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**3 February 2017**

**Diversified Gas & Oil PLC**

**("DGO", the "Company" or the "Group")**

**Replacement: First Day of Dealings on AIM**

Diversified Gas & Oil PLC, a US based gas and oil producer, is pleased to announce the admission of its issued share capital to trading on AIM. This follows the completion of a placing of 61,000,000 new Ordinary Shares at 65 pence per share to raise $50 million (approximately £39.7 million) (before expenses), giving the Company a market capitalisation of approximately $86.4 million (approximately £68.6 million) on Admission at the Placing Price. The funds raised will be used for the repurchase of Bonds, repayment of existing debt facilities, costs of Admission and working capital requirements of the Group.

Smith & Williamson Corporate Finance Limited is acting as nominated adviser and joint broker to the Company and Mirabaud Securities LLP is acting as lead broker.

Highlights:

- Established, profitable, proven and fast growing US oil and gas company
- Onshore licences in Appalachian Basin, northeastern US
- Total proved reserves of oil of approximately 2,271 mbbl (1,470 producing) and gas reserves of approximately 153,695 mcf (135,402 producing)
- Current daily gas production is running at approximately 26,000 mcfd and oil production is approximately 475 bopd
- Since incorporation in 2001, the Group has never drilled a non-producing well
- Successful track record of sourcing, financing and closing acquisitions
- Well defined growth strategy to grow production through organic and acquisitive means

- DGO's experienced management team and its proven ability to drive operational efficiency creates opportunities for additional value in a low commodity price cycle

- The Board intends that not less than 40 per cent of operating free cash flow will be paid to Shareholders by way of a dividend.

**Rusty Hutson Jr., Chief Executive Officer of DGO, said:**

"We are delighted to be joining AIM and thank our existing and new shareholders for their support in the Placing. DGO has grown exponentially since inception in 2001 and we believe that our admission to AIM will provide the Company with a platform from which we can accelerate this growth trajectory. We offer a compelling proposition given our extensive acreage position in the Appalachian Basin, our low cost production, our proven track record for value creation and our commitment to pay a dividend to our shareholders. We have a well-defined growth strategy based on proven and low-risk operations and the opportunity for complementary acquisitions that we are uniquely positioned to execute on. We look forward to communicating on our progress as we begin our life as an AIM quoted company."


| | |
|---|---|
| **Diversified Gas & Oil PLC**<br>Rusty Hutson Jr., Chief Executive Officer<br>Brad Gray, Finance Director<br>www.diversifiedgasandoil.com | + 1 (205) 408 0909 |
| **Smith & Williamson Corporate Finance Limited (Nominated Adviser & Joint Broker)**<br>Russell Cook<br>Azhic Basirov<br>Katy Birkin | +44 20 7131 4000 |
| **Mirabaud Securities LLP (Lead Broker)**<br>Peter Krens<br>Edward Haig-Thomas | +44 20 7878 3362 |
| **Buchanan (Financial Public Relations)**<br>Ben Romney<br>Chris Judd<br>Henry Wilson<br>dgo@buchanan.uk.com | +44 20 7466 5000 |


Defined terms used in this announcement have the same meaning as set out in the Company's Admission Document dated 30 January 2017.

**Overview**

Diversified Gas & Oil PLC owns and operates approximately 7,500 gas and oil producing wells in the Appalachian Basin in the northeastern 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 larger US exploration and production companies which are today focused increasingly upon the opportunities from unconventional shale production as well as from small family run companies. The Company is well positioned to acquire further conventional assets.

The Group's gas and oil production in the six months to 30 June 2016 was 2,571,315 mcfe, up from 775,665 mcfe in the same period for 2015. Revenues for the six months to 30 June 2016 were $7.6 million (2015: $2.9 million) and for the nine months to 30 September 2016 were $13.4 million (2015: $4.8 million).

The Company's operations are based entirely in the neighbouring states of Ohio, Pennsylvania and West Virginia, within 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.

**Background on the Group**

DGO's activities comprise the development and operation of conventional oil and natural gas assets in the United States. The Group has grown significantly since its formation in 2001, primarily through the acquisition of operating assets with some drilling of existing leases. DGO has an experienced operating team managing the Group's wells.

The Group has over 1 million acres under lease which are all held by production ("HBP"). HBP means that the lease does not expire as long as the land is still producing.

