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**For immediate release**

8 November 2016

**Diversified Gas & Oil plc**  
**("DGO", the "Company" or the "Group")**

**INTENTION TO FLOAT ON AIM**

Diversified Gas & Oil PLC, a US based gas and oil producer, is pleased to announce its intention to seek admission of its issued, and to be issued ordinary shares, to trading on the AIM Market of the London Stock Exchange ("Admission"). The Company is seeking to raise approximately \$60 million (£48.0 million) by way of a placing of new ordinary shares and expects that Admission will occur in December 2016.

DGO operates a number of conventional gas and oil producing wells across Ohio, Pennsylvania and West Virginia within the Appalachian Basin, one of the largest on-shore oil and gas fields in the United States. The Group's daily production is in excess of 4,400boe from an estimated 24.1 million boe of proven developed producing reserves. The Company has a further 3.8 million boe of proven undeveloped reserves. DGO's operational structure enables it to generate significant operating free cash flow, even in the current low energy price environment, with an average operating cost equivalent to \$9.53/boe.

The Company has grown rapidly over the last two years, capitalising upon opportunities to acquire conventional, low risk, gas and oil producing assets from the larger US operating companies who typically are increasingly focused upon the larger scale opportunities across the United States from unconventional shale production. As a specialist operator of these conventional gas and oil assets, DGO is able to identify significant operational cost savings and to improve production efficiency in areas overlooked by the larger operators. Since 2014, through a series of acquisitions, the Company has successfully developed its portfolio of assets which are now generating consistent positive cash flows.

Acquisitions to date have been financed largely through borrowings. As at 30 June 2016, DGO had total net assets of \$27.7 million and total borrowings of \$42.5 million.

The Directors believe that the Company is well positioned to acquire further conventional assets and has a strong pipeline of further acquisition opportunities.

The Group's gas and oil production in the six months to 30 June 2016 was 428,522 boe, up from 129,277 boe in the same period for 2015. Revenues for the six months to 30 June 2016 were \$7.6 million (2015: \$2.9 million). The Board anticipates that the Company will generate significant cash flows from its producing assets and that it will establish a progressive dividend policy, with a maiden dividend to all shareholders in respect of the year to 31 December 2016 expected to be paid on or before 30 June 2017.

### **Investment case**

- DGO is a growing gas and oil production company which has grown rapidly over the past two years by a series of successful acquisitions of producing assets
- DGO is focused on the Appalachian Basin, an area of prolific hydrocarbon producing performance, which is geologically regarded as a low-risk oil and gas play
- Low-cost, profitable production of over 4,400 boepd
- Cash flow positive and able to adopt a progressive dividend policy. The Company expects to pay dividends semi-annually, the maiden dividend expected to be paid in or before June 2017
- Experienced Board and management with a proven track record for acquiring, integrating and enhancing conventional oil and gas production assets at compelling valuations
- Focus upon onshore conventional opportunities arising from:
  - o Larger exploration and production companies concentrating on unconventional / shale hydrocarbon development
  - o Lower cost and low risk profiles of conventional assets
- Intention to raise approximately \$60 million (approximately £48.0 million) by way of a placing to strengthen the Group's balance sheet, enabling the Company to fund further acquisitions and to meet its wider working capital requirements.

Rusty Hutson, Founder and Chief Executive Officer, said: "DGO is at an exciting stage of development. We have demonstrated our ability to acquire sound gas and oil producing assets and to further increase the productivity of those assets. There is a strong pipeline of similar assets available to us, and with the support of the AIM market we intend to capitalise on these opportunities to create additional value and to secure long term positive cash flows for the benefit of DGO's shareholders.

We believe that the timing and appetite for our investment story is strong. We are not reliant on speculative resource exploration or development but offer investors exposure to a sound, profitable dividend-paying play on the US energy market.”

#### **Diversified Gas & Oil plc**

Rusty Hutson, Chief Executive Officer

Brad Gray, Finance Director

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#### **Company Overview**

DGO owns and operates a number of conventional gas and oil producing wells in the Appalachian Basin in the North Eastern United States. The Company has grown rapidly over the last two years, capitalising upon opportunities to acquire conventional, low risk oil and gas producing assets from the larger US operating companies who are today focused increasingly upon the opportunities elsewhere from unconventional shale production. Total production in the six months to 30 June 2016 was 428,522 boe, up from 129,277 boe in the same period for 2015. Revenues for the six months to 30 June 2016 were \$7.6 million (2015: \$2.9 million).

The Company's operations are based entirely in the neighbouring states of Ohio, Pennsylvania and West Virginia, which cover part of one of the largest oil and gas fields in the US, known as the Appalachian Basin.

