



**Leed Petroleum PLC**

("Leed" or the "Company")

**Proposed Fundraising**

**Proposed Amendments to Debt Facility  
&  
Notice of General Meeting**

Leed Petroleum PLC (AIM: LDP), the oil and gas exploration and production company focused on the Gulf of Mexico, is pleased to announce that it has conditionally placed and has received conditional subscription applications for 400 million new ordinary shares in the Company at 5 pence per new ordinary share, to raise £20 million (before expenses) (the "Fundraising").

The net proceeds of the Fundraising will be used to progress the development of the Company's oil and gas assets and to pay down part of its outstanding debt owing to HVB.

The work plan in respect of the Company's Gulf of Mexico assets includes drilling and completing four development wells at Grand Isle 95, Ship Shoal 201 and South Marsh Island 8, sidetracking a well at Sorrento Dome, recompleting a well and installing a natural gas compressor at Eugene Island and refurbishing facilities at two fields.

The Company also announces today that it has entered into a commitment letter with its lender, HVB (as defined below), in respect of certain amendments to its existing debt facility and the provision of a new term facility. The commitment by HVB is subject to the finalisation of binding legal documentation and the Directors believe that this documentation will be agreed prior to the date of the General Meeting.

The Fundraising is conditional, *inter alia*, on: (i) the passing of the Resolutions at the General Meeting; (ii) the execution of binding legal documentation (to the satisfaction of the Brokers) in respect of the Amended HVB Facility and the Amended HVB Facility becoming unconditional in all respects other than as to completion of the Fundraising; and (iii) Admission.

The Company is to seek Shareholder approval for the Fundraising at a General Meeting to be convened for 1 p.m. on 23 November 2009 and to be held at the offices of K&L Gates LLP, 110 Cannon Street, London EC4N 6AR.

Application will be made to the London Stock Exchange for the Placing Shares and Subscription Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Placing Shares and Subscription Shares will commence at 8.00 a.m. on 24 November 2009.

Commenting, Howard Wilson, Chief Executive Officer of Leed said:

*"As a result of the Fundraising, the Company will be well capitalised and positioned to re-commence development of its portfolio of assets. We have very focused objectives and will look to move quickly towards adding reserves and continuing to build a diverse and sustainable production base"*

**Leed Petroleum PLC**

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A circular (“the Circular”) is expected to be posted to Shareholders today and will shortly be made available on the Company’s website ([www.leadpetroleum.com](http://www.leadpetroleum.com)). Also on the website will be a copy of the recent investor presentation used by the Company in its marketing. Defined terms in this announcement are to have the same meaning as in the Circular, unless the context otherwise requires. The following information is extracted from the Circular.

**1. Introduction**

The Company today announces that it has conditionally placed and has received subscription applications for 400 million new Ordinary Shares at 5 pence per Ordinary Share, to raise £20 million (before expenses). The net proceeds of the Fundraising will be used to progress the development of the Company’s oil and gas assets and to pay down part of its outstanding debt owing to HVB.

The Company also announces today that it has entered into a commitment letter with HVB in respect of certain amendments to the Existing HVB Facility and the provision of the Term Facility. The commitment by HVB, contained in the Commitment Letter, is subject to the finalisation of binding legal documentation but the Directors believe that this documentation will be agreed prior to the date of the General Meeting.

The Amended HVB Facility and the Fundraising are inter-conditional. The Fundraising is conditional, *inter alia*, on: (i) the passing of the Resolutions at the General Meeting; (ii) the execution of binding legal documentation (to the satisfaction of the Brokers) in respect of the Amended HVB Facility and the Amended HVB Facility becoming unconditional in all respects other than as to completion of the Fundraising; and (iii) Admission.

This letter explains why the Board believes that the Fundraising is in the best interests of the Company and its Shareholders as a whole and unanimously recommends that you vote in favour of the Resolutions.

