



Perennial Bioenergy AS
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StatoilHydro ASA
Forusbeen 50
4035 Stavanger
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Attn: President and CEO Helge Lund

Stavanger, 9 February 2009

Perennial Bioenergy AS - alleged corruption in Ghana and request for cooperation

1. Introduction

We represent Perennial Bioenergy AS (Perennial) and are contacting you on behalf of Perennial and its Board of Directors due to a corruption-allegation that has arisen as a result of a process in which StatoilHydro ASA (StatoilHydro) - represented by the company "Statoil New Energy AS" – from mid-2008 until 4 February 2009 was considering an investment in Biofuel AS (Biofuel), a company where Perennial currently holds 35,63 % of the shares.

Specifically, we contact you directly at this time because StatoilHydro, represented by Mr. Michael Price (VP, Business Integrity, StatoilHydro ASA), presented information to Biofuel and Perennial in an in-person meeting on Friday 30 January which indicated the existence of a corruption-related issue in Perennial. As this issue presently stands, it unfortunately implicates the entire Board of Directors of Perennial, and in a manner that remains highly unsatisfactory.

The manner is unsatisfactory because numerous attempts at coordinating a fact-based investigation with StatoilHydro's Business Integrity department have gone unanswered. The corruption-related allegations remain highly veiled and deeply wanting of key facts. It is this lack of cooperation from StatoilHydro's Business Integrity department, combined with our realization that it may be difficult to resolve the grave allegations without professional and cordial cooperation with StatoilHydro, that have forced us to bring this to your urgent attention.

2. Key issues

- a) We need StatoilHydro ASA to co-operate in verifying or clearing allegations presently aimed at all members of Perennials board:

1. StatoilHydro has in fact opened hearsay evidence related to all the 7 members of the Board in Perennial by passing on information about alleged criminal actions by one and, to-date, undisclosed Board member and it is completely unacceptable to Perennial's board members, be it as a group, as professionals, or as individuals, to let the accusations pass without some clarification by StatoilHydro;
 2. It is impossible to fully defend and be exonerated against unspecified allegations and thus is it necessary to clarify what these allegations will add up to at the end of the day;
 3. As the Board of Perennial consist of respected individuals with very high and visible profiles, for example the prior Minister of Oil and Energy in Norway, the Chairman of a listed oil-company, etc., and further as the number of people in possession of this information of alleged corruption is growing each day, we are extremely worried and un-easy about the possibility that these allegation soon will reach the public domain, and do so before the Board of Perennial has been able to get to the bottom of the case (we surmise that StatoilHydro's CEO would have similar concerns).
- b) The way the allegation handling makes it impossible to finance Biofuel AS:
1. Enclosed is a letter from First Securities ASA which clearly describes the predicament StatoilHydro ASA handling of the allegations raised has put Biofuel AS into.
 2. As investors in Biofuel AS, Perennial is in a position where the company stands to lose a substantial investment due to unsubstantiated hearsay brought up by StatoilHydro ASA, and by StatoilHydro ASAs stonewalling of attempts to co-operate in investigating the context and validity of these accusations.

3. Background on corruption allegation

The following quote (Quote A) was presented in writing to the CEOs of Biofuel and Perennial at a meeting at StatoilHydro at Forus on the afternoon of Friday 30 January:

“Mr XX is the man we use in order to maintain confidential contact to the Governments of the area. If we have been sure that it was possible to start our project in Country YY only with the contact we got from the Tribe we met, this was because Mr. XX brought us to a meeting with a member of a Commission that has the target to deregulate the whole licensing system in country YY. That man, I don't remember his name but he had eyeglasses, assure us that with a little bit of money everything would be alright. Mr XX asked us a sum, we paid it in an envelope, the man had a broad smile and said that we can consider us as his friends. Then Mr XX asked for 10% of that sum and we paid it despite of the fact that it was a very high fee, but we have been happy because we could start immediately with our work. This is the reason why I accepted to work with Mr XX in some other projects: he's a very (reputable) man in “various countries in the region”, has a lot of connections and could be very relevant for our company in the near future.”

Present at that meeting on behalf of StatoilHydro were Michael Price (VP Business Integrity) and Mr. Stephanous G. Orestis (Legal Counsel). In addition to issuing the written quote above to the two CEOs, StatoilHydro also informed them of the following via oral communication:

- This was information that “had been made known” to StatoilHydro;

- This information was “a matter of concern”;
- The quote was a statement given by one of the Board members in Perennial;
- Mr. XX allegedly was a man named Mr. Fafana;
- A company with name EEG was a linkage; and
- Country YY allegedly was Ghana.

Mr. Price denied disclosing whom of the 7 Board members that allegedly had made the statement, but did confirm that it was one of the 7 members of the Perennial Board of directors.

