Xinergy Announces Results for Fourth Quarter and Full Year Ended December 31, 2013

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KNOXVILLE, TENNESSEE--(Marketwired - Mar 31, 2014) - Xinergy Ltd. (the "Company") (TSX:XRG) -

- On March 31, 2014, the Company completed a private placement of 11.0 million common shares for total proceeds of $4.95 million. These funds will be used for general corporate purposes.
- On March 6, 2014, the Company appointed Joseph Groia to the Board of Directors. With this appointment, the Board now has five members, including three independent members.
- In January 2014, we completed construction of a $9.5 million coal preparation plant at our Raven Crest Mining, LLC ("Raven Crest") facility. The Company also resumed production from the Raven Crest surface and highwall miner operations and began shipping coal from the newly constructed preparation plant. This coal processing facility allows the Company to increase the marketability of this low cost, high quality thermal coal to thermal markets in the eastern US and Europe.
- In January 2014, the Company began shipping coal from its South Fork Coal Company, LLC ("South Fork") mid-volatility metallurgical mine on a one year 60,000 ton coal supply agreement that is expected to generate $8.7 million in revenues for 2014. Additional production currently is sold into the spot market while we continue to negotiate term contracts with end users throughout North and South America and Europe as well as international commodity brokers.
- On November 4, 2013, the Company announced the appointment of Bernie Mason as Chief Executive Officer following the resignation of Matthew Goldfarb as Chief Executive Officer and director of the Company. The Company also announced the resignation of Stephen Loukas and Jay Thornton as members of the Board of Directors.
- The fourth quarter 2013 revenues and adjusted EBITDA were $5.7 million and ($1.5) million, respectively, compared to $11.5 million and ($7.2) million for same quarter of 2012. The decreases in revenues were attributable to the reductions in tons sold from 179,584 in the fourth quarter of 2012 to 65,037 tons sold in the third quarter of 2013 due to the sale of our Kentucky thermal mining operations in the first quarter of 2013. The increase in adjusted EBITDA in the fourth quarter of 2013 was the result of increased average per ton sales realization of $87.03 in the fourth quarter of 2013 as compared to $64.30 in the same quarter of 2012.
- At December 31, 2013, we had total cash and cash equivalents of $10.5 million plus $10.0 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 non-strategic, surplus and non-core assets in addition to other transactions in efforts to strengthen our balance sheet and improve liquidity in the near term.
- The Company recognized non-cash impairment charges of $6.0 million in the fourth quarter relating to the continued idling of its True Energy, LLC ("True Energy") surface mine as we continue to rationalize our cost base to meet market demand.

Xinergy Ltd., a Central Appalachian coal producer, today announced that the Company had a net loss of $(38.6) million, or $(0.70) per diluted share for the year ended December 31, 2013 and a net loss of $(15.9) million, or $(0.29) per diluted share, for the fourth quarter of 2013. This is compared with a net loss of $(88.8) million, or $(1.63) per diluted share for the year ended December 31, 2012 and a net loss of $(40.4) million, or $(0.74) per diluted share, for the fourth quarter of 2012. Fourth quarter and full year 2013 adjusted EBITDA was $(1.5) million and $(10.8) million, respectively, compared with $(7.2) million and $(22.8) million, respectively for the fourth quarter and full year 2012. The Company's Audited Consolidated Financial Statements for the year ended December 31, 2013, together with its Management's Discussion 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.

"2013 was a pivotal year for Xinergy as we continue to position our company for the future. The completion of our South Fork preparation plant and loadout along with the completion of our Raven Crest preparation plant in early 2014 will allow us to better take advantage of market opportunities," said Bernie Mason, president and CEO. "The success of our company is driven by our employees. We never lose focus of the health and safety of all our employees. I am extremely proud of the fact that we had zero lost time accidents for all of 2013."

