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## **Announcement on changes in status of subsidiary and affiliates**

This is to announce that, on 1 February 2010, IB Daiwa Corporation (the “Company”) has entered an agreement to settle, waive and release certain claims, liabilities and obligations arising in respect of a series of collateralised financing arrangements originally entered in June 2008 with ADM Galleus Fund Limited in consideration for the transfer of sole, absolute, legal and beneficial title to the Company’s shares in Asia Special Situations GJP1 Limited (“ASSGJP1”), a wholly owned subsidiary of the Company, to ADM Galleus Fund Limited (“ADM”) together with other properties held by ASSGJP1 and secured in favour of ADM comprising 193,695,929 shares representing 28.65% of the issued share capital of Leed Petroleum PLC and its 4 subsidiaries (together, “Leed”).

The settlement agreement entered by the Company will result in (1) removal of ASSGJP1 from IB Daiwa group’s consolidated balance sheet, (2) removal of 193,695,929 shares representing 28.65% of the issued share capital of Leed from IB Daiwa group’s consolidated balance sheet, and (3) exclusion of ASSGJP1’s secured indebtedness in favour of ADM (“ADM Loan;” Balance as at 31 December 2009: approx. US\$58.7 million) from IB Daiwa group’s consolidated balance sheet. Upon completion of a series of transactions described below, it is expected that IB Daiwa Group will have no third party loans. Directors nominated by ADM will also tender their resignations with effect 24 February 2010 in connection with the settlement.

### **1. Background and reasons**

On 19 June 2008, the Company and ASSGJP1 have entered into a loan agreement (“ADM Loan Agreement”) with ADM, pursuant to which ASSGJP1 has borrowed ADM Loan (the original balance: US\$47.3 million). The net proceeds have been lent by ASSGJP1 to the Company and Lodore US Holdings, Inc. (together with its subsidiaries, “Lodore”). The collaterals for the ADM Loan included the shares in Leed (“Leed Shares”) held by the IB Daiwa Group (104,615,384 shares, representing Leed’s 37.90% of issued share capital at that time) and the shares in ASSGJP1. Further, the Company and Lodore became the guarantors. At the time that the ADM Loan was borrowed, the market value of Leed Shares based on the stock price quoted on the AIM of the London Stock Exchange was much larger than the amount of the principal of ADM Loan.

Since September 2008, due to the worldwide financial crisis, the stock price of Leed has significantly dropped, and in October 2008, the market value of Leed Shares has dropped below the amount of the principal of ADM Loan. On 7 November 2008, certain amendments to the ADM Loan Agreement were made, including capping the Company’s guarantee liabilities at US\$3.55 million. By 20 August 2009, the Company has fully paid the guarantee obligation of US\$3.55 million, since when it has not been a guarantor for ADM Loan.

On 18 August 2009, certain further amendments to the ADM Loan Agreement were made, including (1) releasing Lodore’s guarantee liability, (2) ASSGJP1 releasing the inter-company loan owing by the Company to ASSGJP1 in exchange for the

Company transferring its receivables from Lodore to ASSGJP1, (3) the Company paying US\$1 million to ADM, (4) the Company paying to ADM up to aggregate of US\$500,000 each time the Company receives dividends or other benefits from Lodore (“Lodore Future Profits”), (5) ASSGJP1’s releasing Lodore’s debts owing to ASSGJP1, and (6) extending the maturity of ADM Loan until 21 December 2012. On 7 December 2009, the Company paid US\$1 million to ADM, since when the Company has had no third party loans (except that the Company would be responsible to pay to ADM up to aggregate of US\$500,000 of Lodore Future Profits), while, pursuant to the amended ADM Loan Agreement, Lodore would also become free from third party loans when the Company would have paid up Lodore Future Profits of US\$500,000.

The Company today entered into an agreement with ADM on the vesting of absolute legal and beneficial right and title of ASSGJP1 (and the Leed Shares held by it) to ADM, and it has been agreed by ADM to acquire ASSGJP1 and to release obligations owed by the Company and Lodore in relation to ADM Loan, in exchange for the Company’s payment of US\$350,000.

From the IB Daiwa Group’s consolidated balance sheet, both the liabilities related to ADM Loan and Leed Shares, respectively comprising one of the key liabilities and one of the key assets of the IB Daiwa Group will be excluded. Despite of the current stock performance of Leed, it is still the Company’s view that Leed owns variable oil and gas assets, and that losing Leed Shares will be a material loss to the Company. The Company will explore opportunities to acquire new assets so that it can make up for the loss of Leed Shares this time.

## 2. Key terms of the agreement with ADM

The key commercial terms of the settlement and release agreement entered into among IB Daiwa Group companies and ADM dated 28 January 2010 (“Settlement and Release Agreement”) are as follows:

- The Company to agree to vest sole, absolute, legal and beneficial title to the shares in ASSGJP1 to ADM, upon which both the assets held by ASSGJP1 (incl. Leed Shares) and the liabilities held by ASSGJP1 (incl. ADM Loan) will be deconsolidated.
- The Company to pay US\$350,000 to ASSGJP1, and ASSGJP1 to use these funds to partially repay ADM Loan.
- The Company to be released from its obligations to pay to ADM up to US\$500,000 of Lodore Future Profits. Lodore to be released from its obligations to repay its debts owing to ASSGJP1.
- ADM’s nominee directors to the board of directors of the Company, Mr Stephen Fleming and Mr Robert Appleby will tender their resignations from the Company and other IB Daiwa group companies.

