VICTORY VIEW

ANNUAL REPORT EDITION, JUNE 2011, VOL.2 ISSUE.2 VICTORY NICKEL INC. BUILDING CANADA'S NEXT MID-TIER NICKEL PRODUCER

FEASIBILITY STAGE

Minago Growing

Drilling Ups Pit-Constrained M&I Resource by 24%

Exceeds expectations on tonnage, grade and NI content

Grand Rapids, Manitoba - Victory Nickel's 100%-owned Minago sulphide nickel project on Manitoba's Thompson Nickel Belt is already one of Canada's largest undeveloped sulphide nickel deposits. But the Company is confident there is much more to come and the drilling completed in 2010 proves it.

With the addition of drill results from last year, Victory Nickel has increased the Minago NI 43-101-compliant measured and indicated, pit-constrained, sulphide nickel ("NiS") resource by 24% over that used in the Minago Feasibility Study ("FS") (announced in December 2009), and that doesn't include any drilling done in 2011. "The results of the 2010 drill program exceeded our expectations," said Steve Harapiak, President and COO. "We have added resources in the pit that were considered waste in the FS, we have more metal per tonne of ore and we have improved our understanding of the deposit's geology allowing a more refined interpretation of the resource which will help us to better plan for mining. All of these factors are expected to extend the mine life and ultimately have a positive impact on the economics at Minago. The resource is expected to increase further when drill results from the 2011 program are incorporated. We will then use the increased resource and other enhancements to produce a revised economic model for Minago."

> "The results of the 2010 drill program exceeded our expectations…"
> - Steve Harapiak

The updated NI 43-101-compliant resource estimate was prepared by AGP Mining Consultants Inc. using approximately 68,000 metres of diamond drill-hole data that includes all of the drilling done within the FS pit shell during 2010. The same economic parameters used in the 2009 FS (filed on SEDAR on March 10, 2010) were used to create the constraining resource

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Please see **Minago Moves Forward…**

LETTER TO SHAREHOLDERS

Ni CEO

THE VICTORY NICKEL DIFFERENCE

To our shareholders:

I thought it would be an appropriate time to remind shareholders of what Victory Nickel is and why we refer to the Victory Nickel Difference.

Victory Nickel is a Canadian company with four nickel deposits containing significant NI 43-101-compliant nickel resources. Typically, a junior company would have one project, not four. Victory Nickel's projects are all sulphide deposits, rather than laterites, another bonus. The projects are all located in Canada close to highways, low-cost power, metallurgical facilities and other necessary infrastructure, not in the hinterland where construction of significant infrastructure is necessary to develop a mine.

We have been busy moving these projects forward. One major event in 2010 was the filing of the Environmental Impact Statement ("EIS") for the Minago project near Grand Rapids, Manitoba. We are advised that all issues and questions relating to the EIS have been appropriately dealt with, and our expectation is that we should receive a draft environmental permit in the very near future. This permit is the final major requirement before we get down to serious discussions with lenders, equipment suppliers and nickel and frac sand offtakers on financing the development of Minago, so we expect to have a busy summer.

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Please see **Letter to Shareholders**

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VICTORY NICKEL ..

In transition **from developer** to nickel **producer**

WHO WE ARE

Victory Nickel Inc. is a Canadian company with four sulphide nickel deposits containing significant NI 43-101-compliant nickel resources. Victory Nickel is focused on becoming a mid-tier nickel producer by developing its existing properties, Minago, Mel and Lynn Lake in Manitoba, and Lac Rocher in northwestern Québec, and by evaluating opportunities to expand its nickel asset base. Victory Nickel also owns shares in Prophecy Resource Corp. (TSX-V:PCY) and Wallbridge Mining Company Limited (TSX:WM), the third largest landholder in the Sudbury Basin, which in turn owns a significant percentage of Duluth Metals Limited.

Working Capital

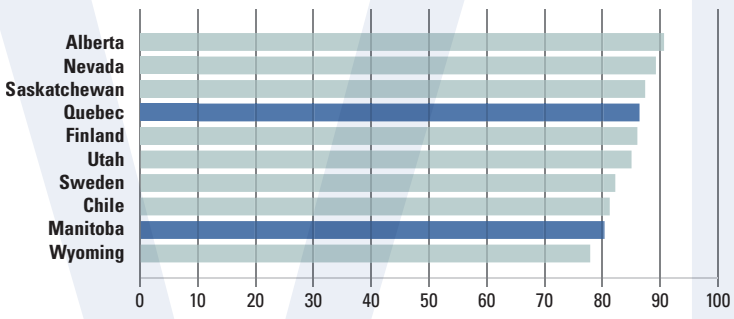
($ millions, as at December 31)

Cash, Cash Equivalents & Marketable Securities

($ millions, as at December 31)

Fraser Institute Policy Potential Index

Annual Mining Survey - Top 10 Jurisdictions



Source: Fraser Institute Annual Survey of Mining Companies 2010/2011, by Fred McMahon and Miguel Cervantes

The Victory Nickel *Difference*

- **One** of Canada's largest undeveloped sulphide nickel inventories - and growing.
- Four projects in Canada's most mining-friendly jurisdictions.
- Ability to produce the world's highest grade nickel concentrate at Minago.
- Cash flow/financing potential from frac sand production at Minago.
- Excellent access to superior infrastructure.
- Equity ownership in Prophecy Resource Corp. (TSX-V: PCY) and Wallbridge Mining Company (TSX:WM).
- Focused on building a mid-tier Canadian nickel company.

2011 OBJECTIVES

- **COMPLETE** the permitting process at Minago.
- **MOVE** forward with Minago financing upon completion of permitting.
- **CONTINUE** to optimize the Minago Feasibility Study by incorporating new drilling, metallurgical and cost/pricing data.
- **REVISE** the Lac Rocher Preliminary Economic Assessment and advance the project toward production.
- **ADVANCE** the Mel Project at a substantially faster pace than when partnered with Vale.
- **CONTINUE** to evaluate accretive transactions.