"Operationally, we continue to permit and mine develop South Fork to position this project for production increases in 2014. Our mining cost at South Fork continues to reduce as we become more efficient through our mine planning and development. Our Q4 cost per ton was $92.54 and $86.05 for the full year 2013," continued Mason.

Financial Overview

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

($'000)	As of December 31 2013	As of December 31 2012	As of December 31 2011
Balance Sheet			
Cash and cash equivalents	$ 10,485	$ 32,325	$ 72,983
Total current assets	$ 20,941	$ 50,723	$ 117,269
Total assets	$ 139,372	$ 188,772	$ 289,701
Total current liabilities	$ 9,966	$ 20,797	$ 40,309
Total long-term liabilities	$ 228,737	$ 229,786	$ 224,803
Shareholders' equity	$ (99,331)	$ (61,811)	$ 24,589

($'000, except per share)	2013	2012	2011
Statement of Operations			
Coal revenues	$ 19,031	$ 81,159	$ 166,820
Cost of coal sales	$ 22,860	$ 95,167	$ 122,092
Gross margin	$ (3,829)	$ (14,008)	$ 44,188
(Loss) income before taxes	$ (38,501)	$ (70,023)	$ (24,893)
Net (loss) income	$ (38,561)	$ (88,795)	$ (14,107)
Basic and diluted net income (loss) per common share	$ (0.70)	$ (1.63)	$ (0.25)

($'000, except per share)	Three months ended December 31, 2013	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013
Statement of Operations				
Coal revenues	$ 5,661	$ 4,545	$ 4,739	$ 4,086
Cost of coal sales	$ 5,849	$ 6,067	$ 5,014	$ 5,930
Gross margin	$ (188)	$ (1,522)	$ (275)	$ (1,844)
(Loss) income before taxes	$ (15,817)	$ (11,400)	$ (9,379)	$ (1,905)
Net (loss) income	$ (15,877)	$ (11,400)	$ (9,379)	$ (1,905)
Basic and diluted net income (loss) per common share	$ (0.29)	$ (0.21)	$ (0.17)	$ (0.03)

Sales & Operating Statistics	2013	2012	2011
Tons sold	231,853	1,211,166	1,990,447
Tons produced	219,776	983,871	2,037,002
Sales price/ton	$ 82.08	$ 67.01	$ 83.54
COGS/ton sold	$ 98.60	$ 78.58	$ 61.34
Gross margin/ton sold	$ (16.52)	$ (11.57)	$ 22.20
Cash costs/ton produced	$ 107.05	$ 79.77	$ 59.01

Sales & Operating Statistics	Three months ended December 31, 2013	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013
Tons sold	65,037	57,589	49,270	59,956
Tons produced	55,816	58,941	53,867	51,152

Sales price/ton	$ 87.03	$ 78.93	$ 96.19	$ 68.16
COGS/ton sold	$ 89.93	$ 105.34	$ 101.77	$ 98.90
Gross margin/ton sold	$ (2.90)	$ (26.41)	$ (5.58)	$ (30.74)
Cash costs/ton produced	$ 110.58	$ 98.26	$ 112.03	$ 108.07

The following table presents selected coal production and sales data from our metallurgical and thermal coal mines for the twelve months ended December 31, 2013.

	Twelve months ended December 31, 2013		
	Met	Thermal	Total
Tons sold	182,727	49,126	231,853
Tons produced	191,287	28,489	219,776
Sale price/ton	$ 91.67	$ 46.43	$ 82.08
COGS/ton sold	$ 92.14	$ 122.60	$ 98.60
Gross margin/ton sold	$ (0.47)	$ (76.17)	$ (16.52)
Total Revenues	$ 16,750,425	$ 2,280,938	$ 19,031,363
Total Cost of Sales	$ 16,836,590	$ 6,023,066	$ 22,859,656
Total Gross Margin	$ (86,165)	$ (3,742,128)	$ (3,828,293)
Cost of Coal Sales	$ 16,836,590	$ 6,023,066	$ 22,859,656
Inventory Change	$ 300,026	$ 367,130	$ 667,156
Purchase Coal	$ -	$ (637)	$ (637)
Cash cost	$ 17,136,616	$ 6,389,559	$ 23,526,175
Tons Produced	191,287	28,489	219,776
Cash costs/ton produced	$ 89.59	$ 224.28	$ 107.05

The following table presents selected coal production and sales data from our metallurgical and thermal coal mines for the three months ended December 31, 2013.

