

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities.

This document constitutes an AIM admission document relating to Diversified Gas & Oil PLC and has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of FSMA and is not required to be issued as a prospectus pursuant to section 85 of FSMA. Accordingly, this document has not been drawn up in accordance with the Prospectus Rules and has not been approved by, or filed with, the FCA or any other authority which would be a competent authority for the purposes of the Prospectus Directive. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Smith & Williamson Corporate Finance Limited, 25 Moorgate, London, EC2R 6AY for a period of one month from the date of Second Admission (as defined below).

The Directors, whose names appear on page 5 of this document, accept responsibility, individually and collectively, for all the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Application will be made to the London Stock Exchange for the Firm Placing Shares and the Bond Conversion Shares to be admitted to trading on AIM ("First Admission"). Application will be made to the London Stock Exchange for the Enlarged Share Capital of the Company (including the Conditional Placing Shares) to be admitted to trading on AIM ("Second Admission").

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. It is expected that First Admission will take place, and dealings in the Firm Placing Shares and the Bond Conversion Shares will commence on AIM, on 20 June 2017, and that Second Admission will take place, and dealings in the Enlarged Share Capital (including the Conditional Placing Shares) will commence on AIM, on 3 July 2017.

The whole of this document should be read and, in particular, your attention is drawn to the section entitled "Risk Factors" in Part II of this document.

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## DIVERSIFIED GAS & OIL PLC

*(Incorporated and registered in England & Wales under the Companies Act 2006 with registered number 09156132)*

### Proposed acquisition of certain of the gas and oil assets of Titan Energy, LLC

**Placing of a total of 39,300,000 new Ordinary Shares of 1 pence each at  
70 pence per Ordinary Share**

**Admission of Enlarged Share Capital to trading on AIM  
and  
Notice of General Meeting**

*Nominated Adviser and Joint Broker*

*Sole Bookrunner*



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The Placing of the Firm Placing Shares is conditional, *inter alia*, on First Admission taking place on or before 20 June 2017 and the Placing of the Conditional Placing Shares is conditional, *inter alia*, on First Admission, and Second Admission taking place on or before 3 July 2017 (or such later dates as the Company, Smith & Williamson Corporate Finance Limited and Mirabaud Securities LLP may agree, but in any event not later than 27 June 2017 in respect of the Firm Placing Shares and 10 July 2017 in respect of the Conditional Placing Shares. The Placing Shares will, on the relevant Admission, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after the relevant Admission.

A notice convening the General Meeting to be held at the offices of Buchanan Communications Limited, 107 Cheapside, London EC2V 6DN at 11.00 a.m. on 30 June 2017 is set out at the end of this document. The enclosed Form of Proxy for use at the General Meeting should be completed and returned to the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane Halesowen B63 3DA, as soon as possible and to be valid must arrive on or before 11.00 a.m. on 28 June 2017 (or 48 hours before the time fixed for any adjourned meeting or in the case of a poll 48 hours before the time appointed for taking the poll at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day). Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to vote at the meeting is 6.00p.m. on 28 June 2017 or 48 hours before any adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Smith & Williamson Corporate Finance Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting exclusively for the Company and no one else in connection with the proposed Admission, Acquisition and Placing. Smith & Williamson Corporate Finance Limited will not regard any other person as its customer or be responsible to any other person

for providing the protections afforded to customers of Smith & Williamson Corporate Finance Limited nor for providing advice in relation to the transactions and arrangements detailed in this document for which the Company and the Directors are solely responsible. The responsibilities of Smith & Williamson Corporate Finance Limited as the Company's nominated adviser and joint broker for the purposes of the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company, any Shareholder or any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. Smith & Williamson Corporate Finance Limited has not authorised the contents of any part of this document and is not making any representation or warranty, express or implied, as to the contents of this document and accordingly, without limiting the statutory rights of any recipient of this document, no liability whatsoever is accepted by it for the accuracy of any information or opinions contained in this document or for the omission of any material information for which it is not responsible.

Mirabaud Securities LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting exclusively for the Company and no one else in connection with the proposed Admission, Acquisition and Placing. Mirabaud Securities LLP will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Mirabaud Securities LLP nor for providing advice in relation to the transactions and arrangements detailed in this document for which the Company and the Directors are solely responsible. The responsibilities of Mirabaud Securities LLP as the Company's lead broker are not owed to the Company, any Shareholder or any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. Mirabaud Securities LLP is not making any representation or warranty, express or implied, as to the contents of this document and accordingly, without limiting the statutory rights of any recipient of this document, no liability is accepted by it for the accuracy of any information or opinions contained in this document or for the omission of any material information for which it is not responsible.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares to any person in any jurisdiction in which such an offer or solicitation is unlawful. In particular the Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933 as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable laws of any of other Restricted Jurisdiction and, may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or to any national, resident or citizen of other Restricted Jurisdiction. The Placing Shares are being offered and sold outside the United States in accordance with Regulation S. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States (or any of its territories or possessions), other Restricted Jurisdiction, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

#### **Forward-looking statements**

This document contains statements that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "could", "envisages", "estimates", "expects", "intends", "may", "plans", "projects", "should", "will" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs and current expectations of the Company or the Directors concerning, *inter alia*, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Enlarged Group and the industry in which the Enlarged Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual results, performance or achievements of the Enlarged Group or developments in the industry in which the Enlarged Group operates may differ materially from the future results, performance or achievements or industry developments expressed or implied by the forward-looking statements contained in this document.

Prospective investors are strongly recommended to read the risk factors set out in Part II of this document for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Enlarged Group operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

The forward-looking statements contained in this document speak only as at the date of this document. Neither the Company, nor Smith & Williamson nor Mirabaud undertake any obligation to update or revise publicly the forward-looking statements contained in this document to reflect any change in expectations or to reflect events or circumstances occurring or arising after the date of this document, except as required in order to comply with their legal and regulatory obligations (including under the AIM Rules).

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<b>2017</b>
Admission Document publication date	15 June
First Admission effective and dealings in the Firm Placing Shares and Bond Conversion Shares to commence on AIM	8.00 a.m. on 20 June
CREST accounts credited with Firm Placing Shares and Bond Conversion Shares (where applicable)	20 June
Latest time and date for receipt of completed Forms of Proxy	11.00 a.m. on 28 June
General Meeting	11.00 a.m. on 30 June
Completion of the Acquisition	30 June
Second Admission effective and dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. on 3 July
CREST accounts credited with Conditional Placing Shares (where applicable)	3 July
Despatch of definitive share certificates for Conditional Placing Shares (where applicable)	week commencing 10 July

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Notes:

References to time in this document are to London (GMT) time unless otherwise stated.

If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.

## PLACING AND ACQUISITION STATISTICS

Number of Existing Ordinary Shares as at the date of this document	105,591,250
Placing Price per Ordinary Share	70 pence
Number of Firm Placing Shares to be issued pursuant to the Placing	11,400,000
Number of Bond Conversion Shares to be issued	184,837
Enlarged Share Capital on First Admission	117,176,087
Percentage of Enlarged Share Capital on First Admission represented by the Firm Placing Shares	9.73%
Market capitalisation of the Company at the Placing Price on First Admission	£82.0 million
Number of Conditional Placing Shares to be issued pursuant to the Placing	27,900,000
Enlarged Share Capital on Second Admission	145,076,087
Percentage of Enlarged Share Capital on Second Admission represented by the Conditional Placing Shares	19.23%
Gross proceeds of the Placing	£27.5 million (\$35 million)
Estimated net proceeds of the Placing receivable by the Company	£25.6 million (\$32.6 million)
Market capitalisation of the Company at the Placing Price on Second Admission	£101.5 million
TIDM	DGOC
ISIN for the Ordinary Shares	GB00BYX7JT74
SEDOL for the Ordinary Shares	BYX7JT7
Legal Entity Identifier ("LEI")	213800YR9TFRVHPGOS67

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Note: Figures are calculated based on a USD:GBP exchange rate of \$1.2730 = £1 as at 14 June 2017

## DIRECTORS, SECRETARY AND ADVISERS

### Directors

Robert Marshall Post, *Executive Chairman*  
Robert "Rusty" Russell Hutson Jr., *Chief Executive Officer*  
Bradley Grafton Gray, *Finance Director & US Chief Operating Officer*  
David Edward Johnson, *Senior Independent Non-executive Director*  
Martin Keith Thomas, *Independent Non-executive Director*

all of the Company's registered office below.

### Company website

[www.diversifiedgasandoil.com](http://www.diversifiedgasandoil.com)

### Company Secretary

Cargil Management Services Limited  
27/28 Eastcastle Street  
London  
W1W 8DH

### Registered Office

27/28 Eastcastle Street  
London  
W1W 8DH

### Head Office

1100 Corporate Drive  
Birmingham  
Alabama 35242  
USA

### Nominated Adviser and Joint Broker

Smith & Williamson Corporate Finance Limited  
25 Moorgate  
London  
EC2R 6AY

### Sole Bookrunner

Mirabaud Securities LLP  
33 Grosvenor Place  
London  
SW1X 7HY

### Legal Adviser to the Company (USA)

Maynard Cooper & Gale  
1901 Sixth Avenue  
North Regions Harbert Plaza  
Suite 2400  
Birmingham,  
Alabama 35203USA

### Legal Adviser to the Company (UK)

Watson Farley & Williams LLP  
15 Appold Street  
London  
EC2A 2HB

### Auditors and Reporting Accountant

Crowe Clarke Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

### Legal Adviser to the

### Nominated Adviser and Joint Brokers

Fieldfisher LLP  
Riverbank House  
2 Swan Lane  
London  
EC4R 3TT

### Competent Person

Wright & Company, Inc.  
Twelve Cadillac Drive  
Suite 260  
Brentwood  
Tennessee 37027  
USA

### Financial PR

Buchanan Communications Ltd  
107 Cheapside  
London  
EC2V 6DN

### Share Registrar

Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
B63 3DA

## DEFINITIONS

<b>“Act”</b>	the Companies Act 2006, as amended
<b>“Acquisition”</b>	the proposed acquisition of certain of the gas and oil assets of Titan by the Company, pursuant to the terms of the Acquisition Agreement
<b>“Acquisition Agreement”</b>	the conditional agreement between (1) Titan and (2) the Company relating to the Acquisition, details of which are set out in paragraph 12.1 of Part VII of this document
<b>“Admission”</b>	together (or separately) the First Admission or the Second Admission as the context so requires
<b>“AIM”</b>	the AIM Market of the London Stock Exchange
<b>“AIM Rules”</b>	together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers
<b>“AIM Rules for Companies”</b>	the AIM Rules for Companies which govern the admission to trading on and the operation of AIM published by the London Stock Exchange, as amended from time to time
<b>“AIM Rules for Nominated Advisers”</b>	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time
<b>“Articles”</b>	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part VII of this document
<b>“Board” or “Directors”</b>	the board of directors of the Company, including a duly constituted committee thereof, set out on page 5 of this document
<b>“Bond” or “Bonds”</b>	the remaining 90,440, 8.5 per cent. unsecured bonds due 23 June 2020 constituted by a bond instrument dated 10 June 2015 and issued by the Company at £1 per Bond
<b>“Bond Conversion Shares”</b>	the 184,837 new Ordinary Shares to be issued to bondholders in consideration for the redemption of the bondholder’s unlisted bonds pursuant to the bond instrument dated 6 October 2016, details of which are set out in paragraph 12.12 of Part VII.
<b>“Bondholders”</b>	the holders of the Bonds
<b>“Business Day”</b>	a day on which the London Stock Exchange is open for the transaction of business
<b>“certificated” or “in certificated form”</b>	in relation to an Ordinary Share, recorded on the Company’s register as being held in certificated form (that is not in CREST)
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Company” or “DGO”</b>	Diversified Gas & Oil PLC, incorporated and registered in England & Wales with registered number 09156132 and, where the context permits, its subsidiaries
<b>“Competent Person”</b>	Wright & Company, Inc., the competent person in relation to Admission, as defined by the AIM Rules, and author of the Competent Person’s Reports
<b>“Competent Person’s Reports” or “CPRs”</b>	the reports relating to the Enlarged Group’s production assets produced by the Competent Person being the DGO Competent Person’s Report and the Titan Competent Person’s Report, set out in Part VI of this document
<b>“Completion”</b>	completion of the Acquisition
<b>“Concert Party”</b>	Robert Post, Rusty Hutson Jr. and Bradley Gray

<b>“Conditional Placing Shares”</b>	27,900,000 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing, conditional on, <i>inter alia</i> , the passing of the Resolutions, First Admission, Second Admission and Completion
<b>“Consideration”</b>	the cash consideration to be paid in accordance with the terms of the Acquisition Agreement
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland is the operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
<b>“CREST Manual”</b>	the rules governing the operation of CREST as published by Euroclear
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time, and any applicable rules made under those regulations
<b>“DGO Competent Person’s Report”</b>	the report relating to DGO’s production assets produced by the Competent Person set out in Part VI of this document
<b>“EBITDA”</b>	earnings before interest, tax, depreciation/depletion and amortization
<b>“Enlarged Group”</b>	DGO and its subsidiaries and partnership interests following Completion and Admission
<b>“Enlarged Share Capital”</b>	the issued share capital of the Company on the relevant Admission comprising the Existing Ordinary Shares, the Bond Conversion Shares and the relevant Placing Shares in issue at the relevant Admission
<b>“Euroclear UK &amp; Ireland” or “Euroclear”</b>	Euroclear UK & Ireland Limited, the Central Securities Depository for the UK market and Irish securities and the operator of CREST
<b>“Existing Ordinary Shares”</b>	the 105,591,250 ordinary shares of 1p each in the capital of the Company in issue as at the date of this document;
<b>“Facility”</b>	the facility totalling \$110 million made available by the Lenders under the Facility Agreement as more particularly described in paragraph 12.34 of Part VII of this document
<b>“Facility Agreement”</b>	the facility agreement between, <i>inter alia</i> , (1) AG Energy Funding, LLC and MSD Credit Opportunity Fund, L.P. (as lenders), (2) Angelo, Gordon Energy Services, LLC as administrative agent and collateral agent and (3) DGO as borrower comprising a \$110 million senior secured credit facility details of which are set out in paragraph 12.34 of Part VII of this document
<b>“February 2017 Admission”</b>	the previous admission of the Company’s entire issued share capital to trading on AIM on 3 February 2017 in accordance with the AIM Rules
<b>“February 2017 Placing Price”</b>	65 pence per Ordinary Share
<b>“Financial Conduct Authority” or “FCA”</b>	the UK Financial Conduct Authority
<b>“Firm Placing Shares”</b>	11,400,000 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing, conditional on, <i>inter alia</i> , First Admission
<b>“First Admission”</b>	the admission of the Firm Placing Shares and the Bond Conversion Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>“Form of Proxy”</b>	the form of proxy accompanying this document for use by Shareholders at the General Meeting
<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000 (as amended)

<b>“Fundraising”</b>	the Placing and initial draw down under the Facility Agreement
<b>“General Meeting”</b>	the general meeting of the Company to be held at 11.00 a.m. on 30 June 2017 (and any adjournment of such meeting) at Buchanan Communications Limited, 107 Cheapside, London EC2V 6DN, notice of which is set out at the end of this document
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“Group Financial Information”</b>	the audited, historical financial information of the Group for the three years ended 31 December 2016
<b>“HMRC”</b>	HM Revenue and Customs
<b>“IFRS”</b>	International Financial Reporting Standards as adopted by the European Union
<b>“ISIN”</b>	International Security Identification Number
<b>“Lenders”</b>	AG Energy Funding, LLC and MSD Credit Opportunity Fund, L.P.
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“MAR” or “Market Abuse Regulation”</b>	the EU Market Abuse Regulation (Regulation 596/2014)
<b>“Mirabaud”</b>	Mirabaud Securities LLP, the Company’s sole bookrunner
<b>“NEX Exchange”</b>	the NEX Exchange Limited, a recognised investment exchange under section 290 of FSMA
<b>“NEX Exchange Growth Market”</b>	the securities market operated by NEX Exchange Limited
<b>“Notice of General Meeting” or “Notice of GM”</b>	the notice convening the General Meeting set out at the end of this document
<b>“NYMEX”</b>	New York Mercantile Exchange
<b>“Official List”</b>	the official list of the UK Listing Authority
<b>“Ordinary Shares”</b>	ordinary shares of £0.01 each in the capital of the Company
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“Placee”</b>	those persons subscribing for Placing Shares at the Placing Price pursuant to the Placing
<b>“Placing”</b>	the conditional placing by Mirabaud on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 15 June 2017 between the Company (1), the Directors (2) Smith & Williamson (3) and Mirabaud (4) relating to the Placing, details of which are set out in paragraph 12.32 of Part VII of this document
<b>“Placing Price”</b>	70 pence per Placing Share
<b>“Placing Shares”</b>	a total of 39,300,000 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing, comprising the Firm Placing Shares and the Conditional Placing Shares
<b>“Pro Forma Financial Information”</b>	the unaudited pro forma assets, equity and liabilities of the Group as at 31 December 2016 and the results for the year then ended
<b>“Prospectus Directive”</b>	EU Prospectus Directive 2003/71/EC including any relevant measure in each member state of the European Economic Area that has implemented Directive 2003/71/EC



<b>“Prospectus Rules”</b>	the prospectus rules made by the FCA under Part 6 of FSMA
<b>“Proposals”</b>	the Acquisition, the Fundraising and Admission, in each case as described in this document
<b>“Public Partnership”</b>	has the meaning given to that term in paragraph 3 of Part I of this document
<b>“QCA Guidelines”</b>	Quoted Companies Alliance published Corporate Governance Guidelines for smaller quoted companies
<b>“Resolutions”</b>	the resolutions to be put to Shareholders at the General Meeting as detailed in paragraph 16 of Part I of this document
<b>“Restricted Jurisdiction”</b>	the Republic of Ireland, the United States, Australia, Canada, Japan and the Republic of South Africa
<b>“SEC”</b>	the United States Securities & Exchange Commission
<b>“Second Admission”</b>	the admission of the Enlarged Share Capital including the Conditional Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>“Securities Act”</b>	United States Securities Act of 1933, as amended
<b>“Shareholders”</b>	holders of Ordinary Shares from time to time
<b>“Share Options”</b>	share options granted or issued pursuant to the Share Option Scheme
<b>“Share Option Scheme”</b>	has the meaning given to that term in paragraph 7 of Part VII of this document
<b>“Smith &amp; Williamson”</b>	Smith & Williamson Corporate Finance Limited, the Company’s nominated adviser and joint broker
<b>“Subsidiary” or “Subsidiaries”</b>	a subsidiary undertaking (as defined by section 1159 of the Act)
<b>“Titan”</b>	Titan Energy, LLC comprising Atlas Energy Tennessee, LLC, Atlas Pipeline Tennessee, LLC, Atlas Noble, LLC, Viking Resources, LLC, Resource Energy, LLC, Atlas Resources, LLC, REI-NY, LLC, Resource Well Services, LLC, Atlas Energy Ohio, LLC and Atlas Energy Group, LLC
<b>“Titan Assets”</b>	certain of the gas and oil assets of Titan as more particularly described in paragraph 5 of Part I of this document
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK Corporate Governance Code”</b>	the UK Corporate Governance Code (formerly the Combined Code) issued from time to time by the Financial Reporting Council
<b>“UK GAAP”</b>	accounting principles generally accepted in the United Kingdom
<b>“UK Listing Authority”</b>	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“uncertificated” or “in uncertificated form”</b>	in relation to an Ordinary Share, recorded on the Company’s register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>“US” or “USA” or “United States”</b>	United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>“US person”</b>	a US person as defined in Regulation S under the US Securities Act
<b>“VAT”</b>	means value added tax in the UK charged at a rate of 20 per cent. on taxable good and services
<b>“Warrants”</b>	the warrants issued and to be issued under warrant agreements dated 30 January 2017 and 15 June 2017, details of which are set out in paragraphs 7, 12.20, 12.21 and 12.31 of Part VII of this document

**“West Texas Intermediate”**

the underlying commodity of the Chicago Mercantile Exchange’s oil futures contracts

**“\$” or “US\$”**

the lawful currency of the United States

**“£” or “GBP”**

the lawful currency of the United Kingdom

## GLOSSARY

<b>“barrels” or “bbl”</b>	a unit of volume measurement used for petroleum and its products (for a typical crude oil 7.3 barrels (equal to 42 US gallons) = 1 tonne: 6.29 barrels = 1 cubic metre)
<b>“Best Estimate”</b>	the middle value in a range of estimates considered to be the most likely. If based on a statistical distribution, can be the mean, median or mode depending on usage
<b>“boe”</b>	barrels of oil equivalent. One barrel of oil is approximately the energy equivalent of 5,800 cf of natural gas
<b>“boepd”</b>	barrels of oil equivalent per day
<b>“btu”</b>	British thermal unit, which is the heat required to raise the temperature of a one pound mass of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit under specific conditions
<b>“development well”</b>	a well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive in an attempt to recover proved undeveloped reserves
<b>“dry hole”</b>	a well found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or gas well
<b>“HBP”</b>	held by production: a provision in an oil or natural gas property lease that allows the lessee, to continue drilling activities on the property as long as it is producing a minimum paying amount of oil or gas thereby extending the lessee’s right to operate the property beyond the initial lease term
<b>“mcf”</b>	thousand standard cubic feet of natural gas
<b>“mcfe”</b>	thousand cubic feet of natural gas equivalent
<b>“mcf/d”</b>	thousand cubic feet of natural gas equivalent per day
<b>“mdbl”</b>	thousand barrels of oil
<b>“mdbl”</b>	millions of barrels of oil
<b>“mmboe”</b>	millions of barrels of oil equivalent
<b>“mmbtu”</b>	million btus
<b>“natural gas”</b>	hydrocarbons that at a standard temperature of sixty degrees Fahrenheit (60°F) and a standard pressure of one atmosphere are in a gaseous state, including wet mineral gas and dry mineral gas, casing head gas, residual gas remaining after separation treatment, processing, or extraction of liquid hydrocarbons
<b>“oil equivalent”</b>	international standard for comparing the thermal energy of different fuels
<b>“overriding royalty interest”</b>	a royalty interest that is carved out of a lessee’s working interest under an oil and gas lease
<b>“PUD”</b>	proven undeveloped reserves
<b>“PV” or “present value”</b>	the present value of a future sum of money or stream of cash flows given a specific rate of return e.g. PV 18 means the present value at a discount rate of eighteen percent (18%)
<b>“proved developed producing reserves” or “PDP”</b>	proved developed reserves that are expected to be recovered from completion intervals currently open in existing wells and able to produce to market. Reserves that can be recovered through wells with existing equipment and operating methods.

<b>“proved reserves”</b>	the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions
<b>“proved undeveloped reserves”</b>	proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion
<b>“recompletion”</b>	the completion for production of an existing well bore in another formation from that in which the well has been previously completed
<b>“recoverable”</b>	a description of hydrocarbon reserves that identifies them as technically or economically feasible to extract
<b>“reserves”</b>	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions
<b>“reservoir”</b>	a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete petroleum system
<b>“resources”</b>	deposits of naturally occurring hydrocarbons which, if recoverable, include those volumes of hydrocarbons either yet to be found (prospective) or if found the development of which depends upon a number of factors (technical, legal and/or commercial) being resolved (contingent)
<b>“undeveloped acreage”</b>	lease acreage on which wells have not been participated in or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves
<b>“working interest”</b>	a cost bearing interest which gives the owner the right to drill, produce, and conduct oil and gas operations on the property, as well as a right to a share of production therefrom
<b>“workover”</b>	operations on a producing well to restore or increase production
<b>“WTI”</b>	West Texas Intermediate

## KEY INFORMATION

The following information is derived from, and should be read in conjunction with, the full text of this document and prospective investors should read the whole document and not just rely on the key information set out below. In particular, attention is drawn to Part II of this document which is entitled “Risk Factors”.

- Diversified Gas & Oil PLC’s activities comprise the development and operation of conventional natural gas and oil assets in the Appalachian Basin in the northeastern United States. The Group operates approximately 8,800 conventional gas and oil producing wells across Ohio, Pennsylvania and West Virginia and has an experienced operating team managing all of the wells internally.
- DGO was admitted to trading on AIM on 3 February 2017. The Company’s stated strategy for growth includes:
  - acquisition and consolidation of other oil and gas producing assets;
  - driving further expense leverage;
  - improving the productivity of existing wells; and
  - further in-fill drilling of its current acreage position as and when commodity prices recover and drilling becomes economically viable.
- As at the date of this document, DGO has total proved reserves of oil of approximately 2,610 mbbbl (1,812 mbbbl producing) and gas reserves of approximately 28,036 mboe (24,198 mboe producing). Current daily gas production is running at approximately 4,917 boepd and oil production is approximately 547 boepd. Since incorporation in 2001, the Group has never drilled a non-producing well.
- The Group’s assets provide:
  - predictable and consistent production profile;
  - a typical life span of over 50 years;
  - proven low decline rates;
  - low operational costs; and
  - low operational risks and production concentration.
- The Board announced on 5 May 2017 that the Company had entered into a conditional sale and purchase agreement to acquire certain producing gas and oil wells, close to DGO’s existing operations in the Appalachian Basin in the northeastern United States, principally in the states of Ohio, Pennsylvania, southern New York and northeast Tennessee. The consideration for the Acquisition is \$84.2 million (approximately £66.1 million) (subject to adjustment in accordance with the terms of the Acquisition Agreement), to be satisfied in cash at Completion conditional on, *inter alia*, Shareholder approval.
- The Acquisition will be funded by a combination of a \$110 million Facility, with a \$75 million draw down at Completion and a conditional placing of a total 39,300,000 new Ordinary Shares to raise approximately \$35 million.
- Daily gas production from the Titan Assets is approximately 12,500 gross boepd (6,550 net boepd) and oil production is 380 gross bopd (266 net bopd). The Acquisition will more than triple DGO’s gross gas production, to approximately 17,367 boepd, and will increase gross oil production by 69% to approximately 930 bopd. Overall gross production will increase from approximately 5,400 boepd to 18,300 boepd. The wells comprising the Titan Assets will be immediately accretive to cash and earnings.
- The Board believes that further acquisition opportunities will continue as energy prices remain in the current trading range, and the Company continues to evaluate complementary opportunities.
- The Company has an experienced management team with proven ability to drive operational efficiency creating opportunities for additional value in a low commodity price cycle.
- The Company has announced its maiden dividend of 1.99 cents per Ordinary Share to be paid to Shareholders on 31 July 2017. The Directors intend to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group. 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.

## PART I

### LETTER FROM THE CHAIRMAN OF DIVERSIFIED GAS & OIL PLC

*(incorporated in England and Wales with registered number 09156132)*

**Directors:**

Robert Marshall Post, *Executive Chairman*  
Robert "Rusty" Russell Hutson Jr., *Chief Executive Officer*  
Bradley Grafton Gray, *Finance Director & US Chief Operating Officer*  
David Edward Johnson, *Senior Independent Non-executive Director*  
Martin Keith Thomas, *Independent Non-executive Director*

**Registered Office:**

27/28 Eastcastle Street  
London  
W1W 8DH

*To Shareholders and, for information only, to holders of Warrants*

15 June 2017

Dear Shareholder,

**Proposed acquisition of certain of the gas and oil assets of Titan Energy, LLC  
Placing of a total of 39,300,000 new Ordinary Shares of 1 pence each at 70 pence per Ordinary Share  
Admission of Enlarged Share Capital to trading on AIM  
and  
Notice of General Meeting**

#### 1. Introduction

The Board announced on 5 May 2017 that the Company had entered into a conditional sale and purchase agreement to acquire certain producing gas and oil assets, comprising approximately 7,300 producing wells, close to the Company's existing operations in the Appalachian Basin in the eastern United States, principally in the states of Ohio, Pennsylvania, southern New York and northeast Tennessee.

The consideration for the Acquisition is \$84.2 million (approximately £66.1 million) (subject to adjustment in accordance with the terms of the Acquisition Agreement), to be satisfied in cash at Completion conditional on, *inter alia*, Shareholder approval. Certain of the Titan Assets are held within a public partnership structure, which will be transferred after Completion, on or before 30 September 2017. As a result DGO will pay \$72.4 million (approximately £56.9 million) at Completion and a further \$11.8 million (approximately £9.27 million) on or before 30 September 2017. Further details of the Acquisition Agreement are set out in the section headed "Principal Terms of the Acquisition" in this Part I and paragraph 12.1 of Part VII of this document. Detailed information on the Titan Assets, a portfolio of producing gas and oil wells, is set out in this Part I, and the Titan Competent Person's Report in Part VI of this document.

The Acquisition will be funded by a combination of the Facility and the Placing. The Company has arranged a three year, senior secured credit facility of a total of \$110 million (approximately £86 million) from Angelo, Gordon & Co. It is intended that \$75 million will be drawn down at Completion and will be used to fund the majority of the Consideration. The balance of the amount available under the Facility being \$35 million will be available to the Company for additional working capital, as well as providing delayed draw liquidity for future development and acquisitions. Further details of the Facility Agreement are set out in paragraph 12.34 of Part VII.

In addition, the Company has raised \$35.0 million (approximately £27.5 million) by the issue of a total of 39,300,000 new Ordinary Shares pursuant to the Placing at 70p per Placing Share comprising 11,400,000 Firm Placing Shares and 27,900,000 Conditional Placing Shares. The Placing Price represents a premium of approximately 8.5 per cent. to the Company's closing mid-market price of 64.5p on 4 May 2017 being the date prior to which the Existing Ordinary Shares were suspended from trading on AIM pending publication of this document. At the Placing Price, DGO is valued at approximately \$129.3 million (approximately £101.5 million).

In view of the size of the Titan Assets relative to the Company, the Acquisition constitutes a reverse takeover of DGO under Rule 14 of the AIM Rules for Companies and accordingly the Existing Ordinary Shares were

suspended from trading on AIM on 5 May 2017 pending publication of this document. Trading in the Existing Ordinary Shares is expected to be restored following publication of this document.

The Firm Placing Shares and the Bond Conversion Shares are being issued under the Company's existing share authorities. The issue of the Conditional Placing Shares is conditional, *inter alia*, on the passing of the Resolutions at the general Meeting. Under the AIM Rules, the Acquisition requires the prior approval of a majority of Shareholders voting on an ordinary resolution to be put to Shareholders at a General Meeting, notice of which is set out at the end of this document.

On 6 October 2016, the Company entered into a bond instrument which constituted unlisted 8.5% redeemable unsecured bonds maturing on 23 June 2020. In June 2017, all of the bondholders elected to receive new Ordinary Shares (totalling, in aggregate 184,837 Ordinary Shares) in consideration for the redemption of all of the unlisted bonds. As at the date of this document, there are no bonds outstanding under the private bond instrument.

Application has been made for the Firm Placing Shares and the Bond Conversion Shares to be admitted to trading on AIM, and application will be made for the Conditional Placing Shares to be admitted to trading on AIM, subject to the passing of the Resolutions. It is expected that First Admission will take place, and dealings in the Firm Placing Shares will commence on AIM, on 20 June 2017, and that Second Admission will take place, and dealings in the Enlarged Share Capital (including the Conditional Placing Shares) will commence on AIM, on 3 July 2017.

## **2. Background to, and reasons for, the Acquisition**

DGO was admitted to trading on AIM on 3 February 2017. The Company's stated strategy for growth includes:

- (i) acquisition and consolidation of other oil and gas producing assets;
- (ii) driving further expense leverage;
- (iii) improving the productivity of existing wells; and
- (iv) further in-fill drilling of its current acreage position as and when commodity prices recover and drilling becomes economically viable.

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.

In line with its stated strategy, on 24 February 2017, DGO announced the acquisition of a package of approximately 1,300 producing gas and oil wells in the states of Ohio and Pennsylvania, from EnerVest Ltd, for a total cash consideration of \$1.75 million, funded from the Company's existing cash resources (further details of this acquisition are set out in paragraph 12.2 of Part VII of this document). Following completion of the acquisition on 18 April 2017, DGO had total daily gas production of approximately 4,917 boepd and oil production of 547 boepd, representing a 14% increase in current gas production and a 23% increase in current oil production from the position on admission to AIM.

Following the Board's continuing review of potential acquisition opportunities, the Board identified the Titan Assets and the Company entered into the Acquisition Agreement which is subject, *inter alia*, to Shareholder approval.

Daily gas production from the Titan Assets is approximately 12,500 gross boepd (6,550 net boepd) and oil production is 380 gross boepd (266 net boepd). The Acquisition will more than triple DGO's gross gas production, to approximately 17,367 boepd, and will increase gross oil production by 69% to approximately 930 boepd. Overall gross production will increase from approximately 5,400 boepd to 18,300 boepd. The wells comprising the Titan Assets will be immediately accretive to cash and earnings.

The production figures in the table below show barrel of oil equivalent per day (boepd) for the Enlarged Group on a pro-forma basis:

	DGO		Titan Assets		Pro forma total	
	Gross	Net*	Gross	Net*	Gross	Net*
Gas	4,842	3,793	12,518	6,547	17,360	10,340
Oil	552	434	379	266	931	699
<b>Total</b>	<b>5,394</b>	<b>4,227</b>	<b>12,897</b>	<b>6,813</b>	<b>18,291</b>	<b>11,039</b>

\* Net production is stated after working interest and royalty adjustments.

The Acquisition will increase proved developed producing reserves by approximately 35.2 mmbob to 59.4 mmbob and the Company will be producing from licences held by production over a total area of approximately 1.45 million acres, an increase of some 40%. The Acquisition delivers material growth to DGO, both operationally and financially.

Recent advances in shale production have caused a significant shift in emphasis of many investors and companies in mainland USA, resulting in conventional gas and oil opportunities becoming available at reasonable prices to credible and proven operators who can maintain production from the conventional reservoirs and in doing so, retain the rights to the shale licences on behalf of the vendors. The Directors believe that value accretive opportunities lie in field optimisation and the application of production techniques used across the existing portfolio. The Company has a proven track record in reducing the operating costs of acquired assets through the implementation of operating and financial efficiencies.

The Board believes that these opportunities will continue as energy prices remain in the current trading range, and it continues to evaluate complementary opportunities.

Further details of the Titan Assets are set out in paragraph 5 below.

### 3. Principal terms of the Acquisition

On 4 May 2017, the Company entered into the Acquisition Agreement with Titan, with an effective date of 1 April 2017, pursuant to which Diversified Energy, LLC, a wholly owned subsidiary of the Company, conditionally agreed to acquire the Titan Assets. The consideration payable is \$84.2 million (subject to adjustment in accordance with the terms of the Acquisition Agreement), to be satisfied entirely in cash at Completion.

The Acquisition Agreement includes the opportunity for DGO to hire certain employees employed by Titan. For those employees that DGO has selected, DGO must offer comparable salaries to the employees' current salaries and comparable benefits as those currently offered to DGO's employees. The Directors have identified, and post Completion expect to employ, approximately 130 employees of Titan comprising operational employees located in the gas and oil fields and administrative employees located in the Uniontown, Ohio corporate facility.

Certain of the oil and gas properties are held within seven partnership structures. As part of the Acquisition, Titan has agreed to undertake a reorganisation of the existing partnerships. In most cases, the reorganisation will result in the formation of new partnerships and the transfer by Titan of the relevant oil and gas properties that comprised certain of the Titan Assets to such new partnerships. Titan will create a new limited liability company and will transfer to this company Titan's interests in the seven partnerships, which will include the sole general partner interests. The vendors of these partnership interests will then transfer to DGO their interests in the newly formed company holding these partnership interests.

Due to the number of partners within four of the partnerships (the "Public Partnerships"), these Public Partnerships are subject to SEC reporting requirements. Due to certain SEC notice and filing requirements, the acquisition of four of the Public Partnerships will be deferred. Under the terms of the Acquisition Agreement, Titan is required to complete the reorganisation and transfer of the interests in the Public Partnerships on or before 30 September 2017. At Completion DGO may acquire Titan's general and limited partnership interests in one of the Public Partnerships, but title to the general and limited partnership interests in the remaining Public Partnerships will not transfer to DGO until on or before 30 September 2017.

As a result, the consideration payable at Completion is \$72.4 million and the balance of \$11.8 million will be paid following the reorganisation and transfer to DGO of Titan's interests in the newly formed company holding the general and limited partner interests in the Public Partnerships in accordance with the Acquisition Agreement.



The Acquisition Agreement is capable of termination by DGO prior to Completion if Titan commits a material breach of certain representations, warranties and covenants relating to ownership of the Titan Assets which is not cured.

If the conditions to closing of the Acquisition are not satisfied due to breach by a party to the Acquisition Agreement, then the non-breaching party that elects to terminate the Acquisition Agreement has the option to (i) receive the \$2,500,000 deposit delivered by DGO that is being held in escrow pending completion of the Acquisition or (ii) pursue other rights and remedies at law and equity (but excluding specific performance) subject to a maximum limit on monetary damages.

Completion of the Acquisition is conditional, *inter alia*, on (i) the passing of the Resolutions at the General Meeting and (ii) the Facility Agreement being unconditional. Further details of the Acquisition Agreement are set out in paragraph 12.1 of Part VII of this document.

#### **4. Details of the Fundraising and Use of Proceeds**

The Acquisition will be funded by a combination of drawdown under the Facility and the proceeds from the Firm Placing Shares.

##### **Facility Agreement**

The Company has arranged a three year, senior secured credit facility of up to \$110 million (approximately £86.4 million) from the Lenders. It is intended that \$75 million will be drawn down on Completion and will be used to fund the Acquisition and to pay related closing costs.

The Facility Agreement stipulates that the loan proceeds are to be utilised for the Acquisition, the development of the Titan Assets pursuant to an approved plan of development, working capital and transaction costs. The Facility is a 36 month facility bearing an interest rate of LIBOR plus 8.25% per annum.

The Facility Agreement is subject to, *inter alia*, the following conditions precedent:

- (i) the Company having received cash proceeds of a minimum of \$10 million through an issue of Ordinary Shares;
- (ii) satisfactory completion of legal, collateral and commercial due diligence;
- (iii) 75% PDP hedge coverage for 36 months following the closing date of the Facility; and
- (iv) evidence that the Company has \$2.5 million in unrestricted cash as of the closing date of the Facility.

The Facility Agreement contains standard representations and warranties, affirmative and negative covenants and events of defaults, including financial reporting requirements (e.g. annual audited financial statements, quarterly and monthly unaudited financial statements, compliance certificates, financial plans, reserve reports and information regarding oil and gas properties) and performance covenants (e.g. net leverage ratio, asset coverage ratio and receipt of an additional \$20,000,000 in cash from the proceeds of the Second Admission within 10 Business Days of the closing date of the Facility).

Further details of the Facility Agreement is set out in paragraph 12.34 of Part VII of this document.

##### **Placing**

The Company has conditionally raised \$35.0 million (approximately £27.5 million), before expenses (\$32.6 million (£25.6 million) net of expenses) through the Placing being undertaken by Mirabaud of a total of 39,300,000 Placing Shares at 70 pence per Placing Share from certain existing and new institutional investors. The Placing Shares comprise 11,400,000 Firm Placing Shares and 27,900,000 Conditional Placing Shares.

The Firm Placing Shares are being issued under the Company's existing share authorities. The issue of the Conditional Placing Shares is conditional, *inter alia*, on the passing of the Resolutions at the General Meeting.

The Placing Price represents a premium of approximately 8.5 per cent. to the Company's closing mid-market price of 64.5p on 4 May 2017 being the date prior to which the Existing Ordinary Shares were suspended from trading on AIM pending publication of this document. The Placing Shares will represent approximately 27.1 per cent. of the Enlarged Share Capital on Second Admission. The Placing is not underwritten or guaranteed.

David Johnson has agreed to subscribe for 50,000 Placing Shares. Immediately following Admission, the Board and their immediate families are expected to hold in aggregate 44,260,481 Ordinary Shares amounting to approximately 30.6 per cent. of the Enlarged Share Capital on Admission.

On 15 June 2017, the Company, the Directors, Mirabaud and Smith & Williamson entered into the Placing Agreement pursuant to which Mirabaud agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Placing Shares pursuant to the Placing.

The Placing of the Firm Placing Shares is conditional, *inter alia*, upon:

- (i) compliance by the Company in all material respects with its obligations under the Placing Agreement; and
- (ii) First Admission becoming effective by not later than 8.00 a.m. on 20 June 2017.

The Placing of the Conditional Placing Shares is conditional, *inter alia*, upon:

- (i) the Resolutions to be proposed at the General Meeting being passed without amendment;
- (ii) compliance by the Company in all material respects with its obligations under the Placing Agreement;
- (iii) Completion of the Acquisition; and
- (iv) First Admission having become effective by not later than 8.00 a.m. on 20 June 2017 and Second Admission becoming effective by not later than 8.00 a.m. on 3 July 2017.

Under the Placing Agreement, which may be terminated by Mirabaud and Smith & Williamson in certain circumstances (including force majeure) prior to First Admission or Second Admission, the Company and the Directors have given certain warranties and indemnities to Mirabaud and Smith & Williamson concerning, *inter alia*, the accuracy of the information contained in this document.

Dealings in the Existing Ordinary Shares recommenced on publication of this document. Application has been made for the Firm Placing Shares to be admitted to trading on AIM. It is expected that First Admission will become effective and that dealings in the Firm Placing Shares will commence on AIM on 20 June 2017.

As a consequence of the Acquisition constituting a reverse takeover, the Company is required to apply for re-admission to AIM as the Enlarged Group. Therefore, application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Second Admission will become effective and that dealings in the Enlarged Share Capital including the Conditional Placing Shares will commence on AIM on 3 July 2017. The Placing Shares will rank, on issue, *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and distributions paid or made in respect of the Ordinary Shares. The Placing Shares will be issued free from all liens, charges and encumbrances.

In the case of Placees requesting their Firm Placing Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with the Firm Placing Shares comprising their Placing participation with effect from 20 June 2017. In the case of Placees requesting their Conditional Placing Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with the Conditional Placing Shares comprising their Placing participation with effect from 3 July 2017.

For those Placees who have requested their Firm Placing Shares in certificated form it is expected that certificates in respect of such shares will be despatched by post not later than 10 July 2017. For those Placees who have requested their Conditional Placing Shares in certificated form it is expected that certificates in respect of such shares will be despatched by post not later than 10 July 2017. Pending despatch of definitive share certificates or crediting of CREST accounts, the Company's registrars will certify any instrument of transfer against the register.

Further details of the Placing Agreement are set out in paragraph 12.32 of Part VII of this document.

## Use of proceeds

The gross proceeds of the Placing Shares together with the draw down under the Facility Agreement, totalling \$110.0 million (approximately £86.4 million), will be used to fund the Consideration for the Acquisition, costs of Admission, repayment of a debt facility and working capital requirements of the Group, as follows:

	<u>£ million</u>	<u>\$ million</u>
Consideration	66.1	84.2
Working capital	13.8	17.6
Repayment of debt facility	1.6	2.0
Costs	4.9	6.2
<b>Total</b>	<b><u>86.4</u></b>	<b><u>110.0</u></b>

## Existing Bank Facilities

As at the date of this document and excluding the funds available for draw down under the Facility Agreement, the Group currently has in place a revolving line of credit of up to \$25 million senior credit facility with CrossFirst Bank collateralised with certain of the assets of the Group (the "CrossFirst Facility"). As at the date of this document, the balance outstanding on the CrossFirst Facility was \$2 million. The CrossFirst Facility has an expiration date of 30 June 2017 and will continue to be available to the Group on the current terms up to this date. The interest rate on the CrossFirst Facility is The Wall Street Journal prime rate plus 50 basis points. Interest is paid monthly with no required principal reduction. The Group intends to repay the entire outstanding balance on this facility from the proceeds of the Fundraising.

The Group has in place total borrowings, as at the date of this document, of approximately \$3.8 million.

## 5. Information on the Titan Assets

The Titan Assets comprise approximately 7,300 producing gas and oil wells, close to the Group's existing operations in the Appalachian Basin in the eastern United States, principally in the states of Ohio, Pennsylvania, southern New York and northeast Tennessee.

Historically, Titan secured funding for the drilling of new wells and the purchase of its portfolio of wells through investments from thousands of individuals seeking to secure tax incentives on their personal tax returns. As such, Titan held its working interest percentage in the Titan Assets in hundreds of United States partnership structures, each funded by the partners to their respective working interest percentage. Generally, Titan was the operating general partner for each partnership structure.

During 2015, Titan's investment sources reduced and it found itself in financial difficulties as a result. In early 2016, Titan began to place its partnerships into administration. Under each partnership deed, the Titan Assets and working interest percentages were to revert back to Titan in the event of administration. As such, Titan's blended working interest percentage across the Titan Assets increased during 2016 as the majority of the partnerships were dissolved. As part of the Acquisition, DGO is purchasing all of the working interests in the 7,330 producing wells. Of the total number of wells, Titan's working interests differ on a well-by-well basis and range from 100 per cent. to 0 per cent. as follows:

<b>Working Interest Percentage</b>	<b>Number of Wells</b>
100%	4,947
90% – 99%	133
75% – 89%	582
50% – 74%	659
25% – 49%	435
11% – 24%	167
1% – 10%	39
0%	368
<b>Total</b>	<b><u>7,330</u></b>

The table below sets out detail on the wells comprising the Titan Assets and the relative reserve figures:

Well District	Number of Total Proved Properties	Net oil, Mbbl	Net gas, MMcf	Net NGL, Mbbl	Net oil equivalent, mboe
Waynesburg	2,732	93.028	107,394.112	84.249	18,076.296
Deerfield	1,226	939.772	17,990.436	0.000	3,938.178
Jackson Center	1,930	56.466	32,450.000	0.000	5,479.799
Lycoming	8	0.000	22,778.368	0.000	3,796.395
Tennessee	476	103.373	12,060.263	0.000	2,113.417
New Philadelphia	443	128.054	3,820.230	0.000	764.759
No district exp	1,300	32.852	2,453.118	0.000	441.705
Mayville	235	25.170	2,380.109	0.000	421.855
Cambridge	361	32.786	1,833.134	0.000	338.308
McKean	246	85.908	433.619	0.000	158.178
<b>Totals</b>	<b>8,957</b>	<b>1,497.408</b>	<b>203,683.328</b>	<b>84.429</b>	<b>35,528.878</b>

Source: Titan Competent Person's Report – page 149

The table below sets out the total proved reserves figures by state for the Titan Assets:

State	Net oil, Mbbl	Net gas, MMcf	Net NGL, Mbbl
Kentucky	0.000	197.976	0.000
New York	25.221	2,346.392	0.000
Ohio	1,131.807	24,567.276	0.000
Pennsylvania	237.006	163,873.056	84.249
Tennessee	103.373	12,095.034	0.000
West Virginia	0.000	603.615	0.000
<b>Totals</b>	<b>1,497.408</b>	<b>203,683.328</b>	<b>84.249</b>

Source: Titan Competent Person's Report – page 166

The Acquisition Agreement includes the opportunity for DGO to hire certain employees employed by Titan. For those employees that DGO has selected, DGO must offer comparable salaries to the employees' current salaries and comparable benefits as those currently offered to DGO's employees. The Directors have identified, and post Completion expect to employ, approximately 130 employees of Titan comprising operational employees located in the gas and oil fields and administrative employees located in the Uniontown, Ohio corporate facility.

Detailed information on the Titan Assets is set out in the Titan Competent Person's Report in Part VI of this document.

## 6. Information on the Company

### History and Background of the Group

DGO's activities comprise the development and operation of conventional natural gas and oil assets in the Appalachian Basin in the northeastern United States. The Group operates approximately 8,800 conventional gas and oil producing wells across Ohio, Pennsylvania and West Virginia and has an experienced operating team managing all of the wells internally. The Group has grown significantly since its formation in 2001, primarily through the acquisition of operating assets with some drilling of existing leases.

As at the date of this document, DGO has total proved reserves of oil of approximately 2,610 mbbl (1,812 mbbl producing) and gas reserves of approximately 28,036 mboe (24,198 mboe producing). Current daily gas production is running at approximately 4,917 boepd and oil production is approximately 547 boepd. Since incorporation in 2001, the Group has never drilled a non producing well. The Group now has 1,108,750 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.

The Company has capitalised 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 and intends to continue its growth strategy through the acquisition of proven producing assets in and around its current areas of operation.

The Company has an experienced management team with proven ability to drive operational efficiency, creating opportunities for additional value for Shareholders even in a low commodity price cycle. The Directors have a successful track record of sourcing, financing and closing acquisitions.

Following several years of significant growth, DGO was admitted to trading on AIM on 3 February 2017. Demonstrating its successful track record in sourcing, financing and closing acquisitions, on 18 April 2017, the Company announced the closing of the acquisition of an additional 1,300 producing natural gas and oil wells from EverVest Ltd in the states of Ohio and Pennsylvania, for \$1.75 million funded from existing cash resources.

Recent significant acquisitions include the following:

Target	Date	Acquisition price (\$m)	Approximate additional number of wells	Production increase	Acquisition cost per flowing (boepd)	Acquisition cost per flowing (mcf/d)
Texas Keystone	October 2015	0.75	1,709	6.4 mmcf/d	n/a	n/a
Eclipse Resources Inc.	March 2016	4.8	1,300	250 bbl/d 3.0 mmcf/d	\$6,400	\$1,067
Seneca Resources Inc.	June 2016	7.00	2,200	45 bbl/d 10.5 mmcf/d	\$4,680	\$780
EverVest Ltd	February 2017	1.75	1,300	110 bbl/d 3.8 mmcf/d	\$2,421	\$404

As at 31 December 2016, the assets acquired in relation to Texas Keystone, Eclipse Resources and Seneca Resources had generated revenues of \$5.1 million, \$5.4 million and \$3.2 million since acquisition, respectively.

The Group’s assets provide:

- predictable and consistent production profile
- a typical life span of over 50 years
- proven low decline rates
- low operational costs
- low operational risks and production concentration

Critical to the larger shale exploration and production (“E&P”) companies is that buyers of their conventional assets are themselves proven and competent operating companies because the continuation of production from the conventional assets protects the future drilling opportunity for the deeper shale formations by preserving the terms of the operating licence. Failure to maintain production would jeopardise the rights to the deeper shale assets retained by the E&P vendors. As a specialist operator of these conventional gas and oil assets, DGO is able to identify operational cost savings and to improve production efficiency in areas often overlooked by the larger operators.

Detailed information on the Group’s assets is set out in this Part I and the DGO Competent Person’s Report in Part VI of this document.

### Group Strategy

The Company’s stated strategy for growth includes:

- (i) acquisition and consolidation of other oil and gas producing assets;
- (ii) driving further expense leverage;
- (iii) improving the productivity of existing wells; and

- (iv) further in-fill drilling of its current acreage position as and when commodity prices recover and drilling becomes economically viable.

### ***Acquisition and Consolidation Strategy***

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. The Acquisition is one example of several opportunities that the Board has evaluated.

The market in which the Group currently operates is separated into two distinctive segments:

- (i) small family run companies which have been exposed to declining returns from depressed energy prices and lack economies of scale; and
- (ii) large energy groups with an increasing focus upon shale reserves, who are seeking to reduce operating expenses and concentrate resources upon their shale extraction activities.

Initially the Board's focus was on the small operations which were of limited interest to other industry aggregators, considered too small or too expensive for the other independent oil and gas operating companies. The Board recognised value in these "unloved" opportunities and was able to exploit the Group's relationship as a local "competitor" to secure such opportunities. More recently, the Board has focused on acquiring larger packages of conventional wells from the established US oil and gas operating companies which are today focused increasingly upon the opportunities elsewhere from unconventional shale production.

This focus by the majors on unconventional shale production and the general change in market conditions has led to the Board seeing acquisition and investment opportunities with significantly better economics than in previous years.

The present value ("PV") discount rate on which the Group previously acquired assets was approximately 10%, with additional payments for acreage around the well, if there were further drilling opportunities. Similar opportunities are now trading at a PV discount rate of 20% or greater with no value assigned to undeveloped acreage.

After purchasing existing conventional wells, the Group accelerates or extends production by deploying new extraction technology and/or refreshing decayed infrastructure on poorly maintained wells. Wells that are in production for over 2 years (mature wells) have an average 3-5% annual decline rate. The Group accelerates or extends production by repairing lines, recompleting wells, reconnecting wells, adding compression and/or placing wells on a swab schedule.

The Board continues to identify attractive acquisition and investment opportunities to purchase additional producing assets in the Group's existing footprint. Low oil and natural gas prices have resulted in larger companies divesting non-core and distressed assets and the Group continues to explore and exploit these opportunities. Any additional assets purchased are expected to complement the Group's existing portfolio and continue to provide an increase in revenue and net cash flow.

### ***Drilling Strategy***

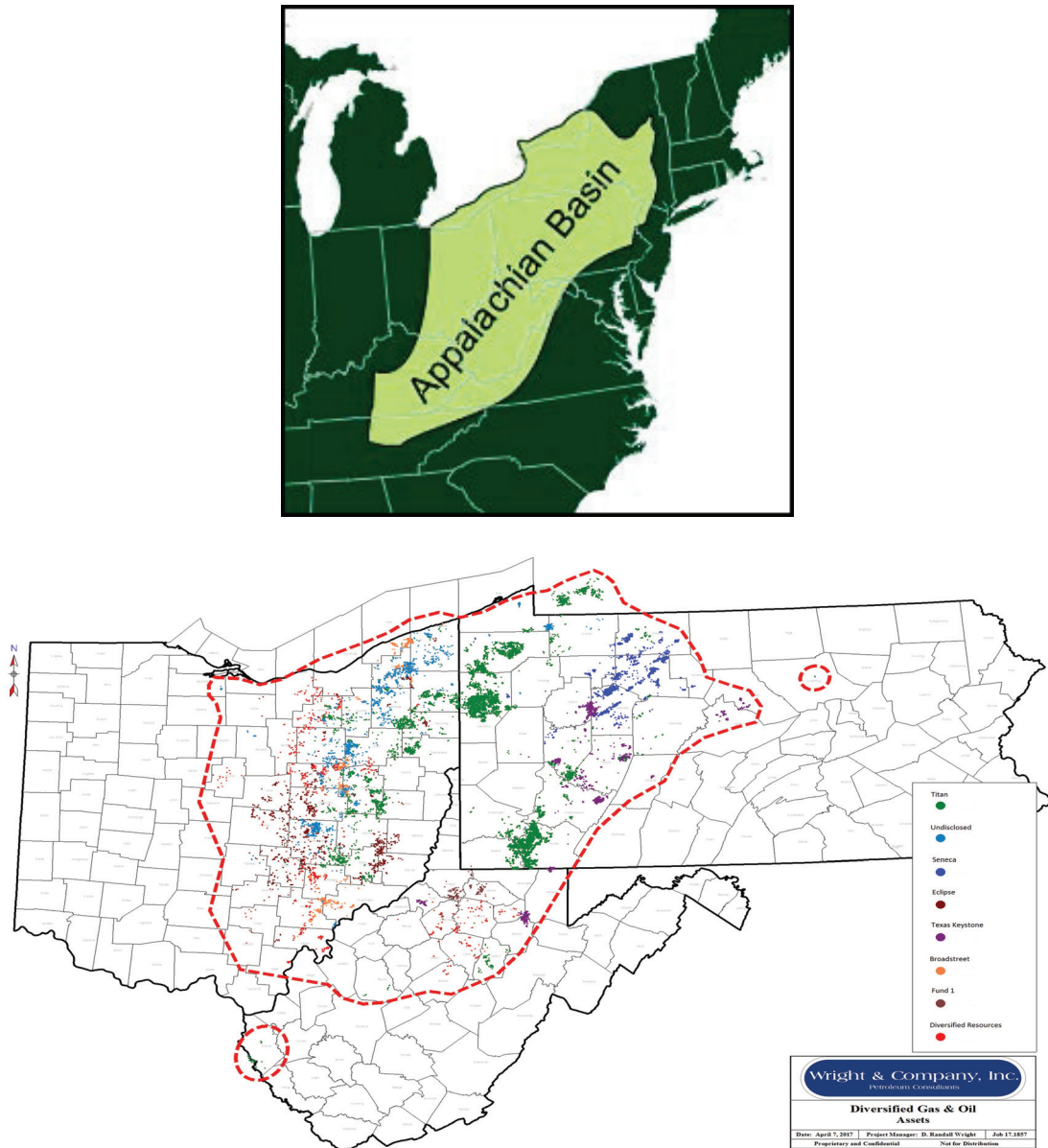
The Board also believes that the Group's current acreage position has potential for horizontal development in the conventional formations. This opportunity has been tested in other areas of the Appalachian Basin. As the technology continues to develop, the Board will review this opportunity for future development of reserves. The Group has not drilled since 2014 and has no current intention to pursue a drilling strategy whilst focusing on acquisitions. However, as and when commodity prices recover and drilling becomes economically viable, the Group will evaluate its drilling strategy.

The NYMEX gas price has traded in the range of \$2.85 and \$3.34/mcf in the last six months. Increases in average long term gas prices will present opportunities for the Company to infill drill its reserves. The Directors believe a new well can generate an internal rate of return ("IRR") of up to 20% at current price levels, as prices increase, the IRR will improve. The Board estimates that if gas prices increase to over \$3.50/mcf the average IRR per new well could reach 30% at which level the well should repay the initial investment within two to three years.

Given the Group's recent acquisitive focus, further technical work will need to be completed to establish the value of the Group's undeveloped acreage.

## Operations

The Group operates within the Appalachian Basin, an area of the northeastern US that underlies ten states including Ohio, Pennsylvania and West Virginia. Upon Completion, the Group will operate in the additional states of southern New York and northeast Tennessee



The Appalachian Basin covers an area of some 185,000 square miles. Whilst the area has come to prominence in recent years following the discovery of significant shale gas reserves since 2009, known as the Marcellus Shale, it has been a major producer of oil and gas from conventional vertical well development since the late 19th century.<sup>1</sup>

The depositions for the Appalachian Basin are the erosional sediments from the once Acadian Mountains into the lower basin. The basin was limited to the west by an uplift in rock formation from the Late Ordovician and through the Devonian period known as the Cincinnati Arch. As the mountains eroded over time, the sediment was deposited in the basin with alternating layers of carbonates, limestones, sandstone, siltstone, and shale intervals.<sup>2</sup>

The beginning of the oil and gas industry started in 1859 with the discovery of oil in the Edwin Drake well located in northwestern Pennsylvania. Oil in this well was produced from the Upper Devonian sandstone at a depth of approximately 70 feet. This discovery well opened a trend of oil and gas fields producing from the

<sup>1</sup> DGO Competent Person's Report – page 110, Part VI

<sup>2</sup> DGO Competent Person's Report – page 110, Part VI

Upper Devonian, Mississippian, and Pennsylvanian sandstones across many parts of the states of Kentucky, New York, Ohio, Pennsylvania and West Virginia.<sup>3</sup>

The Group expects to continue to focus the majority of its operations in this area, although future acquisitions may fall outside of the three states in which it currently operates.

The Company has a track record of sourcing, financing and closing acquisitions. Since September 2014, the Company has completed six acquisitions with an aggregate consideration of \$17.75 million. These acquisitions have added significant production volume and cash flows.

The Company has identified further significant acquisition opportunities which the Directors anticipate could culminate in one or more corporate transactions in the current financial year.

#### *Pricing Strategy*

The Company has the experience to deal with the issues caused by the movement in oil and gas prices, which can be influenced by other global trends as well as local supply and demand factors. To protect its revenue, the Group has utilised hedging strategies as well as forward fixed pricing purchase contracts with natural gas purchasers. Previously, the Group entered into a variety of hedging and fixed price sale contracts for oil and gas production providing a degree of downside protection on 2017 revenues. Through financial hedges, the Group hedged approximately 43% of its commodity price exposure for gas production and 62% of its price exposure for oil production for 2017. Through fixed price contracts, the Group protected approximately 55% of its net market price received for gas production in 2017.

Under the terms of the Facility Agreement, the Company is required to hedge 75% of projected PDP production for the 36 months following Completion. The Board has therefore committed to this hedging strategy following Second Admission.

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 in 2016 equivalent to \$8.26/boe.

#### *Distribution*

The Group sells natural gas directly into the local market. The Group's customers are large regional utility companies and pipeline marketing companies that have operated in the Group's markets for extensive periods. The Group's customers have been purchasing natural gas from the Group's producing assets for numerous years. The Group's producing wells have direct connections into the gathering pipeline systems of these large regional utilities and pipeline companies.

A majority of the Group's gas production is sold at a fixed price to the Group's largest buyer. The price for the sale of natural gas is a blended rate of this fixed rate and the current NYMEX index price. Revenues are received 30 to 60 days following the gas entering the local transmission pipelines. A supply relationship with the Group's largest buyer has been in existence for multiple years. The Group also sells natural gas to other large local natural gas utility companies.

Oil is sold by the Group to local distributors who collect the oil from production sites by way of collection vehicles and then sell on to the local oil refineries. Revenue is recognised at collection when the responsibility for the product is transferred to the distributor. Pricing for crude oil sales is typically determined based on the market price of West Texas Intermediate crude oil (WTI) for the day the oil is collected.

#### **Reserves**

Since 2009, the primary target of the Appalachian Basin for most companies operating in the area has been the horizontal drilling of the Marcellus and the Utica shale formations. These horizontal wells have very long laterals and allow more contact with the reservoirs. Very large hydraulic fracture treatments are needed in order to make these commercial.

DGO's core focus has continued to be conventional production in the Appalachian Basin from the established conventional vertical wells. Almost all of the properties owned and/or operated by DGO are vertical wells. The wells are shallow at depths ranging from 2,200ft to 6,000ft. A number of the DGO wells are completed in multiple formations and production is commingled in the wellbore. Most of these properties may have additional productive formations up-hole from the existing producing formations, which may allow for future completion opportunities. These assets have been reported upon by Wright & Co in the DGO Competent

<sup>3</sup> DGO Competent Person's Report – page 111, Part VI

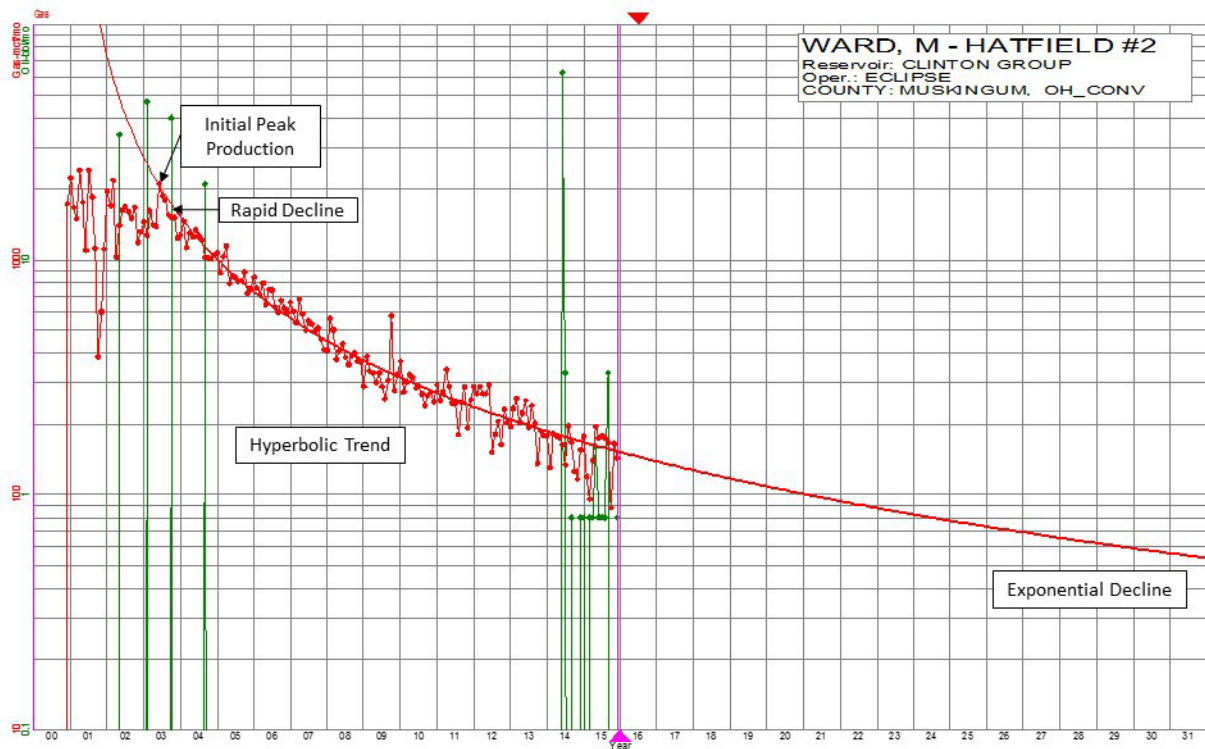


Person's Report set out in Part VI of this document. In the opinion of Wright & Co. drilling and recompletion opportunities are relatively low risk, due to the geology and the extensive mapping of the formations. Drilling is relatively straight forward, quick to execute and low cost with wells costing approximately \$200,000 to \$300,000 each. During the last ten years, DGO has successfully drilled over 150 producing wells with no dry holes.

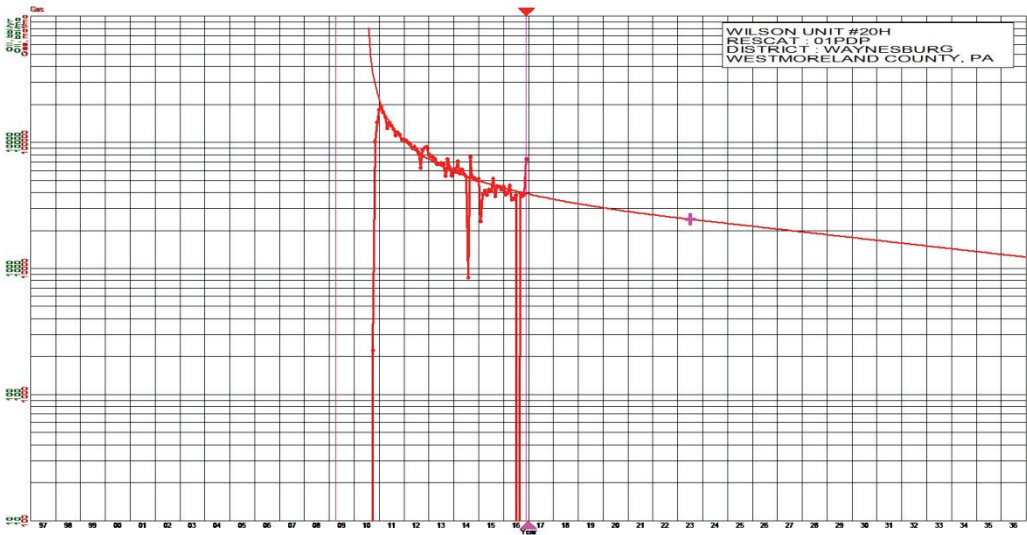
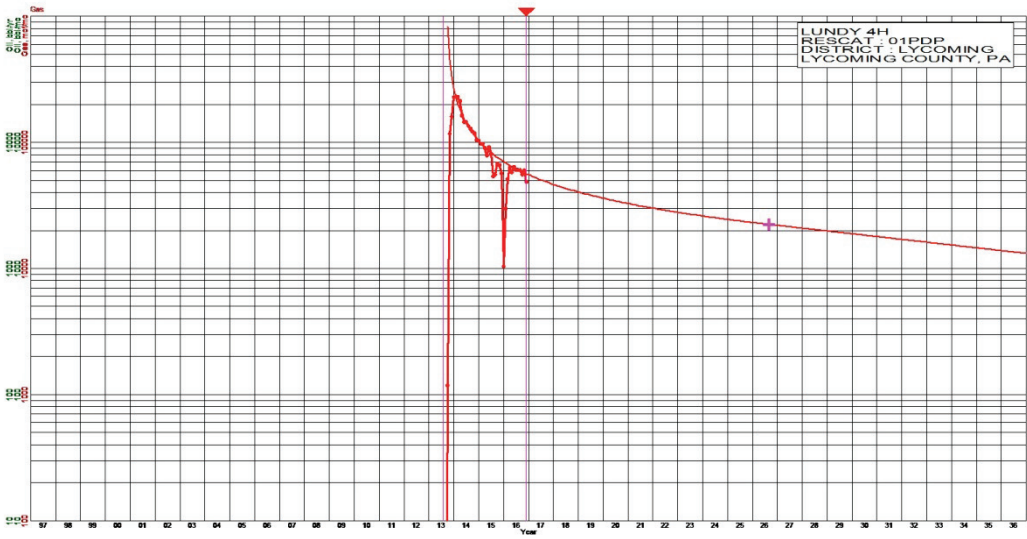
As part of the Acquisition, DGO is acquiring unconventional shale wells located in the Marcellus shale formations which comprise both vertical and horizontal fractured wells. These Marcellus wells, located in Pennsylvania, were drilled by Titan and its numerous drilling partnerships and have been continuously operated by Titan affiliated entities. Additionally, DGO will be acquiring approximately 30 horizontally fractured wells located in the Chattanooga shale, Tennessee. The shale rights which are attached to the leases in the state of Tennessee will be acquired by DGO as part of the Acquisition.

