Royal Coal Announces Financial and Operating Q2 2011 Results

29.08.2011 | Marketwired

TORONTO, ONTARIO -- (Marketwire) -- 08/29/11 -- Royal Coal Corp. ('Royal Coal') (TSX VENTURE: RDA) (FRANKFURT: RLC) (All amounts in US Dollars, unless otherwise stated), a US Central Appalachian producer of high BTU, low sulphur thermal coal, today announced the release of financial and operating results for the three and six months ended June 30, 2011, together with its Management's Discussion and Analysis ('MD&A') for the corresponding period. These documents are posted on SEDAR at www.sedar.com and on the Company's website at www.royalcoal.com

During the second quarter of 2011, the Company generated revenue of $6.6 million compared with $4.6 million for the same period in 2010, and revenue for the six months ended June 30, 2011 of $10.7 million compared with $10.4 million for the same period in 2010. However, cost of sales remained high during the second quarter of 2011, resulting in a gross margin loss of $3.0 million for the three months ended June 30, 2011, compared with a gross margin loss of $2.5 million for the same period in 2010; for the six month period ending June 30, 2011, gross margin loss was $8.9 million compared with a gross margin loss of $5.3 million for the same period in 2010.

For the three months ended June 30, 2011 the Company recorded a net gain of $2.8 million or $0.01 gain per share compared to a net loss of $6.0 million or $0.10 loss per share, for the three months ended June 30, 2010. For the six months ended June 30, 2011, the company recorded a net loss of $12.9 million, $0.06 loss per share, compared with a net loss of $12.1 million, $0.22 loss per share for the same period in 2010. The company's net gain for the three months ended June 30, 2011 is primarily due to the reduced cost revaluation of the equity component of outstanding warrants and options. This revaluation will occur at each quarter end as required by the International Financial Reporting Standards ('IFRS') for companies with different functional currencies than the currency attached to the warrants and options. The Company's functional currency is the United States dollar, whereas the warrants and options are denominated in Canadian dollars. Royal Coal's warrant and option's valuation significantly decreased as of June 30, 2011 due to the reduction in the company's share price. The revaluation calculation which is based on the Black Scholes option pricing methodology resulted in a non-cash gain of approximately $7.6 million.

Highlights for the Three and Six Months Ended June 30, 2011 and Subsequent Events

- The company continues to invest in mining equipment to refurbish and upgrade its fleet. For the six months ended June 30, 2011, the company has invested approximately $5 million in new and refurbished equipment that will result in a more dependable and cost efficient equipment supporting operations.

- Coal production was up significantly from the first quarter of 2011 from 64,857 tons to 107,168 tons for the three months ended June 30, 2011, compared to 100,183 tons produced for the first three months of 2010, and 189,716 tons produced for the six months ended June 30, 2010. The improvement in tons produced for the three months ended June 30, 2011 is largely attributable to the improved utilization from the significant refurbishment program to equipment that was undertaken during the first quarter of 2011. The coal produced was from the Big Branch Project. The Company anticipates that the Sid Mining Project will commence production during the fourth quarter of 2011.

- The average sale price of the Company's coal during the second quarter of 2011 was up 23% to $65 as compared to $53 during the second quarter of 2010.

- On June 29, 2011 the company announced the appointment of a new Chief Operating Officer with experience as an operations manager with twenty-six years of coal mining experience and strong industry knowledge. He brings to Royal Coal extensive knowledge of the Appalachian coal industry and its day-to-day operations. He was most recently Operations Manager & East Kentucky Regional Mine Manager at another public mining company that is producing at a rate of 140,000 tons per month.

- On August 15, 2011, the Company acquired the Charlene rail load-out facility (the 'Charlene Load Out'), which was previously leased by the Company since October 2009. The total purchase price for the Charlene Load Out was US$5.5 million. Sandstorm Metals & Energy (US) Inc. provided a $3 million bridge loan to partially fund the purchase of the Charlene rail load-out facility. This $3 million bridge loan bears interest at 15% per annum, and matures 120 days from the date of the loan agreement, or December 12, 2011. Sandstorm Metals & Energy (US) Inc. holds a senior, secured first priority charge on the Charlene Load-Out Facility.

- On July 25, 2011, the Company closed a private placement financing (the 'Offering') of a C$10,000,000 secured convertible debenture to Mercuria Energy Group Holding SA ('Mercuria') which bears interest at a rate of 9% per annum, payable semi-annually in arrears and is due on or about July 22, 2013. The convertible debenture may be converted by Mercuria at any time and from time to time into common of the Company, at a conversion price of C$0.2689 per share, subject to adjustment in certain circumstances. The convertible debenture is guaranteed by the subsidiaries of Royal Coal, secured by second ranking security over all assets of Royal Coal and its subsidiaries and first security over certain future assets of Royal Coal and its subsidiaries, is not redeemable until maturity and is subject to typical anti-dilution protections. If the volume weighted average trading price of the common shares for each of any 90 consecutive trading days exceeds $0.4033, Royal Coal may require Mercuria to convert all or part of the then outstanding principal amount of the convertible debenture.

Financial Overview

The following tables present selected balance sheet, statement of operations and coal production and sales data as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011 and 2010.