NI 43-101 Compliant Total Nickel Resources

Deposit		Tonnes (Millions)	Grade (% Ni)	In Situ Nickel (Millions lb)
Measured & Indicated Resources				
Minago*	Measured	11.1	0.56	**136**
	Indicated	43.1	0.51	**484**
Mel***	Indicated	0.43	0.88	**83**
Lac Rocher***	Measured	0.29	1.23	**8**
	Indicated	0.51	1.05	**12**
Lynn Lake**	Measured	1.0	0.95	**20**
	Indicated	21.9	0.71	**343**
Total M&I				**1,086**
Inferred Resources				
Minago*		14.6	0.53	**170**
Mel***		1.0	0.84	**19**
Lac Rocher***		0.44	0.65	**6**
Lynn Lake**		8.1	0.65	**116**
Total Inferred				**311**

*0.20% Ni cutoff / **0.40% Ni cutoff / ***0.50% Ni cutoff

www.victorynickel.ca

..at a Glance

Significant Events 2010-2011

During and subsequent to the year ended December 31, 2010, the Company:

Minago

- Completed construction, on time and on budget, of a 4.3km exploration road at the site providing direct access from paved Hwy 6 to a limestone outcrop and the property in general.
- Hosted an analyst site visit at the project.
- Began and completed a 10,000m diamond drilling program designed to upgrade and add to the known resource and further define North Limb mineralization.
- Announced positive results that indicate resource expansion potential and demonstrate the continuity of nickel mineralization in the North Limb.
- Announced positive results from the drill program designed to increase the near-surface resource as part of an ongoing program to enhance the economics of the Minago Feasibility Study.
- Announced improved project economics.
- Continued to evaluate alternative processes, including hydrometallurgy and dense media separation technology, to enhance production and lower costs.
- Continued to evaluate financing structures for both nickel and frac sand in an effort to ensure that mine development will proceed on a timely basis.
- Completed and filed the Minago Environmental Impact Statement ("EIS"), the most significant milestone in the Minago permitting process.
- Announced a 24% increase in the pit-constrained nickel resource.
- Completed the winter 2011 exploration program, incorporating 11,000m of diamond drilling and surface geophysics.

Mel

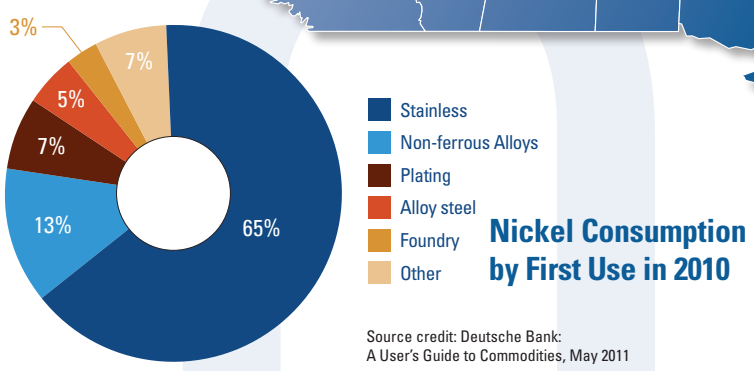
- Announced that Vale did not exercise its 51% back-in right on the Mel project, allowing the Company to determine its own strategy for the project.
- Completed 3,500m of diamond drilling at Mel to explore for extensions of the known resource.

Lac Rocher

- Began a comprehensive re-evaluation of the Lac Rocher project in light of current metal price levels.

Corporate

- Completed reciprocal private placements with Prophecy Resource.
- Completed non-brokered private placement financings on a flow-through basis for aggregate gross proceeds of approximately $3,000,000.
- Completed a non-brokered private placement financing for aggregate gross proceeds of $500,000.



Nickel Consumption by First Use in 2010

Source credit: Deutsche Bank: A User's Guide to Commodities, May 2011

Q&A

With Cynthia Thomas, Chair of Victory Nickel

Cynthia Thomas was a founding director of Victory Nickel and was appointed Chair in December 2009. Ms. Thomas is Principal of Conseil Advisory Services Inc., which specializes in structuring and facilitating finance packages for mining industry clients in Canada and around the world.

Q1 What attracted you to become involved with Victory Nickel?

A. There were two key attractions – the people and the projects. In terms of people, this includes both a very creative CEO and management team and my fellow board members. Our directors bring incredible understanding, which is driven by their experience, and diversity from a wide variety of skill sets, all of which goes a long way toward supporting management in delivering shareholder value.

From the project perspective, Victory Nickel is very uniquely positioned. Whereas many juniors have a single principal project, our portfolio of assets runs the gamut from exploration to feasibility.

In Minago, we have a project that, once built, will immediately turn Victory Nickel into a significant nickel producer. In Lac Rocher, we have a high-grade near surface deposit that could be brought to production in the near term. This would generate cash flow from the known resource and open up additional exploration potential once we get underground. In Mel, we have not only a nickel resource, but a very large, underexplored land package that offers outstanding exploration upside. With Lynn Lake we have an option agreement with Prophecy Resource that has already paid dividends.

Q2 How does the relationship between the board and management work?

A. Based on my experience, Victory Nickel has one of the most disciplined teams that I have worked with in terms of having a structured, strategic planning process. The board and management have a very good working relationship, and management consistently maps back its progress to that strategy and presents it to the board so that the board has a good picture of the overall situation.

Q3 What is your impression of the process of getting Minago financed and moving it toward production thus far?

A. The process has been challenging for a number of reasons. External forces have created unprecedented volatility over the past several years in both the global financial markets and in the commodity markets. In addition, the uniqueness of the deposit due to the frac sand component increases the complexity when it comes to educating the market, financiers and potential partners.

As management is working to educate, and get participation in, the frac sand, they are also working in parallel to improve the economics of the nickel which will make the project economics less influenced by the frac sand by-product.

