

Xinergy Ltd. Announces Results for Third Quarter 2013

12.11.2013 | [Marketwired](#)

KNOXVILLE, TENNESSEE -- (Marketwired - Nov. 12, 2013) - [Xinergy Ltd.](#) (TSX:XRG)

- The third quarter 2013 revenues and adjusted EBITDA were \$4.5 million and (\$3.5) million, respectively, compared to \$16.5 million and (\$6.6) million for same quarter of 2012. The decreases in revenues were primarily attributable to the sale of our Kentucky thermal mining operations in the first quarter of 2013 and reductions in tons sold from 242,390 in the third quarter of 2012 to 57,589 tons sold in the third quarter of 2013. The increase in adjusted EBITDA in the third quarter of 2013 was the result of increased average per ton sales realization of \$78.93 in the third quarter of 2013 as compared to \$68.16 in the same quarter of 2012.

- In August 2013, the Company shipped the first train of premium mid-vol metallurgical coal from the South Fork mine. The total tons produced and sold from our South Fork mine for the third quarter of 2013 were 57,641 and 48,532, respectively with production cash costs of \$79.78 per ton and mid-vol met sales realization of \$90.80 per ton. We also continued the remobilization of certain of our idle surface mining equipment to the South Fork mine which will allow us to increase production as market conditions for metallurgical coal improve.

- In the third quarter of 2013, we began construction of a \$9.5 million coal preparation plant at our Raven Crest facility. This preparation plant is expected to be fully operational in January 2014 allowing us to competitively market this low cost, high quality thermal coal to virtually all thermal markets in the eastern US and Europe.

- At September 30, 2013, we had total cash and cash equivalents of \$20.9 million and \$18.2 million of restricted cash, compared with \$32.3 million and \$7.5 million at December 31, 2012, respectively. The Company continues to evaluate possible sales of thermal and non-core assets in addition to other possible transactions in efforts to strengthen our balance sheet and improve liquidity in the near term.

Xinergy Ltd. (TSX:XRG), a Central Appalachian coal producer, today announced that it had a net loss of \$11.4 million, or \$0.21 per diluted share for the third quarter ended September 30, 2013. This is compared with a net loss of \$35.6 million, or \$0.65 per diluted share for the third quarter ended September 30, 2012. Third quarter 2013 adjusted EBITDA was \$(3.5) million compared with \$(6.6) million for the third quarter 2012. The Company's Condensed Consolidated Interim Financial Statements for the three months ended September 30, 2013, together with its Management's Discuss and Analysis ("MD&A") for the corresponding period, have been posted on SEDAR at www.sedar.com and on the Company's website at www.xinergycorp.com.

"The third quarter was a period of great achievement for our company. Our South Fork preparation plant and CSX rail loadout became a reality as we saw our first mid-vol shipment completed in August. The timeline from property transaction to coal shipment was 2 1/2 years, which is nothing short of remarkable, especially considering today's regulatory environment. I am extremely proud of our West Virginia team for this accomplishment," said Bernie Mason Xinergy's Chief Executive Officer.

"We continue to focus on positioning Xinergy as a low cost producer of high quality mid-vol metallurgical and high quality thermal coals. We continuously focus on cost reductions and have recently completed several cost reduction measures. These have included additional employee layoffs and the decision to reduce the size of our Board of Directors. Matthew Goldfarb, Stephen Loukas, and Jay Thornton recently stepped away from our board and I would like to take this time to thank them for their service especially during this difficult period in our industry," continued Mr. Mason.

Financial Overview

The following tables present selected balance sheet, statement of operations and sales and operating statistics for Xinergy.

