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D1 Oils and BP to establish global Joint Venture to plant jatropha

D1 Oils plc, the UK-based global producer of biodiesel, plans to establish a global Joint Venture with BP to create a world-leading business in *Jatropha curcas*: D1-BP Fuel Crops Limited.

Jatropha is an oilseed tree that grows in tropical and sub-tropical regions and produces high yields of inedible vegetable oil that can be used to produce high-quality biodiesel. Jatropha can grow on a wide range of land types, including non-arable, marginal and waste land. Jatropha does not compete with food crops for good agricultural land or result in the destruction of rainforest.

Highlights

- Establishment of a 50:50 Joint Venture to undertake global planting of jatropha
 - Target to plant one million hectares over four years
 - Initial contribution of parties:
 - D1 planting to date and planting business
 - BP working capital of £31.75 million through equity in the Joint Venture
 - Total Joint Venture funding requirement of approximately £80 million over five years
 - Plant science remains 100 per cent. owned by D1
 - D1 to grant BP an option to subscribe for new shares representing 16 per cent. of its enlarged share capital at an average price of 251 pence
- Major global business to plant jatropha as sustainable biodiesel feedstock
 - Endorsement by BP of D1's sustainable feedstock strategy
 - Potential to produce low-cost, volume supplies of inedible oil for biodiesel
 - Use of marginal and waste land and land unsuitable for arable crops
 - No competition with high biodiversity value rainforest
 - Significant job creation and value to local communities

Under the terms of the Joint Venture Agreement signed today (subject to D1 shareholder approval), D1 and BP will work together exclusively on the development of jatropha as a sustainable energy crop, including the planting of trees, harvesting jatropha grain, oil extraction and transport and logistics. Production of jatropha oil for refining into biodiesel is expected to begin in 2008.

D1 Oils Plant Science Limited, D1's plant science business, will act as the exclusive supplier of selected, high yielding jatropha seeds and seedlings to the Joint Venture. The strategy for the Joint Venture sees it planting Elite seed in greater quantities than D1's stand alone plan.

With the conclusion of this transaction D1 will comprise, in its upstream business, its wholly owned plant science operations together with the IP in plant science, in addition to 50 per cent. of a global planting joint venture with BP. In its downstream operations, the business will include, as it does now, its wholly owned interests in refining and trading.

Commenting on the announcement, Lord Oxburgh of Liverpool, Chairman of D1 Oils plc said:

"Biodiesel is a young industry, but is rapidly becoming an established part of the global renewable energy landscape. It is crucial that we develop supplies of alternative, inedible vegetable oils like jatropha that are not subject to the same demand pressures as food oils and that are grown on non-essential land. This partnership with BP strengthens D1's strategy

of delivering commercial volumes of jatropha oil at competitive prices, whilst truly supporting the communities in which we operate."

Elliott Mannis, Chief Executive Officer of D1 Oils plc, said:

"This is a transforming event for D1. BP's decision to join us in this new venture is a significant endorsement of our strategy to develop jatropha for the production of sustainable biodiesel. It shows we have come a long way. BP's proven logistical, managerial and financial support will enable a significant enhancement and acceleration of the scope and pace of jatropha planting."

Philip New, Head of BP Biofuels, said:

"As jatropha can be grown on land of lesser agricultural value with lower irrigation requirements than many plants, it is an excellent biodiesel feedstock. D1 Oils' progress in identifying the most productive varieties of jatropha means that the joint venture will have access to seeds which can substantially increase jatropha oil production per hectare."

Contacts:

D1 Oils
Graham Prince, Head of Corporate Communications +44 (0) 7973 323840

Brunswick +44 (0) 20 7404 5959
Kevin Byram / Mark Antelme

Interviews with Elliott Mannis and Philip New are now available in video / audio and text at www.d1plc.com and at www.cantos.com

There will also be a conference call for analysts, hosted by Elliott Mannis, today at 09.30am. Accompanying slides will be available on www.d1plc.com

Dial-in details:

Participant dial-in: +44 (0) 1452 541 076
Pin: 5897646

A replay facility, including slides, will be available on www.d1plc.com

An audio-only replay facility will also be available on:

Dial-in: +44 (0) 1452 550 000
Pin: 5897646 #

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Introduction

The Board of D1 Oils plc (“D1” or the “Group”) announces that it has, through its subsidiary D1 Oils Trading Limited (“D1 Oils Trading”), signed a conditional agreement in relation to a proposed 50/50 joint venture between BP International Limited (“BP” or “BP International”) and D1 Oils Trading (the “Joint Venture”) which includes the granting of the Option as described below.