We always knew there was more to come at Minago than what we were able to present in the feasibility study, and the process of optimizing the feasibility study is going well. We were very pleased with the 24% increase in the pit-constrained resource that was just announced, and that doesn't include the winter 2011 drilling. Other optimization initiatives also appear to be headed in the right direction.

Overall, we are very excited about the future and the value that we believe the Company can deliver to shareholders from not just Minago but from all of Victory Nickel's projects.

FEASIBILITY STAGE

Minago Moves Forward

continued from p.1

shell used in the April 2011 resource (for methodology, please see the news release issued May 2, 2011). A comparison of the updated NiS resource to the 2009 NiS resource, both using a cutoff grade of 0.2% NiS, is as follows:

	April 2011 Pit-Constrained Resource [1]			March 2010 Pit-Constrained Resource [2]			Increase (Decrease) in Contained Metal	
Category	Tonnes (Millions)	Grade (NiS %)	Ni Content (M Lb NiS)	Tonnes (Millions)	Grade (NiS %)	Ni Content (M Lb NiS)	Ni Content (M Lb NiS)	Change (%)
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**	**302.3**	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)**

Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal.

1 Lerch-Grossman pit optimization shell
2 Whittle pit optimization shell

The updated resource estimate was prepared by AGP Mining Consultants Inc. under the supervision of Pierre Desautels, P.Geo and Gordon Zurowski P.Eng, the Independent "Qualified Persons." Paul Jones, Vice-President, Exploration for Victory Nickel, acts as QP under NI 43-101 for Victory Nickel.

"This outcome, combined with drill results from areas below and outside of the pit footprint, provides further confirmation of both the extraordinary and widespread nickel endowment at Minago and the fact that the resource and reserve estimates used in the FS significantly under-represent the magnitude of the Minago deposit. We fully expect the drilling done this year will provide further evidence of this, along with a clear indication of the wider potential on the property. Additional pit design and planning are needed to produce a final, optimized, pit configuration," said Vice-President, Exploration Paul Jones. "Our expectation is that a mine at Minago will have a very positive impact for many years on the both the surrounding communities and the economy of the province of Manitoba."

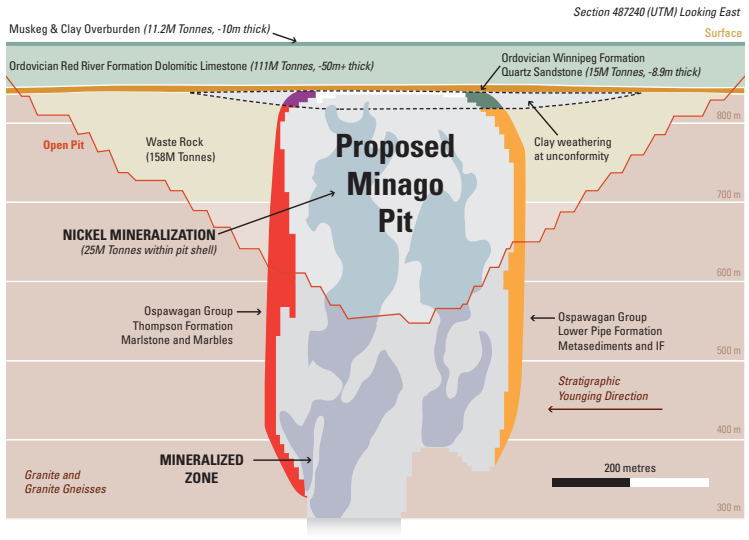
During 2011, the economics of the Minago deposit will be updated further, reflecting drilling not incorporated in the December 2009 feasibility study, and with higher metal prices and more tonnage, an already robust project is bound to keep improving.

MINAGO

Location	Manitoba, Canada
Ownership	100%
Commodity	Nickel
Project Type	Open-pit /underground potential
Project Status	Feasibility

Minago Overview

- 100% owned, royalty-free.
- Large resource with significant exploration upside at depth and to the north of the main deposit in the North Limb.
- Sulphide nickel: conventional processing, ~22% nickel concentrate (up to 35% Ni).
- Large "frac" sand resource - valuable by-product.
- Feasibility study completed December 2009, updated June 2010.
- Average annual ore production: 3.6 million tonnes.
- Average annual nickel production in concentrate: 11,000 tonnes.
- Average annual frac sand revenue, net of freight: $70 M.
- Processing cost per tonne of frac sand: $6.50.



FRAC SAND

A By-Product with Intriguing Potential to Add Value for Victory Nickel

Grand Rapids, Manitoba - While nickel gets the most attention at Minago, one of the more unique features of this large and valuable project is not a metal at all, but a high-value by-product with the potential to generate substantial revenues - frac sand.

Frac sand is used in the oil and gas industry to increase flow to the wellhead *(Please See **High Demand for Sands** at right)*. Vast quantities are consumed in hydraulic fracturing and demand for frac sand is expected to increase as shale gas plays in Canada and the US rise to prominence. At Minago, frac sand is contained in a sandstone layer approximately 10 metres thick and overlying the nickel deposit. This layer must be removed as part of pre-stripping the open pit and, according to engineering firm Wardrop, a Tetra Tech Company, the proposed pit area contains a marketable frac sand resource of 11.2 million tonnes. And there is potentially more to come.

"It's important to remember that the sandstone layer is not confined to the Minago pit area, and that this resource estimate doesn't consider the potentially significant additional tonnage of frac sand that exists outside the open pit limits and which could conceivably be mined using conventional underground mining methods," said Steve Harapiak, President and COO. "The demand for high-quality frac sand, such as the resource at Minago, should continue to expand given the development of unconventional oil and gas resource plays such as the Montney and Horn River regions in northeast British Columbia, the Barnett and Woodford regions in the southern United States and new emerging plays such as the Marcellus region in the northeast US. This could represent a significant new industry for the province of Manitoba."

