

Thursday, 4 February, 2010

D1 OILS MAKING GOOD PROGRESS

The Independent Directors of D1 Oils, the sustainable new energy crop company, today issue the following update ahead of its results for the year ended 31 December 2009.

The Company continues to make progress on its strategy of delivering value in three areas:

1. Operations: delivering value from existing plantations of Jatropha, a promising new energy crop
2. Science and technology: expanding the value potential of every hectare of Jatropha planted
3. Business development: generating knowledge-based revenues to fund the existing research and development programme.

D1 also sees a range of positive developments in the Jatropha market with major corporates entering at different points of the Jatropha value chain giving rise to greater opportunities for D1's core skills. There have also been increases in crude oil and palm oil prices. Further new biofuel policy announcements in India, where the Company has a significant and well-established presence, are creating favourable conditions. Indeed, the Independent Directors are delighted to announce that contracts for \$0.8 million have been secured for government-funded Jatropha planting in North East India.

The Company has agreed terms to supply plant science, technology, products and services to a major European oil and gas company which has significant plans to develop Jatropha plantations in sub-Saharan Africa. Additionally, contracts have been exchanged for the sale of the Company's Bromborough site for £2.6 million, in line with expectations, and at a £0.5million premium to book value. The Company has also successfully completed a feeding trial in relation to its technology for conversion of Jatropha seedcake into high protein content animal feed. As anticipated, at 31 December 2009, the Company had cash in the bank of £9.0 million. The Company continues to achieve cost reductions in line with the Independent Directors' plans for the Company to be fully funded until late 2011.

Ben Good, Chief Executive, said: "We are making good progress within the business and, with positive developments in our markets, the Independent Directors believe the Company is well positioned to deliver value for shareholders".

Progress against each of the three main areas of the Company's activities is as follows:

Operations

- Approximately 400 tonnes of Jatropha grain harvested across India, Africa and Indonesia in 2009
- A similar quantity anticipated in Q1 2010, as the harvest season extends into the new year in many areas
- These quantities are in line with Independent Directors's expectations at the time of preparing the three-year oil targets contained within the 25 November announcement

- Oil production in 2009 was substantially all to inventory, but the Company is currently experiencing strong levels of interest in all its locations at selling prices for crude Jatropha oil in the range of \$800 - \$1,000 per tonne.
- \$0.8m contracts secured for government-funded Jatropha planting in North East India. These are the first of several anticipated of this kind, which should generate positive cash margins in the year of planting

Science & Technology

- Excellent progress in the animal feed programme. Successful conclusion of feeding trial with small mammals concluded by an independent laboratory, indicated no deleterious effects with feed ratios of up to 100% Jatropha Kernel Meal compared to the control soybean protein meal. This is a key milestone and the Company is now initiating further trials with poultry, and later in 2010 intends to go on to produce circa 10 tonne batches of animal feed-grade Jatropha Kernel Meal for trials with larger mammals.
- Selection of a third generation of high performing accessions, for use in the breeding programmes and in commercial planting, showing an uplift in yield potential of up to 40-60% based on actual Company cumulative yield data after 44 months from a planting trial. This trial is amongst the longest running and most scientifically documented in the industry. The trial tests 60 randomly collected accessions and confirms the views developed by the Company of achievable medium term yields for Jatropha.
- First indications of the potential for F1 hybrid development. The Company has identified male sterile Jatropha curcas lines which, combined with several pollinators, resulted in fertile F1 hybrid plants (a brief explanation of F1 hybrids is provided below). This is a key step towards development of true, commercial F1 hybrids for release to Jatropha farmers. In several crops where F1 hybrids have been released, farmers have benefited from significantly higher yields through a phenomenon called heterosis. In crops like maize or rapeseed, heterosis has resulted in historical yield gains of 300% and 80-100% respectively. The Company plans to test the first F1 hybrids in the field later this year.

Business development

- D1 Oils has agreed a detailed terms for the supply of plant science technology, products and services with a major European oil and gas company, which has significant plans to develop Jatropha plantations in sub-Saharan Africa.
- D1 will licence on a non-exclusive basis technology acquired through D1's breeding programme in return for subscription payments from the client. The Company will also sell planting seeds; and the agreement further provides a framework for the sale of technology consulting services. In addition, there is a basis for collaborative breeding activities by the two companies to develop and evaluate improved cultivars of Jatropha curcas for the benefit of both companies, whilst retaining D1's intellectual property position.
- In addition to this contract, D1 is continuing to develop revenue-generating relationships with a range of other third parties, some of which are at an advanced state of negotiation.
- In line with the Independent Directors' expectation that initial agreements with third parties have significant potential for follow-on business, the Company is in discussions to expand the scope of

the contract, announced last year, with Bedford Biofuels in support of their extensive project plans for Jatropha operations in Kenya .

Finance and Corporate

- The Company has now exchanged contracts for the sale of the Company's Bromborough site for £2.6m, in line with the Independent Directors' expectations, and at a £0.5m premium to its book value. The sale provides for the transfer to the buyer of the leases for the leasehold property associated with the site, as well as the transfer of the environmental liabilities. This is a "substantial transaction" for the purposes of AIM Rule 12, and accordingly further details are provided below.
- The Company has collected the first tranches of cash, amounting to £0.6m, in relation to our successful claim against a US Company.
- Cash at bank at 31 December 2009: £9.0m, in line with the Independent Directors' expectations. Continued progress on cost reductions in line with the Independent Directors' plans for the Company to remain fully funded until late 2011.

