

# Xinergy Ltd. Announces Results for Second Quarter Ended June 30, 2014

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- The Company amended its metallurgical coal supply agreement with Globe Metallurgical to reflect increases in price and tonnage while extending the term through June 2017.
- In July 2014, we partnered with Mercuria Energy Trading ("Mercuria"), one of the largest and most experienced commodity trading companies in the world, to market our thermal and metallurgical coal.
- Increased metallurgical coal production at South Fork to 96,200 tons in the quarter ended June 30, 2014 while reducing cash cost per ton to \$93.94.
- Increased thermal coal production at Raven Crest to 156,096 tons in the quarter ended June 30, 2014 while reducing cash cost per ton to \$57.04.
- At June 30, 2014, the Company has reduced its inventory levels from the previous quarter by about 24% to approximately 123,000 tons which has a market value of about \$8.0 million.
- 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.

KNOXVILLE - Aug 14, 2014) - [Xinergy Ltd.](#) (the "Company") (TSX:XRG), a Central Appalachian coal producer, today announced that the Company had a net loss of \$(9.1) million, or \$(0.14) per diluted share for the second quarter ended June 30, 2014. This is compared with a net loss of \$(9.4) million, or \$(0.17) per diluted share for the second quarter of 2013. The Company had a net loss of \$(20.9) million, or \$(0.35) per diluted share for the six months ended June 30, 2014. This is compared with a net loss of \$(11.3) million, or \$(0.21) per diluted share for the six months ended June 30, 2013. Second quarter 2014 adjusted EBITDA was \$(0.4) million compared with \$(2.1) million for the second quarter 2013. For the six months ended June 30, 2014 adjusted EBITDA was \$(3.9) million compared with \$(5.7) million for the six months ended June 30, 2013. The Company's Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014, 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](#).

"We have now positioned Xinergy as a producer of premium mid-vol metallurgical coal and high quality thermal coal, while we continue to focus daily to be one of the lowest cost operators in Central Appalachia," said Bernie Mason, Xinergy's President and CEO.

"We are also very excited about our recent announcement that Mercuria will serve as our exclusive coal sales agent. Mercuria is a global leader in energy and commodity trading and we expect them to assist us through this stagnant market and also help us to the next level," continued Mason.

## Financial Overview

The following tables present selected balance sheet, statement of operations and sales and operating statistics as of June 30, 2014 and December 31, 2013, for the three and six months ended June 30, 2014 and the three months ended March 31, 2013.

	As of June 30 (\$'000)	As of March 31 2014	As of December 31 2013	As of June 30 2013
<b>Balance Sheet</b>				
Cash and cash equivalents	\$ 2,060	\$ 10,436	\$ 10,485	\$ 17,058
Total current assets	\$ 16,414	\$ 23,972	\$ 20,941	\$ 42,296
Total assets	\$ 130,525	\$ 140,362	\$ 139,372	\$ 160,271
Total current liabilities	\$ 16,173	\$ 16,714	\$ 9,966	\$ 12,752
Total long-term liabilities	\$ 229,434	\$ 229,682	\$ 228,737	\$ 220,093
Shareholders' equity	\$ (115,082 )	\$ (106,034 )	\$ (99,331 )	\$ (72,574 )

(\$'000, except per share)	Three months ended	Three months ended	Six months ended	Three months ended
	June 30, 2014	March 31, 2014	June 30, 2014	June 30, 2013
<b>Statement of Operations</b>				
Coal revenues	\$ 20,117	\$ 11,710	\$ 31,827	\$ 4,739
Cost of coal sales	\$ 18,939	\$ 14,063	\$ 33,002	\$ 5,014
Gross margin	\$ 1,178	\$ (2,353 )	\$ (1,175 )	\$ (275 )
(Loss) income before taxes	\$ (9,106 )	\$ (11,820 )	\$ (20,926 )	\$ (9,379 )
Net (loss) income	\$ (9,106 )	\$ (11,820 )	\$ (20,926 )	\$ (9,379 )
Basic and diluted net income(loss) per share	\$ (0.14 )	\$ (0.22 )	\$ (0.35 )	\$ (0.17 )
<b>Sales &amp; Operating Statistics</b>				
	Three months ended	Three months ended	Six months ended	Three months ended
	June 30, 2014	March 31, 2014	June 30, 2014	June 30, 2013
Tons sold	290,318	165,074	455,392	49,270
Tons produced	252,296	177,377	429,673	53,867
Sales price/ton	\$ 69.29	\$ 70.94	\$ 69.89	\$ 96.19
COGS/ton sold	\$ 65.23	\$ 85.19	\$ 72.47	\$ 101.77
Gross margin/ton sold	\$ 4.06	\$ (14.25 )	\$ (2.58 )	\$ (5.58 )
Cash costs/ton produced	\$ 71.85	\$ 81.48	\$ 75.83	\$ 112.03

## Capital Expenditures

We spent approximately \$1.2 million on capital expenditures for the three months ended June 30, 2014. The Company estimates an additional \$0.7 million to \$2.7 million in capital expenditures will be incurred during the remainder of 2014, for an estimate of \$4.0 to \$6.0 million for the full year 2014.

## Liquidity and Capital Resources

At June 30, 2014, as outlined in the following table, we had total cash and cash equivalents of \$2.1 million and \$8.8 million of restricted cash, compared with \$10.5 million and \$10.0 million at December 31, 2013, respectively.

	June 30, 2014	December 31, 2013
Cash, operating	\$ 2,060	\$ 10,485
Cash, restricted:		
Kentucky sale proceeds	\$ 2,308	\$ 518
Kentucky sale proceeds held in escrow	\$ -	\$ 3,001
Deposits	\$ 1,440	\$ 1,440
Reclamation bond collateral	\$ 5,009	\$ 5,009
<b>Total Cash, Restricted</b>	<b>\$ 8,757</b>	<b>\$ 9,968</b>

In accordance with the Notes, the restricted cash received from the Kentucky sales proceeds was used to make capital expenditures. At June 30, 2014 we have \$2.3 million compared to \$0.5 million on December 31, 2013. In June 2014, the Company received \$2.5 million of the Kentucky sale collateral proceeds that were held in escrow.

The Company remains highly leveraged. Our 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.

In the second quarter of 2014, the Company experienced positive gross margins from both active mining operations by achieving lower cash costs and higher revenues. We continued to reduce inventories but the shipping delays and rail service disruptions experienced in the first quarter of 2014 continued into the early second quarter of 2014. This continued impact of delays resulted in reduced revenues of approximately \$3.8 million and deferred the sale and shipment of approximately 38,000 tons. At June 30, 2014, we have approximately 123,000 tons of inventory on hand with a current market value of about \$8.0 million.

On March 31, 2014, we received \$4.95 million from the sale of common shares pursuant to a private placement. We continue to negotiate with financial institutions and advisors in efforts to arrange financing to provide adequate liquidity that when combined with existing cash balances, will be sufficient to make the

\$9.0 million interest payment on our 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 or obsolete mining equipment, owned reserves and other assets and/or the restructuring of our debt.

### **Conference Call, Webcast and Replay**

The Company will hold its quarterly conference call to discuss second quarter 2014 operating results on Friday August 15, 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](http://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](http://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](http://www.sedar.com) for further details with respect to the use of non-GAAP measures and for the applicable reconciliations.*

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