**2. Background to and reasons for the proposed Fundraising**

***Overview of current trading***

The Company announced on 23 July 2009, *inter alia*, that it had been negatively affected by the low price environment for oil and particularly natural gas. As a result, the Company expects that accounts for the financial year ending 30 June 2009 will show revenue of approximately \$33 million and a loss for the financial year as a whole.

As at 30 June 2009, the Company had a cash balance of \$4.4 million. Borrowings consisted of \$41 million under the Existing HVB Facility and \$3.3 million in other borrowings associated with the Company’s insurance programme.

More recently, production volumes have been negatively affected by various well performance issues and the shut-in of the Eugene Island field for a prolonged period during September and October.

As a consequence of the above, under the terms of the Existing HVB Facility, the Company believed that HVB would seek an \$11 million reduction in the \$41 million outstanding balance under this facility. The Company would not have had the funds available to make this payment when due in December 2009, which would have constituted an event of default under the Existing HVB Facility. In light of this, on 5 November 2009, the Company entered into the Commitment Letter, requiring a re-payment of principal of \$6 million, on or before 30 December 2009, pursuant to the Amended HVB Facility (including the Term Facility). Further details of the Amended HVB Facility (including the Term Facility) are contained in paragraph 5 of this document.

### ***Use of proceeds***

The Company intends to use the net proceeds of the Fundraising to:

- progress the exploration and development of the Company's Gulf of Mexico assets. The work plan in respect of the Company's Gulf of Mexico assets includes drilling and completing four development wells at Grand Isle 95, Ship Shoal 201 and South Marsh Island 8, sidetracking a well at Sorrento Dome, recompleting a well and installing a natural gas compressor at Eugene Island and refurbishing the facilities at two fields; and
- repay a principal amount of \$6 million to HVB on or before 30 December 2009.

In addition, the proceeds of the Fundraising will provide the Company with its present working capital requirements, being for a period of not less than 12 months from the date of Admission.

### ***Significance of the Fundraising***

**In the event that Shareholders do not approve the Resolutions, the Fundraising will not proceed and the Board will need to consider alternative sources of funding, which may or may not be forthcoming. In the event that the Fundraising does not proceed, the Amended HVB Facility (including the new Term Facility) will not come into effect and the Company will not have sufficient cash resources to enable it to make the \$11 million payment it believes will fall due under the Existing HVB Facility and the Board would then need to consider alternative courses of action to reduce the Company's outstanding debt.**

**If the Company was not able to secure appropriate alternative funding, HVB would be entitled, as is normal in agreements of this nature, to demand repayment in full of all of the outstanding debt under the Existing HVB Facility and the Company could face the risk of insolvency.**

### **3. Details of the proposed Fundraising**

The Company has conditionally raised further equity finance by means of the proposed placing of 298,879,455 new Ordinary Shares at a price of 5 pence per Ordinary Share, representing a discount of 49.39 per cent. to the closing mid market price of 9.88 pence per share on 5 November 2009, being the last business day prior to publication of this document. The Placing is supplemented by the Subscription, pursuant to which ASSGJP1 (a wholly owned subsidiary of IB Diawa), Robert Adair, the Non-Executive Chairman, Howard Wilson, the President and Chief Executive, James Slatten, the Chief Operating Officer, Robert Alcock, a Non-Executive Director, Ian Gibbs, a Non-Executive Director, Peter Hirsch, a Non-Executive Director and various key managers of the Company, have conditionally agreed to subscribe for 101,120,545 new Ordinary Shares at 5 pence per Ordinary Share.

The notifiable interests of the Directors immediately following Admission will be:

<b>Director</b>	<b>New Ordinary Shares Subscribed</b>	<b>Shareholding immediately following Admission</b>	<b>Percentage of enlarged issued share capital</b>
Robert Adair	4,000,000	6,127,660	0.91%
Howard Wilson	2,000,000	5,296,600	0.78%
James Slatten	2,000,000	5,296,600	0.78%
Robert Alcock	400,000	503,191	0.07%
Ian Gibbs	600,000	706,383	0.10%
Peter Hirsch	120,000	130,638	0.02%

The new Ordinary Shares will, when issued, rank *pari passu* with the existing Ordinary Shares. The Amended HVB Facility and the Fundraising are inter-conditional. The Fundraising is conditional, *inter alia*, on (i) the passing of the Resolutions at the General Meeting; (ii) the execution of binding legal documentation (to the satisfaction of the Brokers) in respect of the Amended HVB facility and the Amended HVB facility becoming unconditional in all respects other than as to completion of the Fundraising; and (iii) Admission.

