

Investor Presentation

February 2017



DIVERSIFIED GAS & OIL

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A UNIQUE PROPOSITION

Established, profitable, proven, fast growing

oil & gas company with 4,700 boepd and 27.9 mmboe proven reserves

Differentiating factors

Stable, onshore US, low cost, cash flow positive

Progressive dividend policy

40% of operating free cash flow

Value creation opportunities

Uniquely positioned to execute



AIM LISTED, APPALACHIAN BASIN GAS AND OIL PRODUCER

Capital Structure

Exchange Listing Details	Exchange	AIM: DGOC
Bloomberg Ticker	Ticker	DGOC LN EQUITY
Ordinary Shares in issue	No.	105,591,250
Share Price (as at 23 Feb 17)	GBp/share	62.00
Market Capitalisation	US\$m	82.2
Net cash (post IPO)	US\$m	6.5
Enterprise Value	US\$m	75.7

- Successful AIM IPO completed early February 2017, raising US\$50 million in new equity via a placing of 61,000,000 shares
- Funds raised applied to the repurchase of Bonds, repayment of existing debt facilities, costs of Admission and working capital requirements of the Group

Significant Shareholders

Holder	Shares Held	% of IC
Rusty Hutson Jr. (Founder & CEO)	20,000,000	18.9%
Robert Post (Executive Chairman)	20,000,000	18.9%
Henderson Group Plc	6,138,000	5.8%
GLG Partners LP	6,119,000	5.8%
Bradley Gray (Finance Director & COO)	2,210,481	2.1%
Martin Thomas (Non-Executive)	2,000,000	1.9%
Sub Total	56,467,481	53.5%
Other Shares Outstanding	49,123,769	46.5%
Total Shares Outstanding	105,591,250	100.0%

Notes:

1. Assumes GBP:USD exchange rate of 1.253.

Source: Bloomberg as at February 23, 2017. Company Announcements.



INDUSTRY AND CAPITAL MARKETS EXPERIENCE

Name	Position	Profile	Shares Held
Robert Post	Executive Chairman	<ul style="list-style-type: none"> Joined DGO in 2005 as 50% owner with Rusty Huston Successful business entrepreneur and industrial operations experience B.S. degree in Accounting from Jacksonville State University, Alabama 	20,000,000 (18.9%)
Robert “Rusty” Hutson	Chief Executive Officer	<ul style="list-style-type: none"> Founded DGO in 2001 4th generation oil and gas 13 years in finance, accounting and the banking industry, CPA Field operations, investor relations, capital raise, acquisitions 	20,000,000 (18.9%)
Bradley Gray	Finance Director and Chief Operating Officer	<ul style="list-style-type: none"> Joined DGO in 2016 25 years in finance and accounting, CPA Commodities experience Capital management, operational oversight, investor relations 	2,210,481 (2.1%)
David Johnson	Senior Independent, Non-Executive Director	<ul style="list-style-type: none"> Long and successful career in the investment sector Worked at a number of leading city investment houses, as both an investment analyst, and more recently, in equity sales and investment management Roles with Panmure, Investec, Henderson Crosthwaite, Sun Life Assurance and Chelverton Asset Management 	50,000 (0.05%)
Martin Thomas	Non-Executive Director	<ul style="list-style-type: none"> Partner in the corporate team at Watson Farley & Williams in London 30 year legal career, including 7 years as the European Managing Partner of a global law firm headquartered in the United States 	2,000,000 (1.9%)



