the 7P Plant resumed and the 7P Plant continues to operate on an as-needed basis only. Frac sand sales typically slow down during spring break-up due to road restrictions in Alberta. This year, the spring break-up slowdown was more pronounced than in prior years as the majority of E&P companies to conserve capital by postponing drilling activity to less costly periods after spring break-up. Since that time due to continued uncertainty in the oil price E&P companies are reducing capital expenditure programs and, as a result, drilling activity has slowed. The market uncertainty is placing pressure on Victory Nickel's oilfield service company customers to reduce E&P company drilling costs.

These companies, in turn, look to their suppliers, including frac sand producers, to help lower their costs. Accordingly, frac sand prices in Canada have decreased to levels that do not appear to be sustainable over the long term. The weakness of the Canadian dollar has made domestic sand more competitive over this period and is taking some of the market previously available for imported sand.

IMPAIRMENT ANALYSIS UPDATE

There has been no marked recovery in the metals markets and more general economic indicators except for a strengthening US dollar, a small change in the nickel price and a reduction in the oil and gas prices. The Company performed a detailed impairment analysis on each of its E&E projects and the MP&D project as at December 31, 2015. The Company does not believe that there have been any material changes to date which would adversely affect this analysis. Furthermore there has been no change in management's plans for the projects which would cause a reassessment.

Management concluded that no impairment existed in each of its projects effective June 30, 2016 and that costs incurred to date are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements used in the preparation of the consolidated financial statements include determining the carrying value of investments, MP&D and E&E projects, assessing the impairment and classification of long-lived assets, determining the recoverability of deferred income tax assets, the valuation of the convertibility feature of the loans and Promissory Convertible Notes, the valuation of share-based payments and the disclosure of contingencies and going concern matters. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates, judgments and measurement uncertainty, reference should be made to Note 3 to the Company's 2015 Audited Consolidated Financial Statements. The Company's 2015 Audited Consolidated Financial Statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2015 Audited Consolidated Financial Statements.

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

The value of the Participating Interest is a significant estimate which uses a model of estimated cash flows and applies probability-weighted estimates to the model. Assumptions are made about the phase at which the frac sand business will be when payments are being made as well as production costs and volumes and sales prices and volumes.

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

The Company has determined that it is highly probable that Victory Nickel will generate returns sufficient to utilize its taxable losses prior to their expiry. This is a significant judgement that, dependent upon future events, may turn out to be incorrect. Presently, since Victory Silica is not generating profit a full valuation allowance has been recorded against losses incurred in that subsidiary. The Company will monitor any changes in circumstances which could require a reversal of the valuation allowance.

NEW ACCOUNTING POLICIES

There have been no new accounting policies adopted by the Company, except as noted in Note 3 to the 2015 Audited Consolidated Financial Statements.

FUTURE ACCOUNTING CHANGES

New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company's 2015 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

IFRS 15 – Revenue from Contracts with Customers
During 2014, the IASB established principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based model for revenue recognition to be applied to all contracts with customers. IFRS 15 will be effective for the Company's fiscal year beginning January 1, 2018, with earlier adoption permitted.

IFRS 16 – Leases
In 2016, the IASB issued its new leasing standard. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as previously required by IAS 17.Instead, it introduces a single lease accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and to depreciate the lease assets separately from interest on the lease liabilities on the income statement. IFRS 16 will be effective for the Company's fiscal year beginning January 1, 2019, with earlier adoption permitted if the entity also adopts IFRS15.

CORPORATE GOVERNANCE

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

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, (collectively, the "Certifying Officers"), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. The Company periodically commissions an evaluation under the supervision of the Certifying Officers and with the participation of management of the effectiveness of the Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities, such an evaluation was performed for the year ended December 31, 2014

The Certifying Officers have concluded that the design and operation of the Company's disclosure controls and procedures were effective as of the date of this MD&A. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

Evaluation of Internal Control over Financial Reporting

The Company's Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO (1992) control framework and is in the process of updating its methodology to incorporate the COSO (2013) framework into its analyses for the future. The COSO Board has made the COSO (1992) framework available for use until an unspecified date at which point it is expected to be considered superseded. The Company periodically commissions an evaluation under the supervision of the Certifying Officers and with the participation of management of the effectiveness of the Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities, such an evaluation was performed for the year ended December 31, 2014

The Certifying Officers have concluded that the design and operation of the Company's internal controls over financial reporting and procedures were effective as of the date of this MD&A.