4. Perennial’s subsequent actions on corruption allegation

The Board of Directors in Perennial was immediately informed. Please find attached the Minutes of Meeting from Perennial’s Board of Directors meeting held on 2 February 2009 (enclosed as Exhibit 1), and which was forwarded to Mr. Price on that day via e-mail (Exhibit 2). As it appears from Exhibit 1, the Board of Perennial took these accusations of criminal actions very seriously, as:

- Each and every Board member rejected the allegations presented by StatoilHydro;
- None of the Board members had had any contact with anybody named Mr. Fafana and/or the company EEG (Note: These names were corrected on or about 4 February 2009 when Biofuel AS and Perennial became aware that they should have been relayed to Perennial’s Board as “Mr. Fofana” and “EER”);
- Perennial reported that it would investigate these allegations and that the company was willing to continuously report to StatoilHydro as such investigation progressed; and
- All Directors of the Board, of whom one of them indeed was accused of having stated "Quote A", demanded from StatoilHydro that the name of the person in question was disclosed to the Perennial Board as a necessary step in the process of either dealing with or invalidating (as the case may be) the allegation.

On 4 February 2009 Mr. Sjur Haugen on behalf of Statoil New Energy AS informed Biofuel of the decision not to go ahead with the proposed investment. Perennial had not received any information or comments from StatoilHydro prior to this date related to the corruption-allegation, on which the Board requested more information on 2 February 2009.

The Board of Perennial was indeed surprised to learn of StatoilHydro’s decision, especially since it was made before any contact had been made between the relevant parties to share information related to the corruption issue – StatoilHydro as a potential investor in Biofuel , and Perennial’s Board of Directors, now accused of criminal activities in Ghana. The Board would have had to assume that allegations of corruption could be relevant for the investment decision, and would have expected discussions with StatoilHydro prior to the investment decision was being made - in order to clarify whether and/or avoid that the investment decision being made based on wrongful facts.

The Board of Perennial urgently reconvened on 6 February 2009 (Minutes of Meeting enclosed as Exhibit 3) and decided (in brief):

- Notwithstanding StatoilHydro's decision related to investing in Biofuel AS it was extremely important to the Board to promptly clear this issue up, and to do so as a stand-alone issue;
- The Board noted that the information received from StatoilHydro contained little specific and fully insufficient information to enable investigation of this matter;
- Accordingly, the Board assumed that professional, full, and expedient cooperation would be initiated by StatoilHydro immediately by disclosure of key facts and any other relevant information to Perennial - including use of Third Parties if appropriate to properly respect any issues of confidentiality; and
- The Board requested the CEO and Chairman of Perennial to meet with StatoilHydro's Business Integrity Dept urgently.

During 5, 6, and 7 February 2009 we have repeatedly tried to contact Mr. Price and Mr. Orestis on phone, cellphone, e-mails, text messages, and at their respective offices. It has been impossible to get in touch with the very persons we felt it appropriate to contact.

5. Detailed explanation for contacting StatoilHydro's CEO on this matter

The above is the background for contacting you directly. As responsible for protecting the values of Perennial and Perennial's portfolio company Biofuel, we are compelled to contact you directly for the following reasons:

4. Perennial's Board has decided to fully cooperate with and inform StatoilHydro of any findings in the internal investigation;
5. Said investigation has produced the preliminary finding that the allegation of corruption is wrongful;
6. The Board of Perennial would like to inform Statoil of the current status and moreover the next steps to be taken and to get StatoilHydro's comment on the proposed steps;
7. StatoilHydro has in fact opened hearsay evidence related to all the 7 members of the Board in Perennial by passing on information about alleged criminal actions by one and, to-date, undisclosed Board member and it is completely unacceptable to Perennial's board members, be it as a group, as professionals, or as individuals, to let the accusations pass without some clarification by StatoilHydro;
8. It is impossible to fully defend and be exonerated against unspecified allegations and thus is it necessary to clarify what these allegations will add up to at the end of the day;
9. As the Board of Perennial consist of respected individuals with very high and visible profiles, for example the prior Minister of Oil and Energy in Norway, the Chairman of a listed oil-company, etc., and further as the number of people in possession of this information of alleged corruption is growing each day, we are extremely worried and un-easy about the possibility that these allegation soon will reach the public domain, and do so before the Board of Perennial has been able to get to the bottom of the case (we surmise that StatoilHydro's CEO would have similar concerns); and
10. As responsible for protecting the values in Perennial and Perennial's portfolio company Biofuel it is necessary to re-establish communication with StatoilHydro in order for Perennial to investigate and later close this matter. Otherwise this matter will in a matter of a few days fully eliminate the chances of capitalizing Biofuel and indeed succeeding with the business model of Perennial.

6. Preliminary findings

In short, Perennial and Biofuel has worked extensively over the last week with an internal investigation involving key people in Biofuel AS and in Perennial Bioenergy AS (15 persons in all, including legal) to establish the relevant facts related to Quote A.

Our best explanation thus far – in the absence of cooperation with your company – indicates there might have been a mix-up of facts.