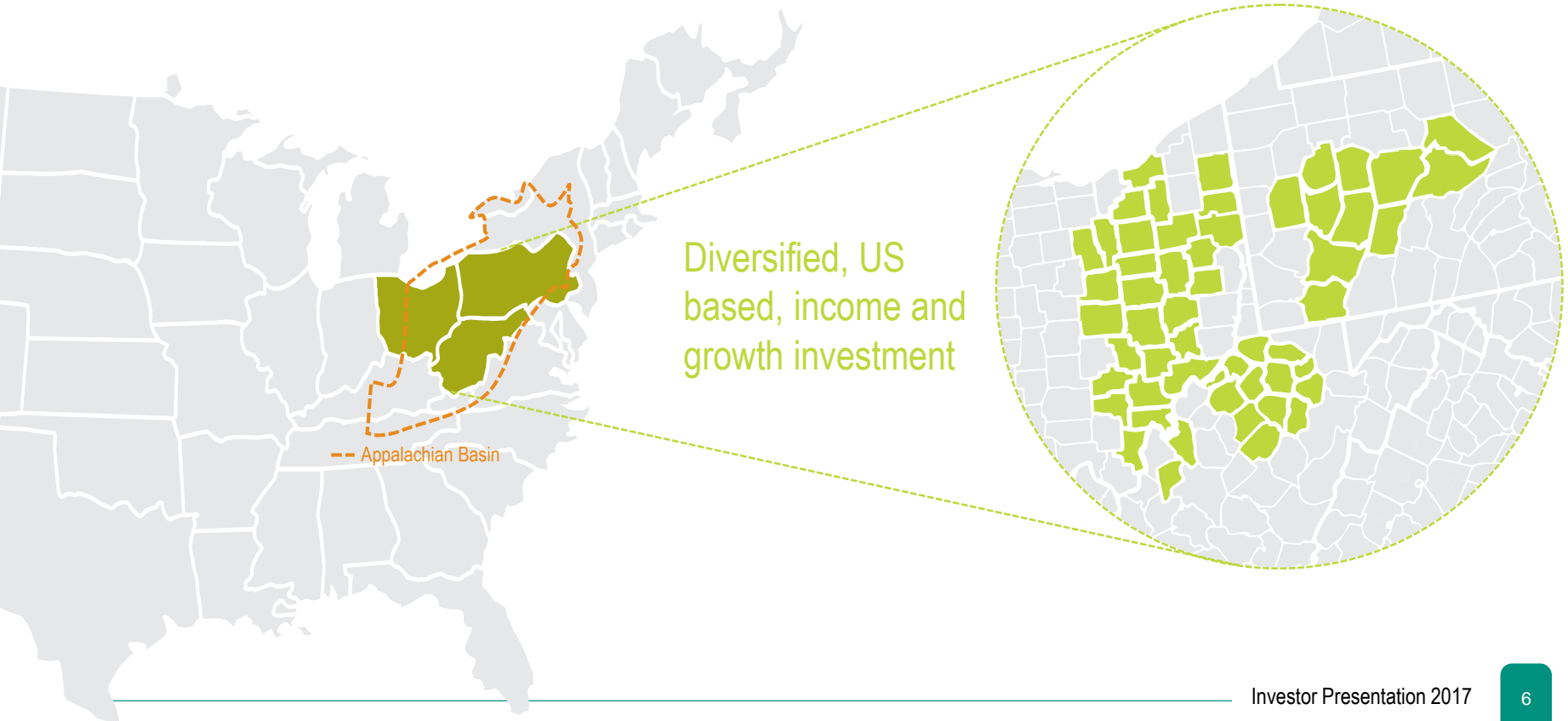
CONVENTIONAL ONSHORE OIL AND GAS PRODUCTION IN THE APPALACHIAN REGION OF THE USA