Minago Frac Sand Exceeds API Specifications Across the Board

Minago Frac Sand Lab Analysis Compared with American Petroleum Institute Standards

	API Standard	Minago (20/40 Sand)
Sphericity	Greater than 0.6	0.72
Roundness	Greater than 0.6	0.78
Acid Solubility	Less than 2%	0.92%
Silt Test (Turbidity)	Less than 250 ftu	24 ftu
Crush Resistance	Maximum 14% fines	11.5%

HIGH DEMAND For Sands

As oil prices rise to all time highs, producers search for means to increase production in existing wells, and exploit new oil and gas fields, which only a few years ago were not economically viable. This trend to maximize production has caused an unprecedented demand for hydraulic fracturing sand (frac sand).

Understanding the American Petroleum Institute (API) frac sand specifications (see sidebar), and what is required geologically for a frac sand deposit to make grade is key for helping producers identify which deposits have potential. The next step is to consider what Mother Nature has provided, and determine if processing techniques can be used to meet those specifications laid out by the API.

What makes a good deposit?

A few of the API criteria are dependent solely on ore body characteristics. Others can be met with proper mineral processing techniques. The best way to meet API specifications is to have a deposit of primarily quartz. When contaminating minerals are present the frac sands may come close to meeting API specifications, but still fail from one or two tests. For example, calcium carbonates, feldspars and magnetically susceptible minerals can cause crush test failings, or excessive acid solubility.

…as the Pit-Constrained Resource Rises

HIGHLIGHTS

- The 2010 winter drill program was very successful at expanding the pit-constrained nickel resources at Minago. This is ultimately anticipated to have a positive impact on project economics.
- The measured and indicated NI-43-101 pit-constrained resource is now 302.3 million pounds of sulphide nickel (NiS), up 23.9% from the 243.9 million pounds estimated in the Minago feasibility study.
- Tonnage in the measured and indicated pit-constrained NiS resource has increased by 20.6% to 31 million tonnes from 25.7 million tonnes.
- The average grade of the measured and indicated pit-constrained NiS resource has increased to 0.443%, from 0.430%.
- As expected, inferred pit-constrained NiS resources have decreased by 85.7% to 200,000 tonnes due to successful upgrading to measured and indicated.
- The updated pit-constrained resource represents a potential open pit mine life of 8.6 years, an increase of 1.5 years of mine life based on a 10,000 tonne per day mining rate.

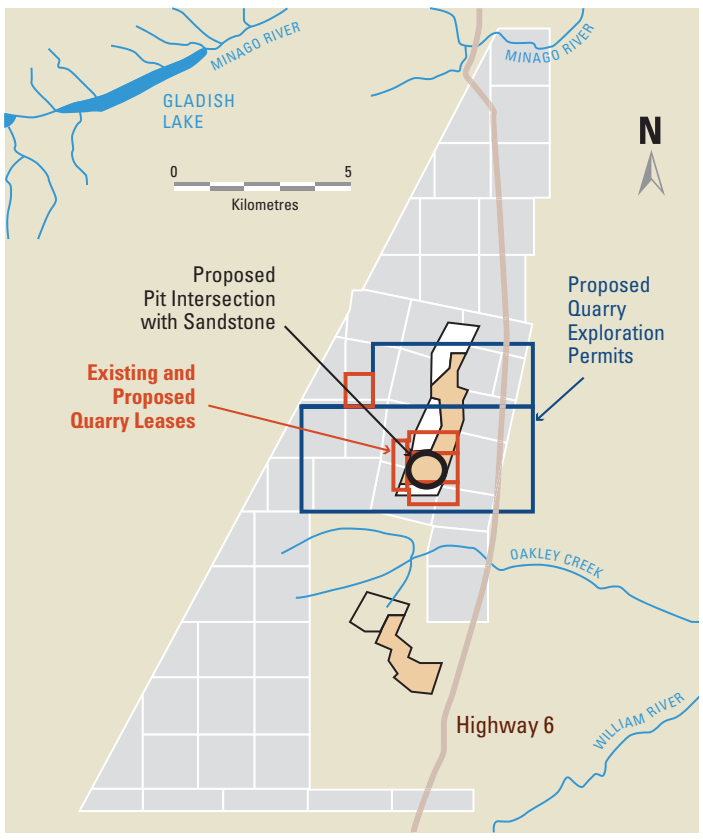
Minago Sulphide Nickel Project: Economic Summary Comparison

	Base Case, Dec. 14, 2009 [1] ($ millions, except %)	Base Case Feb. 2, 2011 [2] ($ millions, except %)	Increase (%)
Undiscounted Cash Flow	917.7	**1,124.1**	**22.5%**
NPV@8%	293.8	**403.7**	**37.4%**
NPV@6%	402.6	**530.4**	**31.7%**
NPV@4%	538.0	**687.2**	**27.7%**
IRR	17.66%	**20.76%**	

[1] Three-year trailing average US$ metal prices and exchange rate as of market close December 10, 2009: Ni: $11.19/lb; Cu: $2.91/lb; Pd: $322.4/oz; Pt: $1,353.98/oz; Au: $836.25/oz; Co: $27.73/lb; Ag: $14.25/oz; $Can/$US exchange rate: 1.097

[2] As of market close February 2, 2011: Ni: $12.62/lb; Cu: $4.51/lb; Pd: $812/oz; Pt: $1,830/oz; Au: $1,337/oz; Co: $17.46/lb; Ag: $28.41/oz; Rh: $2,254.56/oz; $Can/$US exchange rate: 1:1

Minago Project - Land Package



Potential Estimated Sand Tonnage for Minago

Existing Resource within Current Pit Shell = 15 Million Tonnes
Existing and Proposed Quarry Leases = 75 Million Tonnes
Proposed Quarry Exploration Permits = 475 Million Tonnes
Entire Land Package (Mineral Leases + Mining Claims) = 2 Billion Tonnes

Adding Value at Minago

Overview of the wet portion of a fracturing sand plant designed and provided by Outotec

So, if a frac sand deposit is primarily quartz, what separates it from simply being good quality glass sand? The answer may be nothing. Some processing facilities have deposits of sufficient quality to meet the demands of both markets; hence, the same processing steps used to produce frac sand are often the same for glass sand, with the end results for both being similar.

