

Victory Nickel Announces Second Quarter Financial Results

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Company expects to exit Q3 at 500,000 tpa annualized frac sand production rate

TORONTO, ONTARIO--(Marketwired - Aug 14, 2014) - [Victory Nickel Inc.](#) ("**Victory Nickel**" or the "**Company**") (TSX:NI) (www.victorynickel.ca) has filed its financial results for the three and six months ended June 30, 2014. Construction and refurbishment of the Company's dry frac sand processing plant in Seven Persons Alberta, located approximately 18 km south of Medicine Hat (the "7P Plant"), was completed in March, 2014 and commissioning continued during the second quarter until recently. The cost incurred to complete the construction of the 7P Plant totalled \$5,364,000 including leased equipment of \$703,000.

- During the commissioning period and until June 30, 2014, 41,367 tons of washed concentrated sand was acquired from Wisconsin for shipment to the 7P Plant for finish processing into several grades of high quality frac sand.
- To the end of June 2014, 22,519 tons of various grades of finished frac sand were produced.
- Total sales for the six months ended June 30, 2014 were 11,310 tons, of which 1,840 tons were sold during the first quarter.
- Sales revenue totalled \$1,702,000, of which \$274,000 was credited to pre-operating costs during the first quarter.
- Cost of goods sold during the second quarter was \$1,587,000. On a per-ton basis this is higher than is expected on a go-forward basis post-commissioning of the 7P Plant.
- Finished goods inventory at June 30, 2014 was 11,209 tons of various grades of frac sand.
- Finished goods inventory as at June 30, 2014 was valued \$1,227,000. This represents the cost of production expected to be realized as production increases to more normal levels once out of the commissioning stage.
- As a result, the Company incurred a loss on sales of \$159,000 for the three months to June 30, 2014.
- After general and administration, financing and amortization expenses and taxes, the Company incurred a net loss of \$2,349,000, or \$0.00 basic and diluted, for the six months ended June 30, 2014. Of this loss, \$1,012,000 was net finance costs to fund the construction of the 7P Plant; many such costs are non-cash items.
- For the Quarter ended June 30, 2014 the Company incurred a net loss was \$754,000, or \$0.00 basic and diluted.
- The 7P plant is now operating well on a 12-hour-per-day, 7-day-per-week basis and producing at a rate of approximately 4,000 tons per week. As a result of a recent sales contract (see press release dated August 13, 2014), plans are underway to add a third production crew at the 7P Plant which will increase throughput to approximately 6,500 tons per week.
- The fourth and final production crew will be added as soon as sales justify the increased staffing. This is expected during the third quarter of 2014.

"We are pleased with the ramp up in frac sand production since commissioning began in March," said René Galipeau, Vice-Chairman and CEO of Victory Nickel. "We are seeing increasing customer demand for our premium-quality Jordan Formation frac sand from Wisconsin and expect to exit the third quarter at the projected production rate of 500,000 tons per annum ("tpa")."

"With the completion of commissioning, Phase 1 of Victory Nickel and Victory Silica Ltd.'s ("Victory Silica") three-phased plan to enter the frac sand market is essentially complete and we are proceeding with negotiations on Phase 2," added Mr. Galipeau. "At full production, the 500,000 tpa 7P Plant is expected to

generate operating cash flow in excess of \$12,000,000 per year. Phases 2 and 3 will bring the eventual production target to 1,500,000 tons of frac sand per annum and are expected to improve these margins. On completion of all three phases, cash flow is expected to exceed \$40,000,000 per annum."

"The Company's focus over the past several quarters on establishing a presence in the frac sand market is in part to prove the value of the substantial NI 43-101-compliant frac sand resource at our Minago Project in Manitoba. The proposed open pit at Minago contains over 12 million tonnes of the highest quality Canadian frac sand available. This is in addition to the significant nickel resource, and we continue to work on optimizing Minago and our other nickel assets in preparation for a strengthening nickel market," Mr. Galipeau said.

- Please refer to the Company's Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2014 for additional information. These are available at www.sedar.com.

About Victory Silica

Victory Silica is a wholly-owned subsidiary of the Company and is charged with a phased plan to establish the Company in the frac sand market. In Phase 1, the Company has begun sales of premium quality midwestern white frac sand from the 7P Plant by shipping partially-processed sand purchased in Wisconsin to the 7P Plant for final processing and distribution. The 7P Plant is well located in an area populated with fracking companies, its potential customers, and is within only a few hours' trucking distance of major oil or gas play well sites. Phase 2, which includes the construction of a frac sand wash plant in Wisconsin, is expected to reduce costs and assure security of sand supply through the control of a frac sand mine in Wisconsin. In Phase 3, Victory Silica has identified a site in Winnipeg, Manitoba, where it plans to build a larger frac sand dry plant to process and distribute both imported and domestic sands, including sand mined as a co-product of development of a nickel mine at the Company's 100%-owned Minago project in Manitoba.

About Frac Sand

Frac sand is a proppant used in the oil and gas business as a part of the hydraulic fracturing process - a means of increasing flow to the wellhead. Frac sand must have particular characteristics including achieving certain levels of crush resistance, sphericity and roundness, and it is therefore a relatively rare commodity. Vast quantities of frac sand are consumed, and more is needed all the time, as shale gas and oil plays in Canada and the US rise to prominence.

About Victory Nickel

[Victory Nickel Inc.](http://www.victorynickel.ca) is a Canadian company with four sulphide nickel deposits containing significant NI 43-101-compliant nickel resources and a significant frac sand resource at its Minago project. 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. Through a wholly-owned subsidiary, Victory Silica Ltd., Victory Nickel has established a presence in the frac sand market through sales from its 7P Plant in Alberta prior to commencing frac sand production and sales from Minago.

Please visit the Company's website at www.victorynickel.ca. Should you wish to receive Company news via email, please email cathy@chfir.com and specify "Victory Nickel" in the subject line.

Forward-Looking Information: This news release contains certain forward-looking information. All information, other than information regarding historic fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information contained in this news release includes, but may not be limited to the progress and success of the Company's projects, including the Company's goals and business plan with respect to the frac sand business and the future demand for frac sand. The forward-looking information contained in this news release reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. With respect to the forward-looking information contained in this news release, the Company has made assumptions regarding, among other things, the Company's future working capital requirements, the Company's ability to generate sufficient cash flow from

operations and access existing credit facilities and capital markets to meet its future obligations, goals and business plan, future prices for frac sand and by-products and future demand for processed frac sand. The forward-looking information contained in this news release is subject to a number of risks and uncertainties that may cause actual results or events to differ materially from current expectations, including the need to obtain required approvals and permits from regulatory authorities, the volatility of frac sand and by-product prices and demand and geological, technical, drilling and processing problems. Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable law, the Company disclaims any obligation to update or modify such forward-looking information, either because of new information, future events or for any other reason. 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

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