The business of the Joint Venture will be the worldwide vehicle for planting of *jatropha curcas* and the sale of *jatropha* oil. D1 will contribute its existing planting footprint. The plant science, refining and trading operations of the Group will not form part of the Joint Venture.

The Joint Venture will be set up by way of a company incorporated in England, D1-BP Fuel Crops Limited (“D1-BP Fuel Crops”), in which D1 Oils Trading and BP International will own equal shares. D1 Oils Trading and BP International will each appoint equal numbers of directors to the board of D1-BP Fuel Crops. D1-BP Fuel Crops will have a dedicated Managing Director and its own financial controls.

The Joint Venture represents a key strategic step for D1. Approximately 1.9 per cent. by book value of the Group's net assets will be transferred into D1-BP Fuel Crops to implement the Joint Venture, by way of a UK asset transfer agreement signed today and certain asset sale agreements to be entered into, in local jurisdictions, after Shareholder approval (see below) has been obtained.

In consideration for the transfer by D1 of its existing planting and overseas organisation into the Joint Venture and the granting to BP of the Option, BP has undertaken to fund the first £31.75 million of the Joint Venture's working capital requirements through an equity subscription. It is the intention that, thereafter, both parties fund expenditure within the Joint Venture on a pro rata basis. It is anticipated that the total funding requirement of the Joint Venture over the next five years will amount to approximately £80 million.

BP will also contribute certain *jatropha* supply-chain know-how obtained to date through its participation in a *jatropha*/biodiesel demonstration project with The Energy Resources Institute (TERI) in India. In addition, BP will contribute harvested grain and oil associated with the TERI project.

The D1 Board believes the valuation for its existing planting and overseas organisation implied by the terms of the transaction compares favourably with its own appraisal.

It is the intention of D1 and BP that the Joint Venture will plant one million hectares of *jatropha* in its first four years. The parties have agreed in principle that each party will have the right to offtake 50 per cent. of the exported volume of crude *jatropha* oil on market terms.

D1's existing plant science and seed multiplication activities will be transferred into a newly incorporated company, D1 Oils Plant Science Limited (DOPSL). DOPSL will be wholly-owned by D1. The Joint Venture will enter into an exclusive Seed Purchase and Service Agreement with DOPSL. As part of the Joint Venture, mutual trademark licences will be granted by D1 and BP plc for the use of their respective marks and logos in relation to the activities of the Joint Venture.

Coupled with the Joint Venture, the Company proposes to grant, subject to Shareholders' approval, an Option to BP International to acquire up to 11,725,467 new Ordinary Shares in four tranches at prices from 210 pence to 300 pence (the “Option”). The Option will be exercisable by BP at any time during the option period (being the period commencing on implementation of the Joint Venture and ending three years after such time) in whole or in part. Assuming BP exercises the Option in full and no further shares in the Group were issued, BP would hold 16 per cent. of the enlarged issued share capital of the Group. Upon issue, the Option Shares will rank *pari passu* with all other Ordinary Shares of the Group though be subject to certain restrictions under the Option Agreement and it is intended that

the Option Shares will be admitted to trading on AIM. The weighted average strike price of the Option is 251.25p, a 54.1 per cent. premium to the average D1 closing share price between 30 November 2006, the date of announcement of D1's most recent placing and 14 June 2007, the day before D1's announcement regarding its share price movement.

Shareholder approval is being sought for the entry into and implementation of the Joint Venture and the granting of the Option; accordingly completion of the Joint Venture including the grant of the Option is conditional upon the approval of Shareholders at the EGM. The Joint Venture and the Option will not be implemented unless such approval is obtained. The D1 Board is confident that this represents a transaction in the best interests of Shareholders as a whole. A circular will be sent to Shareholders in due course containing further information about the Joint Venture and the Option and convening the EGM.

The purpose of this announcement is to provide you with further information on the proposed Joint Venture and the Option.

Development of the D1 business to date

D1's organisation and strategy is centred around its three business activities of agronomy, refining and trading.

In agronomy, D1 is a leader in the scientific and commercial development of jatropha, and has achieved significant planting and offtake rights worldwide. Together with its partners, D1 has a substantial jatropha planting footprint across its three operational regions of India, Southern Africa and South East Asia. As of 23 June 2007, D1, together with its partners, had planted or obtained rights to offtake from a total of 172,241 hectares.

D1 has gathered a sufficiently wide range of jatropha material to support the commercial breeding and product placement trials for the crop. D1 has collected more than 200 accessions of jatropha from more than twenty countries across three continents. Using field and laboratory data from this material, D1 has established a breeding programme and global trials network to identify which individual jatropha cultivars are best adapted to different cultivation zones. The first commercial outcome of the plant science programme is the 'E1' elite seed material, selected for higher yield and good biodiesel profile. D1 expects this seed will deliver oil yields of 2.7 tonnes per hectare under properly managed conditions when the trees attain maturity. D1 expects to plant out 50,000 hectares of its E1 elite seed in 2008.