	Three months ended December 31, 2013		
	Met	Thermal	Total
Tons sold	65,037	-	65,037
Tons produced	55,816	-	55,816
Sale price/ton	$ 87.04	$ -	$ 87.03
COGS/ton sold	$ 90.06	$ -	$ 89.93
Gross margin/ton sold	$ (3.02)	$ -	$ (2.90)
Total Revenues	$ 5,660,782	$ (575)	$ 5,660,207
Total Cost of Sales	$ 5,857,239	$ (8,261)	$ 5,848,978
Total Gross Margin	$ (196,457)	$ 7,686	$ (188,771)
Cost of Coal Sales	$ 5,857,239	$ (8,261)	$ 5,848,978
Inventory Change	$ (521,324)	$ 844,564	$ 323,240
Cash cost	$ 5,335,915	$ 836,303	$ 6,172,218
Tons Produced	55,816	-	55,816
Cash costs/ton produced	$ 95.60	$ -	$ 110.58

Capital Expenditures

Capital expenditures were $7.1 million during the fourth quarter, reflecting substantial completion of our Raven Crest preparation plant. Capital expenditures for the year ended December 31, 2013 were $39.3 million.

Liquidity and Capital Resources

At December 31, 2013, as outlined in the following table, we had total cash and cash equivalents of $10.5 million and $10.0 million of restricted cash, compared with $32.3 million and $7.5 million at December 31, 2012, respectively.

($'000)	December 31, 2013	December 31, 2012
Cash, operating	$ 10,485	$ 32,325

Cash, restricted:		
Kentucky sale proceeds	$ 518	$ -
Kentucky sale proceeds held in escrow	$ 3,001	$ -
Deposits	$ 1,440	$ 1,029
Reclamation bond collateral	$ 5,009	$ 6,466
	$ 9,968	$ 7,495

In accordance with the 2019 Notes, the restricted cash received from the Kentucky sales proceeds was used to make capital expenditures. At December 31, 2013, we have $0.5 million of these sale proceeds available in addition to $3.0 million that is being held in escrow and will be available in June 2014. We have made $39.0 million of capital expenditures in 2013 with approximately $37.3 million being paid out of funds generated from the Kentucky sale.

The Company currently has negative cash flow from operations but is expected to generate positive cash flow as production and sales revenues increase from the 2013 levels at our South Fork metallurgical mine and Raven Crest thermal mine. The recently re-opened Raven Crest surface operations are expected to generate positive cash flow while maintaining a low operating cost structure. Recent recovery of Central Appalachian thermal coal demand and pricing have allowed us to obtain sales in volumes and pricing that are expected to provide positive margins for Raven Crest in 2014. South Fork continues to experience cash costs that are consistent with 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 as anticipated. We have been selling our South Fork coal into the spot markets and have shipped to several end users test burns since our preparation plant and CSX rail load out became operational in July 2013. As of this date, South Fork has received a one year sales commitment for 60,000 tons per year totaling $8.7 million in 2014. We are in negotiations to extend this contract through 2015. All other South Fork sales continue to be from short term spot market sales. We are continuing to negotiate with US and European end users as well as US and international commodity brokers to sell our South Fork production under long term contracts.

The positive cash flows from Raven Crest together with the lower margins being generated from South Fork at current production levels are not expected to be sufficient to cover corporate overhead, debt service and other non-operating costs in 2014. Without a combination of higher production, higher price per ton sales for our South Fork production and/or the sales of non-strategic assets, we will have to seek additional sources of capital to service our existing debt, cover our non-operating costs and mitigate working capital fluctuations.

