

Xinergy Ltd. Divests Kentucky Thermal Operations

KNOXVILLE, TN, Feb. 4, 2013 /PRNewswire/ - Xinergy Ltd. (TSX:XRG) (the "**Company**" or "**Xinergy**"), a Central Appalachian coal producer, today announced that it has completed the sale of its Straight Creek and Red Bird thermal coal mining operations (the "**Sale**") in Bell, Clay, Harlan, Knox and Leslie Counties, Kentucky to affiliates of JW Resources, Inc. (the "**Buyer**") for US\$47.2 million in cash, subject to adjustment as provided for in a definitive asset purchase agreement (the "**Agreement**") executed Friday, February 1, 2013.

Matt Goldfarb, Chief Executive Officer of Xinergy, commented: "This divestiture furthers our efforts to position Xinergy's asset portfolio towards a greater mix of premium quality, mid-vol metallurgical coal production. Although we continue to view favorably the long-term prospects for low-cost Central Appalachian thermal coal mining, we believe that this transaction is both accretive to our shareholders and value enhancing, from the perspective of enhanced liquidity and operational flexibility, as we position our remaining assets for significant growth."

The Sale is considered a "related party transaction" for the purposes of Multilateral Instrument 61-101 ("**MI 61-101**") as Jon Nix, a greater than 10% shareholder of the Company, will have an approximate 5.1% direct and/or indirect ownership interest in the Buyer at the time of the Sale. However, the Sale is not subject to the minority approval and valuation requirements under MI 61-101 as there is an applicable exemption from these requirements as neither the fair market value of the subject matter, nor the fair market value of the consideration, for the Sale, insofar as it involves the interested parties, exceeds 25% of Xinergy's market capitalization. Mr. Nix is not a member of, nor does he have representation on, the board of directors of Xinergy. The Buyer's other shareholders are not related parties to the Company.

The Company's board of directors unanimously determined that the Sale is in the best interests of the Company's shareholders. The Sale provides the Company with, among others, the following benefits:

- **Deleveraging:** The Company's net debt (total debt less cash) is reduced by approximately 22% from approximately \$216.7 million at December 31, 2012 to \$169.5 million after receipt of the net proceeds from the Sale and the repayment of equipment debt;
- **Liquidity:** Net proceeds from the Sale are approximately \$42.7 million, which is net of a \$3 million escrow covering indemnity claims under the Agreement and the repayment of approximately \$4.4 million in equipment debt. Approximately \$38.2 million of such net proceeds, after giving effect to equipment debt extinguishment, transaction-related expenses and taxes, are anticipated to be deposited into a Collateral Proceeds Account pursuant to the requirements of the Indenture (the "Indenture") governing the Company's 9¼% Senior Secured Notes. Based on the Company's cash balance of \$32.2 million at December 31, 2012, after giving effect to the Sale the Company's liquidity profile is as follows:

Cash	\$ 32.2 million
Term Loan B Commitment	\$ 9.8 million
Liquidity	\$ 42.0 million
Restricted Cash*	\$ 46.0 million

* Includes approximately \$38.2 million of net proceeds from the Sale.

The Company anticipates paying the entire \$20 million in estimated infrastructure costs at its South Fork complex from the net proceeds from the Sale held as restricted cash.

- **Reduced Dependence on Thermal Coal Production:** The Sale substantially decreases the Company's dependence on CAPP thermal coal production, and positions the Company to benefit from a greater mix of premium quality, mid-vol metallurgical coal production.

The board of directors of the Company has received a fairness opinion from GMP Securities L.P. (the "Fairness Opinion"), which concluded, subject to the assumptions, limitations and qualifications described therein, that the consideration to be received by the Company pursuant to the Sale is fair, from a financial point of view, to the Company. The Fairness Opinion will be filed on SEDAR at www.sedar.com together with the material change report related to this press release.

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 thermal and metallurgical coal to electric utilities, steelmakers, energy trading firms and industrial companies. For more information, please visit www.xinergycorp.com.

Cautionary Statements

This press release contains forward-looking statements and information that are based on the beliefs of management and reflect Xinergy's current expectations. When used in this press release, the words "estimate", "project", "belief", "anticipate", "intend", "expect", "plan", "predict", "may" or "should" and the negative of these words or such variations thereon or comparable terminology are intended to identify forward-looking statements and information. The forward-looking statements and information in this press release include information relating to the effects of the Sale on Xinergy's liquidity, Xinergy's intended use of the net proceeds from the Sale, and selected fourth quarter 2012 operating data. Such statements and information reflect the current view of the Company with respect to risks and uncertainties that may cause actual results to differ materially from those contemplated in those forward-looking statements and information.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, completion of Xinergy's financial statements for fiscal year 2012, which may reflect audit-related adjustments to the fourth quarter selected financial data presented in this release, and developments in Xinergy's business which may impact the company's intended use of the net proceeds from the Sale.

The Company cautions that the foregoing list of material factors is not exhaustive. When relying on Xinergy's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Xinergy has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors. Please refer to the risks outlined in Xinergy's public disclosure record available on SEDAR at www.sedar.com for more details.

THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS PRESS RELEASE REPRESENTS THE EXPECTATIONS OF XINERGY AS OF THE DATE OF THIS PRESS RELEASE AND, ACCORDINGLY, IS SUBJECT TO CHANGE AFTER SUCH DATE. READERS SHOULD NOT PLACE UNDUE IMPORTANCE ON FORWARD-LOOKING INFORMATION AND SHOULD NOT RELY UPON THIS INFORMATION AS OF ANY OTHER DATE. WHILE XINERGY MAY ELECT TO, IT DOES NOT UNDERTAKE TO UPDATE THIS INFORMATION AT ANY PARTICULAR TIME EXCEPT AS REQUIRED IN ACCORDANCE WITH APPLICABLE LAWS.

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