In refining, D1 presently has 32,000 tonnes of capacity in beneficial operation at its Teesside site, and has acquired a second refining and distribution site at Bromborough on Merseyside, where the D1 Board expects to add a further 100,000 tonnes of capacity by the end of 2007. Work on the first phase of operations to convert the existing facilities for production of biodiesel at Bromborough is in line with expectations, and the Environment Agency has confirmed that biodiesel processing can be undertaken at the site within the existing permit. In addition, a fifth D1 20 refinery unit is being commissioned at the Teesside site, and this will increase the Teesside production capacity to 42,000 tonnes.

In trading, D1 has begun the development of a global supply chain to support its agronomy and refining operations. Having received the first volume shipments of soya oil in the middle of 2006, the Company signed its first offtake deal with Petroplus for supply of soya biodiesel in October last year.

A placing in December 2006 raised £49.2 million before expenses to fund, subject to a number of key assumptions set out in a circular to Shareholders dated 30 November 2006, D1's business plan without further recourse to shareholders. The main features of that business plan which related to the agronomy activities were:

- Planting at a rate of 150,000 hectares per year
- Development of the planting business model

- targeting a higher proportion of managed plantations and quality planting joint ventures; and
- developing the logistics and supply chain
- Continued investment in jatropha plant science and plant breeding to enable large-scale deployment of elite material, for better yields and oil quality

The directors believe that D1 has made good progress against each of these objectives and, on a standalone basis, the directors would expect to meet them.

However, with the proposed Joint Venture, the directors believe that they can accelerate progress in each of these areas and thereby add value to shareholders. This is explained further below.

Global context

Transport energy policies across the globe are now increasingly driven by the challenges of climate change, fuel security and sustainability. The D1 Board believes biofuels, and in particular biodiesel, offer a means to secure cost-effective supplies of sustainable transport fuel in the medium-term. Biofuels are increasingly supported by national and regional policy initiatives. By way of example, the Renewable Transport Fuel Obligation (RTFO) in the UK is a requirement on transport fuel suppliers to ensure that, by 2010, 5 per cent. of all road vehicle fuel is supplied from sustainable renewable sources. The RTFO is being phased in progressively, with 2.5 per cent, 3.75 per cent and 5.0 per cent. of all road vehicle fuel supplies in 2008, 2009 and 2010, respectively, to be supplied from renewable sources. The UK RTFO is supported by an ongoing 20 pence per litre fuel duty derogation and from 15 April 2008, the introduction of a 15 pence per litre penalty for non-compliance.

Meeting UK and European demand without recourse to imported feedstocks is increasingly challenging. Despite the recent increase in diesel prices, high food-grade feedstock costs have, for a number of months, significantly impacted industry margins, and the D1 Board believes it prudent to plan for edible vegetable oil prices remaining relatively high for the foreseeable future.

The table below shows the movements in the pricing of key edible feedstock vegetable oils:

Feedstock vegetable oil at current prices* (US\$ per tonne)	As at June 2006	As at December 2006¹	As at June 2007
Rapeseed (RBD ex-tank UK)	919	944	960
Soya (RBD ex-tank Rotterdam)	705	795	898
Palm olein (FOB Malaysia)	417	608	770

Note

1. Date of recent cash pricing

Source: The Public Ledger

D1's strategy is to develop supplies of alternative, inedible oils that are not subject to the same demand pressures as food oils, and which can be landed in Europe at target prices that are very competitive even against the cheaper food-grade alternatives. The feedstock crops must also add value to the societies where they are grown, meaning that there must be socio-economic benefits locally, and the crops should displace neither food crops nor precious habitat such as rainforests. Faced with these challenges, D1 has selected *Jatropha curcas* for large scale commercial development, and today's announcement reflects BP's endorsement of this strategy.

Information on BP

BP operates globally with a workforce of nearly 100,000 employees, and 2006 revenues of US\$ 270.6 billion, and has business activities and customers in more than 100 countries across six continents. BP is organised into three different business segments:

- Exploration and production ("E&P")
- Gas, power and renewables
- Refining and marketing

E&P

BP's upstream activities include oil and natural gas exploration and production, together with the management of crude oil and natural gas pipelines, processing and export terminals. BP has active exploration activities in 26 countries.

BP Shipping operates an international fleet of crude oil tankers, product tankers and LNG (liquefied natural gas) carriers, transporting energy products worldwide.