The production profiles of the wells across these formations demonstrate very similar characteristics. Most of these formations produce gas and/or oil on a hyperbolic curve with an initial rapid decline followed by gradual decline of production for a very long time. This enables the Company to predict and plan with a high level of confidence the future production profile of its producing assets.

The following chart illustrates production flow rates at the Company's Hatfield number 2 well in Ashtabula County, Ohio, since the well commenced production in 1985 through to 2015:



The following charts illustrate production flow rates at the Lundy 4H well in Lycoming County, Pennsylvania, since the well commenced production in early 2013 through to mid-2016 and production flow rates at the Wilson Unit number 20H well in Waynesburg, Pennsylvania, since the well commenced production in early 2010 through to mid-2016. Both wells are included in the Titan Assets:



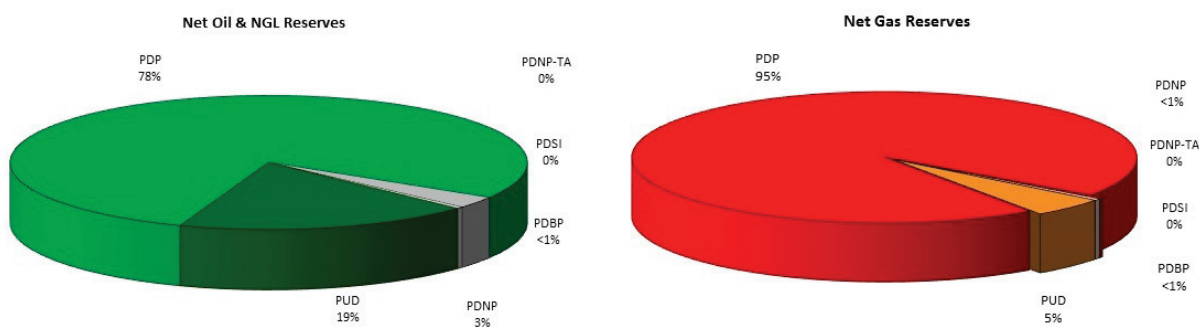
A majority of the wells should have production lives of at least 50 years, with some lasting in excess of 80 years. Total proved reserves for the Enlarged Group, following Completion, will comprise:

Net oil reserves	4,107.6 mbbl	4,107.6 mboe
Net gas reserves	356,128.9 mmcf	59,354.8 mboe
Net natural gas liquids reserves	102.8 mbbl	102.8 mboe
<b>Total</b>		<b>63,565.2 mboe</b>

Source: DGO Competent Person's Report, page 104 and Titan Competent Person's Report, page 151, Part VI

The valuation of the total proved existing reserves of the Enlarged Group, on a 10 per cent cumulative discounted basis as calculated by Wright & Co, is \$286 million, as set out in the Competent Person's Reports in Part VI of this document.

The valuation set out in the Competent Person's Reports is based only on proved reserves and does not take into account the further probable or possible reserves of the Group.



## Group Total Proved Reserves by Category

### 7. 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 with the most recent acquisition closing in April 2017. 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

- As at the date of this document, the Group has 1,108,750 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.

## **8. Global and US Energy Market**

Consumption of natural gas worldwide is projected to increase from 120 trillion cubic feet (tcf) in 2012 to 203 tcf in 2040 in the International Energy Outlook 2016 (“IEO2016”) Reference case. By energy source, natural gas accounts for the largest increase in world primary energy consumption. Abundant natural gas resources and robust production contribute to the strong competitive position of natural gas among other resources. Natural gas remains a key fuel in the electric power sector and in the industrial sector. In the power sector, natural gas is an attractive choice for new generating plants because of its fuel efficiency. Natural gas also burns cleaner than coal or petroleum products, and as more governments begin implementing national or regional plans to reduce carbon dioxide (CO<sub>2</sub>) emissions, they may encourage the use of natural gas to displace more carbon-intensive coal and liquid fuels.

World consumption of natural gas for industrial uses is projected to increase by an average of 1.7% per year, and natural gas consumption in the electric power sector increases by 2.2% per year, from 2012 to 2040 in the IEO2016 Reference case. The industrial and electric power sectors together account for 73% of the total increase in world natural gas consumption, and they account for about 74% of total natural gas consumption through to 2040.

Annual natural gas consumption in the OECD Americas region rises steadily to 40.1 tcf in 2040, including increases of 1.0 tcf from 2012 to 2020 (0.4%/year) and 7.3 tcf from 2020 to 2040 (1.0%/year). The OECD Americas region accounts for 41% of the total increase in natural gas use by OECD countries and 13% of the increase in total world natural gas consumption over the projection period.

The United States is the world’s largest consumer of natural gas which leads the OECD Americas region in annual natural gas consumption with growth forecast to increase of 4.2 tcf from 2012 to 2040, or 51% of the region’s total increase. With implementation of the proposed Clean Power Plan regulations in the United States (“CPP”), US natural gas consumption could be 1.7 tcf higher in 2020 compared to the IEO2016 Reference case. Most of the increase in natural gas consumption is expected to occur in the electric power sector as a substitute for coal-fired generation.

From 2020, the effect of the CPP on natural gas use in the power sector is projected to decrease as generation from renewable energy increases. In 2040, projected US natural gas consumption is 1.0 tcf lower with the CPP than in the IEO2016 Reference case. Effects of the final CPP on natural-gas-fired generation will depend on natural gas prices, renewable technology costs and state-level implementation decisions. An increase in natural gas use through 2040 is certainly possible in scenarios with low gas prices and the implementation of political strategies that favour natural gas.

## **9. Competition**

The USA has an extremely developed oil and gas production and distribution market. The Group has many competitors locally who sell products into the oil and gas market. Given the larger exploration and production companies have moved away from conventional assets, the Group’s competition comes from smaller independent businesses. However, the Board believes that the Group’s steady supply and industry relationships puts it in a strong position with buyers and the Group’s funding position following Admission will give it a competitive advantage. The competition to sell natural gas into the market is affected by the ability of the pipeline distribution companies to acquire “firm” transportation within the market. DGO has purchased “firm” transportation on a percentage of its natural gas production ensuring a market for the monthly production. Any natural gas production that is not under a firm transportation contract can be shut-in if a market is not available for the gas production on any given day. However, DGO has not experienced any shut-ins of its production in 13 years of operations for anything other than line repairs and maintenance.

The acquisition and divestiture of assets in the Appalachian Basin is highly fluid with high levels of corporate and asset level transactions taking place. The larger exploration and production companies have, or are, moving away from conventional assets. Competition for conventional assets is therefore from smaller publicly traded and independent businesses, such as Alliance Petroleum Corporation, EnerVest Ltd and Carbon Natural Gas Company.

Having made numerous acquisitions, the Board believes that the Group’s proven acquisition and operating track record means that DGO is well positioned to attract those owners of operating assets across the

northeastern area of the Appalachian Basin seeking to release value within their conventional assets, while preserving their rights to the deeper Marcellus Shale reserves.

The scale of the Group's operations makes it an attractive local partner. In the market, acquisition targets are currently being valued at attractive discounts of future cash flows and exclude any potential value from increased production achieved from well work-overs and re-pressurisations. As such, the Board believes that, as with historical acquisitions, should future acquisitions be completed, increases in production resulting from focused operational improvements should enhance the value of the acquired assets.

## **10. Directors and Senior Management**

### **Board**

The Board comprises three executive directors and two non-executive directors. There are no proposed changes to the structure of the Board as a result of the Acquisition.

#### **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., (48), 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, (57), 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, (53), 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**

### **Bobby Joe Cayton, (55), Senior Vice President of Operations**

Bobby Cayton has more than 35 years of experience in oil and gas exploration and production operations. He started his career with Alamco in 1984 as a well tender and worked his way up to Superintendent in 1998. Mr Cayton has broad experience of the oil & gas industry from running swab-rigs, well tending, disposal well operations, sales, consulting, drilling and overseeing production in several states on the East coast. Prior to the Acquisition, he was Vice President of Appalachian Operations for Titan where he oversaw production operations and processing of 8,400 wells across the Appalachian Region. In addition, he is a member of the Society of Petroleum Engineers and several east-coast oil and gas associations.

### **John (“Jack”) William Crook, (58), Senior Vice President of Environmental, Health and Safety**

Jack Crook is a licensed geologist with 36 years of oil and gas experience in environmental, health, safety and regulatory compliance. Mr. Crook started his career with the Pennsylvania Department of Environmental Protection and gained extensive knowledge within this field by taking on roles in the Department’s hydrology, water supply and oil and gas divisions.

In 2012, Mr. Crook joined Titan as Vice President of Environmental, Health, Safety, Regulatory, and Security compliance. At Titan he oversaw safety policies, procedures and training and served on the Executive Committee. Mr. Crook is an Executive Board Member and Secretary of the Board of Pennsylvania Independent Oil & Gas Association.

Mr. Cayton and Mr. Crook will be appointed by the Group following Completion.

### **Robert (“Rusty”) Russell Hutson, Sr., (69), Vice President of Operations – Ohio and West Virginia**

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 is now Vice President of Operations for Ohio and West Virginia.

### **Garland “Drew” Adamo, (55), Vice President of Operations – 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 and was promoted to Vice President of Operations – Pennsylvania in February 2017.

## 11. Selected Financial Information

The preliminary announcement of results for the Group for the year ended 31 December 2016 is set out in Part III of this document and the accountant's report on the Group for the three years ended 31 December 2016 is set out in Part IV of this document.

The table below shows the selected key historical financial information of the Group for the three years ended 31 December 2016 extracted without material adjustment from the historical financial information on the Group contained within Part IV of this document.

	For the year ended 31 December 2014 (Audited) \$'000	For the year ended 31 December 2015 (Audited) \$'000	For the year ended 31 December 2016 (Audited) \$'000
<b>Summary income statements</b>			
<b>Revenue</b>	7,358	6,304	18,279
Gross profit	1,639	(1,335)	1,473
<b>Loss before taxation before non- recurring items</b>	(1,152)	(6,995)	(5,931)
<i>Non-recurring items:</i>			
Gain on bargain purchases	914	6,582	24,293
Gain on debt cancellation	—	—	14,149
<b>Income/(loss) before taxation</b>	(238)	(413)	32,511
Taxation on income/(loss)	—	—	(14,829)
<b>Income/(loss) after taxation</b>	(238)	(413)	17,682
<b>Summary statements of financial position</b>			
Cash and cash equivalents	34	90	224
Borrowings	34,365	42,936	37,294
Total assets items	34,440	46,487	85,875
Net assets/(liabilities)	(7,337)	(8,817)	9,162

## Titan Assets

The table below sets out summary pro-forma financial information for the Titan Assets for the year ended 31 December 2016 extracted from the Titan Assets' unaudited management accounts as adjusted by the Directors:

<b>Unaudited pro-forma results (extracts)</b>	<b>For the year ended 31 December 2016 (Unaudited) \$'000</b>
Revenue	29,017
Cost of sales	(21,202)
Depreciation and depletion	(5,916)
<b>Gross profit</b>	<b>1,899</b>
Administrative expenses	(550)
<b>Operating profit</b>	<b>1,349</b>
Accretion of decommissioning provision	(900)
<b>Income before taxation</b>	<b>449</b>
Taxation of income	(157)
<b>Profit after taxation</b>	<b>292</b>

## 12. Current Trading and Prospects

### Current Trading – DGO

2016 ended with gross production for the Group of 4,417 boepd, a 120% increase from the 2015 year end. The Acquisition will add approximately 6,800 boepd to daily production, an increase of 161%. Following Completion, the Company will produce approximately 11,000 boepd of net daily production, making the Company a material producer amongst its small-mid cap peer group.

In April 2017, DGO completed the acquisition of 1,300 oil and gas wells in Ohio and Pennsylvania, increasing total production to approximately 5,550 boepd. These assets complemented the Group's existing portfolio in both states and increased daily natural gas production by 14% and daily oil production by 23%.

The Board has recommended a final dividend for the year ended 31 December 2016 as detailed in paragraph 13 below.

### Current Trading – Titan Assets

During the year ended 31 December 2016, and as presented on a proforma adjusted basis, the Titan Assets produced an average 7,068 boepd, with 6,576 boepd being produced in December 2016. During the three-month period ended 31 March 2017, production averaged 6,544 boepd.

### Prospects – Enlarged Group

The Directors believe that, following Second Admission and completion of the Acquisition and its corresponding earnings enhancing impact on the Enlarged Group, the future prospects for the Enlarged Group are good. The Board is delivering on its stated acquisitive strategy as demonstrated with the initial acquisition following the February 2017 Admission and the Acquisition. The Directors continue to identify suitable acquisition targets which the Board intends to execute following Second Admission.

## 13. Distribution and Dividend Policy

Following the February 2017 Admission, the Directors adopted a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group. The Board intends that not less than 40 per cent of operating free cash flow will be paid to Shareholders by way of dividend.



The Company has today announced that the Board is recommending payment of a final dividend of 1.99 cents per Ordinary Share in respect of the year to 31 December 2016, which is to be paid on 31 July 2017 to those Shareholders on the share register on 7 July 2017.

The Directors may further revise the Group's dividend policy from time to time in line with the actual results and financial position of the Group.

#### **14. Corporate Governance and Internal Controls**

The Board comprises two independent non-executive Directors and three executive Directors. The Company is not required to comply with the provisions of the UK Corporate Governance Code. However, the Directors recognise the importance of sound corporate governance and intend to comply with the QCA Guidelines, where relevant, which they believe is appropriate for a company with shares admitted to trading on AIM. In particular, the Directors are responsible for overseeing the effectiveness of the internal controls of the Company designed to ensure that proper accounting records are maintained, and that the financial information on which business decisions are made, and which is issued for publication, is reliable and that the assets of the Company are safeguarded.

The Company will hold regular board meetings throughout the year at which reports relating to the Group's operations, together with financial reports, will be considered. The Board is responsible for formulating, approving and reviewing the Group's strategy, budgets, major items of expenditure and senior personnel appointments.

##### *The Audit Committee*

The Company has established an audit committee, which comprises Bradley Gray (Chairman), David Johnson and Martin Thomas. The audit committee's main functions include, *inter alia*, reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim accounts and audit reports, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications.

##### *The Remuneration Committee*

The Company has established a remuneration committee, which comprises David Johnson (Chairman), Robert Post and Martin Thomas, and meets as often as required to enable the remuneration committee to fulfill its obligations to the Company. The remuneration committee will be responsible for reviewing the performance of the Chairman and the executive directors and for setting the scale and structure of their remuneration, paying due regard to the interests of Shareholders as a whole and the performance of the Group. The remuneration committee will also approve the design of and determine targets for any performance-related pay schemes operated by the Company.

##### *Share dealing code and AIM Rule Compliance Code*

The Company has adopted a code for dealings in Ordinary Shares which is appropriate for an AIM company, in compliance with Rule 21 of the AIM Rules for Companies and with the Market Abuse Regulation. The Company has also adopted an AIM Rules compliance code with effect from Admission.

#### **15. Concert Party**

The Company is a public company incorporated in the United Kingdom and its Ordinary Shares are and will be following Admission, admitted to trading on AIM. Accordingly, the City Code applies to the Company.

Under Rule 9 of the City Code, if a person acquires an interest in Ordinary Shares which, together with that person's concert parties' interests in Ordinary Shares, carries 30 per cent. or more of the voting rights of the Company, that person would normally be required (except with the consent of the Takeover Panel) to make a cash offer for the Ordinary Shares not already held by them at a price not less than the highest price paid for the Ordinary Shares by the person or its concert parties during the previous 12 months.

Under Rule 9 of the City Code, this requirement would also normally be triggered by any acquisition of an interest in Ordinary Shares by a person (together with its concert parties) interested in shares carrying between 30 and 50 per cent. of the voting rights in the Company, if the effect of such acquisition would be to increase those persons' percentage interest in the total voting rights of the Company.

"Interests in shares" is defined broadly in the City Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

“Voting rights” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

“Persons acting in concert” (and “concert parties”) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the City Code to be acting in concert with each other unless the contrary is established.

On Admission, the City Code will continue to apply to the Company. Accordingly, pursuant to presumption (9) contained within the City Code’s definition of “acting in concert”, Robert Post, Rusty Hutson Jr. and Bradley Gray (being shareholders of the Company immediately prior to Admission) are presumed to be acting in concert with each other in relation to the Company (together the “Concert Party Members”).

Immediately following Second Admission and on completion of the Placing, the Concert Party Members will, together, own in aggregate 42,210,481 Ordinary Shares, representing approximately 29.1 per cent. of the Company’s issued voting share capital immediately after the Placing (“Maximum Voting Stake”).

## **16. General Meeting**

A notice convening a General Meeting of the Company, to be held at 11.00 a.m. on 30 June 2017 at the offices of Buchanan Communications Limited, 107 Cheapside, London EC2V 6DN, is set out at the end of this document. At that meeting a resolution will be proposed in order to obtain Shareholder approval for the Acquisition. In addition, resolutions will be proposed at the General Meeting granting powers of allotment and disapplying of pre-emption rights in respect of, *inter alia*, the Conditional Placing Shares to assist the Enlarged Group going forward. Further details of the Resolutions are set out below:

### **Resolution 1 – Approval of the Acquisition**

Resolution 1 is an ordinary resolution to approve the Acquisition. As the Acquisition constitutes a reverse takeover under the AIM Rules for Companies, Shareholder approval is required under the AIM Rules for Companies. The Acquisition is conditional, *inter alia*, upon the passing of this Resolution and therefore if it is not approved by Shareholders, the Acquisition will not be completed.

### **Resolution 2 – Authority to allot shares**

Resolution 2 is an ordinary resolution to authorise the Directors under Section 551 of the Act to issue and allot Ordinary Shares. The Act requires that the authority of Directors to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or convert any security into shares (“relevant securities”) should be subject to the approval of Shareholders in a general meeting or to an authority set out in the Company’s Articles. Accordingly, Resolution 2 will be proposed to authorise the directors to allot relevant securities in respect of the issue of (i) the Conditional Placing Shares, (ii) new Ordinary Shares to satisfy awards made under the Share Option Scheme, and (iii) otherwise up to a total nominal value of £393,818.26 representing 39,381,826 new Ordinary Shares (being approximately one third of the Enlarged Share Capital). This authority will expire on the conclusion of the Company’s next Annual General Meeting.

### **Resolution 3 – Disapplication of statutory pre-emption rights**

Resolution 3 is a special resolution to disapply statutory pre-emption rights under Section 571 of the Act in respect of equity securities (as defined in section 560 of the Act). The Act requires that any equity shares issued wholly for cash must be offered to existing Shareholders in proportion to their existing shareholdings unless otherwise approved by Shareholders in general meeting or accepted under the Company’s Articles. The Conditional Placing Shares are not being offered to Shareholders in proportion to their existing holdings. A special resolution will be proposed at the General Meeting to give the Director’s authority to allot equity securities for cash other than on a *pro rata* basis pursuant to the issue of the Conditional Placing Shares under the Placing and otherwise up to a total nominal value of £159,466.09 representing 15,946,609 new Ordinary Shares (being approximately 10 per cent. of the Enlarged Share Capital). This authority will expire on the conclusion of the next Annual General Meeting of the Company.

**The issue of the Conditional Placing Shares and completion of the Acquisition are conditional, among other things, on Shareholders passing the appropriate Resolutions being proposed at the General Meeting. If Shareholders do not pass the appropriate Resolutions, the issue of the Conditional Placing Shares and/or the Acquisition will not proceed.**

## **17. Irrevocable Undertakings**

The Company has received irrevocable undertakings from Robert Post, Rusty Hutson Jr, Bradley Gray, David Johnson, Martin Thomas, Chelverton Asset Management Limited, Hadron Capital LLP and Amati Global Investors to vote in favour of the Resolutions in respect of, in aggregate 52,937,899 Ordinary Shares representing approximately 50.13 per cent. of the Existing Ordinary Shares. Further details of these irrevocable undertakings are set out in paragraph 12.33 of Part VII of this document.

## **18. Management Incentive Arrangements**

The Board believes that the Company's success is highly dependent on the quality and loyalty of the current and future directors and employees. To assist in the recruitment, retention and motivation of high quality directors and employees as necessary, the Company must have an effective remuneration strategy. The Board considers that an important part of this remuneration strategy is the ability to award equity incentives and, in particular, Share Options.

Share Options may be granted under the Share Option Scheme implemented by the Board on the February 2017 Admission. The Board intends that a maximum of 10 per cent. of the issued share capital of the Company (as enlarged) from time to time will be under option. A total of up to 10,559,125 new Ordinary Shares of the Company shall be available to satisfy awards under the Share Option Scheme on Second Admission. Further details of the Share Option Scheme are set out in paragraph 7 of Part VII of this document.

## **19. Admission to AIM**

Application has been made for the Firm Placing Shares and the Bond Conversion Shares to be admitted to trading on AIM. It is expected that First Admission will become effective and that dealings in the Firm Placing Shares and Bond Conversion Shares will commence on AIM on 20 June 2017.

Application will be made to the London Stock Exchange for the Enlarged Share Capital including the Conditional Placing Shares to be admitted to trading on AIM. It is expected that Second Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM on 3 July 2017. No application has or will be made for the Enlarged Share Capital to be admitted to trading or to be listed on any other stock exchange.

## **20. CREST**

As is the case with the Existing Ordinary Shares, the Enlarged Share Capital will continue to be enabled for settlement in CREST on the date of the relevant Admission. Accordingly, settlement of transactions in the Ordinary Shares following the relevant Admission may take place within CREST if Shareholders so wish.

## **21. Relationship Agreement**

The Company, Rusty Hutson Jr. and Robert Post entered into the Relationship Agreement at the time of the February 2017 Admission, which regulates the ongoing relationship between them with a view to ensuring that, *inter alia*, (i) DGO is capable of carrying on its business independently of Rusty Hutson Jr. and Robert Post and (ii) transactions and relationships between DGO and Rusty Hutson Jr. and Robert Post are entered into at arm's length and on normal commercial terms. A summary of the terms of the Relationship Agreement is set out in paragraph 12.19 of Part VII of this document.

## **22. Lock-in Agreements**

Each of Robert Post, Rusty Hutson Jr, Bradley Gray and Martin Thomas (the "Locked-in Persons") has undertaken with Smith & Williamson, Mirabaud and the Company (subject to certain exceptions) not to dispose of any interest in any of their Ordinary Shares until 18 months after the February 2017 Admission without the prior written consent of each of Smith & Williamson and Mirabaud. Further details of these lock-in agreements are set out in paragraph 12.14 of Part VII of this document. The Locked-in Persons will hold, in aggregate, 44,260,481 Ordinary Shares (approximately 30.5 per cent. of the Enlarged Share Capital) on Second Admission.

## **23. Taxation**

Information regarding United Kingdom taxation is set out in paragraph 11 of Part VII of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

**24. Action to be taken**

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, B63 3DA as soon as possible but, in any event, so as to arrive by no later than 11.00 a.m. on 28 June 2017. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

**25. Further Information**

Your attention is drawn to the remaining parts of this document which contain further information on DGO, the Titan Assets and the Proposals. In particular, your attention is drawn to the Risk Factors set out in Part II of this document.

**26. Recommendation**

The Directors consider that the Fundraising and the Acquisition are in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the Resolutions at the General Meeting as they have irrevocably committed to do so in respect of their own beneficial holdings amounting, in aggregate, to 44,260,481 Existing Ordinary Shares, representing 41.92 per cent. of the Existing Ordinary Shares.

Yours faithfully



**Robert Post**

*Executive Chairman*

## PART II

### RISK FACTORS

This document contains forward-looking statements, which have been made after due and careful enquiry and are based on the Board's 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. These forward-looking statements are subject to, *inter alia*, the risk factors described in this Part II. 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. Each forward-looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those discussed in this Part II. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in the document to reflect future events or developments.

Prior to making an investment decision in respect of the Ordinary Shares, prospective investors should consider carefully all of the information within this document, including the risk factors set out in this Part II. The Board believes these risks 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 Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority.

If any of the following risks were to materialise, the Enlarged Group's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Board, or which the Board currently deem immaterial, may also have an adverse effect upon the Enlarged Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Enlarged Group.

#### RISKS RELATING TO THE ACQUISITION

##### **The Acquisition may not complete**

Completion of the Acquisition is subject to the satisfaction of a number of conditions precedent contained in the Acquisition Agreement including but not limited to, the approval of the Acquisition by the Shareholders at the General Meeting, First Admission and payment of the consideration thereunder. If Shareholders do not approve the Acquisition at the General Meeting, the Acquisition will not complete.

##### **The Enlarged Group may not be able fully to realise the benefits of the Acquisition**

The Enlarged Group's success will partially depend upon the Company's ability following the Acquisition to integrate the Titan Assets without significant disruption to its business. The Acquisition is the first major acquisition undertaken by DGO, and this integration may divert management's attention from the ordinary course operation of the business and raise unexpected issues and may take longer or prove more costly than anticipated. Although the Directors believe that such disruption is unlikely, issues may come to light during the course of integrating the Titan Assets into the Enlarged Group that may have an adverse effect on the financial condition and results of operations of the Enlarged Group. There is no assurance that the Company will realise the potential benefits of the Acquisition including, without limitation, recurring revenue from the Titan Assets to the extent and within the time frame contemplated. If the Company is unable to integrate the Titan Assets successfully into the Enlarged Group then this could have a significantly negative impact on the results of operations and/or financial condition of the Enlarged Group. The Enlarged Group's success will partially depend on there being no adverse change in the Titan Assets between the date of this document and the date of the completion of the Acquisition.

##### **Due diligence on the Titan Assets**

Given the nature of the Titan Assets and the fact that most of the Titan Assets are underground, it is not possible to undertake a physical inspection of all of the Titan Assets being acquired. The Company has carried out due diligence on a sample of the Titan Assets, however, the due diligence carried out will not reveal all defects in the physical condition or ownership of the Titan Assets acquired. Whilst the Acquisition

Agreement provides some contractual protection as to the ownership and condition of the Titan Assets, any warranty claims will be subject to customary contractual limitations and common law rules which may restrict the Company's ability to recover all or a substantial proportion of any losses suffered. A material level of defects could have an adverse impact on the Enlarged Group's ability to implement its business plan and could adversely impact the Enlarged Group's ability to realise the benefits of the Acquisition or delay their realisation.

## **RISKS RELATING TO THE ENLARGED GROUP AND THE MARKETS IN WHICH THE ENLARGED GROUP OPERATES**

### **Financial resources**

Pursuant to the Acquisition, the Enlarged Group will finance the Acquisition through a combination of the proceeds from the Firm Placing Shares and the initial drawdown under the Facility Agreement. The Enlarged Group may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of Ordinary Shares and any debt financing beyond the facilities, if available, may require restrictions to be placed on the Enlarged Group's future financing and operating activities. The Enlarged Group may be unable to obtain additional financing beyond the facilities on acceptable terms or at all if market and economic conditions, the financial condition or operating performance of the Enlarged Group or investor sentiment (whether towards the Enlarged Group in particular or towards the market sector in which the Enlarged Group operates) are unfavourable. The Enlarged Group's inability to raise additional funding may hinder its ability to grow in the future or to maintain its existing levels of operation.

### **Impact of leverage**

Following the Acquisition and entering into the Facility Agreement, the Enlarged Group will have increased borrowings and have debt service obligations. On Second Admission, the Enlarged Group's total outstanding indebtedness (excluding finance leases) will be approximately \$75 million, with the opportunity to draw down an additional \$35 million within the terms of the Facility Agreement. The Enlarged Group expects that leverage will continue for the foreseeable future. The Directors believe that the level of leverage will reduce over time, however, the degree to which the Enlarged Group will continue to be leveraged could have important consequences for the business, including:

- making it more difficult for the Enlarged Group to satisfy its obligations with respect to its indebtedness;
- restricting the Enlarged Group's ability to make strategic acquisitions or pursue other business opportunities;
- together with the financial and other restrictive covenants under the terms of the indebtedness, limiting the Enlarged Group's ability to obtain additional financing, dispose of assets or pay cash dividends other than as permitted by the terms of the indebtedness;
- requiring the Enlarged Group to sell or otherwise dispose of assets used in the business in order to fund debt service obligations;
- limiting the Enlarged Group's flexibility in planning for, or reacting to, changes in the business and the industry in which it operates;
- placing the Enlarged Group at a competitive disadvantage compared to competitors that have less debt; and
- increasing the Enlarged Group's cost of borrowing.

Any of these consequences or events could have a material adverse effect on the Enlarged Group's ability to satisfy the debt obligations. The Enlarged Group's substantial leverage could materially and adversely affect the business, financial condition and results of operations and prevent the Enlarged Group from servicing payment obligations under the indebtedness.

### **The Enlarged Group will require cash to meet obligations under its indebtedness and sustain the business operations, and the Enlarged Group's ability to do so will depend on many factors beyond its control**

The Enlarged Group's ability to meet its obligations under its indebtedness, including making principal, interest and other payments when due, as well as its ability to fund ongoing business operations, will depend upon future operating performance and the Enlarged Group's ability to generate cash, which, in turn, will be affected to some extent by general economic conditions and by financial, competitive, legislative, regulatory and other factors, including those factors discussed in this Part II and elsewhere in this document.

If, on the maturity date of any of the indebtedness, the Enlarged Group does not have sufficient cash flows from operations and other capital resources to repay and redeem the debt in full or pay other debt obligations, as the case may be, the Enlarged Group may be required to undertake alternative financing plans, such as refinancing or restructuring the debt, selling assets, reducing or delaying capital investments or raising additional debt or equity financing in amounts that could be substantial or on unfavourable terms. The Enlarged Group's access to debt, equity and other financing as a source of funding for operations and for refinancing maturing debt will also be subject to many factors, including the cash needs of the Enlarged Group and the then prevailing conditions in the financial markets, including in the corporate bond, term loan and equity markets.

In the longer term, if the Enlarged Group were unable to generate sufficient cash flows to satisfy its debt obligations or to refinance its indebtedness on acceptable terms, or at all, it would materially and adversely affect its business, prospects, financial condition and results of operations, as well as its ability to pay the principal and interest on its indebtedness. Any failure to refinance its indebtedness, on or prior to the applicable maturity date, may result in the Enlarged Group defaulting on such indebtedness.

**The Enlarged Group is subject to finance covenants that will limit its financial and operating flexibility, which could materially and adversely affect its business, financial condition and results of operations**

The Facility Agreement will *inter alia*, restrict the Enlarged Group's ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to shares in the Company or its restricted subsidiaries;
- sell, lease or transfer certain assets;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities;
- impair the security interests for the benefit of holders of indebtedness of the Enlarged Group;
- enter into unrelated business or engage in prohibited activities; and
- amend certain documents.

All these restrictions and limitations are subject to exceptions and qualifications. The covenants to which the Enlarged Group is subject could limit its ability to plan for, or react to, market conditions, as well as adversely affect its ability to finance operations, strategic acquisitions, investments or other capital needs, implement business plans, pursue business opportunities and engage in other business activities that may be in its best interests.

**Fluctuations in interest rates and the LIBOR rate may negatively impact the financial prospects and profitability of the Enlarged Group**

The interest rate payable under the Facility Agreement is linked to the LIBOR rate. Fluctuations in interbank interest rates and the LIBOR rate are influenced by factors outside of the Enlarged Group's control (such as the fiscal and monetary policies of governments, central banks and United States and UK and international political and economic conditions) and can affect the Enlarged Group's financial prospects and profitability.

**The Facility is (with limited exceptions) guaranteed by certain subsidiaries of the Enlarged Group and secured against the assets of the Enlarged Group and certain subsidiaries in the event of default by the Enlarged Group**

In the event that the Enlarged Group defaults under the Facility Agreement, the finance parties will have the right to enforce the guarantees by the subsidiaries and the security granted over the assets of the Enlarged Group. The rights under security arrangements are standard for the type of debt arrangements under the Facility Agreement and rank from step-in rights to rights to sell assets. Any enforcement action would materially affect the prospects of the Enlarged Group.

**Risks relating to the Enlarged Group's activities and the oil and gas industry**

There are numerous factors which may affect the success of the Enlarged Group's business which are beyond its control including local, national and international economic, legal and political conditions. The Enlarged

Group's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome.

#### **Title matters and payment obligations**

There is no guarantee that an unforeseen defect in title, changes in law or change in the interpretation of law or political events will not arise to defeat or impair the claim of the Enlarged Group to any properties which it currently owns or may acquire which could result in a material adverse effect on the Enlarged Group, including a reduction in any revenues generated.

#### **Success of acquisition strategy not guaranteed**

Returns ultimately achieved by investors in the Company will be reliant upon the quality and performance of the assets being acquired directly or indirectly by the Company including the Titan Assets. The success of the Company's strategy also depends on the Directors' ability to identify potential assets, and the acquisition of the assets on favourable terms and to generate value from the assets. No assurance is given that the strategy to be used will be successful under all or any market conditions or that the Company will be able to invest its capital directly or indirectly to acquire assets on attractive terms and to generate returns for investors.

#### **Issues resulting from limited due diligence on new acquisitions**

The Enlarged Group intends in the future to acquire directly or indirectly a number of oil and gas assets in the Appalachian Basin. The Enlarged Group intends to perform a review in respect of any potential assets prior to acquisition. Although it is intended that any such review would be consistent with industry practice, such reviews are inherently incomplete. It is generally not feasible to review in depth every individual well or field involved in each acquisition. Generally, the Enlarged Group will aim to focus its due diligence efforts on higher-valued assets and will sample the remainder. However, even an in-depth review of all assets and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the assets to assess fully their deficiencies and capabilities. The Enlarged Group may be required to assume directly or indirectly pre-closing liabilities, including environmental liabilities, and may acquire direct or indirect interests in assets on an "as is" basis. Future acquisitions may include offshore licences and/or exploration assets. The acquisition of such assets would provide much greater levels of risk for the Enlarged Group, because such assets, by their nature, may be more expensive to acquire and more difficult to exploit.

#### **Prospective investments and growth strategy execution risks**

In order to expand its operations, the Enlarged Group may expend costs on, *inter alia*, conducting due diligence into potential investment opportunities in further businesses, assets or prospects/projects that may not be successfully completed or result in any acquisition being made, which could have a material adverse effect on its business, operating results and financial condition.

#### **Risks relating to taxation**

There can be no certainty that the current taxation regime in the UK or overseas jurisdictions within which the Enlarged Group currently operates or may operate in the future will remain in force or that the current levels of corporation taxation will remain unchanged. There can be no assurance that there will be no amendment to the existing taxation laws applicable to the Enlarged Group, which may have a material adverse effect on the Enlarged Group's financial position.

Any change in the Enlarged Group's tax status or in taxation legislation in the UK or the United States could affect the Enlarged Group's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change. The taxation of an investment in the Enlarged Group depends on the individual circumstances of investors.

The nature and amount of tax which members of the Enlarged Group expect to pay and the reliefs expected to be available to any member of the Enlarged Group are each dependent upon several assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Enlarged Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Enlarged Group.



The Enlarged Group is subject to income taxes in the United States and United Kingdom, and its domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions.

The Enlarged Group's effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses arising from stock option compensation, the valuation of deferred tax assets and liabilities and changes in federal, state or international tax laws and accounting principles. Increases in the Enlarged Group's effective tax rate could materially affect the Enlarged Group's net financial results.

In addition, the Enlarged Group is subject to income tax audits by many tax jurisdictions. Although the Directors believe that the Enlarged Group's income tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, an adverse resolution of one or more uncertain tax positions in any period could have a material impact on the results of operations for that period.

Lastly, due to the Enlarged Group's parent company being a UK based entity with operations and assets in the United States, any changes in United States federal tax law or tax rulings unfavourable to the Enlarged Group structure related to non US owned parent companies could have a material impact on the Enlarged Group's effective tax rate, cash flows and results of operations.

Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.

#### **Dependence on key executives and personnel**

The future performance of the Enlarged Group will to a significant extent be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel to form a high calibre management team.

Such key executives are expected to play an important role in the development and growth of the Enlarged Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers.

In addition, attracting and retaining additional skilled personnel may be required to ensure the development of the Enlarged Group's business. The Enlarged Group faces significant competition for skilled personnel in the oil and gas sector.

**Although certain key executives and personnel have entered into service agreements or letters of appointment with the Enlarged Group, there can be no assurance that the Enlarged Group will retain their services. The loss of the services of any of the key executives or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Enlarged Group.**

#### **Controlling shareholder**

Subject to the restrictions contained in the Relationship Agreement, following Second Admission, Rusty Hutson Jr. and Robert Post will hold, in aggregate, 40,000,000 Ordinary Shares representing 27.6 per cent. of the Company's issued share capital. As long as Rusty Hutson Jr. and Robert Post directly or indirectly own 25 per cent. each of the Company's Ordinary Shares, Rusty Hutson Jr. and Robert Post will be able to, among other things, propose and pass without support from independent Shareholders all ordinary resolutions of the Company. Rusty Hutson Jr. and Robert Post will also be able to control or exert significant influence on all of the Enlarged Group's policy decisions and its strategic direction. Independent shareholders will benefit from minority shareholder protection to the extent prescribed under English law and under the City Code.

#### **Labour**

Certain of the Enlarged Group's operations may be carried out under potentially hazardous conditions. Whilst the Enlarged Group intends to operate in accordance with relevant health and safety regulations and requirements, the Enlarged Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Enlarged Group's control. Further, the Enlarged Group may struggle to recruit engineers and other important members of the workforce required to run a full exploration or appraisal programme. Shortages of labour, or of skilled workers, may cause delays or other stoppages during exploration and appraisal activities.

#### **Retention of key business relationships**

The Enlarged Group will rely significantly on strategic relationships with other entities, on good relationships with regulatory and governmental departments and on third parties to provide essential contracting services.

There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed, and the Enlarged Group could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Enlarged Group, its business, operating results and prospects.

#### **Credit market conditions**

Recent events in the credit markets have significantly restricted the supply of credit to the industry, as financial institutions have applied more stringent lending criteria or exited the market entirely. If current market conditions worsen, it will be more costly and more difficult for the Enlarged Group to secure any significant debt facilities or indeed such facilities may no longer be available.

#### **Market perception**

Market perception of junior extraction companies, in particular those operating in energy markets, as well as all oil and gas companies in general, may change, which could impact on the value of investors' holdings and the ability of the Enlarged Group to raise further funds through the issue of further Ordinary Shares in the Company or otherwise.

#### **Insurance coverage and uninsured risks**

The Enlarged Group insures its operations in accordance with industry practice and plans to insure the risks it considers appropriate for the Enlarged Group's needs and circumstances. However, the Enlarged Group may elect not to have insurance for certain risks, due to the high premium costs associated with insuring those risks or for various other reasons, including an assessment in some cases that the risks are remote.

No assurance can be given that the Enlarged Group will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it or the relevant operator obtains, and any proceeds of insurance, will be adequate and available to cover any claims arising. The Enlarged Group may become subject to liability for pollution, blow-outs or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. Any indemnities the Enlarged Group may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources.

In the event that insurance coverage is not available or the Enlarged Group's insurance is insufficient to fully cover any losses, claims and/or liabilities incurred, or indemnities are difficult to enforce, the Enlarged Group's business and operations, financial results or financial position may be disrupted and adversely affected.

The payment by the Enlarged Group's insurers of any insurance claims may result in increases in the premiums payable by the Enlarged Group for its insurance cover and adversely affect the Enlarged Group's financial performance. In the future, some or all of the Enlarged Group's insurance coverage may become unavailable or prohibitively expensive.

#### **Functioning insurance market**

Operational insurance policies are usually placed in one year contracts and the insurance market can withdraw cover for certain risks, which can greatly increase the costs of risk transfer. Such increases are often driven by factors unrelated to the Enlarged Group such as well control elsewhere in the world and wind storm damage.

#### **Bank default**

Recent credit market events have demonstrated the possibility of banks, previously thought to be secure, defaulting on their deposits. A good rating from a reputable rating agency does not provide adequate protection against default risk and as a corporate depositor the Enlarged Group may fall outside any deposit protection schemes. However, if one or more of the Enlarged Group's banks defaults on its deposits it would have a material adverse effect on the Enlarged Group's ability to fund its commitments. In such an economic environment the Enlarged Group would be unlikely to be able to sell assets at reasonable values or raise equity finance and consequently might be unable to continue its business.

#### **Future litigation**

From time to time, the Enlarged Group may be subject, directly or indirectly, to litigation arising out of its proposed operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Enlarged Group's business, results of operations or

financial condition. While the Enlarged Group assesses the merits of each lawsuit and defends itself accordingly, it may be required to incur significant expenses or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Enlarged Group's business.

## **GENERAL EXPLORATION, DEVELOPMENT AND PRODUCTION RISKS**

### **Development and production risks**

There can be no guarantee that any hydrocarbons discovered will be developed into profitable production, or that hydrocarbons will be discovered in commercial quantities or developed to profitable production. The business of development and exploitation of hydrocarbon deposits is speculative and involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Hydrocarbon deposits assessed by the Enlarged Group may not ultimately contain economically recoverable volumes of resources and even if they do, delays in the construction and commissioning of production projects or other technical difficulties may result in any projected target dates for production being delayed or further capital expenditure being required.

The operations and planned drilling activities of the Enlarged Group may be disrupted, curtailed, delayed or cancelled by a variety of risks and hazards which are beyond the control of the Enlarged Group, including unusual or unexpected geological formations, formation pressures, geotechnical and seismic factors, environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharge of toxic gases, industrial accidents, occupational and health hazards, technical failures, mechanical difficulties, equipment shortages, labour disputes, fires, power outages, compliance with governmental requirements and extended interruptions due to inclement or hazardous weather and ocean conditions, explosions, blow-outs, pipe failure and other acts of God. Any one of these risks and hazards could result in work stoppages, damage to, or destruction of, the Enlarged Group's facilities, personal injury or loss of life, severe damage to or destruction of property, environmental damage or pollution, clean-up responsibilities, regulatory investigation and penalties, business interruption, monetary losses and possible legal liability which could have a material adverse impact on the business, operations and financial performance of the Enlarged Group. Although precautions to minimise risk are taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks. In addition, not all of these risks are insurable.

### **Hydrocarbon resource and reserve estimates**

No assurance can be given that hydrocarbon resources and reserves reported by the Enlarged Group in the future are present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon resource and reserve estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources.

Unless stated otherwise, the hydrocarbon resources data contained in this document is taken from the Competent Person's Reports. The resources data contained in this document has been certified by the Competent Person unless stated otherwise. There are uncertainties inherent in estimating the quantity of resources and reserves and in projecting future rates of production, including factors beyond the Enlarged Group's control. Estimating the amount of hydrocarbon resources and reserves is an interpretive process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates.

The hydrocarbon resources data contained in this document and in the Competent Person's Reports are estimates only and should not be construed as representing exact quantities. The nature of resource quantification studies means that there can be no guarantee that estimates of quantities and quality of the resources disclosed will be available for extraction. Any resource estimates contained in this document are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Enlarged Group (which it may not necessarily have produced). The estimates may prove to be incorrect and potential investors should not place reliance on the forward looking statements contained in this document (including data included in the Competent Person's Reports or taken from the Competent Person's Reports and whether expressed to have been certified by the Competent Person or otherwise) concerning the Enlarged Group's resources and reserves or production levels.

If the assumptions upon which the estimates of the Enlarged Group's hydrocarbon resources have been based prove to be incorrect, the Enlarged Group (or the operator of an asset in which the Enlarged Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out

in this document and the Enlarged Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

#### **Capital expenditure estimates may not be accurate**

Estimated capital expenditure requirements are estimates based on anticipated costs and are made on certain assumptions. Should the Enlarged Group's capital expenditure requirements turn out to be higher than currently anticipated (for example, if there are unanticipated difficulties in drilling or connecting to infrastructure or price rises) the Enlarged Group or its partners may need to seek additional funds which it may not be able to secure on reasonable commercial terms to satisfy the increased capital expenditure requirements. If this happens, the Enlarged Group's business, cash flow, financial condition and operations may be materially adversely affected.

#### **Production operations may produce unforeseen issues and drilling activities may not be successful**

The planned production operations involve risks common to the industry, including blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures. In the event that any of these occur, environmental damage, injury to persons and loss of life, failure to produce oil or gas in commercial quantities or an inability to fully produce discovered reserves could result. Drilling activities may be unsuccessful and the actual costs incurred in drilling, operating wells and completing well workovers may exceed budget. There may be a requirement to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. The occurrence of any of these events could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and operations.

#### **Increase in drilling costs and the availability of drilling equipment**

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the Enlarged Group's ability to invest directly or indirectly in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations outside or in the Enlarged Group's intended area of operations may reduce the availability of equipment and services to the Enlarged Group and to the companies with which it operates. The reduced availability of equipment and services may delay the Enlarged Group's ability, directly or indirectly, to exploit reserves and adversely affect the Enlarged Group's operations and profitability.

#### **Delays in production, marketing and transportation**

Various production, marketing and transportation conditions may cause delays in oil production and adversely affect the Enlarged Group's business.

The marketability and price of oil and natural gas that may directly or indirectly be acquired or discovered by the Enlarged Group will be affected by numerous factors beyond the control of the Enlarged Group. The Enlarged Group is also subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the proximity of reserves to adequate pipeline and processing facilities, and extensive government regulations relating to price, taxes, royalties, licences, land tenure, allowable production, the export of oil and natural gas, and many other aspects of the oil and natural gas business. Any or all of these factors may result in an adverse impact on the financial returns anticipated by the Enlarged Group.

#### **Decommissioning costs**

Decommissioning costs will be incurred by the Enlarged Group at the end of the operating life of some of the Enlarged Group's properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

#### **Failure to meet contractual work commitments may lead to penalties**

The Enlarged Group may, indirectly, be subject to contractual work commitments, from time to time, which may include minimum work programmes to be fulfilled within certain time restraints. Specifically these

commitments may cover certain depths of wells to be drilled, seismic surveys to be performed and other data acquisition. Failure to comply with such obligations, whether inadvertent or otherwise, may lead to fines, penalties, restrictions and withdrawal of licences with consequent material adverse effects.

#### **Interruptions in availability of exploration, production or supply infrastructure**

The Enlarged Group may suffer, indirectly, from delays or interruptions due to lack of availability of drilling rigs or construction of infrastructure, including pipelines, storage tanks and other facilities, which may adversely impact the operations and could lead to fines, penalties and criminal sanctions against the Enlarged Group and/or its officers or its current or future licences or interests being terminated. Delays in obtaining licences, permissions and approvals required by the Enlarged Group or its partners in the pursuance of its business objectives could likewise have a material adverse impact on the Enlarged Group's business and the results of its operations.

#### **Third party contractors and providers of capital equipment are in short supply and can be expensive**

The contracting or leasing services and equipment from third-party providers and suppliers may be problematic in that such equipment and services can be in short supply and may not be readily available at the times and places required. In addition, the costs of third-party services and equipment have increased significantly over recent years and may continue to rise. This may, therefore, have an adverse effect on the Enlarged Group's business. In addition, the failure of a third party provider or supplier of equipment or services could have a material adverse impact on the Enlarged Group's business and the results of its operations.

#### **Risk of loss of oil and gas rights**

The Enlarged Group's activities are dependent upon the maintenance of appropriate leases (which includes the continuation of production from applicable existing wells), licences, concessions, permits and regulatory consents which may be withdrawn or made subject to qualifications. Although the Enlarged Group believes that the authorisations in relation to all of the Enlarged Group's interests in the Appalachian Basin will not be withdrawn and will be maintained (as the case may be), there can be no guarantee that such authorisations will not, in the future, be withdrawn, fail to be renewed or granted. There can be no assurance as to the terms of such future grants or renewals.

#### **Natural disasters**

Any interest held by the Enlarged Group is subject to the impacts of any natural disaster such as earthquakes, epidemics, fires and floods etc. No assurance can be given that the Enlarged Group will not be affected by future natural disasters.

#### **Environmental factors**

The Enlarged Group's operations are, and will be, subject to environmental regulation (with regular environmental impact assessments and evaluation of operations required before any permits are granted to it) in the Appalachian Basin and any other regions in which the Enlarged Group may operate. Environmental regulations are likely to evolve in a manner that will require stricter standards and enforcement measures being implemented, increases in fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Compliance with environmental regulations could increase the Enlarged Group's costs. Should the Enlarged Group's operations not be able to comply with this mandate, financial penalties may be levied. Environmental legislation can provide for restrictions and prohibitions on spills, releases of emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The Enlarged Group's operations will be subject to such environmental policies and legislation.

Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards of enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects may carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditure, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a materially adverse effect on the Enlarged Group's future financial condition or results of operations.

## **INVESTMENT AND AIM RISKS**

### **Share price volatility and liquidity**

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might otherwise be the case. An investment in shares traded on AIM carries a higher risk than those listed on the Official List.

The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment.

The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Enlarged Group and its operations. These factors include, without limitation, the performance of the Company and the overall stock market, large purchases or sales of Ordinary Shares by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other factors which are outside of the control of the Company.

Shareholders may sell their Ordinary Shares in the future to realise their investment. Sales of substantial amounts of Ordinary Shares following Admission and/or termination of the lock-in agreements (the terms of which are summarised in paragraph 12.14 of Part VII of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares available for sale compared to the demand to buy Ordinary Shares. Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Enlarged Group's net assets and the price of the Ordinary Shares may decline below the Placing Price.

### **Investment risk**

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time. While various oil and gas investment opportunities are available, potential investors should consider the risks that pertain to oil and gas development projects in general, as described more particularly above.

### **Dividends**

The dividend policy of the Company is dependent upon its financial condition, cash requirements, future prospects, compliance with the financial covenants in the Facility Agreement, profits available for distribution and other factors deemed to be relevant at the time and on the continued health of the markets in which it operates. There can be no guarantee that the Company will pay dividends in the foreseeable future.

### **Restrictions on transfers under US legislation**

The Ordinary Shares and Warrants have not been registered in the United States under the Securities Act or under other applicable securities law and are subject to restrictions on transfer contained in such law. They may not be resold in the United States, except pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities law.

### **Resales of the Ordinary Shares or Warrants**

The Ordinary Shares and Warrants constitute “restricted securities,” as defined in Rule 144 under the Securities Act, and, accordingly, are not freely tradable in the United States. The Company does not intend to list the Ordinary Shares or Warrants on an established securities exchange, have them quoted on an automated inter-dealer quotation system or otherwise create a public market in the United States for resale of the Ordinary Shares or Warrants.

### **Warrants**

As detailed in paragraphs 7, 12.20, 12.21 and 12.31 of Part VII to this document, on 30 January 2017 and 15 June 2017, the Company issued the Warrants to certain of its existing professional advisers. The Company may, in the future, issue further options and/or warrants to subscribe for new Ordinary Shares to certain advisers, employees, Directors, senior management and/or consultants of the Enlarged Group. The exercise of any such options and warrants would result in a dilution of the shareholdings of other investors.

**It should be noted that the factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Enlarged Group is or may be exposed or all those associated with an investment in the Company. In particular, the Company’s performance is likely to be affected by changes in market and/ or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Enlarged Group.**

**If any of the risks referred to in this Part II crystallise, the Enlarged Group’s business, financial condition, results or future operations could be materially adversely affected. In such case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.**

## PART III

### PRELIMINARY RESULTS FOR DIVERSIFIED GAS & OIL PLC FOR THE YEAR ENDED 31 DECEMBER 2016

The Company announced its annual results for the year ended 31 December 2016 on 7 June 2017. The full announcement, extracted without material adjustment, is set out below:

Diversified Gas & Oil PLC (“DGO”), the US based gas and oil producer, is pleased to announce the publication of its annual results for the year ended 31<sup>st</sup> December 2016.

#### Highlights:

- Year-end gross production of 26,500 mcf/day, 120% increase from 2015
- Revenue of \$18.3 million, up \$12.0 million from 2015
- Operating profit of \$22.4 million (2015: \$4.6 million)
- Income before taxation of \$32.5 million (2015: \$413,000 loss).
- Acquisitions of the conventional assets of Eclipse Resources and Seneca Resources Corporation adding a total of 13,900 mcfpd and 270 bopd to the portfolio.

#### Post-Period Highlights:

- Admission to London’s AIM Market in February raising \$50 million
- Acquisition of a package of 1,300 producing wells in February which added a further 3,800 mcfpd and 110 bopd to the DGO portfolio.
- Signed a Sales and Purchase Agreement to acquire an additional 6,800 boepd for \$84.2 million, due to increase group production by 161% once completed.

Commenting on the results, CEO Rusty Hutson said:

“We laid down solid foundations in 2016 with the addition of strategic acquisitions that resulted in increased cash flow and profitability. We have since leveraged these foundations to execute our more ambitious strategic objectives in the form of our admission to AIM and further acquisitions, the latest of which will more than double the size of the Company’s operations once completed. We are in a unique position whereby we have capitalised on the industry opportunities by acquiring complementary low-cost producing assets at compelling valuation metrics. This has enabled us to assemble a high-quality portfolio of assets in the Appalachian Basin, and in doing so establish ourselves as one of the largest conventional players in the region.”

#### CHAIRMAN’S STATEMENT

I am delighted to be delivering my Chairman’s statement on the back of a truly transformational year in 2016. Diversified Gas & Oil’s (DGO) growth has accelerated rapidly in recent years, however the pace quickened through 2016, driven by several key events, and our evolution and realization of our vision has continued apace throughout 2017.

Our primary strategic objective in 2016 was obtaining a level of scale and materiality that would make us relevant and attractive to institutional investors as part of a flotation on the AIM Market of the London Stock Exchange. To that end, we successfully completed two acquisitions in April and June 2016 that increased our cash flow and profitability, two elements that are the bedrock of our business model. These acquisitions provided us with a stable platform from which we could consider, and subsequently deliver, the more ambitious growth plans that have occurred in 2017.

DGO has a simple and robust strategy; acquire low-risk, profitable producing assets within our geographical focus in the Appalachian Basin, North East US, and then maximize production, and profitability, from these wells through the implementation of operational efficiencies and recovery techniques. The third element to our strategy focuses on the organic growth opportunity within our existing portfolio as we initiate infill drilling in areas with upside potential. In the current industry environment, we are achieving considerably higher rates of return through M&A than we could deliver with the drill-bit, which is why our primary focus has been on consolidating M&A opportunities whilst the market window continues to offer attractive valuation metrics. Should the oil and gas prices firm up, or the M&A opportunities cease to present themselves, then we will be ready to switch our focus to the organic growth within the diverse portfolio that we have assembled.



Since inception in 2001, DGO has always focused on the Appalachian Basin, the oldest and most established hydrocarbon basin in the US, because of the low risk geology and easy access to market provided by an abundance of infrastructure. The industry dynamics in the region have shifted considerably in recent years driven by the increased focus on shale and this has presented a unique and compelling opportunity for DGO that we have leveraged to our advantage. The focus of large independents is increasingly on the unconventional shale reservoirs of Marcellus and Utica, meaning the overlaying conventional producing reservoirs are non-core to their businesses. Retention of the licenses to the shale reservoirs are however held by production (HBP) from the conventional reservoirs and therefore the large independents are keen to offload the conventional assets to a capable operator who can maintain production and in doing so, retain the rights to the unconventional assets on behalf of the vendors. Such is the importance of the selected acquirer's operating capabilities that the consideration price of the assets is not the deciding factor, thereby presenting favorable valuation metrics on acquiring proven developed producing reserves.

As a result of all these factors, DGO has uniquely positioned itself as a capable and proven acquirer in the region, leveraging our local network, our assets and access to capital, and the reputation that we have steadily built over 15 years as a credible operator. Our market position has enabled us to execute on the acquisitions throughout 2016 and 2017 year to date, and we continue to screen exciting and complementary opportunities within our steady pipeline.

Having successfully acquired the Eclipse and Seneca assets in 2016, using the capital raised through our bond offering in London, we set our sights on obtaining a listing on the AIM Market. We chose the AIM market as it is an international growth market, it has an established and sophisticated understanding of our industry, and our unique and proven business model would enable us to differentiate our story from other E&Ps listed on AIM. Despite the challenging market conditions and generally negative sentiment towards investing in E&Ps, DGO was able to raise \$50 million with high quality blue-chip institutional investors, making it the largest oil and gas IPO to have taken place in the London market since April 2014. We believe that the success of this process can be assigned to the simplicity of our strategy, the low-cost nature of our operations that generate profitability in a low commodity price environment, and finally our commitment to a dividend policy that sets us apart from most of our peers.

The principal purpose of the AIM listing was to strengthen our balance sheet and give us better access to capital, both of which would enable us to capitalize on future M&A opportunities. We are pleased to report that the listing has been a resounding success, and we began executing our plans in the weeks following our IPO, with the acquisition of additional wells in April 2017. We also announced on 5 May 2017 an agreement for a transformational \$84.2 million acquisition which once completed, will significantly increase our acreage position, proven reserves, daily production and cash flow. This ambitious acquisition will instantly enhance our operational and financial profile, and takes us to another level.

In summary, 2016 was about growth, but more importantly, it was about laying the foundations to enable more aggressive growth, and we have successfully built on those foundations during an extremely exciting and busy start to 2017. I would personally like to thank the executive team for their dedication and commitment to the entrepreneurial values that underpin DGO. I would also like to thank the Board for their pragmatic guidance through what has been an exciting and intense period of growth for the Company. Finally, I would like to thank our shareholders for the faith and support that they have shown in the Company. Our primary objective is to create value on behalf of our shareholders and we are confident that we have the right strategy, assets and management in place to deliver on our ambitious objectives.



Robert M. Post  
Chairman of the Board

## STRATEGIC REPORT

2016 was undoubtedly a transformational year for DGO. Utilizing our successful capital raising efforts from our listed bond offering, DGO closed two acquisitions that significantly increased our production and cash flows and advanced the company to the size and scale to position ourselves for the AIM IPO completed in February 2017. This important balance sheet recapitalization provides a platform to execute our business strategy of acquiring and developing conventional oil and gas assets in Appalachia.

Our strategy remains consistent:

- 1) Acquire producing assets at compelling valuations. The assets typically are mature production with predictable flow rates and low declines.
- 2) Maximize production by enhancing operational techniques and deploying capital in an efficient manner.
- 3) Execute low risk, low cost drilling when economics are favourable.

We are firmly committed to our growth strategy as evidenced by the two acquisitions we closed in 2016, and have accelerated the rollout of this strategy in 2017, as detailed in this report.

### Acquisition – Eclipse Resources

On 13 April 2016, DGO completed the acquisition of all the conventional assets of Eclipse Resources in Ohio (US). The assets acquired included approximately 1,300 conventional oil and gas wells producing approximately 235 barrels of oil per day (“BOPD”) and 3,200 MCF per day of natural gas production.

### Acquisition – Seneca Resources Corporation

In June 2016, DGO completed the acquisition of 2,200 conventional oil and gas wells in Pennsylvania (US) from Seneca Resources Corporation. These assets were producing approximately 10,700 MCF of natural gas per day and 35 BOPD. This was the largest acquisition for DGO to date.

### Financial Highlights

Both the Eclipse and Seneca acquisitions added significant production and were accretive to DGO’s EBITDA. We ended 2016 with gross production of 26,500 mcf/day, an 120% increase from the 2015 year end. This growth was driven primarily by our acquisition-focus throughout 2016. We also enhanced our operating metrics by becoming more efficient in our operations. Total lease operating expense per MCFE dropped from \$1.72 in 2015 to an average of \$1.39 in the fourth quarter of 2016, which included all of our acquisitions for the period. On a per flowing barrels of oil equivalent (BOE), 2016 ended at \$8.26, positioning us firmly at the low end of the industry operating cost curve. Our strict commitment to capital discipline ensures we are prudent in how we spend our capital to ensure the highest returns for the money spent.

Revenues for the year ended 31 December 2016 were \$18.3 million, up \$12.0 million from the prior year 2015. The increase was attributable to a full year of revenues from the three acquisitions closed in 2015, the impact of the two 2016 acquisitions, and the increase in production associated with the assets. Operating profit was \$22.4 million (2015: \$4.6 million) credited to obtaining natural gas and crude oil production at compelling valuations over its fair market value of \$24.2 million. Net Income was \$32.5 million (2015: \$413 thousand loss) which was favourably impacted by the settlement of mezzanine debt which resulted in a gain on debt cancellation of \$14.1 million. Excluding the impact of one-time costs and gains along with other non-cash transactions, the adjusted EBITDA of DGO was \$4.3 million (2015: \$2.6 million).

Total assets of DGO increased to \$85.9 million representing an increase of 85.0%. This increase in assets resulted from the recognition of the fair market value of the two successful acquisitions of the conventional assets of Eclipse Resources and Seneca Resources. These acquisitions added significant scale to our operations and increased our oil and gas reserves. As a result of recording the increase in the fair market value of the acquired assets, we recorded a gain on bargain purchase of \$24.3 million which favourably impacted our shareholders’ equity. Our total equity balance at 31 December 2016 is \$9.2 million compared to a deficit balance of \$8.8 million at 31 December 2015.

Prior to 1 January 2016, DGO’s results of operations and financial position consisted of the consolidation of individually owned “pass through” corporate entities incorporated in the United States. As a result of the successful contribution of the capital stock of the historical pass through entities to our US parent entity, Diversified Gas & Oil Corporation, DGO established an initial recognition of deferred income taxes in 2016. DGO’s Statement of Financial Position at 31 December 2016 includes a deferred tax liability of \$15.1 million. Further discussion of our deferred income taxes is provided for in the notes to our Consolidated Financial Statements.

DGO's total borrowings at 31 December 2016 were \$41.3 million (\$44.4 million in 2015). DGO has historically funded its acquisition strategy through debt, including the acquisitions of Eclipse Resources and Seneca Resources. The majority of the total borrowings were fully satisfied in the first quarter of 2017 as a result of DGO's IPO on the AIM Market of the London Stock Exchange.

### **Future Developments**

2017 promises to be another extremely active year for the company and we have already delivered a number of transformational milestones in the year. In February we completed our public offering raising \$50 million in the largest oil and gas IPO in the London market since 2014. Later that month, we announced the acquisition of 1,300 oil and gas wells in Ohio and Pennsylvania (US), increasing our total production to approximately 33,300 mcf per day. These assets complemented our existing portfolio in both states and increased our daily natural gas production by 14% and daily oil production by 23%.

At the time of this writing, DGO has signed a conditional Purchase and Sale Agreement for a transformational acquisition that will have a significant impact on our production and operations. This acquisition will give us a platform to significantly increase our operations within the Appalachian Basin and establish the Company as one of the largest conventional oil and gas operators in the region. The purchase price is \$84.2 million and this transaction will add approximately 6,800 BOE to our daily production, an increase of 161%. Combined, the Company will produce approximately 11,000 BOE of net daily production, making us a material producer amongst our small-mid cap peer group. This acquisition is scheduled to close in late June 2017.

### **Dividend**

DGO stated in the Company's Admission Document, published on 30 January 2017, that the Directors intend to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential for the Group. 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.

The Board intends to recommend a final dividend in line with the stated dividend policy, for approval by shareholders at the Company's Annual General Meeting to be held on 28 July 2017 and expects to pay such dividend not later than 31 July 2017. The terms of this recommended final dividend will be announced and also included in the Company's admission document to be published in relation to the proposed acquisition detailed above.

### **Responsibility for risk management**

Risk management is integral to all of DGO's activities. Each member of executive management is responsible for continuously monitoring and managing risk within the relevant business areas. Every material decision is preceded by an evaluation of applicable business risks. Reports on DGO's risk exposure and reviews of its risk management are regularly undertaken and presented to the Board of Directors.

### **Principal risks and uncertainties**

#### **DGO may not successfully manage its growth**

Expansion of the business of DGO may place additional demands on the management, administrative and technological resources, and may require additional capital expenditure. If DGO is unable to manage any such expansion effectively, then this may adversely impact the business, development, financial condition, results of operations, prospects, profits, cash flow and reputation of DGO. DGO's growth and future success will be dependent to some extent on the successful completion of such expansion strategies proposed to be undertaken. The execution of DGO's expansion strategies may also place a strain on its managerial, operational and financial reserves. Should DGO fail to implement such expansion strategies, DGO's business operations, financial performance and prospects may be adversely affected.

#### **Changes in natural gas and crude oil commodity pricing environment**

Changes in commodity pricing may affect the value of DGO's natural gas and oil fair market valuation, operating cash flow and adjusted EBITDA regardless of operating performance. DGO could be affected by unforeseen events outside of its control including economic and political events and trends, inflation and deflation, terrorist attacks or currency exchange fluctuation. The combined effect of these factors is difficult to predict and DGO could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which DGO may operate. Deterioration in the economic climate could result in a delay or cancellation of DGO's plans and strategies. DGO's management can mitigate several of these risks and streamline cash flows with adequate derivatives in place.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk and other price risk, for example, commodity price risk. The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns.

**Liquidity risk**

Liquidity risk arises from DGO's ability to generate cash flows from operations to fund its business requirements or to create access to non-operational sources of funding. This risk can result in DGO's difficulty in meeting its financial obligations as they become due. The Directors continually review the cash available to the Company and seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

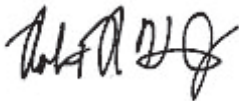
**Environmental risk**

DGO's operations are subject to environmental regulation in all the jurisdictions in which it operates. DGO is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect DGO's operations. There can be no assurance that such new environmental legislation once implemented will not oblige DGO to incur significant expenses and undertake significant investments.

**Closing Remarks**

As reported, it has been an exciting time for DGO and we have accelerated the growth of the Company in a relatively short time frame. We are particularly proud that we have been able to make such strides in the face of challenging industry headwinds. We are continuing to see strong acquisition deal flow and we assess each opportunity with value creation as our primary goal. We will continue to be aggressive in our approach, but disciplined in our valuations, placing emphasis on efficiencies and cash flow. We truly believe that we have now created a solid platform from which we can grow and that our best days are ahead.

Finally, I would like to thank our Board of Directors for their ongoing support, and all of our staff for their dedication and commitment in this truly ever-changing landscape. I would also reiterate our Chairman's gratitude to our shareholders for their trust in our strategy and management team. We will continue to work hard to maintain and repay that faith by developing a strong track record for delivery.