3. Overviews of the companies of which status in the IB Daiwa Group will be changed (as at the date of this announcement)

(1) Overview of ASSGJP1

ASSGJP1 was incorporated on 3 June 2008 by ADM as a special purpose financing vehicle specifically for the purpose of the IB Daiwa Group's borrowing ADM Loan, and then transferred to the Company. Pursuant to the ADM Loan Agreement dated 19 June 2008, ASSGJP1 has borrowed ADM Loan (the original principal balance: US\$47.3 million) mainly for refinancing the IB Daiwa Group's existing loans.

①	Trade name	Asia Special Situations GJP1 Limited	
②	Registered address	Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands	
③	Directors	Stephen Samuel Fleming and Keiko Arai (Toyoshima)	
④	Business	Financing	
⑤	Paid-in capital	US\$2	
⑥	Date of incorporation	3 June 2008	
⑦	Shareholders	IB Daiwa Corporation (100%)	
⑧	Relationship with the Company	Capital	The Company is the sole shareholder
		Personnel	2 directors
		Business	n/a
⑨	Financial performance and position for the last 2 years (US\$000)		
		FYE December 2008 *	FYE December 2009
	Total assets	29,771	19,066
	Net assets	(24,969)	(39,643)
	Net assets per share	(12,484)	(19,821)
	Sales revenue	0	0
	Operating profit/(loss)	(28,624)	(10,208)
	Net profit/(loss)	(36,681)	(14,673)
	Net profit/(loss) per share	(18,340)	(7,336)
	Dividends per share	—	—

\* As ASSGJP1 was incorporated on 3 June 2008, the fiscal year ended 31 December 2008 was for approx. 7 months.

(2) Overview of Leed companies

In December 2005, the Company has acquired Leed (which was at the time known as Darcy Energy) which was mainly engaging in medium to low risk of oil and gas development and production business, offshore Gulf of Mexico. The main intention of the Company was to build up a balanced portfolio of oil and gas assets, together with Lodore, which owned exploration assets and was acquired by the Company by stock-for-stock acquisition also in December 2005. In August 2007, Leed has listed its shares on the AIM of the London Stock Exchange, since when Leed companies have ceased to be the Company's subsidiaries and become the Company's affiliates. In June 2008, the Leed Shares have been put as collaterals for the ADM Loan, and in July 2008, the Company transferred the Leed Shares to ASSGJP1, the borrower of ADM Loan.

①	Trade name	Leed Petroleum PLC	Leed Petroleum Inc	Leed Petroleum Holdings LLC	Leed Petroleum LLC
②	Registered address	110 Cannon Street, London, EC4N 6 AR United Kikngdom	The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, USA	The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware, USA	The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware, USA
③	Directors	Robert Adair Howard Wilson James Slatten Robert Alcock Ian Gibbs Peter Hirsch Stephen Fleming Timothy Woods	Howard Wilson James Slatten Timothy Woods	James Slatten	Howard Wilson James Slatten Timothy Woods
④	Business	Holding company	Holding company	Holding company	Oil and gas exploration, development and production
⑤	Paid-in capital	GBP 33.8 million	n/a	n/a	n/a
⑥	Date of incorporation	20 December 2006	20 December 2006	16 November 2005	27 December 2000
⑦	Shareholders	ASSGJP1 (28.65%)	Leed Petroleum PLC (100%)	Leed Petroleum Inc (100%)	Leed Petroleum Holdings LLC (100%)
⑧	Relationship with the Company	Capital	The Company's affiliates (28.65%)		
		Personnel	The Company and Leed Petroleum PLC have 1 common director.		
		Business	n/a		
⑨	Financial performance and position for the last 3 years (US\$000)				
		FYE March 2008	FYE June 2008 *	FYE June 2009	
	Total assets	157,353	192,289	196,394	
	Net assets	104,136	106,617	133,793	
	Net assets per share	37.7¢	38.6¢	48.5¢	
	Sales revenue	12,788	15,152	33,823	
	Operating profit/(loss)	(14,117)	7,985	(4,363)	
	Net profit/(loss)	(14,726)	2,026	(3,523)	
	Net profit/(loss) per share	(7.4)¢	(0.8)¢	(1.3)¢	
	Dividends per share	—	—	—	

\* As Leed has changed its fiscal year end from March to June, the fiscal year ended 30 June 2008 was for the 3 months from 1 April 2008.

(3) Timeline

Board resolution	1 February 2010
Execution of the Settlement and Release Agreement	1 February 2010
Completion	Early February 2010

(4) Future prospects

It is expected that, upon completion of a series of the transactions described above, the IB Daiwa Group's total assets and total liabilities will both significantly decrease, and that there will be certain impacts on the IB Daiwa Group's financial performance for the current fiscal year. The Company will further examine those impacts on the financials and will advise the market as soon as details of such impacts become available.

Further, it is expected that the IB Daiwa Group will have no third party loans.

Mr. Robert Clive Appleby and Mr. Stephen Samuel Fleming, who are currently directors of the Company and have been nominated by ADM pursuant to a clause under the ADM Loan Agreement, will resign from the Board of the Company with effect 24 February 2010.

(Reference) Consolidated forecast for the fiscal year ending March 2010 (as announced on 24 November 2009) and Actual result for the fiscal year ended March 2009

	Sales Revenue	Operating Profit	Ordinary Profit	Net Profit
FY2009 Forecast (Apr. 09 – Mar. 10)	JPY 599 mil	JPY (342) mil	JPY (881) mil	JPY 2,496 mil
FY2008 Actual (Apr. 08 – Mar. 09)	1,060 mil	JPY (355) mil	JPY (1,764) mil	JPY (959) mil