The Group began trading in 2001. DGO has a head office in Birmingham, Alabama and was incorporated in England and Wales as a public limited company on 31 July 2014 by its founders, Robert “Rusty” Hutson Jr. and Robert Post.

#### **Strategy for growth**

DGO's strategy for growth is two-fold:

- Primary focus on acquiring and consolidating long-life, low-cost conventional producing oil and gas assets at compelling valuations
- To enhance the portfolio through active operating work programme, including workovers and infill low-cost development wells.

### *Acquisition and consolidation strategy*

The recent advances in shale production have caused a significant shift in emphasis of many investors and companies in mainland USA. The drive for shale investment has resulted in conventional gas and oil opportunities becoming available at reasonable prices. The Board believes these opportunities will continue as energy prices remain in the current trading range, which will help drive DGO's acquisition strategy.

### **DGO Bondholders**

DGO has approximately \$13.4 million of unsecured 8.5% bonds maturing in June 2020 (the "Bonds"). Under the terms of the Bonds, eligible Bondholders are to be offered the opportunity to convert their Bonds into ordinary shares at the time of Admission or to receive a cash offer for repayment of the Bond (or a combination of both). The Company intends to write to Bondholders to advise them of these proposals shortly.

### **Board of Directors**

#### **Robert Marshall Post, (60), Executive Chairman**

Mr. Post joined Diversified Gas & Oil in 2005 and is a 50% owner with Mr. Hutson. Mr. Post was Controller for Whiting Corporation for 3 years. He then purchased TramBeam, an overhead crane company, from Whiting Corporation and owned and operated the business for 20 years. Mr. Post sold TramBeam in 2002 to a London based corporation, FKI Industries. He has a B.S. degree in Accounting (Finance minor) from Jacksonville State University - Alabama.

#### **Robert "Rusty" Russell Hutson, (47), Chief Executive Officer**

Before founding Diversified Gas & Oil in 2001, Mr. Hutson held finance and accounting roles for 13 years at Bank One (Columbus, OH) and Compass Bank (Birmingham, AL). He finished his banking career as CFO of Compass Financial Services. Mr. Hutson has a B.S. degree in Accounting from Fairmont State College - West Virginia. He is a former CPA (Ohio).

#### **Bradley Grafton Gray (48), Finance Director and US Chief Operating Officer**

Prior to joining Diversified Gas & Oil in October 2016, Mr. Gray held the position of Senior Vice President and Chief Financial Officer for Royal Cup, Inc., a United States based commercial coffee roaster and wholesale distributor of tea and other beverage related products. Prior to Royal Cup, Inc., from 2006 to 2014, Mr. Gray worked in the petroleum distribution industry for The McPherson Companies, Inc. and held the position of Executive Vice President and Chief Financial Officer.

Additionally, from 1997 to 2006, Mr. Gray worked in various financial and operational roles with Saks Incorporated, a previously listed New York stock exchange retail group in the United States. Mr. Gray has a B.S. degree in Accounting from the University of Alabama and he is a licensed CPA (Alabama).

**David Edward Johnson (56), proposed Senior Independent Non-executive Director**

David Johnson has enjoyed a long and successful career in the investment sector. He has worked at a number of leading City investment houses, as both an investment analyst and more recently in equity sales and investment management. During his career he has worked for Sun Life Assurance, Henderson Crosthwaite and Investec Securities. He joined Panmure Gordon & Co in 2004 where he worked until 2013, including as Head of Sales from 2006 and then Head of Equities from 2009. He joined Chelverton Asset Management in 2014 where he had specific responsibility for the Group's private equity investments. David is a non-executive director of AIM quoted, Bilby plc, a holding company providing a platform for strategic acquisitions in the gas heating and general building services industries. David Johnson's appointment as a non-executive director is conditional on the Company's admission to AIM.

**Martin Keith Thomas (52), Non-executive Director**

Martin Thomas is a partner in the corporate team at Watson Farley & Williams in London. Martin specialises in advising on IPOs and secondary offerings of equity and debt on the London capital markets, corporate finance and M&A work, including cross-border and domestic acquisitions and disposals, joint ventures and private equity transactions. Previously named one of *The Lawyer's* "UK Hot 100 Lawyers" and ranked by both *Chambers and Partners* and *Legal 500*, Martin advises clients operating in a variety of sectors, including oil and gas, renewable energy, natural resources and mining, climate change, financial services and early stage technology. During his legal career of 30 years, Martin has also held senior management positions including 7 years as the European Managing Partner of a global law firm headquartered in the United States.

**FORWARD-LOOKING STATEMENTS**

This announcement contains forward looking statements, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof. The Board believes that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially. These forward-looking statements speak only as of the date of this

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Prior to making an investment decision in respect of the Ordinary Shares, prospective investors should consider carefully all of the information within the Admission Document. The Board believes the risks set out therein to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Group's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements.

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