**Robert "Rusty" Hutson, Jr.**  
**Chief Executive Officer**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	\$'000	\$'000
Revenue	1	18,279	6,304
Cost of sales		(12,767)	(4,251)
Depreciation and depletion		(4,039)	(3,388)
<b>Gross profit/(loss)</b>		<b>1,473</b>	<b>(1,335)</b>
Administrative expenses		(2,540)	(1,016)
Gain/(Loss) on disposal of property and equipment		34	(2)
(Loss)/Gain on derivative financial instruments		(810)	402
Gain on bargain purchase		24,293	6,582
<b>Operating profit</b>	2	<b>22,450</b>	<b>4,631</b>
Finance costs		(3,291)	(3,177)
Finance costs, accrued		—	(925)
Accretion of decommissioning provision		(797)	(366)
Potential initial public offering charges		—	(576)
Gain on debt cancellation		14,149	—
<b>Income/(Loss) before taxation</b>		<b>32,511</b>	<b>(413)</b>
Taxation on income/(loss)		(14,829)	—
<b>Income/(Loss) after taxation</b>		<b>17,682</b>	<b>(413)</b>
Other comprehensive income – Gain on foreign currency conversion		901	17
<b>Total comprehensive income/(loss) for the year</b>		<b>18,583</b>	<b>(396)</b>
<b>Earnings per share – basic and diluted (US\$)</b>	3	<b>\$0.42</b>	<b>\$(0.01)</b>

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Oil and gas properties	76,793	42,353
Property and equipment	3,348	2,110
Other assets	998	414
Restricted cash	117	115
	<u>81,256</u>	<u>44,992</u>
<b>Current assets</b>		
Trade receivables	3,084	1,345
Derivative financial instruments	—	17
Other current assets	1,311	43
Cash and cash equivalents	224	90
	<u>4,619</u>	<u>1,495</u>
<b>Total Assets</b>	<b><u>85,875</u></b>	<b><u>46,487</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	669	630
Share based payment reserve	313	—
Merger reserve	(478)	(478)
Retained earnings/(deficit)	8,658	(8,969)
<b>Total Equity</b>	<b><u>9,162</u></b>	<b><u>(8,817)</u></b>
<b>Non-current liabilities</b>		
Decommissioning liability	12,265	8,869
Capital lease	274	58
Borrowings	10,113	20,115
Deferred tax liability	15,148	—
Other liabilities	414	277
	<u>38,214</u>	<u>29,319</u>
<b>Current liabilities</b>		
Trade and other payables	4,627	1,749
Borrowings	27,181	22,821
Capital lease	169	115
Derivative financial instruments	939	—
Other liabilities	5,583	1,300
	<u>38,499</u>	<u>25,985</u>
<b>Total Liabilities</b>	<b><u>76,713</u></b>	<b><u>55,304</u></b>
<b>Total Liabilities and Equity</b>	<b><u>85,875</u></b>	<b><u>46,487</u></b>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Share based payment reserve	Merger reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as of 1 January 2015</b>	<b>611</b>	<b>—</b>	<b>(478)</b>	<b>(7,470)</b>	<b>(7,337)</b>
Loss after taxation	—	—	—	(413)	(413)
Gain on foreign currency conversion	—	—	—	17	17
<i>Total comprehensive loss for the year</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>(396)</i>	<i>(396)</i>
Stockholder contributions pre-group reconstruction	—	—	—	1,296	1,296
Stockholder distributions pre-group reconstruction	—	—	—	(2,399)	(2,399)
Issuance of share capital	19	—	—	—	19
<i>Transactions with owners</i>	<i>19</i>	<i>—</i>	<i>—</i>	<i>(1,103)</i>	<i>(1,084)</i>
<b>Balance as of 31 December 2015</b>	<b>630</b>	<b>—</b>	<b>(478)</b>	<b>(8,969)</b>	<b>(8,817)</b>
Income after taxation	—	—	—	17,682	17,682
Gain on foreign currency conversion	—	—	—	901	901
<i>Total comprehensive income for the year</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>18,583</i>	<i>18,583</i>
Stockholder distributions pre-group reconstruction	—	—	—	(956)	(956)
Issuance of share capital	39	313	—	—	352
<i>Transactions with owners</i>	<i>39</i>	<i>313</i>	<i>—</i>	<i>(956)</i>	<i>(604)</i>
<b>Balance as of 31 December 2016</b>	<b>669</b>	<b>313</b>	<b>(478)</b>	<b>8,658</b>	<b>9,162</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	2016	2015
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Income/(Loss) after taxation	17,682	(413)
<u>Cash flow from operations reconciliation</u>		
Depreciation and depletion	4,039	3,388
Finance costs	3,291	3,177
Accretion of decommissioning provision	797	366
Loss on derivative financial instruments	957	859
Gain on oil and gas program	(84)	(344)
Deferred income taxes	14,829	—
Gain on bargain purchase	(24,293)	(6,582)
Gain on debt cancellation	(14,149)	—
(Gain)/Loss on disposal of property and equipment	(34)	2
Noncash equity grant	340	—
<u>Working capital adjustments:</u>		
Change in trade receivables	(907)	(158)
Change in other current assets	(269)	(26)
Change in other assets	(652)	(414)
Change in trade and other payables	2,662	(1,547)
Change in other liabilities	920	938
<b>Net cash provided by/(used in) operating activities</b>	<b>5,129</b>	<b>(754)</b>
<b>Cash flows from investing activities</b>		
Expenditures on oil and gas properties	(7,838)	(2,513)
Expenditures on property and equipment	(1,462)	(1,216)
Increase in restricted cash	(2)	(25)
Proceeds on disposal of oil and gas properties	93	105
<b>Net cash used in investing activities</b>	<b>(9,209)</b>	<b>(3,649)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	14,915	9,311
Repayment of borrowings	(6,794)	(844)
Financing expense	(3,222)	(3,078)
Proceeds from capital lease	435	192
Repayment of capital lease	(164)	(19)
Contributions from stockholders pre-group reconstruction	—	1,296
Dividends to stockholders pre-group reconstruction	(956)	(2,399)
<b>Net cash provided by financing activities</b>	<b>4,214</b>	<b>4,459</b>
Net increase in cash and cash equivalents	134	56
Cash and cash equivalents – beginning of year	90	34
<b>Cash and cash equivalents – end of year</b>	<b>224</b>	<b>90</b>



## NOTES

### 1. REVENUE

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Natural gas and crude oil revenue	14,878	4,738
Operator revenue	1,209	825
Oil and gas program revenue	1,573	344
Water disposal revenue	619	397
<b>Total revenue</b>	<b><u>18,279</u></b>	<b><u>6,304</u></b>

### 2. ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS financial measure, which is of particular interest to the industry and Directors, as it is essentially the cash generated from operations that DGO has free for interest payments and capital investment. Adjusted EBITDA should not be considered as an alternative to operating profit (loss), comprehensive income, cash flow from operating activities or any other financial performance or liquidity measure presented in accordance with IFRS. Adjusted EBITDA is a non-IFRS financial measure that is defined as comprehensive income (loss) plus or minus:

- finance costs, including accrued finance costs and deferred financing costs;
- depreciation and depletion
- gain on bargain purchase;
- net gains or losses on the valuation of commodity derivative contracts;
- net gains or losses on foreign currency translation;
- net gains or losses on disposal of property and equipment;
- acquisition related costs
- other material non-cash costs

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Operating profit	22,450	4,631
Gain on bargain purchase	(24,293)	(6,582)
(Gain)/Loss on disposal of property and equipment	(34)	2
Fair value movement on open derivatives	957	859
Depreciation and depletion	4,039	3,388
Non-cash equity grant included in administrative expenses	340	—
Acquisition costs	838	293
<b>Adjusted EBITDA</b>	<b><u>4,297</u></b>	<b><u>2,591</u></b>

### 3. EARNINGS PER SHARE

The calculation for earnings per share (basic and diluted) for the relevant year is based on the comprehensive income/(loss) after income tax attributable to equity holders for the years ended on 31 December 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Income/(Loss) after taxation (\$)	17,682,000	(413,000)
Weighted average number of Ordinary Shares	<u>42,010,690</u>	<u>40,100,000</u>
<b>Earnings per ordinary share</b>	<b><u><u>\$0.42</u></u></b>	<b><u><u>\$(0.01)</u></u></b>

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of other equity instruments. There were no potentially dilutive ordinary shares in issue as of 31 December 2016 and 2015.

### 4. REPORT AND ACCOUNTS

Copies of the Annual Report will be available on the Group's website, [www.diversifiedgasandoil.com](http://www.diversifiedgasandoil.com) and from the Group's registered office at 27/28 Eastcastle Street, London W1W 8DH.

## PART IV

### (A) ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP



15 June 2017

The Directors  
Diversified Gas & Oil PLC  
27/28 Eastcastle Street  
London W1W 8DH

The Directors  
Smith & Williamson Corporate Finance Limited  
25 Moorgate  
London EC2R 6AY

Dear Sirs,

#### Introduction

We report on the audited historical financial information of Diversified Gas and Oil Plc (the "Company") and the following wholly owned subsidiaries:

- Diversified Gas & Oil Corporation;
- Diversified Resources Inc.;
- M&R Investments, LLC;
- M&R Investments Ohio, LLC;
- Marshall Gas & Oil Corporation;
- R&K Oil and Gas Inc.;
- Fund 1 DR, LLC;
- Diversified Oil & Gas, LLC; and
- Diversified Appalachian Group, LLC

for the three years ended 31 December 2016 (the "Group Financial Information"). The Group Financial Information has been prepared for inclusion in Part IV(B) "*Historical Financial Information of the Group*" of the Company's AIM admission document dated 16 June 2017 (the "Document"), on the basis of the accounting policies set out in note 5 to the Group Financial Information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

#### Responsibilities

The directors of the Company (the "Directors") are responsible for preparing the Group Financial Information on the basis of preparation set out in note 3 to the Group Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the Group Financial Information as to whether the Group Financial Information gives a true and fair view, for the purposes of the Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

Crowe Clark Whitehill LLP  
Chartered Accountants  
Member of Crowe Horwath International  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH, UK  
Tel +44 (0)20 7842 7100  
Fax +44 (0)20 7583 1720  
DX: 0014 London Chancery Lane  
www.croweclarkwhitehill.co.uk

**Basis of opinion**

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Group Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the Group Financial Information and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the Group Financial Information gives, for the purposes of the Document, a true and fair view of the state of affairs of the Group as at 31 December 2016, 31 December 2015 and 31 December 2014 and of the results, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 3 to the Group Financial Information, has been prepared in accordance with IFRS and that it has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully,

**Crowe Clark Whitehill LLP**  
Chartered Accountants

## PART IV

### (B) HISTORICAL FINANCIAL INFORMATION OF THE GROUP

#### Consolidated statements of comprehensive income

The audited consolidated statements of comprehensive income of the Group for each of the three years ended 31 December 2014, 2015 and 2016 are set out below:

	Note	Audited Year ended 31 December 2014	Audited Year ended 31 December 2015	Audited Year ended 31 December 2016
		\$'000	\$'000	\$'000
<b>Revenue</b>	7	7,358	6,304	18,279
Cost of sales	8	(3,559)	(4,251)	(12,767)
Depreciation and depletion	8	(2,160)	(3,388)	(4,039)
<b>Gross profit/(loss)</b>		<b>1,639</b>	<b>(1,335)</b>	<b>1,473</b>
Gain/(Loss) on derivative financial instruments		1,091	402	(810)
Gain on bargain purchase	13	914	6,582	24,293
(Loss)/Gain on disposal of property and equipment		(7)	(2)	34
Administrative expenses	8	(971)	(1,016)	(2,540)
<b>Operating profit</b>		<b>2,666</b>	<b>4,631</b>	<b>22,450</b>
Accretion of decommissioning provision	21	(170)	(366)	(797)
Finance costs		(2,734)	(3,177)	(3,291)
Finance costs, accrued	22	—	(925)	—
Potential initial public offering charges	10	—	(576)	—
Gain on debt cancellation	22	—	—	14,149
<b>(Loss)/Income before taxation</b>		<b>(238)</b>	<b>(413)</b>	<b>32,511</b>
Taxation on (loss)/income	9	—	—	(14,829)
<b>(Loss)/Income after taxation</b>		<b>(238)</b>	<b>(413)</b>	<b>17,682</b>
Other comprehensive income – Gain on foreign currency conversion		3	17	901
<b>Total comprehensive (loss)/income for the year</b>		<b>(235)</b>	<b>(396)</b>	<b>18,583</b>
Earnings per share – basic and diluted (US\$)	17	\$ (0.01)	\$ (0.01)	\$ 0.42

## Consolidated statements of financial position

The audited consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 are set out below:

	Note	Audited Year ended 31 December 2014 \$'000	Audited Year ended 31 December 2015 \$'000	Audited Year ended 31 December 2016 \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Oil and gas properties	11	31,056	42,353	76,793
Property and equipment	12	1,211	2,110	3,348
Other assets		—	414	998
Restricted cash	14	90	115	117
		<u>32,357</u>	<u>44,992</u>	<u>81,256</u>
<b>Current assets</b>				
Trade receivables	15	1,151	1,345	3,084
Derivative financial instruments	16	876	17	—
Other current assets	10	22	43	1,311
Cash and cash equivalents		34	90	224
		<u>2,083</u>	<u>1,495</u>	<u>4,619</u>
<b>Total Assets</b>		<b><u>34,440</u></b>	<b><u>46,487</u></b>	<b><u>85,875</u></b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	19	611	630	669
Share based payment reserve		—	—	313
Merger reserve		(478)	(478)	(478)
Retained (deficit)/earnings		(7,470)	(8,969)	8,658
<b>Total Equity</b>		<b><u>(7,337)</u></b>	<b><u>(8,817)</u></b>	<b><u>9,162</u></b>
<b>Non-current liabilities</b>				
Decommissioning liability	21	3,466	8,869	12,265
Capital lease	23	—	58	274
Borrowings	22	13,559	20,115	10,113
Deferred tax liability	9	—	—	15,148
Other liabilities		302	277	414
		<u>17,327</u>	<u>29,319</u>	<u>38,214</u>
<b>Current liabilities</b>				
Trade and other payables	24	3,352	1,749	4,627
Borrowings	22	20,806	22,821	27,181
Capital lease	23	—	115	169
Derivative financial instruments	16	—	—	939
Other liabilities		292	1,300	5,583
		<u>24,450</u>	<u>25,985</u>	<u>38,499</u>
<b>Total Liabilities</b>		<b><u>41,777</u></b>	<b><u>55,304</u></b>	<b><u>76,713</u></b>
<b>Total Liabilities and Equity</b>		<b><u>34,440</u></b>	<b><u>46,487</u></b>	<b><u>85,875</u></b>

### Consolidated statements of changes in shareholders' equity

The audited consolidated statements of changes in shareholders' equity of the Group for each of the three years ended 31 December 2014, 2015 and 2016 are set out below:

	Share capital	Share based payment reserve	Merger reserve	Retained earnings	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 January 2014</b>	<b>611</b>	<b>—</b>	<b>(478)</b>	<b>(5,189)</b>	<b>(5,056)</b>
Loss after taxation	—	—	—	(238)	(238)
Gain on foreign currency conversion	—	—	—	3	3
<i>Total comprehensive loss for the year</i>	—	—	—	(235)	(235)
Stockholder contributions pre-group reconstruction	20	—	—	554	554
Stockholder distributions pre-group reconstruction	20	—	—	(2,600)	(2,600)
<i>Transactions with owners</i>	—	—	—	(2,046)	(2,046)
<b>Balance as at 31 December 2014</b>	<b>611</b>	<b>—</b>	<b>(478)</b>	<b>(7,470)</b>	<b>(7,337)</b>
Loss after taxation	—	—	—	(413)	(413)
Gain on foreign currency conversion	—	—	—	17	17
<i>Total comprehensive loss for the year</i>	—	—	—	(396)	(396)
Stockholder contributions pre-group reconstruction	20	—	—	1,296	1,296
Stockholder distributions pre-group reconstruction	20	—	—	(2,399)	(2,399)
Issuance of share capital	19	19	—	—	19
<i>Transactions with owners</i>	19	—	—	(1,103)	(1,084)
<b>Balance as at 31 December 2015</b>	<b>630</b>	<b>—</b>	<b>(478)</b>	<b>(8,969)</b>	<b>(8,817)</b>
Income after taxation	—	—	—	17,682	17,682
Gain on foreign currency conversion	—	—	—	901	901
<i>Total comprehensive income for the year</i>	—	—	—	18,583	18,583
Stockholder distributions pre-group reconstruction	20	—	—	(956)	(956)
Issuance of share capital	19	39	313	—	352
<i>Transactions with owners</i>	39	313	—	(956)	(604)
<b>Balance as at 31 December 2016</b>	<b>669</b>	<b>313</b>	<b>(478)</b>	<b>8,658</b>	<b>9,162</b>

## Consolidated statements of cash flows

The audited consolidated statements of cash flows of the Group for each of the three years ended 31 December 2014, 2015 and 2016 are set out below:

	Audited Year ended 31 December 2014	Audited Year ended 31 December 2015	Audited Year ended 31 December 2016
	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>			
(Loss)/Income after taxation	(235)	(413)	17,682
<i>Cash flow from operations reconciliation:</i>			
Depreciation and depletion	2,531	3,388	4,039
Finance costs	2,734	3,177	3,291
Accretion of decommissioning provision	169	366	797
(Gain)/Loss on derivative financial instruments	(1,440)	859	957
Gain on oil and gas program	(529)	(344)	(84)
Deferred income taxes	—	—	14,829
Gain on bargain purchase	—	(6,582)	(24,293)
Gain on debt cancellation	—	—	(14,149)
Loss/(Gain) on disposal of property and equipment	7	2	(34)
Noncash equity grant	—	340	
<i>Working capital adjustments:</i>			
Change in trade receivables	288	(158)	(907)
Change in other current assets	(4)	(26)	(269)
Change in other assets	—	(414)	(652)
Change in trade and other payables	874	(1,547)	2,662
Change in other liabilities	(123)	938	920
<b>Net cash provided by/(used in) operating activities</b>	<b>4,272</b>	<b>(754)</b>	<b>5,129</b>
<b>Cash flows from investing activities</b>			
Expenditures on oil and gas properties	(159)	(2,513)	(7,838)
Expenditures on property and equipment	(256)	(1,216)	(1,462)
Increase in restricted cash	—	(25)	(2)
Proceeds on disposal of property and equipment	2	—	—
Proceeds on disposal of oil and gas properties	610	105	93
<b>Net cash provided by/(used in) investing activities</b>	<b>197</b>	<b>(3,649)</b>	<b>(9,209)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	1,796	9,311	14,915
Repayment of borrowings	(348)	(844)	(6,794)
Financing expense	(2,734)	(3,078)	(3,222)
Proceeds from capital lease	—	192	435
Repayment of capital lease	—	(19)	(164)
Contributions from stockholders pre-group reconstruction	54	1,296	—
Dividends to stockholders pre-group reconstruction	(3,515)	(2,399)	(956)
<b>Net cash (used in)/provided by financing activities</b>	<b>(4,747)</b>	<b>4,459</b>	<b>4,214</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(278)</b>	<b>56</b>	<b>134</b>
Cash and cash equivalents – beginning of year	312	34	90
<b>Cash and cash equivalents – end of year</b>	<b>34</b>	<b>90</b>	<b>224</b>



## Notes to the Group Financial Information

### 1. General information

The Company is an Appalachian Basin focused natural gas and crude oil operations company with headquarters in Birmingham, Alabama, USA. The Company was incorporated on 31 July 2014 in England and Wales as a private limited company under company number 09156132. The Company's registered office is located at 27/28 Eastcastle Street, London W1W 8DH, United Kingdom.

### 2. Business consolidation

The Group Financial Information reflects the following corporate structure of the Company:

- i. The Company, and its wholly owned subsidiary,
  - a. Diversified Gas & Oil Corporation ("DGO"), as well as its wholly owned subsidiaries,
    - i. Diversified Resources, Inc.
    - ii. M & R Investments, LLC;
    - iii. M & R Investments Ohio, LLC;
    - iv. Marshall Gas and Oil Corporation;
    - v. R&K Oil and Gas, Inc.;
    - vi. Fund 1 DR, LLC
    - vii. Diversified Oil & Gas, LLC;
    - viii. Diversified Appalachian Group, LLC

In 2015, Robert Hutson, Jr. and Robert Post collectively transferred their common stock in Diversified Gas & Oil Corporation to the Company. In exchange for their common stock of Diversified Gas & Oil Corporation, Robert Hutson and Robert Post were collectively issued an additional 35,000,000 Ordinary Shares of par value £0.01 common stock in the Company, resulting in a total of 40,000,000 Ordinary Shares held, collectively.

### 3. Basis of preparation

#### (a) Basis of preparation and measurement

The Group Financial Information has been prepared in accordance with IFRS, issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The Group Financial Information has been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss.

As a result of the transaction between the Company and stockholders Robert Hutson and Robert Post in the year ended 31 December 2015, and in accordance with IFRS 3 "*Business Combinations (Revised 2008)*", the Group Financial Information represents consolidated financial information of the Group. Therefore, although the Group reconstruction did not become unconditional until 2015, the financial information for the year ended 31 December 2014 and 31 December 2015 has been presented as if the Group structure has always been in place, including the activity from incorporation of Group's subsidiary companies. All entities had the same management as well as majority shareholders.

In accordance with IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom ("UK GAAP") for guidance (Section 19 of FRS102) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of all entities are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the legal acquirer in accordance within applicable IFRS, no goodwill is recognized, any expenses of the combination are written off immediately to the income statement and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting year presented.

Unless otherwise stated, the Group Financial Information is presented in \$, which is the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest thousand \$ except where otherwise indicated. The Group Financial Information has been prepared under the historical cost convention, except for acquisitions and derivative financial instruments that have been measured at fair value through profit and loss.

The Group Financial Information has been prepared on the going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future.

**(b) New standards and interpretations not yet adopted**

For the year ended 31 December 2016, there are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year. A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the European Union. The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Company in future years, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will have an impact on the recognition of operating leases. At this point the Directors have yet to conclude on their assessment to provide a reasonable estimate of the effect of these standards.

**4. Significant accounting judgements, estimates and assumptions**

The Directors have made the following judgments which may have a significant effect on the amounts recognized in the Group Financial Information:

**(a) Valuation of intangible oil and gas assets on acquisition**

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. An assessment of the value of these proved reserves on acquisition is produced, considering the discounted cash flows of production to a present value. The Directors use a discount ranging between 10% and 35% for such an acquisition, depending on the market conditions at the time of the transaction as well any additional risk factors arising in the specific transaction, to best obtain a fair value estimate of oil and gas properties.

**(b) Impairment indicators for oil and gas properties**

Following a review by the Directors of ongoing operational performance of the Group's natural gas and crude oil properties for the year ending 31 December 2016, the Directors are of the opinion that no impairment indicators are apparent for these assets.

**(c) Reserve estimates**

Reserves are estimates of the amount of natural gas and crude oil product that can be economically and legally extracted from the Group's properties. To calculate the reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of fields to be determined by analyzing geological data, such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data. The Directors have engaged third-party engineers who are considered experts and have extensive experience in oil and gas engineering, with focus in the Appalachian Basin of the US.

Given the economic assumptions used to estimate reserves change from year to year and, because additional geological data is generated during the course of operations, estimates of reserves may change from time to time.

Changes in reported reserves may affect the Group Financial Information in the following ways:

- asset carrying values may be affected by possible impairment due to adverse changes in estimates future cash flows; and
- depreciation, depletion and amortization charged in the statement of comprehensive income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

**(d) Decommissioning costs**

These costs will be incurred by the Group at the end of the operating life of some of the Group's properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

**(e) Income taxes**

As a result of multiple stock share contributions (see note 2 to the Group Financial Information regarding share contributions) and effective in the tax year ended 31 December 2016, all wholly owned subsidiaries lost their pass-through tax status and are subject to U.S. federal and state income tax. The Group began filing a consolidated U.S. federal income tax return and separate company state tax returns for years beginning after 31 December 2015. Income taxes are provided for the tax effects of transactions reported in the Group Financial Information and consist of taxes currently due plus deferred taxes related to differences between the cost basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal income taxes. The Company accounts for any interest and penalties related to IRS assessments as income tax expenses.

**(f) Going Concern**

The Group Financial Information has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the normal course of business.

Subsequent to the year end, the Group completed a recapitalization process through an initial public offering, which the Directors consider is a substantial event in the going concern outlook (see Note 29 to the Group Financial Information regarding events after the reporting period). The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of Admission. The Directors believe that the use of the going concern basis is appropriate. Accordingly, the Directors have prepared the Group Financial Information on a going concern basis.

**5. Summary of significant accounting policies**

The preparation of the Group Financial Information in compliance with IFRS requires the Directors to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group Financial Information are disclosed in Notes 4 and 5 to the Group Financial Information.

**(a) Cash**

Cash on the balance sheet comprises cash at banks. Balances held at banks, at times, exceed federally insured amounts. The Group has not experienced any losses in such accounts and the Directors believe that the Group is not exposed to any significant credit risk on its cash.

For the purpose of the consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

**(b) Trade receivables**

Trade receivables are stated at the historical carrying amount, net of any provisions required. Trade receivables are due from customers throughout the oil and natural gas industry. Although diversified among several companies, collectability is dependent on the financial condition of each individual company as well as the general economic conditions of the industry. The Directors review the financial condition of customers prior to extending credit and generally do not require collateral to support of the Group's trade receivables. Any changes in the Directors' provision for un-collectability of trade receivables during the year is recognized in the Statement of Comprehensive Income.

**(c) Derivative financial instruments**

Derivatives are used as part of the Directors' overall strategy to mitigate risk associated with the unpredictability of cash flows due to volatility in commodity prices. Further details of the Group's exposure to these risks are detailed in note 26 to the Group Financial Information. The Group has entered into financial instruments which are considered derivative contracts, such as swaps and collars which result in net cash settlement each month and do not result in physical deliveries. The derivative contracts are initially recognized at fair value at the date contract is entered into and remeasured to fair value every balance sheet date. The resulting gain or loss is recognized in the Statement of Comprehensive Income in the year incurred.

**(d) Restricted cash**

Cash held for bonding purposes is classified as restricted cash and recorded within non-current assets.

**(e) Pre-license costs**

Pre-license costs are expensed in the year in which they are incurred.

**(f) Exploration and evaluation costs**

The Company follows IFRS 6 in accounting for oil and gas assets. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of Comprehensive Income. Only material expenditures incurred after the acquisition of a license interest are capitalized. Historically, the expenditures have not been deemed material, as the Group drills in active areas where there are minimal and immaterial exploration and evaluation costs and therefore the cost has been expensed.

**(g) Development costs**

Expenditures on the construction, installation or completion of infrastructure facilities, such as platforms and pipelines, and the drilling of development wells, including delineation wells, are capitalized within oil and gas properties.

**(h) Oil and gas properties and property and equipment**

Oil and gas properties and property and equipment are stated at cost, less accumulated depletion/depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, for qualifying assets, and borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property and equipment.

**(i) Depreciation and depletion**

Oil and gas properties are depleted on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proven reserves of the relevant area. The unit-of-production rate for the depreciation of field development costs considers expenditures incurred to date, together with sanctioned future development expenditure. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognized includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives:

Drilling costs and equipment:	7 – 15 years
Buildings and leasehold improvements:	10 – 39 years
Motor vehicles:	5 – 7 years
Other property and equipment:	3 – 5 years

Property and equipment held under finance leases are depreciated over the shorter of lease term and estimated useful life.

**(j) Major maintenance and repairs**

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will be generated, the expenditure is capitalized. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which are immediately written off. Inspection costs associated with major maintenance programs are capitalized and amortized over the year to the next inspection. All other maintenance costs are expensed as incurred.

**(k) Impairment of non-financial assets**

The Directors assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Directors base impairment calculations on detailed financial projections which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These projected calculations are generally covering a period of three to five years.

Impairment losses of continuing operations are recognized in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

**(l) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

**(m) Decommissioning liability**

Where a material liability for the removal of production equipment and site restoration at the end of the production life of a well exists, a liability for decommissioning is recognized. The amount recognized is the present value of estimated future net expenditures determined in accordance with local conditions and requirements. The unwinding of the discount on the decommissioning liability is included as accretion of the decommissioning provision. The cost of the relevant property, plant and equipment asset is increased with an amount equivalent to the liability and depreciated on a unit of production basis. Changes in estimates are recognized prospectively, with corresponding adjustments to the liability and the associated non-current asset.

**(n) Deferred taxation and Income taxes**

**Deferred taxation**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realized or the deferred liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilized.

**Income taxes**

Current income tax assets and liabilities for the year ended 31 December 2016 are measured at the amount to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdictions where the Group operates and generates taxable income.

In the year ended 31 December 2015, the Group consisted of pass-through taxable entities for all federal and state jurisdictions, thus no current income tax asset or liability existed.

**(o) Revenue recognition**

**Natural gas and crude oil**

Revenue from sales of natural gas and crude oil products is recognized when the significant risks and rewards of ownership have been transferred, which is when title transfers to the customer. This transfer generally occurs when product is physically transferred into a vessel, pipe, sales meter or other delivery mechanism.

Revenue from the production of oil in which the Group has an interest with other producers is recognized based on the Group's working interest and the terms of the relevant production sharing contracts.

**Operator revenue**

Revenue from the operation of third-party wells is recognized as earned in the month work is performed and consistent with the Group's contractual obligations.

**Oil & gas program revenue**

Revenue from sales of working interest ownership in the Group's operated wells is recognized as earned in the month the ownership transfers to or from the third-party working interest investors.

**Water disposal revenue**

Revenue from the sale of water disposal services to third-parties into the Group's disposal well is recognized as earned in the month the water was physically disposed.

Revenue is stated after deducting sales taxes, production taxes, excise duties and similar levies.

**(p) Functional currency and foreign currency translation**

The Group Financial Information is presented in \$, which is the functional currency of the Group. Items included in the Company's standalone parent company financial information are measured using £, which is the currency of the primary economic environment in which it operates.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are recognized in other comprehensive income.

**(q) Segmental reporting**

The Group operates as one reportable segment that produces natural gas and crude oil in the Appalachian Basin in the United States. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the executive managers to make decisions about resources to be allocated to the segment and assess its performance.

**6. Change to significant accounting estimates**

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Directors have made the following change in estimate, which created an adjustment in the carrying amounts of the applicable accounts.

**(a) Decommissioning costs**

These costs will be incurred by the Group at the end of the operating life of some of the Group's properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Thus, there could be significant adjustments to the provisions established which would affect future financial results.

For the year ended 31 December 2016, the Group's reserve report reflected a longer operating life for all oil and gas properties than what the original decommissioning provision calculated. As a result of a longer operating life, the decommissioning provision will be depreciated and accreted over a 30-year period, rather than a shorter period that was estimated for the year ended 31 December 2015.

The impact of the change in estimate on the consolidated and future years' comprehensive income is as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Later</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Decrease in depreciation, depletion and amortization	(316)	(273)	(249)	(224)	(201)	(1,667)
(Decrease)/increase in accretion expense	(234)	(253)	(273)	(295)	(319)	9,961

As a result of the estimate change, the asset retirement obligation asset, included in oil and gas properties and the decommissioning liability were reduced by \$2.9 million, respectively.

## 7. Revenue

	Year ended 31 December 2014 \$'000	Year ended 31 December 2015 \$'000	Year ended 31 December 2016 \$'000
Natural gas and crude oil revenue	5,860	4,738	14,878
Operator revenue	969	825	1,209
Oil and gas program revenue	529	344	1,573
Water disposal revenue	—	397	619
<b>Total revenue</b>	<b>7,358</b>	<b>6,304</b>	<b>18,279</b>

The Group extracts and sells natural gas and crude oil to various customers. The Group also operates oil and natural gas wells for customers and other working interest owners. A significant portion of the Group's trade receivables represent receivables related to either sales of oil and natural gas or operational services. Oil and natural gas trade receivables are generally uncollateralized. There was no provision for uncollectability of trade receivables at 31 December 2016 (2015: \$500, 2014: \$26,000). No other debts were past due or impaired as at each of these dates.

During the year ended 31 December 2016, three customers individually totaled more than 10% of total revenues, totaling 21%, 18% and 10% (2015: two customers, 23% and 17%, 2014: three customers, 26%, 20% and 13%). All revenues were generated in the United States.

## 8. Expenses by nature

	Year ended 31 December 2014 \$'000	Year ended 31 December 2015 \$'000	Year ended 31 December 2016 \$'000
Automobile	316	389	776
Employees and benefits	1,305	2,047	4,496
Insurance	135	240	162
Well operating expenses	1,803	1,575	7,333
<b>Total cost of sales</b>	<b>3,559</b>	<b>4,251</b>	<b>12,767</b>
Depreciation	226	309	756
Depletion	1,934	3,079	3,283
<b>Total depreciation and depletion</b>	<b>2,160</b>	<b>3,388</b>	<b>4,039</b>
Acquisition costs	—	293	838
Employees and benefits	169	169	713
Other administrative	191	190	301
Professional fees	341	205	272
Auditors' remuneration			
Audit of parent	—	31	34
Audit of group	40	38	247
Total Auditors' remuneration	40	69	281
Other fees payable to auditors	151	9	42
Rent	79	81	93
<b>Total administrative expenses</b>	<b>971</b>	<b>1,016</b>	<b>2,540</b>
<b>Total expenses</b>	<b>6,690</b>	<b>8,655</b>	<b>19,346</b>



	Year ended 31 December 2014 \$'000	Year ended 31 December 2015 \$'000	Year ended 31 December 2016 \$'000
<b>Staff costs</b>			
<b>Aggregate remuneration (including Directors):</b>			
Wages and salaries	1,120	1,723	3,871
Payroll taxes	103	150	278
Benefits	251	343	1,060
Total employees and benefits expense	<u>1,474</u>	<u>2,216</u>	<u>5,209</u>

The average monthly number of employees was as follows:

<u>32</u>	<u>39</u>	<u>74</u>
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Wages and salaries in the year ended 31 December 2016 reflect an equity grant of \$340,000, the addition of the Group's two principal shareholders' salaries in the fourth quarter of 2016 and the inclusion of one-time retention salaries related to the Eclipse acquisition transition.

## 9. Taxation

For taxable year ending 31 December 2016, all of the Group's subsidiaries lost their pass-through tax status, are subject to U.S. federal and state income tax and began filing a consolidated US federal income state tax return and separate company state tax returns due to the 2015 share contribution. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between the basis of assets and liabilities for financial and income tax reporting.

The provision for income taxes in the Statements of Comprehensive Income are summarized below:

	Year ended 31 December 2014 \$'000	Year ended 31 December 2015 \$'000	Year ended 31 December 2016 \$'000
<b>Current income tax expense</b>			
Federal	—	—	—
State	—	—	—
<b>Total current income tax expense</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Deferred income tax expense</b>			
Federal	—	—	13,168
State	—	—	1,661
<b>Total deferred income tax expense</b>	<u>—</u>	<u>—</u>	<u>14,829</u>
<b>Total income tax expense</b>	<u>—</u>	<u>—</u>	<u>14,829</u>

The components of the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	<b>2016</b>	
	<b>\$'000</b>	<b>%</b>
Expected tax at statutory US Federal income tax rate	11,054	34.0%
Increase (decrease) in tax resulting from:		
State income taxes, net of federal tax benefit	258	0.8%
Book income of acquisitions prior to acquisition date	(7,968)	(24.5%)
Prior year effect of change in tax status for tax year 2016	11,342	34.9%
Other – net	144	0.4%
	<b>14,829</b>	<b>45.6%</b>

As a result of the Company's primary two shareholders contributing their capital stock to Diversified Gas & Oil Corporation, the Group's subsidiaries lost their pass-through status (see Note 2 to the Group Financial Information). The deferred tax liability related to temporary differences at the date of the share transfer was established through a charge of \$11,342,000 to the income tax provision for the year ended 31 December 2016.

At 31 December 2016, the Group had available \$4.4 million in estimated unused federal and state net operating loss carryforwards that may be applied against future taxable income and that expire through 2036.

The components of the net deferred income tax liability included in noncurrent liabilities are as follows:

	<b>As at 31 December 2014 \$'000</b>	<b>As at 31 December 2015 \$'000</b>	<b>As at 31 December 2016 \$'000</b>
<b>Deferred tax assets</b>			
Decommissioning provision, asset	—	—	4,696
Derivative adjustment	—	—	360
Net operating loss carryforward	—	—	1,677
<b>Total deferred tax assets</b>	<b>—</b>	<b>—</b>	<b>6,733</b>
<b>Deferred tax liabilities</b>			
Depreciation	—	—	(21,562)
Foreign currency translation adjustment	—	—	(319)
<b>Total deferred tax liabilities</b>	<b>—</b>	<b>—</b>	<b>(21,881)</b>
<b>Net deferred tax liability</b>	<b>—</b>	<b>—</b>	<b>(15,148)</b>

For US Federal tax purposes, the Group is taxed as one consolidated entity, which includes the Company. The Company is subject to additional taxes in its home jurisdiction of the UK. For the years ended 31 December 2016, 2015 and 2014, the Company did not incur any income tax liability in the UK.

#### **10. Potential initial public offering charges**

Beginning in the year ended 31 December 2014, the Company explored the potential of an initial public offering. Costs associated with the potential initial public offering included professional fees paid to legal counsel, accountants, and financial advisers, totaling \$576,000. During the year ended 31 December 2015, the Directors concluded that due to a low commodity pricing environment it was more favorable to pursue debt financing through a bond market which resulted in all accumulated costs being expensed.

During the year ended 31 December 2016, included in other current assets is \$755,000 related to costs incurred for the Company's placing and admission to AIM that was completed on 3 February 2017. This amount was charged to Share Based Payment Reserve in February 2017.

## 11. Oil and gas properties

	<u>\$'000</u>
Cost at 1 January 2014	36,734
Additions	5,946
Disposals	(153)
<b>Cost at 31 December 2014</b>	<b>42,527</b>
Additions	14,472
Disposals	(340)
<b>Cost at 31 December 2015</b>	<b>56,659</b>
Additions	41,077
Disposals	(3,128)
<b>Cost at 31 December 2016</b>	<b>94,608</b>
Accumulated depletion and impairment at 1 January 2014	(9,711)
Charge for the year	(1,846)
Disposals	86
<b>Accumulated depletion and impairment at 31 December 2014</b>	<b>(11,471)</b>
Charge for the year	(3,079)
Disposals	244
<b>Accumulated depletion and impairment at 31 December 2015</b>	<b>(14,306)</b>
Charge for the year	(3,553)
Disposals	44
<b>Accumulated depletion and impairment at 31 December 2016</b>	<b>(17,815)</b>
<b>Net book value at 31 December 2014</b>	<b>31,056</b>
<b>Net book value at 31 December 2015</b>	<b>42,353</b>
<b>Net book value at 31 December 2016</b>	<b>76,793</b>

Producing property depletion, drilling cost depreciation and the amortization of intangible drilling costs have been charged to depreciation for the year ended 31 December 2016 in the amount of \$3,553,000 (2015: \$3,079,000, 2014: \$1,846,000).

As at 31 December 2015 and 2014, the net book value of oil and gas properties includes immaterial amounts of development assets under construction which are not being depleted.

## 12. Property and equipment

	Land, buildings, leasehold improvements \$'000	Automobiles \$'000	Other property and equipment \$'000	Total \$'000
Cost at 1 January 2014	384	718	697	1,799
Additions	—	240	276	516
Disposals	—	—	(9)	(9)
<b>Cost at 31 December 2014</b>	<b>384</b>	<b>958</b>	<b>964</b>	<b>2,306</b>
Additions	428	347	441	1,216
Disposals	—	(10)	(7)	(17)
<b>Cost at 31 December 2015</b>	<b>812</b>	<b>1,295</b>	<b>1,398</b>	<b>3,505</b>
Additions	291	986	515	1,792
Disposals	—	—	(74)	(74)
<b>Cost at 31 December 2016</b>	<b>1,103</b>	<b>2,281</b>	<b>1,839</b>	<b>5,223</b>
Accumulated depreciation at 1 January 2014	(23)	(349)	(497)	(869)
Charge for the year	(6)	(140)	(80)	(226)
Disposals	—	—	—	—
<b>Accumulated depreciation at 31 December 2014</b>	<b>(29)</b>	<b>(489)</b>	<b>(577)</b>	<b>(1,095)</b>
Charge for the year	(10)	(170)	(129)	(309)
Disposals	—	8	1	9
<b>Accumulated depreciation at 31 December 2015</b>	<b>(39)</b>	<b>(651)</b>	<b>(705)</b>	<b>(1,395)</b>
Charge for the year	(19)	(286)	(181)	(486)
Disposals	—	—	6	6
<b>Accumulated depreciation at 31 December 2016</b>	<b>(58)</b>	<b>(937)</b>	<b>(880)</b>	<b>(1,875)</b>
<b>Net book value at 31 December 2014</b>	<b>355</b>	<b>469</b>	<b>387</b>	<b>1,211</b>
<b>Net book value at 31 December 2015</b>	<b>773</b>	<b>644</b>	<b>693</b>	<b>2,110</b>
<b>Net book value at 31 December 2016</b>	<b>1,045</b>	<b>1,344</b>	<b>959</b>	<b>3,348</b>

## 13. Business acquisitions

The assets acquired in all acquisitions include the necessary permits, rights to production, royalties, contracts and agreements that support the production from the wells. The acquisitions have been accounted for as a business acquisition under IFRS 3. See note 4(a) to the Group Financial Information, detailing the valuation of intangible oil and gas assets on acquisition.

The acquisitions gave rise to bargain purchases due to the prevailing market conditions in the Appalachian Basin, the context of global oil and gas prices and a change in the operational focus of the sellers compelling these sellers to divest of their conventional oil and gas assets.

### Eclipse Resources acquisition

In April 2016, the Group acquired 1,300 conventional natural gas and oil wells in Ohio and equipment from Eclipse Resources. The purchase consideration totaling \$4,800,000, comprising cash of \$1,300,000 and a short-term note payable of \$3,500,000. The Directors considered the fair value of the reserves held in the assets acquired to be \$11,774,000, which was the 30% cumulative cash flow discount reserve valuation

derived from a third-party engineer at the time of purchase. The estimated fair values of the assets and liabilities assumed were as follows:

	<u>\$'000</u>
Oil and gas properties	11,774
Oil and gas properties (decommissioning provision, asset portion)	2,443
Equipment	757
Decommissioning liability	(2,443)
Other liabilities, long term (suspended royalties and customer deposits)	(89)
Gain on bargain purchase	<u>(7,642)</u>
<b>Purchase price</b>	<b><u><u>4,800</u></u></b>

The assets acquired generated \$5,400,000 to the Group's revenues during the year ended 31 December 2016 (2015: \$nil, 2014: \$nil).

#### **Seneca Resources Corporation acquisition**

In June 2016, the group acquired 2,200 conventional natural gas and oil wells in Pennsylvania from Seneca Resources Corporation. The purchase consideration comprised of cash financed by a short-term note payable of \$3,600,000 and an interest free obligation to the seller of \$3,500,000. The Directors considered the value of the reserves held in the assets acquired was \$23,620,000 which approximated the 35% cumulative cash flow discount reserve valuation derived from a third-party engineer at the time of purchase. The estimated fair values of the assets and liabilities assumed were as follows:

	<u>\$'000</u>
Oil and gas properties	23,620
Oil and gas properties (decommissioning provision, asset portion)	4,249
Decommissioning liability	(4,249)
Gain on bargain purchase	<u>(16,570)</u>
<b>Purchase price</b>	<b><u><u>7,050</u></u></b>

The assets acquired generated \$3,200,000 to the Group's revenues during the year ended 31 December 2016 (2015: \$nil, 2014: \$nil).

#### **Broadstreet Energy acquisition**

In July 2015, the group acquired 732 conventional natural gas and oil wells in Ohio from Broadstreet Energy. The purchase consideration totaling \$2,600,000, comprising cash of \$600,000 and a short-term note payable of \$2,000,000. The Directors considered the fair value of the reserves held in the assets acquired to be \$3,253,000, which was the 10% cumulative cash flow discount reserve valuation derived from a third-party engineer at the time of purchase. The estimated fair values of the assets and liabilities assumed were as follows:

	<u>\$'000</u>
Oil and gas properties	3,253
Oil and gas properties (decommissioning provision, asset portion)	2,919
Decommissioning liability	(2,919)
Gain on bargain purchase	<u>(653)</u>
<b>Purchase price</b>	<b><u><u>2,600</u></u></b>

Subsequent to the initial recording, the decommissioning provision and liability have both been reduced by \$1.3 million (see Note 6 to the Group Financial Information).

The assets acquired generated \$1,800,000 to the Group's revenues in the year ended 31 December 2016 (2015: \$749,000, 2014: \$nil).

#### **Texas Keystone, Inc. acquisition**

In November 2015, the Group acquired 1,709 conventional natural gas and oil wells and two buildings in Pennsylvania and West Virginia, equipment and automobiles from Texas Keystone, Inc. The purchase consideration comprised of a short-term payable of \$725,000. The Directors considered the value of the reserves held in the assets acquired to be \$5,728,000 which was the 30% cumulative cash flow discount reserve valuation derived from a third-party engineer at the time of purchase. The estimated fair values of the assets and liabilities assumed were as follows:

	<u>\$'000</u>
Oil and gas properties	5,728
Oil and gas properties (decommissioning provision, asset portion)	2,178
Buildings	428
Equipment	380
Automobiles	282
Capital lease obligation	(164)
Decommissioning liability	(2,178)
Gain on bargain purchase	(5,929)
	<u>725</u>
<b>Purchase price</b>	<b><u>725</u></b>

Subsequent to the initial recording, the decommissioning provision and liability have both been reduced by \$657,000 (see Note 6 to the Group Financial Information).

The assets acquired generated \$4,000,000 to the Group's revenues during the year ended 31 December 2016 (2015: \$1,100,000, 2014: \$nil).

#### **Fund 1 DR, LLC**

In September 2014, the Group completed the business combination to purchase the issued share capital of Fund 1 DR, LLC. The purchase consideration comprised cash of \$4,300,000. The Directors considered the fair market value of the assets acquired to be \$5,214,000. As a result, the Group recorded a bargain purchase adjustment of \$914,000. The acquisition has been accounted for as a business acquisition under IFRS 3. The estimated fair values of the assets and liabilities assumed were as follows:

	<u>\$'000</u>
Cash and cash equivalents	23
Oil and gas properties	5,140
Oil and gas properties (decommissioning provision, asset portion)	641
Property and equipment	261
Trade and other payables	(210)
Decommissioning liability	(641)
Gain on bargain purchase	(914)
	<u>4,300</u>
<b>Purchase price</b>	<b><u>4,300</u></b>

The assets acquired generated \$1.1 million to the Group's revenues during the year ended 31 December 2016 (2015: \$1,200,000, 2014: \$1,100,000).

#### 14. Restricted cash

Restricted cash is cash held on deposit and restricted in use by state governmental agencies to be utilized and drawn upon by those state agencies if the operator should abandon any wells. These deposit requirements are different by state.

	As at 31 December 2014 \$'000	As at 31 December 2015 \$'000	As at 31 December 2016 \$'000
Restricted cash	90	115	117

#### 15. Trade receivables

	As at 31 December 2014 \$'000	As at 31 December 2015 \$'000	As at 31 December 2016 \$'000
Trade receivables	1,151	1,345	3,084

All trade receivables are currently due and the Directors believe these receivables to be collectible.

#### 16. Derivative financial instruments

The following table summarizes the Group's derivative agreements and calculated fair value of such agreements:

Contract Type	Remaining Volumes	Ending Month	Swap Price	Floor Price	Short Put Price	Ceiling Price	Mark to Market		
							2014	2015	2016
							\$'000	\$'000	\$'000
<b>Natural Gas Derivatives</b>									
Swap	—	Dec 2015	\$4.46	—	—	—	(21)	—	—
Swap	—	Jun 2016	\$2.39	—	—	—	—	(88)	—
Swap	535,000	Oct 2017	\$3.38	—	—	—	—	—	(99)
	MMBTUs								
Two-Way Collar	—	Sep 2015	—	\$3.00	—	\$4.00	17	—	—
Two-Way Collar	270,000	Mar 2017	—	\$3.35	—	\$3.87	—	—	(15)
	MMBTUs								
Two-Way Collar	225,000	Mar 2017	—	\$3.25	—	\$3.81	—	—	(20)
	MMBTUs								
Two-Way Collar	152,500	Dec 2017	—	\$3.25	—	\$3.75	—	—	(24)
	MMBTUs								
Three-Way Collar	1,642,500	Dec 2017	—	\$2.50	\$3.00	\$3.48	—	—	(470)
	MMBTUs								
Three-Way Collar	1,237,000	Dec 2017	—	\$2.80	\$3.30	\$3.37	—	—	(156)
	MMBTUs								
<b>Crude Oil Derivatives</b>									
Swap	—	Dec 2014	\$88.45	—	—	—	47	—	—
Swap	—	Mar 2015	\$91.70	—	—	—	227	—	—
Swap	—	Jun 2015	\$89.60	—	—	—	203	—	—
Swap	—	Sep 2015	\$91.40	—	—	—	202	—	—
Swap	—	Dec 2015	\$90.07	—	—	—	183	105	—
Two-Way Collar	—	Sep 2015	—	\$55.00	—	\$70.75	18	—	—
Two-Way Collar	7,600	Dec 2016	—	\$43.00	—	\$52.00	—	—	(1)
Two-Way Collar	60,955	Dec 2017	—	\$50.00	—	\$58.70	—	—	(68)
Three-Way Collar	45,600	Dec 2017	—	\$37.00	\$47.00	\$59.00	—	—	(86)
	BBLs								
<b>Total derivative financial instrument</b>							<b>876</b>	<b>17</b>	<b>(939)</b>

The fair values of the natural gas derivative contracts are valued at the NYMEX Henry Hub Final Settlement index at the last trading day of each month.



The fair values of the crude oil derivative contracts are valued at the monthly average of the NYMEX – WTI Futures index.

The closed monthly settlements and the change in the fair value of all derivative agreements from period to period are recorded together in the Statement of Comprehensive Income.

#### 17. (Loss)/earnings per Ordinary Share

The calculation for earnings per share (basic and diluted) for the relevant year is based on the comprehensive income/(loss) after income tax attributable to equity holders for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 as follows:

	Year ended 31 December 2014 \$'000	Year ended 31 December 2015 \$'000	Year ended 31 December 2016 \$'000
(Loss)/income after taxation	(235,000)	(413,000)	17,682,000
Weighted average number of Ordinary Shares	40,000,000	40,100,000	42,010,690
<b>Earnings per Ordinary Share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ 0.42</b>

Diluted loss per Ordinary Share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of other equity instruments. There were no potentially dilutive Ordinary Shares in issue as at 31 December 2016 (2015: nil, 2014: nil).

#### 18. Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure, which is of particular interest to the industry and the Directors, as it is essentially the cash generated from operations that the Group has free for interest payments and capital investment. Adjusted EBITDA should not be considered as an alternative to operating profit/(loss), comprehensive income, cash flow from operating activities or any other financial performance or liquidity measure presented in accordance with IFRS. Adjusted EBITDA is a non-IFRS financial measure that is defined as comprehensive income/(loss) plus or minus:

- finance costs, including accrued finance costs and deferred financing costs;
- depreciation and depletion
- gain on bargain purchase;
- net gains or losses on the valuation of commodity derivative contracts;
- net gains or losses on foreign currency translation;
- net gains or losses on disposal of property and equipment;
- acquisition related costs
- other material non-cash costs

	Year ended 31 December 2014 \$'000	Year ended 31 December 2015 \$'000	Year ended 31 December 2016 \$'000
Operating profit	2,666	4,631	22,450
Gain on bargain purchase	(914)	(6,582)	(24,293)
Loss/(gain) on disposal of property and equipment	7	2	(34)
Fair value movement on open derivatives	(582)	859	957
Depreciation and depletion	2,160	3,388	4,039
Non-cash equity grant included in administrative expenses	—	—	340
Acquisition costs	—	293	838
<b>Adjusted EBITDA</b>	<b>3,337</b>	<b>2,591</b>	<b>4,297</b>

## 19. Share capital

	Note	Number of shares	Total share capital
			\$'000
Balance as of 1 January 2014		40,000,000	611
<b>Balance as of 31 December 2014</b>		<b>40,000,000</b>	<b>611</b>
Issuance – Martin Thomas	(a)	1,200,000	19
<b>Balance as of 31 December 2015</b>		<b>41,200,000</b>	<b>630</b>
Issuance – Martin Thomas	(b)	800,000	12
Issuance – Bradley Gray	(c)	2,210,481	27
<b>Balance as of 31 December 2016</b>		<b>44,210,481</b>	<b>669</b>

- (a) Effective 2 December 2015, the Company issued 1,200,000 Ordinary Shares of £0.01 each to Martin Thomas.
- (b) Effective 1 July 2016, the Company issued 800,000 Ordinary Shares of £0.01 each to Martin Thomas.
- (c) Effective 24 October 2016, the Company issued 2,210,481 Ordinary Shares £0.01 each to Bradley Gray as non-cash salary compensation. These Ordinary Shares are subject to a vesting schedule over three years.

## 20. Stockholder contributions and distributions pre-Group reconstruction

	Note	Year ended 31 December 2014 \$'000	Year ended 31 December 2015 \$'000	Year ended 31 December 2016 \$'000
<b>Stockholder contributions</b>				
Cash from Robert Hutson, Jr. and Robert Post	(a)	554	1,296	—
<b>Stockholder distributions</b>				
Cash to Robert Hutson, Jr. and Robert Post		851	2,399	956
M&R Investments Ohio, LLC Member	(b)	608	—	—
Related party receivable write off to equity	(c)	1,141	—	—
		<b>2,600</b>	<b>2,399</b>	<b>956</b>

- (a) Stockholder contributions are injections of working capital provided by stockholders. These contributions have no conditions and are distributable, therefore they have been recognized directly to retained earnings.
- (b) Brian Cooper owned 6% of M&R Investments Ohio, LLC and was bought out during the year ended 31 December 2014.
- (c) As part of the conversion from tax basis of accounting to an IFRS basis of accounting, the Directors chose to write off an accumulation of unreconciled related party balances as a distribution to stockholders during the year ended 31 December 2014. The balances had accumulated since inception and the stockholders had no repayment terms.

## 21. Decommissioning liability

The Group's decommissioning liability represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2046, which is when the producing oil and gas properties, on average, are expected to cease operations. These provisions have been created based on the Directors' estimates. Assumptions are based on the current economic environment and the Directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions (see Note 6 to the Group Financial Information). Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required. The timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates.

The discount rate used in the calculation of the decommissioning liability as at 31 December 2016 was 8.0% (2015: 8.0%, 2014: 8.0%).

The cost of inflation rate used in the calculation of the decommissioning liability as at 31 December 2016 was 3.0% (2015: 3.0%, 2014: 3.0%).

	<b>\$'000</b>
Liability at 1 January 2014	2,651
Additions	645
Accretion	170
<b>Liability at 31 December 2014</b>	<b>3,466</b>
Additions	5,377
Accretion	366
Disposals	(340)
<b>Liability at 31 December 2015</b>	<b>8,869</b>
Additions	5,457
Accretion	797
Disposals	(4)
Change of estimate effect (See Note 6 to the Group Financial Information)	(2,854)
<b>Liability at 31 December 2016</b>	<b>12,265</b>

## 22. Borrowings

Borrowings as at 31 December 2016, 31 December 2015 and 31 December 2014 consist of the following amounts:

	As at 31 December 2014 \$'000	As at 31 December 2015 \$'000	As at 31 December 2016 \$'000
Financing companies and institutions, with interest rates ranging from 4.19% to 9.29%, maturing March 2015 through to October 2020, secured by automobiles.	359	305	277
Financial institution, with interest rate of 3.25%, matured December 2016, secured by oil and gas assets. In Q1 2017, paid in full with IPO proceeds.	16,218	16,218	15,768
Note payable – unsecured revolving line of credit of up to \$50,000, with a rate of 9.99%, with an annual renewal term.	46	33	11
Note payable, mezzanine lender, with interest rate of 12.00%, maturing January 2018, secured by a lien on oil and gas assets.	14,771	14,771	—
Financial institution, with interest rates ranging from 5.00%-6.90%, maturing July 2017 through to December 2020, secured by buildings.	137	113	88
Note payable – financial institution, with interest rate of 4.00%, matured August 2016, secured by oil and gas properties. In Q1 2017, paid in full with IPO proceeds.	3,800	3,285	3,165
Note payable – individual, with interest of 6.00%, maturing March 2016, unsecured.	500	420	220
Notes payable – individuals, with interest of 8.00%, maturing September 2017, unsecured.	143	116	98
Note payable – unsecured revolving line of credit of up to \$1,000,000, with a rate of Wall Street Journal Prime Rate plus 2.00% rounded to the nearest 0.125%, having a floor of 6.00% and a ceiling of 18.00%, with an annual renewal term.	104	17	659
Note payable – business institution, no interest rate, matured, remaining balance owed on building properties acquired, unsecured	—	725	—
Note payable – financial institution, with interest rate of Wall Street Journal Prime Rate plus 0.50%, maturing July 2017, secured by oil and gas properties.	—	2,000	2,000
Bonds payable – individuals and institutional investors, with interest of 8.5%, maturing June 2020, unsecured. In Q1 2017, 99% of bonds were repaid with IPO proceeds	—	6,375	13,928
Notes payable – financing companies, with interest rates ranging from 10%-12%, maturing September 2016 through to November 2016, secured by oil and gas properties. In Q1 2017, paid in full with IPO proceeds.	—	—	4,750
Notes payable – individuals, with interest of 8.5%, maturing September 2016, unsecured	—	—	236
Note payable – business institution, no interest rate, matured, remaining balance owed on acquisition post-closing settlements, unsecured	—	—	139
<b>Total Borrowings</b>	<b>36,078</b>	<b>44,378</b>	<b>41,339</b>

For all borrowings with maturities prior to 31 December 2016, the Group received waivers or consents from the respective lenders.

Borrowings payable as at each of 31 December 2016, 31 December 2015 and 31 December 2014 consist of the following:

	<b>As at 31 December 2014 \$'000</b>	<b>As at 31 December 2015 \$'000</b>	<b>As at 31 December 2016 \$'000</b>
Total borrowings	36,078	44,378	41,339
Less current portion of long-term debt	(20,806)	(22,821)	(27,181)
Less deferred financing costs (see below)	(1,713)	(2,367)	(4,045)
Plus accrued finance costs (see below)	—	925	—
<b>Total non-current borrowings, net</b>	<b>13,559</b>	<b>20,115</b>	<b>10,113</b>

During the year ended 31 December 2015, the mezzanine lender had introduced settlement terms which were finalized in March 2016. Outstanding borrowings of \$14,800,000 and accrued finance charges of \$925,000 were settled in exchange for an immediate payment of \$950,000. The remaining balance, net of expenses, is recognized as a gain on debt settlement totaling \$14,100,000.

Deferred financing costs as at 31 December 2016, 31 December 2015 and 31 December 2014 consist of the following amounts:

	<b>\$'000</b>
Deferred financing costs at 1 January 2014	1,440
Additions	738
Charge	(465)
Deferred financing costs at 31 December 2014	1,713
Additions	1,439
Charge	(402)
Potential initial public offering cost expensed (see note 10 to the Group Financial Information)	(392)
Foreign currency translation adjustment	9
Deferred financing costs at 31 December 2015	2,367
Additions	3,165
Acceleration of charge at debt payoff	(336)
Charge	(825)
Foreign currency translation adjustment	(326)
<b>Deferred financing costs at 31 December 2016</b>	<b>4,045</b>

Subsequent to 31 December 2016, all deferred financing costs were expensed when applicable borrowings were paid in full with the proceeds from the Company's placing and admission to AIM.

Future maturities of the long-term notes payable as of 31 December 2016, 31 December 2015 and 31 December 2014 are as follows:

	<b>As at 31 December 2014 \$'000</b>	<b>As at 31 December 2015 \$'000</b>	<b>As at 31 December 2016 \$'000</b>
Not later than one year	20,806	22,821	27,181
Later than one year and not later than five years	15,272	21,557	14,158
Later than five years	—	—	—
	<b>36,078</b>	<b>44,378</b>	<b>41,339</b>

### 23. Leases

The Group leased automobiles, equipment and real estate under both operating and capital leases as of 31 December 2016, 31 December 2015 and 31 December 2014. A summary of this activity is as follows:

#### (a) Capital leases

Through an acquisition in the year ended 31 December 2015, the Group acquired existing finance lease obligations for automobiles. The net book value of these assets financed with these leases as of 31 December 2016 was \$556,000 (2015: \$254,000, 2014: \$nil). The interest rate is 5.50%, maturing in January 2017 through to November 2020.

Future minimum lease payments associated with capital leases as at 31 December 2016 were as follows:

	<b>\$'000</b>
Not later than one year	169
Later than one year and not later than five years	274
Later than five years	—
Total minimum lease payments	443
Less amount representing interest	(39)
Present value of minimum lease payments	<b>404</b>

Future minimum lease payments associated with capital leases as at 31 December 2015 were as follows:

	<b>\$'000</b>
Not later than one year	115
Later than one year and not later than five years	58
Later than five years	—
Total minimum lease payments	173
Less amount representing interest	(15)
Present value of minimum lease payments	<b>158</b>

There were no capital leases as at 31 December 2014.

**(b) Operating leases**

The Group leases both equipment and real estate under leases classified as operating, under multi-year agreements. During the year ended 31 December 2016, total expense under operating leases was \$126,000 (2015: \$85,000, 2014: \$82,000).

Future minimum lease payments associated with operating leases with original terms of greater than one year as at 31 December 2016 were as follows:

	<u>\$'000</u>
Not later than one year	123
Later than one year and not later than five years	410
Later than five years	<u>1,466</u>
Total future minimum lease payments	<u><u>1,999</u></u>

Future minimum lease payments associated with operating leases with original terms of greater than one year as at 31 December 2015 were as follows:

	<u>\$'000</u>
Not later than one year	91
Later than one year and not later than five years	24
Later than five years	<u>—</u>
Total future minimum lease payments	<u><u>115</u></u>

Operating leases between related parties are detailed at Note 28 to the Group Financial Information.

**24. Trade and other payables**

	<u>As at 31 December 2014 \$'000</u>	<u>As at 31 December 2015 \$'000</u>	<u>As at 31 December 2016 \$'000</u>
Trade payables	2,498	1,610	3,439
Other payables and accruals	<u>854</u>	<u>139</u>	<u>1,188</u>
	<u><u>3,352</u></u>	<u><u>1,749</u></u>	<u><u>4,627</u></u>

**25. Fair value**

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal marked (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Directors utilize valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. IFRS 13 "Fair Value Measurement" establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs (other than quoted prices included in Level 1) can include the following:

- observable prices in active markets for similar assets;
- prices for identical assets in markets that are not active;

- directly observable market inputs for substantially the full term of the asset; and
- market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3: Unobservable inputs which reflect the Director's best estimates of what market participants would use in pricing the asset at the measurement date.

The Group does not hold derivatives for speculative or trading purposes and the derivative contracts held by the Group do not contain any credit-risk related contingent features. The Directors have not elected to apply hedge accounting to derivative contracts.

Netting the fair values of derivative assets and liabilities for financial reporting purposes is permitted if such assets and liabilities are with the same counterparty and a legal right of set-off exists, subject to a master netting arrangement. The Directors have elected to present derivative assets and liabilities net when these conditions are met. When derivative assets and liabilities are presented net, the fair value of the right to reclaim collateral assets (receivable) or the obligation to return cash collateral (payable) is also offset against the net fair value of the corresponding derivative. As at each of 31 December 2016, 31 December 2015 and 31 December 2014, there were no collateral assets or liabilities associated with derivative assets and liabilities.

Derivatives expose the Group to counterparty credit risk. The derivative contracts have been executed under master netting arrangements which allow the Group, in the event of default by its counterparties, to elect early termination. The Directors monitor the creditworthiness of the Group's counterparties but are not able to predict sudden changes and hence may be limited in their ability to mitigate an increase in credit risk.

Possible actions would be to transfer the Group's positions to another counterparty or request a voluntary termination of the derivative contracts, resulting in a cash settlement in the event of non-performance by the counterparty. For each of the fiscal years ended 31 December 2016, 31 December 2015 and 31 December 2014, the counterparties for all of the Group's derivative financial instruments were lenders under formal credit agreements.

The derivative instruments consist of non-financial instruments considered normal purchases and normal sales. As such, significant fair values inputs can generally be verified and do not typically involve significant judgments of the Directors (Level 2 inputs).

For recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (ex: changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it.

All financial instruments measured at fair value use Level 2 valuation techniques for the each of the years ended 31 December 2016, 31 December 2015 and 31 December 2014.

Level 2 fair value measurements are those including inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. The fair value of the swap commodity derivatives is calculated using a discounted cashflow model and the fair value of the option commodity derivatives are calculated using a relevant option pricing model, which are calculated from relevant market prices and yield curves at the balance sheet date and are therefore based solely on observable price information. These instruments are not directly quoted in active markets and are accordingly classified as Level 2 in the fair value hierarchy.

There have been no transfers between fair value levels during the reporting year.



## Classification of financial instruments

	As at 31 December 2014 \$'000	As at 31 December 2015 \$'000	As at 31 December 2016 \$'000
<b>Financial assets</b>			
Loans and receivable financial assets	1,151	1,345	3,084
Fair value through profit or loss	876	17	—
	<u>2,027</u>	<u>1,362</u>	<u>3,084</u>
<b>Financial liabilities</b>			
Borrowings, net of deferred financing costs	34,365	42,936	37,294
Trade and other payables	3,352	1,749	4,627
Fair value through profit or loss	—	—	939
	<u>37,717</u>	<u>44,685</u>	<u>42,860</u>

## 26. Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise of borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Director oversee these risks. All derivative activities for risk management purposes are carried out by a contracted specialist company that has the appropriate skills and experience for complex financial contracts and risk management techniques.

### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of two types of risk: interest rate risk and commodity price risk. Financial instruments affected by market risk include borrowings and derivative financial instruments.

### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with a senior credit facility, which has floating interest rates. All other material borrowings have fixed rates of interest.

An interest rate swap, which is designed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount is a way to mitigate interest rate risk. As at 31 December 2016, the Directors have elected not to enter an interest rate swap (2015: none, 2014: none).

### (c) Commodity price risk

The Group is affected by the price volatility of the natural gas and oil commodities. A material part of the Group's revenue is derived from the sale of natural gas and crude oil. The impact of the Group's hedge portfolio is recognized on a monthly basis in the Statement of Comprehensive Income. Due to the volatility of the price of natural gas and oil, the Group has entered into various direct purchase contracts with gas purchasers and has entered into various gas and oil financial contracts with BP Energy Company.

The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on petroleum exchanges and keep options and swaps in place for 12-24 months in advance to minimize commodity risk and create stabilized and predictable cash flow.

**(d) Credit risk**

Credit risk is the risk that a counter party will not meet its obligations under a contract, leading to a financial loss. The credit risk from its liquid funds is limited because the counter parties are banks with high credit ratings and have not experienced any losses in such accounts. The Group's credit risk is primarily attributable to its operating activities and its trade receivables.

**(e) Trade receivables**

The amount of trade receivables presented in the Statement of Financial Position is net of allowance for doubtful receivables. Trade receivables are due from customers throughout the oil and natural gas industry. Although diversified among many companies, collectability is dependent on the financial condition of each individual company as well as the general economic conditions of the industry. The Group reviews the financial condition of customers prior to extending credit and generally does not require collateral in support of their trade receivables.

Receivables from joint interest owners, classified in other non-current assets, are generally with other oil and natural gas companies that own a working interest in the properties operated by the Group. The Group has the ability to withhold future revenue payments to recover any non-payment of joint interest receivables.

The aging analysis of trade receivables is as follows:

	<b>Total, neither past due nor impaired</b>
	<b>_____</b>
	<b>\$'000</b>
Trade receivables less than one month old at 31 December:	
2014	1,151
2015	1,345
2016	3,084

There were four customers that individually accounted for more than 10% of total receivables, totaling 63% of total trade receivables at 31 December 2016 (2015: 8 customers, 83%, 2014: 5 customers, 86%).

**(f) Liquidity risk**

Liquidity risk arises from the Directors' management of working capital and the finance charges and principal repayments on its borrowings. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they become due.

The Directors' objective is to maintain a balance between continuity of funding and flexibility through the use of operational receivables and bank borrowings. The Directors manage liquidity risk by continuously monitoring 90-day financial projections and actual cash flows. The Directors assess debt maturing within 12 months and is typically able to access sources of funding with existing lenders.

For the year ended 31 December 2016:

	<b>Less than 3 months \$'000</b>	<b>3 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>&gt; 5 years \$'000</b>	<b>Total \$'000</b>
Trade and other payables	3,719	908	—	—	4,627
Borrowings	24,982	2,199	10,113	—	37,294
Capital Lease	36	112	295	—	443
Other liabilities	967	4,616	414	—	5,997
	<b>29,704</b>	<b>7,835</b>	<b>10,822</b>	<b>—</b>	<b>48,361</b>

For the year ended 31 December 2015:

	<b>Less than 3 months \$'000</b>	<b>3 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>&gt; 5 years \$'000</b>	<b>Total \$'000</b>
Trade and other payables	948	801	—	—	1,749
Borrowings	1,226	21,595	20,115	—	42,936
Capital Lease	29	86	58	—	173
Other liabilities	1,120	180	—	277	1,577
	<b>3,323</b>	<b>22,662</b>	<b>20,173</b>	<b>277</b>	<b>46,435</b>

For the year ended 31 December 2014:

	<b>Less than 3 months \$'000</b>	<b>3 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>&gt; 5 years \$'000</b>	<b>Total \$'000</b>
Trade and other payables	2,540	812	—	—	3,352
Borrowings	16,883	3,923	13,536	23	34,365
Other liabilities	2	290	—	302	594
	<b>19,425</b>	<b>5,025</b>	<b>13,536</b>	<b>325</b>	<b>38,311</b>

**(g) Capital risk**

The Directors' objectives when managing capital are to safeguard the ability to continue as a going concern while pursuing opportunities for growth through identifying and evaluating potential acquisitions and constructing new infrastructure on existing proved leaseholds. The Directors define capital as Shareholders' equity, excluding share capital and merger reserve, totaling \$8,658,000 as at 31 December 2016 (2015: \$(8,969,000), 2014: \$(7,470,000)). The Company is not subject to any externally imposed capital requirements. The Directors do not establish a quantitative return on capital criteria, but rather promote year-over-year growth.

**(h) Collateral risk**

The Group has pledged its oil and gas properties to fulfill the collateral requirements for borrowing credit facilities with its senior secured lenders. The collective fair value of the oil and gas properties pledged was \$125,000,000 as at 31 December 2016. The fair value is based on a third-party engineering reserve calculation using a 10% cumulative discount cash flow and a commodities futures price schedule.

## 27. Contingencies and provisions

The Group is involved in various pending legal issues that have arisen in the normal course of business, none which are expected to have any material impact on the Group's financial position or results of operations.

The Group's operations are subject to environmental regulation in all the jurisdictions in which it operates. The Directors are unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect the Group's operations. There can be no assurance that such new environmental legislation, once implemented, will not oblige the Group to incur significant expenses and undertake significant investments.

## 28. Related Party Transactions

### (a) UK legal counsel

Martin Thomas is a partner at Watson Farley & Williams LLP, the UK legal advisor to the Company. The total billings from Watson Farley & Williams LLP to the Group totaled £418,000 (approximately \$588,000) for the year ended 31 December 2016 (2015: £184,000 or approximately \$281,000).