The management of the Company was required to apply its judgement in evaluating the cost-benefit relationship of

possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT AGREEMENT WITH NUINSCO RESOURCES LIMITED

Related Party Balances and Transactions for Services

Short-term employee benefits provided by the Company to key management personnel include salaries, directors' fees, statutory contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue options and shares as part of the stock option plan and share bonus plan (Notes 19 and 21 to the 2015 Audited Consolidated Financial Statements). Payables to key management personnel generally relate to directors' fees, consulting fees, and expense reimbursements.

Balances and transactions with related parties as at September 30, 2016 and December 31, 2015 and for the nine months ended September 30, 2016 and 2015 are shown in the following tables:

	September 30, 2016	December 31, 2015
Balances Outstanding		
Payable to key management personnel	**$ 320**	$ 277

	Three months ended Sept 30,		**Nine months ended Sept 30,**	
	2016	2015	**2016**	2015
Short-term employee benefits	**$ 84**	$ 206	**$ 252**	$ 206
Share-based payments - options	**-**	-	**-**	-
	$ 84	$ 206	**$ 252**	$ 206

Balances and Transactions with Nuinsco under the Management Agreement

Until March 15, 2015, the Company shared management, administrative assistance and facilities with Nuinsco pursuant to a Management Agreement; management operates under the supervision of the respective Board of Directors of each respective company; there is only one common director. The costs charged by Nuinsco are recorded at the cost to Nuinsco of such services plus 10 per cent. The Management Agreement commenced February 1, 2007 and was terminable by the Company upon 180 days' notice and by Nuinsco upon 90 days' notice. The Company served notice of termination on September 5, 2014; accordingly, the Management Agreement ceased in March 2015. The Company has continued to share resources and costs with Nuinsco under an informal cost-sharing arrangement.

Balances and Transactions with Nuinsco under the Participating Interest

The terms of the Participating Interest are described in Note 15 to the Condensed Consolidated Financial Statements as well as in the Liquidity and Capital Resources section of this MD&A.

OUTSTANDING SHARE DATA

As at November 29, 2016, the Company had 92,370,968 common shares issued and outstanding. In addition, there were 2,410,000 stock options and 5,500,000 warrants outstanding. However, none of the options and warrants are "in the money", all the warrants are exercisable.

RECENT DEVELOPMENTS

The slowdown in demand for frac sand has required the Company to implement initiatives to conserve cash. This effort is continuing.

The most recent transaction to generate cash occurred on October 21, 2016. The Company sold its interest in Corazon Mining Limited for net proceeds of AU$514,900. The Company's secured lender has agreed to allow the Company to use these funds to pay costs related to the protection of the Company's assets until the market turns around and inventories can be sold and production resumed.

RISKS AND UNCERTAINTIES

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. Additionally, there are specific risks related to the Company's presence in the frac sand market. The risk factors which should be taken into account in assessing Victory Nickel's activities and an investment in its securities include,

but are not necessarily limited to, those set out in detail below.

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

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

Financial and Investment Risks

Going Concern

Readers are encouraged to read and consider the going concern note specifically described at the beginning of the MD&A and contained in the Condensed Consolidated Financial Statements.

Substantial Capital Requirements

Victory Nickel will have to make substantial capital expenditures for the development of, and to achieve production from, its nickel projects. Production will only be reached a number of years following the start of development. Until that time, the Company is reliant on cash flows generated by its frac sand business, on the equity markets and asset sales to generate cash for ongoing operations and programs. There can be no assurance that any debt or equity financing or cash generated by operations or asset sales will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Victory Nickel. Moreover, future activities may require Victory Nickel to alter its capitalization significantly. The inability of Victory Nickel to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. Flow-through financing cannot be used to fund the Company's corporate costs.

The 7P Plant has been substantially completed, however additional capital will be required. Future phases of the business plan as outlined earlier in this MD&A will require additional capital; these phases are independent of the 7P Plant. This capital requirement may be in excess of the net funds generated by the business. The frac sand operations have ongoing requirements for working capital financing. There is a risk that sufficient working capital financing may not be available at suitable prices.

The Company recognizes the requirement to repay outstanding principal and interest on existing debt and is actively working on restructuring its obligations. To date, the Company has entered into the Debt Restructuring Agreement under which its secured and certain of its unsecured creditors have participated. There can be no assurance that the Company will be able to restructure its debt with any or all of the remaining unsecured creditors per the terms of the Debt Restructuring Agreement and/or recapitalize and there is no certainty as to what steps the unsecured lenders may take as a result.