DGO has total proved reserves of oil of approximately 2,271 mbbl (1,470 producing) and gas reserves of approximately 153,695 mcf (135,402 producing). Current daily gas production is running at approximately 26,000 mcfd and oil production is approximately 475 bopd.

The Company continues to invest in the appropriate capital infrastructure both at the well head, through the extensive network of Company owned pipeline, and at pumping and compression sites. 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 a track record of sourcing, financing and closing acquisitions. Since September 2014, the Company has completed five acquisitions with an aggregate consideration of $16 million. These acquisitions have added significant production volume and cash flows.

The Company intends to continue to capitalise on the current investment opportunities and the Directors are confident that there are numerous opportunities for further acquisitions. The Company is currently evaluating three acquisition opportunities which have gas assets producing between 1,400 mcfd and 3,200 mcfd, and oil assets producing between 80 bopd and 170 bopd.

**Reserves**

The Company has engaged Wright & Co. to produce a Competent Person Report ("CPR"), which is contained in the Admission Document. As set out in the CPR, total proved reserves for the Group as at 1 December 2016 comprise:

| | | |
|---|---|---|
| Net oil reserves | 2,271.6 mbbl | 2,271.6 mboe |
| Net gas reserves | 153,695.2 mmcf | 25,415.8 mboe |

| | | |
|---|---|---|
| Net natural gas liquids reserves | 20.3 mbbl | 20.3 mboe |
| Total | | 27,707.7 mboe |

The valuation of the total proved reserves, on a 10 per cent cumulative discounted basis as calculated by Wright & Co, is $125 million.

The CPR valuation is based only on proved reserves and does not take into account the further probable or possible reserves of the Group.

The Group has an overall average working interest in its properties of approximately 95 per cent. and the overall average net revenue interest is approximately 83 per cent. The average royalty rate is approximately 12.6 per cent.

**The Investment Opportunity**

DGO represents a unique investment opportunity within the E&P sector of the US oil and gas industry. As many US oil and gas investments are primarily focused on companies searching for revenues from new shale formation drilling prospects, DGO differentiates itself by offering existing, consistent production and cash flows for Shareholders.

Additionally, DGO's growth strategy, which is the acquisition of proven production at historically low valuations, provides an attractive investment upside for increasing dividend yields and capital price appreciation.

The Directors believe that there are a numbers of factors which differentiate DGO from other companies in the market:

- Actual cash flow and strong EBITDA margins create opportunities with a commitment from the Board to return not less than 40 per cent. of operating free cash flow to Shareholders by way of a dividend.
- Larger public and private E&P companies are selling conventional assets to focus their investment capital on shale development.
- Due to the importance of continuation of production by a competent operator, sellers are less price sensitive for asset sales, thus creating value purchase opportunities for DGO. The larger US shale E&P companies are seeking buyers for their conventional assets that are proven and competent operators. The competency of the buyer is an important factor for these companies because the continuation of production from the conventional assets protects the future drilling opportunity for the deeper shale formations retained by the E&P vendors.
- DGO has a successful track record for safely operating acquired wells whilst also successfully integrating assets and employees into its existing operations.
- DGO has a successful track record of sourcing, financing and closing acquisitions. Only a small number of operators in the region have shown the sophistication or ability to execute these larger transactions.
- DGO's experienced management team and its proven ability to drive operational efficiency creates opportunities for additional value in a low commodity price cycle.
- DGO's assets have the following attributes:

  - predictable and consistent production profile

- typical life span of over 50 years
- proven low decline rates
- low operational costs
- minimal operational risks and production concentration

- The Group has 1,033,500 acres under lease which are all HBP. This expansive leasehold interest provides DGO the flexibility to develop new production through drilling at favourable rates of return when the commodity price cycle improves.

**Board and Senior Management**

The Board comprises three executive directors and, with effect from Admission and following the appointment of David Johnson, two non-executive directors.

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

Mr. Post joined Diversified Gas & Oil in 2005 as 50% owner with Mr. Hutson Jr. 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 Jr., (47), Chief Executive Officer**

Mr Hutson Jr. is the fourth generation of his family to be involved in the oil and gas industry but the first to hold an executive role, with his Father, Grandfather and Great Grandfather all working in various field operational roles. Before founding Diversified Gas & Oil in 2001, Mr. Hutson Jr. held finance and accounting roles for 13 years at Bank One (Columbus, Ohio) and Compass Bank (Birmingham, Alabama). 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 certified public accountant ("CPA") (Ohio).

