NewLead increases shipping focus after mine deals fall through

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NewLead is refocusing its business after its bid to integrate coal mining and processing with dry bulk shipping stalled.

Greece-based shipowner's diversification strategy singed by coal price collapse

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NEWLEAD Holdings is refocusing on its traditional shipping business for future growth after projects intended to integrate coal mining and processing with dry bulk shipping stalled or unravelled.

Lloyd's List has been told that the Greece-based shipowner is looking at opportunities primarily on two shipping segments it is already involved in — bitumen tankers and handysize bulkers.

Currently the company owns five asphalt/bitumen tankers and three eco-type handysizes as well as two older panamaxes.

A NewLead spokesperson said that the company was "working on a couple of projects" on the shipping side, but could not provide further information until these came to fruition.

NewLead, which currently trades on the over-the-counter market in the US, this week has underlined that some of its planned takeovers in the mining sector failed to materialise although the developments had already been referred to in regulatory filings.

The company did not complete the acquisition of the Marrowbone mine in Kentucky, US, that it hoped to take over in 2013.

Reasons why the acquisition did not proceed included a failure of the parties to agree final terms, but NewLead also cited as factors the collapse of coal prices as well as "adverse coal market conditions especially with regard to the export and transportation of coal that continues today".

Plunging prices and the bad market were also blamed for cancelling a supply contract for 720,000 tonnes of thermal coal in 2013. The contract, said NewLead, was subject to satisfactorily completing a trial shipment that was not completed due to the market collapse.

The same year contracts to supply two third parties with about $806m worth of thermal coal were scuppered. Last year, the shipowner reached a settlement with one of the third party buyers, which received $704,000 in NewLead stock in full and final satisfaction of the company's obligations.

In its most recent annual report, NewLead said that its coal operations were "limited", consisting of a coal preparation plant that had been processing coal for third parties, and warned that there were no assurances that the business could either be effectively managed or expanded in future.

Other mines that the company has negotiated deals for in the last three years are the Five Mile Mine and the Viking Mine, both in Kentucky.

NewLead says that it has already paid the agreed $11m purchase price for assets of Five Mile, a greenfield mine property, but acquisition of the title and excavation rights have not yet been completed.

Two supply contracts for sale of coal that could have generated as much as $873.5m in revenue at the high end of projections, according to the company, also fell victim to the coal market collapse.

Acquiring the Elk Valley mine in Tennessee also fell through, the company said, citing a lack of financing. Afterwards the company defaulted on a one-year lease agreement and the deal has been abandoned.

Shipping has been the traditional specialisation of the Michael Zolotas-led company but the company has had to rebuild its fleet after a marathon restructuring saw it dispose of almost all its vessels in return for wiping off debt.

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