Market Perception

Market perception of junior exploration, development and mining companies and frac sand companies may continue to shift such that companies in these sectors continue to be viewed unfavourably by investors. This could impact the value of investors' holdings and Victory Nickel's ability to raise further funds by issue of additional securities or debt.

Metal and Frac Sand Prices

There is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Nickel and by-product prices fluctuate on a daily basis and are affected by numerous factors beyond Victory Nickel's control – including factors which are influenced by worldwide circumstances. The level of interest rates, the rate of inflation, world supply and demand for commodities and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The prices of nickel and by-products have historically fluctuated widely and future price declines could cause commercial production to be uneconomical and such fluctuations could have a material adverse effect on Victory Nickel's business, financial condition and prospects. As Victory Nickel has historically been in the exploration and development stage, the above factors have had no material impact on present operations but must be considered in evaluating the impairment of long-lived assets. These factors are of significant importance for the Minago FS and decisions related thereto as well as being important to the developing frac sand business.

The business case developed to support the Company's entry into the frac sand business made significant

assumptions on pricing of frac sand as well as for important cost elements of production and transportation. The price of frac sand is subject to market forces beyond the Company's control. Over the past 18 months or more, the impact of such market forces has negatively impacted demand and pricing for frac sand and there can be no assurance that these impacts will not continue in the future.

Areas of Investment Risk

The Company's common shares are listed on the CSE. The share prices of publicly-traded companies can be volatile as the price of shares is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to Victory Nickel. The market for shares in small public companies is less liquid than for large public companies. Investors should be aware that the value of the Company's common shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

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

Industry Risks

Speculative Nature of Mineral Exploration

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that Victory Nickel's exploration efforts will be successful. Few properties that are explored are ultimately developed into economically-viable operating mines. Success in establishing reserves is a result of a number of factors, including the quality of Victory Nickel's management, level of geological and technical expertise and the quality of land available for exploration and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling to determine the optimal extraction method for the ore and the metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. It is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies, such as to the Minago FS, on Victory Nickel's projects or the current or proposed exploration programs on any of the properties in which Victory Nickel has exploration rights will result in a profitable commercial mining operation. As a result of these uncertainties, no assurance can be given that Victory Nickel's exploration programs will result in the establishment or expansion of resources or reserves.

Evaluation and Development Projects

In general, evaluation and development projects have no operating history upon which to base estimates of future cash operating costs. For evaluation and development projects such as the mineral resource properties owned by Victory Nickel, estimates of proven and probable reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost, cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain feasibility and/or development preparation work on the projects that could adversely impact estimates of capital and operating costs required for the development of the projects. Costs necessary to develop the projects could be significant and have a direct impact on the economic evaluation of the projects. As a result, it is possible that the actual capital cost, cash operating costs and economic returns of the projects may differ from those currently estimated. The costs estimated under the Minago FS for Minago differed from the Preliminary Economic Assessment and may differ again upon actual development.

Frac Sand Industry

Frac sand processing is a new business for Victory Nickel. The industry is closely linked to the oil and gas industry and is therefore affected by economic factors impacting that industry, including the effect of future cycles based on historic experience. Demand for frac sand is influenced by many factors, including: global and regional economic and political events and conditions, fluctuations in pricing and availability of oil and gas and other energy sources, demand for oil and gas products, demand for cars and other vehicles, technological innovation impacting alternative energy sources, changes in the regulatory framework for mining and processing frac sand and the hydraulic fracturing industry. The oil and gas industry can be prone to sudden, unexpected production slowdowns which may impact exploration, development, production and well completion activities. These factors, such continuing low price of oil, cannot readily be predicted or controlled. Negative developments could cause the demand for frac sand products to decline which could have and have had adverse effects on business, financial condition, results of operations, cash flows and prospects.

With respect to the frac sand industry itself, risks include: changes in transportation availability and pricing, inclement or hazardous weather conditions from flooding or climate change, environmental hazards, industrial accidents, changes in the regulatory framework impacting mining, processing and the fracking industries in both Canada and the US, inability to procure sand in the required quantities or qualities, inability to obtain replacement parts or equipment on a timely basis, reduction in the availability of water for processing, inability to hire, train and retain qualified staff at acceptable rates; and other technical difficulties or failures. Any prolonged downtime could impact deliveries and reputation.