The Placing is to be effected on behalf of the Company by the Brokers on the terms of the Placing Agreement. The Subscription will be effected by subscription agreements directly with the Company. Pursuant to the Placing Agreement, both the Brokers have procured subscribers for Placing Shares on a conditional basis.

The Placing Agreement contains warranties in favour of the Brokers and given by the Company with respect to its business and certain matters connected with the Placing. In addition, the Company has given customary indemnities to the Brokers in connection with the Placing and the Broker performance of services in relation to the Placing. The Brokers have certain rights to terminate the Placing Agreement in specified circumstances.

Application will be made to the London Stock Exchange for the Placing Shares and the Subscription Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Placing Shares and the Subscription Shares will commence at 8.00 a.m. on 24 November 2009.

#### **4. Amended HVB Facility**

On 5 November 2009, the Company entered into the Commitment Letter with HVB in connection with certain proposed amendments to the Existing HVB Facility and the provision of the Term Facility. The commitment from HVB is subject to the finalisation of binding legal documentation but the Directors believe that this documentation will be agreed prior to the date of the General Meeting. The Commitment Letter provides for the Company to pay HVB a fee of \$500,000 in connection with the arrangements and also provides that the Amended HVB Facility (including the Term Facility) will be conditional upon the successful completion of the Fundraising.

The principal terms of the Amended HVB Facility (including the Term Facility) set out in the Commitment Letter are:

- the maximum facility will be \$54 million on 15 December 2009 and thereafter the maximum facility will be reduced by \$6 million semi-annually from June 2010 until the facility expires on 15 June 2014;
- the available facility will be the lesser of the maximum facility and the Borrowing Base Amount;

- the proposed available facility will be \$30 million until the next Redetermination Date falling on 15 May 2010;
- at each future Redetermination Date during the life of the Term Facility, in recalculating the borrowing base an adjustment will be made to further reduce the otherwise recalculated Borrowing Base Amount. The adjustment will be one third of the amount outstanding under the Term Facility on each Repayment Date; and
- the interest payable will be increased to LIBOR plus a margin, up to a maximum of 4.25 per cent.

It is expected that the remaining principal terms of the Existing HVB facility, including the security held by HVB, will remain substantially unchanged but the security will also secure the new Term Facility.

The principal terms of the proposed Term Facility (which are to be incorporated into the Amended HVB Facility) set out in the Commitment Letter are:

- the amount available for borrowing will be \$11 million;
- using part of the proceeds of the Fundraising the Company will reduce the amount owed under the Term Facility to \$5 million by 30 December 2009; and
- the Term Facility will then have the following repayment and interest schedule: aggregate principal repayments of \$1 million during 2010 with interest at LIBOR plus 4.75 per cent.; aggregate principal repayments of \$2 million during 2011 with interest at LIBOR plus 5 per cent.; and aggregate principal repayments of \$2 million during 2012 with interest at LIBOR plus 5.5 per cent.

## **5. Termination of the Relationship Agreement**

Under the terms of the relationship agreement between IB Daiwa and the Company dated 7 August 2007, IB Daiwa undertook that, whilst it or its associates held more than 20 per cent. of the issued share capital of the Company or had more than one representative director on the Board, it would ensure that the Company was capable of operating its business independently of IB Daiwa such that all transactions and relationships between the Group and IB Daiwa (and its associates) would be carried out at arm's length and on normal commercial terms. As at 5 November 2009, being the last business day before publication of this document, IB Daiwa, through its wholly owned subsidiary, ASSGJP1, held 37.9 per cent. of the issued share capital of the Company. Following the completion of the Placing and the Subscription, ASSGJP1 will hold 28.65 per cent. of the Enlarged Share Capital.