Other deposits in the world, however, can't meet the demands of both markets, even if they are primarily quartz. The frac sand industry has more stringent size distribution specifications than glass sands. This can result in more "waste" product than in a glass sand process depending on market demands for certain size distributions. Additionally, some deposits with more aluminum or iron may not meet glass sand specifications, but are still suitable for frac sands. Testing and orebody characterization are the easiest means for determining the most profitable end product, and simultaneously provide direction for the best processing methods.

continued on p.6
Please See **Frac Sand Demand…**

Why Frac Sands

Frac sands are used as a proppant, or sized particles mixed with fracturing fluid to hold fractures open after a hydraulic fracturing treatment. This treatment, known as hydrofracing, is the forcing of a concoction of frac sands, viscous gel and other chemicals down a well to prop open fractures in the subsurface rocks thus create a passageway for fluid from the reservoir to the well.

The following are the API criteria for frac sands with relation to available minerals processing options:

1. GRAIN SIZE: API specifics that 90 wt% of the sand must fall within a specified size range for a particular product. The generally defined frac sand products are 12/20, 20/40. 40/70 and 70/140. (For example, to meet the requirements of a 20/40 product, 90wt% must be - 20 + 40 mesh.) This can be achieved through high efficiency screening.

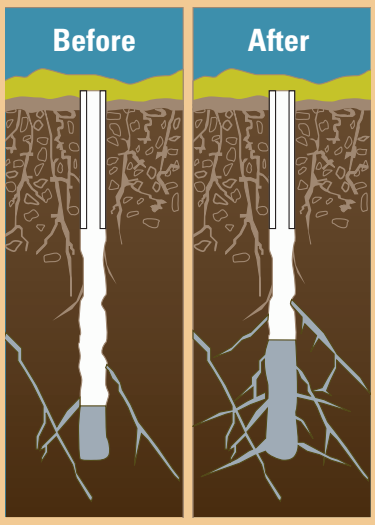
2. SPHERICITY AND ROUNDNESS: Round or spherical quartz grains are a result of the deposition of the quartz deposit. Most deposits containing these preferred grains are geologically very old because, over time, the quartz grains have been rounded and non-quartz type minerals removed. From a practical standpoint, there is no processing route that can change the grain shape.

3. CRUSH RESISTANCE: The resistance to crushing is a key consideration as it relates to the amount of fines generated after a product is subjected to a particular pressure, as defined by API. "Good crush deposits" tend to be older geologically because aging allows for the creation of the more pure quartz that is void of other, softer minerals. There are some processing routes that can improve the crush results by removing the majority of the softer minerals.

4. ACID SOLUBILITY: For a product to have low acid solubility, it must be primarily quartz with little to no other minerals present. There are some processing routes that can improve the acid solubility.

5. TURBIDITY: The amount of silt and clay-sized particulate matter is also important. Some deposits are naturally low in fines, but when they are present, there are processing routes that can improve these criteria.

6. CLUSTERS OR AGGLOMERATES OR DEPOSITS with many agglomerated grains cannot be economically processed to meet the API specification, which is < 1% clusters.



Frac Sands

Frac Sand Demand…

continued from p.5

Frac sand flowsheets

A typical frac sand flowsheet consists of both wet and dry portions. The wet flow sheet is designed to both remove clay slimes that can increase the turbidity (muddiness created by stirring up sediment or having foreign particles suspended) of the final product, and break-up any agglomerates. Additionally, the wet process functions as a preliminary sizing step by rejecting excess fines - a processing step much lower in cost if performed wet rather than dry. The sizing step can also be used to pre-classify materials for blending in the dry plant to meet varying market conditions. The dry processing section is designed to size the sand into the various frac sand products, and if needed, remove any magnetic contaminants, which are generally softer, non-quartz minerals that negatively affect crush and acid solubility.

Wet Processing

Usually, the first step in wet processing is to liberate any clays and thus allow for their removal during the desliming operation.

Washing

Washing is the simplest and lowest cost method for cleaning frac sand. In some of the very pure deposits, washing is the only wet process needed to produce an acceptable final product. In this process, water is added to the sand, which is then pumped to a cyclone for desliming. The movement of the slurry passing through the pump and pipeline is sufficient to loosen the small amount of fines or clay, which can then be removed through a variety of methods.

Attrition scrubbing

Attrition scrubbing is used when the clay or silts are more tightly bound to the silica grains, or when 'clay balls' exist that are similar in size to the silica sand grains.

Desliming

In frac sands, slimes are considered the -100µm (-140 mesh) material that is generally in the form of clays or very fine silica. As slimes are detrimental to frac sand processing they are removed, mainly through the use of hydrocyclones and hydraulic classifiers.

Dry Processing

The dry plant is crucial for all frac sand plants as it is where final screening is conducted. When excess levels of non-quartz minerals are present, sizing is sometimes followed by Rare Earth Roll (RER) magnetic separation.

Both the glass and frac sand markets have similar requirements of pure quartz with few contaminating minerals. Frac sand requires more closely sized particles, while glass sand is more stringent on levels of purity. Regardless, the required technologies for producing high quality products are the same. The key is how those technologies are staged in a process flowsheet.

The most economical approach to processing a frac sand deposit is 'crystal clear' – team up with a technology partner that can evaluate what Mother Nature has provided and test for best processing techniques. When done right, these tests will naturally turn into a process flowsheet based on the unique nature of the deposit. The result is an operation that can produce desired products through the sands of time.

Contributed by Jim Sadowski, Manager - Process Solutions, Global Physical Separation and Misty Dobbins, Marketing Communications Manager, North America both of Outotec.

