

Xinergy Ltd. Announces Results for Third Quarter Ended September 30, 2014

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- The Company entered into a \$25 million senior secured second lien credit agreement with Aires Energy Group Venture Investor, LLC on November 6 for convertible debt.
- 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 115,095 tons in the quarter ended September 30, 2014 while reducing cash cost per ton to \$83.61.
- Increased thermal coal production at Raven Crest to 171,620 tons in the quarter ended September 30, 2014 while reducing cash cost per ton to \$50.06.
- At September 30, 2014, the Company has increased its inventory levels from the previous quarter by about 6% to approximately 131,000 tons which has a market value of about \$7.1 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 - Nov 14, 2014) - [Xinergy Ltd.](#) (the "Company") (TSX:XRG), a Central Appalachian coal producer, today announced that the Company had a net loss of \$(7.4) million, or \$(0.11) per diluted share for the third quarter ended September 30, 2014. This is compared with a net loss of \$(11.4) million, or \$(0.21) per diluted share for the third quarter of 2013. The Company had a net loss of \$(28.3) million, or \$(0.46) per diluted share for the nine months ended September 30, 2014. This is compared with a net loss of \$(22.7) million, or \$(0.41) per diluted share for the nine months ended September 30, 2013. Third quarter 2014 adjusted EBITDA was \$1.1 million compared with \$(3.5) million for the third quarter 2013. For the nine months ended September 30, 2014 adjusted EBITDA was \$(2.8) million compared with \$(9.3) million for the nine months ended September 30, 2013. The Company's Condensed Consolidated Interim Financial Statements for the three and nine months ended September 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](#).

Financial Overview

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

	As of September 30 2014		As of June 30 2014		As of December 31 2013		As of September 30 2013	
(\$'000)								
Balance Sheet								
Cash and cash equivalents	\$	1,782	\$	2,060	\$	10,485	\$	20,927
Total current assets	\$	15,606	\$	16,414	\$	20,941	\$	40,939
Total assets	\$	127,064	\$	130,525	\$	139,372	\$	158,478
Total current liabilities	\$	19,981	\$	16,173	\$	9,966	\$	14,331
Total long-term liabilities	\$	229,481	\$	229,434	\$	228,737	\$	227,834
Shareholders' equity	\$	(122,398)	\$	(115,082)	\$	(99,331)	\$	(83,687)
		Three Months Ended September 30 2014		Three Months Ended June 30 2014		Nine Months Ended September 30 2014		Three Months Ended September 30 2013
(\$'000, except per share)								
Statement of Operations								
Coal revenues	\$	19,020	\$	20,117	\$	50,847	\$	4,545
Cost of coal sales	\$	16,972	\$	18,939	\$	49,974	\$	6,067

Gross margin	\$	2,048	\$	1,178	\$	873	\$	(1,522)
(Loss) income before taxes	\$	(7,374)	\$	(9,106)	\$	(28,299)	\$	(11,400)
Net (loss) income	\$	(7,374)	\$	(9,106)	\$	(28,299)	\$	(11,400)
Basic and diluted net income (loss) per share	\$	(0.11)	\$	(0.14)	\$	(0.46)	\$	(0.21)
		Three Months Ended September 30 2014		Three Months Ended June 30 2014		Nine Months Ended September 30 2014		Three Months Ended September 30 2013
Sales & Operating Statistics								
Tons sold		278,737		290,318		734,129		57,589
Tons produced		286,715		252,296		716,387		58,941
Sales price/ton	\$	68.24	\$	69.29	\$	69.26	\$	78.93
COGS/ton sold	\$	60.89	\$	65.23	\$	68.07	\$	105.34
Gross margin/ton sold	\$	7.35	\$	4.06	\$	1.19	\$	(26.41)
Cash costs/ton produced	\$	64.02	\$	71.85	\$	71.10	\$	98.26

Capital Expenditures

We spent approximately \$1.2 million on capital expenditures for the three months ended September 30, 2014. The Company estimates an additional \$0.7 million to \$1.5 million in capital expenditures will be incurred during the remainder of 2014, for an estimate of \$4.5 to \$6.0 million for the full year 2014.

Liquidity and Capital Resources

At September 30, 2014, as outlined in the following table, we had total cash and cash equivalents of \$1.8 million and \$7.5 million of restricted cash, compared with \$10.5 million and \$10.0 million at December 31, 2013, respectively.

	September 30, 2014		December 31, 2013	
Cash, operating	\$	1,782	\$	10,485
Cash, restricted:				
Kentucky sale proceeds	\$	1,066	\$	518
Kentucky sale proceeds held in escrow	\$	-	\$	3,001
Deposits	\$	1,440	\$	1,440
Reclamation bond collateral	\$	5,010	\$	5,009
Total Cash, Restricted	\$	7,515	\$	9,968

In accordance with the Notes, the restricted cash received from the Kentucky sales proceeds was used to make capital expenditures. At September 30, 2014 we have \$1.0 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.

In the third quarter of 2014, the Company experienced positive gross margins from both active mining operations by achieving lower cash costs. We continued to reduce inventory at the Raven Crest location but inventory at the South Fork location increased due to shipping delays and rail service disruptions. This continued impact of delays resulted in reduced revenues of approximately \$2.5 to \$3.0 million and deferred the sale and shipment of approximately 25,000 to 30,000 tons. At September 30, 2014, we have approximately 131,000 tons of coal inventory on hand with a current market value of about \$7.1 million.

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.

On March 31, 2014, we received \$4.95 million from the sale of common shares pursuant to a private placement. 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.

In addition, 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, which is due on November 17, 2014. If this payment is not

completed on time, the Company will be in "Default" under its Notes but will have a period of 30 days from the default to make the interest payment and cure the default. If the interest payment is not completed during the cure period the default will become an "Event of Default" under the terms of the indenture governing the Notes. Upon the occurrence of an Event of Default, the trustee under the indenture is authorized to recover judgment against the Company for the whole amount of principal of, premium on, if any, and interest, if any, remaining unpaid on, the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel. Upon the occurrence of an Event of Default under the indenture, the Company would need to seek creditor protection.

See the "Liquidity risk" section of this MD&A for further details with respect to the Company's liquidity risks.

On November 6, 2014, the Company entered into the Aries Credit Agreement. However, the advancement of funds under the Aries Credit Agreement remains, among other things, conditional on the approval of Bayside. The Company is in discussions with Bayside about obtaining its consent to the \$25 million senior secured, second lien convertible debt. As at the date of this MD&A, the Company has not yet received the consent of Bayside to the Aries Credit Agreement. No assurances can be given that Bayside will provide its consent on terms acceptable to the Company and Aries, or at all. The Company is also in the process of evaluating alternatives that would involve paying out Bayside and replacing the Bayside debt with other senior debt. Again, there is no assurance that such a transaction will be completed in time to allow the Company to obtain the advancement of funds from Aries under the Aries Credit Agreement and make the November 17, 2014 interest payment.

Conference Call, Webcast and Replay

The Company will hold its quarterly conference call to discuss quarter 2014 operating results on Tuesday November 18, 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.

Contact

[Xinergy Ltd.](#)

G. L. "Bernie" Mason, Chief Executive Officer
865-474-7000

Xinergy Ltd.

Michael R. Castle, Chief Financial Officer
865-474-7000

Xinergy Ltd.

Robert L. Gaylor, Senior Vice President
865-474-7000

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