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Leed Resources PLC
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Leed Resources plc

("Leed")

Update in relation to Manas Coal LLC

As shareholders will be aware, Leed made an investment amounting to £957,000 for a shareholding in Manas Coal LLC ("Manas") which holds a coal exploration licence at Kok Kiya in the Kyrgyz Republic. The purpose of the investment was in part to finance a scoping study which would be a precursor to a larger exploration and work programme. The study was commenced and preliminary results received by the Company. However, during 2012, Manas was not able to complete its programme, having not raised the additional resources as required. In August 2012, Manas was notified that another party held a licence over part of the Kok Kiya licence area in conflict with Manas, a licence for that area having apparently been granted to more than one party. Manas was, however, confident that the full licence area would be returned to it in due course and that in any event the remaining area contained a sizeable and viable coal resource. Leed was subsequently informed that plans for the financing of Manas were advancing in conjunction with a further transaction which would result in the project being quoted on the AIM Market. In November 2012, the Manas licence at Kok Kiya expired but Manas was successful in obtaining a renewal of the licence area not under dispute to November 2015.

While Manas has pursued its claim for the restoration of the full licence area through the Kyrgyz courts, it has been unable to obtain a favourable judgment through a number of hearings. Meanwhile work on the remaining area has remained on hold pending resolution of the licence dispute. Manas has not carried out any exploration or other work on the remaining licence area.

The Board of Leed has become concerned at the apparent lack of further progress. The financing of Manas and the AIM quotation referred to above has not proceeded and, although Manas has maintained a local presence and continues to believe that the legal rectification of the licence dispute remains in due course likely, there has evidently been little other activity and the minimum expenditure obligations set out under the licence terms have not been met.

It has become difficult recently to obtain reliable management or financial information and there appears now to be little dialogue between the principal stakeholders. When the investment was considered at the time of Leed's Report and Accounts for the year ended 30 June 2012, the Directors relied on Manas' opinion that the full licence area would be restored to Manas and that the remaining area in any case had a valuable and viable coal resource. It was also assumed that, in those circumstances, resources would be made available to Manas to enable it to move the project forward.

The Board of Leed has held a number of discussions with the management and shareholders of Manas in the recent past with a view to their securing additional funding for the project and bringing about renewed cooperation and momentum; but these discussions have to date had no result. Leed has been informed that Manas does not currently have sufficient resources to carry out its work programme or maintain an effective local operating team, nor does it have immediate prospects of funding. The project has always been dependent on raising further finance to carry out an exploration and development programme. In view of the lack of progress or significant funding over the past twelve months, the Board of Leed has given careful consideration to its investment and has come to the conclusion at this time that it should make a full provision for impairment against the investment in Manas in Leed's forthcoming results and accounts for the year ended 30 June 2013. The Board will keep the matter under review in the event that further resources in the future become available to Manas.

The Directors greatly regret this outcome, as it remains the case that there is likely to be a significant coal resource within the licence area now held by Manas, but the inability of Manas to take matters forward or to bring to bear even the minimum expenditure obligations under the licence leaves the Board with little alternative.

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