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22 October 2009

LANDKOM INTERNATIONAL PLC

Proposed placing to raise £9.75 million

Landkom International PLC (AIM: LKI, 'Landkom' or 'the Group'), the Ukrainian producer of high-value oil seed rape and wheat, announces, subject inter alia to shareholder approval, a cash placing of 195 million new ordinary shares of £0.001 ('New Shares') each at 5p per share (the "Issue Price") to raise gross proceeds of £9.75 million (approximately US\$16 million) (the "Placing").

Placing highlights

- 195 million New Shares have been conditionally placed with existing institutional shareholders, certain directors and new investors
- The Issue Price represents a discount of approximately 30% to the closing mid market price of existing ordinary shares of £0.001 in Landkom ("Ordinary Shares") on 21 October 2009
- The New Shares are being placed subject inter alia to approval at a meeting of shareholders expected to be convened on or around 18 November 2009 ("General Meeting")
- The net proceeds of the Placing will be used for working capital needs, including supporting the Group's crop and planting programmes throughout 2010, and enabling Landkom to exploit its strategic potential in the Ukrainian farm sector
- The Board expects that, following completion of the Placing and assuming current low spot prices for its harvest, the Group will have sufficient cash resources to fund its planned cropping programmes through to harvest in 2011 and beyond

Background to the Placing

As stated in the Group's interim results published on 28 September 2009, Landkom has been in discussions with a number of international farming operations with a view to completing a substantial merger of farming activities and/or securing both farming expertise and additional funding. The Board's aim was to position Landkom for its next stage of development in a market going through a period of rapid consolidation and at a time of low agricultural commodity prices.

The Board has considered a number of potential corporate transactions and, having consulted with its larger institutional shareholders, decided not to proceed with these. In order to fund the next stage of the Group's development and meet its current financial obligations, Landkom is proposing to raise additional funds from existing shareholders and new investors.

Use of funds and planting strategy

The net proceeds of the Placing are expected to amount to approximately US\$15 million ("Net Proceeds"). The Net Proceeds will enable Landkom to meet its current financial

obligations and ensure that the approximately 23,000 hectares (ha) of crops already planted can be properly maintained to harvest. In addition, the Net Proceeds will allow the Group to plant over 8,000 ha of crops next spring. The spring planting is intended to consist of maize and soybean.

In subsequent years the Group expects to increase its spring crops planting levels to some 40% of total land planted, given working capital advantages, decreased winter kill risk and reduced dependence on any given crop price which spring planting brings.

Even if next summer's crops are sold at the current depressed agricultural commodity prices, the combination of revenue from the 2010 harvest and funds raised through the Placing should enable the Group to expand planting to approximately 46,000ha in the autumn of 2010/spring 2011.

The Group also intends to continue to pursue the recovery of the outstanding VAT credit due to it and to generate additional cash by leasing its logistics fleet and other farm equipment, when not in use by the Group. The Board also expects to make further material reductions to its administration expenses.

The Board believes that the Placing will enable Landkom to exploit its strategic potential in the Ukrainian farm sector. The Placing not completing would require the Company to pursue alternative strategic options and/or implement a programme of asset realisations in order to be in a position to satisfy the Group's working capital needs.

Board and management changes

One of the key actions implemented during the last 12 months has been a complete change of management at all levels. The business is now effectively managed and run by Ukrainians reporting to a PLC Board, made up of international directors.

Vitaliy Skotsyk, who was appointed an executive director on 28 September 2009, has agreed to accept the position of Chief Executive. A Ukrainian, he has considerable local and international experience in the agricultural sector. He has already implemented important operational changes to improve the Group's efficiencies. The Group intends to grant Vitaliy, subject to completion of the Placing, options to acquire shares equivalent to 2 per cent. of the Company's issued share capital following the issue of the New Shares. These options will be exercisable at the market price at the time of grant. This grant will, subject to completion of the Placing, be in substitution of the previously announced intended option grant.

Stephen Pickup, who has been interim Chief Executive as well as Chief Financial Officer, relinquishes the interim role.

Neil Balfour, Chairman commented:

"Having explored a number of options, we believe that a straight forward fund raising is the best way forward for the Group - to secure its future growth and capitalise on our recent operational improvements.

"The alternatives did not sufficiently recognise the inherent value of the Group's position as an attractive farming platform for growth in Ukraine when the fundamentals for our business - growing world population and land opportunities - remain unchanged.

"Landkom is now at a turning point. We believe that the Group has the assets, a strengthened local expert management team, a valuable land bank and, following completion of the Placing, the necessary working capital. The business, which is highly operationally geared, is in a strong position to benefit from any rises in agricultural commodity prices."

