
NewLead admits nickel pickle

NewLead Holdings has admitted that a coil of nickel wire, which it tried unsuccessfully to use as collateral to secure financing, was grossly overvalued.



Michael Zolotas, CEO of NewLead.

The New York-listed shipowner agreed earlier this year to exchange nearly 259 million shares, equivalent to over a third of the equity in the company, to NM Kandilis for 3,750 grams of nickel wire, valuing the metal at an eyebrow-raising \$63,000 per gram.

However the Athens-based operator of two products tankers and a pair of bulkers cancelled the deal less than two weeks ago after it sparked an investigation by its audit committee which refused to sanction the release of its 2012 financial results pending the outcome.

The Michael Zolotas-led company now says that the value of the nickel wire may have been overstated by as much as 99%.

"One reason for our inability to monetize the nickel wire may be that it may have been overvalued in connection with our acquisition of it," NewLead said in an exchange filing today.

"The reports we received from experts in the metals market, and used in connection with the closing of the deal, valued much smaller quantities of nickel wire than the amount bought by us and the \$212.0 million valuation was an extrapolation derived from the value of the nickel wire per meter."

However a more recent valuation carried out as part of the audit committee's investigation revealed the metal to be worth substantially less than first thought.

"This substantially lower value can reach up to a 99% discount of the valuation used for closing the deal on January 2013," NewLead said.

"We believe the difference is partially due to a substantial illiquidity discount being placed on the nickel wire due to the very large amount acquired by us.

"Further, prices received from the sale of the nickel wire depend on the country in which it was sold as well as the method of sale used.

"Our attempts to use the nickel wire as collateral following the acquisition convinced us that it would be challenging to accomplish a sizable transaction due to the illiquid market."

NewLead accompanied the statement with a delayed set of unaudited financial results for 2012 which revealed a \$402.5m deficit compared to a \$290.4m loss in 2011.

The deeper loss is mainly due to costs related to its financial restructuring last year.

Total revenue for the period dipped by nearly a third to \$8.4m from \$12.2m as charter rates fell.

NewLead stressed that the unaudited statement remains subject to adjustments.