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

Prior to joining the Company 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 began his career at Arthur Andersen. 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), Senior Independent Non-executive Director**

Mr 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. Mr Johnson 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.

**Martin Keith Thomas, (52), Independent 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.

**Senior Management**

**Robert ("Rusty") Russell Hutson, Sr., (68), Field Operations Manager**

Rusty Hutson, Senior., spent over 30 years in the oil and gas business in various operational roles for oil and gas operators. The Hutson family has been engaged in aspects of the oil and gas industry in West Virginia, United States since the early 1900s. He now supervises the West Virginia operations for the Group.

**Timothy Louis Altier, (53), Production Manager – Ohio**

Tim Altier is the third generation in his family to work in the oil and gas industry. Mr. Altier started his career at Dominion East Ohio where he worked in the engineering and metering division. He spent 16 years as the Operations Manager at Range Resources and their predecessors with responsibility for all their wells and production in Ohio and New York. After Range sold their Ohio and New York production, Mr. Altier moved to Mountaineer Keystone as Production Manager where he worked with Utica and Marcellus production. Mr. Altier left Mountaineer Keystone to become the Conventional Production Manager of Eclipse Resources in Ohio. Mr. Altier joined the Group as Production Manager for all of the Group's operations in the state of Ohio upon its acquisition of Eclipse. Mr. Altier has a Petroleum Engineering Degree from Marietta College in Marietta, Ohio and also received his Master's Degree in Petroleum Engineering from West Virginia University in Morgantown, West Virginia.

**Garland "Drew" Adamo, (55), Production Manager – Pennsylvania**

Mr. Adamo started his career in 1986 with Victory Energy Corporation as a well tender, spending 10 years learning well tending and compressor operations. In 1996, Mr. Adamo moved to Texas Keystone Inc ("TKI") spending 20 years growing from well tending to management. Mr. Adamo managed all of TKI's field operations in Pennsylvania and West Virginia, consisting of drilling, completing and pipelining over 1,500 conventional gas wells. Mr. Adamo's 30 years of experience in the oil & gas industry has grown his extensive knowledge of all facets of conventional field operations, specialising in engineering and setting large horsepower compression. Mr. Adamo joined the Group upon its acquisition of the TKI conventional assets, as Production Manager for all of the Group's operations in the state of Pennsylvania.

**Lindsey Stryker Pourciau, (31), Treasury and Financial Controller**

Lindsey joined the Group in 2011 and is responsible for financial statement and budget preparation, monthly closing procedures and audit & tax oversight. Prior to joining the Group, Lindsey was a Senior Accountant with Barfield, Murphy, Shank & Smith where she audited construction contractors, manufacturing and distribution companies. She has a Master of Accountancy and a B.S. in Accounting from Samford University and she is a licensed CPA (Alabama).

**Placing Statistics**

| | |
|---|---|
| Number of Existing Ordinary Shares | 44,210,481 |
| Placing Price per Ordinary Share | 65 pence |
| Number of Placing Shares | 61,000,000 |
| Number of Bond Conversion Shares | 380,769 |
| Enlarged Share Capital on Admission | 105,591,250 |
| Number of Warrants in issue following Admission | 3,050,000 |
| Gross proceeds of the Placing | £39.7 million |
| Estimated net proceeds of the Placing receivable by the Company | £36.6 million |
| Market capitalisation of the Company at the Placing Price on Admission | £68.6 million |
| Placing Shares and Bond Conversion Shares expressed as a percentage of the Enlarged Share Capital | 58.1% |
| AIM ticker | DGOC |
| ISIN for the Ordinary Shares | GB00BYX7JT74 |
| SEDOL for the Ordinary Shares | BYX7JT7 |
| Legal Entity Identifier ("LEI") | 213800YR9TFRVHPGOS67 |
| ISIN for the Bonds | GB00BSTLK095 |
| NEX Exchange Symbol for the Bonds | DOIL |

Note: Figures are calculated based on a USD:GBP exchange rate of $1.26 = £1 as at 27 January 2017

For further information, information provided under AIM Rule 26 and the Company's Admission Document please see the Company's website: [www.diversifiedgasandoil.com](http://www.diversifiedgasandoil.com).

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This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Company's future prospects, developments and business strategies. These forward-looking statements can be identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" or the negative of those variations, or comparable expressions, including references to assumptions. The forward-looking statements in this announcement, including statements concerning projections of the Company's future results and operations are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

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