Gas, power and renewables

BP's gas business manages its interests in the transport, regasification and marketing of liquefied natural gas and the operation of processing plants. The business consists of three business units structured regionally; America, Europe and Asia. They focus on developing market access opportunities, negotiating and securing contracts for BP's equity and third party LNG supplies, and BP's participation in LNG re-gasification terminals.

Refining and marketing

BP's downstream operations refine, transport, sell and trade crude oil and petroleum products in over 100 countries. They include refineries, petrol stations, lubricants, business marketing and chemicals (aromatics and acetyls) businesses. The BP group owns, wholly or in part, 19 refineries.

BP retails fuel, lubricants and, in many cases, everyday convenience items, through more than 25,000 petrol stations worldwide.

In the commercial vehicle and general industrial markets, BP supplies lubricants and lubricant-related services to the transportation industry and to automotive manufacturers.

BP accounts for approximately 15 per cent. of the European transportation diesel market, and is also one of the largest blenders of biodiesel in Europe. In the current year, BP expects to deliver approximately 700,000 tonnes of blended FAME. This business segment also incorporates BP Biofuels, the business unit which will be responsible within BP for the proposed Joint Venture. BP's publicly announced initiatives relating to biofuels include:

- A US\$9.4 million, 10 year jatropha/biodiesel demonstration project with TERI in India. The project is expected to plant 8,000 hectares of jatropha, and study technical, commercial and operational issues right down the supply chain from cultivation to processing to end use.
- The establishment of the Energy Biotechnology Institute (EBI) at University of California Berkeley, the University of Illinois and the Lawrence Berkeley National Laboratory. This is a US\$500 million programme to study how bioscience can be applied to the production of new and cleaner energy, principally fuels for road transport.
- A partnership with DuPont, announced in early June 2006, to develop, produce and market the next generation of biofuels. The first initiative announced on 26 June 2007, is a UK bioethanol facility, in partnership with British Sugar, a subsidiary of Associated British Foods plc. The initiative includes investment plans totalling around US\$400 million, for the construction of a world-scale bioethanol plant alongside a high technology demonstration plant to advance development work on the next

generation of biofuels. The bioethanol plant, due to be commissioned in late 2009, will be built on BP's existing chemicals site at Saltend, Hull and will have an annual production capacity of some 420 million litres from non-food grade wheat feedstock.

- A 110,000 m³ per annum hydrogenation facility, using tallow as the feedstock, at Bulwer Island, Australia.

Reasons for the Joint Venture and Strategy

BP plc has a market capitalisation of approximately £114.6 billion. The combination of both financial and industrial strength make it a partner with considerable credibility internationally to assist D1 in the next stages of its corporate development. It is proposed that the Joint Venture will be established between D1 and BP International, a subsidiary of BP plc. BP International, which is based in the UK, is engaged internationally in oil, petrochemicals and related financial activities. BP International also holds investments in subsidiary and associated undertakings engaged in similar activities. For the year ended 31 December 2005, BP International reported turnover of £31.4 billion and profits after taxation of £911 million. As at 31 December 2005, BP International had net assets of £3.8 billion.

The combination of BP's strong brand and reputation, its major presence in downstream transportation fuel markets, its strong understanding of associated technical and regulatory issues and demand drivers, its access to governments, NGOs and other large organisations and its trading and logistics expertise, make it an attractive partner for D1. It will also contribute to the development of a world leading player in jatropha.

The Joint Venture business plan is a significant augmentation to the plan outlined to our shareholders at the time of D1's most recent placing and the Board believes it will deliver more value to D1 shareholders than the standalone strategy. More specifically the D1 Board believes the proposed Joint Venture will have a beneficial impact on:

- Plantation management and Crude Jatropha Oil ("CJO") production (the business of the Joint Venture)
- Plant science and seedling production
- The wider D1 group

Plantation management and CJO production

As outlined above, D1 has established a leading position globally in the commercialisation of jatropha as a biofuels crop. Jatropha is an oilseed tree that grows in tropical and sub-tropical regions and produces high yields of inedible vegetable oil that can be used to produce high-quality biodiesel. Jatropha can grow on a wide range of land types, including non-arable, marginal and waste land. It will not compete with food crops for good agricultural land or result in the destruction of rainforest. D1 is on track to deliver on the objectives for its Agronomy business as identified at the time of D1's most recent placing in December 2006. The Joint Venture will adopt a business plan which the D1 Board believes significantly exceeds D1's standalone plan in terms of scale and quality and that the involvement of BP with its competencies and resources will increase the likelihood of a successful implementation of the plan. The key features of the Joint Venture business plan are:

- **An accelerated planting programme.** The Joint Venture business plan is to target 1.0 million hectares of new commercial jatropha cultivation over the next four years compared to approximately 600,000 hectares on a standalone basis. In the first year of the Joint Venture the pace of planting is likely to remain at the current 150,000 hectares per annum target. However, the pace of planting is expected to increase thereafter up to a targeted rate of at least 350,000 hectares per annum by the fourth year.
- **A higher quality planting programme.** D1 has to date focused on contract farming and seed purchase agreements. These planting methods are less capital intensive and better reflect D1's financial resources. The arrangements have facilitated the

roll-out of D1's vertically integrated jatropha based strategy but are limited by: the use of lower yielding wild seed; wide variations in land quality and agricultural techniques and the substantial number of partners spread across a wide geography. The Joint Venture's planting is intended to be much more strongly weighted towards managed plantations where the Joint Venture owns and/or controls the land and production, and towards local partners of significant scale and depth. This is a more capital intensive approach than has been hitherto used by D1 to expand the business, but will result in more reliable oil flow to the Joint Venture than some of D1's existing contract farming and seed supply relationships. Forming the Joint Venture will facilitate this strategy, partly because BP will help with the extra funding implied by the extra capital intensity, and partly because BP's reputation and standing are likely to help attract high quality partners.

- **More rapid deployment of higher yielding jatropha varieties.** All planting to date has been undertaken using uncultivated "wild seed" which D1 believes will yield 1.7 tonnes per hectare from mature, well managed plantations. The Joint Venture will focus on the deployment of elite E1 seeds, targeting yields of 2.7 tonnes per hectare as rapidly as is practicable and at a faster rate than under D1's standalone business plan. In due course subsequent generations of proprietary seed with increased yields and / or improved characteristics will be utilised. DOPSL, D1's new plant breeding and seedling production company, remains outside the Joint Venture and will be an exclusive provider of elite planting material and will produce more elite seedlings than under the standalone plan. This is possible because the planting programme will be both larger, and will comprise a higher proportion of land where the commercial relationship is strong enough to merit the deployment of elite seed. Furthermore, as discussed below, under the terms of the proposed arrangement, the increase of DOPSL's production capability will be fully paid for by the Joint Venture, even though DOPSL itself remains a wholly-owned subsidiary of D1.
- **Development of logistics strategy and a global supply chain.** As well as offering the opportunity for greater levels of planting and at higher yields, the formation of the Joint Venture will assist with establishing a full, vertically integrated supply chain taking harvested seeds through crushing and pre-processing, and then delivering CJO both to domestic and export customers. BP brings very considerable expertise in establishing and managing operations and supply chains on a global basis and the D1 Board believes that the Joint Venture will draw significant benefit from BP's experience in this field.
- **Use of BP network and brand.** BP has a strong presence and reputation in almost all of the countries where the Joint Venture will be operating. The Joint Venture will capitalise on this in its dealings with government and regulatory agencies, NGOs and current or potential partners. In addition to lending its name to the Joint Venture, BP plc has provided a royalty-free licence agreement allowing the Joint Venture to use the BP "helios" trademark on its communications materials.
- **Enhanced funding for D1 and leverage for its shareholders.** The capital required by the Joint Venture is to increase the scope and pace of planting activities, focus on the deployment of elite seed, finance a significant increase in DOPSL's production capacity, and develop an optimal logistics strategy. Of this BP will be responsible for funding the first £31.75m of working capital. These monies are expected to be drawn down over the next two years, thus providing a cash flow benefit to D1 relative to its standalone plan. Beyond this, D1 and BP will be jointly responsible for funding the Joint Venture on a basis pro rata to their shareholdings. The Joint Venture is also able to raise further funds in the debt capital markets. Currently, the D1 Board's funding plan has not contemplated debt funding of agronomy beyond inventory finance.

Plant science and seedling production

D1's plant science and seedling production business will be transferred into DOPSL, which will remain a wholly-owned subsidiary of D1. The formation of DOPSL establishes D1's

existing plant science and seedling production business as a discrete stand-alone entity with its own dedicated team. This will enable DOPSL to (i) maintain its focus on research and development, and (ii) provide the framework by which it can increasingly contribute to the D1 group. DOPSL's production costs will be fully funded by the Joint Venture. The Joint Venture will benefit D1's plant science programme for the following reasons:

- **Key intellectual property (IP) in plant science retained.** Keeping plant science within D1 will retain 100 per cent. ownership of the significant IP which it has developed to date and which is expected to be generated in the future.
- **Improved focus and greater transparency.** DOPSL will be managed separately from the plantation business, reflecting the different ownership structures of the businesses. The D1 Board expects that the separation of the management responsibilities for two businesses with quite distinct operational characteristics will result in sharper focus and greater transparency of value.
- **De-risked, fully funded growth path.** The Joint Venture will pay for all of DOPSL's costs of production, including capacity expansion, when those costs arise as DOPSL increases production to meet the Joint Venture's growing planting requirement. The reimbursement of these costs, which will incorporate a 13 per cent. mark-up, should enable DOPSL to avoid excess unrealisable inventory, a key business risk typically associated with young seed businesses investing in multi-year seed multiplication programmes. The Joint Venture will also fund a range of technical support services provided by DOPSL.
- **Potential for a long-term, stable annuity income.** The Joint Venture will in addition pay DOPSL an annual performance fee for high yield performance by the plants it supplies to the Joint Venture. This fee is US\$50 for every tonne of oil yielded in excess of a benchmark yield equivalent to 1.75 tonne per hectare for mature trees, and will be reviewed every three years. By way of illustration, if this arrangement were to apply to 200,000 hectares after four years, and DOPSL's plants were to achieve yields of one tonne per hectare per annum over the benchmark, then this should produce US\$10 million per annum over the mature life of those trees. Furthermore, DOPSL will provide agronomy technical support to the Joint Venture, on a cost-plus basis. This is expected to produce several hundred thousands of dollars of additional income per annum.
- **Flexible technology strategy.** DOPSL's R&D programme will be wholly funded by D1, which retains all IP. This will initially be focussed on jatropha plant science for the benefit of D1-BP Fuel Crops, in order to earn the annual performance payment described above. In addition, DOPSL is free to investigate and to develop other technologies. Under the terms of the arrangements, the Joint Venture has a right of first refusal to certain new crops/technologies. BP is equally restricted from licensing jatropha-related IP to competitors of the Joint Venture, and cannot itself compete with the Joint Venture. Accordingly, the D1 Board anticipates there are likely to be opportunities for DOPSL to develop new technologies in addition to jatropha and to engage with BP's technology partners, for example through the Energy Biosciences Institute ("EBI"). In this environment, D1 is confident that DOPSL will identify opportunities to develop new business streams either with its own resources or in conjunction with BP.

Benefits to the wider D1 group

The Board believes that the formation of the Joint Venture will also have broader benefits to D1, in addition to those relating to the Agronomy businesses.

- **Exercise of the rights within the terms of the Option agreement would give a broader alignment of interests between BP and D1 Oils plc.** The weighted average strike price of the Option is 251.25p, a 54.1 per cent. premium to the average D1 closing share price between 30 November 2006, the date of announcement of D1's most recent placing and 14 June 2007, the day before D1's

announcement regarding its share price movement. The number of option shares (combined with other shares which may be acquired by BP in the market subject to compliance with a standstill, orderly marketing and other applicable terms of the Option Agreement) will equate, subject to the terms of the Option Agreement, to a maximum of 16 per cent. of the issued share capital of D1 Oils plc post-exercise from time to time and full exercise of the Option could result in the subscription of approximately a further £29.5 million to D1's cash resources. The D1 Board believes the Option offers the prospect of significant breadth and depth to the alignment of interests, and welcomes the fact that BP, following exercise of the Option, would have a significant economic interest in the future success of D1. As part of the Option, BP will be granted non-voting 'observer' rights on the board of D1 Oils plc to the extent it has exercised three tranches (12 per cent.) of the option shares, subject to customary 'conflict of interest' provisions.

- **A powerful ally in making the case for jatropha.** D1's business model is based on cultivating jatropha in a range of countries, and conversion of the resulting CJO into biodiesel, both in those countries and via export to the UK and the rest of Europe. In the context of the broader debate on biofuels, this requires political and regulatory support, public enthusiasm for the socio-economic and sustainability merits of the model, plus effective integration with the technical requirements of downstream markets. The D1 Board believes that all this can be achieved without the Joint Venture, but with the Joint Venture in place, and BP aligned to achieve the same objectives, BP should be a powerful ally in, for example, government policy consultation processes, industry technical standards committees, and dealings with technical regulators.
- **External validation of strategy.** BP has been evaluating the potential of jatropha as a non-edible fuel crop since February 2006 through its relationship with TERI. D1 and BP have been in discussions regarding some form of strategic cooperation since July 2006. During this time both parties have conducted considerable mutual due diligence including field visits and sustainability and contract reviews.
- **Enhanced prospects for D1's refining business.** While D1's refining activities are not included in the scope of the proposed Joint Venture, D1's refining business should benefit from any role BP plays in helping make the general case for biodiesel from jatropha oil, and also from improved access to BP as a potential customer of D1's refineries. It should be noted that D1's planned rollout of UK refining capacity was always anticipated to be comfortably below the projected volumes of CJO imports from the Agronomy business, and this is still true with the formation of the proposed Joint Venture. Overseas, the prospect of more CJO being produced in the various countries is likely to create more local refining opportunities for D1 than would have been the case without the Joint Venture. Finally, D1 is developing process technology expertise relating to both the expelling and pre-processing of Jatropha (necessary prior to its use as a transesterification feedstock), which is within the scope of the Joint Venture. Therefore the Joint Venture may become a customer for this technology.