Oldest hydrocarbon
producing region in US

Over 1 million wells drilled

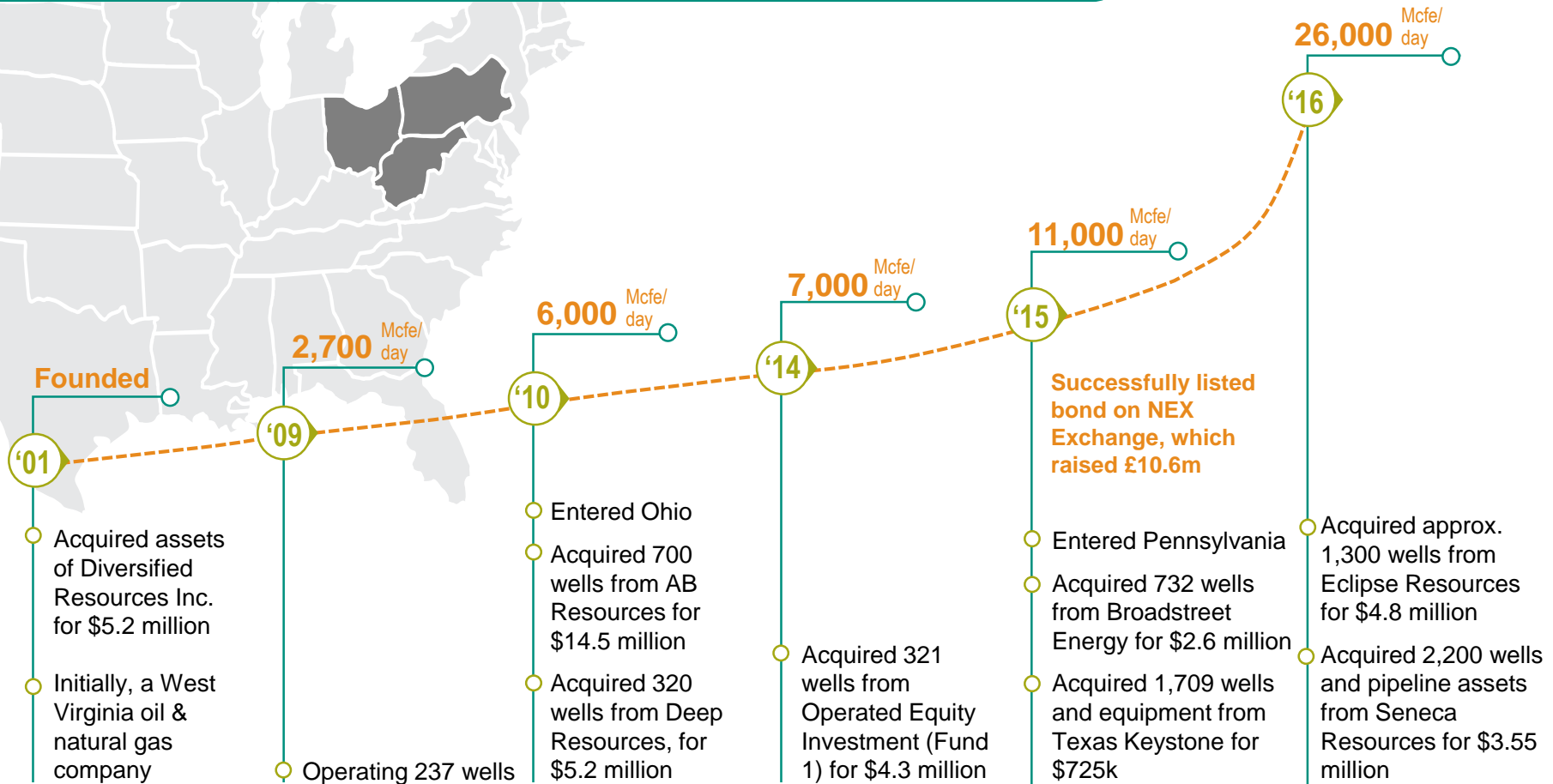
Abundant
infrastructure

Geologically comprised of prolific unconventional shale
in Marcellus/Utica and conventional sandstone reservoirs