Outotec is a critical partner in the process development planning exercises for Victory Nickel's Frac Sand deposit. Outotec develops and provides technology solutions for the sustainable use of Earth's natural resources. As the global leader in minerals and metals processing technology, Outotec has developed over decades several break-through technologies. The company also offers innovative solutions for the chemical industry, industrial water treatment and the utilization of alternative energy sources. Outotec shares are listed on the NASDAQ OMX Helsinki. www.outotec.com

North American Shale Plays

(as of March 2011)

Source credit: U.S. Energy Information Administration, based on data from various published studies. (Updated: April 7, 2011)

PEA STAGE

Lac Rocher

Preparing for Production, at the Right Nickel Price

Lac Rocher, Quebec - High grades, near surface mineralization and an excellent location. The Lac Rocher project has a lot going for it, and with all these benefits, Victory Nickel is taking a fresh look at Lac Rocher in light of current metal prices.

A Preliminary Economic Assessment ("PEA") envisions the Lac Rocher deposit being contract mined in two phases using mechanized cut-and-fill mining over a span of 24-26 months. In Phase One, 65,000 tonnes would be extracted at 1.75% nickel, 0.57% copper and 0.062% cobalt; in Phase Two an additional 252,730 tonnes would be extracted at 1.52% nickel, 0.59% copper and 0.051% cobalt. All extracted material is assumed to be transported to an offsite mill.

To ensure it is ready to take advantage of this potential, Victory Nickel has built an all-weather road to give year-round access for drilling and, potentially, production activities. The road was built by general contractor, Manchetau Construction, a group of Cree Partners from the Waswanipi Cree First Nation, which brings a local commitment to the construction project. Victory Nickel has shown that it is prepared to employ and build relationships with First Nations and local communities that will bring economic benefits to the regions in which it operates.

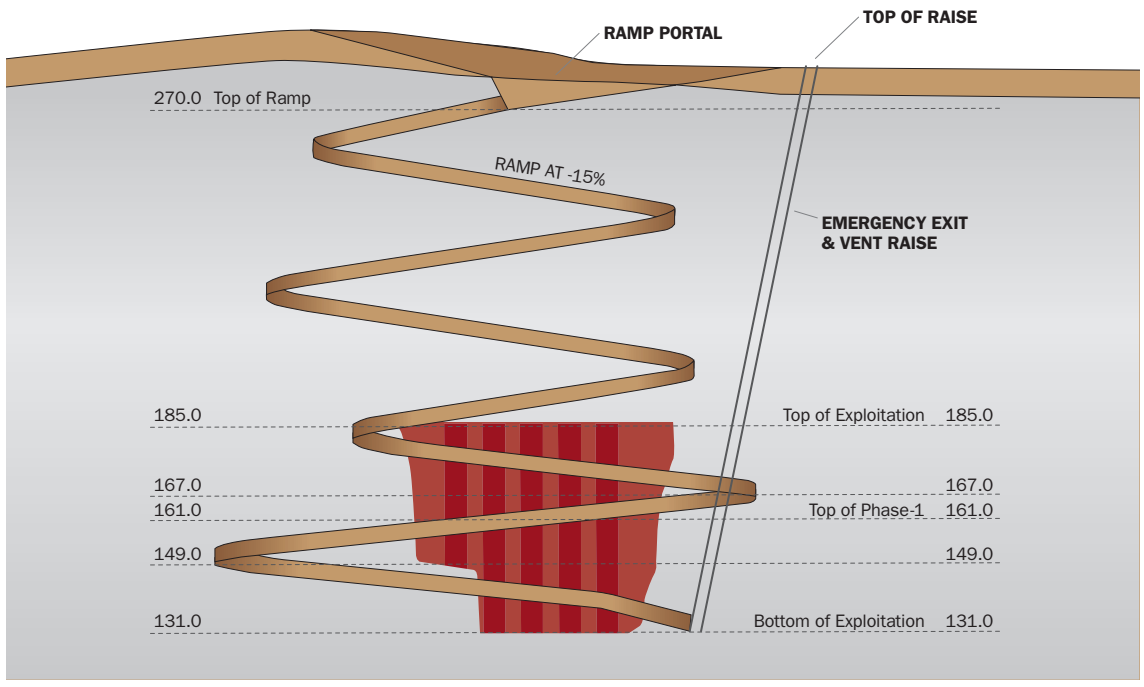
To further advance preparations for extraction of a bulk sample, the Board of Directors recently made the decision to collar the portal at Lac Rocher. This work is expected to begin this year.

Lac Rocher Overview

- **High-grade discovery of a 3.2m massive sulphide intersection returning a weighted average of 10.8% Ni as part of a 61.5m interval grading 1.69% Ni.**
- **Near-surface resource with year round all-weather access road to the property.**
- **Nickel resource located between surface and 125 vertical metres.**
- **Preliminary Economic Assessment (PEA) indicates break-even at US$9.64/lb Ni and US$3.75/lb Cu.**
- **2011 focus:**
  - **Permitting**
  - **Road building**
  - **On-site upgrading of mined material**
  - **Critical review of PEA in current price environment**

Lac Rocher Section View

(from Preliminary Economc Assessment)



LAC ROCHER

Location	Quebec, Canada
Ownership	100%
Commodity	Nickel
Project Type	Underground - ramp potential
Project Status	PEA

PRE-FEASIBILITY STAGE

Lynn Lake

Prophecy Resource Moving Aggressively to Advance Past Producing Mine

Lynn Lake, Manitoba - In October 2009, Victory Nickel optioned its Lynn Lake Project (located in the historic mining town of Lynn Lake in northern Manitoba, about 320 km by road northwest of the Thompson mining camp) to Prophecy Resource Corp. (TSX-V: PCY) in exchange for cash, work commitments and an equity interest in Prophecy which Victory Nickel has added to and maintains today.

Led by Vancouver entrepreneur John Lee, Prophecy is an aggressive junior intent on building value. Since optioning Lynn Lake, Prophecy has been active, both at Lynn Lake and corporately - adding to, and restructuring its asset base. The Lynn Lake mine was operated by Sherritt-Gordon from 1953 to 1976. During its 23 years of operation, the mine produced over 20 million tonnes of Ni-Cu ore at a grade of 1.02% Ni and 0.54% Cu, making it the third largest nickel producer in North America.