Market developments

The Independent Directors are pleased to note a range of positive developments that underpin the prospects for the Jatropha sector in general and the Company in particular

- 62% increase in crude oil price and 50% increase in palm oil price from 1 January 2009 to 31 December 2009
- New entry by a range of major corporates into different points in the Jatropha value chain, indicating greater interest in the potential of this new energy crop.
- New biofuels policy announcements in India firmly supportive of Jatropha and the business model adopted by the Company:
 - 20% blending of biofuels by 2017 based on inedible oil seeds
 - Grown by existing smallholder farmer networks, supported by government
 - Intention to set new minimum price for biodiesel, as well as enforce significant duty rebate incentives

For further information please contact:

D1 Oils plc + 44 (0) 20 7367 5600
Ben Good, Chief Executive Officer

Piper Jaffray Ltd. + 44 (0) 20 3142 8700
Michael Covington
Rupert Winckler (Qualified Executive)

Brunswick Group + 44 (0) 20 7404 5959
Kevin Byram

Responsibility

Brian Myerson is the Executive Chairman of Principle Energy Limited and is not considered independent for the purposes of taking responsibility for the contents of this announcement. The remaining directors of the Company, namely Barclay Forrest, Ben Good, Martin Jarvis and Henk Joos, are referred to in this announcement as the "Independent Directors".

The Independent Directors accept responsibility for all of the information contained in this announcement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement is accurate and does not omit anything likely to affect the import of such information. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement for which the Independent Directors take responsibility is accurate and does not omit anything likely to affect the import of such information.

Piper Jaffray Ltd., which is authorised and regulated by the Financial Services Authority, is acting exclusively for D1 Oils and for no-one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than D1 Oils for providing the protections afforded to customers of Piper Jaffray Ltd. nor for giving advice in relation to the matters referred to in this announcement.

F1 Hybrids

In the commercial seed industry, F1 hybrid seed is the result of a controlled cross between two parental lines. In plant species where F1 hybrids have been successfully developed, the crop grown from these seeds yields significantly higher than the crop grown from the the parental lines – a phenomenon known as heterosis – and is also more uniform resulting in general in a better quality crop.

In the commercial seed industry, F1 hybrid seeds are one of the key mechanisms for the protection and capture of the value created through proprietary breeding programs. Since seeds harvested from the F1 crop do not show the higher, heterosis linked yields, farmers need to return to the seed company to buy fresh seed of the F1 hybrid cultivars on an ongoing basis, and are typically willing to pay a premium price because of the better performance of the crops grown from the seeds.

Schedule 4 information disclosure in relation to Bromborough sale, in accordance with AIM Rule 12

The site was acquired by the Company in 2006 from Lubrizol, who had used it for lubrication oils processing and storage, and was then partially converted by the Company into a biodiesel production facility. The site comprises three contiguous plots, one freehold and two leasehold. In 2008, the Company announced its intention to exit biodiesel manufacturing and trading, and the site was mothballed and placed onto the market.

Under the terms of the sale announced today, the freehold is being sold for £2.6m cash to Organic Waste Management Ltd ("OWM"), substantially all payable at completion. Completion is conditional upon the transfer of the site's Environmental Permit from D1 to OWM, the grant of a licence to assign by the landlord and the unconditional consent of the insurer to the assignment of an environmental insurance policy, and is expected within the next few weeks. Liability for historic and future environmental issues, to the extent not borne

by other parties, will transfer from D1 to OWM. In addition the associated leases, which run until 2021 at the earliest, will be assigned to OWM on completion, with the consent of the landlord.

The carrying value of the assets in the Company's balance sheet is £2.1m; in addition, the provisions in the Company's last published balance sheet, 30 June 2009, provided for the Bromborough leases and rates costs as onerous contracts up to March 2010. The impact of the sale on the Company's future cashflows is expected by the Independent Directors will be positive: no revenue was attributable to the site in the 2009 financial year, and the current costs of holding the site, comprising the lease costs, rates, caretaking, utilities, etc, are approximately £0.5m per year.

The sale of the site will complete the last phase of the Company's exit from downstream refining operations, and is therefore in line with the Company's strategy. The cash proceeds will be applied to the general development of the business in line with the Company's previously disclosed funding strategy. The value of the proceeds is in line with the Independent Directors' expectations at the time of preparation of the 25 November announcement.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the City Code on Takeovers and Mergers (the "Code"), if any person is, or becomes, "interested" (directly or indirectly) in 1% or more of any class of "relevant securities" of D1 Oils, all "dealings" in any "relevant securities" of D1 Oils (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of D1 Oils, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of D1 Oils by D1 Oils or by any of its "associates", must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Takeover Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the D1 Oils plc group of companies are assessed by the Independent Directors as commercial risk, biological and planting risk, technology risk, competitive risk, contractual risk, political and legislative risk, and financial and currency risk. These risks are set out

in further detail, inter alia, in the Strategy Update announcement of 25 November and are hereby incorporated by reference.

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