### (b) Office space lease

During the year ended 31 December 2016, the Group entered into a twenty-year lease for its corporate headquarters facility, commencing in 2017 with Diversified Real Estate Holdings, LLC, a company owned by Robert Hutson, Jr. and Robert Post. The Directors believe the terms of this lease are reasonable and reflect market rates for a facility of this type.

The future lease payments under this lease are as follows:

Lease year	Total annual rent
	<u>\$'000</u>
Years 1-5	465
Years 6-10	475
Years 11-15	490
Years 16-20	500
	<u>1,930</u>

## 29. Events after the reporting year

The Directors have performed an analysis of the activities and transactions subsequent to 31 December 2016 to determine the need for any adjustments to and/or disclosure of, within the Group Financial Information.

### (a) Placing and admission to AIM

In February 2017, the Company issued share capital was admitted to trading on AIM. The Company placed 61,000,000 new Ordinary Shares at £0.65 per Ordinary Share to raise \$50,000,000 (£39,700,000) (before expenses and admission costs). The funds raised were used for the repurchase of bonds, repayment of existing debt facilities, costs of admission and working capital requirements. As a result of the repayment of the numerous borrowings with proceeds from the placing, the \$4,000,000 charge of deferred financing cost was accelerated and fully expensed in February 2017.

### (b) Acquisitions

In April 2017, the Group acquired 1,300 conventional natural gas and crude oil wells in Ohio and Pennsylvania, equipment and automobiles from a larger Appalachian based producing company. The purchase consideration comprised of cash of \$1,800,000 met from the Company's existing cash resources. A provisional assessment of the value of these proved reserves on acquisition is produced, considering the discounted cash flows of production to a present value. The Directors use a discount ranging between 10% and 35% for such acquisitions, depending on the market conditions at the time of the transaction as well any additional risk factors arising in the particular transaction, in order to obtain a fair value estimate of oil and gas properties. The Directors plan to record the fair value of oil and gas

assets based on a present value discount factor of 35% with a resulting fair value of approximately \$6,000,000. The assets acquired in the acquisition included the necessary permits, rights to production, royalties, contracts and agreements that support the production from the wells.

**(c) Proposed acquisitions and AIM reverse takeover**

In May 2017, the Company entered a conditional sale and purchase agreement to acquire certain gas and oil assets of Titan Energy, LLC in the Appalachian Basin, principally in the states of Ohio, Pennsylvania, southern New York and northeast Tennessee. The acquisition would add 7,300 producing wells for purchase consideration of \$84,200,000, funded through a new term debt facility, and a proposed placing of new Ordinary Shares.

The acquisition will constitute a reverse takeover under the AIM Rules and accordingly trading in the Company's Ordinary Shares was suspended on 5 May 2017. An admission document, setting out full details of the Company and the proposed acquisition, is required to be published prior to trading being restored.

**30. Ultimate controlling party**

As at 31 December 2016, the Company did not have any one identifiable controlling party.

**31. Nature of the Group Financial Information**

The Group Financial Information presented above does not constitute statutory financial statements for the period under review.

## PART V

### (A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

Set out below is the unaudited *pro forma* statement of financial position of the Group as at 31 December 2016 and the *pro forma* statement of comprehensive income for the year then ended (together, the “Pro Forma Financial Information”). The Pro Forma Financial Information has been prepared on the basis set out in the notes below to illustrate the effects of:

- the net proceeds from the issue of the placing shares on the Company’s admission to AIM in February 2017;
- the repayment of the Group’s borrowings from the net proceeds of the placing shares on the Company’s admission to AIM in February 2017;
- the net proceeds from the issue of the Placing Shares at the Placing Price;
- the net proceeds from the drawdown of the Facility;
- the Acquisition;
- the repayment of the Group’s borrowings from the Placing Shares at the Placing Price; and
- the Admission

on the assets, equity and liabilities of the Group as at 31 December 2016 and on the earnings of the Group for the year then ended. The Pro Forma Financial Information has been prepared for illustrative purposes only. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Group’s actual financial position. It is based on the schedules used in preparing:

- the audited balance sheet of the Group as at 31 December 2016, which is reproduced in Part IV(B) “*Historical Financial Information of the Group*” of this Document; and
- the unaudited *pro forma* results for the year ended 31 December 2016 attributable to the Titan Wells, as provided by Titan and amended by the Directors.

Users should read the whole of this document and not rely solely on the summarised financial information contained in this Part IV(A) “*Unaudited Pro-Forma Financial Information*”.

The report on the Pro Forma Financial Information is set out in Part IV(B) “*Accountant’s Report on the Unaudited Pro Forma Financial Information*” of this document.

## Unaudited pro forma statement of financial position

	Group as at 31 December 2016 (Note 1) \$'000	Adjustment Receipt of net placing proceeds from the AIM admission (Note 2) \$'000	Adjustment Repayment of borrowings (Note 3) \$'000	Adjustment Acquisition of Titan Wells (Note 4) \$'000	Adjustment Draw down of Facility (Note 5) \$'000	Adjustment Placing (Note 6) \$'000	Adjustment Repayment of borrowings and liabilities (Note 7) \$'000	Unaudited Pro forma balances \$'000
Oil and gas properties	76,793	—	—	100,200	—	—	—	176,993
Property, plant and equipment	3,348	—	—	—	—	—	—	3,348
Other assets	998	—	—	—	—	—	—	998
Restricted cash	117	—	—	—	—	—	—	117
<b>Non-current assets</b>	<b>81,256</b>	<b>—</b>	<b>—</b>	<b>100,200</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>181,456</b>
Trade receivables	3,084	—	—	—	—	—	—	3,084
Other current assets	1,311	—	—	—	—	—	—	1,311
Cash and cash equivalents	224	46,144	(37,649)	(84,200)	70,550	32,700	(2,278)	25,491
<b>Current assets</b>	<b>4,619</b>	<b>46,144</b>	<b>(37,649)</b>	<b>(84,200)</b>	<b>70,550</b>	<b>32,700</b>	<b>(2,278)</b>	<b>29,886</b>
<b>TOTAL ASSETS</b>	<b>85,875</b>	<b>46,144</b>	<b>(37,649)</b>	<b>16,000</b>	<b>70,550</b>	<b>32,700</b>	<b>(2,278)</b>	<b>211,342</b>
Share capital	669	769	—	—	—	500	—	1,938
Additional paid-in capital	313	46,139	—	—	—	32,418	—	78,870
Merger reserve	(478)	—	—	—	—	—	—	(478)
Retained earnings	8,658	(764)	(633)	—	(4,450)	(218)	—	2,593
<b>Equity</b>	<b>9,162</b>	<b>46,144</b>	<b>(633)</b>	<b>—</b>	<b>(4,450)</b>	<b>32,700</b>	<b>—</b>	<b>82,923</b>
Decommissioning provision	12,265	—	—	16,000	—	—	—	28,265
Capital lease	274	—	—	—	—	—	—	274
Borrowings	10,113	—	(9,835)	—	59,929	—	(278)	59,929
Deferred tax liability	15,148	—	—	—	—	—	—	15,148
Other liabilities	414	—	—	—	—	—	—	414
<b>Non-current liabilities</b>	<b>38,214</b>	<b>—</b>	<b>(9,835)</b>	<b>16,000</b>	<b>59,929</b>	<b>—</b>	<b>(278)</b>	<b>104,030</b>
Trade and other payables	4,627	—	—	—	—	—	(2,000)	2,627
Borrowings	27,181	—	(27,181)	—	15,071	—	—	15,071
Capital lease	169	—	—	—	—	—	—	169
Derivative financial instruments	939	—	—	—	—	—	—	939
Other liabilities	5,583	—	—	—	—	—	—	5,583
<b>Current liabilities</b>	<b>38,499</b>	<b>—</b>	<b>(27,181)</b>	<b>—</b>	<b>15,071</b>	<b>—</b>	<b>(2,000)</b>	<b>24,389</b>
<b>Total liabilities</b>	<b>76,713</b>	<b>—</b>	<b>(37,016)</b>	<b>16,000</b>	<b>75,000</b>	<b>—</b>	<b>(2,278)</b>	<b>128,419</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>85,875</b>	<b>46,144</b>	<b>(37,649)</b>	<b>16,000</b>	<b>70,500</b>	<b>32,700</b>	<b>(2,278)</b>	<b>211,342</b>

## Unaudited pro forma statement of comprehensive income

	Group as at 31 December 2016 (Note 1) \$'000	Adjustment Receipt of net placing proceeds from the AIM admission (Note 2) \$'000	Adjustment Repayment of borrowings (Note 3) \$'000	Adjustment Acquisition of Titan Wells (Note 4) \$'000	Adjustment Draw down of Facility (Note 5) \$'000	Adjustment Placing (Note 6) \$'000	Adjustment Repayment of borrowings and liabilities (Note 7) \$'000	Unaudited Pro forma balances \$'000
Revenue	18,279	—	—	29,017	—	—	—	47,296
Cost of sales	(12,767)	—	—	(21,202)	—	—	—	(33,969)
Depreciation and depletion	(4,039)	—	—	(5,916)	—	—	—	(9,955)
<b>Gross profit</b>	<b>1,473</b>	<b>—</b>	<b>—</b>	<b>1,899</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,372</b>
Administrative expenses	(2,540)	(764)	—	(550)	—	(218)	—	(4,072)
Gain on disposal of property and equipment	34	—	—	—	—	—	—	34
Loss on derivative financial instruments	(810)	—	—	—	—	—	—	(810)
Gain on bargain purchase	24,293	—	—	—	—	—	—	24,293
<b>Operating profit</b>	<b>22,450</b>	<b>(764)</b>	<b>—</b>	<b>1,349</b>	<b>—</b>	<b>(218)</b>	<b>—</b>	<b>22,817</b>
Finance costs	(3,291)	—	1,759	—	(11,388)	—	18	(12,902)
Accretion of decommissioning provision	(797)	—	—	(900)	—	—	—	(1,697)
Gain on debt cancellation	14,149	—	—	—	—	—	—	14,149
<b>Income before tax</b>	<b>32,511</b>	<b>(764)</b>	<b>1,759</b>	<b>449</b>	<b>(11,388)</b>	<b>(218)</b>	<b>18</b>	<b>22,367</b>
Taxation on income	(14,829)	267	(615)	(157)	3,986	76	(6)	(11,278)
<b>Income after taxation</b>	<b>17,682</b>	<b>(497)</b>	<b>1,144</b>	<b>292</b>	<b>(7,402)</b>	<b>(142)</b>	<b>12</b>	<b>11,089</b>
Gain on foreign currency conversion	901	—	—	—	—	—	—	901
<b>Total comprehensive income</b>	<b>18,583</b>	<b>(497)</b>	<b>1,144</b>	<b>292</b>	<b>(7,402)</b>	<b>(142)</b>	<b>12</b>	<b>11,990</b>

### Notes:

- The financial information relating to the Group has been extracted without adjustment from the Group Financial Information set out in Part IV(B) "Historical Financial Information of the Group" of this Document.
- The adjustment of \$46,144,000 represents the issue of 61,000,000 Ordinary Shares at £0.65 each as set out in the Company's AIM admission document dated 30 January 2017, less associated costs of \$3,815,000, translated at \$1.261 to £1.  
The adjustment of \$769,000 represents the issue of 61,000,000 Ordinary Shares of £0.01 each as set out in the Company's AIM admission document dated 30 January 2017, translated at \$1.261 to £1.  
The adjustment of \$46,139,000 represents the issue of 61,000,000 Ordinary Shares of £0.01 each at £0.65 as set out in the Company's AIM admission document dated 30 January 2017, translated at \$1.261 to £1, less the element of associated costs of the admission and placing allocated against additional paid-in capital of \$3,051,000, as required by IFRS.  
The adjustment of \$764,000 represents the element of associated costs of the admission and placing allocated to administrative expenses in the *pro forma* statement of comprehensive income, as required by IFRS.  
This adjustment generates a decrease in the Group's corporation tax charge for the year ended 31 December 2016 of \$267,000, calculated at 35%, being the Group's estimated effective rate of taxation for the year then ended.
- The adjustment of \$37,649,000 represents the repayment of borrowings from the AIM admission proceeds of \$37,016,000 plus \$633,000 of premium payable on the early redemption of the borrowings.  
As is required by IFRS, the \$633,000 has been charged to finance costs in the *pro forma* statement of comprehensive income.  
The *pro forma* statement of comprehensive has been prepared on the basis that the Placing, Acquisition and Admission took place on 1 January 2016. As such, the interest charged on the repaid borrowings for the year ended 31 December 2016 of \$2,392,000 has been removed from finance costs in the *pro forma* statement of comprehensive income.  
The net adjustments to finance costs of \$1,759,000 generate an increase in the Group's corporation tax charge for the year of \$615,000, calculated at 35%, being the Group's effective rate of taxation for the year ended 31 December 2016.
- The adjustment of \$100,200,000 represents the acquisition of certain of the Titan Wells for \$84,200,000 settled in cash plus the Directors' estimate of the fair value of the associated decommissioning liability of \$16,000,000.  
The *pro forma* statement of comprehensive income has been prepared on the basis that the Placing, Acquisition and Admission took place on 1 January 2016. As such, the Titan *pro forma* results for the year ended 31 December 2016 have been included in the *pro forma* statement of comprehensive income.



The Titan *pro forma* results of \$449,000 generate an increase in the Group's corporation tax charge for the year of \$157,000, calculated at 35%, being Group's estimated effective rate of taxation for the year ended 31 December 2016.

5. The adjustment of \$70,550,000 represents the receipt of new borrowings of \$75,000,000, less payment of the associated fees of \$4,450,000.

The \$75,000,000 borrowings have been allocated as to \$15,071,000 being due in less than 1 year and \$59,929,000 due in more than 1 year.

The adjustment of \$11,388,000 included in finance costs in the *pro forma* statement of comprehensive income reflects the \$4,450,000 fees payable on the borrowings and interest for the year ended 31 December 2016 of \$6,938,000, calculated from the 1 January 2016 at 9.25%.

The aggregate adjustments to finance costs of \$11,388,000 generate a decrease in the Group's corporation tax charge for the year of \$3,986,000, calculated at 35%, being the Group's estimated effective rate of taxation for the year then ended.

6. The adjustment of \$32,700,000 represents the issue of 39,300,000 Ordinary Shares at £0.70 each, less associated costs of \$2,300,000, translated at \$1.272 to £1.

The adjustment of \$500,000 represents the issue of 39,300,000 Ordinary Shares of £0.01 each, translated at \$1.272 to £1.

The adjustment of \$32,418,000 represents the issue of 39,300,000 Ordinary Shares of £0.01 each at £0.70, translated at \$1.272 to £1, less the element of associated costs of the admission and placing allocated against additional paid-in capital of \$2,082,000, as required by IFRS.

The adjustment of \$218,000 represents the element of associated costs of the admission and placing allocated to administrative expenses in the *pro forma* statement of comprehensive income, as required by IFRS.

The adjustment to administrative expenses of \$218,000 generates a decrease in the Group's corporation tax charge for the year of \$76,000, calculated at 35%, being the Group's estimated effective rate of taxation for the year ended 31 December 2016.

7. The adjustment of \$2,278,000 represents the repayment of \$278,000 of borrowings and \$2,000,000 of trade payables from the Placing proceeds.

The *pro forma* statement of comprehensive income has been prepared on the basis that the Placing, Acquisition and Admission took place on 1 January 2016. As such, the interest charged on the repaid borrowings for the year ended 31 December 2016 of \$18,000 has been removed from finance costs in the *pro forma* statement of comprehensive income.

The net adjustments to finance costs of \$18,000 generate an increase in the Group's corporation tax charge for the year of \$6,000, calculated at 35%, being the Group's estimated effective tax rate of taxation for the year ended 31 December 2016.

8. The Pro Forma Financial Information does not reflect any changes in the trading position of the Group, additional or subsequent acquisitions, or any other changes arising from other transactions since 31 December 2016.

## (B) ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION



15 June 2017

The Directors  
Diversified Gas and Oil Plc  
27/28 Eastcastle Street  
London W1W 8DH

The Directors  
Smith & Williamson Corporate Finance Limited  
25 Moorgate  
London EC2R 6AY

Crowe Clark Whitehill LLP  
*Chartered Accountants*  
Member of Crowe Horwath International  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH, UK  
Tel +44 (0)20 7842 7100  
Fax +44 (0)20 7583 1720  
DX: 0014 London Chancery Lane  
[www.croweclarkwhitehill.co.uk](http://www.croweclarkwhitehill.co.uk)

Dear Sirs,

### Introduction

We report on the unaudited *pro forma* statement of financial position of Diversified Gas and Oil Plc (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2016 and the *pro forma* statement of comprehensive income for the year then ended (together, the "Pro Forma Financial Information") set out in Part V(A) "*Unaudited Pro Forma Financial Information*" of the Company's AIM admission document dated 15 June 2017 (the "Document"). The Pro Forma Financial Information has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how:

- the net proceeds from the issue of the placing shares on the Company's admission to AIM in February 2017;
- the repayment of the Group's borrowings from the net proceeds of the placing shares on the Company's admission to AIM in February 2017;
- the net proceeds from the issue of the placing shares at the placing price;
- the net proceeds from the drawdown of the Group's new loan facility;
- the acquisition of certain of the gas and oil assets of Titan Energy, LLC;
- the repayment of the Group's borrowings; and
- the Admission

might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the audited financial information as at 31 December 2016 and the year then ended. This report is required by Schedule Two of the AIM Rules for Companies (the "AIM Rules") and is given for the purpose of complying with that schedule and for no other purpose.

### Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information. It is our responsibility to form an opinion on the Pro Forma Financial Information as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting 4000 as issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial information with the Directors. We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

**Crowe Clark Whitehill LLP**

*Chartered Accountants*

**PART VI**  
**COMPETENT PERSON'S REPORTS**



**COMPETENT PERSON'S REPORT (CPR)**

Interests of Diversified  
Gas & Oil PLC

Prepared For:

DIVERSIFIED GAS & OIL PLC  
1100 CORPORATE DRIVE  
BIRMINGHAM, AL 35242, UNITED STATES

THE DIRECTORS  
SMITH & WILLIAMSON CORPORATE FINANCE LIMITED  
25 MOORGATE  
LONDON, EC2R 6AY, UNITED KINGDOM

June 12, 2017

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### APPENDIX 1

Summary Table of Assets – Oil & Gas

### EXHIBITS

A	Summary of Results – Oil and Gas Reserves
B	SPE Petroleum Reserves Definitions
C	Glossary of Terms
D1	Total Proved Reserves Charts by Category
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G	NYMEX Base Prices
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## **EXECUTIVE SUMMARY**

Wright & Company, Inc. has performed an evaluation of the petroleum reserves to the interests of Diversified Gas & Oil PLC for their properties located in the United States. This evaluation encompasses the existing producing properties along with any future development identified at the time of this evaluation. All evaluations were completed using the guidelines as documented by the Society of Petroleum Engineers (SPE), and the report has been prepared in accordance with the standards of the *Note on Mining and Oil & Gas Companies* issued by the London Stock Exchange (LSE). This report details the methods, prices, expenses, and other criteria utilized in the evaluation process. Wright & Company, Inc. is confident that this report provides a fair and reasonable representation of the reserves and the associated results. The following table is a summary of the results of the evaluation.

Diversified Gas & Oil PLC Utilizing Specified Economics	Proved Developed Producing (PDP)	Proved Developed Nonproducing and Temporarily Abandoned (PDNP & PDNP-TA)	Proved Developed Behind Pipe (PDBP)	Proved Undeveloped (PUD)	Total Proved
<b>Net Reserves to the Evaluated Interests</b>					
<b>Oil, Mbbl:</b>	1,811.791	0.000	17.148	781.288	2,610.227
<b>Gas, MMcf:</b>	134,207.280	0.000	1,315.458	16,922.882	152,445.616
<b>NGL, Mbbl:</b>	18.545	0.000	0.000	0.000	18.545
<b>Oil Equivalent, MBOE: (6 Mcf = 1 BOE)</b>	24,198.216	0.000	236.391	3,601.768	28,036.375
<b>Cash Flow Before Tax (BTAX), M\$</b>					
<b>Undiscounted:</b>	283,945.728	0.000	2,728.080	22,517.184	309,191.008
<b>Discounted at 10% per Annum:</b>	119,481.032	0.000	879.589	-4,162.913	116,197.680
<b>Cash Flow After Tax (ATAX), M\$</b>					
<b>Undiscounted:</b>	235,674.944	0.000	2,270.391	19,841.002	257,786.320
<b>Discounted at 10% per Annum:</b>	99,052.264	0.000	729.348	-3,037.259	96,744.336

Please note numbers in table may not add due to rounding techniques in the ARIES™ petroleum software program.

## **INTRODUCTION**

At the request of Diversified Gas & Oil PLC (DGO or Company), Wright & Company, Inc. (Wright) has performed an evaluation to estimate proved reserves and associated cash flow and economics from certain properties located in Ohio, Pennsylvania, and West Virginia, United States (U.S.), to the subject interests. This evaluation was authorized by Mr. Robert “Rusty” Hutson, Jr. of DGO. It is the understanding of Wright that this Competent Person’s Report (CPR) will be included in the admission document issued by the Company in relation to the acquisition of certain gas and oil assets of Titan Energy, LLC and admission of DGO’s issued and to be issued share capital to trading on the AIM Market of the LSE (AIM). This CPR is provided in accordance with the *Note for Mining and Oil & Gas Companies – June 2009* (NOTE), issued by the LSE. Wright meets the requirements of a qualified Competent Person (CP) as stipulated in the NOTE. Additionally, Wright understands that this CPR may be presented by DGO to certain existing investors or financial institutions. The results of this evaluation, with economic parameters effective as of June 1, 2017, are summarized in the attached **Exhibit A**.

Oil, gas, and other liquid hydrocarbon reserves were evaluated for the proved developed producing (PDP), proved developed nonproducing (PDNP), proved developed nonproducing – temporarily abandoned (PDNP-TA), proved developed behind pipe (PDBP), and proved undeveloped (PUD) categories. The summary classification of total proved developed reserves combines the PDP, PDNP, PDNP-TA, and PDBP categories, and the summary classification of total proved reserves combines the total proved developed and PUD categories. In preparing this evaluation, no attempt has been made to quantify the element of uncertainty associated with any reserves category. Reserves were assigned to each category as warranted. The *SPE Petroleum Reserves Definitions*, found in **Exhibit B**, describes all categories of reserves. A glossary of terms used throughout this CPR can be found in **Exhibit C**. Charts indicating the percent allocation of net proved reserves by reserves category and by state can be found in **Exhibit D1** and **Exhibit D2**.

The individual projections of lease reserves and economics were generated using certain data that describe the production forecasts and all associated evaluation parameters such as interests, severance and ad valorem taxes, product prices, operating expenses, and investments, as applicable. These data reports are not presented individually, but are a part of Wright's work product and are retained in our files. This CPR is intended to be used in its entirety and should not be used for any purpose other than that outlined herein without the prior knowledge of and express written authorization by an officer of Wright. This CPR will be included in the Company's admission document, which will be a public document.

## **COMPANY BACKGROUND**

DGO is an Appalachian Basin focused gas and oil company with headquarters in Birmingham, Alabama, U.S. DGO was founded in 2001 and now owns or operates approximately 9,000 conventional vertical wells in Ohio, Pennsylvania, and West Virginia. DGO does not perform high-risk drilling projects, but has focused on existing areas with stable and reasonably predictable production. The recent strategic plan and growth potential is through acquisitions of certain companies with long-lived PDP wells with relatively low decline rates.

During 2015, DGO acquired over 2,000 conventional vertical PDP wells and an additional 4,000 similar wells in 2016. DGO's most recent acquisition was approximately 1,500 properties from a large U.S. based oil and gas production company, which was completed on April 28, 2017. The divesting companies may not have focused on opportunities to increase production by improvements in operations, recompletion of additional formations, and/or identification of potential additional infill drilling locations on existing leases. In the opinion of Wright, a dedicated focus and effort by DGO may improve the overall performance of some of these acquired wells.

## **GENERAL INFORMATION**

The properties evaluated in this CPR are located in the northeastern U.S. in the Appalachian Basin. The wells and locations are in the states of Ohio, Pennsylvania, and West Virginia. A map showing the states and counties in which the properties included in this CPR are located can be found in **Exhibit E**.

For this evaluation, projections of the reserves and associated cash flow and economics to the evaluated interests were based on specified economic parameters, operating conditions, and government regulations considered to be applicable at the effective date. Net income to the



evaluated interests is the cash flow after consideration of royalty revenue payable to others, standard state and county taxes, operating expenses, investments, salvage values, and abandonment costs, as applicable. The cash flow is before federal income tax (BTAX) and excludes consideration of any encumbrances against the properties if such exist. At the request of DGO, Wright has also included a summary of cash flow values after federal income tax (ATAX). These summaries can be found in **Exhibit F1** and **Exhibit F2**.

The cash flow values presented in **Exhibit F1** and **Exhibit F2** were based on projections of annual oil and gas production or sales. It was assumed there would be no significant delay between the date of oil and gas production and the receipt of the associated revenue for this production.

Wright used the ARIES™ Version 5000.2.1.0 petroleum software program of Landmark Graphics Corporation, a Halliburton business line, in the evaluation of the properties. Certain data such as product prices, operating expenses, ad valorem tax rate, and interests were provided by DGO, the accuracy of which were not independently verified by Wright. Wright did not review individual gas and oil purchase contracts. A review of the base price terms and adjustments is contained in the "Product Prices" section of this CPR. It should be noted that the values contained in this CPR may not always add to exactly the same values as shown in the summaries due to internal rounding in the ARIES™ petroleum software program.

Unless specifically identified and documented by DGO as having curtailment problems, gas production or sales trends have been assumed to be a function of well productivity and not of market conditions. In the opinion of Wright, for properties in which current rates of production are limited due to operating conditions, projections represent the operating status at the effective date.

Oil and other liquid hydrocarbon volumes are expressed in thousands of U.S. barrels (Mbbbl) of 42 U.S. gallons. Gas volumes are expressed in millions of standard cubic feet (MMcf) at 60 degrees Fahrenheit and at the legal pressure base that prevails in the state in which the reserves are located. For purposes of this CPR, quantities of natural gas are converted into equivalent quantities of oil at the ratio of 6 Mcf = 1 barrel of oil equivalent (BOE). No adjustment of the individual gas volumes to a common pressure base has been made.

No investigation was made of potential gas volume and/or value imbalances that may have resulted from over/under delivery to the evaluated interests. Therefore, the estimates of reserves and cash flow do not include adjustments for the settlement of any such imbalances.

The Cash Flow (BTAX) and Cash Flow (ATAX) were discounted monthly at an annual rate of 10.0 percent as requested by DGO. Future cash flow was also discounted at several secondary rates as indicated on each reserves and economics page. These additional discounted amounts are displayed as totals only. It should be noted that no opinion is expressed by Wright as to the fair market value of the evaluated properties. In the determination of the Cash Flow (ATAX), DGO represented to Wright that their corporate tax rate was 17 percent, which was used in accordance with their instructions.

This CPR includes only those costs and revenues provided by DGO that are directly attributable to individual leases and areas. There could exist other revenues, overhead costs, or other costs associated with DGO that are not included in this CPR. Such additional costs and revenues are outside the scope of this evaluation. This CPR is not a financial statement for DGO and should not be used as the sole basis for any transaction concerning DGO or the evaluated properties.

## **DATA SOURCES**

All data utilized in the preparation of this CPR with respect to ownership interests, product prices, gas contract terms, operating expenses, investments, salvage values, abandonment costs, well information, and current operating conditions, as applicable, were provided by DGO. Data obtained after the effective date, but prior to the completion of this CPR, were used only if such data were applied consistently. If such data were used, the reserves category assignments reflect the status of the wells as of the effective date. Production or sales data were provided by DGO or obtained by Wright through publicly available sources. All data have been reviewed for reasonableness and, unless obvious errors were detected, have been accepted as correct. It should be emphasized that revisions to the projections of reserves and economics included in this CPR may be required if the provided data are revised for any reason. Historically, Wright has not inspected the properties it has evaluated, and Wright believes it is neither necessary nor customary for the purposes and scope of this CPR.

## **METHODS OF RESERVES DETERMINATION**

The estimates of reserves contained in this CPR were determined by accepted industry methods as determined by the Guidelines for Application of the Petroleum Resources Management System, dated November 2011, and in accordance with the *SPE Petroleum Reserves Definitions* found in **Exhibit B**. Methods utilized in this CPR include extrapolation of historical production or sales trends, and analogy to similar producing properties.

Where sufficient production history and other data were available, reserves for producing properties were determined by extrapolation of historical production or sales trends, commonly referred to as Decline Curve Analysis (DCA). Analogy to similar producing properties was used for those properties that lacked sufficient production history and other data to yield a definitive estimate of reserves. It should be noted that subsequent production performance trends or material balance calculations may cause the need for significant revisions to the estimates of reserves. It should be especially noted that in some of the wells, the historical production data may be incomplete, particularly in some of the newly acquired properties.

For the PDBP locations, estimated ultimate recovery (EUR) was based on analogy to similar producing properties. Wright's projections for the undeveloped locations were based on a generalized type curve for the specific area and formations with initial rates and declines based on reserves assigned. Production start dates for the PDBP recompletions and PUD locations were provided by DGO and used in accordance with their instructions. Subsequent production performance trends may cause the need for revisions to the estimates of reserves. Reserves projections based on analogy are subject to change due to subsequent changes in the analogous properties or subsequent production from the evaluated properties.

There are significant uncertainties inherent in estimating reserves, future rates of production, and the timing and amount of future costs. The estimation of reserves must be recognized as a subjective process that cannot be measured in an exact way, and estimates of others might differ materially from those of Wright. The accuracy of any reserves estimate is a function of the quantity and quality of available data and of subjective interpretations and judgments. It should be emphasized that production data subsequent to the date of these estimates or changes in the analogous properties may warrant revisions of such estimates. Accordingly, reserves estimates are often different from the quantities of oil and gas that are ultimately recovered.

## **INTERESTS**

The overall average working interest (WI) owned by DGO for properties included in this evaluation calculates to be approximately 94 percent, and the overall average net revenue interest (NRI) calculates to be approximately 81 percent. The average royalty rate is approximately 14.4 percent.

## **PRODUCT PRICES**

According to the instructions of DGO, the base product prices used for this CPR were the New York Mercantile Exchange (NYMEX) Futures Settlements as published by CME Group on May 23, 2017, for West Texas Intermediate oil at Cushing, Oklahoma, and natural gas at Henry Hub, Louisiana. Monthly futures prices were used beginning in June 2017 through December 2018, thereafter annual average prices were used through 2029 and then held constant at the December 2029 published price. A table showing the base product prices can be found in **Exhibit G**. As instructed by DGO, there are no adjustments for energy content, quality, and basis differential. The resultant average product prices are \$52.75 per barrel of oil and \$3.326 per Mcf of gas. The NGL product price was estimated to be approximately 33 percent of the base oil price, resulting in a weighted average price of \$17.42 per barrel. It should be emphasized that with the current economic uncertainties, fluctuations in market conditions could significantly change the economics in this CPR.

## **OPERATING EXPENSES**

Operating expenses were provided by DGO and were used in accordance with their instructions. According to DGO, these expenses were based upon the latest available six-month average actual costs and included, but were not limited to, all direct operating expenses and field level overhead costs. Expenses for workovers, well stimulations, and other maintenance were not included in the operating expenses unless such work was expected on a recurring basis. Judgments for the exclusion of the nonrecurring expenses were made by DGO. Any internal indirect overhead costs (general and administrative), which are not billable to the working interest owners, were not included. Based on the economics in this evaluation, the operating expenses for the PDP properties are expected to average approximately \$8.50 per barrel of oil equivalent (BOE) through year 2022. For new and developing properties where data were unavailable, operating expenses were estimated by DGO based on analogy to similar properties. After the effective date, the operating expenses were held constant for the life of the properties. It should be noted that these types of production profiles and estimated future volumes should have a relatively low cost per unit production.

## **SEVERANCE AND AD VALOREM TAXES**

Standard state severance taxes and average county ad valorem taxes have been deducted as appropriate. All taxes were provided by DGO or based on current published rates and were used in accordance with the instructions of DGO. According to DGO, any ad valorem taxes not deducted separately were included in the operating expenses. The following table shows the various rates for each state used in this evaluation.

State	Ad Valorem Tax Rates	Severance Tax Rates	
		Oil	Gas
Ohio	Ranged from 0.053% to 3.5% of revenue, depending on area	Ranged from \$0.20 - \$0.61 per barrel, depending on area	Ranged from \$0.03 - \$0.07 per Mcf, depending on area
Pennsylvania*	N/A	N/A	N/A
West Virginia	Ranged from 0 – 2.5% of revenue, depending on area	5% of Revenue	5% of Revenue

\*There are no applicable ad valorem or severance taxes in Pennsylvania.

## INVESTMENTS

All capital costs for drilling, completion, and stimulation of wells and nonrecurring hook-up, workover or operating costs have been deducted as applicable. These costs were provided by DGO and used in accordance with their instructions. The average net cost for the drilling and completion of a PUD location is approximately 226 thousand dollars (M\$) including all facility cost. No adjustments were made to account for the potential effect of inflation on these costs. In accordance with the instructions of DGO, reserves and values for all undeveloped properties include only locations having a positive undiscounted Cash Flow (BTAX). The following table depicts the number of total PDBP and PUD locations and the annual net capital investment required to fully develop the reserves included in this CPR.

Year of First Production	PDBP		PUD		Total Net Capital Investment, M\$
	Number of Locations	Net Capital Investment, M\$	Number of Locations	Net Capital Investment, M\$	
2017	9	481.425	8	2,048.000	2,529.425
2018	6	127.125	48	11,172.000	11,299.125
2019	0	0	37	8,325.000	8,325.000
2020	0	0	36	8,100.000	8,100.000
2021	0	0	37	8,325.000	8,325.000
2022	0	0	36	8,100.000	8,100.000
<b>TOTALS</b>	<b>15</b>	<b>608.550</b>	<b>202</b>	<b>46,070.000</b>	<b>46,678.552</b>

Please note numbers in table may not add due to rounding techniques in the ARIES™ petroleum software program.

In most PDP wells, which contribute the majority of the total value, little or no capital investment is expected to be incurred to maintain the production profile for anticipated future production.

## AREA OF MATERIAL ASSETS

### Introduction

Wright was founded in 1988 by D. Randall Wright. In preparing this CPR, Mr. Wright had the direct oversight and management of the evaluation methods and procedures and is a professionally qualified Competent Person (CP) under the AIM Rules for Companies (AIM Rules). Wright has evaluated tens of thousands of wells similar to the ones included in this CPR for many clients. Wright routinely prepares CPRs, or similar reports, for clients of their oil and gas reserves and economics

pursuant to the financial reporting requirements of the U.S. Securities and Exchange Commission (SEC) for various publicly traded companies.

Wright maintains extensive knowledge and utilizes its proprietary internal database of analogous information, in conjunction with data and information from various clients, for evaluations of oil and gas reserves and economics throughout the U.S. and particularly the Appalachian Basin. The professional qualifications of Mr. Wright can be found in **Exhibit H**. The following is a technical discussion of the material assets of DGO based on Wright’s evaluation.

### Technical Discussion

The Appalachian Basin is an area of the northeast U.S. that underlies ten states including Ohio, Pennsylvania, and West Virginia as shown in *Figure 1*. The Appalachian Basin covers an area of approximately 185,500 square miles. It is 1,075 miles long from the northeast to the southwest and between 20 to 310 miles wide. While this area is famous for the more recent Marcellus Shale horizontal development, it has been a major contributor of vertical well development since the late 1800’s.

*Figure 1*

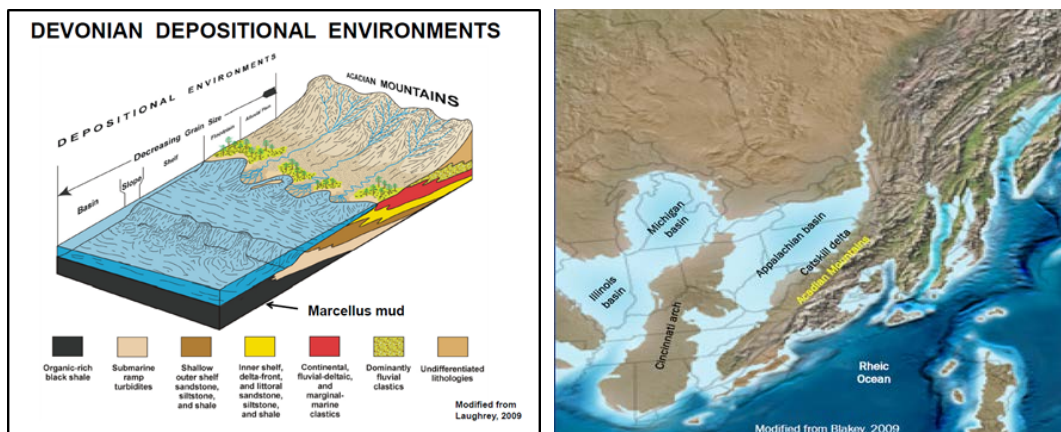


Source: <https://edx.netl.doe.gov>

The depositions for the Appalachian Basin are the erosional sediments from the once Acadian Mountains into the lower basin, as referenced in *Figure 2*. The basin was limited to the west by the Cincinnati arch. As the mountains eroded over time, the sediment was deposited in the basin with alternating layers of carbonates, limestones, sandstone, siltstone, and shale intervals, as shown in *Figure 3*.

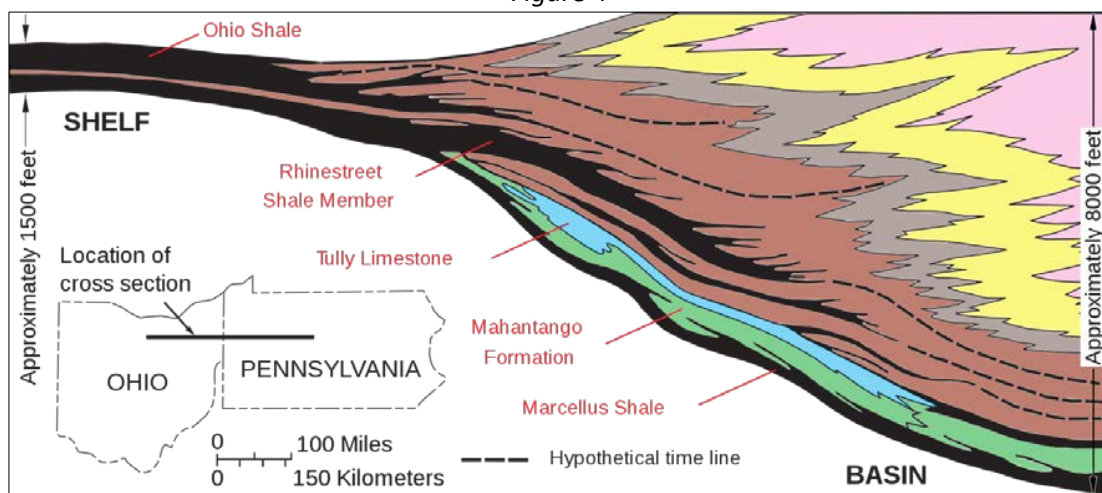
*Figure 2*

*Figure 3*



The effect of these geological events results in the Appalachian Basin section being very thin to the west and very thick to the south and the east. As shown below in *Figure 4*, in parts of Ohio the Appalachian Basin is approximately 1,500 feet thick, while in parts of Pennsylvania it can reach a thickness of 8,000 feet.

Figure 4



The beginning of the oil and gas industry started in 1859 with the discovery of oil in the Edwin Drake well located in northwestern Pennsylvania. Oil in this well was produced from the Upper Devonian sandstone at a depth of approximately 70 feet. This discovery well opened a trend of oil and gas fields producing from the Upper Devonian, Mississippian, and Pennsylvanian sandstones across many parts of the states of Kentucky, New York, Ohio, Pennsylvania, and West Virginia.

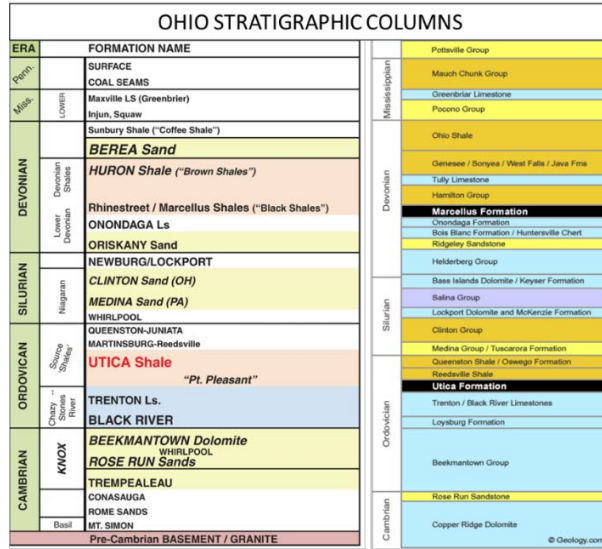
Hydrocarbon producing formations in the Appalachian Basin can range from approximately 2,000 feet deep in portions of Ohio to more than 8,000 feet deep in Pennsylvania and West Virginia. The Geological Age of the formations dates from the Lower Mississippian to the Upper Cambrian with most of DGO's current production coming from the Devonian and Silurian Ages.

In Ohio, the producing formations include the Berea Sand, Bradford Sand, Gantz Sand, Gordon Sand, Rose Run Sand, and several others as noted in the Ohio stratigraphic columns shown in

*Figure 5*, but the majority of the state production comes from the Clinton Sand. The Clinton Sand is a Silurian Age formation and has been the most actively drilled zone in Ohio since the 1950's.

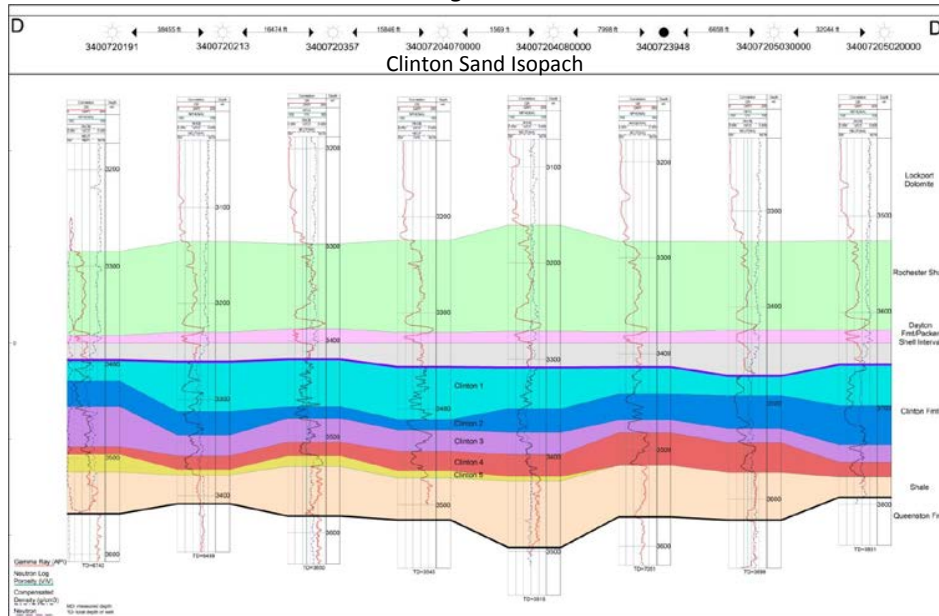
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Figure 5



The Clinton Sand was discovered in 1885 in Knox County, Ohio. It is believed to be formed as a nearshore deposit during the Silurian time and was deposited as a blanket of sand throughout eastern Ohio and western Pennsylvania, where it is renamed as the Medina Sand. The average depth is approximately 5,200 feet, with depths ranging from 3,500 to 6,000 feet. The entire Clinton/Medina Sand interval is generally 150 to 200 feet in thickness with net productive pay ranging from 10 to 100 feet. Hydraulic fracturing techniques introduced in the 1950s greatly improved oil and gas recoveries from these sandstones. The uniformity of the Clinton Sand deposition is represented in Figure 6.

Figure 6



Source: [http://www.searchanddiscovery.com/pdfz/documents/2012/50737bloxson/ndx\\_bloxson.pdf.html](http://www.searchanddiscovery.com/pdfz/documents/2012/50737bloxson/ndx_bloxson.pdf.html)



The Cambrian Ordovician Age Knox Group play of the Appalachian Basin extends from northern Tennessee to south central Kentucky, through eastern Ohio and occurs in localized areas of northwestern Pennsylvania and western New York. The Knox Unconformity is a major erosional angular unconformity that truncates progressively younger beds of rock from southeastern Ohio in the northwestern direction. The truncation of these gently dipping Lower Ordovician and Cambrian carbonates and sandstones provides an excellent trap and seal for hydrocarbon accumulation. The Knox Group is usually subdivided into units, listed in descending stratigraphic order: Beekmantown Dolomite, Rose Run Sandstone, and the Upper Copper Ridge Dolomite (Trempealeau).

The majority of the production in Pennsylvania and West Virginia is from Devonian and Mississippian aged formations. In Pennsylvania and West Virginia wells, multiple zones are typically hydraulically fractured and the production is commingled. For the wells included in this CPR, the primary productive formations in Pennsylvania wells include, but are not limited to, the Balltown, Bayard, Bradford, Elk, Fifth, Sheffield, Speechley, Tiona, and Warren, as referenced in *Figure 7*. In West Virginia, the major productive formations include the Alexander, Balltown, Benson, Big Injun, Big Lime, Elk, Fifth, Gordon, Riley, and Warren, as referenced in *Figure 8*. In general, sand thickness for these reservoirs ranges from 5 to 25 feet for any individual zone with cumulative net sand thickness ranging from 40 to 100 feet. A stratigraphic column summary is shown in *Figures 7 and 8* for Pennsylvania and West Virginia that depicts the relative positioning of the various productive zones.

Figure 7

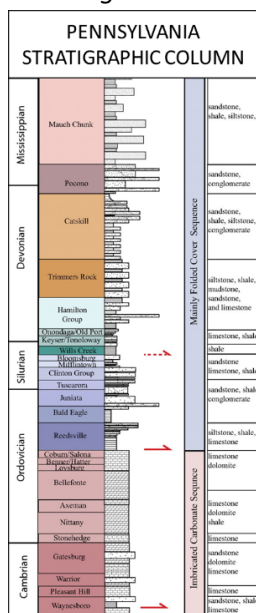
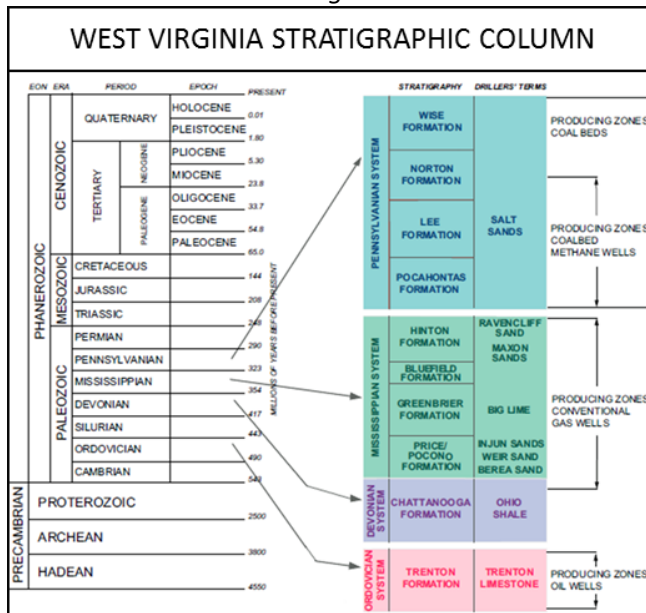


Figure 8



The Appalachian Basin has a long history of oil and gas production and much of it has not been systematically recorded because of inadequate record-keeping in the early days. However, the U.S. Geological Survey (USGS) has estimated that the basin has produced over 3.5 billion barrels of oil and 44 trillion cubic feet of gas. This estimate was calculated for the vertical conventional production and was derived before any horizontal development started.

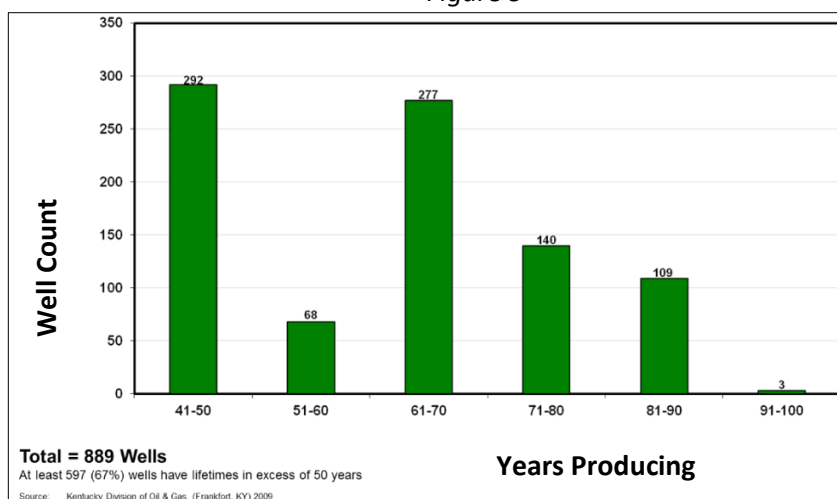
Since 2009, the primary target of the Appalachian Basin has been the horizontal drilling of the Marcellus and the Utica shale formations. These horizontal wells have very long laterals and allow more contact with the reservoirs. Very large hydraulic fracture treatments are needed in order to make these commercial. However, this concentration on the Marcellus and Utica shales does not imply that conventional vertical wells are not profitable.

Almost all of the properties owned and/or operated by DGO are vertical wells producing from at least one of the formations previously described. Numerous wells are completed in multiple formations and production is commingled in the wellbore. Most of these properties may have additional productive formations up-hole from the existing producing formations, which may allow for future completion opportunities. Drilling and recompletion opportunities are considered relatively low-risk due to the widespread geology and the extensive mapping of the formations. During the last ten years, DGO has drilled over 150 wells with no dry holes.

All of the Mississippian, Devonian, and Silurian Age sands share similar geological and reservoir characteristics. All are considered “tight” sands with low permeability, which will require fracture treatments in order to obtain commercial production rates. The deposition of these sands yields a low-risk, high predictability of completion success.

Another similar characteristic for these formations is the production profile. Most of these formations produce gas and/or oil on a hyperbolic curve with an initial rapid decline followed by gradual decline of production for a very long time. A majority of the wells should have production life of at least 50 years, with some lasting in excess of 80 years. These wells produce very little, if any, water. As an example, Wright has performed an extensive study of the Big Sandy formation located throughout Kentucky in the Appalachian Basin. This study reviewed 889 wells completed in the Big Sandy in which the original completion date was known. As referenced in *Figure 9*, the data showed that approximately 67 percent of these wells had a well life in excess of 50 years with three wells having over 90 years of well life.

Figure 9



Based on Wright’s knowledge and experience in evaluating thousands of wells in the Appalachian Basin, the primary factors that determine the amount of production and the life of the well are the initial rate, initial decline, the shape of the curve (“b” factor), and the final decline rate. The initial rate and initial decline for each well are determined by its reservoir quality, pressure, and the completion technique. The initial decline can be very rapid due to the production drainage from the fracture system. These values can vary greatly from well to well. The “b” factor may vary from well to well, but generally ranges between 0.5 and 1.3. The final decline rates for these reservoirs are very low, indicating a steady drainage of the formation matrix. These rates are normally in the three to five percent range, and have been determined from actual performance.

There are many examples of wells in this report that have produced over 30 years, since the mid-1980’s, with another potential 40 years or more of productive life remaining. *Figures 10 and 11* are two examples that demonstrate the longevity of these wells. These production profiles create long life wells with very predictable future production rates.

Figure 10

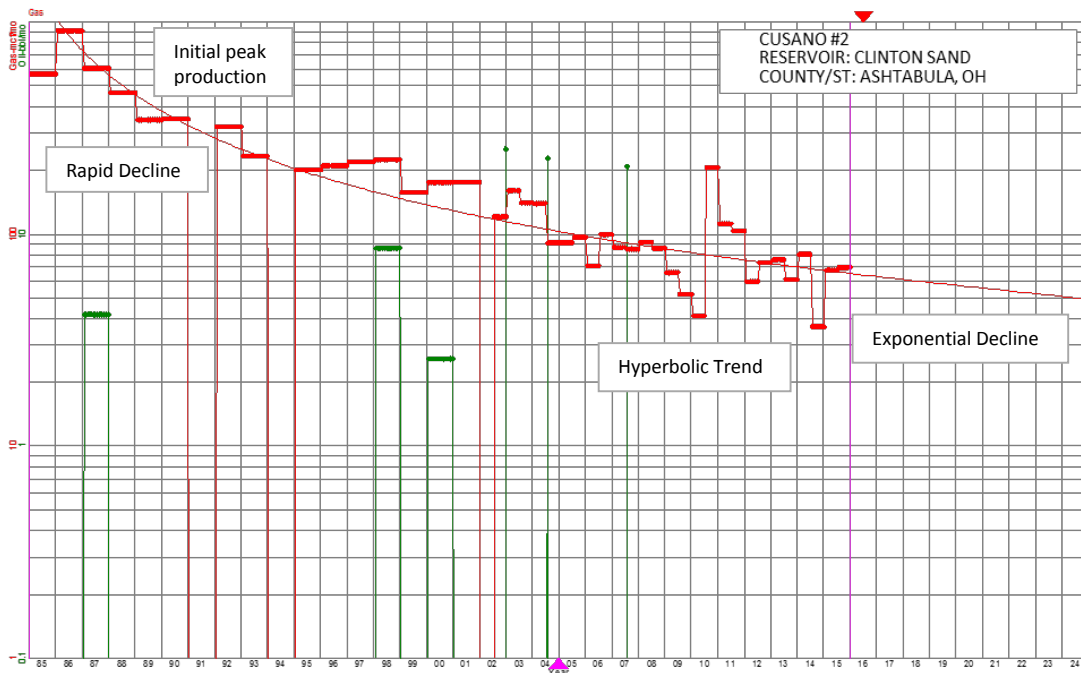
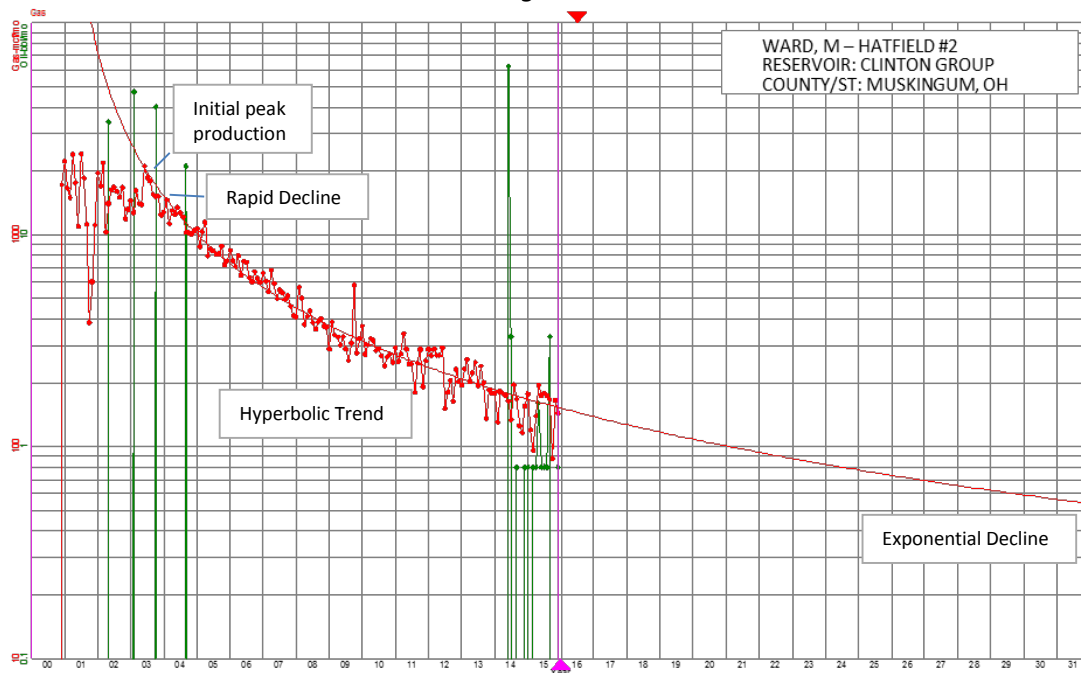


Figure 11



## RESERVES AND VALUE BY STATE

The properties evaluated in this CPR include certain oil and gas properties located in Ohio, Pennsylvania, and West Virginia. The following table illustrates the total proved reserves, respective 10.0 percent cumulative discounted (Cum. Disc.) (BTAX) values, and the relative percent of the total 10.0 percent Cum. Disc. (BTAX) value for each state.

State	Net Oil, Mbbl	Net Gas, MMcf	Net NGL, Mbbl	10.0 % Cum. Disc. (BTAX) Value, M\$	Percent of Total Proved 10.0 % Cum. Disc. (BTAX) Value, %
Ohio	2,063.658	39,779.404	0.000	36,140.640	31.10
Pennsylvania	121.093	91,787.592	0.000	62,985.572	54.20
West Virginia	425.499	20,878.588	18.545	17,072.848	14.70
<b>TOTALS*</b>	<b>2,610.227</b>	<b>152,445.616</b>	<b>18.545</b>	<b>116,199.680</b>	<b>100.00</b>

\*It should be noted that some minor differences between the total summaries may exist due to rounding techniques in the ARIES™ software program.

The Ohio properties consist of approximately 3,662 PDP, 666 PDNP, and 182 PUD wells and locations with 10.0 percent Cum. Disc. (BTAX) values of 40,700.700 M\$, 0.000 M\$, and -4,560.055 M\$, respectively. Production from these legacy properties is mostly from vertical wells producing from widespread, well-mapped formations such as the Clinton/Medina and Upper Devonian series. Most wells produce little or no water and have very long, stable production histories that, in the opinion of Wright, can be reliably extrapolated into the future.

The Pennsylvania properties include 3,679 PDP and 57 PDNP wells located in Pennsylvania, which collectively have a total proved 10.0 percent Cum. Disc. (BTAX) of 62,985.572 M\$ or approximately 54 percent of the Company total proved value of 116,197.680 M\$. These wells are located in various counties in western Pennsylvania. Production is primarily from the Lower Silurian Medina Group sandstones.

In West Virginia, there are 756 PDP, 192 PDNP and PDNP-TA, 15 PDBP, and 20 PUD wells and locations, which have total proved 10.0 percent Cum. Disc. (BTAX) values of 15,796.113 M\$, 0.000 M\$, 879.589 M\$, and 397.143 M\$, respectively, or approximately 15 percent of the Company total proved value of 116,197.680 M\$. These wells are located in various counties in West Virginia. Production is primarily from the Pennsylvanian, Mississippian, and Devonian Age formation.

### **PROPERTY ABANDONMENT AND SALVAGE**

It should be noted that no abandonment costs were included in this evaluation in accordance with the instructions of DGO. According to DGO, the cost and liability for any Asset Retirement Obligations are determined by DGO and are subject to audit by an independent registered public accounting firm. DGO has estimated that abandonment costs can range between \$8,500 and \$15,000 per well after salvage value. Wright offers no opinion regarding DGO's calculations for the abandonment costs and salvage values liabilities.

### **ENVIRONMENTAL CONSIDERATIONS**

Wright is not aware of any potential environmental liabilities that may exist concerning the properties evaluated. There are no costs included in this evaluation for potential property restoration, liability, or clean-up of damages, if any, that may be necessary due to past or future operating practices.

### **CONCLUSIONS**


Based on data and information provided by DGO, and the specified economic parameters, operating conditions, and government regulations considered applicable at the effective date, it is Wright's conclusion that this CPR provides a fair and accurate representation of the oil and gas reserves to the interests of DGO in those certain properties included in this CPR.

Wright considers that the scope of the CPR is appropriate and was prepared to a standard expected in accordance with the NOTE issued by the LSE. It is Wright's opinion that the methodologies employed, the adequacy and quality of the data relied upon, the depth and thoroughness of the reserves estimation process, the classification of reserves based on the relevant definitions used, and the reasonableness of the estimated reserves quantities are appropriate for the purpose served by the CPR and are in accordance with the guidelines set forth by the AIM rules.

**PROFESSIONAL QUALIFICATIONS**

The professional qualifications, shown in **Exhibit H**, of the petroleum consultant responsible for the evaluation of the reserves and economics information presented in this CPR meet the standards of Reserves Estimator as defined in the *Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information* as promulgated by the SPE, and the CPR has been prepared in accordance with these standards. The professional qualifications also meet the Competent Person (CP) requirements published by AIM in the NOTE. **Exhibit I** contains certain confirmations of Wright pertaining to the CPR in accordance with the AIM Rules.

**Wright & Company, Inc.**

By:   
D. Randall Wright, P.E.  
TX Reg. No. F-12302

DRW/JDS/SLM/tts/crd  
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**Appendix 1**

**SUMMARY TABLE OF ASSETS**

**Oil & Gas**

<b>Asset</b>	<b>Operator</b>	<b>Interest %</b>	<b>Status</b>	<b>Expiration Date</b>	<b>Total Lease Area (acres)</b>	<b>Comments</b>
Ohio, Pennsylvania, West Virginia	Various	94 (Average)	Production	None - Held by Production	1,108,800	Current gross operated production at 30,000 Mcfd and 585 bopd
Ohio	Diversified	100	Development	None - Held by Production	164,000	Development drilling program of 202 wells during 2017 through 2022

The Company currently has an interest in approximately 9,000 wells in the states of Ohio, Pennsylvania, and West Virginia and is listed as the operator in the majority of these wells.

The Company currently has leasehold of 232,600 acres in Ohio, 869,700 acres in Pennsylvania, and 6,500 acres in West Virginia. None of this leasehold has any expiration dates because it is all held by the production of the existing wells.

The Company has a development plan for the addition of 202 vertical wells currently listed as Proved Undeveloped (PUD) starting in 2017 through 2022. These wells are located in areas of established production and are relatively low-risk with high chances of success. These wells will be targeting several formations such as the Berea, Clinton, Newburg, Ohio, Oriskany, and others as needed. Some of these wells may be completed in multiple formations and commingled in the wellbore.

With all of the recent acquisitions made by the Company, there is a high probability of other potential areas for development that have not been fully explored at this time.

**Exhibit A**  
**DIVERSIFIED GAS & OIL PLC**  
**Summary of Results – Oil and Gas Reserves**

(all figures in bbls and Mcf)	Gross			Net attributable			Operator
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible	
<b>Oil &amp; Natural Gas Liquids reserves per asset</b>							Diversified Gas & Oil PLC and others
From production to planned for development	5,644,320	5,644,320	5,644,320	2,628,772	2,628,772	2,628,772	Diversified Gas & Oil PLC and others
<b>Total for Oil &amp; Natural Gas Liquids</b>	5,644,320	5,644,320	5,644,320	2,628,772	2,628,772	2,628,772	Diversified Gas & Oil PLC and others
<b>Gas reserves per asset</b>							Diversified Gas & Oil PLC and others
From production to planned for development	297,370,720	297,370,720	297,370,720	152,445,616	152,445,616	152,445,616	Diversified Gas & Oil PLC and others
<b>Total for Gas</b>	297,370,720	297,370,720	297,370,720	152,445,616	152,445,616	152,445,616	Diversified Gas & Oil PLC and others

Source: D. Randall Wright, P.E.

Note: "Operator" is name of the company that operates the asset  
"Gross" are 100% of the reserves and/or resources attributable to the license whilst "Net attributable" are those attributable to the AIM company

bbls – Barrels

Mcf – Thousand Standard Cubic Feet



**Exhibit B**  
**SPE Petroleum Reserves Definitions**

*Reserves derived under these definitions rely on the integrity, skill, and judgment of the evaluator and are affected by the geological complexity, stage of development, degree of depletion of the reservoirs, and amount of available data. Use of these definitions should sharpen the distinction between the various classifications and provide more consistent reserves reporting.*

**Definitions**

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

The intent of the Society of Petroleum Engineers (SPE) and World Petroleum Council (WPC, formerly World Petroleum Congresses) in approving additional classifications beyond proved reserves is to facilitate consistency among professionals using such terms. In presenting these definitions, neither organization is recommending public disclosure of reserves classified as unproved. Public disclosure of the quantities classified as unproved reserves is left to the discretion of the countries or companies involved.

Estimation of reserves is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities.

Identifying reserves as proved, probable, and possible has been the most frequent classification method and gives an indication of the probability of recovery. Because of potential differences in uncertainty, caution should be exercised when aggregating reserves of different classifications.

Reserves estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change. Reserves do not include quantities of petroleum being held in inventory, and may be reduced for usage or processing losses if required for financial reporting.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, water flooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

## **Proved Reserves**

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as developed or undeveloped.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Establishment of current economic conditions should include relevant historical petroleum prices and associated costs and may involve an averaging period that is consistent with the purpose of the reserve estimate, appropriate contract obligations, corporate procedures, and government regulations involved in reporting these reserves.

In general, reserves are considered proved if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term proved refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. In certain cases, proved reserves may be assigned on the basis of well logs and/or core analysis that indicate the subject reservoir is hydrocarbon bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

The area of the reservoir considered as proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. In the absence of data on fluid contacts, the lowest known occurrence of hydrocarbons controls the proved limit unless otherwise indicated by definitive geological, engineering or performance data.

Reserves may be classified as proved if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed. Reserves in undeveloped locations may be classified as proved undeveloped provided (1) the locations are direct offsets to wells that have indicated commercial production in the objective formation, (2) it is reasonably certain such locations are within the known proved productive limits of the objective formation, (3) the locations conform to existing well spacing regulations where applicable, and (4) it is reasonably certain the locations will be developed. Reserves from other locations are categorized as proved undeveloped only where interpretations of geological and engineering data from wells indicate with reasonable certainty that the objective formation is laterally continuous and contains commercially recoverable petroleum at locations beyond direct offsets.

Reserves which are to be produced through the application of established improved recovery methods are included in the proved classification when (1) successful testing by a pilot project or favorable response of an installed program in the same or an analogous reservoir with similar rock and fluid properties provides support for the analysis on which the project was based, and, (2) it is reasonably certain that the project will proceed. Reserves to be recovered by improved recovery methods that have yet to be established through commercially successful applications are included in the proved classification only (1) after a favorable production response from the subject reservoir from

either (a) a representative pilot or (b) an installed program where the response provides support for the analysis on which the project is based and (2) it is reasonably certain the project will proceed.

### **Unproved Reserves**

Unproved reserves are based on geologic and/or engineering data similar to that used in estimates of proved reserves; but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be further classified as probable reserves and possible reserves.

Unproved reserves may be estimated assuming future economic conditions different from those prevailing at the time of the estimate. The effect of possible future improvements in economic conditions and technological developments can be expressed by allocating appropriate quantities of reserves to the probable and possible classifications.

### **Probable Reserves**

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

In general, probable reserves may include (1) reserves anticipated to be proved by normal step-out drilling where sub-surface control is inadequate to classify these reserves as proved, (2) reserves in formations that appear to be productive based on well log characteristics but lack core data or definitive tests and which are not analogous to producing or proved reservoirs in the area, (3) incremental reserves attributable to infill drilling that could have been classified as proved if closer statutory spacing had been approved at the time of the estimate, (4) reserves attributable to improved recovery methods that have been established by repeated commercially successful applications when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics appear favorable for commercial application, (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and the geologic interpretation indicates the subject area is structurally higher than the proved area, (6) reserves attributable to a future workover, treatment, re-treatment, change of equipment, or other mechanical procedures, where such procedure has not been proved successful in wells which exhibit similar behavior in analogous reservoirs, and (7) incremental reserves in proved reservoirs where an alternative interpretation of performance or volumetric data indicates more reserves than can be classified as proved.

### **Possible Reserves**

Possible reserves are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves.

In general, possible reserves may include (1) reserves which, based on geological interpretations, could possibly exist beyond areas classified as probable, (2) reserves in formations that appear to be petroleum bearing based on log and core analysis but may not be productive at commercial rates, (3) incremental reserves attributed to infill drilling that are subject to technical

uncertainty, (4) reserves attributed to improved recovery methods when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics are such that a reasonable doubt exists that the project will be commercial, and (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and geological interpretation indicates the subject area is structurally lower than the proved area.

### **Reserve Status Categories**

Reserve status categories define the development and producing status of wells and reservoirs.

**Developed:** Developed reserves are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Developed reserves may be subcategorized as producing or non-producing.

**Producing:** Reserves subcategorized as producing are expected to be recovered from completion intervals which are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

**Non-producing:** Reserves subcategorized as non-producing include shut-in and behind-pipe reserves. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.