LYNN LAKE

Location	Lynn Lake, Manitoba, Canada
Ownership	100%
Commodity	Nickel
Project Type	Underground
Project Status	Prefeasibility

Lynn Lake Overview

- Acquired from Independent Nickel along with Minago royalty.
- Prefeasibility NPV: $131 million @ 8% discount rate (net of CAPEX) (C$10.35/lb Ni, C$2.45/lb Cu).
- Numerous additional exploration targets: new zone identified grading 1.5% Ni over 18 metres.
- Optioned to prophecy Resource Corp (TSXV: PCY) in October 2009.

Lynn Lake contains Measured and Indicated mineral resources of 22.9 million tonnes of 0.57% nickel and 0.30% copper and 8.1 million tonnes of Inferred resources at 0.51% nickel and 0.28% copper (updated Wardrop Technical Report May 2010). Approximately 50% of the host rock remains unexplored and new discoveries were made in the Disco Zone and the Tango Zone last year which have not been NI 43-101 assessed as yet. Most recently, Prophecy entered into a binding letter of agreement with Pacific Coast Nickel Corp. (PCNC) (TSX-V: NKL) whereby PCNC will acquire Lynn Lake as well as Prophecy's Wellgreen PGM Ni-Cu property. Prophecy shares have performed well, and with new initiatives underway, and more to come, the transaction with Prophecy has great potential to continue to create value for Victory Nickel shareholders.

EXPLORATION/DEVELOPMENT

Mel Project

BIG Property BIG Potential

Thompson, Manitoba - Just north of Thompson is a large property, approximately 25 km east-west by 6 km north-south, called Mel. In September 2010, Victory Nickel attained 100% ownership of this highly prospective sulphide nickel project when Vale Canada Limited's (Vale) right to earn back an interest in the property expired.

Victory Nickel earned in to the Mel property by spending $6 million on the project. The period during which Vale could exercise its back-in right had previously been extended by Victory Nickel to allow Vale an opportunity to complete metallurgical testing. Vale retains a 10% net profits royalty, to be calculated in accordance with the original property agreement. "We're very pleased with this outcome, because it means that we can advance Mel on our own terms and on our own schedule," said René Galipeau, Vice-Chairman and CEO. "We firmly believe that a much larger resource exists at Mel, and we now have the ability to advance the project as we see fit."

The Mel property is located within 25 kilometres of Inco's processing facilities in Thompson, Manitoba, and consists of one mineral lease (the Mel Lease) covering approximately 750 Ha and 37 unpatented mineral claims (the Mel Claims), encompassing approximately 8,770 Ha. While only a small part of the total project area, the Mel Lease contains the entire NI-43-101 resource (0.50% nickel cut-off grade, see news release dated February 26, 2007): 4.3 million tonnes of Indicated resources grading 0.88% nickel, and an additional Inferred resource of 1.0 million tonnes grading 0.84% nickel located between 46 metres and 183 metres from surface.

This near-surface resource, along with a stipulation in the option agreement that Vale shall mill ore mined from the Mel deposit at cost plus 5% (provided that the product meets Vale's specifications and that Vale has sufficient mill capacity), makes nickel production with a low capital requirement a possibility.

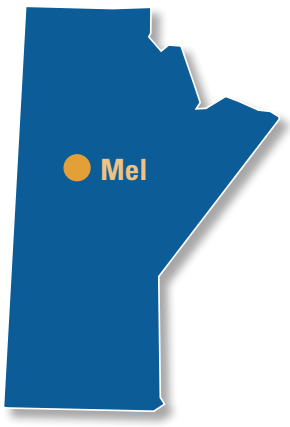
BIG PROPERTY

MEL

Location	Thompson, Manitoba, Canada
Ownership	100%
Commodity	Nickel
Project Type	Underground - ramp potential
Project Status	Exploration/development

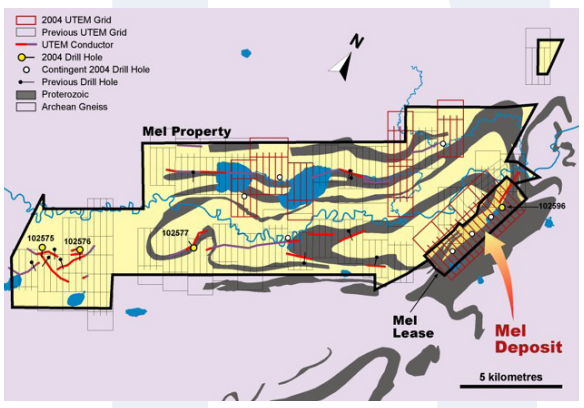
Mel Overview

- 100% owned, subject to a Vale 10% net profits royalty.
- 25 km north of Thompson, Manitoba.
- Near-surface resource.
- Milling agreement with Vale at cash cost + 5%, provided Vale has sufficient mill capacity and product meets specifications.
- 2011 focus: Evaluate opportunities for near-term production.



But Victory Nickel believes there is much more to be found at Mel, and completed 3,500m of diamond drilling this year to further evaluate the potential. Mineralization on the Mel lease remains open along strike and at depth, and the larger group of Mel Claims also offers significant upside potential in all directions.

The winter 2011 diamond drill program comprised eight drill holes to test for a down-dip extension of the existing resource shell. The holes were drilled to a vertical depth of between approximately 185m and 300m. Two additional holes were drilled approximately 600 metres north of, and on strike with, the Mel deposit to assess prospective nickel results obtained from semi-massive sulphide mineralization returning 1.24% Ni over 2.41m in an earlier drill hole. Assays from this drilling are pending.