Other investment considerations

The D1 Board has reviewed the strategic and financial merits of alternative strategies. Although the D1 Board strongly believes that the proposed transaction is in the best interest of Shareholders, it would draw attention to the following:

- **Voting control.** The proposed transaction is expected to result in a loss of overall voting control over D1's planting activities. However, D1 retains significant negative control. A large number of matters require unanimity of Directors' or shareholders' votes, and this remains true in the event of dilution of either party below 50 per cent.
- **Sharing of reward and risks.** D1 will now share the future benefits and risks associated with the rollout of its planting programme, with BP through the 50/50 Joint Venture and its preferential access to D1's plant science.

- **BP's future strategy.** BP's commitment to the development of a world leading player in jatropha may change over time and there is consequently a risk that the one million hectares planting target will not be met. The joint venture agreement provides that either party may enact a termination if the business is not attaining its growth targets.
- **DOPSL's commercial flexibility.** DOPSL's plant science business is exclusive to D1-BP Fuel Crops. In light of this exclusive arrangement, DOPSL is expected to have enhanced growth potential compared to D1's existing strategy. This exclusivity restriction however only relates to jatropha and any other crops adopted by D1-BP Fuel Crops.
- **Business transition.** There is potential for disruption during the transfer of activities into the Joint Venture. Disruption may affect, inter alia, pre-existing joint venture relationships, the creation of a new management team and the integration of different cultures. The initial organisation of the Joint Venture, however, will be essentially identical to D1's current overseas organisation, with the same staff working with the same partners.
- **BP's strategic influence.** Whilst the Joint Venture agreement does not contain change of control provisions, BP's Option and its involvement in the exclusive agronomy Joint Venture may restrict the opportunities for a future value realisation event involving D1. However, any potential strategic investors in D1 may value BP as a future partner for many of the same reasons as expressed in this document.

Summary

The Joint Venture with BP is a unique opportunity for D1 to partner with a major global oil player. While under the terms of the Joint Venture agreement, D1 will be sharing control of its planting activities, the Joint Venture will enable D1 shareholders to benefit from the acceleration of a larger and higher quality planting programme. BP's involvement and support financially, managerially and logistically should significantly increase the likelihood of the successful implementation of the plan.

Although DOPSL will enter into an exclusive Seed Purchase and Service Agreement with the Joint Venture, under the terms of this agreement, the Joint Venture has agreed to fund DOPSL's production costs, significantly reducing the risk of this business. DOPSL will also have the ability to take advantage of opportunities for business development away from the Joint Venture.

The D1 Board believes the business plan for the Joint Venture should result in enhanced financial returns with a higher degree of confidence in cash flows versus the standalone position. Although D1 will now have a 50 per cent. participation in the planting programme when compared with the current position, the very significant acceleration of the rollout (from c.600,000 hectares to 1,000,000 hectares), the increase in its quality and the de-risking of the commercial proposition offer Shareholders significantly enhanced prospects. The directors believe that the terms of the proposed transaction and enhanced prospects more than compensate for the reduction in strategic flexibility implied in the decision to joint venture a significant part of its business with a single partner and any potential dilution from the exercise of the Option.

Management and staffing of the Joint Venture

D1-BP Fuel Crops' board of directors from time to time will comprise six directors, three (including the Managing Director) appointed by D1 and three (including the Finance Director) appointed by BP.

The chair of D1-BP Fuel Crops' board (who will not have a casting vote) will alternate annually, with the first chairman being one of the non-executive directors appointed by D1.

The D1-BP Fuel Crops' directors appointed by a party will reduce from three to two (one executive director and one non-executive director) for such period during which that party

owns or is beneficially interested in 30 per cent. or less of the issued shares of D1-BP Fuel Crops.

The appointment of the Managing Director and Finance Director of D1-BP Fuel Crops will be announced in due course. The following Non-Executive Directors will be appointed to the Board of D1-BP Fuel Crops:

Elliott Mannis Non- executive Director (appointed by D1)
Barclay Forrest Non-executive Director (appointed by D1)
Philip New Non-executive Director (appointed by BP)
Paul Willems Non-executive Director (appointed by BP)

The Non-Executive Directors of D1-BP Fuel Crops will not receive any remuneration or benefits in relation to their appointments.