The following are our preliminary findings;

- a) **We have understood Quote A to relate only to Perennial and its Board.** Perennial understands this issue to be related only to one or more of the members of the Board in Perennial, and not to be related to employees in Biofuel in any manner. Please let us know should this not be a correct interpretation of Quote A.
- b) **It is very unlikely that Quote A is related to Biofuel’s activities in the country Ghana, but could plausibly be related to other companies’ oil and gas or mining-related activities in the (different) country Guinea.** First, this is due to the fact that Jathropa farming in Ghana does not require a “licence” (as stated in Quote A) but rather a permit from the authorities. Second, it does not involve permitting from a “Commission” but rather from an Agency (The Ghana Environmental Protection Agency). Third, the phrase “licencing system” does not fit at all with Ghanaian agricultural terminology, but does fit well with standard E & P licensing systems, for instance in Guinea in the businesses involving for oil and gas drilling, as well as mining. Fourth, there has to our knowledge been no review of the current permit system in Ghana related to Jatropa farming. This is also contrary to the content in Quote A. Fifth, we have identified through open sources that there was a Norwegian company called Biofuel Energy ASA (now named Umoe Bioenergy ASA) whose key investor (Umoe Invest) also is associated with one or possibly two West-Africa based mining operation, Crew Gold (and possibly Crew Minerals, now associated with Intex Resources), both of whom are or were operating in Guinea. This company Biofuel Energy ASA (now named Umoe Bioenergy ASA) is not related in any manner to Biofuel AS, but has, together with the linkages to the country Guinea, not far from Ghana, obvious potential for a mix-up of company facts and/or allegations. Based on the above, we would very much like to clarify that StatoilHydro or any agency has not simply mixed Ghana and Guinea or Biofuel Energy ASA with Biofuel AS.
- c) **All links to any “Mr. Fofana” are prior to Perennial’s involvement with Biofuel AS and its Ghana operations.** A Mr. Fassine Fofana that we have been able to identify (whether the right or wrong ‘Mr Fofana’ we are not sure of, due to lack of key facts from Statoil) has the following resume; *“Advisor, VP Government Relations (54) is a chemical engineer (Toulouse, France) with an MBA from INSEAD, MSc in Financial Economics from University of London and Advanced Management Program at Harvard Business School. He was Minister of Mining & Energy in Guinea from 1994-2000 and Secretary General for Central Bank of Guinea from 1991-1994. He previously held Chairmanship positions in resource companies (gold and bauxite mining and alumina refining) and held strategic planning role with Cummins Engine Company the US based diesel engine maker. From 1996 to 2000 he was a member of the governing board of the African Development Bank. He has worked as a consultant since 2000 and joined Energy Equity Resources (EER) in 2004.”* Mr. Trygve Refvem,

one of the Board members in Perennial, has had one meeting with Mr. Fofana in London in 2006 in connection with Mr. Refvem being advisor for the energy company Energy Equity Resources (EER). Mr. Fofana was then a non-executive Board member of EER. However, Mr. Trygve Refvem has not discussed Ghana, Biofuel AS or any matter related with Jatropha farming with Mr. Fofana, and has not had contact with him either before or after said meeting in London. Mr. Refvem was last in Ghana in 2003; long before Biofuel AS actually existed, and has therefore not been to Ghana (or Guinea) on business for neither Biofuel AS nor Perennial Bioenergy AS.

- d) **No other link between Mr. Fofana and other Board members of Perennial has been discovered.**

Perennial propose to deal with these findings in the following manner:

- a) Both companies will follow good ethics and good governance principles in a joint sharing of key facts;
- b) Strengthen the internal investigation with external resources by a recognized firm providing anti corruption services. For assistance we are currently in contact with Erlend Grimstad's firm G-Partner in Oslo/Stavanger. This will be clarified shortly, possibly during today;
- c) Mr. Trygve Refvem has notified the Board that he is willing step down as a Board member as long as this is a continuing internal investigation. However, while the Board appreciates that Mr. Refvem would have given an opening to temporarily allow the Board of Perennial and Biofuel to work with the full focus of solving this issue without his involvement, the Board at this point sees no reason to accept Mr Refvem's offer simply because the Board and Mr. Refvem can find no indications that Quote A can possibly be connected to Mr. Refvem. Accepting Mr. Refvem's offer at this time would mean concluding on a matter still not clarified sufficiently to make any reasonable conclusions. On the other hand, Mr. Refvem would be pleased to meet with StatoilHydro to clarify the facts contained in this letter;
- d) To meet with representatives from StatoilHydro as soon as possible in order to discuss if and how StatoilHydro may co-operate in the process of investigating this matter. Perennial appreciates that StatoilHydro may have confidentiality commitments or other impediments prohibiting full disclosure, but would nevertheless like to discuss this as soon as possible. We would propose to deal with any such confidentially matters via use of legal Third Parties.

We kindly ask for your immediate attention to this matter, and look forward to working with any designated contact in StatoilHydro until complete, full, and professional resolution of this matter is achieved in accordance with good ethics and governance principles.

John Peter Hernes
Chairman of the Board
Perennial Bioenergy ASA

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CEO
Perennial Bioenergy ASA

CC:

- Members of the Board, Perennial Bioenergy AS
- Mr. Johan Fredrik Dahle, CEO, Biofuel AS