($000's)		As of June 30, 2011		As of December 31, 2010
Cash	$	513	$	347
Total current assets	$	4,411	$	1,385
Total assets	$	24,096	$	16,598
Total current liabilities	$	16,838	$	25,337
Total long term liabilities	$	14,340	$	8,560
Shareholders' equity	$	(7,083)	$	(17,298)

Statement of Operations

($000's, except per share)	Three months ended June 30 2011	Three months ended June 30 2010	Six months ended June 30 2011	Six months ended June 30 2010
Total coal revenues	$ 6,622	$ 4,594	$ 10,667	$ 10,350
Cost of Coal Sales	$ 9,658	$ 7,098	$ 19,522	$ 15,630
Gross Margin	$ (3,036)	$ (2,504)	$ (8,854)	$ (5,280)
Net income (loss)	$ 2,761	$ (5,879)	$ (12,881)	$ (12,093)
Basic and diluted net Income (loss) per share	$0.01	($0.10)	($0.06)	($0.22)

Statistics	Three months ended June 30 2011	Three months ended June 30 2010	Six months ended June 30 2011	Six months ended June 30 2010
Tons Sold	102,571	87,150	167,906	196,275
Tons Produced	107,168	89,533	172,025	189,716
Sale price/ton	$ 64.56	$ 52.71	$ 63.53	$ 52.73
COGS/ton sold	$ 96.32	$ 75.93	$ 116.85	$ 79.22
Gross Margin/ton sold	$ (29.60)	$ (28.73)	$ (52.73)	$ (26.90)
Gross Margin/ton produced	$ (28.33)	$ (27.97)	$ (51.47)	$ (27.83)

Other Business

Royal Coal Extends Letter of Intent to Acquire Metallurgical Coal Property

As announced on June 28, 2011, the company executed a letter of intent to acquire an early-stage development metallurgical coal project in northern Appalachia. This letter of intent has now been amended to extend the exclusivity period to enable sufficient time to complete the due diligence.

According to the terms of the letter of intent, Royal Coal would acquire coal leases covering a leased area of approximately 1,800 acres within a wider project area of over 46,000 acres. In addition, the vendors agreed to continue to assist Royal Coal both before and after closing in its efforts to acquire additional coal leases within this wider project area.

Based on a report prepared for the current holder of the coal leases by Weir International, Inc. dated August 11, 2010, Royal Coal estimates that the wider project area has a potential to contain between 60 million and 138 million recoverable tons. This estimate of the potential quantity is conceptual in nature, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

The subject coal seam is known and has been mined within the region as a metallurgical coal product. The coal seam lies approximately 900 feet below drainage and a site has been identified for surface facilities that has rail access and is located on the river where the coal seam is approximately 600 feet below drainage that can be accessed by a riverside slope that would have either barge or rail options for shipment. The vendor has acquired the initial coal leases at the heart of the coalfield, where the coal seam reaches a maximum height of 5.6 feet and where surface facilities would be located.

The project is located in a very desirable region for coal operations due to closeness to markets, transportation logistics and because experienced labor, mine servicing, and infrastructure are all readily available from this historic coal-mining region. The Company is acquiring the leases under favorable terms and conditions. The leases are 20 year leases with the right to renew for an additional 20 years.

Royal Coal has commenced a drill program in order to produce a resource estimate that is compliant with NI 43-101 standards. The total purchase price for the new leased area will not exceed US$7,000,000, payable on the closing of the acquisition. Royal Coal has provided a non-refundable deposit of US$100,000 for the exclusive right to complete final due diligence and negotiate a definitive purchase agreement with respect to the new leased area.

The preparation of the information concerning the mineral properties, as described in this news release, has been supervised and approved by John W. Sabo, Mining Engineer - Executive Vice President, Weir International, Inc. Mr. Sabo has 45 years of operating, engineering and consulting experience in the mining and energy industries. He is a mining engineer and is a Qualified Person under National Instrument 43-101.

Forward-Looking Information

In the past, Royal Coal has not had and does not currently have positive cash flow from operations. Royal Coal's available cash has been used and will continue to be used, to the extent required, to fund its negative cash flow. No assurance can be given that Royal Coal will ever generate a positive cash flow from operations. Royal Coal may and is seeking additional equity or debt financing in order to fund certain of its potential acquisitions and its production targets, in each case, as and when Royal Coal determines that any such financings are available to it when needed and on terms that are favourable. However, additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to Royal Coal.

This release contains 'forward-looking information' that includes information relating to future events and future financial and operating performance, including management's assessment of Royal Coal's future outlook, potential financings, potential acquisitions and production. Specifically, this release contains forward-looking information related to increases in production capacity as the results of additional capital expenditures and permitted mines, additional reserves that have been leased or acquired, future development of reserves or properties, potential financings and potential acquisitions. Forward-looking information should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by which, that performance or those results will be achieved. Forward-looking information is based on information available at the time it is made and/or management's good faith belief as of that time with respect to future events, and such information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking information. Important factors that could cause these differences include but are not limited to: changes in contracted sales, the business of the Company may suffer as a result of uncertainty surrounding the coal market; the Company may be adversely affected by other economic, business, and/or competitive factors; the worldwide demand for coal; the price of coal; the price of alternative fuel sources; the supply of coal and other competitive factors; the costs to mine and transport coal; the ability to obtain new mining permits; the costs of reclamation of previously mined properties; the risks of expanding coal production; the ability to bring new mines on line on schedule; industry competition; the Company's ability to continue to execute its growth strategies; the Company's ability to secure additional financing; the Company's ability to complete planned acquisitions; and general economic conditions. These and other risks are more fully described in the Company's filings with the Canadian Securities Administrators, including its Annual Information Form for the year ended December 31, 2010, available on SEDAR at www.sedar.com. You should not put undue reliance on any forward-looking information. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking information, no inference should be drawn that we will make additional updates with respect to those or other forward-looking information.'

About Royal Coal

Royal Coal is a coal exploration and production company, headquartered in Toronto, Ontario, Canada with a regional office in Hazard, Kentucky, U.S.A. whose primary business focus is developing producing surface coal mining operations in the Central Appalachian coal producing region of the United States, which includes parts of West Virginia, Virginia, Kentucky, Ohio, and Tennessee.

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