**Undeveloped Reserves:** Undeveloped reserves are expected to be recovered: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different reservoir, or (3) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

*Approved by the Board of Directors, Society of Petroleum Engineers (SPE) Inc., and the Executive Board, World Petroleum Council (WPC), March 1997*

## **Exhibit C**

### **Glossary of Terms**

*The terms defined below may be used throughout this CPR.*

*Bbl.* One barrel of crude oil, condensate, or other liquids equal to 42 U.S. gallons.

*Bcf.* Billion cubic feet.

*Bcfe.* Billion cubic feet of natural gas equivalent.

*Btu.* British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit under specific conditions.

*Development Well.* A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive in an attempt to recover proved undeveloped reserves.

*Dry hole.* A well found to be incapable of producing either oil or natural gas in a sufficient quantities to justify completion as an oil or gas well.

*Gross acres or gross wells.* The total acres or wells, as the case may be, in which a working interest is owned.

*Lease operating expense.* Costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

*Mbbl.* One thousand barrels.

*Mcf.* One thousand cubic feet.

*Mcfd.* One thousand cubic feet per day.

*Mcfe.* One thousand cubic feet of natural gas equivalent.

*Mcfed.* One thousand cubic feet of natural gas equivalent per day.

*MMbbl.* One million barrels.

*MMBtu.* One million Btus.

*MMcf.* One million cubic feet.

*MMcfd.* One million cubic feet per day.

*MMcfe.* One million cubic feet of natural gas equivalent.

*Natural gas equivalent.* Cubic feet of natural gas equivalent, determined using the ratio of one Bbl of crude oil, condensate or natural gas liquids to six Mcf of natural gas.

*Net acres or net wells.* The sum of the fractional working interests owned in gross acres or gross wells.

*Net oil and gas sales.* Oil and natural gas sales less oil and natural gas production.

*Oil Equivalent.* Barrels of oil equivalent, determined using the ratio of one Mcf of natural gas to one-sixth Bbl of oil.

*Overriding royalty interest.* A royalty interest that is carved out of a lessee's working interest under an oil and gas lease.

*Present Value.* The pre-tax present value, discounted at 10% per annum, of future net cash flows from estimated proved reserves (including the estimated cost of abandonment and future development), calculated holding prices and costs constant at amounts in effect on the date of the estimate (unless such prices or costs are subject to change pursuant to contractual provisions) and in all instances in accordance with the Commission's rules for inclusion of oil and gas revenue information in financial statements filed with the Commission. The difference between the Present Value and the standardized measure of discounted future net cash flows is the present value of income taxes applicable to such future net cash flows.

*Productive well.* A well that is producing oil and gas or that is capable of production.

*Proved developed producing reserves.* Proved developed reserves that are expected to be recovered from currently producing zones under the continuation of present operating methods through existing wells with existing equipment and operating methods.

*Proved reserves.* The estimated quantities of crude oil, natural gas, and natural gas liquids with geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

*Proved undeveloped reserves.* Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

*Recompletion.* The completion for production of an existing well bore in another formation from that in which the well has been previously completed.

*Reserve life index.* Calculated by dividing year-end proved reserves by annual production from the most recent year.

*Spud.* To start (or restart) the drilling of a new well.

*Standardized measure of discounted future net cash flows.* The present value, discounted at 10% per annum, of future net cash flows from estimated proved reserves after income taxes, calculated holding prices and costs constant at amounts in effect on the date of the estimate

(unless such prices or costs are subject to change pursuant to contractual provisions) and in all instances in accordance with the Commission's rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

*Term overriding royalty interest.* An overriding royalty interest with a fixed duration.

*Undeveloped acreage.* Lease acreage on which wells have not been participated in or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves.

*Waterflood.* The injection of water into a reservoir to fill pores vacated by produced fluids, thus maintaining reservoir pressure and assisting production.

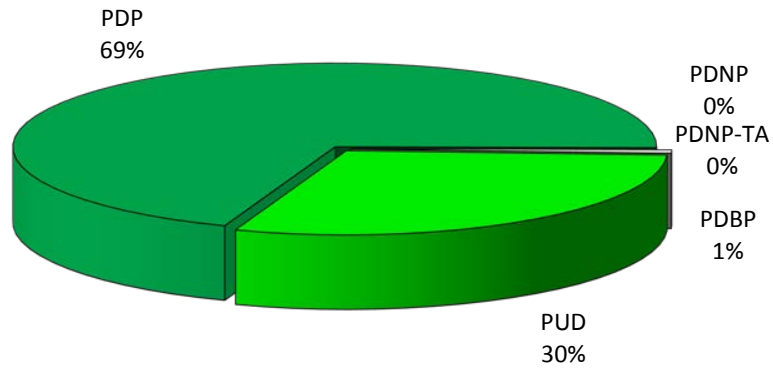
*Working interest.* A cost bearing interest which gives the owner the right to drill, produce, and conduct oil and gas operations on the property, as well as a right to a share of production therefrom.

*Workover.* Operations on a producing well to restore or increase production.

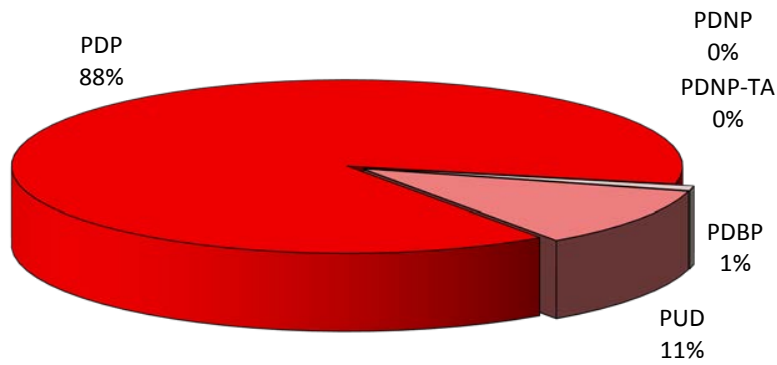
*WTI.* West Texas Intermediate

**Exhibit D1**  
**DIVERSIFIED GAS & OIL PLC**  
**Total Proved Reserves Charts by Category**

**Net Oil & NGL Reserves**

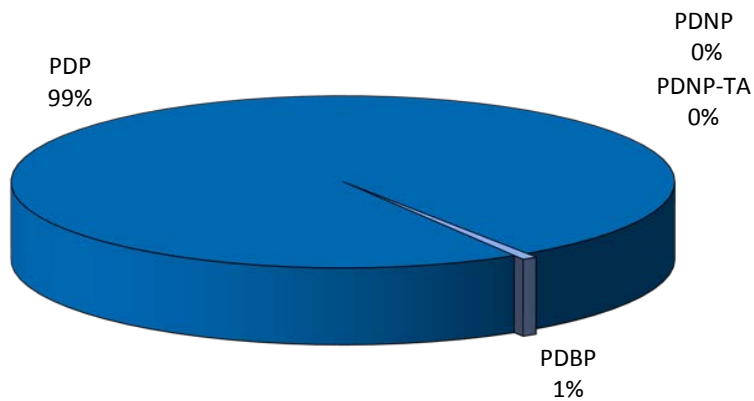


**Net Gas Reserves**



\*PDP - Proved Developed Producing  
 \*PDNP - Proved Developed Nonproducing  
 \*PDNP-TA - Proved Developed Nonproducing - Temporarily Abandoned  
 \*PDBP - Proved Developed Behind Pipe  
 \*PUD - Proved Undeveloped

**10.0 Percent Cum. Disc. (BTAX) Value**

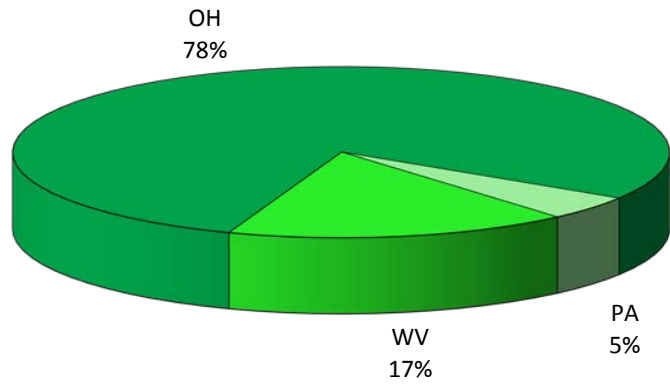


*\*Please note that the PUD category has a negative 10.0 Percent Cum. Disc. (BTAX) value.*

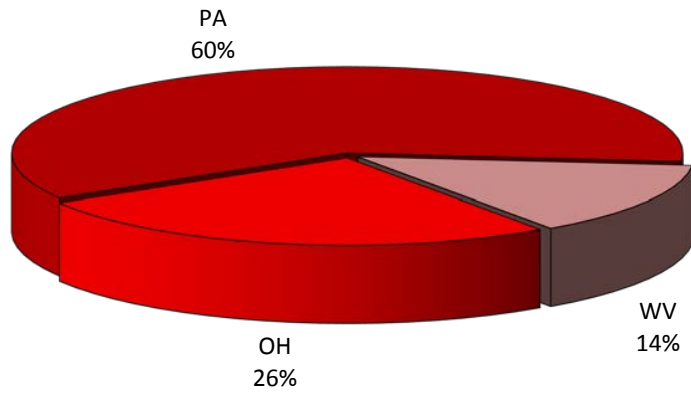


**Exhibit D2**  
**DIVERSIFIED GAS & OIL PLC**  
**Total Proved Reserves Charts by State**

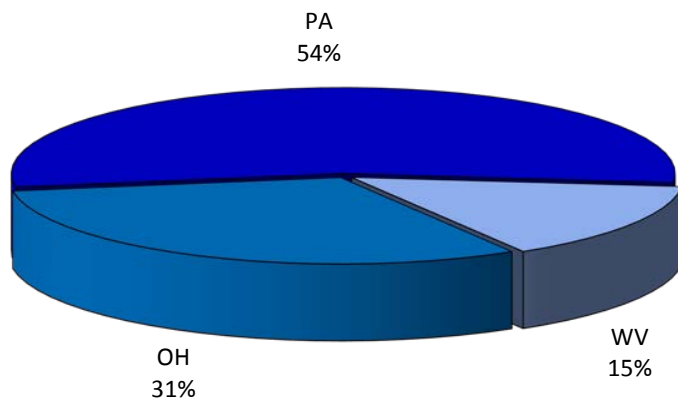
**Net Oil & NGL Reserves**



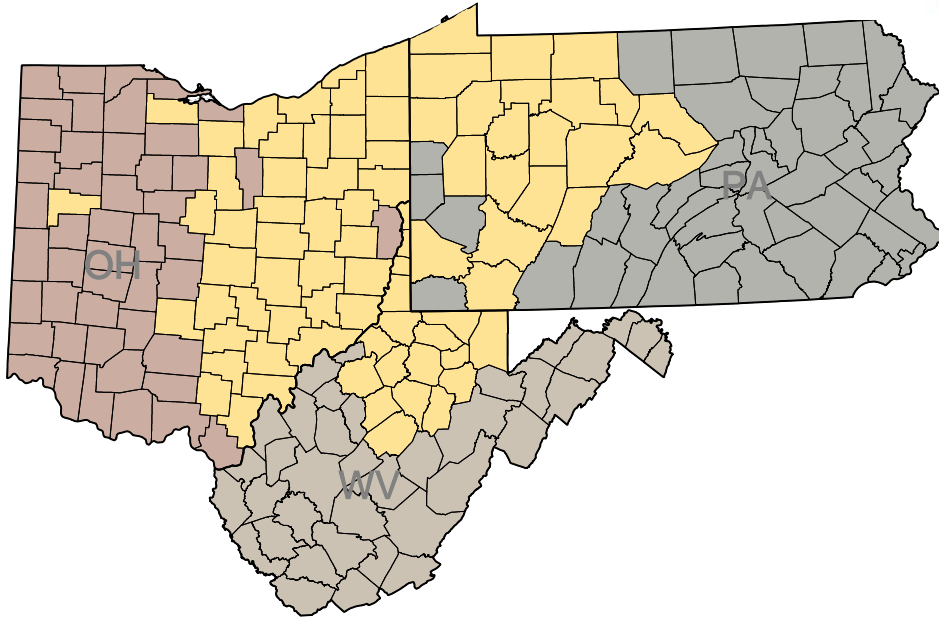
**Net Gas Reserves**



**10.0 Percent Cum. Disc. (BTAX) Value**



**Exhibit E**  
 Location of Evaluated Interests  
**DIVERSIFIED GAS & OIL PLC**  
 Ohio, Pennsylvania, and West Virginia Properties




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<b><u>STATE</u></b>	<b><u>COUNTIES</u></b>
Ohio	Ashland, Ashtabula, Athens, Auglaize, Belmont, Carroll, Columbiana, Coshocton, Cuyahoga, Fairfield, Gallia, Geauga, Guernsey, Harrison, Hocking, Holmes, Huron, Jackson, Knox, Lake, Licking, Lorain, Mahoning, Medina, Meigs, Monroe, Morgan, Morrow, Muskingum, Noble, Perry, Pickaway, Portage, Richland, Sandusky, Stark, Summit, Trumbull, Tuscarawas, Vinton, Washington, Wayne
Pennsylvania	Armstrong, Butler, Cambria, Centre, Clarion, Clearfield, Clinton, Crawford, Elk, Erie, Fayette, Forest, Indiana, Jefferson, Knoxdale, McKean, Mercer, Venango, Warren, Washington, Westmoreland
West Virginia	Barbour, Braxton, Doddridge, Gilmer, Harrison, Lewis, Marion, Preston, Ritchie, Taylor, Tyler, Upshur, Wetzel

## **Summaries**

By Reserves Category (BTAX)

**Exhibit F1**

TOTAL PROVED (PDP, PDNP, PDNP-TA, PDBP & PUD)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:02:25  
 SETUP : WRI0617  
 SCENARIO : WRI0617

R E S E R V E S   A N D   E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----						-----NET PRODUCTION-----						----- PRICES -----			TOTAL REVENUE, M\$
	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL \$/B	GAS \$/M	NGL \$/B	
12-2017	111.466		11227.456		105.264		83.286	4948.130		0.841		51.88	3.360	17.12	20959.878	
12-2018	204.039		18058.476		158.344		155.678	8407.964		1.263		51.94	3.105	17.15	34213.804	
12-2019	208.827		16629.964		138.003		162.040	8100.196		1.099		51.23	2.869	16.91	31559.346	
12-2020	204.666		15489.008		123.083		160.250	7792.204		0.979		51.32	2.849	16.94	30440.616	
12-2021	201.033		14599.034		111.582		158.800	7548.587		0.887		52.05	2.895	17.18	30133.952	
12-2022	196.282		13825.927		102.397		156.339	7302.832		0.813		53.17	2.945	17.55	29833.676	
12-2023	178.357		12859.196		94.863		142.092	6810.247		0.753		53.17	3.025	17.55	28169.240	
12-2024	158.046		11909.848		88.551		125.398	6275.996		0.702		53.17	3.126	17.55	26298.492	
12-2025	143.030		11150.361		83.174		113.391	5865.919		0.659		53.17	3.233	17.55	25005.128	
12-2026	131.226		10504.367		78.519		103.988	5520.918		0.622		53.17	3.314	17.55	23836.292	
12-2027	121.281		9926.402		74.362		95.989	5212.280		0.589		53.17	3.399	17.55	22830.614	
12-2028	112.449		9397.260		70.525		89.134	4936.912		0.558		53.17	3.482	17.55	21939.394	
12-2029	104.375		8909.983		66.938		82.771	4683.322		0.530		53.17	3.569	17.55	21125.032	
12-2030	97.346		8439.634		63.570		77.198	4433.435		0.503		53.17	3.569	17.55	19936.360	
12-2031	90.891		7992.196		60.399		72.083	4198.310		0.478		53.17	3.569	17.55	18824.790	
S TOT	2263.314		180919.104		1419.576		1778.437	92037.248		11.276		52.56	3.167	17.33	385106.592	
AFTER	1046.026		116451.608		915.405		831.790	60408.372		7.269		53.17	3.569	17.55	259951.280	
TOTAL	3309.340		297370.720		2334.980		2610.227	152445.616		18.545		52.75	3.326	17.42	645057.856	

--END-- MO-YEAR	-----OPERATIONS, M\$-----				-----CAPITAL COSTS, M\$-----				CASH BTAX, M\$	FLOW M\$	CUM. CASH BTAX, M\$	FLOW M\$	10.0% CUM. DISC BTAX, M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE						
12-2017	61.073	214.032	7445.138	560.142	1969.282	2529.425	0.000	10710.221	10710.221	10426.615			
12-2018	174.892	400.940	12099.546	2805.712	8493.412	11299.125	0.000	10239.340	20949.560	19670.128			
12-2019	225.125	370.264	11324.181	2081.250	6243.750	8325.000	0.000	11314.746	32264.306	28945.672			
12-2020	254.607	341.469	10849.188	2025.000	6075.000	8100.000	0.000	10895.346	43159.652	37065.920			
12-2021	284.336	324.983	10555.121	2081.250	6243.750	8325.000	0.000	10644.500	53804.152	44277.132			
12-2022	307.082	312.013	10319.345	2025.000	6075.000	8100.000	0.000	10795.216	64599.368	50927.672			
12-2023	276.835	290.812	10051.466	0.000	0.000	0.000	0.000	17550.122	82149.488	60771.140			
12-2024	233.192	269.761	9755.779	0.000	0.000	0.000	0.000	16039.744	98189.232	68947.312			
12-2025	206.915	254.059	9487.227	0.000	0.000	0.000	0.000	15056.904	113246.136	75923.856			
12-2026	187.671	240.152	9248.139	0.000	0.000	0.000	0.000	14160.348	127406.480	81888.104			
12-2027	173.052	228.044	8997.086	0.000	0.000	0.000	0.000	13432.437	140838.912	87031.200			
12-2028	161.296	217.236	8769.514	0.000	0.000	0.000	0.000	12791.341	153630.256	91483.448			
12-2029	151.431	206.864	8533.776	0.000	0.000	0.000	0.000	12232.959	165863.216	95354.184			
12-2030	140.867	194.808	8252.186	0.000	0.000	0.000	0.000	11348.496	177211.712	98618.576			
12-2031	131.826	183.637	7966.664	0.000	0.000	0.000	0.000	10542.650	187754.368	101375.448			
S TOT	2970.200	4049.074	143654.336	11578.355	35100.192	46678.552	0.000	187754.368	187754.368	101375.448			
AFTER	1642.728	2294.310	134577.552	0.000	0.000	0.000	0.000	121436.648	309191.008	116197.680			
TOTAL	4612.928	6343.383	278231.872	11578.355	35100.192	46678.552	0.000	309191.008	309191.008	116197.680			

	OIL	GAS	LIFE, YRS.	P.W. %	P.W., M\$
GROSS WELLS	1478.0	7751.0	50.00	0.00	309190.912
GROSS ULT., MB & MMF	12489.148	825434.752	DISCOUNT %	10.00	173782.624
GROSS CUM., MB & MMF	9179.808	528064.064	UNDISCOUNTED PAYOUT, YRS.	0.11	10.00
GROSS RES., MB & MMF	3309.340	297370.720	DISCOUNTED PAYOUT, YRS.	0.11	15.00
NET RES., MB & MMF	2610.228	152445.632	RATE-OF-RETURN, PCT.	100.00	20.00
NET REVENUE, M\$	137697.904	507037.024	DISCOUNTED NET/INVEST.	4.21	25.00
INITIAL N.I., PCT.	74.750	44.996	INITIAL W.I., PCT.	65.647	30.00
FINAL N.I., PCT.	78.475	83.864	FINAL W.I., PCT.	90.217	35.00
					40.00
					50.00
					31725.480

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

**Exhibit F1**

PROVED DEVELOPED PRODUCING (PDP)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:01:35  
 SETUP : WRI0617  
 SCENARIO : WRI0617

RESERVES AND ECONOMICS

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----						-----NET PRODUCTION-----					-----PRICES-----			TOTAL REVENUE, M\$
	OIL,	MBBL	GAS,	MMCF	NGL,	MBBL	OIL,	MBBL	GAS,	MMCF	NGL,	MBBL	OIL \$/B	GAS \$/M	
12-2017	108.848		11126.509		105.264		81.518	4879.364		0.841		51.88	3.359	17.12	20631.882
12-2018	172.897		17263.262		158.344		129.815	7779.892		1.263		51.97	3.111	17.15	30969.570
12-2019	157.995		15470.583		138.003		118.812	7143.078		1.099		51.23	2.869	16.91	26598.812
12-2020	145.596		14131.133		123.083		109.558	6649.053		0.979		51.32	2.849	16.94	24582.226
12-2021	134.651		13065.045		111.582		101.551	6244.089		0.887		52.05	2.895	17.18	23377.612
12-2022	124.790		12169.546		102.397		94.509	5886.367		0.813		53.17	2.945	17.55	22374.672
12-2023	115.640		11405.644		94.863		87.859	5567.709		0.753		53.17	3.025	17.55	21526.980
12-2024	107.578		10740.244		88.551		81.820	5279.192		0.702		53.17	3.126	17.55	20865.444
12-2025	99.962		10151.627		83.174		76.238	5016.462		0.659		53.17	3.233	17.55	20283.360
12-2026	93.310		9624.210		78.519		71.301	4773.442		0.622		53.17	3.314	17.55	19621.192
12-2027	87.230		9134.905		74.362		66.648	4540.899		0.589		53.17	3.399	17.55	18988.552
12-2028	81.437		8675.263		70.525		62.423	4325.083		0.558		53.17	3.482	17.55	18388.762
12-2029	75.834		8244.305		66.938		58.196	4119.679		0.530		53.17	3.569	17.55	17806.728
12-2030	70.864		7820.800		63.570		54.401	3909.818		0.503		53.17	3.569	17.55	16855.450
12-2031	66.156		7413.318		60.399		50.795	3708.761		0.478		53.17	3.569	17.55	15945.686
S TOT	1642.790		166436.384		1419.576		1245.443	79822.888		11.276		52.52	3.172	17.33	318816.928
AFTER	736.701		109315.584		915.405		566.348	54384.392		7.269		53.17	3.569	17.55	224338.160
TOTAL	2379.490		275751.968		2334.980		1811.791	134207.280		18.545		52.72	3.333	17.42	543155.072

--END-- MO-YEAR	-----OPERATIONS, M\$-----				-----CAPITAL COSTS, M\$-----				CASH BTAX,	FLOW M\$	CUM. CASH BTAX,	FLOW M\$	10.0% CUM. DISC BTAX,	M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE							
12-2017	53.316	196.297	7388.476	0.000	0.000	0.000	0.000	0.000	12993.802	12993.802	12635.908			
12-2018	81.281	299.077	11828.951	0.000	0.000	0.000	0.000	0.000	18760.298	31754.100	29610.260			
12-2019	70.470	261.432	10934.751	0.000	0.000	0.000	0.000	0.000	15332.126	47086.224	42194.864			
12-2020	65.007	240.867	10358.515	0.000	0.000	0.000	0.000	0.000	13917.845	61004.068	52579.848			
12-2021	61.486	226.384	9953.252	0.000	0.000	0.000	0.000	0.000	13136.478	74140.544	61490.424			
12-2022	58.459	214.425	9601.497	0.000	0.000	0.000	0.000	0.000	12500.278	86640.824	69198.488			
12-2023	55.542	204.032	9278.852	0.000	0.000	0.000	0.000	0.000	11988.540	98629.360	75918.800			
12-2024	53.136	195.463	8988.890	0.000	0.000	0.000	0.000	0.000	11627.944	110257.304	81844.328			
12-2025	50.963	187.793	8724.903	0.000	0.000	0.000	0.000	0.000	11319.679	121576.984	87088.272			
12-2026	48.798	179.889	8489.555	0.000	0.000	0.000	0.000	0.000	10902.967	132479.952	91679.944			
12-2027	46.706	172.425	8241.631	0.000	0.000	0.000	0.000	0.000	10527.796	143007.744	95710.520			
12-2028	44.704	165.379	8016.724	0.000	0.000	0.000	0.000	0.000	10161.954	153169.696	99247.328			
12-2029	42.592	158.114	7783.286	0.000	0.000	0.000	0.000	0.000	9822.729	162992.432	102355.272			
12-2030	39.920	149.108	7503.719	0.000	0.000	0.000	0.000	0.000	9162.695	172155.120	104990.824			
12-2031	37.566	140.622	7220.056	0.000	0.000	0.000	0.000	0.000	8547.427	180702.544	107225.888			
S TOT	809.948	2991.308	134313.040	0.000	0.000	0.000	0.000	0.000	180702.544	180702.544	107225.888			
AFTER	482.540	1739.072	118873.336	0.000	0.000	0.000	0.000	0.000	103243.168	283945.728	119481.032			
TOTAL	1292.488	4730.379	253186.368	0.000	0.000	0.000	0.000	0.000	283945.728	283945.728	119481.032			

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1391.0	6706.0	LIFE, YRS.	0.00	283945.696
GROSS ULT., MB & MMF	11519.438	798998.080	DISCOUNT %	10.00	168584.512
GROSS CUM., MB & MMF	9139.947	523246.144	UNDISCOUNTED PAYOUT, YRS.	5.00	119480.984
GROSS RES., MB & MMF	2379.490	275751.936	DISCOUNTED PAYOUT, YRS.	15.00	93316.976
NET RES., MB & MMF	1811.792	134207.272	RATE-OF-RETURN, PCT.	20.00	77264.904
NET REVENUE, M\$	95524.376	447307.776	DISCOUNTED NET/INVEST.	0.00	66458.536
INITIAL N.I., PCT.	74.750	44.996	INITIAL W.I., PCT.	49.619	58696.076
FINAL N.I., PCT.	79.823	83.944	FINAL W.I., PCT.	90.453	52848.048
				40.00	48279.832
				50.00	41587.852

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

Exhibit F1

PROVED DEVELOPED NONPRODUCING (PDNP)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:02:05  
 SETUP : WRI0617  
 SCENARIO : WRI0617

RESERVES AND ECONOMICS

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----						-----NET PRODUCTION-----						----- PRICES -----			TOTAL REVENUE, M\$
	OIL,	MBBL	GAS,	MMCF	NGL,	MBBL	OIL,	MBBL	GAS,	MMCF	NGL,	MBBL	\$/B	\$/M	\$/B	
12-2017																
12-2018																
12-2019																
12-2020																
12-2021																
12-2022																
12-2023																
12-2024																
12-2025																
12-2026																
12-2027																
12-2028																
12-2029																
12-2030																
12-2031																
S TOT	0.000		0.000		0.000		0.000		0.000		0.000		0.00	0.000	0.00	0.000
AFTER	0.000		0.000		0.000		0.000		0.000		0.000		0.00	0.000	0.00	0.000
TOTAL	0.000		0.000		0.000		0.000		0.000		0.000		0.00	0.000	0.00	0.000

--END-- MO-YEAR	-----OPERATIONS, M\$-----				-----CAPITAL COSTS, M\$-----				CASH BTAX, M\$	FLOW M\$	CUM. CASH BTAX, M\$	FLOW M\$	10.0% CUM. DISC BTAX, M\$		
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE	BTAX, M\$					BTAX, M\$	BTAX, M\$	BTAX, M\$
12-2017															
12-2018															
12-2019															
12-2020															
12-2021															
12-2022															
12-2023															
12-2024															
12-2025															
12-2026															
12-2027															
12-2028															
12-2029															
12-2030															
12-2031															
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	87.0	669.0	LIFE, YRS.	0.00	0.000
GROSS ULT., MB & MMF	39.558	4817.530	DISCOUNT %	10.00	5.00
GROSS CUM., MB & MMF	39.558	4817.530	UNDISCOUNTED PAYOUT, YRS.	0.00	10.00
GROSS RES., MB & MMF	0.000	0.000	DISCOUNTED PAYOUT, YRS.	0.00	15.00
NET RES., MB & MMF	0.000	0.000	RATE-OF-RETURN, PCT.	0.00	20.00
NET REVENUE, M\$	0.000	0.000	DISCOUNTED NET/INVEST.	0.00	25.00
INITIAL N.I., PCT.	0.000	0.000	INITIAL W.I., PCT.	100.000	30.00
FINAL N.I., PCT.	0.000	0.000	FINAL W.I., PCT.	0.000	35.00
					40.00
					50.00

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

**Exhibit F1**

PROVED DEVELOPED BEHIND PIPE (PDBP)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:02:07  
 SETUP : WRI0617  
 SCENARIO : WRI0617

R E S E R V E S   A N D   E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----					-----NET PRODUCTION-----					----- PRICES -----			TOTAL REVENUE, M\$		
	OIL,	MBBL	GAS,	MMCF	NGL,	MBBL	OIL,	MBBL	GAS,	MMCF	NGL,	MBBL	OIL \$/B		GAS \$/M	NGL \$/B
12-2017	1.672		62.172		0.000	0.971		36.181		0.000			52.03	3.419	0.00	174.213
12-2018	2.970		226.992		0.000	1.725		138.429		0.000			51.99	3.078	0.00	515.818
12-2019	2.198		185.338		0.000	1.276		111.541		0.000			51.23	2.869	0.00	385.403
12-2020	1.773		145.284		0.000	1.030		87.507		0.000			51.32	2.849	0.00	302.147
12-2021	1.499		121.775		0.000	0.871		73.373		0.000			52.05	2.895	0.00	257.743
12-2022	1.307		105.978		0.000	0.759		63.867		0.000			53.17	2.945	0.00	228.453
12-2023	1.163		94.492		0.000	0.676		56.953		0.000			53.17	3.025	0.00	208.211
12-2024	1.052		85.694		0.000	0.611		51.654		0.000			53.17	3.126	0.00	193.947
12-2025	0.962		78.698		0.000	0.559		47.440		0.000			53.17	3.233	0.00	183.077
12-2026	0.888		72.978		0.000	0.516		43.994		0.000			53.17	3.314	0.00	173.216
12-2027	0.826		68.196		0.000	0.480		41.113		0.000			53.17	3.399	0.00	165.248
12-2028	0.773		64.129		0.000	0.449		38.662		0.000			53.17	3.482	0.00	158.493
12-2029	0.727		60.619		0.000	0.422		36.547		0.000			53.17	3.569	0.00	152.897
12-2030	0.687		57.522		0.000	0.399		34.681		0.000			53.17	3.569	0.00	145.003
12-2031	0.652		54.644		0.000	0.379		32.946		0.000			53.17	3.569	0.00	137.721
S TOT	19.150		1484.513		0.000	11.122		894.888		0.000			52.41	3.127	0.00	3381.588
AFTER	10.375		699.709		0.000	6.026		420.569		0.000			53.17	3.569	0.00	1821.412
TOTAL	29.525		2184.222		0.000	17.148		1315.458		0.000			52.67	3.269	0.00	5203.000

--END-- MO-YEAR	-----OPERATIONS, M\$-----			-----CAPITAL COSTS, M\$-----				CASH BTAX,	FLOW M\$	CUM. CASH BTAX,	FLOW M\$	10.0% CUM. DISC BTAX,	M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE						
12-2017	4.104	10.046	50.902	48.142	433.282	481.425	0.000	-372.264		-372.264		-363.999	
12-2018	12.152	29.718	150.211	12.712	114.412	127.125	0.000	196.612		-175.653		-188.678	
12-2019	9.080	22.207	118.518	0.000	0.000	0.000	0.000	235.598		59.946		4.998	
12-2020	7.118	17.410	93.617	0.000	0.000	0.000	0.000	184.001		243.946		142.413	
12-2021	6.072	14.853	78.669	0.000	0.000	0.000	0.000	158.149		402.095		249.747	
12-2022	5.382	13.165	68.504	0.000	0.000	0.000	0.000	141.401		543.496		336.970	
12-2023	4.905	12.000	61.062	0.000	0.000	0.000	0.000	130.243		673.740		409.995	
12-2024	4.569	11.179	55.337	0.000	0.000	0.000	0.000	122.862		796.602		472.613	
12-2025	4.313	10.554	50.772	0.000	0.000	0.000	0.000	117.439		914.041		527.020	
12-2026	4.081	9.986	47.032	0.000	0.000	0.000	0.000	112.117		1026.158		574.237	
12-2027	3.893	9.527	43.903	0.000	0.000	0.000	0.000	107.925		1134.083		615.554	
12-2028	3.734	9.139	41.239	0.000	0.000	0.000	0.000	104.382		1238.465		651.881	
12-2029	3.602	8.817	38.939	0.000	0.000	0.000	0.000	101.539		1340.004		684.004	
12-2030	3.416	8.361	36.915	0.000	0.000	0.000	0.000	96.310		1436.314		711.703	
12-2031	3.244	7.942	35.056	0.000	0.000	0.000	0.000	91.478		1527.793		735.620	
S TOT	79.667	194.903	970.676	60.855	547.695	608.550	0.000	1527.793		1527.793		735.620	
AFTER	42.914	104.840	473.372	0.000	0.000	0.000	0.000	1200.287		2728.080		879.589	
TOTAL	122.581	299.743	1444.047	60.855	547.695	608.550	0.000	2728.079		2728.080		879.589	

	OIL	GAS			P.W. %	P.W., M\$
GROSS WELLS	0.0	15.0	LIFE, YRS.	50.00	0.00	2728.079
GROSS ULT., MB & MMF	29.525	2184.222	DISCOUNT %	10.00	5.00	1431.472
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	2.33	10.00	879.589
GROSS RES., MB & MMF	29.525	2184.222	DISCOUNTED PAYOUT, YRS.	2.56	15.00	588.081
NET RES., MB & MMF	17.148	1315.458	RATE-OF-RETURN, PCT.	53.73	20.00	410.284
NET REVENUE, M\$	903.267	4299.733	DISCOUNTED NET/INVEST.	2.50	25.00	290.947
INITIAL N.I., PCT.	58.080	58.195	INITIAL W.I., PCT.	69.187	30.00	205.405
FINAL N.I., PCT.	58.080	58.080	FINAL W.I., PCT.	66.000	35.00	141.137
					40.00	91.140
					50.00	18.592

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

Exhibit F1

PROVED DEVELOPED NONPRODUCING - TEMPORARILY ABANDONED (PDNP-TA)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:02:14  
 SETUP : WRI0617  
 SCENARIO : WRI0617

RESERVES AND ECONOMICS

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----						-----NET PRODUCTION-----						----- PRICES -----			TOTAL REVENUE, M\$
	OIL,	MBBL	GAS,	MMCF	NGL,	MBBL	OIL,	MBBL	GAS,	MMCF	NGL,	MBBL	\$/B	\$/M	\$/B	
12-2017																
12-2018																
12-2019																
12-2020																
12-2021																
12-2022																
12-2023																
12-2024																
12-2025																
12-2026																
12-2027																
12-2028																
12-2029																
12-2030																
12-2031																
S TOT	0.000		0.000		0.000		0.000		0.000		0.000		0.00	0.000	0.00	0.000
AFTER	0.000		0.000		0.000		0.000		0.000		0.000		0.00	0.000	0.00	0.000
TOTAL	0.000		0.000		0.000		0.000		0.000		0.000		0.00	0.000	0.00	0.000

--END-- MO-YEAR	-----OPERATIONS, M\$-----				-----CAPITAL COSTS, M\$-----				CASH BTAX, M\$	FLOW M\$	CUM. CASH BTAX, M\$	FLOW M\$	10.0%		
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE	CUM. BTAX, M\$					DISC BTAX, M\$		
12-2017															
12-2018															
12-2019															
12-2020															
12-2021															
12-2022															
12-2023															
12-2024															
12-2025															
12-2026															
12-2027															
12-2028															
12-2029															
12-2030															
12-2031															
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	0.0	159.0	LIFE, YRS.	0.00	0.000
GROSS ULT., MB & MMF	0.303	0.380	DISCOUNT %	10.00	0.000
GROSS CUM., MB & MMF	0.303	0.380	UNDISCOUNTED PAYOUT, YRS.	0.00	10.000
GROSS RES., MB & MMF	0.000	0.000	DISCOUNTED PAYOUT, YRS.	0.00	15.000
NET RES., MB & MMF	0.000	0.000	RATE-OF-RETURN, PCT.	0.00	20.000
NET REVENUE, M\$	0.000	0.000	DISCOUNTED NET/INVEST.	0.00	25.000
INITIAL N.I., PCT.	0.000	0.000	INITIAL W.I., PCT.	100.000	30.000
FINAL N.I., PCT.	0.000	0.000	FINAL W.I., PCT.	0.000	35.000
					40.000
					50.000

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST



**Exhibit F1**

PROVED UNDEVELOPED (PUD)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:02:24  
 SETUP : WRI0617  
 SCENARIO : WRI0617

RESERVES AND ECONOMICS

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----					-----NET PRODUCTION-----					----- PRICES -----			TOTAL REVENUE, M\$
	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL \$/B	
12-2017	0.946		38.775		0.000	0.797		32.584		0.000	52.16	3.444	0.00	153.785
12-2018	28.172		568.223		0.000	24.137		489.643		0.000	51.78	3.020	0.00	2728.417
12-2019	48.635		974.044		0.000	41.951		845.578		0.000	51.23	2.869	0.00	4575.130
12-2020	57.297		1212.591		0.000	49.663		1055.644		0.000	51.32	2.849	0.00	5556.243
12-2021	64.882		1412.214		0.000	56.378		1231.125		0.000	52.05	2.895	0.00	6498.597
12-2022	70.185		1550.403		0.000	61.071		1352.598		0.000	53.17	2.945	0.00	7230.552
12-2023	61.554		1359.060		0.000	53.558		1185.585		0.000	53.17	3.025	0.00	6434.050
12-2024	49.416		1083.910		0.000	42.967		945.150		0.000	53.17	3.126	0.00	5239.100
12-2025	42.106		920.036		0.000	36.595		802.016		0.000	53.17	3.233	0.00	4538.690
12-2026	37.028		807.179		0.000	32.171		703.482		0.000	53.17	3.314	0.00	4041.885
12-2027	33.225		723.301		0.000	28.861		630.269		0.000	53.17	3.399	0.00	3676.814
12-2028	30.239		657.868		0.000	26.262		573.168		0.000	53.17	3.482	0.00	3392.138
12-2029	27.813		605.059		0.000	24.153		527.096		0.000	53.17	3.569	0.00	3165.408
12-2030	25.795		561.313		0.000	22.398		488.937		0.000	53.17	3.569	0.00	2935.908
12-2031	24.082		524.234		0.000	20.910		456.604		0.000	53.17	3.569	0.00	2741.383
S TOT	601.375		12998.210		0.000	521.872		11319.477		0.000	52.65	3.130	0.00	62908.100
AFTER	298.949		6436.324		0.000	259.416		5603.404		0.000	53.17	3.569	0.00	33791.692
TOTAL	900.325		19434.534		0.000	781.288		16922.882		0.000	52.82	3.275	0.00	96699.792

--END-- MO-YEAR	-----OPERATIONS, M\$-----			-----CAPITAL COSTS, M\$-----				CASH BTAX, M\$	FLOW M\$	CUM. CASH BTAX, M\$	FLOW M\$	10.0% CUM. DISC BTAX, M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE					
12-2017	3.652	7.689	5.760	512.000	1536.000	2048.000	0.000	-1911.317	-1911.317	-1845.294		
12-2018	81.459	72.145	120.384	2793.000	8379.000	11172.000	0.000	-8717.570	-10628.887	-9751.454		
12-2019	145.575	86.625	270.912	2081.250	6243.750	8325.000	0.000	-4252.978	-14881.864	-13254.189		
12-2020	182.482	83.191	397.056	2025.000	6075.000	8100.000	0.000	-3206.500	-18088.364	-15656.343		
12-2021	216.778	83.747	523.200	2081.250	6243.750	8325.000	0.000	-2650.128	-20738.492	-17463.038		
12-2022	243.240	84.423	649.344	2025.000	6075.000	8100.000	0.000	-1846.462	-22584.954	-18607.784		
12-2023	216.388	74.780	711.552	0.000	0.000	0.000	0.000	5431.340	-17153.614	-15557.652		
12-2024	175.486	63.119	711.552	0.000	0.000	0.000	0.000	4288.938	-12864.676	-13369.628		
12-2025	151.639	55.712	711.552	0.000	0.000	0.000	0.000	3619.786	-9244.890	-11691.433		
12-2026	134.792	50.276	711.552	0.000	0.000	0.000	0.000	3145.264	-6099.626	-10366.074		
12-2027	122.453	46.092	711.552	0.000	0.000	0.000	0.000	2796.716	-3302.910	-9294.876		
12-2028	112.858	42.718	711.552	0.000	0.000	0.000	0.000	2525.005	-777.905	-8415.761		
12-2029	105.237	39.933	711.552	0.000	0.000	0.000	0.000	2308.691	1530.786	-7685.090		
12-2030	97.531	37.338	711.552	0.000	0.000	0.000	0.000	2089.491	3620.277	-7083.946		
12-2031	91.016	35.073	711.552	0.000	0.000	0.000	0.000	1903.745	5524.022	-6586.057		
S TOT	2080.586	862.863	8370.624	11517.500	34552.500	46070.000	0.000	5524.022	5524.022	-6586.057		
AFTER	1117.274	450.398	15230.848	0.000	0.000	0.000	0.000	16993.168	22517.184	-4162.913		
TOTAL	3197.859	1313.262	23601.472	11517.500	34552.500	46070.000	0.000	22517.190	22517.184	-4162.913		

	OIL	GAS	LIFE, YRS.	P.W. %	P.W., M\$
GROSS WELLS	0.0	202.0	45.17	0.00	22517.156
GROSS ULT., MB & MMF	900.325	19434.538	10.00	5.00	3766.644
GROSS CUM., MB & MMF	0.000	0.000	11.92	10.00	-4162.914
GROSS RES., MB & MMF	900.325	19434.538	45.17	15.00	-7811.958
NET RES., MB & MMF	781.288	16922.882	7.38	20.00	-9531.247
NET REVENUE, M\$	41270.228	55429.536	0.88	25.00	-10296.808
INITIAL N.I., PCT.	84.227	84.035	100.000	30.00	-10561.601
FINAL N.I., PCT.	84.000	84.000	100.000	35.00	-10554.277
				40.00	-10397.436
				50.00	-9880.964

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

## **Summaries**

By Reserves Category (ATAX)

**Exhibit F2**

TOTAL PROVED (PDP, PDNP, PDNP-TA, PDBP & PUD)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:20:17  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

MO-YEAR	TAXABLE CASH FLOW	DEPRECIATION	DEPLETION	INTANG. EXPENSED	INTEREST PAID & CAP	TAXABLE INCOME	TAX CREDIT	TAXES PAYABLE	CASH FLOW ATAX	10.0% CUM. DISC ATAX
-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----
12-2017	13239.646	20.794	0.000	1969.282	0.000	11249.569	56.014	1856.409	8853.798	8616.800
12-2018	21538.464	741.698	0.000	8493.412	0.000	12303.353	280.571	1810.997	8428.342	16134.968
12-2019	19639.748	1228.826	0.000	6243.750	0.000	12167.171	208.125	1860.301	9454.456	23839.056
12-2020	18995.350	1483.302	0.000	6075.000	0.000	11437.046	202.500	1741.798	9153.554	30619.796
12-2021	18969.492	1651.846	0.000	6243.750	0.000	11073.902	208.125	1674.440	8970.047	36658.328
12-2022	18895.210	1793.153	0.000	6075.000	0.000	11027.064	202.500	1672.104	9123.115	42244.320
12-2023	17550.122	1466.544	0.000	0.000	0.000	16083.578	0.000	2734.211	14815.918	50541.364
12-2024	16039.744	1207.968	0.000	0.000	0.000	14831.772	0.000	2521.400	13518.339	57423.540
12-2025	15056.904	826.340	0.000	0.000	0.000	14230.560	0.000	2419.196	12637.722	63272.496
12-2026	14160.348	565.080	0.000	0.000	0.000	13595.274	0.000	2311.192	11849.144	68257.944
12-2027	13432.437	381.536	0.000	0.000	0.000	13050.903	0.000	2218.652	11213.785	72547.144
12-2028	12791.341	196.219	0.000	0.000	0.000	12595.120	0.000	2141.171	10650.157	76250.440
12-2029	12232.959	15.052	0.000	0.000	0.000	12217.907	0.000	2077.047	10155.912	79460.840
12-2030	11348.496	0.000	0.000	0.000	0.000	11348.496	0.000	1929.244	9419.266	82167.688
12-2031	10542.650	0.000	0.000	0.000	0.000	10542.650	0.000	1792.253	8750.416	84453.720
12-2032	9801.853	0.000	0.000	0.000	0.000	9801.853	0.000	1666.316	8135.529	86385.904
12-2033	9118.544	0.000	0.000	0.000	0.000	9118.544	0.000	1550.154	7568.392	88019.984
12-2034	8486.652	0.000	0.000	0.000	0.000	8486.652	0.000	1442.735	7043.934	89402.568
12-2035	7897.630	0.000	0.000	0.000	0.000	7897.630	0.000	1342.596	6555.032	90572.224
12-2036	7346.763	0.000	0.000	0.000	0.000	7346.763	0.000	1248.949	6097.809	91561.384
S TOT	277084.352	11578.357	0.000	35100.192	0.000	230405.824	1157.836	38011.160	192394.672	91561.384
AFTER	78785.208	0.000	0.000	0.000	0.000	78785.208	0.000	13393.483	65391.652	96744.336
TOTAL	355869.568	11578.357	0.000	35100.192	0.000	309191.040	1157.836	51404.644	257786.320	96744.336

BTAX RATE OF RETURN (PCT)	100.00	ATAX RATE OF RETURN (PCT)	100.00
BTAX PAYOUT YEARS	0.11	ATAX PAY OUT YEARS	0.13
BTAX PAYOUT YEARS (DISC)	0.11	ATAX PAY OUT YEARS (DISC)	0.13
BTAX NET INCOME/INVEST	7.62	ATAX NET INCOME/INVEST	6.52
BTAX NET INCOME/INVEST(DISC)	4.21	ATAX NET INCOME/INVEST(DISC)	3.68
PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	50.00
		DISCOUNT - RATE (PCT)	10.00
INITIAL OIL PRICE (\$/B)	52.084	INITIAL GAS PRICE (\$/M)	3.110
MAXIMUM OIL PRICE (\$/B)	53.170	MAXIMUM GAS PRICE (\$/M)	3.569
GROSS OIL WELLS	1478.	GROSS GAS WELLS	7751.
CUMULATIVE OIL (MBBL)	9179.808	CUMULATIVE GAS (MMF)	528064.064
REMAINING OIL (MBBL)	3309.340	REMAINING GAS (MMCF)	297370.720
ULTIMATE OIL (MBBL)	12489.148	ULTIMATE GAS (MMCF)	825434.752
INITIAL WI (PCT)	65.647	FINAL WI (PCT)	90.217
INITIAL NET OIL (PCT)	74.750	FINAL NET OIL (PCT)	78.475
INITIAL NET GAS (PCT)	44.996	FINAL NET GAS (PCT)	83.864

PRESENT WORTH PROFILE AND			
---- RATE-OF-RETURN VS. BONUS TABLE ---			
P.W. FACTOR	B.F.I.T. WORTH	A.F.I.T. WORTH	A.F.I.T. BONUS
%-----	M\$-----	M\$-----	M\$-----
0.00	309190.9	257786.6	310585.8
5.00	173782.6	144889.7	160546.7
10.00	116197.7	96744.2	103922.5
15.00	86093.1	71505.9	75623.1
20.00	68143.9	56421.8	59119.4
25.00	56452.7	46576.8	48505.1
30.00	48339.9	39733.7	41198.4
35.00	42434.9	34746.4	35909.2
40.00	37973.5	30974.0	31928.5
50.00	31725.5	25685.2	26376.5
60.00	27588.4	22179.7	22715.4
70.00	24658.4	19695.6	20130.1
80.00	22476.1	17845.0	18209.2
90.00	20786.5	16412.0	16725.1
100.00	19437.5	15268.1	15542.5

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

**Exhibit F2**

PROVED DEVELOPED PRODUCING (PDP)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:19:06  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

EFFECTIVE DATE: 06/2017

JOB 17.1861

MO-YEAR	TAXABLE CASH FLOW	DEPRECIATION	DEPLETION	INTANG. EXPENSED	INTEREST PAID & CAP	TAXABLE INCOME	TAX CREDIT	TAXES PAYABLE	CASH FLOW ATAX	10.0% CUM. DISC ATAX
-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----
12-2017	12993.802	0.000	0.000	0.000	0.000	12993.802	0.000	2208.943	10784.846	10489.181
12-2018	18760.298	0.000	0.000	0.000	0.000	18760.298	0.000	3189.249	15571.049	24533.298
12-2019	15332.126	0.000	0.000	0.000	0.000	15332.126	0.000	2606.468	12725.668	34967.244
12-2020	13917.845	0.000	0.000	0.000	0.000	13917.845	0.000	2366.033	11551.817	43577.760
12-2021	13136.478	0.000	0.000	0.000	0.000	13136.478	0.000	2233.202	10903.259	50965.964
12-2022	12500.278	0.000	0.000	0.000	0.000	12500.278	0.000	2125.050	10375.232	57357.252
12-2023	11988.540	0.000	0.000	0.000	0.000	11988.540	0.000	2038.054	9950.497	62929.620
12-2024	11627.944	0.000	0.000	0.000	0.000	11627.944	0.000	1976.749	9651.185	67843.040
12-2025	11319.679	0.000	0.000	0.000	0.000	11319.679	0.000	1924.345	9395.350	72191.376
12-2026	10902.967	0.000	0.000	0.000	0.000	10902.967	0.000	1853.502	9049.455	75998.872
12-2027	10527.796	0.000	0.000	0.000	0.000	10527.796	0.000	1789.725	8738.071	79341.128
12-2028	10161.954	0.000	0.000	0.000	0.000	10161.954	0.000	1727.532	8434.410	82273.960
12-2029	9822.729	0.000	0.000	0.000	0.000	9822.729	0.000	1669.867	8152.862	84851.176
12-2030	9162.695	0.000	0.000	0.000	0.000	9162.695	0.000	1557.659	7605.050	87036.664
12-2031	8547.427	0.000	0.000	0.000	0.000	8547.427	0.000	1453.066	7094.383	88890.056
12-2032	7971.294	0.000	0.000	0.000	0.000	7971.294	0.000	1355.121	6616.165	90461.392
12-2033	7433.028	0.000	0.000	0.000	0.000	7433.028	0.000	1263.616	6169.413	91793.424
12-2034	6930.616	0.000	0.000	0.000	0.000	6930.616	0.000	1178.208	5752.426	92922.512
12-2035	6459.638	0.000	0.000	0.000	0.000	6459.638	0.000	1098.137	5361.498	93879.200
12-2036	6018.140	0.000	0.000	0.000	0.000	6018.140	0.000	1023.083	4995.054	94689.472
S TOT	215515.264	0.000	0.000	0.000	0.000	215515.264	0.000	36637.608	178877.696	94689.472
AFTER	68430.464	0.000	0.000	0.000	0.000	68430.464	0.000	11633.183	56797.240	99052.264
TOTAL	283945.728	0.000	0.000	0.000	0.000	283945.728	0.000	48270.792	235674.944	99052.264

BTAX RATE OF RETURN (PCT)	100.00	ATAX RATE OF RETURN (PCT)	100.00	PRESENT WORTH PROFILE AND			
BTAX PAYOUT YEARS	0.00	ATAX PAY OUT YEARS	0.00	---- RATE-OF-RETURN VS. BONUS TABLE ----			
BTAX PAYOUT YEARS (DISC)	0.00	ATAX PAY OUT YEARS (DISC)	0.00	P.W. FACTOR	B.F.I.T. WORTH	A.F.I.T. WORTH	A.F.I.T. BONUS
BTAX NET INCOME/INVEST	0.00	ATAX NET INCOME/INVEST	0.00	%-----	M\$-----	M\$-----	M\$-----
BTAX NET INCOME/INVEST(DISC)	0.00	ATAX NET INCOME/INVEST(DISC)	0.00	0.00	283945.7	235675.2	283945.6
PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	50.00	5.00	168584.5	139857.1	154925.4
		DISCOUNT - RATE (PCT)	10.00	10.00	119481.0	99052.1	106389.7
				15.00	93317.0	77295.8	81729.7
INITIAL OIL PRICE (\$/B)	52.170	INITIAL GAS PRICE (\$/M)	3.085	20.00	77264.9	63937.5	66966.1
MAXIMUM OIL PRICE (\$/B)	53.170	MAXIMUM GAS PRICE (\$/M)	3.569	25.00	66458.5	54937.1	57172.8
GROSS OIL WELLS	1391.	GROSS GAS WELLS	6706.	30.00	58696.1	48465.9	50206.5
				35.00	52848.0	43586.3	44994.3
CUMULATIVE OIL (MBBL)	9139.947	CUMULATIVE GAS (MMF)	523246.144	40.00	48279.8	39770.7	40943.1
REMAINING OIL (MBBL)	2379.490	REMAINING GAS (MMCF)	275751.936	50.00	41587.9	34174.2	35039.4
ULTIMATE OIL (MBBL)	11519.438	ULTIMATE GAS (MMCF)	798998.080	60.00	36903.5	30249.4	30927.0
				70.00	33426.0	27330.9	27883.5
INITIAL WI (PCT)	49.619	FINAL WI (PCT)	90.453	80.00	30732.0	25066.4	25530.8
INITIAL NET OIL (PCT)	74.750	FINAL NET OIL (PCT)	79.823	90.00	28576.7	23252.2	23651.5
INITIAL NET GAS (PCT)	44.996	FINAL NET GAS (PCT)	83.944	100.00	26808.6	21761.9	22111.4

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

**Exhibit F2**

PROVED DEVELOPED NONPRODUCING (PDNP)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:19:51  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR ----- M\$-----	TAXABLE CASH FLOW M\$-----	DEPRECIATION M\$-----	DEPLETION M\$-----	INTANG. EXPENSED M\$-----	INTEREST PAID & CAP M\$-----	TAXABLE INCOME M\$-----	TAX CREDIT M\$-----	TAXES PAYABLE M\$-----	CASH FLOW ATAX M\$-----	10.0% CUM. DISC ATAX M\$-----
12-2017										
12-2018										
12-2019										
12-2020										
12-2021										
12-2022										
12-2023										
12-2024										
12-2025										
12-2026										
12-2027										
12-2028										
12-2029										
12-2030										
12-2031										
12-2032										
12-2033										
12-2034										
12-2035										
12-2036										
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BTAX RATE OF RETURN (PCT)	0.00									
BTAX PAYOUT YEARS	0.00									
BTAX PAYOUT YEARS (DISC)	0.00									
BTAX NET INCOME/INVEST	0.00									
BTAX NET INCOME/INVEST(DISC)	0.00									
ATAX RATE OF RETURN (PCT)				0.00						
ATAX PAY OUT YEARS				0.00						
ATAX PAY OUT YEARS (DISC)				0.00						
ATAX NET INCOME/INVEST				0.00						
ATAX NET INCOME/INVEST(DISC)				0.00						
PRESENT WORTH PROFILE AND										
---- RATE-OF-RETURN VS. BONUS TABLE ---										
P.W. FACTOR										
B.F.I.T. WORTH										
A.F.I.T. WORTH										
A.F.I.T. BONUS										
%-----										
M\$-----										
M\$-----										
M\$-----										
0.00										0.0
5.00										0.0
10.00										0.0
15.00										0.0
20.00										0.0
25.00										0.0
30.00										0.0
35.00										0.0
40.00										0.0
50.00										0.0
60.00										0.0
70.00										0.0
80.00										0.0
90.00										0.0
100.00										0.0
PRODUCTION START DATE	08/2011			PROJECT LIFE (YEARS)	0.00					
DISCOUNT - RATE (PCT)					10.00					
INITIAL OIL PRICE (\$/B)	52.170			INITIAL GAS PRICE (\$/M)	0.000					
MAXIMUM OIL PRICE (\$/B)	0.000			MAXIMUM GAS PRICE (\$/M)	0.000					
GROSS OIL WELLS	87.			GROSS GAS WELLS	669.					
CUMULATIVE OIL (MBBL)	39.558			CUMULATIVE GAS (MMF)	4817.530					
REMAINING OIL (MBBL)	0.000			REMAINING GAS (MMCF)	0.000					
ULTIMATE OIL (MBBL)	39.558			ULTIMATE GAS (MMCF)	4817.530					
INITIAL WI (PCT)	100.000			FINAL WI (PCT)	0.000					
INITIAL NET OIL (PCT)	0.000			FINAL NET OIL (PCT)	0.000					
INITIAL NET GAS (PCT)	0.000			FINAL NET GAS (PCT)	0.000					

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

**Exhibit F2**

PROVED DEVELOPED BEHIND PIPE (PDBP)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:19:53  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	TAXABLE CASH FLOW M\$-----	DEPRECIATION M\$-----	DEPLETION M\$-----	INTANG. EXPENSED M\$-----	INTEREST PAID & CAP M\$-----	TAXABLE INCOME M\$-----	TAX CREDIT M\$-----	TAXES PAYABLE M\$-----	CASH FLOW ATAX M\$-----	10.0% CUM. DISC ATAX M\$-----
12-2017	109.161	2.304	0.000	433.282	0.000	-326.426	4.814	-60.307	-311.958	-306.207
12-2018	323.737	12.602	0.000	114.412	0.000	196.722	1.271	32.172	164.440	-161.396
12-2019	235.598	13.128	0.000	0.000	0.000	222.470	0.000	37.820	197.778	0.764
12-2020	184.001	9.376	0.000	0.000	0.000	174.625	0.000	29.686	154.314	115.786
12-2021	158.149	6.698	0.000	0.000	0.000	151.451	0.000	25.747	132.402	205.503
12-2022	141.401	5.432	0.000	0.000	0.000	135.969	0.000	23.115	118.286	278.369
12-2023	130.243	5.431	0.000	0.000	0.000	124.812	0.000	21.218	109.025	339.423
12-2024	122.862	5.432	0.000	0.000	0.000	117.430	0.000	19.963	102.899	391.809
12-2025	117.439	0.452	0.000	0.000	0.000	116.987	0.000	19.888	97.551	436.958
12-2026	112.117	0.000	0.000	0.000	0.000	112.117	0.000	19.060	93.057	476.111
12-2027	107.925	0.000	0.000	0.000	0.000	107.925	0.000	18.347	89.578	510.374
12-2028	104.382	0.000	0.000	0.000	0.000	104.382	0.000	17.745	86.637	540.499
12-2029	101.539	0.000	0.000	0.000	0.000	101.539	0.000	17.262	84.277	567.140
12-2030	96.310	0.000	0.000	0.000	0.000	96.310	0.000	16.373	79.937	590.112
12-2031	91.478	0.000	0.000	0.000	0.000	91.478	0.000	15.551	75.927	609.948
12-2032	86.904	0.000	0.000	0.000	0.000	86.904	0.000	14.774	72.130	627.079
12-2033	82.559	0.000	0.000	0.000	0.000	82.559	0.000	14.035	68.524	641.873
12-2034	78.431	0.000	0.000	0.000	0.000	78.431	0.000	13.333	65.098	654.651
12-2035	74.509	0.000	0.000	0.000	0.000	74.509	0.000	12.667	61.843	665.686
12-2036	70.784	0.000	0.000	0.000	0.000	70.784	0.000	12.033	58.751	675.216
S TOT	2529.529	60.855	0.000	547.695	0.000	1920.979	6.086	320.481	1600.498	675.216
AFTER	807.100	0.000	0.000	0.000	0.000	807.100	0.000	137.207	669.893	729.348
TOTAL	3336.629	60.855	0.000	547.695	0.000	2728.079	6.086	457.688	2270.391	729.348

BTAX RATE OF RETURN (PCT)	53.73	ATAX RATE OF RETURN (PCT)	50.40	PRESENT WORTH PROFILE AND			
BTAX PAYOUT YEARS	2.33	ATAX PAY OUT YEARS	2.33	---- RATE-OF-RETURN VS. BONUS TABLE ---			
BTAX PAYOUT YEARS (DISC)	2.56	ATAX PAY OUT YEARS (DISC)	2.58	P.W.	B.F.I.T.	A.F.I.T.	A.F.I.T.
BTAX NET INCOME/INVEST	5.48	ATAX NET INCOME/INVEST	4.73	FACTOR	WORTH	WORTH	BONUS
BTAX NET INCOME/INVEST(DISC)	2.50	ATAX NET INCOME/INVEST(DISC)	2.24	%-----	M\$-----	M\$-----	M\$-----
0.00	2728.1	2270.4	2735.4				
5.00	1431.5	1190.4	1333.5				
10.00	879.6	729.3	792.3				
15.00	588.1	484.9	517.9				
20.00	410.3	335.1	354.2				
25.00	290.9	234.2	245.7				
30.00	205.4	161.6	168.5				
35.00	141.1	106.8	110.9				
40.00	91.1	64.1	66.1				
50.00	18.6	1.7	1.5				
60.00	-31.2	-41.4	-42.8				
70.00	-67.3	-72.8	-74.9				
80.00	-94.4	-96.5	-99.0				
90.00	-115.4	-114.9	-117.6				
100.00	-131.9	-129.5	-132.3				

PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	50.00
		DISCOUNT - RATE (PCT)	10.00
INITIAL OIL PRICE (\$/B)	51.720	INITIAL GAS PRICE (\$/M)	3.224
MAXIMUM OIL PRICE (\$/B)	53.170	MAXIMUM GAS PRICE (\$/M)	3.569
GROSS OIL WELLS	0.	GROSS GAS WELLS	15.
CUMULATIVE OIL (MBBL)	0.000	CUMULATIVE GAS (MMF)	0.000
REMAINING OIL (MBBL)	29.525	REMAINING GAS (MMCF)	2184.222
ULTIMATE OIL (MBBL)	29.525	ULTIMATE GAS (MMCF)	2184.222
INITIAL WI (PCT)	69.187	FINAL WI (PCT)	66.000
INITIAL NET OIL (PCT)	58.080	FINAL NET OIL (PCT)	58.080
INITIAL NET GAS (PCT)	58.195	FINAL NET GAS (PCT)	58.080

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

Exhibit F2

PROVED DEVELOPED NONPRODUCING - TEMPORARILY ABANDONED (PDNP-TA)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:19:59  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

										10.0%
--END--	TAXABLE	DEPRECIA-	DEPLETION	INTANG.	INTEREST	TAXABLE	TAX	TAXES	CASH FLOW	CUM. DISC
MO-YEAR	CASH FLOW	TION		EXPENSED	PAID & CAP	INCOME	CREDIT	PAYABLE	ATAX	ATAX
-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----
12-2017										
12-2018										
12-2019										
12-2020										
12-2021										
12-2022										
12-2023										
12-2024										
12-2025										
12-2026										
12-2027										
12-2028										
12-2029										
12-2030										
12-2031										
12-2032										
12-2033										
12-2034										
12-2035										
12-2036										
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

BTAX RATE OF RETURN (PCT)	0.00	ATAX RATE OF RETURN (PCT)	0.00	PRESENT WORTH PROFILE AND			
BTAX PAYOUT YEARS	0.00	ATAX PAY OUT YEARS	0.00	---- RATE-OF-RETURN VS. BONUS TABLE ---			
BTAX PAYOUT YEARS (DISC)	0.00	ATAX PAY OUT YEARS (DISC)	0.00	P.W.	B.F.I.T.	A.F.I.T.	A.F.I.T.
BTAX NET INCOME/INVEST	0.00	ATAX NET INCOME/INVEST	0.00	FACTOR	WORTH	WORTH	BONUS
BTAX NET INCOME/INVEST(DISC)	0.00	ATAX NET INCOME/INVEST(DISC)	0.00	%-----	M\$-----	M\$-----	M\$-----
0.00				0.00	0.0	0.0	0.0
5.00				5.00	0.0	0.0	0.0
10.00				10.00	0.0	0.0	0.0
15.00				15.00	0.0	0.0	0.0
20.00				20.00	0.0	0.0	0.0
25.00				25.00	0.0	0.0	0.0
30.00				30.00	0.0	0.0	0.0
35.00				35.00	0.0	0.0	0.0
40.00				40.00	0.0	0.0	0.0
50.00				50.00	0.0	0.0	0.0
60.00				60.00	0.0	0.0	0.0
70.00				70.00	0.0	0.0	0.0
80.00				80.00	0.0	0.0	0.0
90.00				90.00	0.0	0.0	0.0
100.00				100.00	0.0	0.0	0.0

PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	0.00	DISCOUNT - RATE (PCT)	10.00
INITIAL OIL PRICE (\$/B)	0.000	INITIAL GAS PRICE (\$/M)	3.412		
MAXIMUM OIL PRICE (\$/B)	0.000	MAXIMUM GAS PRICE (\$/M)	0.000		
GROSS OIL WELLS	0.	GROSS GAS WELLS	159.		
CUMULATIVE OIL (MBBL)	0.303	CUMULATIVE GAS (MMF)	0.380		
REMAINING OIL (MBBL)	0.000	REMAINING GAS (MMCF)	0.000		
ULTIMATE OIL (MBBL)	0.303	ULTIMATE GAS (MMCF)	0.380		
INITIAL WI (PCT)	100.000	FINAL WI (PCT)	0.000		
INITIAL NET OIL (PCT)	0.000	FINAL NET OIL (PCT)	0.000		
INITIAL NET GAS (PCT)	0.000	FINAL NET GAS (PCT)	0.000		

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST

**Exhibit F2**

PROVED UNDEVELOPED (PUD)  
 PROPERTIES LOCATED IN OH, PA & WV  
 TO THE INTERESTS OF  
 DIVERSIFIED GAS & OIL PLC

DATE : 06/06/2017  
 TIME : 18:20:16  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1861

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	TAXABLE CASH FLOW M\$-----	DEPRECIATION M\$-----	DEPLETION M\$-----	INTANG. EXPENSED M\$-----	INTEREST PAID & CAP M\$-----	TAXABLE INCOME M\$-----	TAX CREDIT M\$-----	TAXES PAYABLE M\$-----	CASH FLOW ATAX M\$-----	10.0% CUM. DISC ATAX M\$-----
12-2017	136.683	18.490	0.000	1536.000	0.000	-1417.807	51.200	-292.227	-1619.090	-1566.174
12-2018	2454.429	729.096	0.000	8379.000	0.000	-6653.667	279.300	-1410.423	-7307.147	-8236.933
12-2019	4072.025	1215.697	0.000	6243.750	0.000	-3387.425	208.125	-783.987	-3468.990	-11128.951
12-2020	4893.504	1473.926	0.000	6075.000	0.000	-2655.424	202.500	-653.921	-2552.576	-13073.750
12-2021	5674.866	1645.148	0.000	6243.750	0.000	-2214.027	208.125	-584.510	-2065.615	-14513.138
12-2022	6253.531	1787.721	0.000	6075.000	0.000	-1609.182	202.500	-476.061	-1370.403	-15391.300
12-2023	5431.340	1461.114	0.000	0.000	0.000	3970.226	0.000	674.938	4756.396	-12727.678
12-2024	4288.938	1202.536	0.000	0.000	0.000	3086.398	0.000	524.688	3764.255	-10811.304
12-2025	3619.786	825.888	0.000	0.000	0.000	2793.894	0.000	474.963	3144.821	-9355.826
12-2026	3145.264	565.080	0.000	0.000	0.000	2580.190	0.000	438.630	2706.632	-8217.030
12-2027	2796.716	381.536	0.000	0.000	0.000	2415.182	0.000	410.580	2386.136	-7304.350
12-2028	2525.005	196.219	0.000	0.000	0.000	2328.784	0.000	395.894	2129.110	-6564.014
12-2029	2308.691	15.052	0.000	0.000	0.000	2293.639	0.000	389.919	1918.773	-5957.471
12-2030	2089.491	0.000	0.000	0.000	0.000	2089.491	0.000	355.213	1734.278	-5459.087
12-2031	1903.745	0.000	0.000	0.000	0.000	1903.745	0.000	323.636	1580.106	-5046.288
12-2032	1743.655	0.000	0.000	0.000	0.000	1743.655	0.000	296.422	1447.233	-4702.573
12-2033	1602.958	0.000	0.000	0.000	0.000	1602.958	0.000	272.503	1330.456	-4415.318
12-2034	1477.604	0.000	0.000	0.000	0.000	1477.604	0.000	251.193	1226.412	-4174.598
12-2035	1363.483	0.000	0.000	0.000	0.000	1363.483	0.000	231.792	1131.690	-3972.664
12-2036	1257.839	0.000	0.000	0.000	0.000	1257.839	0.000	213.832	1044.005	-3803.311
S TOT	59039.552	11517.503	0.000	34552.500	0.000	12969.556	1151.750	1053.073	11916.481	-3803.311
AFTER	9547.622	0.000	0.000	0.000	0.000	9547.622	0.000	1623.095	7924.522	-3037.259
TOTAL	68587.176	11517.503	0.000	34552.500	0.000	22517.178	1151.750	2676.168	19841.002	-3037.259

BTAX RATE OF RETURN (PCT)	7.38	ATAX RATE OF RETURN (PCT)	7.79	PRESENT WORTH PROFILE AND			
BTAX PAYOUT YEARS	11.92	ATAX PAY OUT YEARS	11.35	---- RATE-OF-RETURN VS. BONUS TABLE ----			
BTAX PAYOUT YEARS (DISC)	45.17	ATAX PAY OUT YEARS (DISC)	45.17	P.W.	B.F.I.T.	A.F.I.T.	A.F.I.T.
BTAX NET INCOME/INVEST	1.49	ATAX NET INCOME/INVEST	1.43	FACTOR	WORTH	WORTH	BONUS
BTAX NET INCOME/INVEST(DISC)	0.88	ATAX NET INCOME/INVEST(DISC)	0.91	%-----	M\$-----	M\$-----	M\$-----
0.00	22517.2	19841.0	23904.8				
5.00	3766.6	3842.2	4287.7				
10.00	-4162.9	-3037.3	-3259.4				
15.00	-7812.0	-6274.8	-6624.6				
20.00	-9531.2	-7850.9	-8200.9				
25.00	-10296.8	-8594.5	-8913.4				
30.00	-10561.6	-8893.8	-9176.6				
35.00	-10554.3	-8946.8	-9196.0				
40.00	-10397.4	-8860.9	-9080.8				
50.00	-9881.0	-8490.6	-8664.4				
60.00	-9283.9	-8028.4	-8168.8				
70.00	-8700.3	-7562.5	-7678.5				
80.00	-8161.4	-7125.0	-7222.6				
90.00	-7674.9	-6725.3	-6808.7				
100.00	-7239.1	-6364.3	-6436.6				

PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	45.17
		DISCOUNT - RATE (PCT)	10.00
INITIAL OIL PRICE (\$/B)	51.925	INITIAL GAS PRICE (\$/M)	2.932
MAXIMUM OIL PRICE (\$/B)	53.170	MAXIMUM GAS PRICE (\$/M)	3.569
GROSS OIL WELLS	0.	GROSS GAS WELLS	202.
CUMULATIVE OIL (MBBL)	0.000	CUMULATIVE GAS (MMF)	0.000
REMAINING OIL (MBBL)	900.325	REMAINING GAS (MMCF)	19434.538
ULTIMATE OIL (MBBL)	900.325	ULTIMATE GAS (MMCF)	19434.538
INITIAL WI (PCT)	100.000	FINAL WI (PCT)	100.000
INITIAL NET OIL (PCT)	84.227	FINAL NET OIL (PCT)	84.000
INITIAL NET GAS (PCT)	84.035	FINAL NET GAS (PCT)	84.000

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE MATLOCK / TECHNICAL ANALYST



**Exhibit G**

**DIVERSIFIED GAS & OIL PLC  
NYMEX Base Prices**

May 23, 2017 Settlements											
Month	WTI	Henry Hub	Month	WTI	Henry Hub	Month	WTI	Henry Hub	Month	WTI	Henry Hub
Jun 17	51.47	3.219	Nov 20	51.32	2.849	Apr 24	53.17	3.126	Sep 27	53.17	3.399
Jul 17	51.47	3.312	Dec 20	51.32	2.849	May 24	53.17	3.126	Oct 27	53.17	3.399
Aug 17	51.72	3.352	Jan 21	52.05	2.895	Jun 24	53.17	3.126	Nov 27	53.17	3.399
Sep 17	51.92	3.333	Feb 21	52.05	2.895	Jul 24	53.17	3.126	Dec 27	53.17	3.399
Oct 17	52.08	3.357	Mar 21	52.05	2.895	Aug 24	53.17	3.126	Jan 28	53.17	3.482
Nov 17	52.22	3.412	Apr 21	52.05	2.895	Sep 24	53.17	3.126	Feb 28	53.17	3.482
Dec 17	52.30	3.533	May 21	52.05	2.895	Oct 24	53.17	3.126	Mar 28	53.17	3.482
Jan 18	52.35	3.607	Jun 21	52.05	2.895	Nov 24	53.17	3.126	Apr 28	53.17	3.482
Feb 18	52.34	3.579	Jul 21	52.05	2.895	Dec 24	53.17	3.126	May 28	53.17	3.482
Mar 18	52.29	3.490	Aug 21	52.05	2.895	Jan 25	53.17	3.233	Jun 28	53.17	3.482
Apr 18	52.21	2.944	Sep 21	52.05	2.895	Feb 25	53.17	3.233	Jul 28	53.17	3.482
May 18	52.12	2.883	Oct 21	52.05	2.895	Mar 25	53.17	3.233	Aug 28	53.17	3.482
Jun 18	52.02	2.910	Nov 21	52.05	2.895	Apr 25	53.17	3.233	Sep 28	53.17	3.482
Jul 18	51.91	2.937	Dec 21	52.05	2.895	May 25	53.17	3.233	Oct 28	53.17	3.482
Aug 18	51.81	2.945	Jan 22	53.17	2.945	Jun 25	53.17	3.233	Nov 28	53.17	3.482
Sep 18	51.72	2.922	Feb 22	53.17	2.945	Jul 25	53.17	3.233	Dec 28	53.17	3.482
Oct 18	51.64	2.937	Mar 22	53.17	2.945	Aug 25	53.17	3.233	Jan 29	53.17	3.569
Nov 18	51.57	2.985	Apr 22	53.17	2.945	Sep 25	53.17	3.233	Feb 29	53.17	3.569
Dec 18	51.51	3.118	May 22	53.17	2.945	Oct 25	53.17	3.233	Mar 29	53.17	3.569
Jan 19	51.23	2.869	Jun 22	53.17	2.945	Nov 25	53.17	3.233	Apr 29	53.17	3.569
Feb 19	51.23	2.869	Jul 22	53.17	2.945	Dec 25	53.17	3.233	May 29	53.17	3.569
Mar 19	51.23	2.869	Aug 22	53.17	2.945	Jan 26	53.17	3.314	Jun 29	53.17	3.569
Apr 19	51.23	2.869	Sep 22	53.17	2.945	Feb 26	53.17	3.314	Jul 29	53.17	3.569
May 19	51.23	2.869	Oct 22	53.17	2.945	Mar 26	53.17	3.314	Aug 29	53.17	3.569
Jun 19	51.23	2.869	Nov 22	53.17	2.945	Apr 26	53.17	3.314	Sep 29	53.17	3.569
Jul 19	51.23	2.869	Dec 22	53.17	2.945	May 26	53.17	3.314	Oct 29	53.17	3.569
Aug 19	51.23	2.869	Jan 23	53.17	3.025	Jun 26	53.17	3.314	Nov 29	53.17	3.569
Sep 19	51.23	2.869	Feb 23	53.17	3.025	Jul 26	53.17	3.314	Dec 29	53.17	3.569
Oct 19	51.23	2.869	Mar 23	53.17	3.025	Aug 26	53.17	3.314	Thereafter	53.17	3.569
Nov 19	51.23	2.869	Apr 23	53.17	3.025	Sep 26	53.17	3.314			
Dec 19	51.23	2.869	May 23	53.17	3.025	Oct 26	53.17	3.314			
Jan 20	51.32	2.849	Jun 23	53.17	3.025	Nov 26	53.17	3.314			
Feb 20	51.32	2.849	Jul 23	53.17	3.025	Dec 26	53.17	3.314			
Mar 20	51.32	2.849	Aug 23	53.17	3.025	Jan 27	53.17	3.399			
Apr 20	51.32	2.849	Sep 23	53.17	3.025	Feb 27	53.17	3.399			
May 20	51.32	2.849	Oct 23	53.17	3.025	Mar 27	53.17	3.399			
Jun 20	51.32	2.849	Nov 23	53.17	3.025	Apr 27	53.17	3.399			
Jul 20	51.32	2.849	Dec 23	53.17	3.025	May 27	53.17	3.399			
Aug 20	51.32	2.849	Jan 24	53.17	3.126	Jun 27	53.17	3.399			
Sep 20	51.32	2.849	Feb 24	53.17	3.126	Jul 27	53.17	3.399			
Oct 20	51.32	2.849	Mar 24	53.17	3.126	Aug 27	53.17	3.399			

**Exhibit H**

**Professional Qualifications  
D. Randall Wright, President**

I, D. Randall Wright, am the primary technical person in charge of the estimates of reserves and associated cash flow and economics on behalf of Wright & Company, Inc. (Wright) for the results presented in this report to Diversified Gas & Oil PLC. I have a Master of Science degree in Mechanical Engineering from Tennessee Technological University.