The Company has also been reducing inventory levels and expects to have the excess Raven Crest inventory shipped by May 2014. The sale of this inventory will result in cash generation of approximately $5.0 million.

The Company remains highly leveraged. Our 2019 Notes have an outstanding balance of $195.0 million and provide for semi-annual interest payments of $9.0 million in mid-November and mid-May. Our senior notes have an outstanding balance of $20.0 million and provide for quarterly interest payments of $0.5 million.

On March 31, 2014, we received $4.95 million from the sale of common shares pursuant to a private placement. We continue to hold discussions with current and potential new investors and financial advisors in efforts to arrange financing that will provide adequate liquidity that when combined with existing cash balances, will be sufficient to make the $9.0 million interest payment on our 2019 Notes in November 2014. We also continue to explore strategic alternatives that may include an additional sale of equity securities, the sale of debt securities, the sale of surplus mining equipment, owned reserves and other assets and/or the restructuring of our debt. The successful funding could be dependent on approval of shareholders and there is a risk that contemplated financing activities might not materialize.

Going Concern

During 2013, the Company reported a loss of approximately $38,561,000. As of December 31, 2013, the Company has an accumulated deficit of approximately $162,455,000. The Company has not generated positive cash flow from operations in 2013 or 2012. Whether and when the Company can attain profitability and positive cash flows is uncertain.

This indicates the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern and the Company's ability to continue is dependent on the Company raising additional debt or equity financing. During March 2014, the Company raised $4.95 million through the issuance of 11 shares of common stock in a private placement. The Company is also discussing equity and debt financing opportunities with a number of individuals and lending institutions. The Company believes that such discussions will result in the Company obtaining financing and capital required to fund the Company's operations. However there is no assurance that such financing will be obtained or obtained on commercially favorable terms. These consolidated financial statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

Conference Call, Webcast and Replay

The Company will hold its quarterly conference call to discuss fourth quarter 2013 operating results on Tuesday April 1, 2014 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 is based on the Company's expectations and beliefs concerning future events and involves risks and uncertainties that are outside of our control and may cause actual results to materially differ from current expectations. Some of these key assumptions include, among other things: no material disruption in production, or no material variation in anticipated thermal and metallurgical coal sales volumes; no material decline in markets and pricing of steam or metallurgical coal other than anticipated variations; continued availability of and no material disruption in rail service; no production, construction or shipping disruptions due to adverse weather conditions other than normal, seasonal patterns; no material delays in the current timing for completion of ongoing projects; no material delays in the receipt of anticipated mining permits from governmental agencies; financing will be available on terms favorable and reasonable to the Company; no material variation in historical coal purchasing practices of customers; coal sales contracts will be entered into with new customers; parties execute and deliver contracts currently under negotiation; and no material variations in the current regulatory environment. **The reader is cautioned that such assumptions, although considered reasonable by us at the time of preparation, may prove to be incorrect.**

Actual results achieved during the forecast period may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Additional factors include, but are not limited to the factors on page 6: changes in general economic, market and business conditions; uncertainties associated with estimating the quantity and quality of coal reserves and resources; commodity prices; currency exchange rates; the availability of credit facilities for capital expenditure requirements; debt service requirements; dependence on a single rail system; changes to federal and state legislation; liabilities inherent in coal mine development and production; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, mining and processing technical problems; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining and coal processing operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; the occurrence of unexpected events involved in coal mine development and production; and other factors, many of which are beyond our control. Many of these risk factors and uncertainties are discussed in our Annual Information Form ("AIF") in a section entitled "Risk Factors" and other documents filed with the Canadian securities regulatory authorities available on SEDAR at www.sedar.com. Please refer to these documents for further details about the risks faced by the Company.

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 page [2], page [11], and page [24] to page [25] of 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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