EARLY GROWTH WAS DRIVEN PRIMARILY BY DRILLING EXISTING LEASES AND THROUGH ACQUISITION OF SMALL WELL PACKAGES





PROVEN TRACK RECORD FOR VALUE CREATION

Improving climate
for value accretive acquisitions

Regional reputation
as credible purchaser

Large energy players
streamlining operations

Acquisition	Date	Price (\$m)	Production increase	Acquisition cost per flowing (boepd)	Acquisition cost per flowing (mcfepd)
Diversified Resources	July 2006	5.2	1.5 mmcf/d	\$21,000	\$3,467
AB Resources	April 2010	14.5	35 bbl/d 1.4 mmcf/d	\$49,000	\$9,000
Deep Resources	June 2011	5.2	85 bbl/d	\$65,000	\$10,784
Fund 1 LLC	September 2014	4.3	35 bbl/d 0.8 mmcf/d	\$24,000	\$4,059
Broadstreet Energy	June 2015	2.6	35 bbl/d 1.3 mmcf/d	\$10,000	\$1,721
Texas Keystone	September 2015	0.75	6.4 mmcf/d	n/a	n/a
Eclipse Resources	March 2016	4.8	250 bbl/d 3.0 mmcf/d	\$6,400	\$1,067
Seneca Resources	June 2016	3.55	45 bbl/d 10.5 mmcf/d	\$2,340	\$390



OVERVIEW

- Total Net Proved Reserves of 27.9mmboe
- c.1.0m acres of conventional oil & gas leases (primarily HBP, so no expiry date)
- Average WI of 95% & net revenue interest (after royalties) of 83%
- Well depths range from 2,200ft – 6,000ft
- Current daily production of approx. 25,000 mcf/d and 475 bopd – 4,700 boepd
- Production increasing to 5,400 boepd (30,000 Mcfd and 585 bopd) post completion of Feb'17 acquisition
- Low average operating cost of \$9.53/boe
- Active hedging strategy in place



LOW-RISK, LOW-COST, LONG-LIFE ASSETS



Conventional, low risk, gas and oil producing assets

Shallow depth, vertical wells into low permeability reservoirs sitting above the shale

Mature wells benefitting from:

- Low maintenance costs
- Low ongoing capex
- Low water production

Low decline rates averaging 3-5% per annum, enabling a high quality and reliable stream of free cash flow

Long well life +50 years



ESTABLISHED INFRASTRUCTURE



Benefits from a strong infrastructure network enabling easy route to market for DGO's products

Separation units at site – oil trucked directly to market, gas delivered through flow-lines to processing facilities before using surrounding 3rd party pipelines

Low pressure gathering and transmission systems that do not take Marcellus and Utica production

Hedge consultant to assist in marketing the gas and providing quality consultation on price maximisation / cash generation



LOW-RISK RESERVE BASE

86% of 1P reserves classified as Proved Developed Producing (PDP)

PDP reserves valued at \$125m, (\$104m after tax) (PV 10).

Reserve classification	Net oil & NGL MMBL	Net dry gas MMCF	Net total MBOE
PDP	1,490	135,403	24,057
PDBP	17	1,315	236
Total Proved Developed	1,507	136,718	24,294
PUD	785	16,978	3,614
Total Proved (1P)	2,292	153,695	27,908



ACQUIRE, PRODUCE, DRILL

Acquire and manage oil and natural gas properties to generate cash flows, provide stability and growth for our stakeholders

Target PDP acquisitions

- Large energy players looking to reduce operating expenses and re-focus on shale only
- Target: predictable production rates, long-life (50+ years), low declines and compelling valuation metrics

Maximise production

- Repairing, recompleting and reconnecting lines
- Adding compression where feasible
- Deploying rigorous field management programmes

Execute low risk, low cost drilling

- Focus on conventional formations
- Strict control of drilling and completion costs
- Increased drilling in higher price environment



ACTIVELY EVALUATING NEW OPPORTUNITIES

- Established operator with proven track record for acquiring, integrating and enhancing assets
- Well positioned to consider complementary acquisition targets
- Actively screening a strong pipeline of acquisition targets within Appalachian Basin
- Targets are generally larger than previous acquisitions
- Opportunity to significantly increase production and cash flows in the near-medium term



ACQUISITION OF WELL PACKAGE ANNOUNCED 24 FEBRUARY 2017

- Purchase price of \$1.75 million funded from existing cash resources
- Addition of 1,300 producing wells located in existing operating geography
- Gas - 3,800 mcfpd, representing a 14% increase to current gross production
- Oil – 110 bopd, representing a 23% increase to current gross production
- Increases gross production to 5,400 boepd
- Increases held by production acreage by 75,250 acres
- PV 10 reserve value approximately \$10.0 million
- Accretive to operating cash flow