As of September 30, (\$'000)	2013	As of June 30, 2013	As of December 31, 2012	As of September 30, 2012	
Balance Sheet					
Cash and cash equivalents		\$20,927		\$17,058	\$32,325
Total current assets		\$40,939		\$42,296	\$50,723
Total assets	\$158,478		\$160,271		\$188,772
Total current liabilities		\$14,331		\$12,752	\$20,797
Total long-term liabilities		\$227,834		\$220,093	\$229
Shareholders' equity		\$(83,687)		\$(72,574)	\$(21,882)

Three months ended Nine months ended (\$'000, except per share) June 30, 2013	September 30, 2012	Three months ended September 30, 2013	Three months ended September 30, 2013	
Statement of Operations				
Coal revenues	\$4,545	\$4,739	\$13,371	
\$16,522				
Cost of coal sales	\$6,067	\$5,014	\$17,011	
Gross margin	\$(1,522)	\$(275)	\$(3,640)	\$(4,529)
(Loss) income before taxes	\$(11,400)	\$(11,400)	\$(9,379)	\$(22,684)
Net (loss) income	\$(11,400)	\$(9,379)	\$(22,684)	\$(35,613)
Basic and diluted net income (loss) per share				
\$(0.21)	\$(0.17)	\$(0.41)	\$(0.65)	

Three months ended September 30, 2013	June 30, 2013	Three months ended September 30, 2013	Three months ended September 30, 2013	Nine months ended September 30, 2013
Sales & Operating Statistics				
Tons sold	57,589	49,270		160,000
Tons produced	58,941	53,867		
Sales price/ton	\$78.93	\$96.19	\$80.16	
\$68.16				
COGS/ton sold	\$105.34	\$101.77	\$101.97	
\$86.85				
Gross margin/ton sold	\$(26.41)	\$(5.58)	\$(21.81)	
\$(18.68)				
Cash costs/ton produced	\$98.26	\$112.03	\$105.84	

Capital Expenditures

Capital expenditures were \$5.6 million during the third quarter, reflecting substantial completion of our South Fork infrastructure project and the beginning of the preparation plant construction at Raven Crest. Capital expenditures for the first three quarters of 2013 stand at \$31.9 million, with full year expenditures projected at approximately \$40 million, inclusive of a previously unbudgeted equipment debt pay down.

Liquidity and Capital Resources

At September 30, 2013, as outlined in the following table, we had total cash and cash equivalents of \$20.9 million and \$18.2 million of restricted cash, compared with \$32.3 million and \$7.5 million at December 31, 2012, respectively.

(\$'000)	September 30, 2013		December 31, 2012	
Cash, operating	\$20,927	\$32,325		
Cash, restricted:				
Kentucky sale proceeds	\$7,258	\$-		
Kentucky sale proceeds held in escrow		\$3,000	\$-	
Deposits	\$2,486	\$1,029		
Reclamation bond collateral		\$5,466	\$6,466	
\$18,210	\$7,495			

In accordance with the 2019 Notes, the restricted cash received from the Kentucky sales proceeds must be used to make capital expenditures within one year after receipt or thereafter would be required to be used to tender for outstanding 2019 Notes at par. At September 30, 2013, we have \$7.3 million of these sale proceeds available in addition to \$3.0 million being held in escrow that will be made available in July 2014. We have made \$32.3 million of capital expenditures in the first three quarters of 2013 with approximately \$30.0 million being paid out of funds generated from the Kentucky sale. We plan to spend approximately \$7.2 million for capital expenditures in the fourth quarter of 2013 of which approximately \$6.5 million will be for the preparation plant at Raven Crest/Brier Creek.

The Company currently has negative cash flow from operations and is not expected to generate positive cash flow from operations until sales significantly increase from our South Fork metallurgical mine and the currently idle Raven Crest thermal mine. The Company remains highly leveraged and has been exploring strategic alternatives to improve liquidity and reduce debt obligations. It has engaged the services of a financial advisory firm to evaluate possible strategic and financing transactions.

