

NewLead inks US coal shipping deals

- Thursday 17 January 2013, 15:46
- by Nigel Lowry

Company shifts from pure ownership into supply contracts and reserve acquisitions

GREECE-based shipowner NewLead Holdings is expanding its fledgling commodities business, securing deals to acquire coal reserves in the US and three-year supply contracts generating \$870m in revenues.

Shortly after opening in New York, the company's share price surged by 76% to well over \$2 as investors reacted to the news.

The Nasdaq-listed company, which slashed its fleet to two bulk carriers and two managed tankers late last year after a marathon financial restructuring, moved into commodities last summer with a joint venture to purchase and market thermal coal from the state of Kentucky.

Now, it has acquired rights to exploit an estimated 18.6m tonnes of coal reserves in Kentucky for \$11m and is in the process of acquiring ownership and leasehold interests in property in Tennessee with about 143m tonnes of coal for a cash consideration of \$55m.

NewLead said its estimates of reserves were based on the best available information, but it is seeking to obtain reports that comply with methodology approved by the Securities and Exchange Commission.

The properties include natural gas wells and other commodities being exploited by third-party contractors in return for royalty payments.

NewLead has also inked a deal to acquire a local coal mining management company in exchange for about \$3m worth of shares and warrants for a further \$6.4m of stock.

All three deals remain subject to certain conditions and final execution.

At the same time, the company has signed two contracts to supply more than 11.6m tonnes of coal over a three-year period. Said to be agreed with "creditworthy counterparties", the deals are expected to bring revenues of \$873.5m over the period.

NewLead intends to source the coal from its own reserves but may buy additional stocks from the market to fulfil the contracts, it said.

"We believe that our international shipping expertise will allow us to exploit the demand for these coal reserves," said NewLead chief executive, Michael Zolotas. "In entering the mining business, we undertook to secure supply contracts for the coal reserves.

"Based on our projections of operating costs, we believe that these sales will have healthy margins and will generate significant cashflow with which to fund continued growth."

Last week, NewLead announced a new 36.8% shareholder in the company against a capital contribution of industrial metal appraised to be worth about \$236m.

According to Mr Zolotas, that investment would "provide valuable collateral" to raise finance and execute the company's new diversified growth plans.

Article from Lloyd's List

<http://www.lloydslist.com/ll/sector/dry-cargo/article415151.ece>

Published: Thursday 17 January 2013

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