As a prerequisite for ASSGJP1 voting its Ordinary Shares in favour of the Resolutions, the Board has agreed to terminate the Relationship Agreement upon the Resolutions being passed.

## **6. Related Party Transaction**

ASSGJP1 is classified as a related party for the purposes of the AIM Rules as a result of its existing holding of 104,615,384 Ordinary Shares, representing 37.9 per cent. of the existing issued share capital of the Company. Accordingly, the issue of 89,080,545 new Ordinary Shares to ASSGJP1 pursuant to the Subscription, representing 22.27 per cent. of the total Placing Shares and Subscription Shares to be issued and 13.18 per cent. of the Enlarged Share Capital of the Company and the termination of the Relationship Agreement, will be classified as a related party transaction for the purposes of Rule 13 of the AIM Rules. With the exception of Stephen Fleming, who is involved in the transaction as a related party, the Directors, having consulted with their Nominated Adviser, Matrix, consider that the terms of the subscription by ASSGJP1 and the termination of the Relationship Agreement are fair and reasonable as far as Shareholders are concerned.

## **7. Working Capital**

In the opinion of the Directors and assuming the completion of both the Fundraising and the Amended HVB Facility, the working capital available to the Company is sufficient for the Company's present requirements, that is, for at least 12 months following Admission.

**However, in the event that Shareholders do not approve the Resolutions, the Fundraising will not proceed and the Board will need to consider alternative sources of funding, which may or may not be forthcoming. In the event that the Fundraising does not proceed, the Amended HVB Facility will not come into effect and the Company will not have sufficient cash resources to enable it to make the then expected \$11 million payment it believes will fall due under the Existing HVB Facility and the Board would then need to consider alternative courses of action to reduce the Company's outstanding debt.**

**If the Company was not able to secure appropriate alternative funding, HVB would be entitled, as is normal in agreements of this nature, to demand repayment in full of all of the outstanding debt under the Existing HVB Facility and the Company could face the risk of insolvency.**

## **8. Resolutions**

The first resolution to be proposed at the General Meeting, which will be proposed as an ordinary resolution, is to authorise the Directors to allot and issue Ordinary Shares in connection with the Fundraising by authorising the Directors pursuant to section 551 of the 2006 Act to allot up to 400,000,000 Ordinary Shares in relation to the Fundraising.

The second resolution to be proposed at the General Meeting, which will be proposed as a special resolution, will be to amend the Company's articles of association to remove the statement of the authorised share capital of the Company. The 2006 Act abolishes the requirement for a company to have an authorised share capital and this amendment will reflect this. The Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

The third resolution to be proposed at the General Meeting, which will be proposed as a special resolution, will be to disapply the statutory pre-emption rights contained in section 561 of the 2006 Act in relation to the Placing Shares and the Subscription Shares.

The Company has received an irrevocable undertaking from ASSGJP1 to vote in favour of the Resolutions.

## **9. Recommendation**

The Directors consider the proposed Fundraising and the Amended HVB Facility to be in the best interests of the Company and its Shareholders as a whole and accordingly unanimously recommend that Shareholders vote in favour of all of the Resolutions at the General Meeting as they intend to in respect of their holdings of Ordinary Shares which are, in aggregate 8,941,072 Ordinary Shares (representing 3.24 per cent. of the current issued share capital of the Company).