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Details of the Placing

Liberum Capital Limited ("Liberum Capital") is acting as broker to the Placing. The issue of New Shares to placees under the Placing ("Placees") is subject to certain conditions as set out in a placing agreement entered into by Liberum Capital and the Company ("the Placing Agreement"). The New Shares have been conditionally placed with Placees by Liberum Capital at the Issue Price raising £9.75 million (before expenses). The Placing is conditional upon, amongst other things, fulfilment of the following conditions:

(a) the passing of resolutions to be proposed at the General Meeting to increase the share capital, to authorise the allotment of the New Shares and to disapply pre-emption rights in relation to the New Shares; ("Resolutions");

(b) the Placing Agreement not having been terminated in accordance with its terms prior to admission of the New Shares to trading on AIM ("Admission"); and

(c) Admission becoming effective.

The New Shares will, on Admission, rank pari passu in all respects with the existing issued Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of Admission. The New Shares will be in registered form and capable of being held in certificated form or uncertificated form in CREST.

Application will be made for the New Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the New Shares will commence at 8.00 a.m. on or around 19 November 2009.

The Placing is conditional, amongst other things, on the passing of the Resolutions. A circular and notice convening the General Meeting at which the Resolutions are to be proposed is expected to be posted on or around 26 October 2009. At the General Meeting a resolution will also be proposed to renew, subsequent to the Placing, the Company's authority to issue additional

Ordinary Shares on a non pre-emptive basis representing up to 20% of the enlarged issued share capital following the Placing.

The Placing not completing would require the Company to pursue alternative strategic options and/or implement a programme of asset realisations in order to be in a position to satisfy the Group's working capital needs, which include supporting the Group's crop and planting programmes, the effect of which could be damaging to the Group's value and/or its prospects. There is also no certainty that such strategic options or programme could be, implemented and within satisfactory timescales. If they were not, it could result in a material adverse effect on the value of the Company.

The New Shares have not been and will not be offered generally to existing shareholders whether on a pre-emptive basis or otherwise. The Directors are of the view that the Placing should achieve a fundraising in a timescale that would not be possible if the Company sought to undertake a pre-emptive issue which would require a prospectus to be published and which would be much more costly. Subject to it completing, the Placing will enable the Company to meet its current financial obligations and implement its planting plans without the need to take the actions referred to in the paragraph above. For this reason the Directors are proposing the Placing and will be seeking shareholder approval of the Resolutions at the General Meeting.

In setting the Issue Price, those Directors who are not participating in the Placing as referred to below ("Independent Directors"), have considered the price at which the New Shares need to be offered to attract investors and ensure the success of the Placing. The Independent Directors believe that the Issue Price, and the discount it bears to the recent trading price of the Ordinary Shares, are appropriate. The Independent Directors consider the Placing to be in the best interests of the Company and its shareholders as a whole.

Under the AIM Rules a non pre-emptive issue of shares to a related party which exceeds specified class tests is subject to certain disclosure requirements. Due to their holding of over 10 per cent of the Company's current issued share capital, the participation in the Placing of companies and trusts managed by Hunter Hall Investment Management Limited (which has previously notified Landkom that the aggregate holding of these companies and trusts was 43,318,460 Ordinary Shares, representing approximately 18.0 per cent. of Landkom's current issued share capital) is deemed a transaction with a related party under the AIM Rules. Companies and trusts managed by Hunter Hall Investment Management Limited have agreed conditionally to subscribe for 35.1 million New Shares under the Placing, representing approximately 18.0 per cent. of the enlarged issued share capital of the Company following the Placing. The Independent Directors consider, having consulted with Liberum Capital, the Company's nominated adviser, that the terms of the Placing are fair and reasonable insofar as the Company's shareholders are concerned.

Certain directors of the Company have conditionally agreed to subscribe for New Shares under the Placing as follows:

Director	Percentage of existing share capital	Number of New Shares conditionally subscribed for	Percentage of enlarged share capital following the Placing
Neil Balfour	0%	3,000,000	0.69%
Ben Adams	0%	1,000,000	0.23%

Stephen Pickup 0%	240,000	0.06%
Gerald Howarth 0%	40,000	0.01%

The New Shares will represent approximately 45 per cent. of the enlarged share capital of the Company following the Placing. Following the issue of the New Shares, the Company's issued share capital will consist of 435,008,935 Ordinary Shares. This figure of 435,008,935 Ordinary Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company.

FURTHER INFORMATION

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security. This announcement does not constitute a prospectus or prospectus equivalent document.

Liberum Capital is authorised and regulated by the Financial Services Authority in the UK and is acting as nominated advisor and broker to the Company in relations to the Placing and Admission and is not acting for any other persons in connection with the Placing. Liberum Capital will not be responsible to anyone (including Placees) other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Placing or any other matters referred to in this announcement.

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