BIG POTENTIAL

Letter to Shareholders

The Victory Nickel Difference

continued from p.1

We continue to review the Minago feasibility study to make improvements to the overall development and mining plan. Part of this process includes getting more information to maximize the nickel resources within the pit footprint. Another important effort includes making sure that we have looked at all the available alternatives to ensure that we produce the best, and most saleable, product possible.

> The environmental permit is the final major requirement before we get down to serious discussions with lenders, suppliers and nickel and frac sand offtakers on financing the development of Minago

In addition, the board of directors recently approved drill testing below the pit to a level deeper than ever before drilled at Minago. This is because we fully expect to be underground for many years. The pit is only a small part of the overall resource and potential, and this deep hole should assist in helping to plan for the future.

At the Mel project near Thompson, Manitoba, we are moving full speed ahead to complete more drilling to better define and expand the resource. We now own 100% of Mel, and internal studies indicate very attractive economics at current metal prices.

At Lac Rocher, we are making efforts to obtain the necessary permits to continue mining once we have removed the bulk sample that was envisioned in the November 2008 Preliminary Economic Assessment. Given the current positive trend in metal prices, we are advancing a plan to collar the portal at Lac Rocher that will allow us to access the bulk sample as soon as possible.

As you know, we optioned the Lynn Lake project to Prophecy Resource Corp. in order to give Prophecy the opportunity to move that project forward as quickly as possible. Prophecy recently announced an arrangement agreement with Pacific Coast Nickel Corp. that will see a new company created with the Lynn Lake project and certain other assets. This will provide a solid base to advance Lynn Lake, and Victory Nickel will benefit through its significant equity holdings.

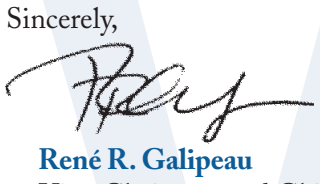
Even though we leave forecasting to the experts, I should comment on the price of nickel. Being in the business, one can't help but have an opinion and we are feeling comfortable with what we consider a solid range of US$11 to US$13 per pound that has been established recently. This is an attractive price range, and we would welcome it as a long-term average. Of course, higher prices would be even better.

Victory Nickel's objective remains to make the transition from developer to nickel producer. This is eminently possible with four sulphide nickel projects. Victory Nickel will continue to take advantage of the worldwide shortage of sulphide nickel assets and to capitalize on higher nickel prices to improve shareholder value.

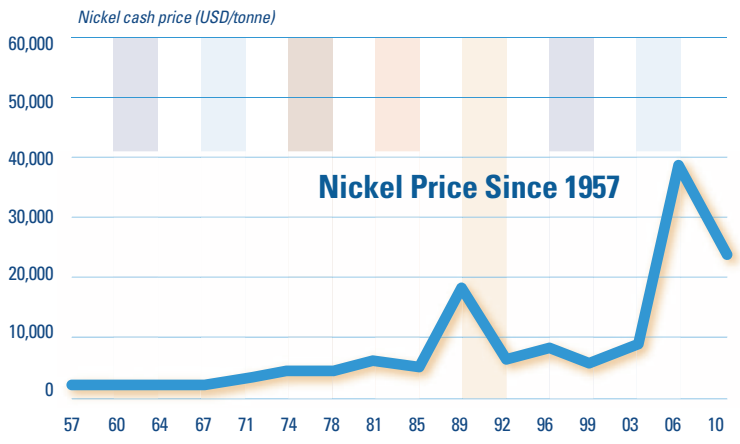
We see a busy year ahead of us and can only believe that future achievements will be reflected in the price of our shares which, like other nickel developers' shares, have been very quiet for too long. Our expectation is for several positive developments in the near term, and I believe that the Victory Nickel difference will set us apart from our peers as we move forward.

In closing, I would like to thank our staff and directors for their dedication, hard work and guidance and our shareholders for their patience and continued support. Your assets are as solid as ever, and by continuing to work together we are confident in our ability to deliver significant value to shareholders.

Sincerely,



René R. Galipeau
Vice-Chairman and Chief Executive Officer



Source credit: Deutsche Bank: A User's Guide to Commodities, May 2011

www.victorynickel.ca

Corporate Information

Independent Directors

Cynthia Thomas, MBA, Chair

Ethel Dorothy Blondin-Andrew, P.C., B.Ed., LL.D

W. Warren Holmes, B.Sc., P.Eng., MBA

Roland Horst, MBA, M.Sc, B.Sc.

Howard Stockford, P. Eng.

Officers and Management

René R. Galipeau, C.G.A., Vice-Chair, Chief Executive Officer and Director

Steve Harapiak, P.Eng., President and Chief Operating Officer

Paul L. Jones, B.Sc., P. Geo., Vice-President, Exploration

Alison Sutcliffe, CA, Vice- President, Finance and Chief Financial Officer

Sean Stokes, BA, Corporate Secretary and Vice-President, Public Affairs

David Mchaina, Ph.D., P.Eng., Vice-President of Environment & Sustainable Development

Margaret Lai, CA, Controller

Auditors

BDO Canada LLP,
Chartered Accountants,
Licensed Public Accountants
Toronto, Ontario

Legal Counsel

Macleod Dixon LLP
Toronto, Ontario

Transfer Agent & Registrar

Computershare Trust Company of Canada
100 University Ave.,
9th Floor, North Tower
Toronto, Ontario M5J 2Y1 Canada
Tel: 1.800.564.6253

Corporate Office

Victory Nickel Inc.
80 Richmond St. West, Suite 1802
Toronto, Ontario M5H 2A4
Tel: 416.363.8527
Fax: 416.626.0890
E-mail: admin@victorynickel.ca
www.victorynickel.ca

Investor Relations

CHF Investor Relations
Tel: 416.868.1079
Fax: 416.868.6198
E-mail: cathy@chfir.com

Annual General Meeting

The annual general meeting of shareholders will be held at The Toronto Board of Trade, 1 First Canadian Place, Toronto, Ontario, Wednesday, June 29, 2011 at 4:00 p.m. (local time).

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