**If any of the Resolutions are not passed, the Fundraising and the Amended HVB Facility will not proceed.**

## **10. Fundraising Statistics**

Placing Price	5p
Number of Ordinary Shares in issue at the date of this document	276,020,767
Number of new Ordinary Shares the subject of the Placing and the Subscription	400,000,000

Number of Ordinary Shares in issue following completion of the Placing and the Subscription	676,020,767
Gross proceeds of the Placing and the Subscription	£20,000,000
Net proceeds of the Placing and Subscription	£19,140,000

## 12. Definitions

“2006 Act”	the Companies Act 2006, as amended;
“Admission”	the admission of the Placing Shares and the Subscription Shares to trading on AIM becoming effective;
“AIM”	AIM, a market regulated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers published by the London Stock Exchange governing admission to and the operation of AIM (as amended from time to time);
“Amended HVB Facility”	the revised facility expected to be provided to the Company by HVB pursuant to which the terms of the Existing HVB Facility will be amended in accordance with the terms set Letter and pursuant to which the new Term Facility will be made out in the Commitment available;
“ASSGJP1”	Asia Special Situations GJP1 Limited, a company registered in the Cayman Islands, whose registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and a wholly owned subsidiary of IB Daiwa;
“Board” or “Directors”	the directors of Leed Petroleum;
“Borrowing Base Amount”	the amount of the Existing HVB Facility available to be drawn by the Company as calculated by HVB as of each Redetermination Date;
“Brewin Dolphin”	Brewin Dolphin Limited;
“Brokers”	Matrix and Brewin Dolphin acting as joint brokers to the Company;
“Commitment Letter”	the commitment letter between HVB and the Company entered into on 5 November 2009 in connection with the proposed Amended HVB Facility;
“Company” or “Leed Petroleum”	Leed Petroleum PLC;
“Enlarged Share Capital”	the enlarged issued share capital of the Company immediately following Admission;
“Existing HVB Facility”	the revolving loan facility provided to the Company by HVB pursuant to the terms of the facility agreement dated 6 December 2005 and made between, inter alia, the Company and HVB (as amended and restated);
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the GM;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Fundraising”	the Placing and the Subscription;

“General Meeting” or “GM”	the General Meeting of Leed Petroleum to be held at the offices of K&L Gates LLP, 110 Cannon Street, London EC4N 6AR, at 1 p.m. on 23 November 2009 (or any adjournment thereof)
“Group”	the Company and its subsidiary companies;
“HVB”	Bayerische Hypo-Und Vereinsbank AG;
“IB Daiwa”	IB Daiwa Corporation, the ultimate holding company of ASSGJP1 which currently owns or controls 37.9 per cent. of the issued ordinary share capital of the Company;
“LIBOR”	London Inter-Bank Offering Rate;
“London Stock Exchange”	London Stock Exchange plc;
“Matrix”	Matrix Corporate Capital LLP;
“Ordinary Shares”	the ordinary shares of 5p each in the capital of the Company;
“Placing”	the conditional placing of the Placing Shares on behalf of the Company
“Placing Agreement”	the placing agreement between the Company, Matrix and Brewin Dolphin dated 5 November 2009 concerning the Placing;
“Placing Price”	5 pence per Ordinary Share, the price at which Ordinary Shares are offered for subscription to investors as part of the Placing and the Subscription;
“Placing Shares”	the 298,879,455 million new Ordinary Shares proposed to be placed pursuant to the Placing;
“Redetermination Date”	the business day falling one month prior to each Repayment Date;
“Registrar of Companies”	the Registrar of Companies in England and Wales;
“Repayment Date”	15 June and 15 December in each year;
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the notice of General Meeting at the end of this document;
“Shareholders”	holders of Ordinary Shares;
“Sterling” or “£”	the lawful currency of the United Kingdom;
“Subscribing Directors”	Howard Wilson, James Slatten, Robert Adair, Robert Alcock and Peter Hirsch;
“Subscription”	the conditional subscription for the Subscription Shares by the Subscribing Directors, certain employees of the Company and ASSGJP1 in connection with, but not as part of, the Placing as described in this document;
“Subscription Shares”	the 101,120,545 new Ordinary Sares being subscribed for pursuant to the Subscription;
“Term Facility”	the term loan facility expected to be provided to the Company by HVB on the terms set out in the Commitment Letter, further details of which are set out in paragraph 5 of this document;
“UK” or “the United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“US Dollars” or “\$”	the lawful currency of the United States.