I am a qualified Reserves Estimator as set forth in the *“Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information”* promulgated by the Society of Petroleum Engineers. I am also qualified as a Competent Person (CP) as defined by the AIM Market of the London Stock Exchange (AIM). This qualification is based on more than 43 years of practical experience in the estimation and evaluation of petroleum reserves with Texaco, Inc., First City National Bank of Houston, Sipes, Williamson & Associates, Inc., Williamson Petroleum Consultants, Inc., and Wright which I founded in 1988.

I am a registered Professional Engineer in the state of Texas (TBPE #43291), granted in 1978, a member of the Society of Petroleum Engineers (SPE) and a member of the Order of the Engineer.



---

D. Randall Wright, P.E.  
TX Reg. No. F-12302

**Exhibit I**  
**DIVERSIFIED GAS & OIL PLC**  
**Confirmations**

In accordance with your instructions, Wright & Company, Inc. (Wright) hereby confirms that:

- (a) Wright consents to the CPR to be issued into the public domain by DGO.
- (b) Wright accepts responsibility for the CPR and for any information sourced from the CPR. In accordance with Schedule Two to the AIM Rules (and paragraph 1.2 of Annex 1 of Appendix 3 to the Financial Conduct Authority's Prospectus Rules), Wright confirms, to the best of the knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained therein is in accordance with the facts and contains no omission likely to affect the import of such information;
- (c) Wright confirms that it is unaware of any material change in circumstances to those stated in the CPR;
- (d) D. Randall Wright, President of Wright, who supervised the evaluation, is professionally qualified and a member in good standing of the Society of Petroleum Engineers (SPE);
- (e) Wright has the relevant and appropriate qualifications, experience, and technical knowledge to professionally and independently appraise the assets of DGO, which we have reported on;
- (f) Wright considers that the scope of the CPR is appropriate and was prepared to a standard expected in accordance with the *Note on Mining and Oil & Gas Companies* issued by the London Stock Exchange;
- (g) Wright has at least five years relevant experience in the estimation, assessment, and evaluation of oil, gas, and other liquid hydrocarbons under consideration;
- (h) Wright is an independent petroleum consulting firm founded in 1988 and is independent of DGO and its directors, senior management and advisers, has no material interest in DGO or its properties and has acted as an independent competent person for the purposes of providing a report on the assets;
- (i) No employee, officer, or director of Wright is an employee, officer, or director of DGO, nor does Wright or any of its employees have direct financial interest in DGO. Neither the employment of nor the compensation received by Wright is contingent upon the values assigned or the opinions rendered regarding the properties covered by this CPR; and
- (j) Wright is not a sole practitioner.



**COMPETENT PERSON'S REPORT (CPR)**

**Proposed Acquisition of Certain Gas and Oil  
Assets of Titan Energy, LLC**

Prepared For:

DIVERSIFIED GAS & OIL PLC  
1100 CORPORATE DRIVE  
BIRMINGHAM, AL 35242, UNITED STATES

THE DIRECTORS  
SMITH & WILLIAMSON CORPORATE FINANCE LIMITED  
25 MOORGATE  
LONDON, EC2R 6AY, UNITED KINGDOM

June 14, 2017

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### APPENDIX 1

Summary Table of Assets – Oil & Gas

### EXHIBITS

A	Summary of Results – Oil and Gas Reserves
B	SPE Petroleum Reserves Definitions
C	Glossary of Terms
D1	Total Proved Reserves Charts by Category
D2	Total Proved Reserves Charts by State
E	Map – Location of Evaluated Interests
F1	Cash Flow Summaries (BTAX)
F2	Cash Flow Summaries (ATAX)
G	NYMEX Base Prices
H	Professional Qualifications
I	Confirmations

## **EXECUTIVE SUMMARY**

Wright & Company, Inc. (Wright) has performed an evaluation of the proposed acquisition of certain gas and oil assets of Titan Energy, LLC and affiliated entities (Titan Assets) by Diversified Gas & Oil PLC (DGO or Company). In early May 2017, the Company entered into a conditional sale and purchase agreement to acquire certain producing gas and oil properties, comprising approximately 8,957 wells. The proposed acquisition of the certain wells are close to the company's existing operations in the Appalachian Basin in the eastern United States (U.S.) and are located in the states of Kentucky, Ohio, Pennsylvania, New York, Tennessee, and West Virginia.

All evaluations were completed using the guidelines as documented by the Society of Petroleum Engineers (SPE), and the report has been prepared in accordance with the standards of the *Note on Mining and Oil & Gas Companies* issued by the London Stock Exchange (LSE) (NOTE). This report details the methods, prices, expenses, and other criteria utilized in the evaluation process. Wright is confident that this report provides a fair and reasonable representation of the reserves and the associated results of the Titan Assets. The following table is a summary of the results of the evaluation.

<b>Evaluation of Titan Assets Utilizing Specified Economics</b>	<b>Proved Developed Producing (PDP)</b>	<b>Proved Developed Nonproducing, Temporarily Abandoned, and Shut-In (PDNP, PDNP-TA, &amp; PDSI)</b>	<b>Total Proved</b>
<b>Net Reserves to the Evaluated Interests</b>			
<b>Oil, Mbbl:</b>	1,463.401	34.006	1,497.408
<b>Gas, MMcf:</b>	202,368.288	1,315.046	203,683.328
<b>NGL, Mbbl:</b>	0.000	84.249	84.249
<b>Oil Equivalent, MBOE: (1 BOE = 6 Mcf)</b>	35,191.449	337.429	35,528.878
<b>Cash Flow Before Tax (BTAX), M\$</b>			
<b>Undiscounted:</b>	405,085.024	5,550.773	410,635.744
<b>Discounted at 10% per Annum:</b>	166,983.760	2,555.334	169,539.088
<b>Cash Flow After Tax (ATA), M\$</b>			
<b>Undiscounted:</b>	336,220.224	4,607.142	340,827.424
<b>Discounted at 10% per Annum:</b>	138,429.376	2,116.009	140,545.488

*Please note numbers in table may not add due to rounding techniques in the ARIES™ petroleum software program.*

## **INTRODUCTION**

At the request of DGO, Wright has been engaged to perform an evaluation to estimate proved reserves and associated cash flow and economics from the Titan Assets. This evaluation was authorized by Mr. Robert "Rusty" Hutson, Jr. of DGO. It is the understanding of Wright that this Competent Person's Report (CPR) will be included in the admission document issued by the Company in relation to the acquisition of the Titan Assets and admission of DGO's issued and to be issued share capital to trading on the AIM Market of the LSE (AIM). This CPR is provided in accordance with the NOTE. Wright meets the requirements of a qualified Competent Person (CP) as stipulated in the NOTE. Additionally, Wright understands that this CPR may be presented by DGO to certain existing investors or financial institutions. The results of this evaluation, with economic parameters effective as of June 1, 2017, are summarized in the attached **Exhibit A**.

Oil, gas, and other liquid hydrocarbon reserves were evaluated for the proved developed producing (PDP), proved developed nonproducing (PDNP), proved developed nonproducing temporarily abandoned (PDNP-TA), and proved developed shut-in (PDSI) categories. The summary classification of total proved developed reserves combines the PDP, PDNP, PDNP-TA, and PDSI categories. In preparing this evaluation, no attempt has been made to quantify the element of uncertainty associated with any reserves category. Reserves were assigned to each category as warranted. The *SPE Petroleum Reserves Definitions*, found in **Exhibit B**, describes all categories of reserves. A glossary of terms used throughout this CPR can be found in **Exhibit C**. Charts indicating the percent allocation of net proved reserves by reserves category and by state can be found in **Exhibit D1** and **Exhibit D2**.

The individual projections of lease reserves and economics were generated using certain data that describe the production forecasts and all associated evaluation parameters such as interests, severance and ad valorem taxes, product prices, operating expenses, and investments, as applicable. These data reports are not presented individually, but are a part of Wright's work product and are retained in our files. This CPR is intended to be used in its entirety and should not be used for any purpose other than that outlined herein without the prior knowledge of and express written authorization by an officer of Wright. This CPR will be included in the Company's admission document, which will be a public document.

## **COMPANY BACKGROUND**

DGO is an Appalachian Basin focused gas and oil company with headquarters in Birmingham, Alabama, U.S. DGO was founded in 2001 and currently operates approximately 9,000 conventional vertical wells in Ohio, Pennsylvania, and West Virginia. DGO currently does not perform high-risk drilling projects, but has focused on existing areas with stable and reasonably predictable production. DGO's strategic plan for growth includes, but is not necessarily limited to, acquisition and consolidation of other gas and oil producing assets, improving productivity of existing wells, and reducing overall expenses with an improved economy of scales.

Recent activities in horizontal wells have caused many companies to lose focus of older conventional wells where performance trends are well established and easily predictable. In the opinion of Wright, this has created more opportunities for DGO to consider and continue to successfully grow. The acquisition of the Titan Assets continues this overall corporate strategy.

## **GENERAL INFORMATION**

The properties evaluated in this CPR are located in the northeastern U.S. in the Appalachian Basin. The wells and locations are in the states of Kentucky, Ohio, New York, Pennsylvania, Tennessee, and West Virginia. A map showing the states and counties in which the properties included in this CPR are located can be found in **Exhibit E**.

For this evaluation, projections of the reserves and associated cash flow and economics to the evaluated interests were based on specified economic parameters, operating conditions, and government regulations considered to be applicable at the effective date. Net income to the evaluated interests is the cash flow after consideration of royalty revenue payable to others, standard state and county taxes, operating expenses, investments, salvage values, and abandonment costs, as

applicable. The cash flow is before federal income tax (BTAX) and excludes consideration of any encumbrances against the properties if such exist. At the request of DGO, Wright has also included a summary of cash flow values after federal income tax (ATAX). These summaries can be found in **Exhibit F1** and **Exhibit F2**.

The cash flow values presented in **Exhibit F1** and **Exhibit F2** were based on projections of annual oil and gas production or sales. It was assumed there would be no significant delay between the date of oil and gas production and the receipt of the associated revenue for this production.

Wright used the ARIES™ Version 5000.2.1.0 petroleum software program of Landmark Graphics Corporation, a Halliburton business line, in the evaluation of the properties. Certain data such as product prices, operating expenses, ad valorem tax rate, and interests were provided by DGO, the accuracy of which were not independently verified by Wright. Wright did not review individual gas and oil purchase contracts. A review of the base price terms and adjustments is contained in the "Product Prices" section of this CPR. It should be noted that the values contained in this CPR may not always add to exactly the same values as shown in the summaries due to internal rounding in the ARIES™ petroleum software program.

Unless specifically identified and documented by DGO as having curtailment problems, gas production or sales trends have been assumed to be a function of well productivity and not of market conditions. In the opinion of Wright, for properties in which current rates of production are limited due to operating conditions, projections represent the operating status at the effective date.

Oil and other liquid hydrocarbon volumes are expressed in thousands of U.S. barrels (Mbbbl) of 42 U.S. gallons. Gas volumes are expressed in millions of standard cubic feet (MMcf) at 60 degrees Fahrenheit and at the legal pressure base that prevails in the state in which the reserves are located. For purposes of this CPR, quantities of natural gas are converted into equivalent quantities of oil at the ratio of 6 Mcf = 1 barrel of oil equivalent (BOE). No adjustment of the individual gas volumes to a common pressure base has been made.

No investigation was made of potential gas volume and/or value imbalances that may have resulted from over/under delivery to the evaluated interests. Therefore, the estimates of reserves and cash flow do not include adjustments for the settlement of any such imbalances.

The Cash Flow (BTAX) and Cash Flow (ATAX) were discounted monthly at an annual rate of 10.0 percent as requested by DGO. Future cash flow was also discounted at several secondary rates as indicated on each reserves and economics page. These additional discounted amounts are displayed as totals only. It should be noted that no opinion is expressed by Wright as to the fair market value of the evaluated properties. In the determination of the Cash Flow (ATAX), DGO represented to Wright that their corporate tax rate was 17 percent, which was used in accordance with their instructions.

This CPR includes only those costs and revenues provided by DGO that are directly attributable to individual leases and areas. There could exist other revenues, overhead costs, or other costs associated with DGO, the Titan Assets, and any other entity that are not included in this CPR. Such additional costs and revenues are outside the scope of this evaluation. This CPR is not a financial statement for DGO nor the Titan Assets and should not be used as the sole basis for any transaction concerning DGO or the evaluated Titan Assets.



## **DATA SOURCES**

All data utilized in the preparation of this CPR with respect to the Titan Assets ownership interests, product prices, gas contract terms, operating expenses, investments, salvage values, abandonment costs, well information, and current operating conditions, as applicable, were provided by DGO. Data obtained after the effective date, but prior to the completion of this CPR, were used only if such data were applied consistently. If such data were used, the reserves category assignments reflect the status of the wells as of the effective date. Production or sales data were provided by DGO. All data have been reviewed for reasonableness and, unless obvious errors were detected, have been accepted as correct. It should be emphasized that revisions to the projections of reserves and economics included in this CPR may be required if the provided data are revised for any reason. Historically, Wright has not inspected the properties it has evaluated, and Wright believes it is neither necessary nor customary for the purposes and scope of this CPR.

## **METHODS OF RESERVES DETERMINATION**

The estimates of reserves contained in this CPR were determined by accepted industry methods as determined by the Guidelines for Application of the Petroleum Resources Management System, dated November 2011, and in accordance with the *SPE Petroleum Reserves Definitions* found in **Exhibit B**. Methods utilized in this CPR include extrapolation of historical production or sales trends, and analogy to similar producing properties.

Where sufficient production history and other data were available, reserves for producing properties were determined by extrapolation of historical production or sales trends, commonly referred to as Decline Curve Analysis (DCA). In some of the wells, the historical production data may be incomplete. Analogy to similar producing properties was used for those properties that lacked sufficient production history and other data to yield a definitive estimate of reserves. It should be noted that subsequent production performance trends or material balance calculations may cause the need for significant revisions to the estimates of reserves.

There are significant uncertainties inherent in estimating reserves, future rates of production, and the timing and amount of future costs. The estimation of reserves must be recognized as a subjective process that cannot be measured in an exact way, and estimates of others might differ materially from those of Wright. The accuracy of any reserves estimate is a function of the quantity and quality of available data and of subjective interpretations and judgments. It should be emphasized that production data subsequent to the date of these estimates or changes in the analogous properties may warrant revisions of such estimates. Accordingly, reserves estimates are often different from the quantities of oil and gas that are ultimately recovered.

## **INTERESTS**

The overall average working interest (WI) contained in the Titan Assets and expected to be transferred to DGO calculates to be approximately 87 percent, and the overall average net revenue interest (NRI) calculates to be approximately 76 percent. The average royalty rate is approximately 13.3 percent.

Within the Titan Assets, many of the wells were in certain partnerships and were placed into administration beginning in early 2016. It is the understanding of Wright that the partnerships'

working interest percentage reverted back to Titan once placed in administration. As part of the acquisition, DGO is purchasing all the working interests owned by Titan in approximately 8,957 wells.

### **PRODUCT PRICES**

According to the instructions of DGO, the base product prices used for this CPR were the New York Mercantile Exchange (NYMEX) Futures Settlements as published by CME Group on May 23, 2017, for West Texas Intermediate oil at Cushing, Oklahoma, and natural gas at Henry Hub, Louisiana. Monthly futures prices were used beginning in June 2017 through December 2018, thereafter annual average prices were used through 2029 and then held constant at the December 2029 published price. A table showing the base product prices can be found in **Exhibit G**. As instructed by DGO, the base product prices were adjusted for quality and basis differential. The resultant average product prices are \$48.82 per barrel of oil and \$2.616 per Mcf of gas. The NGL product price was estimated to be approximately 36 percent of the base oil price, resulting in a weighted average price of \$17.42 per barrel. It should be emphasized that with the current economic uncertainties, fluctuations in market conditions could significantly change the economics in this CPR.

### **OPERATING EXPENSES**

Operating expenses were provided by DGO and were used in accordance with their instructions. According to DGO, these expenses were based upon the latest available six-month average actual costs and included, but were not limited to, all direct operating expenses and field level overhead costs. Expenses for workovers, well stimulations, and other maintenance were not included in the operating expenses unless such work was expected on a recurring basis. Judgments for the exclusion of the nonrecurring expenses were made by DGO. Any internal indirect overhead costs (general and administrative), which are not billable to the working interest owners, were not included. For the PDP properties, the total operating expenses for the life of this report averaged \$5.27 BOE. After the effective date, the operating expenses were held constant for the life of the properties. It should be noted that these types of production profiles and estimated future volumes should have a relatively low cost per unit production.

### **SEVERANCE AND AD VALOREM TAXES**

Standard state severance taxes and average county ad valorem taxes have been deducted as appropriate. All taxes were provided by DGO or based on current published rates and were used in accordance with the instructions of DGO. According to DGO, any ad valorem taxes not deducted separately were included in the operating expenses. The following table shows the various rates for each state used in this evaluation.

State	Ad Valorem Tax Rates	Severance Tax Rates	
		Oil	Gas
Kentucky	10% of revenue	4.5% of revenue	4.5% of revenue
New York *	\$28.00 per month per well	N/A	N/A
Ohio	Ranged from 1.75% to 2.36% of revenue, depending on area	\$0.20 per barrel	\$0.03 per Mcf
Pennsylvania *	N/A	N/A	N/A
Tennessee	\$1.49 per month per well	3% of revenue	3% of revenue
West Virginia	\$232.70 per month per well	5% of revenue	5% of revenue

\*Note: There are no applicable ad valorem taxes in Pennsylvania; and there are no applicable severance taxes in New York or Pennsylvania.

## **INVESTMENTS**

In most PDP wells, which contribute the majority of the total value, little or no capital investment is expected to be incurred to maintain the production profile for anticipated future production. Wright did not evaluate any behind-pipe zones for potential recompletion, nor proved and unproved undeveloped locations in the Titan Assets; therefore, there is no significant capital investment anticipated in this CPR.

## **AREA OF MATERIAL ASSETS**

### **Introduction**

Wright was founded in 1988 by D. Randall Wright. In preparing this CPR, Mr. Wright had the direct oversight and management of the evaluation methods and procedures and is a professionally qualified Competent Person (CP) under the AIM Rules for Companies (AIM Rules). Wright has evaluated tens of thousands of wells similar to the ones included in this CPR for many clients. Wright routinely prepares CPRs, or similar reports, for clients of their oil and gas reserves and economics pursuant to the financial reporting requirements of the U.S. Securities and Exchange Commission (SEC) for various publicly traded companies.

Wright maintains extensive knowledge and utilizes its proprietary internal database of analogous information, in conjunction with data and information from various clients, for evaluations of oil and gas reserves and economics throughout the U.S., and particularly the Appalachian Basin. The professional qualifications of Mr. Wright can be found in **Exhibit H**. The following is a technical discussion of the Titan Assets based on Wright's evaluation.

### **Technical Discussion**

The Appalachian Basin is an area of the northeast U.S. that underlies 10 states including eastern Kentucky, southern New York, Ohio, Pennsylvania, northeast Tennessee, and West Virginia as shown in *Figure 1*. The Appalachian Basin covers an area of approximately 185,500 square miles. It is 1,075 miles long from the northeast to the southwest and between 20 to 310 miles wide. While this area is famous for the more recent Marcellus Shale (Marcellus) horizontal development, it has been a major contributor of vertical well development since the late 1800's.

Figure 1



Source: <https://edx.netl.doe.gov>

The depositions for the Appalachian Basin are the erosional sediments from the once Acadian Mountains into the lower basin, as referenced in *Figure 2*. The basin was limited to the west by the Cincinnati arch. As the mountains eroded over time, the sediment was deposited in the basin with alternating layers of carbonates, limestones, sandstone, siltstone, and shale intervals, as shown in *Figure 3*.

Figure 2

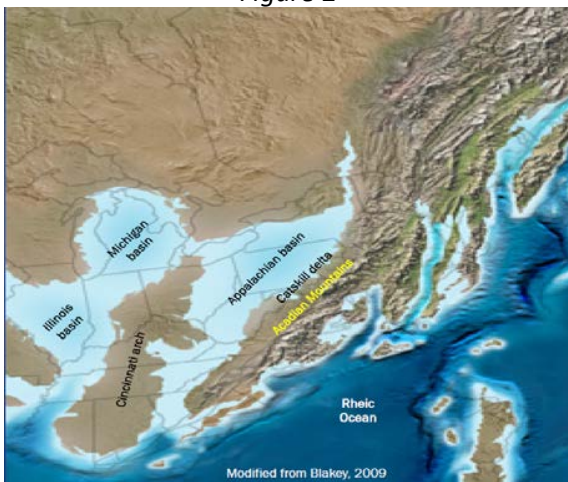
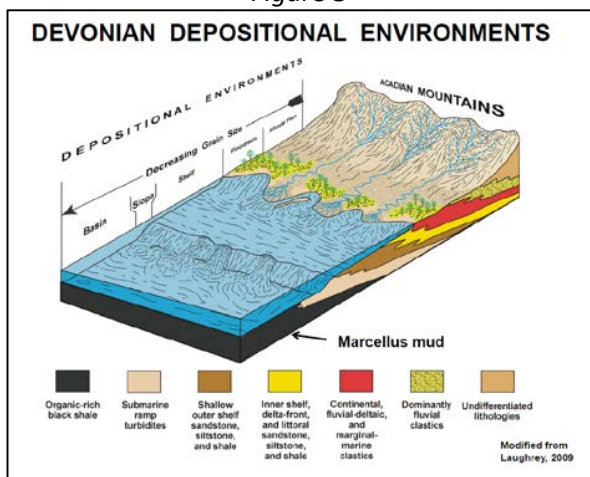
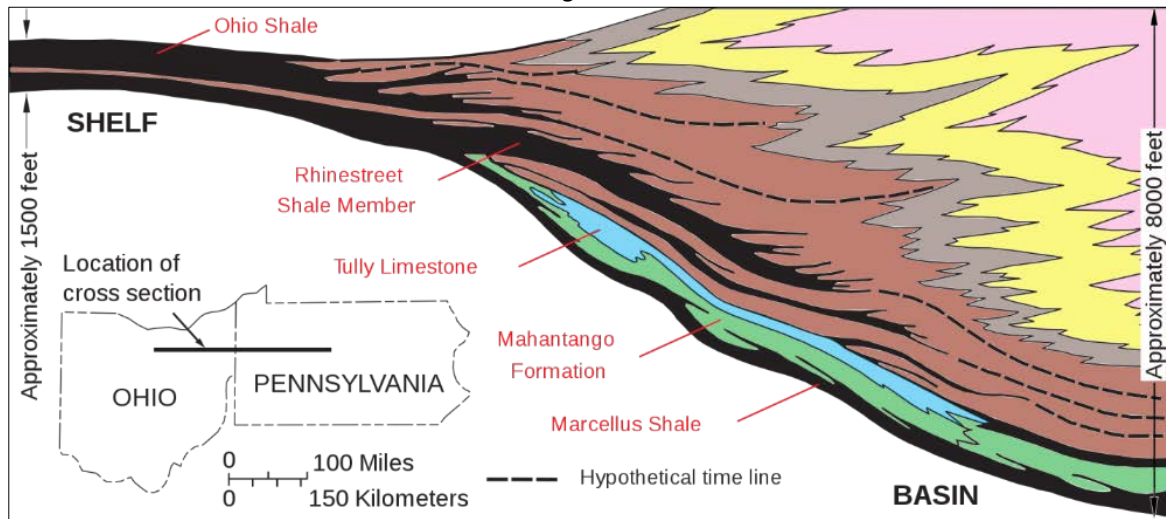


Figure 3



The effect of these geological events results in the Appalachian Basin section being very thin to the west and very thick to the south and the east. As shown in *Figure 4*, in parts of Ohio the Appalachian Basin is approximately 1,500 feet thick, while in parts of Pennsylvania it can reach a thickness of 8,000 feet.

Figure 4



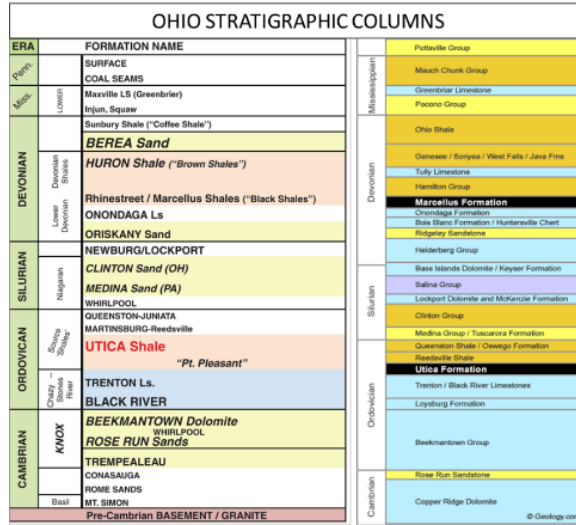
The beginning of the oil and gas industry started in 1859 with the discovery of oil in the Edwin Drake well located in northwestern Pennsylvania. Oil in this well was produced from the Upper Devonian sandstone at a depth of approximately 70 feet. This discovery well opened a trend of oil and gas fields producing from the Upper Devonian, Mississippian, and Pennsylvanian sandstones across many parts of the states of Kentucky, New York, Ohio, Pennsylvania, and West Virginia.

Hydrocarbon producing formations in the Appalachian Basin can range from approximately 2,000 feet deep in portions of Ohio to more than 8,000 feet deep in Pennsylvania and West Virginia. The Geological Age of the formations dates from the Lower Mississippian to the Upper Cambrian with most of the Titan Assets' current production coming from the Devonian and Silurian Ages.

In Ohio, the producing formations include the Berea Sand, Bradford Sand, Gantz Sand, Gordon Sand, Rose Run Sand, and several others as noted in the Ohio stratigraphic columns shown in Figure 5, but the majority of the state production comes from the Clinton Sand. The Clinton Sand is a Silurian Age formation and has been the most actively drilled zone in Ohio since the 1950's.

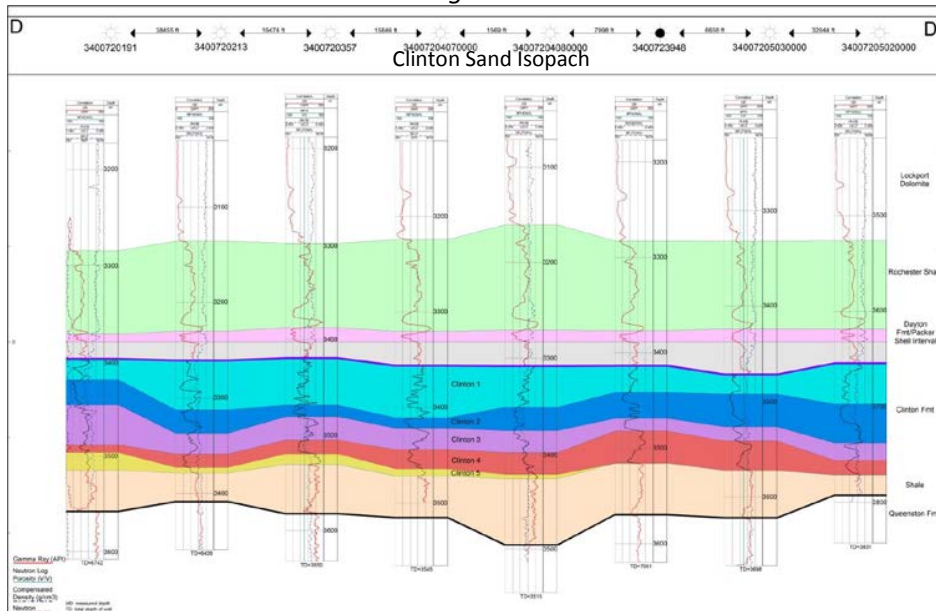
*This space left blank intentionally.*

Figure 5



The Clinton Sand was discovered in 1885 in Knox County, Ohio. It is believed to be formed as a nearshore deposit during the Silurian time and was deposited as a blanket of sand throughout eastern Ohio and western Pennsylvania, where it is generally referred to as the Medina Sand. The average depth is approximately 5,200 feet, with depths ranging from 3,500 to 6,000 feet. The entire Clinton/Medina Sand interval is generally 150 to 200 feet in thickness with net productive pay ranging from 10 to 100 feet. Hydraulic fracturing techniques introduced in the 1950s greatly improved oil and gas recoveries from these sandstones. The uniformity of the Clinton Sand deposition is represented in Figure 6.

Figure 6



Source: [www.searchanddiscovery.com/pdf/documents/2012/50737bloxson/ndx\\_bloxson.pdf.html](http://www.searchanddiscovery.com/pdf/documents/2012/50737bloxson/ndx_bloxson.pdf.html)

The Cambrian Ordovician Age Knox Group play of the Appalachian Basin extends from northern Tennessee to south central Kentucky, through eastern Ohio and occurs in localized areas of northwestern Pennsylvania and western New York. The Knox Unconformity is a major erosional angular unconformity that truncates progressively younger beds of rock from southeastern Ohio in the northwestern direction. The truncation of these gently dipping Lower Ordovician and Cambrian carbonates and sandstones provides an excellent trap and seal for hydrocarbon accumulation. Sandstones and carbonates are the dominant reservoirs in the Knox Group. The Utica Shale is the primary source for the hydrocarbons in the northern states with the Chattanooga Shale being the source for the Kentucky and Tennessee areas. The Knox Group is usually subdivided into units, listed in descending stratigraphic order: Beekmantown Dolomite, Rose Run Sandstone, and the Upper Copper Ridge Dolomite (Trempealeau).

The Trenton Limestone is another Ordovician Age carbonate that is located throughout portions of Tennessee, Kentucky, and into Ohio. This formation has produced several large fields throughout the Appalachian Basin with both oil and gas production.

The majority of the production in Pennsylvania and West Virginia is from Devonian and Mississippian aged formations. In Pennsylvania and West Virginia conventional vertical wells, multiple zones are typically hydraulically fractured and the production is commingled. For the wells included in this CPR, the primary productive formations in Pennsylvania wells include, but are not limited to, the Balltown, Bayard, Bradford, Elk, Fifth, Sheffield, Speechley, Tiona, and Warren, as referenced in *Figure 7*. In West Virginia, the major productive formations include the Alexander, Balltown, Benson, Big Injun, Big Lime, Elk, Fifth, Gordon, Riley, and Warren, as referenced in *Figure 8*. In general, sand thickness for these reservoirs ranges from 5 to 25 feet for any individual zone with cumulative net sand thickness ranging from 40 to 100 feet. A stratigraphic column summary is shown in *Figures 7 and 8* for Pennsylvania and West Virginia that depicts the relative positioning of the various productive zones.

Figure 7

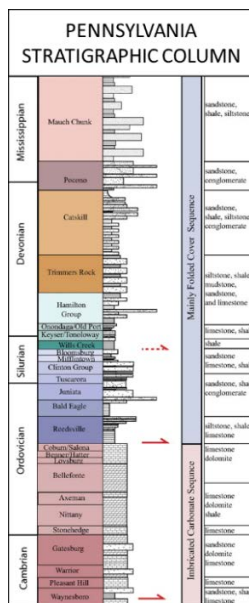
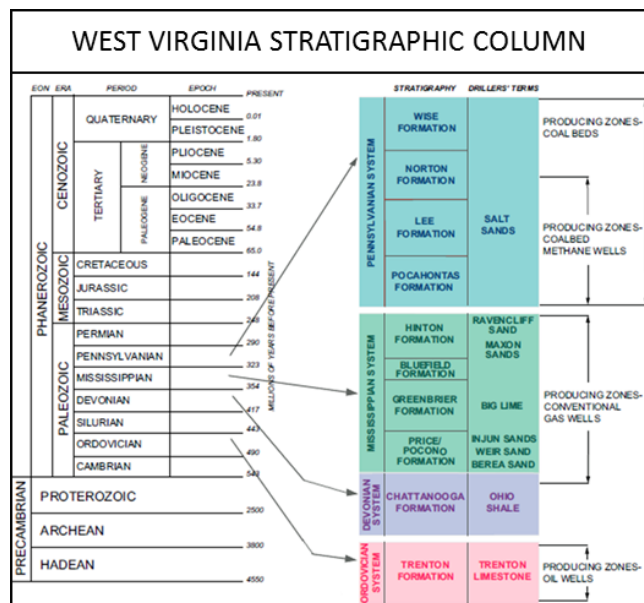
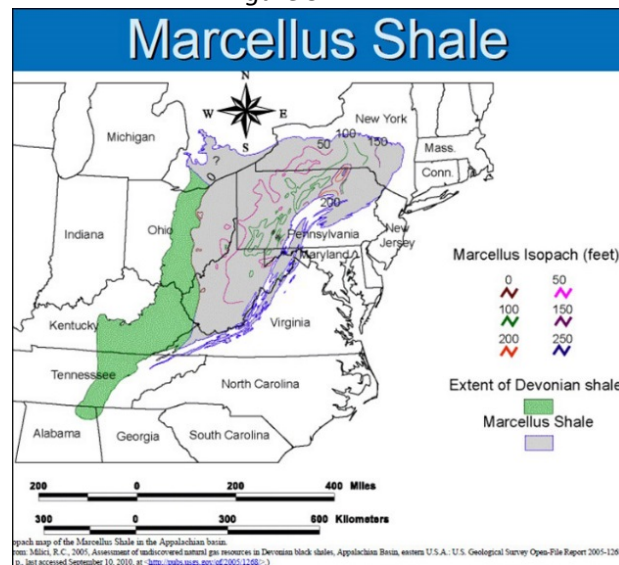


Figure 8



The Marcellus is a Devonian age formation that is located in portions of West Virginia, Ohio, Pennsylvania, and New York as shown in *Figure 9*. The Marcellus has been considered as a source for gas since the very early days, but due to its low porosity and extremely low permeability, has not been considered a major drilling target until fairly recently. Though there were numerous vertical wells in the Marcellus, historically, field development was localized. Characteristically, vertical Marcellus wells produce low volumes over a long productive life.

*Figure 9*



The first horizontal well targeting the Marcellus was drilled in 2004, but it was not until 2009 that the formation became the focus of horizontal shale gas development in the Appalachian Basin. Since then, the Marcellus has received a great deal of attention for its extremely high productive rates, large estimated ultimate recovery volumes, and the statistical repeatability of the producing wells. These horizontal wells have very long laterals that allow more contact with the reservoirs. Very large hydraulic fracture treatments are needed in order to make these commercial. Currently there are approximately 8,600 active horizontal wells that target the Marcellus throughout Appalachia.

The Appalachian Basin has a long history of oil and gas production and much of it has not been systematically recorded because of inadequate record-keeping in the early days. However, the U.S. Geological Survey (USGS) has estimated that the basin has produced over 3.5 billion barrels of oil and 44 trillion cubic feet of gas. This estimate was calculated for the vertical conventional production and was derived before any horizontal development started.

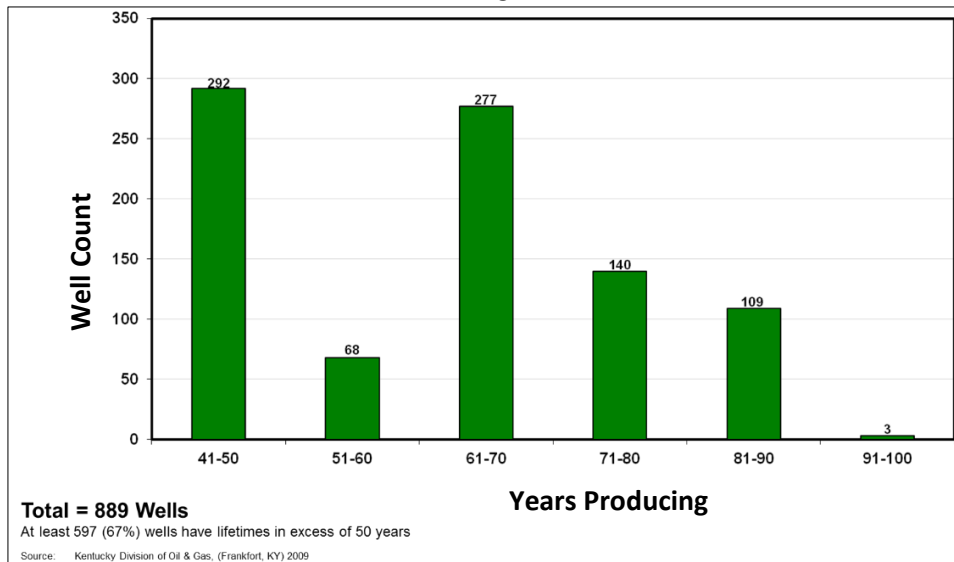
Almost all of the properties included in this CPR are producing from at least one of the formations previously described. Numerous wells are completed in multiple formations and production is commingled in the wellbore. Most of these properties may have additional productive formations up-hole from the existing producing formations, which may allow for future completion opportunities. Drilling and recompletion opportunities are considered relatively low-risk due to the widespread geology and the extensive mapping of the formations.



All of the Mississippian, Devonian, and Silurian Age sands share similar geological and reservoir characteristics. All are considered “tight” sands with low permeability, which will require fracture treatments in order to obtain commercial production rates. The deposition of these sands yields a low-risk, high predictability of completion success.

Another similar characteristic for these formations is the production profile. Most of these formations produce gas and/or oil on a hyperbolic curve with an initial rapid decline followed by gradual decline of production for a very long time. A majority of the wells should have production life of at least 50 years, with some lasting in excess of 80 years. These wells produce very little, if any, water. As an example, Wright has performed an extensive study of the Big Sandy formation located throughout Kentucky in the Appalachian Basin. This study reviewed 889 wells completed in the Big Sandy in which the original completion date was known. As referenced in *Figure 10*, the data showed that approximately 67 percent of these wells had a well life in excess of 50 years with three wells having over 90 years of well life.

Figure 10



Based on Wright’s knowledge and experience in evaluating thousands of wells in the Appalachian Basin, the primary factors that determine the amount of production and the life of the well are the initial rate, initial decline, the shape of the curve (“b” factor), and the final decline rate. The initial rate and initial decline for each well are determined by its reservoir quality, pressure, and the completion technique. The initial decline can be very rapid due to the production drainage from the fracture system. These values can vary greatly from well to well. The “b” factor may vary from well to well, but generally ranges between 0.5 and 1.3. The final decline rates for these reservoirs are very low, indicating a steady drainage of the formation matrix. These rates are normally in the three to five percent range, and have been determined from actual performance.

There are many examples of wells in the Titan Assets that have produced over 20 to 30 years, some since the mid-1980’s, with another potential 30 to 40 years or more of productive life remaining. *Figures 11 through 16* are examples that demonstrate the consistency of production that

make reliable projections of future deliverability using DCA. These production profiles create long life wells with very predictable future production rates.

Figures 11 and 12 are examples of the consistency of production to enable a reliable projection of deliverability based on extrapolation of historical production using DCA. These examples are wells in the Waynesburg Well District in Washington and Fayette Counties, Pennsylvania.

Figure 11

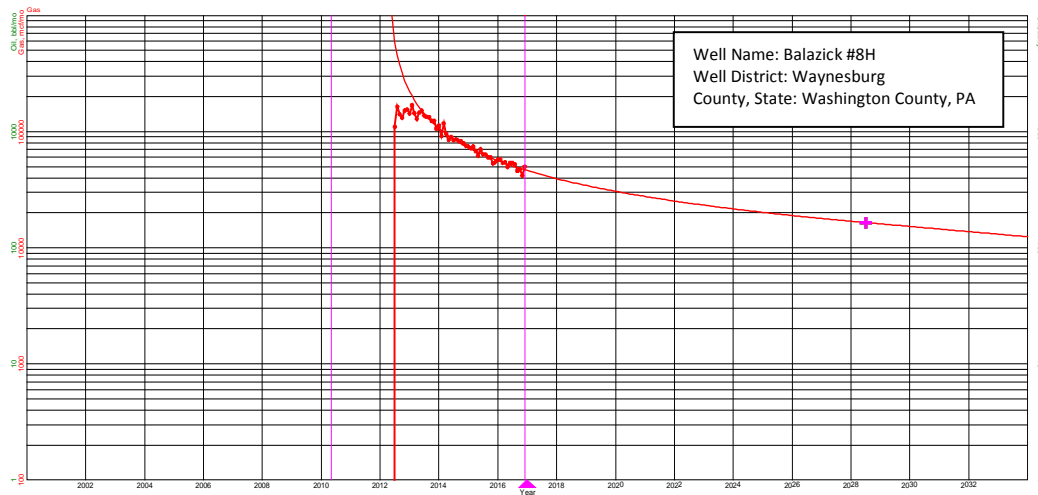
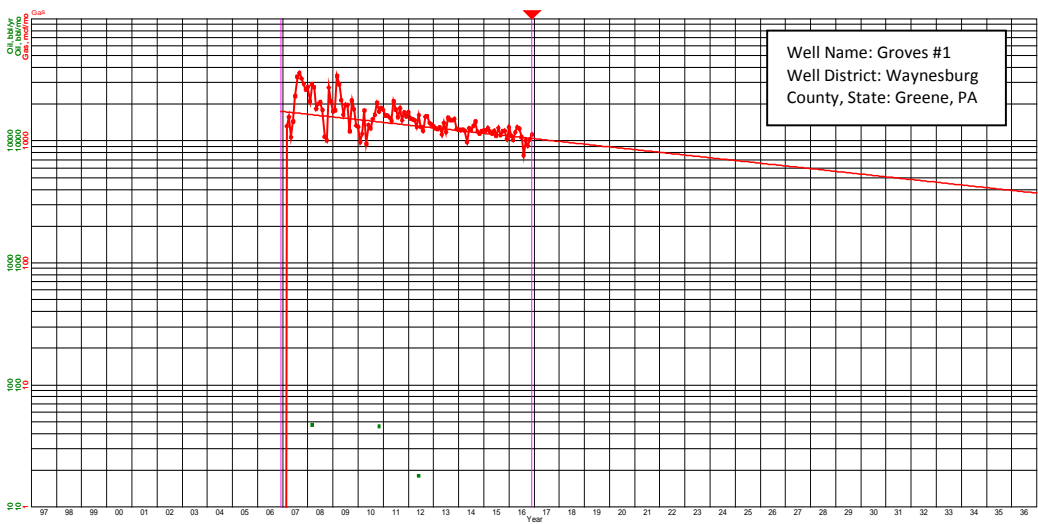


Figure 12



Figures 13 and 14 are examples of PDP wells from the Deerfield Well District in Portage County, Ohio that demonstrate historical production for almost 20 years.

Figure 13

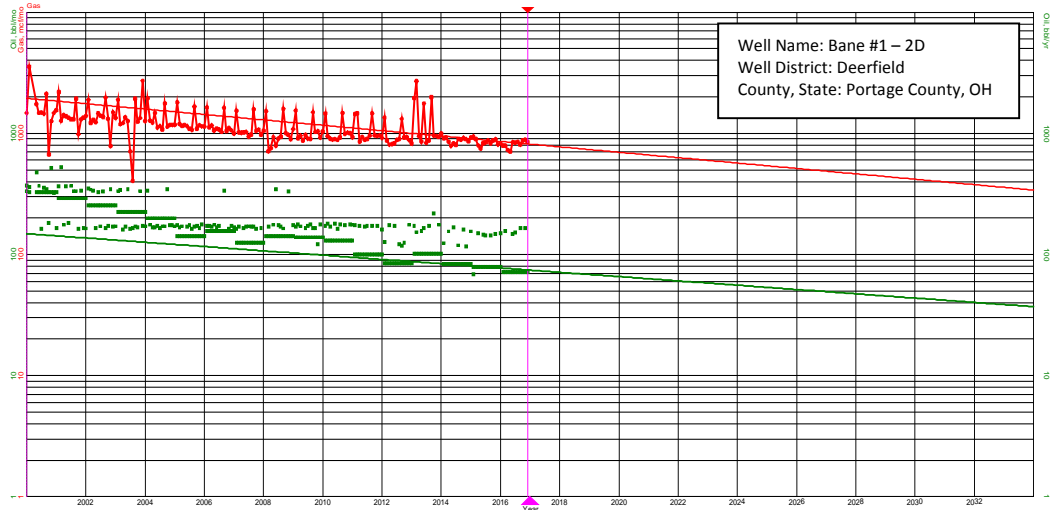
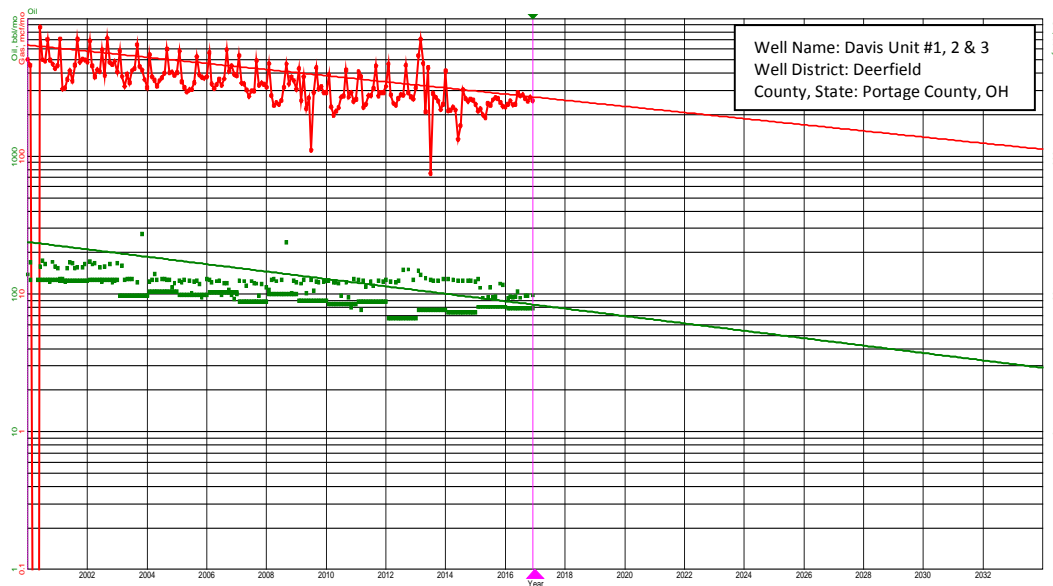


Figure 14



Figures 15 and 16 have produced approximately 10 years, and also demonstrate that extrapolation of historical production trends should yield a reliable expectation of projected deliverability. These wells are in the Tennessee Well District in Anderson and Morgan Counties, respectively.

Figure 15

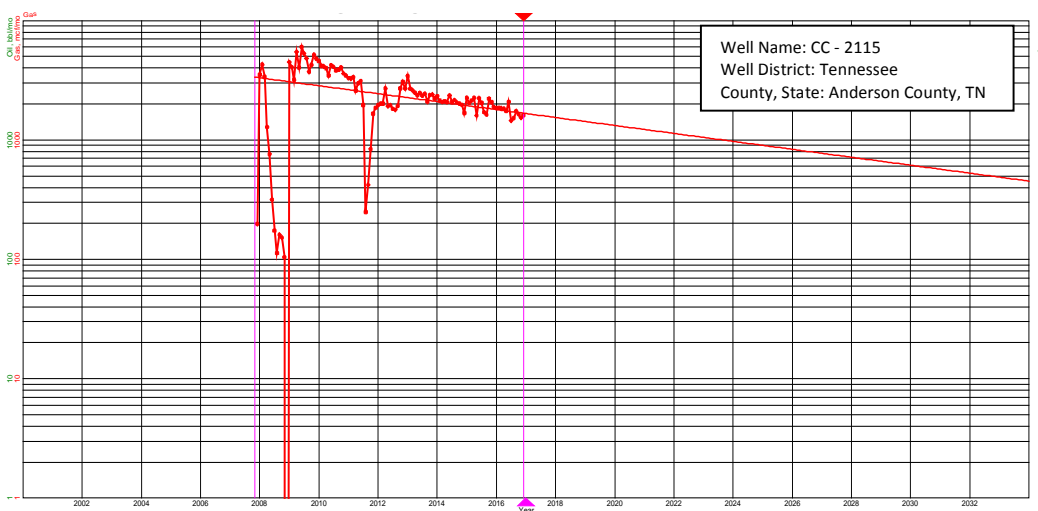
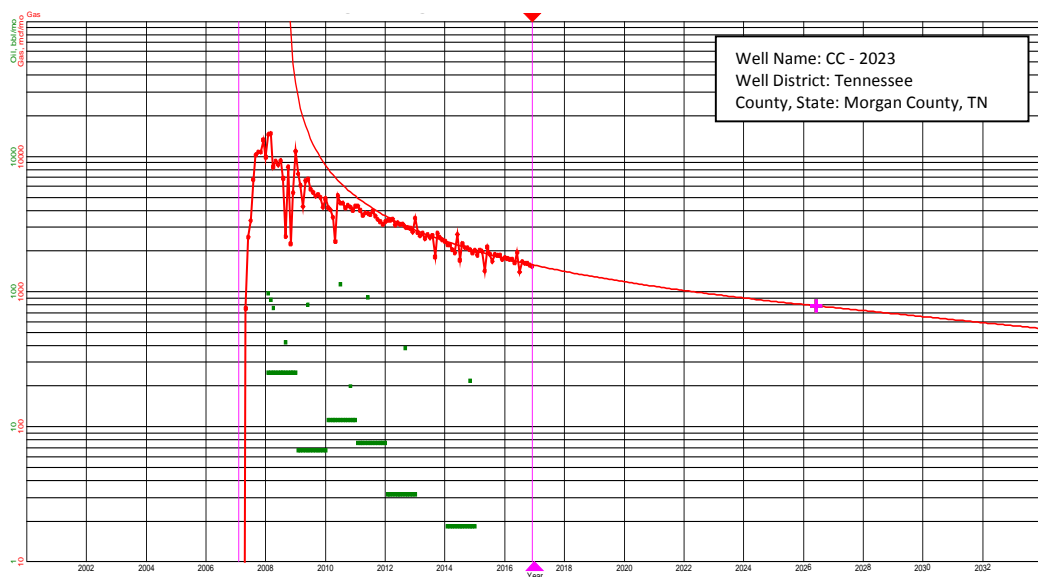


Figure 16



## **RESERVES AND VALUE BY STATE**

The properties evaluated in this CPR for the Titan Assets include certain oil and gas properties located in Kentucky, New York, Ohio, Pennsylvania, Tennessee, and West Virginia. The following table illustrates the total proved reserves, respective 10.0 percent cumulative discounted (Cum. Disc.) (BTAX) values, and the relative percent of the total 10.0 percent Cum. Disc. (BTAX) value for each state.

<b>State</b>	<b>Net Oil, Mbbbl</b>	<b>Net Gas, MMcf</b>	<b>Net NGL, Mbbbl</b>	<b>10.0 % Cum. Disc. (BTAX) Value, M\$</b>	<b>Percent of Total Proved 10.0 % Cum. Disc. (BTAX) Value, %</b>
Kentucky	0.000	197.976	0.000	66.471	<1
New York	25.221	2,346.392	0.000	1,867.900	1
Ohio	1,131.807	24,567.276	0.000	33,320.854	20
Pennsylvania	237.006	163,873.056	84.249	122,201.472	72
Tennessee	103.373	12,095.034	0.000	11,913.236	7
West Virginia	0.000	603.615	0.000	169.187	<1
<b>TOTALS*</b>	<b>1,497.408</b>	<b>203,683.328</b>	<b>84.249</b>	<b>169,539.088</b>	<b>100</b>

*\*It should be noted that some minor differences between the total summaries may exist due to rounding techniques in the ARIES™ software program.*

In Pennsylvania, there are 5,058 and five PDNP wells with 10.0 percent Cum. Disc. (BTAX) values of 119,646.120 M\$ and 2,555.334 M\$, respectively, which represent approximately 72 percent of the Company total proved 10.0 percent Cum. Disc. (BTAX) value of 169,539.088 M\$. These wells are located in various counties in western Pennsylvania. Production is primarily from the Lower Silurian Medina Group sandstones. In addition, there are 610 PDNP-TA and PDSI wells that have no associated reserves or value.

There are 1,967 PDP wells in Ohio with a 10.0 percent Cum. Disc. (BTAX) value of 33,320.854 M\$, representing approximately 20 percent of the Company total proved 10.0 percent Cum. Disc. (BTAX) value of 169,539.088 M\$. Production from these legacy properties is mostly from vertical wells producing from widespread, well-mapped formations such as the Clinton/Medina and Upper Devonian series. Most wells produce little or no water and have very long, stable production histories that, in the opinion of Wright, can be reliably extrapolated into the future. There are a total of 378 PDNP-TA and PDSI wells in Ohio that have no associated reserves or value.

In Tennessee, there are 434 PDP wells with a 10.0 percent Cum. Disc. (BTAX) value of 11,913.236 M\$. Production from the Tennessee properties is mostly from the Knox Group. There are 45 PDNP-TA and PDSI wells in Tennessee that have no associated reserves or value.

## **RESERVES BY WELL DISTRICT**

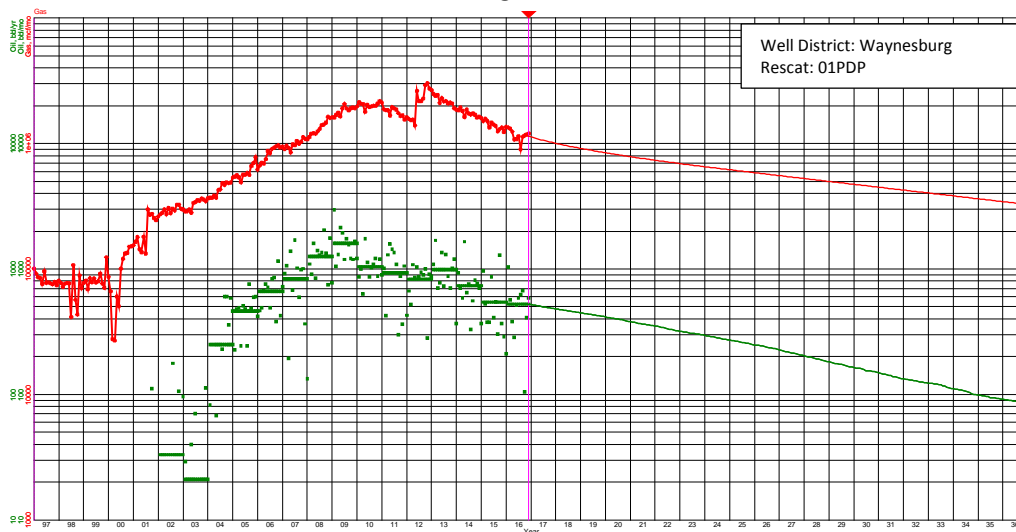
The table below contains a listing of the Titan Assets and provides the number of properties, total proved reserves, the 10.0 percent Cum. Disc. (BTAX) values, and the percent of total value for each of the Well Districts, ranked in value order. Wright has concluded that there is no significant

concentration of value within any individual well of the Well Districts nor in the Titan Assets as a whole.

Well District	No. of Total Proved Properties	Net Oil, Mbbl	Net Gas, MMcf	Net NGL, Mbbl	Net Oil Equivalent, MBOE	Cash Flow, M\$	10.0 Percent Cum. Disc. (BTAX), M\$	Percent of Total Value, %
Waynesburg	2,732	93.028	107,394.112	84.249	18,076.296	205,260.288	82,467.664	49
Deerfield	1,226	939.772	17,990.436	0.000	3,938.178	63,370.384	26,885.148	16
Jackson Center	1,930	56.466	32,540.000	0.000	5,479.799	55,916.880	24,078.746	14
Lycoming	8	0.000	22,778.368	0.000	3,796.395	38,753.716	14,247.493	8
Tennessee	476	103.373	12,060.263	0.000	2,113.417	26,647.146	11,892.941	7
New Philadelphia	443	128.054	3,820.230	0.000	764.759	8,364.892	3,962.418	2
No District Exp.	1,300	32.852	2,453.118	0.000	441.705	3,712.637	1,817.387	1
Mayville	235	25.170	2,380.109	0.000	421.855	3,711.628	1,857.011	1
Cambridge	361	32.786	1,833.134	0.000	338.308	2,855.199	1,322.366	1
McKean	246	85.908	433.619	0.000	158.178	2,042.919	1,007.904	1
<b>TOTALS</b>	<b>8,957</b>	<b>1,497.408</b>	<b>203,683.328</b>	<b>84.249</b>	<b>35,528.878</b>	<b>410,635.744</b>	<b>169,539.088</b>	<b>100</b>

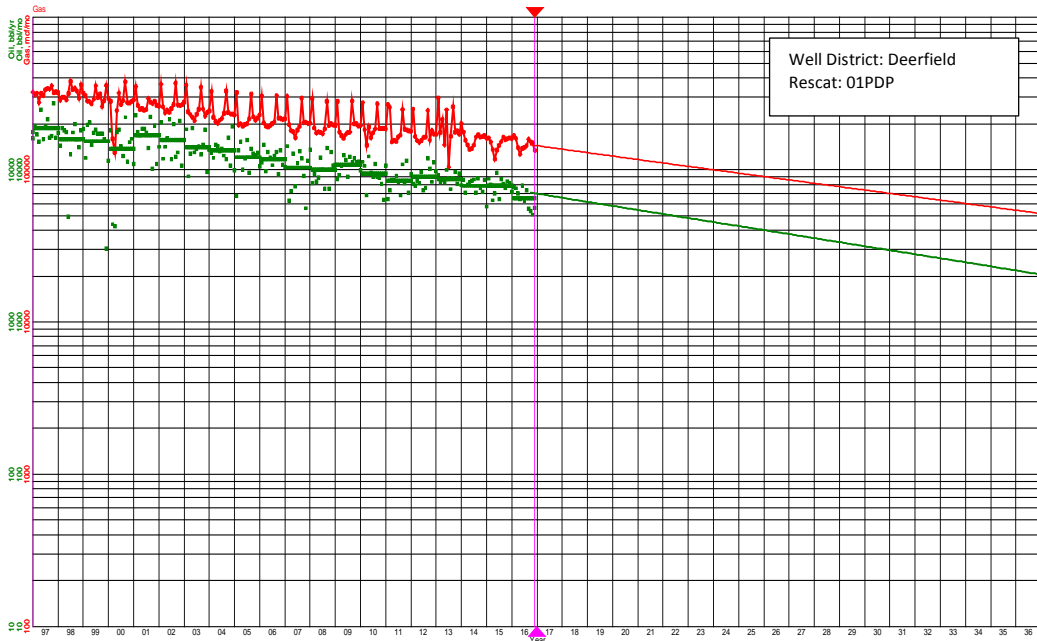
Figure 17 is a summary plot of the highest valued Well District within the Titan Assets. There are 2,504 PDP wells in Waynesburg, with the largest individual well only contributing less than two percent of the Well District total value. There are 29 horizontal Marcellus wells in the Waynesburg Well District.

Figure 17



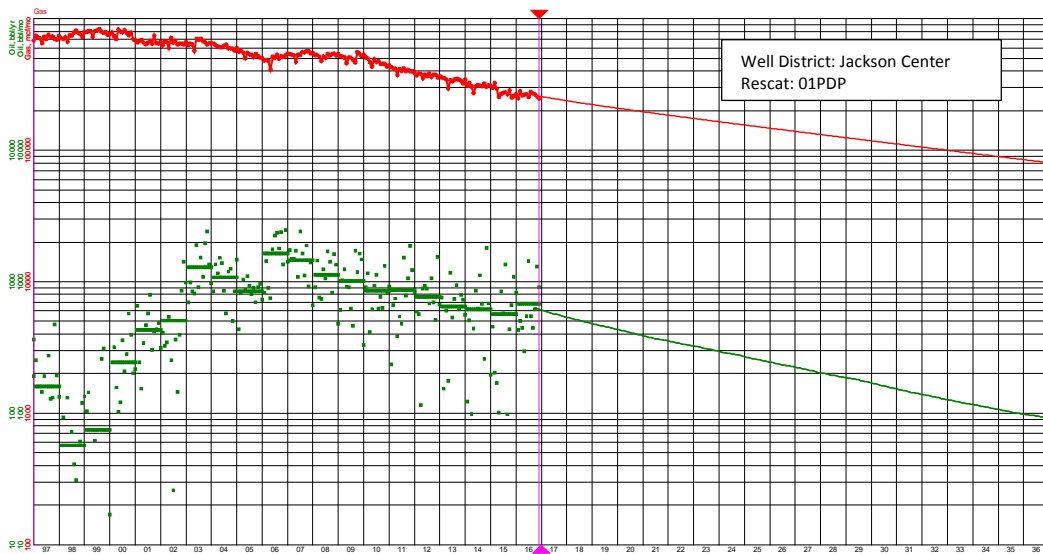
The second largest Well District is Deerfield, which contains approximately 931 PDP wells and no well exceeds one percent of the Well District total value. *Figure 18* is a summary plot of Deerfield with some of the cumulative production and the future estimated production profile.