South Fork, our only active mine, continues to experience cash costs that are consistent or below our forecasts. However, with recent downturns in worldwide demand for metallurgical coal, our tons sold and sales price realization have been significantly below expectations resulting in decreased margins that have not been sufficient to cover idle mine costs at True Energy and Raven Crest, corporate overhead and debt service. We have been selling our South Fork coal into the spot markets and to several end users for test burns since our preparation plant and CSX rail load out became operational in July 2013. As of the date of the MD&A, South Fork has received a one year sales commitments for 60,000 tons per year totaling \$8.7 million in 2014 and we are in negotiations to extend this contract through 2015. We expect to receive additional sales commitments for South Fork in the very near term that will allow us to significantly increase our production, revenues, margins and cash flows in 2014.

The Company continues to take aggressive approaches to reduce inventory levels and cost reductions at True Energy and Raven Crest which will begin shipping in the first quarter of 2014 on our JP Morgan coal supply agreement that calls for 360,000 tons in each 2014 and 2015. We have between 100,000 and 110,000 tons of saleable, clean coal in inventory at Raven Crest today. After incurring costs to process and load this coal, we will generate between \$4.8 million and \$5.4 million in the near term. Bringing Raven Crest back into production in the first quarter of 2014 is expected to generate positive cash flow of \$4.0 to \$6.0 per ton as compared to incurring idle mine costs of \$400,000 per month, an improvement of \$500,000 to \$700,000 per month.

We continue to engage in discussions to monetize our non-core assets including surplus equipment at True Energy and Raven Crest. In the third quarter, we re-mobilized some production equipment from Raven Crest to South Fork which will allow us to increase production if market conditions improve.

Conference Call, Webcast and Replay

The Company will hold its quarterly conference call to discuss third quarter 2013 operating results on Wednesday November 13, 2013 at 10:00 a.m. EDT. The conference call will be open to the public toll free at (877) 317-6789. International callers should use (412) 317-6789, and Canadian callers should use (866) 605-3852. The conference call can also be accessed via webcast on the Company's website with a replay available shortly after the event.

About Xinergy Ltd.

Headquartered in Knoxville, Tennessee, Xinergy Ltd., through its wholly owned subsidiary Xinergy Corp. and its subsidiaries, is engaged in coal mining in West Virginia and Virginia. Xinergy sells high quality metallurgical and thermal coal to electric utilities, steelmakers, energy trading firms and industrial companies. For more information, please visit www.xinergycorp.com.

Forward-Looking Information

This news release contains "forward-looking information" that includes information relating to future events and future financial and operating performance, including management's assessment of Xinergy's future outlook. Forward-looking information should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by which, that performance or those results will be achieved. Forward-looking information is based on information available at the time it is made and/or management's good faith belief as of that time with respect to future events, and such information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking information. Important factors that could cause these differences include but are not limited to: changes in contracted sales, the business of the Company may suffer as a result of uncertainty surrounding the coal market; the Company may be adversely affected by other economic, business, and/or competitive factors; the worldwide demand for coal; the price of coal; the price of alternative fuel sources; the supply of coal and other competitive factors; the costs to mine and transport coal; the ability to obtain new mining permits; the costs of reclamation of previously mined properties; the risks of expanding coal production; the ability to bring new mines on line on schedule; industry competition; the Company's ability to continue to execute its growth strategies; and general economic conditions. These and other risks are more fully described in the Company's filings with the Canadian Securities Administrators, including its Annual Information Form for the year ended December 31, 2012, available on SEDAR at www.sedar.com. You should not put undue reliance on any forward-looking information. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking information, no inference should be drawn that we will make additional updates with respect to those or other forward-looking information.

Non-GAAP Measures

This news release reports certain financial measures that are not recognized by Canadian generally accepted accounting principles "GAAP" to evaluate the performance of the Company. Since certain non-GAAP financial measures may not have a standardized meaning and may not be comparable to similar measures presented by other companies, Canadian securities regulations require that non-GAAP financial measures are clearly defined, quantified and reconciled with their nearest GAAP measure. Investors and other readers of this news release are cautioned that these non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP. Please refer to the Company's MD&A which is available on SEDAR at www.sedar.com for further details with respect to the use of non-GAAP measures and for the applicable reconciliations.

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Die URL für diesen Artikel lautet:

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