The quorum of each D1-BP Fuel Crops board meeting is one director appointed by D1 and one director appointed by BP. Decisions will be taken on the basis of a simple majority of votes, subject to customary matters reserved to a super-majority of the D1-BP Fuel Crops Board and/or the shareholders of D1-BP Fuel Crops. In the event of a deadlock, resolution procedures will apply.

The Managing Director will have delegated powers specified by the D1-BP Fuel Crops board, consistent with the requirements of the shareholders of D1-BP Fuel Crops and the objectives of the Business.

In due course, regional and country staffing of D1-BP Fuel Crops will be achieved by the transfer of existing D1 local management teams into D1-BP Fuel Crops.

BP's senior in-country management will also be made available free of charge to develop the Business of D1-BP Fuel Crops, at a level which BP views as reasonable.

Financial effect of the Joint Venture on D1

The development of a jointly agreed business plan and financial model has been an integral part of the discussions between D1 and BP. The D1 Board has analysed this financial model and its impact on the projected financial position of the D1 group overall. The D1 Board has formed the following views:

- Based on the present value of future cash flows, implementation of the joint venture will be value accretive on a per share basis, compared with the implementation of a standalone strategy (irrespective of whether or not the Option is exercised).
- Projections of the net cash position suggest the working capital position in each quarter of the four year plan will be enhanced, as a result of, amongst other things, the receipt of the planting credit, again irrespective of whether the Option is exercised.

Accordingly, the D1 Board believes that the Group should be able to fund the delivery of the strategy described above without further recourse to the proceeds of the Option or Shareholders subject to the following key assumptions:

- Key commodity price and exchange rates not moving materially outside reasonable historic norms for extended periods of time where such movements would decrease the cash flows of the Company;
- The Company deploying its planned refining capacity within a reasonable period of that currently targeted;
- The progressive introduction of the RTFO from April 2008 provides a pricing environment for biodiesel in the UK at least in-line with the D1 Board's prudent economic assumptions;
- Bank funding for the D1 Group is available on reasonable market terms and in the amounts assumed by the Board; and

- No material adverse changes to the regulatory and fiscal environments for biofuels that are relevant to the Company's strategy.

In addition to the key issues as set out above, your attention is drawn to the risk factors set out in the Company's admission document dated 21 October 2004 and subsequent placing documents dated 31 May 2005 and 30 November 2006.

In developing the jointly-agreed business plan and financial model for the Joint Venture, the D1 Board and BP have mutually reviewed and challenged various commercial assumptions and reflected actual data now obtained from the planting programme and supply chain projects. Key assumptions for the Joint Venture include:

- Higher supply chain costs versus the position at the time of D1's most recent placing. For example, on a seed purchase model the D1 Board now expects costs to be approximately US\$75 per tonne higher. These are the main driver of a higher estimate for the landed cost of jatropha assuming a 29 per cent oil content of US\$575-625 per tonne. This is assumed to decrease over time as volumes increase permitting the Joint Venture to more efficiently utilise its supply chain.
- A four year planting target of one million hectares as described above. The mix of planting should move towards contract farming with stronger partners using elite seed and see some increase in the proportion of managed plantations. Overall the Joint Venture is targeting 50 per cent. ownership of its gross planted hectares with partners accounting for the balance.
- Yields from wild seed are anticipated to be 1.7 tonnes per hectare from mature, well-managed plantations. Yields from elite seed are anticipated to reach 2.7 tonnes per hectare on the same basis.

Accounting for the Joint Venture

The Joint Venture will be accounted for in accordance with IAS31 (Joint Venture Accounting) and SIC13 (Jointly Controlled Entities – Non-monetary contribution by venturers) and will be consolidated on an equity accounting basis within D1's group accounts.

As a result of this accounting treatment the D1 Board expects the Group to recognise a gross gain within its consolidated profit and loss account of £15.875 million. This gain will be reduced to reflect the value of the Option and transaction costs associated with the formation of the Joint Venture.

Trading Update

As at 23 June 2007, D1 had planted or obtained rights to offtake over approximately 172,000 hectares as summarised in the table below:

Hectares	Managed plantations	Contract farming	Seed purchase and oil supply agreements	Total
India	-	31,877	24,924	56,801
Africa	3,638	20,760	16,646	41,044
South East Asia	-	41,420	32,976	74,396
Total	3,638	94,057	74,546	172,241

D1's effective economic interest in the above planting after taking into account the interests of its partners is approximately 50 per cent.

Commissioning work continues on the fifth D1 20 refinery unit that was recently deployed at Forty Foot Road. This D1 20 unit was installed in June 2007.

At the time of its recent Annual General Meeting on 23 May 2007, the D1 Board stated that the business was progressing positively. The D1 Board remains of this view and believes that the Group is well placed to realise its goals.

Gross cash as at 31 May 2007 was £30.3 million.