Figure 18



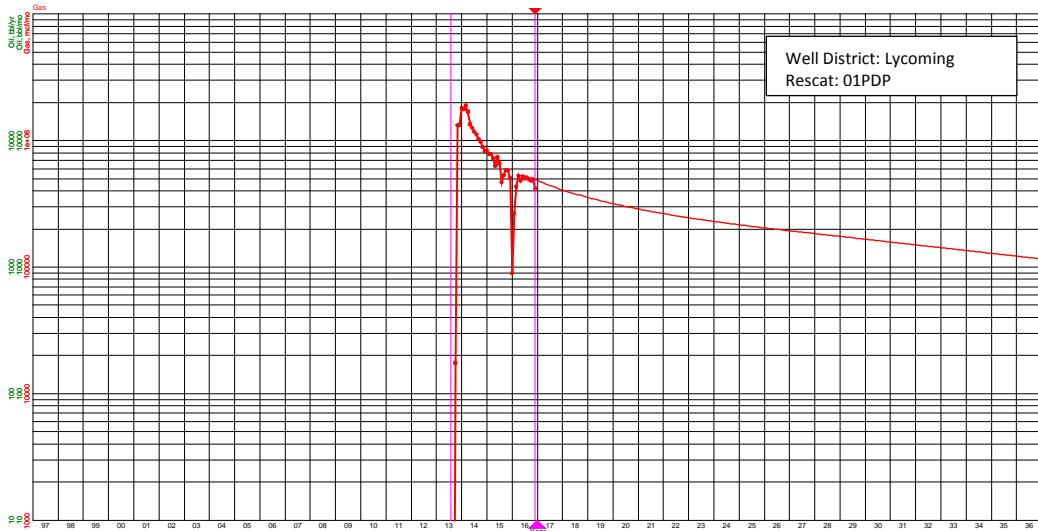
Jackson Center Well District has 1,681 PDP wells and *Figure 19* represents a summary plot which demonstrates a very reliable and consistent production profile along with the projected production deliverability for all of the wells. Again, there is no concentration of value by well since the largest valued well is less than two percent of the Well District value.

Figure 19



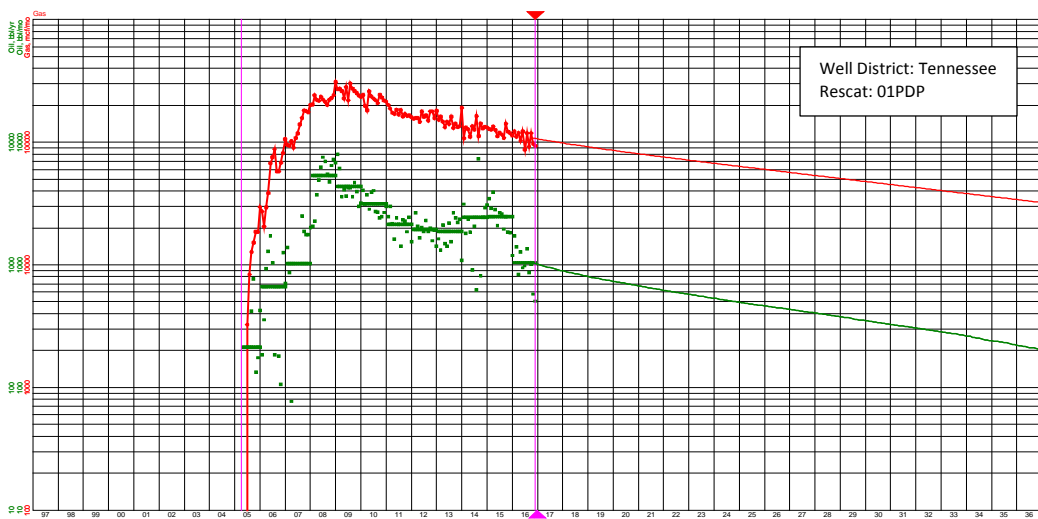
The Lycoming Well District has eight horizontal Marcellus wells that will be acquired by DGO. The production summary plot of the Lycoming Well District is presented *Figure 20*.

Figure 20



In Tennessee there are 432 vertical wells that target the Knox Group. These wells were drilled by Titan beginning in 2005. There was an active drilling program between 2005 and 2010 with production increasing as depicted in the summary plot in *Figure 21*.

Figure 21





## **PROPERTY ABANDONMENT AND SALVAGE**

Abandonment costs net of salvage values have been included in this evaluation, either on a Well District level or an individual well level, where appropriate. In some areas, the cost to abandon the property may be offset by the salvage value. For the abandonment costs scheduled at the Well District level, approximately \$245,000 per year has been scheduled to be spent through 2035. Wright has not performed a detailed study of the abandonment cost nor the salvage values and offers no opinion as to potential abandonment liabilities.

## **ENVIRONMENTAL CONSIDERATIONS**

Wright is not aware of any potential environmental liabilities that may exist concerning the Titan Assets. There are no costs included in this evaluation for potential property restoration, liability, or clean up of damages, if any, that may be necessary due to past or future operating practices.

## **CONCLUSIONS**


Based on data and information provided by DGO, and the specified economic parameters, operating conditions, and government regulations considered applicable at the effective date, it is Wright's conclusion that this CPR provides a fair and accurate representation of the oil and gas reserves for the Titan Assets in those certain properties included in this CPR.

Wright considers that the scope of the CPR is appropriate and was prepared to a standard expected in accordance with the NOTE. It is Wright's opinion that the methodologies employed, the adequacy and quality of the data relied upon, the depth and thoroughness of the reserves estimation process, the classification of reserves based on the relevant definitions used, and the reasonableness of the estimated reserves quantities are appropriate for the purpose served by the CPR and are in accordance with the guidelines set forth by the AIM Rules.

## **PROFESSIONAL QUALIFICATIONS**

The professional qualifications, shown in **Exhibit H**, of the petroleum consultant responsible for the evaluation of the reserves and economics information presented in this CPR meet the standards of Reserves Estimator as defined in the *Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information* as promulgated by the SPE, and the CPR has been prepared in accordance with these standards. The professional qualifications also meet the Competent Person (CP) requirements published by AIM in the NOTE. **Exhibit I** contains certain confirmations of Wright pertaining to the CPR in accordance with the AIM Rules.

Wright & Company, Inc.

By:   
D. Randall Wright, P.E.  
TX Reg. No. F-12302

DRW/JDS/SLM/tts/crd

**Appendix 1**

**TITAN ASSETS**

**SUMMARY TABLE OF ASSETS**

**Oil & Gas**

<b>Asset</b>	<b>Operator</b>	<b>Interest %</b>	<b>Status</b>	<b>Expiration Date</b>	<b>Total Lease Area (acres)</b>	<b>Comments</b>
Kentucky, New York, Ohio, Pennsylvania, Tennessee, and West Virginia	Titan and Various Non-operated	87 (Average)	Production	None - Held by Production	438,650	Anticipated gross production at 75,000 Mcfd and 380 bopd

The Company currently has an interest in over 8,950 wells in the states of Ohio, Pennsylvania, and West Virginia and is listed as the operator in the majority of these wells.

The Company currently has leasehold of 30,700 acres in New York, 201,000 acres in Ohio, 145,000 acres in Pennsylvania, and 61,000 acres in Tennessee. The Company also has a non-operated leasehold of 500 acres in Kentucky and 450 acres in West Virginia. None of this leasehold has any expiration dates because it is all held by the production of the existing wells.

**Exhibit A**

**TITAN ASSETS**

**Summary of Results – Oil and Gas Reserves**

(all figures in bbls and Mcf)	Gross			Net attributable			Operator
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible	Titan and others
<b>Oil &amp; Natural Gas Liquids reserves per asset</b>							Titan and others
From production to planned for development	2,472,090	2,472,090	2,472,090	1,581,657	1,581,657	1,581,657	
<b>Total for Oil &amp; Natural Gas Liquids</b>	2,472,090	2,472,090	2,472,090	1,581,657	1,581,657	1,581,657	Titan and others
<b>Gas reserves per asset</b>							Titan and others
From production to planned for development	386,299,264	386,299,264	386,299,264	203,683,328	203,683,328	203,683,328	
<b>Total for Gas</b>	386,299,264	386,299,264	386,299,264	203,683,328	203,683,328	203,683,328	Titan and others

Source: D. Randall Wright, P.E.

**Note:** "Operator" is name of the company that operates the asset  
"Gross" are 100% of the reserves and/or resources attributable to the license whilst "Net attributable" are those attributable to the AIM company

bbls – Barrels

Mcf – Thousand Standard Cubic Feet

## **Exhibit B**

### **SPE Petroleum Reserves Definitions**

*Reserves derived under these definitions rely on the integrity, skill, and judgment of the evaluator and are affected by the geological complexity, stage of development, degree of depletion of the reservoirs, and amount of available data. Use of these definitions should sharpen the distinction between the various classifications and provide more consistent reserves reporting.*

#### **Definitions**

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

The intent of the Society of Petroleum Engineers (SPE) and World Petroleum Council (WPC, formerly World Petroleum Congresses) in approving additional classifications beyond proved reserves is to facilitate consistency among professionals using such terms. In presenting these definitions, neither organization is recommending public disclosure of reserves classified as unproved. Public disclosure of the quantities classified as unproved reserves is left to the discretion of the countries or companies involved.

Estimation of reserves is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities.

Identifying reserves as proved, probable, and possible has been the most frequent classification method and gives an indication of the probability of recovery. Because of potential differences in uncertainty, caution should be exercised when aggregating reserves of different classifications.

Reserves estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change. Reserves do not include quantities of petroleum being held in inventory, and may be reduced for usage or processing losses if required for financial reporting.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, water flooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

## **Proved Reserves**

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as developed or undeveloped.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Establishment of current economic conditions should include relevant historical petroleum prices and associated costs and may involve an averaging period that is consistent with the purpose of the reserve estimate, appropriate contract obligations, corporate procedures, and government regulations involved in reporting these reserves.

In general, reserves are considered proved if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term proved refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. In certain cases, proved reserves may be assigned on the basis of well logs and/or core analysis that indicate the subject reservoir is hydrocarbon bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

The area of the reservoir considered as proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. In the absence of data on fluid contacts, the lowest known occurrence of hydrocarbons controls the proved limit unless otherwise indicated by definitive geological, engineering or performance data.

Reserves may be classified as proved if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed. Reserves in undeveloped locations may be classified as proved undeveloped provided (1) the locations are direct offsets to wells that have indicated commercial production in the objective formation, (2) it is reasonably certain such locations are within the known proved productive limits of the objective formation, (3) the locations conform to existing well spacing regulations where applicable, and (4) it is reasonably certain the locations will be developed. Reserves from other locations are categorized as proved undeveloped only where interpretations of geological and engineering data from wells indicate with reasonable certainty that the objective formation is laterally continuous and contains commercially recoverable petroleum at locations beyond direct offsets.

Reserves which are to be produced through the application of established improved recovery methods are included in the proved classification when (1) successful testing by a pilot project or favorable response of an installed program in the same or an analogous reservoir with similar rock and fluid properties provides support for the analysis on which the project was based, and, (2) it is reasonably certain that the project will proceed. Reserves to be recovered by improved recovery methods that have yet to be established through commercially successful applications are included in the proved classification only (1) after a favorable production response from the subject reservoir from

either (a) a representative pilot or (b) an installed program where the response provides support for the analysis on which the project is based and (2) it is reasonably certain the project will proceed.

### **Unproved Reserves**

Unproved reserves are based on geologic and/or engineering data similar to that used in estimates of proved reserves; but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be further classified as probable reserves and possible reserves.

Unproved reserves may be estimated assuming future economic conditions different from those prevailing at the time of the estimate. The effect of possible future improvements in economic conditions and technological developments can be expressed by allocating appropriate quantities of reserves to the probable and possible classifications.

### **Probable Reserves**

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

In general, probable reserves may include (1) reserves anticipated to be proved by normal step-out drilling where sub-surface control is inadequate to classify these reserves as proved, (2) reserves in formations that appear to be productive based on well log characteristics but lack core data or definitive tests and which are not analogous to producing or proved reservoirs in the area, (3) incremental reserves attributable to infill drilling that could have been classified as proved if closer statutory spacing had been approved at the time of the estimate, (4) reserves attributable to improved recovery methods that have been established by repeated commercially successful applications when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics appear favorable for commercial application, (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and the geologic interpretation indicates the subject area is structurally higher than the proved area, (6) reserves attributable to a future workover, treatment, re-treatment, change of equipment, or other mechanical procedures, where such procedure has not been proved successful in wells which exhibit similar behavior in analogous reservoirs, and (7) incremental reserves in proved reservoirs where an alternative interpretation of performance or volumetric data indicates more reserves than can be classified as proved.

### **Possible Reserves**

Possible reserves are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves.

In general, possible reserves may include (1) reserves which, based on geological interpretations, could possibly exist beyond areas classified as probable, (2) reserves in formations that appear to be petroleum bearing based on log and core analysis but may not be productive at commercial rates, (3) incremental reserves attributed to infill drilling that are subject to technical

uncertainty, (4) reserves attributed to improved recovery methods when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics are such that a reasonable doubt exists that the project will be commercial, and (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and geological interpretation indicates the subject area is structurally lower than the proved area.

### **Reserve Status Categories**

Reserve status categories define the development and producing status of wells and reservoirs.

**Developed:** Developed reserves are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Developed reserves may be subcategorized as producing or non-producing.

**Producing:** Reserves subcategorized as producing are expected to be recovered from completion intervals which are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

**Non-producing:** Reserves subcategorized as non-producing include shut-in and behind-pipe reserves. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.

**Undeveloped Reserves:** Undeveloped reserves are expected to be recovered: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different reservoir, or (3) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

*Approved by the Board of Directors, Society of Petroleum Engineers (SPE) Inc., and the Executive Board, World Petroleum Council (WPC), March 1997*

## **Exhibit C**

### **Glossary of Terms**

*The terms defined below may be used throughout this CPR.*

*Bbl.* One barrel of crude oil, condensate, or other liquids equal to 42 U.S. gallons.

*Bcf.* Billion cubic feet.

*Bcfe.* Billion cubic feet of natural gas equivalent.

*Btu.* British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit under specific conditions.

*Development Well.* A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive in an attempt to recover proved undeveloped reserves.

*Dry hole.* A well found to be incapable of producing either oil or natural gas in a sufficient quantities to justify completion as an oil or gas well.

*Gross acres or gross wells.* The total acres or wells, as the case may be, in which a working interest is owned.

*Lease operating expense.* Costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

*Mbbl.* One thousand barrels.

*Mcf.* One thousand cubic feet.

*Mcfd.* One thousand cubic feet per day.

*Mcfe.* One thousand cubic feet of natural gas equivalent.

*Mcfed.* One thousand cubic feet of natural gas equivalent per day.

*MMbbl.* One million barrels.

*MMBtu.* One million Btus.

*MMcf.* One million cubic feet.

*MMcfd.* One million cubic feet per day.

*MMcfe.* One million cubic feet of natural gas equivalent.

*Natural gas equivalent.* Cubic feet of natural gas equivalent, determined using the ratio of one Bbl of crude oil, condensate or natural gas liquids to six Mcf of natural gas.



*Net acres or net wells.* The sum of the fractional working interests owned in gross acres or gross wells.

*Net oil and gas sales.* Oil and natural gas sales less oil and natural gas production.

*Oil Equivalent.* Barrels of oil equivalent, determined using the ratio of one Mcf of natural gas to one-sixth Bbl of oil.

*Overriding royalty interest.* A royalty interest that is carved out of a lessee's working interest under an oil and gas lease.

*Present Value.* The pre-tax present value, discounted at 10% per annum, of future net cash flows from estimated proved reserves (including the estimated cost of abandonment and future development), calculated holding prices and costs constant at amounts in effect on the date of the estimate (unless such prices or costs are subject to change pursuant to contractual provisions) and in all instances in accordance with the Commission's rules for inclusion of oil and gas reserve information in financial statements filed with the Commission. The difference between the Present Value and the standardized measure of discounted future net cash flows is the present value of income taxes applicable to such future net cash flows.

*Productive well.* A well that is producing oil and gas or that is capable of production.

*Proved developed producing reserves.* Proved developed reserves that are expected to be recovered from currently producing zones under the continuation of present operating methods through existing wells with existing equipment and operating methods.

*Proved reserves.* The estimated quantities of crude oil, natural gas, and natural gas liquids with geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

*Proved undeveloped reserves.* Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

*Recompletion.* The completion for production of an existing well bore in another formation from that in which the well has been previously completed.

*Reserve life index.* Calculated by dividing year-end proved reserves by annual production from the most recent year.

*Spud.* To start (or restart) the drilling of a new well.

*Standardized measure of discounted future net cash flows.* The present value, discounted at 10% per annum, of future net cash flows from estimated proved reserves after income taxes, calculated holding prices and costs constant at amounts in effect on the date of the estimate (unless such prices or costs are subject to change pursuant to contractual provisions) and in all instances in accordance with the Commission's rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

*Term overriding royalty interest.* An overriding royalty interest with a fixed duration.

*Undeveloped acreage.* Lease acreage on which wells have not been participated in or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves.

*Waterflood.* The injection of water into a reservoir to fill pores vacated by produced fluids, thus maintaining reservoir pressure and assisting production.

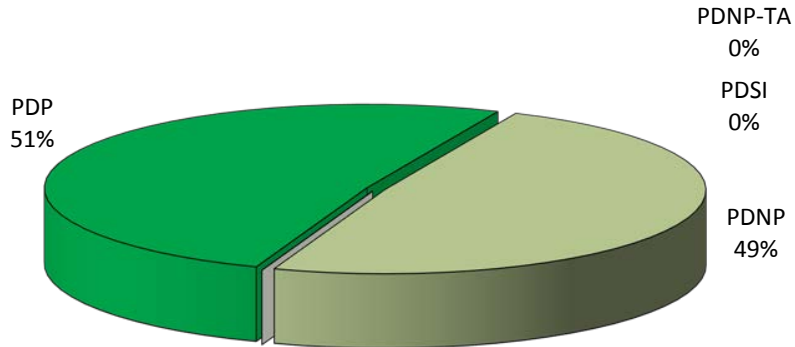
*Working interest.* A cost bearing interest which gives the owner the right to drill, produce, and conduct oil and gas operations on the property, as well as a right to a share of production therefrom.

*Workover.* Operations on a producing well to restore or increase production.

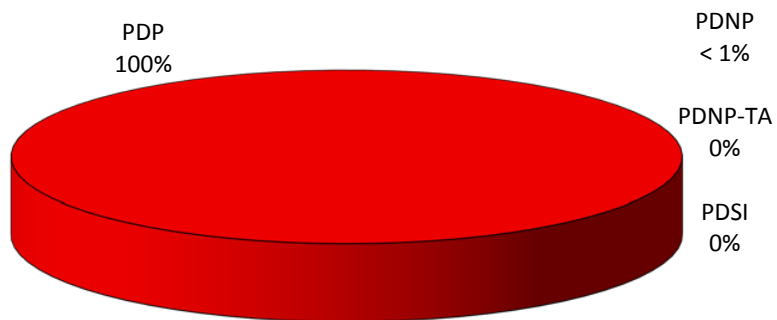
*WTI.* West Texas Intermediate

**Exhibit D1  
TITAN ASSETS  
Total Proved by Reserves Category**

**Net Oil & NGL Reserves**

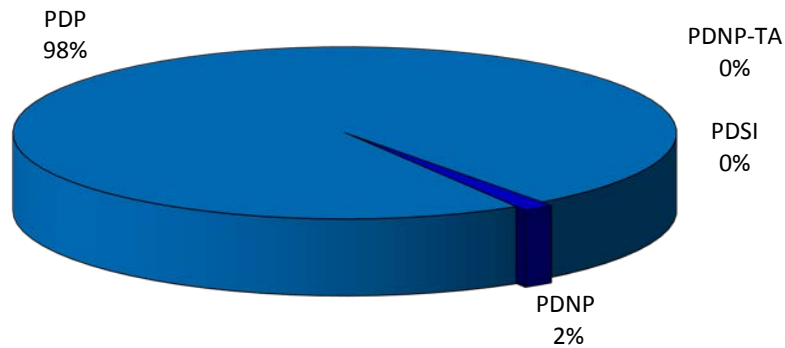


**Net Gas Reserves**



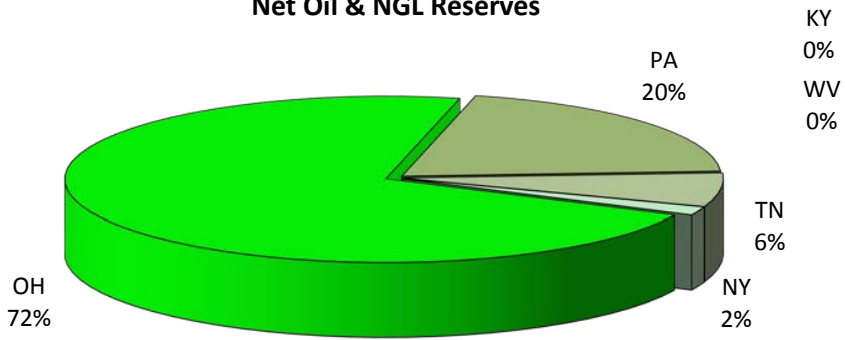
\*PDP - Proved Developed Producing  
 \*PDNP - Proved Developed Nonproducing  
 \*PDNP-TA - Proved Developed Nonproducing - Temporarily Abandoned  
 \*PDSI - Proved Developed Shut-In

**10.0 Percent Cum. Disc. (BTAX) Value**

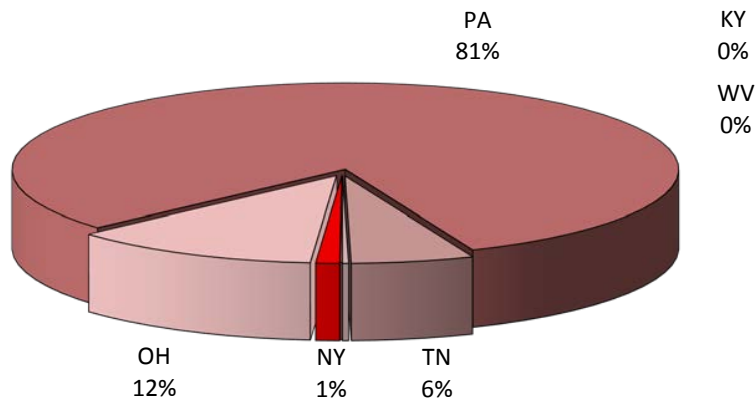


**Exhibit D2**  
**TITAN ASSETS**  
**Total Proved by State**

**Net Oil & NGL Reserves**

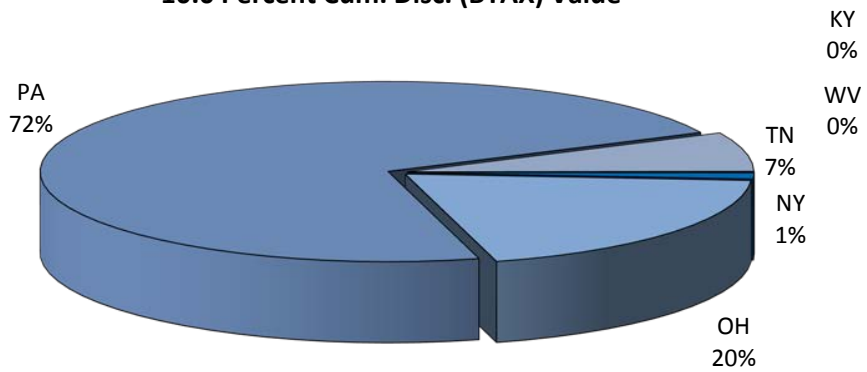


**Net Gas Reserves**



- \*KY - Kentucky
- \*NY - New York
- \*OH - Ohio
- \*PA - Pennsylvania
- \*TN - Tennessee
- \*WV - West Virginia

**10.0 Percent Cum. Disc. (BTAX) Value**

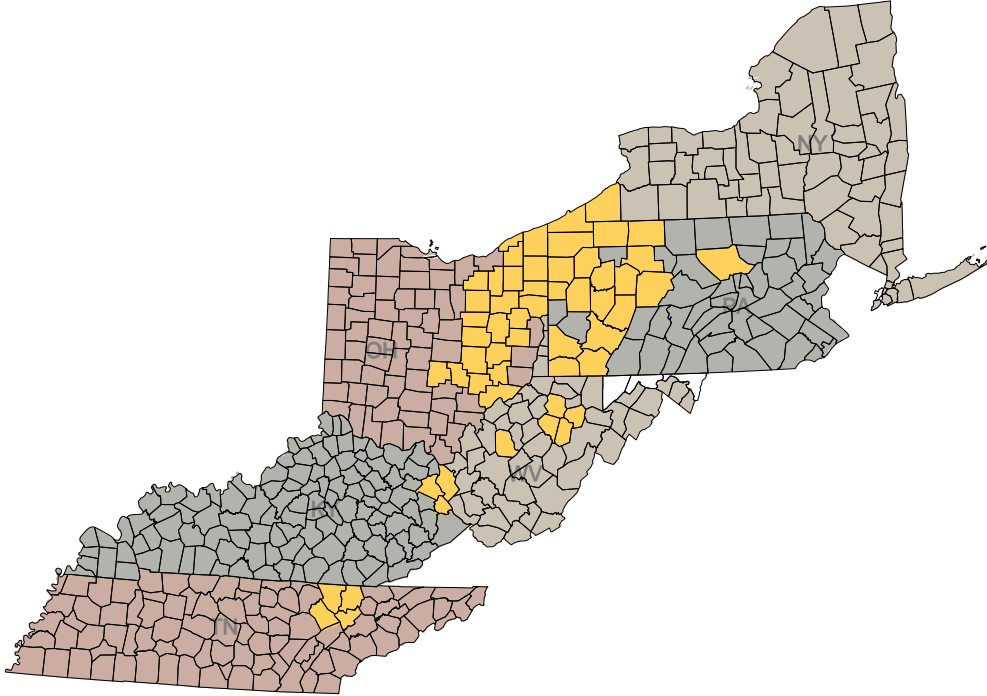


**Exhibit E**

Location of Evaluated Interests

**TITAN ASSETS**

Kentucky, New York, Ohio, Pennsylvania, Tennessee, and West Virginia Properties



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<b><u>STATE</u></b>	<b><u>COUNTIES</u></b>
Kentucky	Lawrence and Martin
New York	Chautauqua
Ohio	Ashtabula, Carroll, Columbiana, Coshocton, Fairfield, Geauga, Guernsey, Harrison, Holmes, Lake, Mahoning, Medina, Morgan, Muskingum, Noble, Perry, Portage, Stark, Summit, Trumbull, Tuscarawas, Washington, and Wayne
Pennsylvania	Armstrong, Butler, Clarion, Clearfield, Crawford, Elk, Erie, Fayette, Greene, Indiana, Jefferson, Lawrence, Lycoming, Mckean, Mercer, Venango, Warren, Washington, and Westmoreland
Tennessee	Anderson, Campbell, Morgan, and Scott
West Virginia	Barbour, Harrison, Lewis, Roane, Upshur, and Wayne

**Exhibit F1**

TOTAL PROVED (PDP, PDNP, PDNP-TA & PDSI)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 09:03:38  
 SETUP : WRI0617  
 SCENARIO : WRI0617

R E S E R V E S   A N D   E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----					-----NET PRODUCTION-----					----- PRICES -----			TOTAL REVENUE, M\$
	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL \$/B	
12-2017		86.965	14819.587		0.000	60.033	7843.156		0.000	47.75	2.659	0.00	23717.966	
12-2018		158.055	23845.208		26.433	102.391	12571.689		7.222	48.06	2.410	17.16	35344.204	
12-2019		141.863	21667.048		19.583	93.966	11520.381		5.699	47.28	2.170	16.91	29532.990	
12-2020		130.022	19971.630		16.180	87.065	10676.064		4.833	47.35	2.150	16.94	27157.604	
12-2021		120.075	18586.400		14.006	80.927	9972.823		4.245	48.07	2.196	17.18	25865.246	
12-2022		111.522	17397.482		12.460	75.448	9357.023		3.811	49.19	2.246	17.55	24795.068	
12-2023		103.768	16355.083		11.288	70.447	8807.557		3.475	49.19	2.326	17.55	24011.864	
12-2024		96.726	15423.671		10.361	65.820	8309.614		3.206	49.20	2.427	17.55	23458.818	
12-2025		90.293	14579.387		9.606	61.571	7852.900		2.983	49.20	2.533	17.55	22975.580	
12-2026		84.321	13795.275		8.977	57.637	7424.964		2.796	49.21	2.614	17.55	22294.416	
12-2027		78.708	13064.527		8.442	53.876	7024.123		2.635	49.22	2.699	17.55	21654.122	
12-2028		73.389	12374.540		7.980	50.307	6645.560		2.496	49.22	2.781	17.55	21003.194	
12-2029		68.631	11723.734		7.566	47.098	6288.522		2.369	49.23	2.868	17.55	20395.568	
12-2030		64.203	11097.334		7.185	44.092	5943.028		2.251	49.24	2.868	17.55	19252.738	
12-2031		60.056	10500.586		6.826	41.271	5614.211		2.139	49.25	2.867	17.55	18168.072	
S TOT		1468.596	235201.488		166.893	991.949	125851.616		50.160	48.57	2.468	17.33	359627.456	
AFTER		727.822	151097.760		108.779	505.458	77831.712		34.089	49.31	2.856	17.55	247820.992	
TOTAL		2196.418	386299.264		275.672	1497.408	203683.328		84.249	48.82	2.616	17.42	607448.448	

--END-- MO-YEAR	-----OPERATIONS, M\$-----			-----CAPITAL COSTS, M\$-----				CASH FLOW BTAX, M\$	CUM. CASH FLOW BTAX, M\$	10.0% CUM. DISC BTAX, M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE			
12-2017	131.273	101.586	5202.107	0.000	244.678	244.678	0.000	18038.344	18038.344	17536.056
12-2018	205.477	155.608	8366.320	0.000	244.678	244.678	0.000	26372.098	44410.440	41406.344
12-2019	184.446	138.275	7811.868	0.000	244.678	244.678	0.000	21153.800	65564.240	58769.324
12-2020	173.770	128.714	7397.980	0.000	244.678	244.678	0.000	19212.510	84776.752	73104.520
12-2021	167.361	122.000	7084.142	0.000	244.678	244.678	0.000	18247.090	103023.840	85481.192
12-2022	161.874	115.867	6812.730	0.000	244.678	244.678	0.000	17459.874	120483.712	96247.040
12-2023	156.224	110.578	6573.532	0.000	244.678	244.678	0.000	16926.880	137410.592	105735.208
12-2024	151.501	106.001	6359.464	0.000	244.678	244.678	0.000	16597.194	154007.792	114192.704
12-2025	147.378	101.722	6166.520	0.000	244.678	244.678	0.000	16315.282	170323.072	121750.656
12-2026	142.666	97.221	5978.326	0.000	244.678	244.678	0.000	15831.604	186154.672	128417.784
12-2027	137.223	92.984	5799.212	0.000	244.678	244.678	0.000	15380.007	201534.672	134305.952
12-2028	131.899	88.820	5623.334	0.000	244.678	244.678	0.000	14914.462	216449.136	139496.784
12-2029	127.830	84.907	5461.580	0.000	244.678	244.678	0.000	14476.556	230925.696	144077.184
12-2030	120.982	79.989	5285.596	0.000	244.678	244.678	0.000	13521.476	244447.168	147966.480
12-2031	114.611	75.211	5110.973	0.000	244.678	244.678	0.000	12622.622	257069.792	151267.184
S TOT	2254.514	1599.484	95033.688	0.000	3670.169	3670.169	0.000	257069.792	257069.792	151267.184
AFTER	1435.435	900.227	90234.632	0.000	978.712	978.712	706.043	153565.952	410635.744	169539.088
TOTAL	3689.949	2499.711	185268.320	0.000	4648.880	4648.880	706.043	410635.744	410635.744	169539.088

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	485.0	8472.0	LIFE, YRS.	0.00	410636.416
GROSS ULT., MB & MMF	15638.280	1227529.856	DISCOUNT %	10.00	241187.200
GROSS CUM., MB & MMF	13441.862	841230.656	UNDISCOUNTED PAYOUT, YRS.	0.01	169539.104
GROSS RES., MB & MMF	2196.418	386299.232	DISCOUNTED PAYOUT, YRS.	0.01	131668.704
NET RES., MB & MMF	1497.407	203683.296	RATE-OF-RETURN, PCT.	100.00	108604.808
NET REVENUE, M\$	73100.032	532880.800	DISCOUNTED NET/INVEST.	76.70	93173.288
INITIAL N.I., PCT.	68.903	52.638	INITIAL W.I., PCT.	61.785	82143.160
FINAL N.I., PCT.	69.250	42.701	FINAL W.I., PCT.	51.208	73866.440
				40.00	67421.448
				50.00	58013.472

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

**Exhibit F1**

PROVED DEVELOPED PRODUCING (PDP)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 09:03:07  
 SETUP : WRI0617  
 SCENARIO : WRI0617

R E S E R V E S   A N D   E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----					-----NET PRODUCTION-----					----- PRICES -----			TOTAL REVENUE, M\$		
	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL \$/B		GAS \$/M	NGL \$/B
12-2017	86.965		14819.587		0.000	60.033		7843.156		0.000	47.75		2.659		0.00	23717.966
12-2018	140.509		23353.242		0.000	97.164		12441.734		0.000	47.85		2.411		0.00	34645.612
12-2019	130.720		21317.914		0.000	90.570		11425.869		0.000	47.13		2.170		0.00	29067.038
12-2020	121.734		19688.392		0.000	84.508		10598.495		0.000	47.23		2.151		0.00	26785.522
12-2021	113.448		18343.766		0.000	78.866		9905.916		0.000	47.97		2.197		0.00	25544.878
12-2022	105.993		17183.110		0.000	73.719		9297.640		0.000	49.10		2.247		0.00	24508.878
12-2023	99.021		16161.809		0.000	68.957		8753.844		0.000	49.11		2.326		0.00	23752.126
12-2024	92.566		15246.894		0.000	64.511		8260.366		0.000	49.12		2.427		0.00	23218.358
12-2025	86.591		14415.945		0.000	60.403		7807.280		0.000	49.13		2.534		0.00	22750.084
12-2026	80.984		13642.883		0.000	56.582		7382.364		0.000	49.14		2.615		0.00	22082.140
12-2027	75.673		12921.475		0.000	52.915		6984.084		0.000	49.15		2.699		0.00	21452.658
12-2028	70.604		12239.517		0.000	49.423		6607.730		0.000	49.15		2.782		0.00	20810.932
12-2029	66.059		11595.827		0.000	46.281		6252.664		0.000	49.16		2.869		0.00	20211.224
12-2030	61.812		10975.908		0.000	43.332		5908.980		0.000	49.17		2.868		0.00	19078.526
12-2031	57.824		10385.223		0.000	40.560		5581.864		0.000	49.18		2.868		0.00	18003.178
S TOT	1390.504		232291.488		0.000	967.823		125052.000		0.000	48.47		2.469		0.00	355629.120
AFTER	696.846		149259.920		0.000	495.578		77316.296		0.000	49.24		2.857		0.00	245270.032
TOTAL	2087.350		381551.424		0.000	1463.401		202368.288		0.000	48.73		2.617		0.00	600899.136

--END-- MO-YEAR	-----OPERATIONS, M\$-----			-----CAPITAL COSTS, M\$-----				CASH FLOW BTAX, M\$	CUM. CASH FLOW BTAX, M\$	10.0% CUM. DISC BTAX, M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE			
12-2017	131.273	101.586	5202.107	0.000	244.678	244.678	0.000	18038.344	18038.344	17536.056
12-2018	205.445	155.608	8333.872	0.000	244.678	244.678	0.000	25705.984	43744.328	40802.484
12-2019	184.414	138.275	7787.452	0.000	244.678	244.678	0.000	20712.296	64456.624	57802.584
12-2020	173.746	128.714	7377.397	0.000	244.678	244.678	0.000	18861.034	83317.656	71875.312
12-2021	167.337	122.000	7065.966	0.000	244.678	244.678	0.000	17944.922	101262.576	84046.912
12-2022	161.866	115.867	6796.248	0.000	244.678	244.678	0.000	17190.174	118452.752	94646.400
12-2023	156.216	110.578	6558.326	0.000	244.678	244.678	0.000	16682.357	135135.104	103997.472
12-2024	151.485	106.001	6345.260	0.000	244.678	244.678	0.000	16370.955	151506.064	112339.656
12-2025	147.362	101.722	6153.130	0.000	244.678	244.678	0.000	16103.193	167609.264	119799.352
12-2026	142.650	97.221	5965.613	0.000	244.678	244.678	0.000	15632.057	183241.328	126382.440
12-2027	137.223	92.984	5787.072	0.000	244.678	244.678	0.000	15190.683	198432.016	132198.128
12-2028	131.899	88.820	5611.688	0.000	244.678	244.678	0.000	14733.845	213165.856	137326.096
12-2029	127.830	84.907	5450.375	0.000	244.678	244.678	0.000	14303.418	227469.280	141851.712
12-2030	120.982	79.989	5274.794	0.000	244.678	244.678	0.000	13358.066	240827.344	145694.000
12-2031	114.611	75.211	5100.550	0.000	244.678	244.678	0.000	12468.152	253295.488	148954.304
S TOT	2254.337	1599.484	94809.848	0.000	3670.169	3670.169	0.000	253295.488	253295.488	148954.304
AFTER	1435.435	900.227	90005.144	0.000	978.712	978.712	161.000	151789.520	405085.024	166983.760
TOTAL	3689.772	2499.711	184814.992	0.000	4648.880	4648.880	161.000	405084.992	405085.024	166983.760

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	417.0	7423.0	LIFE, YRS.	0.00	405085.632
GROSS ULT., MB & MMF	14400.192	1171747.712	DISCOUNT %	10.00	237657.392
GROSS CUM., MB & MMF	12312.842	790196.288	UNDISCOUNTED PAYOUT, YRS.	0.01	166983.776
GROSS RES., MB & MMF	2087.350	381551.392	DISCOUNTED PAYOUT, YRS.	15.00	129649.144
NET RES., MB & MMF	1463.401	202368.304	RATE-OF-RETURN, PCT.	20.00	106921.712
NET REVENUE, M\$	71311.664	529587.520	DISCOUNTED NET/INVEST.	25.00	91722.400
INITIAL N.I., PCT.	68.903	52.638	INITIAL W.I., PCT.	30.00	80863.280
FINAL N.I., PCT.	72.543	42.858	FINAL W.I., PCT.	35.00	72718.416
				40.00	66378.612
				50.00	57128.740

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

### Exhibit F1

PROVED DEVELOPED NONPRODUCING (PDNP)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 09:03:07  
 SETUP : WRI0617  
 SCENARIO : WRI0617

#### RESERVES AND ECONOMICS

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR	-----GROSS PRODUCTION-----					-----NET PRODUCTION-----					-----PRICES-----			TOTAL REVENUE, M\$		
	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL, \$/B	MBBL	GAS, \$/M	MMCF	NGL, \$/B	MBBL	OIL, \$/B		GAS \$/M	NGL \$/B
12-2017	0.000		0.000		0.000		0.000		0.000		0.000		0.00	0.000	0.00	0.000
12-2018	17.545		491.966		26.433		5.227		129.955		7.222		52.00	2.331	17.16	698.594
12-2019	11.142		349.134		19.583		3.396		94.512		5.699		51.23	2.069	16.91	465.952
12-2020	8.288		283.237		16.180		2.557		77.569		4.833		51.32	2.049	16.94	372.083
12-2021	6.626		242.634		14.006		2.060		66.907		4.245		52.05	2.095	17.18	320.368
12-2022	5.529		214.373		12.460		1.728		59.383		3.811		53.17	2.145	17.55	286.190
12-2023	4.747		193.274		11.288		1.490		53.713		3.475		53.17	2.225	17.55	259.738
12-2024	4.160		176.777		10.361		1.310		49.248		3.206		53.17	2.326	17.55	240.459
12-2025	3.703		163.442		9.606		1.169		45.620		2.983		53.17	2.433	17.55	225.495
12-2026	3.336		152.392		8.977		1.055		42.600		2.796		53.17	2.514	17.55	212.276
12-2027	3.036		143.052		8.442		0.962		40.039		2.635		53.17	2.599	17.55	201.464
12-2028	2.785		135.023		7.980		0.884		37.830		2.496		53.17	2.682	17.55	192.262
12-2029	2.573		127.907		7.566		0.817		35.858		2.369		53.17	2.769	17.55	184.344
12-2030	2.390		121.426		7.185		0.760		34.047		2.251		53.17	2.769	17.55	174.211
12-2031	2.232		115.363		6.826		0.711		32.348		2.139		53.17	2.769	17.55	164.894
S TOT	78.092		2909.998		166.893		24.126		799.628		50.160		52.35	2.334	17.33	3998.330
AFTER	30.976		1837.825		108.779		9.880		515.419		34.089		53.17	2.769	17.55	2550.973
TOTAL	109.068		4747.823		275.672		34.006		1315.046		84.249		52.59	2.504	17.42	6549.303

--END-- MO-YEAR	-----OPERATIONS, M\$-----				-----CAPITAL COSTS, M\$-----				CASH FLOW BTAX, M\$	CUM. CASH FLOW BTAX, M\$	10.0% CUM. DISC BTAX, M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE				
12-2017	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-2018	0.032	0.000	32.447	0.000	0.000	0.000	0.000	0.000	666.115	666.115	603.862
12-2019	0.032	0.000	24.415	0.000	0.000	0.000	0.000	0.000	441.505	1107.620	966.745
12-2020	0.024	0.000	20.582	0.000	0.000	0.000	0.000	0.000	351.476	1459.096	1229.218
12-2021	0.024	0.000	18.176	0.000	0.000	0.000	0.000	0.000	302.168	1761.264	1434.290
12-2022	0.008	0.000	16.481	0.000	0.000	0.000	0.000	0.000	269.701	2030.964	1600.654
12-2023	0.008	0.000	15.206	0.000	0.000	0.000	0.000	0.000	244.523	2275.488	1737.756
12-2024	0.016	0.000	14.204	0.000	0.000	0.000	0.000	0.000	226.240	2501.727	1853.062
12-2025	0.016	0.000	13.390	0.000	0.000	0.000	0.000	0.000	212.089	2713.816	1951.321
12-2026	0.016	0.000	12.713	0.000	0.000	0.000	0.000	0.000	199.547	2913.363	2035.360
12-2027	0.000	0.000	12.140	0.000	0.000	0.000	0.000	0.000	189.324	3102.688	2107.840
12-2028	0.000	0.000	11.646	0.000	0.000	0.000	0.000	0.000	180.617	3283.304	2170.699
12-2029	0.000	0.000	11.205	0.000	0.000	0.000	0.000	0.000	173.138	3456.443	2225.476
12-2030	0.000	0.000	10.802	0.000	0.000	0.000	0.000	0.000	163.410	3619.852	2272.474
12-2031	0.000	0.000	10.423	0.000	0.000	0.000	0.000	0.000	154.470	3774.322	2312.862
S TOT	0.177	0.000	223.831	0.000	0.000	0.000	0.000	0.000	3774.322	3774.322	2312.862
AFTER	0.000	0.000	229.479	0.000	0.000	0.000	545.044	1776.451	5550.773	5550.773	2555.334
TOTAL	0.177	0.000	453.310	0.000	0.000	0.000	545.044	5550.773	5550.773	5550.773	2555.334

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	0.0	5.0	LIFE, YRS.	0.00	5550.773
GROSS ULT., MB & MMF	224.875	7181.079	DISCOUNT %	10.00	3529.802
GROSS CUM., MB & MMF	115.807	2433.255	UNDISCOUNTED PAYOUT, YRS.	0.00	2555.334
GROSS RES., MB & MMF	109.068	4747.824	DISCOUNTED PAYOUT, YRS.	0.00	2019.561
NET RES., MB & MMF	34.006	1315.047	RATE-OF-RETURN, PCT.	100.00	1683.098
NET REVENUE, M\$	1788.381	3293.359	DISCOUNTED NET/INVEST.	547.01	1450.884
INITIAL N.I., PCT.	29.791	30.108	INITIAL W.I., PCT.	34.831	1279.882
FINAL N.I., PCT.	31.937	32.324	FINAL W.I., PCT.	38.667	1148.026
				40.00	1042.840
				50.00	884.731

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST



### Exhibit F1

PROVED DEVELOPED NONPRODUCING TEMPORARILY ABANDONED (PDNP-TA)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 09:03:38  
 SETUP : WRI0617  
 SCENARIO : WRI0617

#### R E S E R V E S   A N D   E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

MO-YEAR	GROSS PRODUCTION					NET PRODUCTION					PRICES			TOTAL REVENUE, M\$
	OIL, MBL	GAS, MCF	NGL, MBL	MMCF	MBBL	OIL, MBL	GAS, MCF	NGL, MBL	MMCF	MBBL	OIL \$/B	GAS \$/M	NGL \$/B	
12-2017														
12-2018														
12-2019														
12-2020														
12-2021														
12-2022														
12-2023														
12-2024														
12-2025														
12-2026														
12-2027														
12-2028														
12-2029														
12-2030														
12-2031														
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.00	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.00	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.00	0.000

MO-YEAR	OPERATIONS, M\$				CAPITAL COSTS, M\$				CASH FLOW BTAX, M\$	CUM. CASH FLOW BTAX, M\$	10.0% CUM. DISC BTAX, M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	OPER	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE			
12-2017											
12-2018											
12-2019											
12-2020											
12-2021											
12-2022											
12-2023											
12-2024											
12-2025											
12-2026											
12-2027											
12-2028											
12-2029											
12-2030											
12-2031											
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	12.0	122.0	LIFE, YRS.	0.00	0.000
GROSS ULT., MB & MMF	184.572	4626.502	DISCOUNT %	10.00	5.000
GROSS CUM., MB & MMF	184.572	4626.502	UNDISCOUNTED PAYOUT, YRS.	0.00	10.000
GROSS RES., MB & MMF	0.000	0.000	DISCOUNTED PAYOUT, YRS.	0.00	15.000
NET RES., MB & MMF	0.000	0.000	RATE-OF-RETURN, PCT.	0.00	20.000
NET REVENUE, M\$	0.000	0.000	DISCOUNTED NET/INVEST.	0.00	25.000
INITIAL N.I., PCT.	0.000	0.000	INITIAL W.I., PCT.	0.000	30.000
FINAL N.I., PCT.	0.000	0.000	FINAL W.I., PCT.	0.000	35.000
					40.000
					50.000

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

### Exhibit F1

PROVED DEVELOPED NONPRODUCING SHUT-IN (PDSI)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 09:03:34  
 SETUP : WRI0617  
 SCENARIO : WRI0617

#### RESERVES AND ECONOMICS

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

MO-YEAR	GROSS PRODUCTION					NET PRODUCTION					PRICES			TOTAL REVENUE, M\$
	OIL, MBL	GAS, MCF	NGL, MBL	MMCF	MBBL	OIL, MBL	GAS, MCF	NGL, MBL	MMCF	MBBL	OIL \$/B	GAS \$/M	NGL \$/B	
12-2017														
12-2018														
12-2019														
12-2020														
12-2021														
12-2022														
12-2023														
12-2024														
12-2025														
12-2026														
12-2027														
12-2028														
12-2029														
12-2030														
12-2031														
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.00	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.00	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.00	0.000

MO-YEAR	OPERATIONS, M\$				CAPITAL COSTS, M\$				CASH FLOW BTAX, M\$	CUM. CASH FLOW BTAX, M\$	10.0% CUM. DISC BTAX, M\$
	ADVALOREM TAXES	SEVERANCE TAXES	NET OPER EXPENSES	TANGIBLE INVEST.	INTANG. INVEST.	TOTAL INVEST.	ABANDON & SALVAGE				
12-2017											
12-2018											
12-2019											
12-2020											
12-2021											
12-2022											
12-2023											
12-2024											
12-2025											
12-2026											
12-2027											
12-2028											
12-2029											
12-2030											
12-2031											
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	56.0	922.0	LIFE, YRS.	0.00	0.000
GROSS ULT., MB & MMF	828.641	43974.584	DISCOUNT %	10.00	0.000
GROSS CUM., MB & MMF	828.641	43974.584	UNDISCOUNTED PAYOUT, YRS.	0.00	0.000
GROSS RES., MB & MMF	0.000	0.000	DISCOUNTED PAYOUT, YRS.	0.00	0.000
NET RES., MB & MMF	0.000	0.000	RATE-OF-RETURN, PCT.	0.00	0.000
NET REVENUE, M\$	0.000	0.000	DISCOUNTED NET/INVEST.	0.00	0.000
INITIAL N.I., PCT.	0.000	0.000	INITIAL W.I., PCT.	7.967	0.000
FINAL N.I., PCT.	0.000	0.000	FINAL W.I., PCT.	0.000	0.000
				40.00	0.000
				50.00	0.000

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

**Exhibit F2**

TOTAL PROVED (PDP, PDNP, PDNP-TA & PDSI)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 10:19:14  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR -----	TAXABLE CASH FLOW M\$-----	DEPRECIATION M\$-----	DEPLETION M\$-----	INTANG. EXPENSED M\$-----	INTEREST PAID & CAP M\$-----	TAXABLE INCOME M\$-----	TAX CREDIT M\$-----	TAXES PAYABLE M\$-----	CASH FLOW ATAX M\$-----	10.0% CUM. DISC ATAX M\$-----
12-2017	18283.024	0.000	0.000	244.678	0.000	18038.344	0.000	3066.516	14971.816	14556.609
12-2018	26616.770	0.000	0.000	244.678	0.000	26372.098	0.000	4483.250	21888.780	34298.480
12-2019	21398.478	0.000	0.000	244.678	0.000	21153.800	0.000	3596.147	17557.626	48694.196
12-2020	19457.190	0.000	0.000	244.678	0.000	19212.510	0.000	3266.123	15946.379	60580.164
12-2021	18491.774	0.000	0.000	244.678	0.000	18247.090	0.000	3102.008	15145.099	70842.624
12-2022	17704.562	0.000	0.000	244.678	0.000	17459.874	0.000	2968.187	14491.718	79769.664
12-2023	17171.558	0.000	0.000	244.678	0.000	16926.880	0.000	2877.562	14049.275	87637.400
12-2024	16841.872	0.000	0.000	244.678	0.000	16597.194	0.000	2821.523	13775.663	94650.592
12-2025	16559.960	0.000	0.000	244.678	0.000	16315.282	0.000	2773.600	13541.696	100917.936
12-2026	16076.282	0.000	0.000	244.678	0.000	15831.604	0.000	2691.362	13140.217	106446.592
12-2027	15624.685	0.000	0.000	244.678	0.000	15380.007	0.000	2614.607	12765.418	111329.288
12-2028	15159.142	0.000	0.000	244.678	0.000	14914.462	0.000	2535.455	12379.002	115633.736
12-2029	14721.235	0.000	0.000	244.678	0.000	14476.556	0.000	2461.020	12015.535	119431.976
12-2030	13766.156	0.000	0.000	244.678	0.000	13521.476	0.000	2298.648	11222.810	122657.112
12-2031	12867.303	0.000	0.000	244.678	0.000	12622.622	0.000	2145.844	10476.775	125394.152
12-2032	12022.835	0.000	0.000	244.678	0.000	11778.157	0.000	2002.290	9775.880	127715.904
12-2033	11228.585	0.000	0.000	244.678	0.000	10983.906	0.000	1867.265	9116.633	129684.264
12-2034	10475.489	0.000	0.000	244.678	0.000	10230.810	0.000	1739.237	8491.556	131350.992
12-2035	9767.398	0.000	0.000	244.678	0.000	9522.716	0.000	1618.859	7903.852	132761.328
12-2036	9103.432	0.000	0.000	0.000	0.000	9103.432	0.000	1547.582	7555.844	133987.000
S TOT	313337.696	0.000	0.000	4648.881	0.000	308688.800	0.000	52477.088	256211.600	133987.000
AFTER	102652.960	0.000	0.000	706.043	0.000	101946.920	0.000	17330.978	84615.816	140545.488
TOTAL	415990.656	0.000	0.000	5354.924	0.000	410635.712	0.000	69808.064	340827.424	140545.488

PRESENT WORTH PROFILE AND			
---- RATE-OF-RETURN VS. BONUS TABLE ----			
P.W.	B.F.I.T.	A.F.I.T.	A.F.I.T.
FACTOR	WORTH	WORTH	BONUS
%-----	M\$-----	M\$-----	M\$-----
0.00	410636.4	340828.6	411427.4
5.00	241187.2	200085.0	222280.7
10.00	169539.1	140545.3	151230.2
15.00	131668.7	109053.5	115428.8
20.00	108604.8	89858.7	94165.5
25.00	93173.3	77004.3	80154.0
30.00	82143.2	67807.3	70240.2
35.00	73866.4	60899.5	62854.6
40.00	67421.4	55515.0	57133.4
50.00	58013.5	47643.7	48827.0
60.00	51450.0	42141.7	43061.5
70.00	46587.9	38058.8	38804.4
80.00	42826.6	34895.0	35518.6
90.00	39819.9	32362.4	32896.1
100.00	37354.7	30283.0	30748.4

BTAX RATE OF RETURN (PCT)	100.00	ATAX RATE OF RETURN (PCT)	100.00
BTAX PAYOUT YEARS	0.01	ATAX PAY OUT YEARS	0.01
BTAX PAYOUT YEARS (DISC)	0.01	ATAX PAY OUT YEARS (DISC)	0.01
BTAX NET INCOME/INVEST	77.68	ATAX NET INCOME/INVEST	64.65
BTAX NET INCOME/INVEST(DISC)	76.70	ATAX NET INCOME/INVEST(DISC)	63.75
PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	50.00
		DISCOUNT - RATE (PCT)	10.00
INITIAL OIL PRICE (\$/B)	48.804	INITIAL GAS PRICE (\$/M)	2.394
MAXIMUM OIL PRICE (\$/B)	49.741	MAXIMUM GAS PRICE (\$/M)	2.832
GROSS OIL WELLS	485.	GROSS GAS WELLS	8472.
CUMULATIVE OIL (MBBL)	13441.862	CUMULATIVE GAS (MMF)	841230.656
REMAINING OIL (MBBL)	2196.418	REMAINING GAS (MMCF)	386299.232
ULTIMATE OIL (MBBL)	15638.280	ULTIMATE GAS (MMCF)	1227529.856
INITIAL WI (PCT)	61.785	FINAL WI (PCT)	51.208
INITIAL NET OIL (PCT)	68.903	FINAL NET OIL (PCT)	69.250
INITIAL NET GAS (PCT)	52.638	FINAL NET GAS (PCT)	42.701

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

**Exhibit F2**

PROVED DEVELOPED PRODUCING (PDP)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 10:18:42  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR -----	TAXABLE CASH FLOW M\$-----	DEPRECIATION M\$-----	DEPLETION M\$-----	INTANG. EXPENSED M\$-----	INTEREST PAID & CAP M\$-----	TAXABLE INCOME M\$-----	TAX CREDIT M\$-----	TAXES PAYABLE M\$-----	CASH FLOW ATAX M\$-----	10.0% CUM. DISC ATAX M\$-----
12-2017	18283.024	0.000	0.000	244.678	0.000	18038.344	0.000	3066.516	14971.816	14556.609
12-2018	25950.656	0.000	0.000	244.678	0.000	25705.984	0.000	4370.010	21335.904	33799.844
12-2019	20956.974	0.000	0.000	244.678	0.000	20712.296	0.000	3521.091	17191.178	47895.104
12-2020	19105.714	0.000	0.000	244.678	0.000	18861.034	0.000	3206.372	15654.654	59563.628
12-2021	18189.606	0.000	0.000	244.678	0.000	17944.922	0.000	3050.640	14894.300	69656.144
12-2022	17434.862	0.000	0.000	244.678	0.000	17190.174	0.000	2922.338	14267.866	78445.288
12-2023	16927.034	0.000	0.000	244.678	0.000	16682.357	0.000	2835.992	13846.321	86199.368
12-2024	16615.633	0.000	0.000	244.678	0.000	16370.955	0.000	2783.062	13587.884	93116.960
12-2025	16347.871	0.000	0.000	244.678	0.000	16103.193	0.000	2737.545	13365.662	99302.832
12-2026	15876.735	0.000	0.000	244.678	0.000	15632.057	0.000	2657.440	12974.593	104761.800
12-2027	15435.361	0.000	0.000	244.678	0.000	15190.683	0.000	2582.422	12608.279	109584.384
12-2028	14978.525	0.000	0.000	244.678	0.000	14733.845	0.000	2504.750	12229.090	113836.704
12-2029	14548.097	0.000	0.000	244.678	0.000	14303.418	0.000	2431.587	11871.830	117589.520
12-2030	13602.746	0.000	0.000	244.678	0.000	13358.066	0.000	2270.869	11087.180	120775.680
12-2031	12712.833	0.000	0.000	244.678	0.000	12468.152	0.000	2119.584	10348.565	123479.224
12-2032	11876.705	0.000	0.000	244.678	0.000	11632.027	0.000	1977.448	9654.592	125772.176
12-2033	11090.297	0.000	0.000	244.678	0.000	10845.618	0.000	1843.756	9001.854	127715.752
12-2034	10344.597	0.000	0.000	244.678	0.000	10099.918	0.000	1716.985	8382.916	129361.152
12-2035	9643.506	0.000	0.000	244.678	0.000	9398.824	0.000	1597.798	7801.022	130753.136
12-2036	8986.172	0.000	0.000	0.000	0.000	8986.172	0.000	1527.648	7458.518	131963.016
S TOT	308907.008	0.000	0.000	4648.881	0.000	304258.048	0.000	51723.852	252534.000	131963.016
AFTER	100987.952	0.000	0.000	161.000	0.000	100826.952	0.000	17140.584	83686.240	138429.376
TOTAL	409894.976	0.000	0.000	4809.880	0.000	405084.992	0.000	68864.432	336220.224	138429.376

BTAX RATE OF RETURN (PCT)	100.00	ATAX RATE OF RETURN (PCT)	100.00	PRESENT WORTH PROFILE AND ---- RATE-OF-RETURN VS. BONUS TABLE ---			
BTAX PAYOUT YEARS	0.01	ATAX PAY OUT YEARS	0.01	P.W.	B.F.I.T.	A.F.I.T.	A.F.I.T.
BTAX PAYOUT YEARS (DISC)	0.01	ATAX PAY OUT YEARS (DISC)	0.01	FACTOR	WORTH	WORTH	BONUS
BTAX NET INCOME/INVEST	85.22	ATAX NET INCOME/INVEST	70.90	%-----	M\$-----	M\$-----	M\$-----
BTAX NET INCOME/INVEST(DISC)	75.71	ATAX NET INCOME/INVEST(DISC)	62.94	0.00	405085.6	336221.5	405876.6
PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	50.00	5.00	237657.4	197157.9	219035.3
		DISCOUNT - RATE (PCT)	10.00	10.00	166983.8	138429.3	148955.5
				15.00	129649.1	107384.0	113662.5
INITIAL OIL PRICE (\$/B)	48.294	INITIAL GAS PRICE (\$/M)	2.386	20.00	106921.7	88470.1	92710.7
MAXIMUM OIL PRICE (\$/B)	49.439	MAXIMUM GAS PRICE (\$/M)	2.833	25.00	91722.4	75809.8	78911.0
GROSS OIL WELLS	417.	GROSS GAS WELLS	****	30.00	80863.3	66756.0	69151.5
				35.00	72718.4	59958.7	61883.9
CUMULATIVE OIL (MBBL)	12312.842	CUMULATIVE GAS (MMF)	790196.288	40.00	66378.6	54662.5	56256.5
REMAINING OIL (MBBL)	2087.350	REMAINING GAS (MMCF)	381551.392	50.00	57128.7	46924.1	48090.2
ULTIMATE OIL (MBBL)	14400.192	ULTIMATE GAS (MMCF)	1171747.712	60.00	50679.2	41517.9	42424.9
				70.00	45903.4	37507.8	38243.4
INITIAL WI (PCT)	62.958	FINAL WI (PCT)	51.514	80.00	42210.1	34401.4	35016.9
INITIAL NET OIL (PCT)	68.903	FINAL NET OIL (PCT)	72.543	90.00	39258.4	31915.2	32442.4
INITIAL NET GAS (PCT)	52.638	FINAL NET GAS (PCT)	42.858	100.00	36838.7	29874.2	30334.2

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

**Exhibit F2**

PROVED DEVELOPED NONPRODUCING (PDNP)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 10:18:42  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

--END-- MO-YEAR -----	TAXABLE CASH FLOW M\$-----	DEPRECI- ATION M\$-----	DEPLETION M\$-----	INTANG. EXPENSED M\$-----	INTEREST PAID & CAP M\$-----	TAXABLE INCOME M\$-----	TAX CREDIT M\$-----	TAXES PAYABLE M\$-----	CASH FLOW ATA M\$-----	10.0%
										CUM. DISC ATA M\$-----
12-2017	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-2018	666.115	0.000	0.000	0.000	0.000	666.115	0.000	113.240	552.875	498.638
12-2019	441.505	0.000	0.000	0.000	0.000	441.505	0.000	75.056	366.449	799.092
12-2020	351.476	0.000	0.000	0.000	0.000	351.476	0.000	59.751	291.725	1016.536
12-2021	302.168	0.000	0.000	0.000	0.000	302.168	0.000	51.369	250.799	1186.480
12-2022	269.701	0.000	0.000	0.000	0.000	269.701	0.000	45.849	223.852	1324.374
12-2023	244.523	0.000	0.000	0.000	0.000	244.523	0.000	41.569	202.954	1438.031
12-2024	226.240	0.000	0.000	0.000	0.000	226.240	0.000	38.461	187.779	1533.628
12-2025	212.089	0.000	0.000	0.000	0.000	212.089	0.000	36.055	176.034	1615.100
12-2026	199.547	0.000	0.000	0.000	0.000	199.547	0.000	33.923	165.624	1684.785
12-2027	189.324	0.000	0.000	0.000	0.000	189.324	0.000	32.185	157.139	1744.890
12-2028	180.617	0.000	0.000	0.000	0.000	180.617	0.000	30.705	149.912	1797.017
12-2029	173.138	0.000	0.000	0.000	0.000	173.138	0.000	29.434	143.705	1842.444
12-2030	163.410	0.000	0.000	0.000	0.000	163.410	0.000	27.780	135.630	1881.420
12-2031	154.470	0.000	0.000	0.000	0.000	154.470	0.000	26.260	128.210	1914.915
12-2032	146.130	0.000	0.000	0.000	0.000	146.130	0.000	24.842	121.288	1943.720
12-2033	138.288	0.000	0.000	0.000	0.000	138.288	0.000	23.509	114.779	1968.502
12-2034	130.892	0.000	0.000	0.000	0.000	130.892	0.000	22.252	108.641	1989.826
12-2035	123.892	0.000	0.000	0.000	0.000	123.892	0.000	21.062	102.831	2008.175
12-2036	117.260	0.000	0.000	0.000	0.000	117.260	0.000	19.934	97.326	2023.962
S TOT	4430.786	0.000	0.000	0.000	0.000	4430.786	0.000	753.234	3677.552	2023.962
AFTER	1665.032	0.000	0.000	545.044	0.000	1119.988	0.000	190.398	929.590	2116.009
TOTAL	6095.817	0.000	0.000	545.044	0.000	5550.774	0.000	943.631	4607.142	2116.009

		PRESENT WORTH PROFILE AND	
		---- RATE-OF-RETURN VS. BONUS TABLE ---	
		P.W.	B.F.I.T.
		A.F.I.T.	A.F.I.T.
		FACTOR	WORTH
		WORTH	BONUS
		%-----	M\$-----
		M\$-----	M\$-----
BTAX RATE OF RETURN (PCT)	100.00	ATAX RATE OF RETURN (PCT)	100.00
BTAX PAYOUT YEARS	0.00	ATAX PAY OUT YEARS	0.00
BTAX PAYOUT YEARS (DISC)	0.00	ATAX PAY OUT YEARS (DISC)	0.00
BTAX NET INCOME/INVEST	11.18	ATAX NET INCOME/INVEST	9.45
BTAX NET INCOME/INVEST(DISC)	547.01	ATAX NET INCOME/INVEST(DISC)	453.14
PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	50.00
		DISCOUNT - RATE (PCT)	10.00
INITIAL OIL PRICE (\$/B)	52.350	INITIAL GAS PRICE (\$/M)	2.807
MAXIMUM OIL PRICE (\$/B)	53.170	MAXIMUM GAS PRICE (\$/M)	2.769
GROSS OIL WELLS	0.	GROSS GAS WELLS	5.
CUMULATIVE OIL (MBBL)	115.807	CUMULATIVE GAS (MMF)	2433.255
REMAINING OIL (MBBL)	109.068	REMAINING GAS (MMCF)	4747.824
ULTIMATE OIL (MBBL)	224.875	ULTIMATE GAS (MMCF)	7181.079
INITIAL WI (PCT)	34.831	FINAL WI (PCT)	38.667
INITIAL NET OIL (PCT)	29.791	FINAL NET OIL (PCT)	31.937
INITIAL NET GAS (PCT)	30.108	FINAL NET GAS (PCT)	32.324
			100.00
			516.1
			408.8
			414.3

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

## Exhibit F2

PROVED DEVELOPED NONPRODUCING TEMPORARILY ABANDONED (PDNP-TA)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 10:19:14  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

### A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

MO-YEAR	TAXABLE CASH FLOW M\$-----	DEPRECIATION M\$-----	DEPLETION M\$-----	INTANG. EXPENSED M\$-----	INTEREST PAID & CAP M\$-----	TAXABLE INCOME M\$-----	TAX CREDIT M\$-----	TAXES PAYABLE M\$-----	CASH FLOW ATAX M\$-----	10.0% CUM. DISC ATAX M\$-----
12-2017										
12-2018										
12-2019										
12-2020										
12-2021										
12-2022										
12-2023										
12-2024										
12-2025										
12-2026										
12-2027										
12-2028										
12-2029										
12-2030										
12-2031										
12-2032										
12-2033										
12-2034										
12-2035										
12-2036										
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

				PRESENT WORTH PROFILE AND ---- RATE-OF-RETURN VS. BONUS TABLE ----			
				P.W.	B.F.I.T.	A.F.I.T.	A.F.I.T.
				FACTOR	WORTH	WORTH	BONUS
				%-----	M\$-----	M\$-----	M\$-----
BTAX RATE OF RETURN (PCT)	0.00	ATAX RATE OF RETURN (PCT)	0.00	0.00	0.0	0.0	0.0
BTAX PAYOUT YEARS	0.00	ATAX PAY OUT YEARS	0.00	5.00	0.0	0.0	0.0
BTAX PAYOUT YEARS (DISC)	0.00	ATAX PAY OUT YEARS (DISC)	0.00	10.00	0.0	0.0	0.0
BTAX NET INCOME/INVEST	0.00	ATAX NET INCOME/INVEST	0.00	15.00	0.0	0.0	0.0
BTAX NET INCOME/INVEST(DISC)	0.00	ATAX NET INCOME/INVEST(DISC)	0.00	20.00	0.0	0.0	0.0
				25.00	0.0	0.0	0.0
				30.00	0.0	0.0	0.0
				35.00	0.0	0.0	0.0
PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	0.00	40.00	0.0	0.0	0.0
		DISCOUNT - RATE (PCT)	10.00	50.00	0.0	0.0	0.0
				60.00	0.0	0.0	0.0
				70.00	0.0	0.0	0.0
				80.00	0.0	0.0	0.0
INITIAL OIL PRICE (\$/B)	0.000	INITIAL GAS PRICE (\$/M)	0.000	90.00	0.0	0.0	0.0
MAXIMUM OIL PRICE (\$/B)	0.000	MAXIMUM GAS PRICE (\$/M)	0.000	100.00	0.0	0.0	0.0
GROSS OIL WELLS	12.	GROSS GAS WELLS	122.				
CUMULATIVE OIL (MBBL)	184.572	CUMULATIVE GAS (MMF)	4626.502				
REMAINING OIL (MBBL)	0.000	REMAINING GAS (MMCF)	0.000				
ULTIMATE OIL (MBBL)	184.572	ULTIMATE GAS (MMCF)	4626.502				
INITIAL WI (PCT)	0.000	FINAL WI (PCT)	0.000				
INITIAL NET OIL (PCT)	0.000	FINAL NET OIL (PCT)	0.000				
INITIAL NET GAS (PCT)	0.000	FINAL NET GAS (PCT)	0.000				

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

**Exhibit F2**

PROVED DEVELOPED NONPRODUCING SHUT-IN (PDSI)  
 PROPOSED ACQUISITION OF TITAN ENERGY ASSETS  
 BY DIVERSIFIED GAS & OIL PLC

DATE : 06/08/2017  
 TIME : 10:19:10  
 SETTINGS : WRI0617  
 SCENARIO : WRI0617

A F T E R T A X E C O N O M I C S

UTILIZING SPECIFIED ECONOMICS

JOB 17.1867

EFFECTIVE DATE: 06/2017

MO-YEAR	TAXABLE CASH FLOW	DEPRECIATION	DEPLETION	INTANG. EXPENSED	INTEREST PAID & CAP	TAXABLE INCOME	TAX CREDIT	TAXES PAYABLE	CASH FLOW ATAX	10.0% CUM. DISC ATAX
-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----
12-2017										
12-2018										
12-2019										
12-2020										
12-2021										
12-2022										
12-2023										
12-2024										
12-2025										
12-2026										
12-2027										
12-2028										
12-2029										
12-2030										
12-2031										
12-2032										
12-2033										
12-2034										
12-2035										
12-2036										
S TOT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

BTAX RATE OF RETURN (PCT)		0.00	ATAX RATE OF RETURN (PCT)		0.00	PRESENT WORTH PROFILE AND			
BTAX PAYOUT YEARS		0.00	ATAX PAY OUT YEARS		0.00	---- RATE-OF-RETURN VS. BONUS TABLE ----			
BTAX PAYOUT YEARS (DISC)		0.00	ATAX PAY OUT YEARS (DISC)		0.00	P.W.	B.F.I.T.	A.F.I.T.	A.F.I.T.
BTAX NET INCOME/INVEST		0.00	ATAX NET INCOME/INVEST		0.00	FACTOR	WORTH	WORTH	BONUS
BTAX NET INCOME/INVEST(DISC)		0.00	ATAX NET INCOME/INVEST(DISC)		0.00	%-----	M\$-----	M\$-----	M\$-----
PRODUCTION START DATE	08/2011	PROJECT LIFE (YEARS)	0.00	DISCOUNT - RATE (PCT)	10.00	0.00	0.0	0.0	0.0
INITIAL OIL PRICE (\$/B)	50.088	INITIAL GAS PRICE (\$/M)	2.697	MAXIMUM OIL PRICE (\$/B)	0.000	5.00	0.0	0.0	0.0
MAXIMUM OIL PRICE (\$/B)	0.000	MAXIMUM GAS PRICE (\$/M)	0.000	GROSS OIL WELLS	56.	10.00	0.0	0.0	0.0
GROSS OIL WELLS	56.	GROSS GAS WELLS	922.			15.00	0.0	0.0	0.0
CUMULATIVE OIL (MBBL)	828.641	CUMULATIVE GAS (MMF)	43974.584			35.00	0.0	0.0	0.0
REMAINING OIL (MBBL)	0.000	REMAINING GAS (MMCF)	0.000			40.00	0.0	0.0	0.0
ULTIMATE OIL (MBBL)	828.641	ULTIMATE GAS (MMCF)	43974.584			50.00	0.0	0.0	0.0
INITIAL WI (PCT)	7.967	FINAL WI (PCT)	0.000			60.00	0.0	0.0	0.0
INITIAL NET OIL (PCT)	0.000	FINAL NET OIL (PCT)	0.000			70.00	0.0	0.0	0.0
INITIAL NET GAS (PCT)	0.000	FINAL NET GAS (PCT)	0.000			80.00	0.0	0.0	0.0
						90.00	0.0	0.0	0.0
						100.00	0.0	0.0	0.0

WRIGHT & COMPANY, INC.  
 BRENTWOOD, TENNESSEE  
 D. RANDALL WRIGHT / PROJECT MANAGER  
 JOHNNY STAMPER / SR. PETROLEUM CONSULTANT  
 STEPHANIE L. MATLOCK / TECHNICAL ANALYST

**Exhibit G**  
**TITAN ASSETS**  
**NYMEX Base Prices**

May 23, 2017 Settlements											
Month	WTI	Henry Hub	Month	WTI	Henry Hub	Month	WTI	Henry Hub	Month	WTI	Henry Hub
Jun 17	51.47	3.219	Nov 20	51.32	2.849	Apr 24	53.17	3.126	Sep 27	53.17	3.399
Jul 17	51.47	3.312	Dec 20	51.32	2.849	May 24	53.17	3.126	Oct 27	53.17	3.399
Aug 17	51.72	3.352	Jan 21	52.05	2.895	Jun 24	53.17	3.126	Nov 27	53.17	3.399
Sep 17	51.92	3.333	Feb 21	52.05	2.895	Jul 24	53.17	3.126	Dec 27	53.17	3.399
Oct 17	52.08	3.357	Mar 21	52.05	2.895	Aug 24	53.17	3.126	Jan 28	53.17	3.482
Nov 17	52.22	3.412	Apr 21	52.05	2.895	Sep 24	53.17	3.126	Feb 28	53.17	3.482
Dec 17	52.30	3.533	May 21	52.05	2.895	Oct 24	53.17	3.126	Mar 28	53.17	3.482
Jan 18	52.35	3.607	Jun 21	52.05	2.895	Nov 24	53.17	3.126	Apr 28	53.17	3.482
Feb 18	52.34	3.579	Jul 21	52.05	2.895	Dec 24	53.17	3.126	May 28	53.17	3.482
Mar 18	52.29	3.490	Aug 21	52.05	2.895	Jan 25	53.17	3.233	Jun 28	53.17	3.482
Apr 18	52.21	2.944	Sep 21	52.05	2.895	Feb 25	53.17	3.233	Jul 28	53.17	3.482
May 18	52.12	2.883	Oct 21	52.05	2.895	Mar 25	53.17	3.233	Aug 28	53.17	3.482
Jun 18	52.02	2.910	Nov 21	52.05	2.895	Apr 25	53.17	3.233	Sep 28	53.17	3.482
Jul 18	51.91	2.937	Dec 21	52.05	2.895	May 25	53.17	3.233	Oct 28	53.17	3.482
Aug 18	51.81	2.945	Jan 22	53.17	2.945	Jun 25	53.17	3.233	Nov 28	53.17	3.482
Sep 18	51.72	2.922	Feb 22	53.17	2.945	Jul 25	53.17	3.233	Dec 28	53.17	3.482
Oct 18	51.64	2.937	Mar 22	53.17	2.945	Aug 25	53.17	3.233	Jan 29	53.17	3.569
Nov 18	51.57	2.985	Apr 22	53.17	2.945	Sep 25	53.17	3.233	Feb 29	53.17	3.569
Dec 18	51.51	3.118	May 22	53.17	2.945	Oct 25	53.17	3.233	Mar 29	53.17	3.569
Jan 19	51.23	2.869	Jun 22	53.17	2.945	Nov 25	53.17	3.233	Apr 29	53.17	3.569
Feb 19	51.23	2.869	Jul 22	53.17	2.945	Dec 25	53.17	3.233	May 29	53.17	3.569
Mar 19	51.23	2.869	Aug 22	53.17	2.945	Jan 26	53.17	3.314	Jun 29	53.17	3.569
Apr 19	51.23	2.869	Sep 22	53.17	2.945	Feb 26	53.17	3.314	Jul 29	53.17	3.569
May 19	51.23	2.869	Oct 22	53.17	2.945	Mar 26	53.17	3.314	Aug 29	53.17	3.569
Jun 19	51.23	2.869	Nov 22	53.17	2.945	Apr 26	53.17	3.314	Sep 29	53.17	3.569
Jul 19	51.23	2.869	Dec 22	53.17	2.945	May 26	53.17	3.314	Oct 29	53.17	3.569
Aug 19	51.23	2.869	Jan 23	53.17	3.025	Jun 26	53.17	3.314	Nov 29	53.17	3.569
Sep 19	51.23	2.869	Feb 23	53.17	3.025	Jul 26	53.17	3.314	Dec 29	53.17	3.569
Oct 19	51.23	2.869	Mar 23	53.17	3.025	Aug 26	53.17	3.314	Thereafter	53.17	3.569
Nov 19	51.23	2.869	Apr 23	53.17	3.025	Sep 26	53.17	3.314			
Dec 19	51.23	2.869	May 23	53.17	3.025	Oct 26	53.17	3.314			
Jan 20	51.32	2.849	Jun 23	53.17	3.025	Nov 26	53.17	3.314			
Feb 20	51.32	2.849	Jul 23	53.17	3.025	Dec 26	53.17	3.314			
Mar 20	51.32	2.849	Aug 23	53.17	3.025	Jan 27	53.17	3.399			
Apr 20	51.32	2.849	Sep 23	53.17	3.025	Feb 27	53.17	3.399			
May 20	51.32	2.849	Oct 23	53.17	3.025	Mar 27	53.17	3.399			
Jun 20	51.32	2.849	Nov 23	53.17	3.025	Apr 27	53.17	3.399			
Jul 20	51.32	2.849	Dec 23	53.17	3.025	May 27	53.17	3.399			
Aug 20	51.32	2.849	Jan 24	53.17	3.126	Jun 27	53.17	3.399			
Sep 20	51.32	2.849	Feb 24	53.17	3.126	Jul 27	53.17	3.399			
Oct 20	51.32	2.849	Mar 24	53.17	3.126	Aug 27	53.17	3.399			



**Exhibit H**  
**Professional Qualifications**  
**D. Randall Wright, President**

I, D. Randall Wright, am the primary technical person in charge of the estimates of reserves and associated cash flow and economics on behalf of Wright & Company, Inc. (Wright) for the results presented in this report to Diversified Gas & Oil PLC. I have a Master of Science degree in Mechanical Engineering from Tennessee Technological University.