DELIVERING VALUE

We seek to deliver value through effectively managing our operations, using the expertise of our employees to maximize value



Labour efficiencies

Employees know the wells, local area, and efficiently manage number of visits

Utilize experienced employees over contractors

75 employees manage well operations



Cost efficiencies

Lower producing natural gas wells only require monitoring; low maintenance

Average OPEX per BOE:	2015a = \$10.35
	2016e = \$9.53

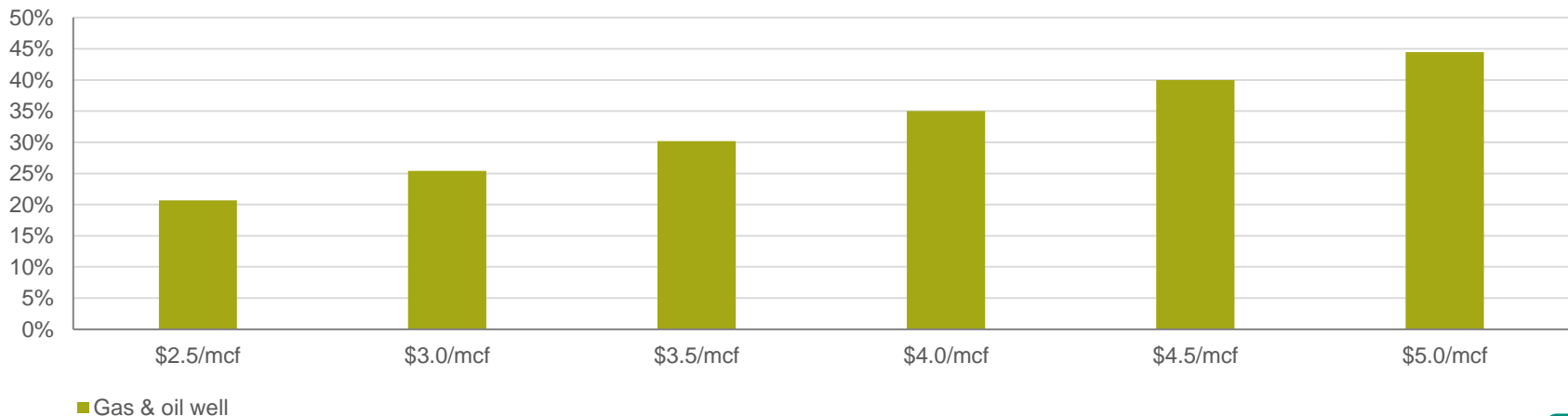
Lower breakeven costs as a result of lower overhead



INFILL DRILLING OPPORTUNITY

- Substantial 1 million+ acre land bank, only sparsely drilled (~140 acre well spacing).
- Low risk, low cost development. 150 wells drilled to date, no dry holes. \$250k/well to drill & hook up.
- IP rates ~125 mcfepd per well, much shallower decline rates than shale wells (~25% in year 1).
- Options to restart drilling activity above ~US\$3.5/mcf. Single well IRR of 30% and 2-3 year pay back.

Single well IRRs*





Why Diversified?

Low political risk, onshore, stable, profitable

Proven track record of value creation

Experienced management team fully aligned with shareholders

Opportunities to execute growth strategy

Progressive dividend strategy – 40% pay-out from FCF

Appendix



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HISTORICAL FINANCIALS TO THE NINE MONTHS ENDED 30 SEPT 2016

	For the year ended 31 Dec 2013 (Audited) \$000	For the year ended 31 Dec 2014 (Audited) \$000	For the year ended 31 Dec 2015 (Audited) \$000	For the nine months ended 30 Sept 2016 (Unaudited) \$000
Revenue	5,169	7,358	6,304	13,350
Cost of sales (LOE)	(2,751)	(3,559)	(4,251)	(9,852)
Gross profit before depreciation & depletion	2,418	3,799	4,723	3,498
General & Administrative	557	971	1,016	1,235
Adjusted EBITDA	1,752	3,337	2,591	3,158
Total assets	29,405	34,440	46,487	84,472

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