LEED RESOURCES Plc UPDATE
(“Leed”)

22 December 2016

High Mannor

It is pleasing to report that the restructuring of High Mannor (“HM”) and its business is nearing completion. At meetings of Battalion International Ltd (“Battalion”) Shareholders and Noteholders held on 14 December there was unanimous approval for the proposals which, amongst other matters, will result in the transfer of ownership of the assets of High Mannor into a new company called Goldenray Investments Pty Ltd (“Goldenray”).

Goldenray was specifically formed for this purpose and will own 100% of the business currently within High Mannor. Leed will initially own approximately 33% of Goldenray. Prior to the restructuring, Leed held notes in Battalion which would have converted into an approximate 18% shareholding in Battalion, giving an effective ownership of the business of approximately 11.6%. Although the restructuring results in all the Battalion Notes (including Leeds’) being converted into equity, the Directors are satisfied that the enhanced ownership position in the underlying business is a good result for Leed shareholders. The restructuring allows the underlying business to continue with a reduced risk from any unidentified contingent liabilities within High Mannor.

In addition, due to actions taken in the operations there is an improved outlook for the business. As we have indicated from earlier announcements, HM had previously been more focused on the revenue line rather than profitability. However, the refocus on the bottom line through operational improvements and cost savings over the past few months mean that the management in Perth are now confident that the business is operating far more efficiently. New contracts being tendered for will now contribute positively to cashflow and the bottom line. This has led management to start tendering more aggressively for new business on the basis that it has a better understanding of the cost structure. Despite the general softening in demand for retaining walls in Western Australia, the business has successfully won a number of new contracts in the past few weeks.

The Steering Committee has been hard at work in restructuring the capital structure of the business and, as noted above, operations as well. Employee numbers have been reduced from 42 to 25, block production costs and block laying costs have both been reduced by close to 25%. These, and other, changes now enable the business to bid competitively but management now expect to make healthy operating margins without having to assume any significant increases in the volume of business.

Revenue in November was just under A$900,000, which is more than double that of the average for the previous 3 months, and as a result management advise that November has generated positive EBITDA. The order book continues to look healthy throughout December and January, traditionally very slow months due to holidays, and revenue is forecast to continue to rise from February onwards.

In addition, the Panel production process has been completely reviewed and a number of changes successfully implemented. As a result the business is now able to produce a range of different size Panels that have all been tested and passed the minimum strength tests by a substantial margin. This now gives management the confidence to start aggressively marketing the panels to its customer base and we expect the level of panel deliveries to start to contribute meaningfully to the business during the first half of 2017.

Ultimately, the performance of the business will be largely dependent upon market conditions and the level of success in achieving panel penetration in the market. The management are confident, however, that with the reduced cost structure if the annual turnover was A$12 million - A$15 million (which it has more than achieved previously) then it would be generating approximately A$2 million - A$3 million of EBITDA, whereas previously it was loss making at those revenue levels. Management believe these levels are achievable in the next 12-18 months and any substantial upturn in the market or, higher than forecast usage of panels, could actually make these numbers very conservative.

Change of Reporting Date and Reduction of Overheads

Because the re-structuring of High Mannor has taken much longer than expected, the Directors have decided to extend the accounting date for Leed Resources plc to end December. With the terms of the restructuring now in place, the Directors will be in a position to present meaningful accounts particularly with regard to the investment. Accordingly, the AGM deadline has been extended to the end of June 2017.

The Directors look forward to providing further updates once the restructuring is completed and a clearer understanding of the performance of the underlying business is obtained. However, based on reports received from the Steering Committee, the Directors are cautiously optimistic that a turnaround is achievable in 2017.

Within Leed itself, since delisting from AIM this year, there has been a significant cost cutting exercise undertaken and the Directors will provide further details as we progress towards the next AGM.

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