The fracking industry has been hailed as significantly contributing to North America's energy self-sufficiency. A combination of techniques is used, any changes impacting the use of frac sand as a proppant through regulation or technological innovation may negatively impact the frac sand industry. In addition, heightened political, regulatory and public scrutiny of hydraulic fracturing practices could potentially expose the Company or its customers to increased legal and regulatory proceedings, and any such proceedings could be time-consuming, costly or result in substantial legal liability or significant reputational harm.

Competition

The mineral exploration business is highly competitive in all of its phases. Victory Nickel competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Victory Nickel, in the search for and acquisition of exploration and development rights on attractive mineral properties. Victory Nickel's ability to acquire exploration and development rights in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on other suitable properties. There is no assurance that Victory Nickel will compete successfully in acquiring exploration and development rights on such other properties or in securing customers, sand supplies or other resources such as transportation.

Victory Nickel also faces competition in the frac sand market with respect to its frac sand business and there is no assurance that Victory Nickel will compete successfully in processing and selling frac sand in such market. Frac sand is a proppant used in the completion and re-completion of oil and natural gas wells to stimulate and maintain oil and natural gas production through the process of hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than other proppants, such as resin-coated sand and manufactured ceramics. A significant shift in demand from frac sand to other proppants; from the Company's Northern White frac sand sourced in the United States which is generally of higher quality than, and sells at higher prices than, Canadian domestically-sourced frac sand; or the development of new processes to replace hydraulic fracturing altogether, could cause a decline in the demand for the frac sand the Company processes and result in a material adverse effect on the Company's financial condition and results of operations. If significant new reserves of raw frac sand are discovered and developed, and those frac sands have similar characteristics to the raw frac sand processed by the Company, the Company's ability to maintain or acquire contracts may be negatively impacted which could have a material adverse effect on the Company's results of operations and cash flows over the long term. Additionally, quality sand supply is a limited resource and the presently-identified sources are a significant distance away from the 7P Plant which provides logistical challenges in securing timely railcar and other transportation at acceptable prices.

Operational Risks

Limited History of Operations

Victory Nickel has no history of earnings and limited financial resources. Victory Nickel currently has no operating mines and its ultimate success may depend on the ability of active mining operations to generate cash flow in the future as well as its ability to access capital markets for its development requirements. There is no assurance that Victory Nickel will earn profits in the future. Significant capital investment will be required to achieve commercial production at Victory Nickel's existing nickel projects. There is no assurance that Victory Nickel will be able to raise the required funds to continue these activities.

Frac sand processing represents a relatively new initiative for Victory Nickel. While the Company attempted to mitigate the risks of entering the frac sand market through the hiring of experienced personnel, initial business projections have not yet been achieved primarily due to circumstances outside of the Company's control, as discussed above. While the 7P Plant continues to operate on an as-needed basis, there can be no assurance when or if full-time operations will resume.

Frac Sand Processing Operations

The 7P Plant is the Company's only frac sand processing facility. Any adverse development at the 7P Plant or in the end markets the 7P Plant serves, including adverse developments due to catastrophic events or weather, decreased demand for commercial silica products, a decrease in the availability of transportation services or adverse

developments affecting the Company's customers, as has occurred, could, and have, had a material adverse effect on the Company's financial condition and results of operations. The availability of suitably-qualified staff at acceptable prices also represents a risk.

The procurement, production and delivery of frac sand can be logistically complex – transportation costs represent a significant portion of frac sand costs. Unavailability of appropriate transportation and rail cars or lines on a timely basis may impact turnaround and cause delays in deliveries. Changes in respective transportation costs or decreases in dependability may, and have impaired the Company's ability to receive and/or deliver product with adverse effects on costs, revenues and reputation. Further, changes to logistics to reflect changed demand may not be able to occur on a timely basis, resulting in adverse effects on the cost profile.

Processing frac sand includes substantial costs for energy – electricity and gas – as well as water. Problems in securing sufficient energy supply at appropriate prices would have impact on operating costs and the ability to recover those increased costs may be impaired.

The specifications for frac sand are detailed; maintaining a robust quality control process is key to producing a high-quality product. Failure to do so could cause lost revenues and lost reputation.

Development Targets, Permitting and Operational Delays

There can be no assurance that Victory Nickel will be able to complete the planned development of its projects on time or on budget due to, among other things, delays in receiving required consents, permits and registrations, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support Victory Nickel's operations. Any failure to meet development targets or other operational delays or inadequacies could have a material adverse effect. In particular, while the Company is confident it has complied with the conditions of the EAL and has filed, with the government of Manitoba, an EAP to amend its EAL providing for the relocation of the Minago project tailings impoundment to an area much more suitable than previously proposed in the Minago FS, there is no guarantee that the EAP will be approved or that an amendment to the EAL will be granted.

The Company's frac sand business has since its inception been reliant upon third parties to supply northern white feedstock for its 7P Plant. Any difficulties on the part of these suppliers with respect to securing, maintaining or extending permits for its properties and operations, including appropriate water rights, may have adverse effects on the supply of sand.

Resources and Reserves

The figures for mineral resources and mineral reserves are estimates and no assurance can be given that the anticipated level of recovery and/or grades of mineral reserves or mineral resources will be realized. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

The Company's frac sand business in its present phase is reliant upon a handful of suppliers for its product. The Company has no resources or reserves of its own that can presently be exploited; although it has announced resources on the Bear Coulee option in Wisconsin. Permitting this property for production is expected to take several years. The frac sand resource at Minago is not contemplated to be developed until either Phase Three of the frac sand initiative or as part of the Minago FS which requires significant financing to be developed.

Title Risks

Victory Nickel's ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. Management believes that Victory Nickel currently holds or has applied for all necessary licences, permits and authorizations to carry on the activities which Victory Nickel is currently conducting and to hold the mineral rights Victory Nickel currently holds under applicable laws and regulations in effect at the present time. Management also believes that Victory Nickel is complying in all material respects with the terms of such licences, permits and authorizations. However, Victory Nickel's ability to obtain, sustain or renew such licences, permits and authorizations

on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies.

Insurance Risk

Victory Nickel faces all of the hazards and risks normally incidental to the exploration and development of base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. Victory Nickel's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Victory Nickel has interests; not all such risks are insurable.

Similarly, the frac sand processing plant faces many hazards and risks arising from the transportation and processing of frac sand materials, any of which could result in the matters described above. Again, not all such risks are insurable.

Regulatory Risks

Government Regulation

Existing and possible future environmental and social impact legislation, regulations and actions, including the regulation of air and water quality, mining reclamation, solid and hazardous waste handling and disposal, the promotion of occupational health and safety, the protection of wildlife and ecological systems and the protection of the societies and communities of indigenous peoples, could cause significant expense, capital expenditures, restrictions and delays in activities, the extent of which cannot be predicted and which may well be beyond Victory Nickel's capacity to fund. Environmental laws are becoming more stringent and actively enforced. Environmental and social impact studies may be required for some operations and significant fines and clean-up responsibilities may be assessed for companies causing damage to the environment in the course of their activities.

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

Victory Nickel may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Victory Nickel does or will operate and holds its interests, as well as unforeseen matters. In particular, the fracking industry is often at the forefront of public attention whether or not deserved. Nonetheless, this provokes attention and scrutiny.

Other Risks

Environmental and Health Risks

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

The frac sand operation involves processing silica sand. In addition to environmental regulation, the Company is subject to laws and regulations relating to human exposure to crystalline silica under the Occupational Health and Safety Act. Workplace exposure to crystalline silica is monitored; the occupational exposure limits in Alberta for respirable crystalline silica are among the lowest in Canada and the US.

Key Personnel

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

Conflicts of Interest

Certain of the Company's directors and officers are also directors and officers of other natural resource companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers relating to Victory Nickel will be made in accordance with their duties and obligations to deal fairly and in good faith with Victory Nickel and such other companies.

Investments and Other Agreements with Resource Companies

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

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

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

The Company has attempted to mitigate some of the risks associated with securing financing for the maintenance and advancement of its nickel properties through its entry into the frac sand processing business, however the frac sand business also has its own set of risks as indicated earlier, and of which investors should be aware.

FORWARD-LOOKING STATEMENTS
This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production, the Company's development plans and objectives and the ability of the Company to restructure its debt with the relevant lenders and the ability of the Company to pay future interest and other payments in connection with such debts) constitute forward-looking information

The forward-looking information contained in this MD&A 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 current expectations, including, but not limited to, an unwillingness of the Company's lenders to refinance the Company's debts on terms favourable to the Company or at all and the ability of the Company to continue selling frac sand. Additionally, if the Company is unable to restructure its debts, obtain additional financing and/or continue generating revenue through the sale of frac sand, the Company may be required to curtail activities and/or liquidate its assets or the Company's creditors may seek to seize its assets.

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 in exploration and development and the frac sand processing business; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risks and Uncertainties" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward- looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

November 29, 2016