I am a qualified Reserves Estimator as set forth in the *“Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information”* promulgated by the Society of Petroleum Engineers. I am also qualified as a Competent Person (CP) as defined by the AIM Market of the London Stock Exchange. This qualification is based on more than 43 years of practical experience in the estimation and evaluation of petroleum reserves with Texaco, Inc., First City National Bank of Houston, Sipes, Williamson & Associates, Inc., Williamson Petroleum Consultants, Inc., and Wright which I founded in 1988.

I am a registered Professional Engineer in the state of Texas (TBPE #43291), granted in 1978, a member of the Society of Petroleum Engineers (SPE) and a member of the Order of the Engineer.

  
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D. Randall Wright, P.E.

TX Reg. No. F-12302

**Exhibit I**  
**TITAN ASSETS**  
**Confirmations**

In accordance with your instructions, Wright & Company, Inc. (Wright) hereby confirms that:

- (a) Wright consents to the CPR to be issued into the public domain by DGO.
- (b) Wright accepts responsibility for the CPR and for any information sourced from the CPR. In accordance with Schedule Two to the AIM Rules (and paragraph 1.2 of Annex 1 of Appendix 3 to the Financial Conduct Authority's Prospectus Rules), Wright confirms, to the best of the knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained therein is in accordance with the facts and contains no omission likely to affect the import of such information;
- (c) Wright confirms that it is unaware of any material change in circumstances to those stated in the CPR;
- (d) D. Randall Wright, President of Wright, who supervised the evaluation, is professionally qualified and a member in good standing of the Society of Petroleum Engineers (SPE);
- (e) Wright has the relevant and appropriate qualifications, experience, and technical knowledge to professionally and independently appraise the assets of DGO, which we have reported on;
- (f) Wright considers that the scope of the CPR is appropriate and was prepared to a standard expected in accordance with the *Note on Mining and Oil & Gas Companies* issued by the London Stock Exchange;
- (g) Wright has at least five years relevant experience in the estimation, assessment, and evaluation of oil, gas, and other liquid hydrocarbons under consideration;
- (h) Wright is an independent petroleum consulting firm founded in 1988 and is independent of DGO and its directors, senior management and advisers, has no material interest in DGO or its properties and has acted as an independent competent person for the purposes of providing a report on the assets;
- (i) No employee, officer, or director of Wright is an employee, officer, or director of DGO, nor does Wright or any of its employees have direct financial interest in DGO. Neither the employment of nor the compensation received by Wright is contingent upon the values assigned or the opinions rendered regarding the properties covered by this CPR; and
- (j) Wright is not a sole practitioner.

## PART VII

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY STATEMENT

The Company and the Directors, whose names and functions are set out on page 5 of this document, accept responsibility, both individually and collectively, for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY AND ITS SUBSIDIARIES

- 2.1 The Company was incorporated in England and Wales under the Act on 31 July 2014 with company number 09156132 as a public limited company. On 5 January 2015 the Company obtained a trading certificate pursuant to section 761 of the Act entitling it to do business and borrow.
- 2.2 The registered office of the Company is 27/28 Eastcastle Street, London W1W 8DH. The Company's website, which discloses the information required by Rule 26 of the AIM Rules for Companies is [www.diversifiedgasandoil.com](http://www.diversifiedgasandoil.com). The Company's trading address is 1100 Corporate Drive, Birmingham, Alabama 35242, USA. The Company's telephone number is +1-205-408-0909.
- 2.3 The principal activity of the Company is to act as a holding company. It acts as the holding company of the Group, whose principal activities are described more fully in Part I of this document. Details of the Company's subsidiaries are set out in paragraph 2.11 of this Part VII.
- 2.4 The Company has no administrative, management or supervisory bodies other than the Board, the Remuneration Committee and Audit Committee, details of which are set out in Part I of this document.
- 2.5 The Company is governed by its Articles and the principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.6 The Group's auditors are Crowe Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH. Crowe Clark Whitehill LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 2.7 The accounting reference date of the Company is 31 December.
- 2.8 The ISIN for the Ordinary Shares is GB00BYX7JT74.
- 2.9 The liability of the Shareholders is limited.
- 2.10 The Company is domiciled in England and Wales.
- 2.11 As at the date of this document and on First Admission, the Company has the following subsidiary undertakings:
  - (i) Diversified Gas and Oil Corporation was incorporated on 24 March 2014 in Delaware as a corporation. Its company federal employer identification number ("FEIN") is 46-5279721. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and registered address is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 1980, United States. Diversified Gas and Oil Corporation is wholly owned by the Company.
  - (ii) Diversified Resources, Inc. was incorporated on 7 June 2006 in West Virginia as a corporation. Its company FEIN is 86-1169388. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and its registered agent and address is Scott E. Wilson, Waters, Warner & Harris P.O. Box 1716, Clarksburg WV26302-1716, United States. Diversified Resources, Inc is wholly owned by Diversified Gas and Oil Corporation.
  - (iii) M&R Investments, LLC was incorporated on 11 May 2006 in the State of West Virginia as a limited liability company. Its company FEIN is 77-0663329. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and its registered agent and address is Robert R. Hutson Jr. P.O. Box 381087 Birmingham, AL 35238, United States. M&R Investments, LLC is wholly owned by Diversified Gas and Oil Corporation.

- (iv) M&R Investments Ohio, LLC was incorporated on 14 May 2010 in the State of Ohio as a limited liability company. Its company FEIN is 27-2599239. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and its registered agent and address is National Registered Agents Inc. 1300 East Ninth Street, Cleveland, Ohio 44114, United States. M&R Investments Ohio, LLC is wholly owned by Diversified Gas and Oil Corporation.
- (v) Marshall Gas & Oil Corporation was incorporated on 26 February 1996 in Etowah County, Alabama, as a corporation. Its company FEIN is 72-1351013. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and its registered agent is Robert M. Post and address is 2286 Steel Station Road, Rainbow City, AL 35906, United States. Marshall Gas and Oil Corporation is wholly owned by Diversified Gas and Oil Corporation.
- (vi) R&K Oil & Gas, Inc. was incorporated on 7 August 2001 in West Virginia as a corporation. Its company FEIN is 31-1793779. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and the registered agent and address is Robert R. Hutson Jr. P.O. Box 381087 Birmingham, AL 35238, United States. R&K Oil and Gas, Inc. is wholly owned by Diversified Gas and Oil Corporation.
- (vii) Fund 1 DR, LLC was incorporated on 15 January 2013 in Nevada as a limited liability company. Its company FEIN is 46-1790185. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and the registered agent and address is The Corporation Trust Company of Nevada, 7015 Carson Street, Suite 200, Carson City, NV89701, United States. Fund 1 DR, LLC is wholly owned by Diversified Gas and Oil Corporation.
- (viii) Diversified Oil & Gas LLC was incorporated on 12 February 2012 in Alabama as a limited liability company. Its company FEIN is 45-4551458. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and the registered agent and address is Robert R. Hutson Jr., 251 Stonegate Drive, Birmingham, AL 35242, United States. Diversified Oil & Gas LLC is wholly owned by Diversified Gas and Oil Corporation.
- (ix) Diversified Appalachian Group LLC was incorporated on 22 June 2016 in Alabama as a limited liability company. Its company FEIN is 81-3018961. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and the registered agent and address is Robert R. Hutson Jr., 251 Stonegate Drive, Birmingham, AL 35242, United States. Diversified Gas & Oil LLC is wholly owned by Diversified Gas and Oil Corporation.
- (x) Diversified Energy LLC was incorporated on 3 May 2017 in Alabama as a limited liability company. Its company FEIN is 81-1429871 and its company number is 391-250. Its business address is 1100 Corporate Drive, Birmingham, Alabama, 35242, United States and the registered agent and address is Robert R. Hutson Jr., 1100 Corporate Drive, Birmingham, Alabama 35242, United States. Diversified Energy LLC is wholly owned by Diversified Gas & Oil Corporation.

### 3. SHARE CAPITAL OF THE COMPANY

- 3.1 The issued fully paid up share capital of the Company as at the date of this document and as it is expected to be immediately following First Admission and Second Admission, is as follows:

<i>Ordinary Shares</i>	<i>Aggregate nominal value</i>	<i>Number of Ordinary Shares</i>
As at the date of this document	£1,055,912.50	105,591,250
Immediately following First Admission	£1,171,760.87	117,176,087
Immediately following Second Admission	£1,450,760.87	145,076,087

- 3.2 The Company does not have an authorised share capital. The Company was incorporated with a share capital of £50,000 divided into 5,000,000 Ordinary Shares of £0.01 each which were fully paid. The initial subscribers were Robert Hutson Jr. and Robert Post, each of whom subscribed for 2,500,000 Ordinary Shares.

3.3 The following changes in the share capital of the Company have taken place between incorporation and the date of this document:

- (a) on or around 10 June 2015: (i) 17,500,000 Ordinary Shares were issued to Robert Hutson Jr.; and (ii) 17,500,000 Ordinary Shares were issued to Robert Post in consideration for the transfer to the Company of the entire issued share capital of Diversified Gas & Oil Corporation pursuant to a share exchange agreement dated 10 June 2015 as more fully described in paragraph 12.22 of this document;
- (b) on 2 December 2015, 1,200,000 Ordinary Shares were issued to Martin Thomas for cash;
- (c) on 19 May 2016, 800,000 Ordinary Shares were issued to Martin Thomas for cash;
- (d) on 24 October 2016, 2,210,481 Ordinary Shares were issued to Bradley Gray upon his joining the Company;
- (e) on 30 January 2017, 61,380,769 Ordinary Shares were issued for cash;
- (f) on 14 June 2017, 184,837 Ordinary Shares the Bond Conversion Shares were issued to bondholders in consideration for the redemption of the bondholder's unlisted bonds of the Company pursuant to a bond instrument dated 6 October 2016 as more fully described in paragraph 12.12 of this document;
- (g) on 14 June 2017, 11,400,000 Ordinary Shares (the Firm Placing Shares) were issued for cash;
- (h) on 15 June 2017, 27,900,000 Ordinary Shares (the Conditional Placing Shares) were issued for cash;

following which the share capital of the Company was £1,450,760.87 divided into 145,076,087 Ordinary Shares with a nominal value of £0.01 each.

The Ordinary Shares issued to Bradley Gray are subject to the terms of the Restricted Stock Agreement, as set out in paragraph 12.24 of this Part VII.

3.4 At the General Meeting, the following resolutions are proposed, that:

3.4.1 the Acquisition is approved by the Shareholder of the Company as required by the AIM Rules for Companies;

3.4.2 the Directors be generally and unconditionally authorised, for the purposes of Section 551 of the Act, to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the Act):

- (a) up to an aggregate nominal amount of £279,000 in respect of the Conditional Placing Shares;
- (b) up to £105,591.25 to satisfy awards under the Share Option Scheme; and
- (c) otherwise than pursuant to (a) above up to an aggregate nominal amount of £393,818.26, such authorisation expiring at the conclusion of the next Annual General Meeting.

3.4.3 the Directors be generally and unconditionally empowered, for the purposes of Section 570 of the Act to exercise all powers of the Company to allot equity securities for cash pursuant to the authorisation conferred by 3.4.2 above as if the statutory pre-emption provisions set out in section 561 of the Act did not apply to the allotment, provided that this power shall be limited to:

- (a) the allotment up to an aggregate nominal amount of £279,000 in respect of the Conditional Placing Shares;
- (b) the allotment of equity securities (within the meaning of section 560 of the Act) in connection with an offer by way of a rights issue to Shareholders and holders of other equity securities; and
- (c) otherwise than pursuant to (a) and (b) above the allotment of further equity securities up to an aggregate nominal amount of £159,466.09,

such power expiring at the conclusion of the next Annual General Meeting.

- 3.5 The number of Existing Ordinary Shares is 105,591,250. The Company will, pursuant to the Placing (and in accordance with the terms of the Placing Agreement), allot 11,400,000 Firm Placing Shares at the Placing Price, conditionally upon First Admission. In addition, the Company will allot 184,837 Bond Conversion Shares conditionally upon First Admission. In addition, the Company will, pursuant to the Placing (and in accordance with the terms of the Placing Agreement), allot 27,900,000 Conditional Placing Shares at the Placing Price, conditionally upon Second Admission. Accordingly, immediately following Second Admission the issued share capital of the Company will increase to £1,450,760.87 divided into 145,076,087 Ordinary Shares.
- 3.6 The Placing Shares will, following allotment, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions hereafter declared, paid or made on the share capital of the Company.
- 3.7 The holders of Existing Ordinary Shares will be diluted by the issue of the Placing Shares. The effect of the issue of the Placing Shares (assuming that the Placing is fully subscribed by parties who are not holders of Existing Ordinary Shares) will be that holders of Existing Ordinary Shares at the date of this document will own 72.8 per cent. of the Enlarged Share Capital following Second Admission.
- 3.8 The legislation under which the Ordinary Shares have been created is the Act and regulations made under the Act. The Placing Shares are denominated in sterling. It is expected that the Firm Placing Shares and the Bond Conversion Shares will be allotted on 14 June 2017, conditional only on First Admission taking place, and issued on First Admission, which is expected to be on 20 June 2017. It is expected that the Conditional Placing Shares will be allotted on 15 June 2017, conditional only on Second Admission taking place, and issued on Second Admission, which is expected to be on 3 July 2017.
- 3.9 The Placing Shares will be in registered form. They will be capable of being held in certificated form or in uncertificated form and traded in CREST. The records in respect of Placing Shares held in uncertificated form will be maintained by Neville Registrars.
- 3.10 There is no class of shares in issue other than Ordinary Shares and no Ordinary Shares have been issued other than as fully paid.
- 3.13 Save as disclosed in this Part VII, as at the date of this document:
- (a) no shares in the capital of the Company or of any member of the Group are under option or are the subject of an agreement, conditional or unconditional, to be put under option;
  - (b) no shares in the capital of the Company have been issued, or are now proposed to be issued, otherwise than fully paid;
  - (c) there are no shares in the capital of the Company which do not represent capital;
  - (d) no person has any preferential subscription rights for any share capital of the Company;
  - (e) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any shares in the capital of the Company;
  - (f) the Company does not hold any of its own Ordinary Shares as treasury shares and none of the Company's subsidiaries hold any Ordinary Shares;
  - (g) the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and

there are no acquisition rights or obligations over the unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

#### **4. ARTICLES OF ASSOCIATION**

- 4.1 The intention of the Company is to carry on business as a holding company of the Group.
- 4.2 The Articles contain provisions which are summarised below in this paragraph 4:

##### ***Liability of Shareholders***

The liability of the Shareholders of the Company is limited to the amount, if any, unpaid on the Ordinary Shares held by them.

### ***Pre-emption***

In certain circumstances, the Company's Shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new Ordinary Shares in the Company. These statutory pre-emption rights would require the Company to offer new Ordinary Shares for allotment to existing Shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such Ordinary Shares would be offered to the Company's Shareholders.

### ***Share Rights***

Save as may be permitted by the Act, the Company shall not give financial assistance, whether directly or indirectly, for the purpose of the acquisition of any Ordinary Shares in the Company or its holding company (if any) or for reducing or discharging any liability incurred for the purpose of any such acquisition.

Subject to the Act and to the authority of the Company in an annual general meeting or a general meeting required by the Act, the Directors shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any unissued Ordinary Shares of the Company to such persons, at such times and generally on such terms and conditions as the Directors may determine.

The Company may in connection with the issue of any Ordinary Shares exercise all powers of paying commission and brokerage conferred or permitted by the Act. Any such commission or brokerage may be satisfied in fully or partly paid Ordinary Shares in the Company, in which case, Sections 552 and 553 of the Act shall be complied with.

If two or more persons are registered as joint holders of any Ordinary Share, any one of such persons may give effectual receipts for any dividend or other moneys payable in respect of such Ordinary Share.

Subject to the provisions of the Act and to any rights conferred on the holders of any other Ordinary Shares, the Company may, with the sanction of a special resolution, issue Ordinary Shares which are to be redeemed or are liable to be redeemed at the option of the Company or of the Shareholder on such terms and in such manner as may be provided by the Articles save that the date on or by which, or dates between which, any such Ordinary Shares are to be or may be redeemed may be fixed by the Board (and if so fixed, the date or dates must be fixed before the Ordinary Shares are issued).

### ***Calls on Ordinary Shares***

Subject to the terms of issue, the Board may from time to time make calls upon the Shareholders in respect of any amounts unpaid on their Ordinary Shares. Each Shareholder shall, subject to receiving at least 14 clear days' notice, pay to the Company the amount called on his Ordinary Shares. In the event of non-payment, interest shall be payable on the amount unpaid from the day it become due until paid.

### ***Forfeiture***

If a Shareholder or person entitled by transmission fails to pay in full any call or instalment of a call on or before the day appointed for payment thereof, the Board may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest and expenses which may have accrued.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of nonpayment in accordance therewith the Ordinary Shares on which the call was made will be liable to be forfeited.

If the requirements of any such notice as aforesaid are not complied with, any Ordinary Share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited Ordinary Share and not actually paid before forfeiture. The Board may accept a surrender of any Ordinary Share liable to be forfeited hereunder in lieu of forfeiture and the provisions of the Articles shall apply to any Ordinary Share so surrendered as if it had been forfeited.

Subject to the provisions of the Act, an Ordinary Share so forfeited or surrendered shall become the property of the Company and may be sold, reallocated or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto, or to any other person, upon such terms and in such manner as the Board shall think fit. At any time before a sale, reallocation

or disposal the forfeiture or surrender may be cancelled on such terms as the Board may think fit. The Board may, if necessary, authorise some person to transfer a forfeited or surrendered Ordinary Share to any such other person as aforesaid.

A Shareholder whose Ordinary Shares have been forfeited or surrendered shall cease to be a Shareholder in respect of such Ordinary Shares (and shall surrender to the Company for cancellation the certificate for such Ordinary Shares), but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the Ordinary Shares with interest thereon at the prescribed rate. The Board may, if it thinks fit, waive the payment of all or part of such money and/or the interest payable thereon.

### ***Lien***

The Company shall have a first and paramount lien on every Ordinary Share (not being a fully paid Ordinary Share) for all amounts payable to the Company (whether presently or not) in respect of that Ordinary Share. The Board may at any time, either generally or in any particular case, waive any lien that has arisen, or declare any Ordinary Share to be wholly or partly exempt from the lien. The Company's lien on an Ordinary Share shall extend to all dividends and other moneys payable in respect of it. The Company may sell, in such manner as the Board determines, any Ordinary Share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the Ordinary Share, or to the person entitled to it by transmission, demanding payment and stating that if the notice is not complied with the Ordinary Share may be sold.

### ***Transfer of Shares***

All transfers of Ordinary Shares which are in certificated form may be effected by an instrument of transfer in any usual form or any other form which the Board may approve, and shall be signed by or on behalf of the transferor and, unless the Ordinary Share is a fully paid Ordinary Share, the transferee. The transferor will be deemed to remain the holder of the Ordinary Share until the name of the transferee is entered in the register in respect of it.

All transfers of Ordinary Shares which are in uncertificated form shall be effected in accordance with the CREST Regulations.

The Board may, in its absolute discretion and without giving any reason, decline to register the transfer of a certificated Ordinary Share which is not fully paid, provided that, in the case of a class of Ordinary Shares which have been admitted to trading on AIM, the refusal does not prevent dealings from taking place on an open and proper basis. The Board may also decline to register the transfer of a certificated Ordinary Share unless the instrument of transfer is (i) lodged, duly stamped (if stampable), at the place where the register of members of the Company is kept accompanied by the certificate for the Ordinary Share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) in respect of only one class of Ordinary Shares; and (iii) is in favour of not more than four transferees.

The Board may decline to register a transfer of an uncertificated Ordinary Share in the circumstances set out in the CREST Regulations, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated Ordinary Share is to be transferred exceeds four.

In addition, the Board may also refuse to register a transfer of any Ordinary Share (whether a certificated Ordinary Share or not and whether fully paid or not):

- (a) to an entity which is not a natural or legal person;
- (b) to a minor, to a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which remains undischarged or to a person who is then suffering from mental disorder and where (i) a registered medical practitioner who is treating him gives a written opinion to the Company stating that he has become physically or mentally incapable of acting as a Shareholder and may remain so for more than three months; or (ii) he is or has been suffering from mental or physical ill health and the Board shall resolve that he be disqualified.

If the Board declines to register a transfer, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company or the instructions of the Operator (as defined in the CREST Regulations) were received.



No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to an Ordinary Share.

Subject to the provisions of the CREST Regulations, the Board may permit title to Ordinary Shares of any class to be evidenced otherwise than by a certificate and title to Ordinary Shares of such class to be transferred by means of a relevant system, and subject to the CREST Regulations may cancel such permission.

#### ***Failure to Disclose Interests in Ordinary Shares***

If any Shareholder, or any other person appearing to be interested in Ordinary Shares held by such Shareholder, shall have been duly served with a notice under section 793 of the Act and has failed in relation to any Ordinary Shares (the "default Ordinary Shares") to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

- (a) the Shareholder shall not be entitled in respect of the default Ordinary Shares or any other Ordinary Shares held by the Shareholder to attend and vote either personally or by proxy at any general meeting of the Company or to exercise any other right conferred on Shareholders in relation to any such meeting or poll; and
- (b) where the default Ordinary Shares represent at least 0.25 per cent. in nominal value of their class the Board may direct that:
  - (i) any dividend or other money payable in respect of the default Ordinary Shares shall be retained by the Company without any liability to pay interest on it and the Shareholder shall not be entitled to elect in the case of a scrip dividend to receive Ordinary Shares instead of that dividend; and
  - (ii) the Shareholder shall not be entitled to transfer any of such Ordinary Shares unless required by the CREST Regulations or by way of an approved transfer, which is a transfer (1) by way of sale of the whole beneficial interest to an unconnected third party, or (2) which results from a sale made through a recognised investment exchange or any other stock exchange outside the United Kingdom on which the Company's Ordinary Shares are normally traded, or (3) pursuant to an acceptance of a takeover offer.

The above restrictions shall continue until either the default is remedied or the Ordinary Shares are the subject of an approved transfer. Any dividends withheld shall be paid to the Shareholder as soon as practicable after the above restrictions lapse.

#### ***Alterations to Capital***

Except as otherwise provided by or pursuant to the Articles or by the conditions of issue, any new Ordinary Share capital shall be considered as part of the existing Ordinary Share capital, and shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as the existing Ordinary Share capital.

The Company may from time to time by ordinary resolution:

- (a) cancel any Ordinary Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its Ordinary Share capital by the amount of the Ordinary Shares so cancelled;
- (b) subdivide its Ordinary Shares, or any of them, into Ordinary Shares of smaller amount than its existing Ordinary Shares, subject nevertheless to the provisions of Section 618(2) of the Act and so that the resolution whereby any Ordinary Share is subdivided may determine that, as between the holders of the Ordinary Shares resulting from such subdivision, one or more of the Ordinary Shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any such restrictions, as compared with the others, as the Company has power to attach to unissued or new Ordinary Shares.

Upon any consolidation of fully paid Ordinary Shares into Ordinary Shares of larger amount the Board may settle any difficulty which may arise with regard thereto and in particular may, as between the holders of Ordinary Shares so consolidated, determine which Ordinary Shares are consolidated into each consolidated Ordinary Share and in the case of any Ordinary Shares registered in the name of one Shareholder being consolidated with Ordinary Shares registered in the name of another Shareholder the Board may make such arrangements for the allotment, acceptance and/or sale of Ordinary Shares representing fractional entitlements to the consolidated Ordinary Share or for the sale of the consolidated

Ordinary Share and may sell the fractions or the consolidated Ordinary Share either upon the market or otherwise to such person at such time and at such price as it may think fit and shall distribute the net proceeds of sale among such Shareholders rateably in accordance with their rights and interests in the consolidated Ordinary Share or the fractions and for the purposes of giving effect to any such sale the Board may, in respect of certificated Ordinary Shares, appoint some person to transfer the Ordinary Shares or fractions sold to any purchaser thereof and such appointment and any transfer executed in pursuance thereof shall be effective and, in respect of uncertificated Ordinary Shares, may authorise any person to transfer such Ordinary Shares or fractions sold to any purchaser thereof in accordance with the facilities and requirements of the relevant system concerned and any transfer executed in pursuance thereof shall be effective. Provided that the Board shall have power when making such arrangements to determine that no Shareholder shall be entitled to receive such net proceeds of sale unless his entitlement exceeds such amount as the Board shall determine and if the Board exercises such power, the net proceeds of sale not distributed to Shareholders as a result shall belong absolutely to the Company. For the purposes of the Articles, any Ordinary Shares representing fractional entitlements to which any Shareholder would, but for the Articles, become entitled may be issued in certificated form or uncertificated form.

The Articles do not prevent the Company from purchasing its own Ordinary Shares in accordance with the provisions of the Act.

#### ***Variation of rights***

Subject to the provisions of the Act, if at any time the capital of the Company is divided into different classes of Ordinary Shares, rights attached to any class of Ordinary Shares may be varied or abrogated either with the written consent of the holders of not less than three-quarters in nominal value of the issued Ordinary Shares of that class (excluding any Ordinary Shares of that class held as treasury Ordinary Shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those Ordinary Shares.

#### ***Annual General Meetings***

An annual general meeting of the Company shall be held in each year in addition to any other meetings which may be held in that year, and such meeting shall be specified as the annual general meeting in the notices calling it. Subject to the provisions of the Act, the annual general meeting shall be held at such time and place as the Directors shall appoint.

#### ***General Meetings***

The Directors may convene a general meeting of the Company whenever they think fit and general meetings shall also be convened on such requisition, by Shareholders as provided by the Act, whereupon the Directors shall forthwith proceed to convene a general meeting in accordance with the requirements of the Act. If at any time there are not sufficient Directors capable of acting to form a quorum of the Directors, any Director or any two Shareholders of the Company may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Two persons entitled to vote upon the business to be transacted, each being a Shareholder or a proxy for a Shareholder or a duly authorised representative of a corporation which is a Shareholder, shall be a quorum. In calculating whether a quorum is present for the purposes of the Articles, if two or more persons are appointed as proxies for the same Shareholder or two or more persons are appointed as corporate representatives of the same corporate Shareholder, only one of such proxies or one of such corporate representatives shall be counted.

At least 21 clear days' notice of every annual general meeting and at least 14 clear days' notice of every general meeting shall be given in the manner hereinafter mentioned to such Shareholders as are under the provisions of the Articles entitled to receive such notices from the Company and to the auditors of the Company. Every notice of meeting shall specify the place, day and hour of meeting and, in the case of special business, the general nature of such business and shall also state with reasonable prominence that a Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to speak and to vote instead of him (provided that, where more than one proxy is appointed, each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares) and that a proxy need not also be a Shareholder. In the case of a meeting convened for passing a special resolution, the notice shall specify the intention to propose the

resolution as a special resolution. Subject to the provisions of the Articles, to the rights attaching to any class of Ordinary Shares and to any restrictions imposed on any holder, notice shall be given to all Shareholders, the Directors and the auditors.

### ***Voting Rights***

Subject to any special terms as to voting upon which any Ordinary Shares may be issued, or may for the time being be held:

- (a) upon a show of hands:
  - (i) every Shareholder who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and in each case is entitled to vote shall have one vote;
  - (ii) every proxy present who has been duly appointed by a Shareholder shall have one vote; and
  - (iii) every corporate representative present who has been duly authorised by a corporation shall have the same voting rights as the corporation would be entitled to; and
- (b) upon a poll, every Shareholder present in person or by proxy and entitled to vote shall have one vote for every Ordinary Share held by him and a person entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

In the case of joint Shareholders, the person whose name stands first in the register of members and who votes in person or by proxy is entitled to vote to the exclusion of all other joint holders.

No member shall be entitled to vote at any general meeting unless all moneys presently payable by him in respect of Ordinary Shares in the Company have been paid.

### ***City Code***

If at any time when the City Code does not apply to the Company, a person (together with any persons held to be acting in concert with him) acquires any interest in Ordinary Shares in the Company which would have obliged them to extend an offer (a "mandatory offer") to the holders of all other Ordinary Shares in the Company had the City Code applied, the Directors have the discretion (but not the obligation) to disenfranchise such person until a compliant mandatory offer is made.

### ***Directors***

Until otherwise determined by an annual general meeting or a general meeting, the number of Directors (other than alternate directors) shall not be less than two. The Company may by ordinary resolution from time to time vary the minimum and maximum number of Directors.

The Board may from time to time and at any time appoint any other person to be a Director either to fill a casual vacancy or by way of addition to the Board. A Director so appointed shall hold office only until the annual general meeting following next after his appointment, when he shall retire, but shall then be eligible for reelection.

There shall be paid out of the funds of the Company to the Directors of the Company (other than Directors appointed to an executive office or alternate directors) such remuneration (by way of fee) for their services to the Company as the Directors may determine, such sum to be deemed to accrue from day to day and to be divided among such Directors (other than Directors appointed to an executive office or alternate directors) in such proportion and manner as they may agree or, in default of agreement, equally provided that any such Director holding the office of non-executive Director for part of a year shall unless otherwise agreed be entitled only to a proportionate part of such remuneration, save that unless otherwise approved by ordinary resolution of the Company in annual general meeting or general meeting the aggregate of the remuneration (by way of fee) of all the Directors (other than Directors appointed to an executive office or alternate directors) shall not exceed £250,000 per annum. The Company may by ordinary resolution increase the amount of the fees payable under the Articles either permanently or for a year or longer term.

The Directors shall be entitled to be repaid all travelling, hotel and other incidental expenses properly incurred by them respectively in and about the performance of their duties as a Director.

### ***Interests of Directors***

Provided he has declared his interest in accordance with the Articles, a Director may hold any other office or place of profit under the Company (except that of auditor) in conjunction with his office of Director and subject to Section 188 of the Act on such terms as to remuneration and otherwise as the Board shall arrange.

Without prejudice to the requirements of the Act:

- (a) a Director who is in any way, whether directly or indirectly, interested in a proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other Directors before the Company enters into the transaction or arrangement;
- (b) a Director who is in any way, whether directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his interest to the other Directors as soon as is reasonably practicable, unless the interest has already been declared under (a) above;
- (c) any declaration required by (a) above may (but need not) be made at a meeting of the Directors or by notice in writing in accordance with Section 184 of the Act or by general notice in accordance with Section 185 of the Act. Any declaration required by (b) above must be made at a meeting of the Directors or by notice in writing in accordance with Section 184 of the Act or by general notice in accordance with Section 185 of the Act;
- (d) a Director need not declare an interest under the Articles if:
  - (i) it cannot reasonably be regarded as likely to give rise to a conflict of interest;
  - (ii) or to the extent that the other Directors are already aware of it (and for this purpose the other Directors are treated as aware of anything of which they ought reasonably to be aware);
  - (iii) or to the extent that it concerns terms of his service contract that have been or are to be considered by a meeting of the Directors or by a committee of the Directors appointed for the purpose under these articles; or
  - (iv) the Director is not aware of his interest or is not aware of the transaction or arrangement in question (and for this purpose a Director is treated as being aware of matters of which he ought reasonably to be aware).

Subject to the provisions of the Act and provided that he has declared to the Board the nature and extent of any direct or indirect interest of his in accordance with the Articles (or where no declaration of interest is required) a Director notwithstanding his office:

- (a) may be a party to, or otherwise be interested in, any transaction or arrangement with the Company or in which the Company is directly or indirectly interested;
- (b) may act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor), and in any such case on such terms as to remuneration and otherwise as the Board may decide; or
- (c) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise be interested in, any body corporate in which the Company is directly or indirectly interested.

For the purposes of Section 175 of the Act, the Board may authorise any matter proposed to it in accordance with the Articles which would, if not so authorised, involve a breach of duty by a Director under that Section, including, without limitation, any matter which relates to a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation will be effective only if: (i) any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and (ii) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

A Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he owes a duty of confidentiality to another person. However, to the extent that his relationship with that other person gives rise to a conflict or possible conflict of interest, this provision applies only if the existence of that

relationship has been authorised by the Board pursuant to the Articles. In particular, the Director shall not be in breach of the general duties he owes to the Company by virtue of Sections 171 to 177 of the Act because he fails: (i) to disclose any such information to the Board or to any Director or other officer or employee of the Company; or (ii) to use or apply any such information in performing his duties as a Director of the Company.

Where the existence of a Director's relationship with another person has been authorised by the Board pursuant to the Articles and his relationship with that person gives rise to a conflict of interest or possible conflict of interest, the Director shall not be in breach of the general duties he owes to the Company by virtue of Sections 171 to 177 of the Act because he: (i) absents himself from meetings of the Board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; and/or (ii) makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or for such documents and information to be received and read by a professional adviser for so long as he reasonably believes such conflict of interest (or possible conflict of interest) subsists.

Save as provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any interest which (together with any interest of any person connected with him) is to his knowledge a material interest otherwise than by virtue of his interests in Ordinary Shares or debentures or other securities of or otherwise through the Company or in respect of which he has any duty which conflicts with his duty to the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution in respect of which he is debarred from voting.

A Director shall not, by reason of his office, be accountable to the Company for any remuneration or other benefit which he derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate: (i) the acceptance, entry into or existence of which has been authorised by the Board pursuant to the Articles (subject, in any such case, to any terms upon which such authorisation was given); or (ii) which he is permitted to hold or enter into pursuant to the Articles, nor shall the receipt of any such remuneration or other benefit constitute a breach of his duty under Section 176 of the Act. No transaction or arrangement authorised or permitted pursuant to the Articles shall be liable to be avoided on the ground of any such interest or benefit.

A Director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters namely:

- (a) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of Ordinary Shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in which he is or is to be interested as a participant in the underwriting or subunderwriting thereof;
- (d) any proposal concerning any other company in which he is interested (as defined in the Act) directly or indirectly and whether as an officer or Shareholder or otherwise howsoever: provided that he (together with any person connected with him within the meaning of Section 252 of the Act) is not the holder or beneficially interested in 1% or more of any class of the equity Ordinary Share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to Shareholders of the relevant company (any such interest being deemed for the purpose of the Articles to be a material interest in all circumstances);
- (e) any proposal concerning the adoption modification or operation of a superannuation fund or retirement, death or disability benefits scheme or employees' Ordinary Share scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes and which does not award him any privilege or benefit not awarded to the employee to whom the scheme relates;

- (f) any contract arrangement or proposal for the benefit of employees of the Group under which the Director benefits in a similar manner as the employees and does not accord to any Director as such any privilege or advantage not generally accorded to the employees to which such contract arrangement or proposal relates;
- (g) an insurance arrangement which subject to the provisions of the Act the Company proposes to maintain or purchase for the benefit of a Director or for the benefit of any persons including Directors against liabilities incurred in connection with the discharge of that Director's duties or exercise of his powers in relation to his duties in respect of the Company.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be determined by a majority of votes of the remaining Directors present at the meeting and in the case of an equality of votes the Chairman (unless he be the Director the materiality of whose interest or the entitlement of whom to vote shall be in issue) shall have a second or casting vote and their ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed and pending such ruling Article 20.8 shall apply to the Director in question.

Subject to the Act, the Company may by ordinary resolution suspend or relax to any extent, in respect of any particular matter, any provision of the Articles prohibiting a Director from voting at a meeting of the Board or of a committee of the Board.

#### ***Managing and other Executive Directors***

Subject to the Act, the Board may from time to time appoint one or more of its body to be the holder of any executive office, including the office of Managing or Joint or Assistant Managing Director, on such terms and for such period as it may determine.

The appointment of any Director to any executive office shall be capable of being terminated by the Board at any time, unless the contract or resolution under which he holds office shall expressly state otherwise, but without prejudice to any claim he may have for damages for breach of any contract of service between him and the Company.

A Director holding any executive office shall receive such remuneration, whether in addition to or in substitution for his ordinary remuneration as a Director and whether by way of salary, commission, participation in profits or otherwise as the remuneration committee (if established) or the Board (if no remuneration committee is in existence at the time) may determine.

#### ***Powers of Directors***

The business of the Company shall be managed by the Board, which may exercise all such powers of the Company and do on behalf of the Company all such acts as may be exercisable and done by the Company, and as are not by the Act or by the Articles required to be exercised or done by the Company in an annual general meeting or a general meeting, subject nevertheless to any regulations of the Articles, to the provisions of the Act, and to such regulations being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in an annual general meeting or a general meeting but no regulation made by the Company in an annual general meeting or a general meeting shall invalidate any prior act of the Board which would have been valid if such regulation had not been made. The general powers given by the Articles shall not be limited or restricted by any special authority or power given to the Directors by any other Article.

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time on such terms and subject to such conditions as it thinks fit to any committee consisting of two or more Directors and (if thought fit) one or more other persons, provided that: (i) a majority of the Shareholders of a committee shall be Directors; and (ii) no resolution of a committee shall be effective unless a majority of those present when it is passed are Directors or alternate Directors.

The Board may establish and maintain any employees' Ordinary Share scheme Ordinary Share option or Ordinary Share incentive scheme approved by ordinary resolution whereby selected employees of the Company or of any company which is a subsidiary of the Company are given the opportunity of acquiring Ordinary Shares in the capital of the Company on the terms and subject to the conditions set out in such scheme and establish and (if any such scheme so provides) contribute to any scheme for the purchase by or transfer allotment or issue to trustees of Ordinary Shares in the Company or its holding company to be held for the benefit of employees (including Directors and officers) of the Company and subject to the Act lend money to such trustees or employees to enable them to purchase such Ordinary Shares provided that if any Ordinary Shares are to be issued to employees or trustees under the provisions of any such scheme pursuant to which the rights attaching to such Ordinary Shares shall be altered or varied then any such scheme shall be approved by special resolution and the Articles shall be deemed to be altered so far as appropriate by the special resolution approving such scheme.

#### ***Powers of Borrowing and Mortgaging***

The Board may exercise all the powers of the Company to borrow money, and to mortgage or charge all or part of its undertaking, property and assets both present and future, including uncalled capital, and subject to the provisions of Section 549 of the Act to issue debentures, and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board may mortgage or charge all or any part of the Company's undertaking, property and uncalled capital and subject to Section 549 of the Act may issue or sell any bonds, loan notes, debentures or other securities whatsoever for such purposes and upon such terms as to time of repayment, rate of interest, price of issue or sale, payment of premium or bonus upon redemption or repayment or otherwise as it may think proper including a right for the holders of bonds, loan notes, debentures or other securities to exchange the same for Ordinary Shares in the Company of any class authorised to be issued.

#### ***Rotation, Retirement and Removal of Directors***

The office of a Director shall be vacated if:

- (a) he ceases to be a Director by virtue of any provision of the Act or he becomes prohibited by law from being a Director; or
- (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (c) a registered medical practitioner who is treating him gives a written opinion to the Company stating that he has become physically or mentally incapable of acting as a Director and may remain so for more than three months; or
- (d) he is or has been suffering from mental or physical ill health and the Board shall resolve that he be disqualified; or
- (e) in the case of a Director holding executive office subject to the terms of any contract between him and the Company, he resigns his office by notice in writing to the Company; or
- (f) he shall for more than 6 consecutive months have been absent without permission of the Board from meetings of the Board held during that period and the Board shall resolve that his office be vacated; or
- (g) he shall be removed from office by notice in writing served on him signed by all his co-Directors but so that if he holds an appointment to an executive office which thereby automatically determines such removal shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company; or
- (h) he shall be removed from office by ordinary resolution of the Company in an annual general meeting or general meeting in accordance with the Act.

At the annual general meeting in every year one third of the Directors for the time being or if their number is not a multiple of 3 then the number nearest to but not exceeding 33.3% shall retire from office: provided always that if in any year the number of Directors (other than those retiring as aforesaid) is two, one of such Directors shall retire, and if in any year there is only one Director (other than those retiring as aforesaid) that Director shall retire.

The Directors to retire at the annual general meeting in every year shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be the Directors who have been longest in office since their last election. As between Directors of equal seniority, the Directors to retire shall in the absence of agreement be selected from among them by lot. A retiring Director shall be eligible for reelection and shall act as a Director throughout the meeting at which he retires.

The Company at the meeting at which a Director retires in the manner aforesaid, may fill the vacated office by electing a person thereto, and in default the retiring Director shall, if offering himself for reelection be deemed to have been reelected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the reelection of such Director shall have been put to the meeting and lost.

In addition to any power of removal conferred by the Act, the Company may by ordinary resolution remove any Director before the expiration of his period of office, and may (subject to the Articles) by ordinary resolution appoint another Director in his place. A person appointed in place of a Director so removed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

### ***Proceedings of the Board***

The Board or any committee of the Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit, and determine the quorum necessary for the transaction of business. Meetings of the Board or of any committee of the Board may take place in any part of the world and may take place via telephonic communication, video conference or similar means of communication notwithstanding that the Directors or committee present may not all be meeting in one particular place. Unless otherwise determined by the Board two Directors shall be a quorum. For the purposes of the Articles an alternate Director shall be counted in a quorum but so that not less than two persons shall constitute the quorum.

Questions arising at any meeting of the Board or any committee of the Board shall be decided by a majority of votes. In the case of an equality of votes the Chairman shall have a second or casting vote.

The Board shall cause proper minutes to be made of all annual general meetings and general meetings of the Company and also of all appointments of officers and of the proceedings of all meetings of the Board and committees of the Board, and of the attendances thereat, and all business transacted at such meetings, and any such minutes of any meeting, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting of the Company or of the Board or committee, shall be conclusive evidence without any further proof of the facts therein stated.

A proposed Directors' resolution in writing must be sent to all the Directors for the time being entitled to receive notice of a meeting of the Board. A resolution in writing signed by all the Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting (provided that those Directors would have formed a quorum at such meeting) shall be as effective for all purposes as a resolution passed at a meeting of the Board duly convened and held and so that any such resolution or document signed by an alternate Director shall be deemed to have been signed by the Director who appointed such alternate Director.

Any resolution in writing for the purposes of the Articles may consist of several documents in the like form each signed by or on behalf of one or more of the relevant Directors and any such document may be in the form of a fax or in any other legible form sent by any other similar method of transmission or by electronic communications. Unless the contrary shall be proved, any such document shall be deemed to be duly and validly signed by the person or persons purporting to sign the same and whose name appears in the text as the person signing the same. Where electronic communications are used, no signature is necessary, subject to any terms and conditions the Board may decide.

A meeting of the Board or a committee of the Board may consist of a conference between Directors some or all of whom are in different places, if, when the meeting proceeds to business, it appears that the following conditions are satisfied in relation to sufficient Directors to form a quorum: (i) each such Director can hear every other Director addressing the meeting; and (ii) each such Director can, if he wishes, address every other Director simultaneously, whether by word of mouth, by conference telephone, video conference or by any other form of communications equipment (whether in use at the date of the adoption of the Articles or developed subsequently) or by a combination of these methods.



Such a meeting is deemed to take place at the place where the largest number of participating Directors is assembled or, if this is not readily identifiable, at the location at which the Chairman of the meeting participates.

### ***Dividends***

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the Shareholders, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights and restrictions attached to any class of Ordinary Shares, all dividends will be declared and paid according to the amounts paid up on the Ordinary Shares on which the dividend is paid, but no amount paid on an Ordinary Share in advance of calls shall be treated for these purposes as paid up on the Ordinary Share. Dividends may be declared or paid in any currency. The Board may pay interim dividends if it appears to the Board that they are justified by the financial position of the Company. The Board may also pay at intervals determined by it any dividend at a fixed rate if the financial position of the Company, in the opinion of the Board, justifies the payment.

Where, in respect of any Ordinary Shares, any member or any other person appearing to be interested in Ordinary Shares of the Company fails to comply with any notice given by the Company under section 793 of the Act, then, provided that the Ordinary Shares concerned represent at least 0.25 per cent. in nominal amount of the issued Ordinary Shares of the relevant class, the Company may retain dividends on such Ordinary Shares.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of Ordinary Shares the right to elect to receive Ordinary Shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

### ***Untraced Shareholders***

The Company shall be entitled to sell at the best price reasonably obtainable any shares of a member, or any shares to which a person is entitled by transmission, who has remained untraced for 12 years immediately prior to the date of the publication of an advertisement of an intention by the Company to make such a disposal.

### ***Winding Up***

If the Company shall be wound up (whether the liquidation is altogether voluntary, under supervision or by the UK Court) the liquidator may, with the authority of a special resolution and any other sanction or authority required by the Act or the Insolvency Act 1986, divide among the Shareholders in proportion to their Ordinary Shareholdings in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no Shareholder shall be compelled by the liquidator to accept any assets in respect of which there is attached a liability or potential liability.

### ***Indemnity***

Subject always to the provisions of the Act, and without prejudice to any protection from liability which may otherwise apply, the Company may, at its discretion and subject to any policies adopted by the Directors from time to time, indemnify every Director or other officer or auditor of the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in relation to the Company in or about the actual or purported execution of the duties of his office or the exercise or purported exercise of his powers or otherwise in relation thereto, including any liability incurred by him in defending any criminal or civil proceedings, provided that no such indemnity shall be provided in respect of any liability incurred:

- (i) by a Director:
- (i) to the Company or any associated company of the Company;

- (ii) to pay a fine imposed in any criminal proceedings or a penalty imposed by a regulatory authority for non-compliance with any requirement of a regulatory nature (however arising);
  - (iii) in defending any criminal proceedings in which he is convicted;
  - (iv) in defending any civil proceedings brought by the Company, or an associated company of the Company, in which judgement is given against him; or
  - (v) in connection with any application for relief under sections 661(3) or (4) or 1157 of the Companies Act 2006 in which the court refuses to grant him relief; or
- (j) by an auditor in defending any proceedings (whether civil or criminal) in which judgment is given against him or he is convicted.

The Directors shall also have power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers or employees of the Company, or of any other company in which the Company or any of the predecessors of the Company has any interest whether direct or indirect or which is in any way allied to or associated with the Company, or of any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which employees of the Company or of any such other company or subsidiary undertaking are interested, including, (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/ or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund. For the purposes of the Articles "subsidiary undertaking" shall have the meaning assigned to it in Section 1162 of the Act.

## **5 OTHER REGULATORY MATTERS**

### **(a) Disclosure of interests in shares**

A shareholder in a public company incorporated in the UK whose shares are admitted to trading on AIM is required pursuant to Rule 5 of the Disclosure and Transparency Rules to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds. In addition, AIM Rule 17 requires notification without delay of any changes to the holding of a significant shareholder (as defined in the AIM Rules, which may include a Director) above 3% which increase or decrease such holding through any single percentage point. Schedule 5 to the AIM Rules specifies what information must be disclosed.

Pursuant to Part 22 of the Act and the Articles, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, interested in the Company's shares, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested.

### **(b) Takeovers**

The City Code applies to the Company. The Panel has statutory powers to enforce the City Code in respect of companies whose shares are admitted to trading on AIM.

Under Rule 9 of the City Code a person who acquires, whether by a single transaction or by a series of transactions over a period of time, shares which (taken with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, is normally required to make a cash offer for all the outstanding shares of that company at not less than the highest price paid by him or them or any persons acting in concert during the offer period and in the 12 months prior to its commencement. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Pursuant to sections 979 to 982 of the Act, where the offeror has by way of a takeover offer as defined in section 974 of the Act acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which an offer relates and where the shares to which the offer relates represent not less than 90 per cent. of the voting rights in the company to which the offer relates, the offeror may

give a compulsory acquisition notice to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire, and which he wishes to acquire, to acquire those shares on the same terms as the general offer.

Pursuant to sections 983 to 985 of the Act, where an offeror makes a takeover offer as defined by section 974 of the Act and, by virtue of acceptances of the offer and any other acquisitions holds or has agreed to acquire not less than 90 per cent. of the shares in the target (or if the offer relates to a class of shares 90 per cent. of the shares in that class) and which carry not less than 90 per cent. of the voting rights in the target, then a minority shareholder who has not accepted the offer may require the offeror to acquire his shares in the target on the same terms as the general offer.

## 6. DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

6.1 Details of the Directors, their business addresses and their functions in the Company are set out on page 5 of this document. Each of the Directors can be contacted at the registered office of the Company at 27/28 Eastcastle Street, London W1W 8DH.

6.2 The interests (all of which are beneficial) of the Directors and their immediate families (within the meaning set out in the AIM Rules) in the share capital of the Company at the date of this document and immediately following Second Admission are as follows:

<i>Director</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares immediately following Second Admission</i>	<i>Percentage of Enlarged Share Capital</i>
Robert Hutson Jr.	20,000,000	18.9	20,000,000	13.8
Robert Post	20,000,000	18.9	20,000,000	13.8
Bradley Gray*	2,210,481	2.1	2,210,481	1.5
Martin Thomas	2,000,000	1.9	2,000,000	1.4
David Johnson**	50,000	0.0	100,000	0.0

\* The Ordinary Shares issued to Bradley Gray are subject to the terms of the Restricted Stock Agreement, as set out in paragraph 12.24 of Part VII of this document.

\*\* David Johnson has agreed to subscribe for 50,000 Placing Shares.

6.3 In addition to the interests disclosed in paragraph 6.2 above, the Company is aware of the following persons who will, immediately following Second Admission, hold, directly or indirectly, voting rights representing three per cent. or more of the Enlarged Share Capital of the Company to which voting rights are attached:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares immediately following Second Admission</i>	<i>Percentage of Enlarged Share Capital</i>
Merrill Lynch International	8,646,000	8.2%	14,246,000	9.8%
GLG Partners	6,119,000	5.8%	13,919,000	9.5%
Henderson Global Investors	5,269,000	5.0%	7,169,000	4.9%

6.4 So far as the Directors are aware and save as disclosed in paragraphs 6.2 and 6.3 above, there are no persons who, immediately following the Placing, will, directly or indirectly, be interested in three per cent. or more of the capital of the Company or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- 6.5 The Ordinary Shares held by the Shareholders set out in paragraphs 6.2 and 6.3 above rank *pari passu* with all other existing Ordinary Shares and, in particular, have no different voting rights than other existing Shareholders. Following the Placing, neither the Directors nor any major Shareholders will have different voting rights to other Shareholders.
- 6.6 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors, nor are there any outstanding loans or guarantees provided by the Directors to or for the benefit of the Company.
- 6.7 Save as otherwise disclosed in this document, none of the Directors nor any members of their respective families, nor any person connected with the Directors (within the meaning of section 252 of the Act), has any holding, whether beneficial or otherwise, in the share capital of the Company or any of its subsidiaries.
- 6.8 In addition to being directors of the Company, the Directors hold or have held directorships of the companies and/or are or were partners of the partnership specified opposite their respective names below within the five years prior to the date of this document:

<b>Name</b>	<b>Current directorships/partnerships</b>	<b>Previous directorships/partnerships</b>
Robert Hutson Jr.	Diversified Appalachian Group LLC Diversified Gas and Oil Corporation Diversified Real Estate Holding LLC Diversified Resources Inc. Fund 1 DR, LLC Marshall Gas and Oil Corporation M&R Investments LLC M&R Investments Ohio LLC R&K Oil and Gas Inc.	None
Robert Post	Diversified Appalachian Group LLC Diversified Gas and Oil Corporation Diversified Real Estate Holding LLC Diversified Resources Inc. Fund 1 DR, LLC Marshall Gas and Oil Corporation M&R Investments LLC M&R Investments Ohio LLC R&K Oil and Gas Inc.	None
Bradley Gray	Myers and Gray LLC	The McPherson Companies, Inc.
David Johnson	Bilby plc Fit Together (UK) Limited Tribeca Nominee Limited	None
Martin Thomas	Pemar Capital Partners PLC Jasper Consultants Limited Watson Farley & Williams LLP	Chadbourne & Parke (London) LLP Energy Everything Investments PLC Hunton & Williams LLP

- 6.9 As at the date of this document, no Director has:
- (a) any unspent convictions in relation to indictable offences;
  - (b) been declared bankrupt or been subject to any individual voluntary arrangement;

- (c) been a director of any company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or partnership voluntary arrangement whilst he was a partner of that partnership or within 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any asset or been a partner in any partnership which had an asset placed in receivership whilst he was a partner of that partnership or within the 12 months after he ceased to be a partner of that partnership; or
- (f) been subject to any public criticisms by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **7. OPTIONS, WARRANTS AND SHARE OPTION SCHEME**

7.1 As at the date of this document:

- (a) the Company has not, save as set out in 7.1(b) and 7.1(c) below, issued any options or warrants to subscribe for Ordinary Shares, nor any other equity securities convertible into Ordinary Shares;
- (b) on 30 January 2017, the Company issued warrants to Smith & Williamson and Mirabaud as more fully described in paragraph 12.20 and 12.21 of this Part VII; and
- (c) on 15 June 2017, the Company issued warrants to Mirabaud as more fully described in paragraph 12.31 of this Part VII.

7.2 The Directors believe that the success of the Group will depend to a significant degree on the future performance of the executive management team. The Directors also recognise the importance of employees being well motivated and identifying closely with the success of the Group.

7.3 On 30 January 2017, the Directors implemented an equity incentive plan (the "Share Option Scheme"), under which the Company shall offer incentives to employees and executive directors. Awards of Share Options granted under the Share Option Scheme shall be administered by the Board (or duly constituted committee thereof), which shall also be responsible for, *inter alia*, construing and interpreting the Share Option Scheme. Subject to certain conditions, a total of up to 10,559,125 new Ordinary Shares of the Company from time to time shall be available to satisfy awards under the Share Option Scheme. The Share Option Scheme provides for the potential award of two types of Share Option awards: incentive stock options and non-qualified stock options. The Share Option Scheme sets out a number of eligibility conditions which must be followed, including that incentive stock options are only to be granted to employees and each Share Option granted under the Share Option Scheme must be evidenced by an award agreement. The Share Option Scheme also provides for other awards consisting of stock appreciation rights, restricted awards, performance share awards and performance compensation awards. The Share Option Scheme shall be governed by the laws of the State of Alabama. As at the date of this document, no awards under the Share Option Scheme have been granted.

## **8. SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT**

8.1 **Rusty Hutson Jr.**

On 30 January 2017, Rusty Hutson Jr. ("RH") entered into a service agreement with the Company under the terms of which he agreed to act as Chief Executive Officer of the Company on a full time basis. The remuneration payable under this agreement is \$300,000 gross per annum. RH is also entitled to partake in any employee benefit plans, programs, practices or arrangements of the Company in which other employees of the Company located in the United States are eligible to participate, including, without limitation, any qualified or non-qualified pension, profit sharing and savings plans, any death benefit and disability benefit plans, and any medical, dental, health and welfare insurance plans. This will include RH's eligibility to participate in the Share Option Scheme outlined at paragraph 7.3 of this Part VII. The service agreement is for an initial fixed term of 12 months from the February 2017 Admission continuing thereafter until terminated by either party giving not less than 6 months' notice in writing. RH is entitled to be reimbursed for all expenses reasonably incurred by him in the proper performance of his duties.

## 8.2 Robert Post

On 30 January 2017, Robert Post (“RP”) entered into a service agreement with the Company under the terms of which he agreed to act as Executive Chairman of the Company on a part time basis. The remuneration payable under this agreement is \$100,000 gross per annum. RP is also entitled to partake in any employee benefit plans, programs, practices or arrangements of the Company in which other employees of the Company located in the United States are eligible to participate, including, without limitation, any qualified or non-qualified pension, profit sharing and savings plans, any death benefit and disability benefit plans, and any medical, dental, health and welfare insurance plans. This will include RP’s eligibility to participate in the Share Option Scheme. The service agreement is for an initial fixed term of 12 months from the February 2017 Admission continuing thereafter until terminated by either party giving not less than 6 months’ notice in writing. RP is entitled to be reimbursed for all expenses reasonably incurred by him in the proper performance of his duties.

## 8.3 Bradley Gray

On 30 January 2017, Brad Gray (“BG”) entered into a service agreement with the Company under the terms of which he agreed to act as Finance Director of the Company and Chief Operating Officer of Diversified Gas and Oil Corporation on a full time basis. The remuneration payable under this agreement is \$275,000 gross per annum. BG is also entitled to partake in any employee benefit plans, programs, practices or arrangements of the Company in which other employees of the Company located in the United States are eligible to participate, including, without limitation, any qualified or non-qualified pension, profit sharing and savings plans, any death benefit and disability benefit plans, and any medical, dental, health and welfare insurance plans. This will include BG’s eligibility to participate in the Share Option Scheme. The service agreement is for an initial fixed term of 12 months from the February 2017 Admission continuing thereafter until terminated by either party giving not less than 6 months’ notice in writing. Upon termination, BG is additionally entitled to a termination payment equating to 6 months’ basic salary. BG is entitled to be reimbursed for all expenses reasonably incurred by him in the proper performance of his duties. In connection with his appointment to the Board, BG was issued 2,210,481 Ordinary Shares, which are subject to the terms of the Restricted Stock Agreement (as more fully described in paragraph 12.24 of Part VII of this document).

## 8.4 David Johnson

On 30 January 2017, David Johnson (“DJ”) entered into an appointment agreement under the terms of which he agreed to act, with effect from the February 2017 Admission, as a non-executive director of the Company and to devote such time as is reasonably necessary for the proper performance of his duties under the agreement, including attending or participating in all board meetings. The remuneration payable under the agreement is £50,000 gross per annum. The agreement is for an initial period of 12 months from the February 2017 Admission and continuing thereafter unless terminated by either party giving not less than 3 months’ notice.

## 8.5 Martin Thomas

On 30 January 2017, Martin Thomas (“MT”) entered into an appointment agreement under the terms of which he has agreed to act as a non-executive director of the Company and to devote such time as is reasonably necessary for the proper performance of his duties under the agreement, including attending or participating in all board meetings. The remuneration payable under the agreement is £50,000 gross per annum. The agreement acknowledges that whilst MT was a director of the Company with effect from 1 January 2015, his appointment pursuant to the terms of the aforementioned non-executive director agreement is for an initial period of 12 months from the February 2017 Admission continuing thereafter unless terminated by either party giving not less than 3 months’ notice.

8.6 The aggregate remuneration paid or payable by any company in the Group (including benefits in kind) to the Directors during the year ended 31 December 2015 was \$105,000 and during the year ended 31 December 2016 was \$205,320. The aggregate estimated remuneration paid or payable to the Directors by any company in the Group for the current financial year under the arrangements in force is expected to amount to approximately \$801,000.

8.7 Save as disclosed above, there are no existing or proposed service contracts between any Director and the Company or any other company in the Group and there are no existing or proposed service contracts between any Director and the Company or any company in the Group.

- 8.8 Save as disclosed in this paragraph 8, no Director has a service agreement with the Company that has been entered into or varied within six months prior to the date of this document or which is a contract which expires or which is determined by the Company without payment of compensation (other than statutory compensation) after more than one year.
- 8.9 Save for any ordinary contractual benefits accrued to termination, or benefits in respect of the notice period under the relevant agreement with the Director referred to above, or as disclosed in this paragraph 8, no benefits upon termination are payable by the Company or any company in the Group to any Director.

## **9. SIGNIFICANT INVESTMENTS**

Save as disclosed in this document, there have been no significant investments by any member of the Group since 31 December 2016 (being the date to which the financial information is set out in Part IV of this document).

## **10. EMPLOYEES**

As at the date of this document, the Group had 107 employees, all of whom are employed by Diversified Resources, Inc. and all of whom are located in the USA.

There are no employment agreements with any US employees as each US employee serves on an "at-will" basis.

Save as disclosed in this Part VII, none of the employment contracts relating to the key management referred to in this paragraph 10, contains a right to benefits (other than those due during the notice period under the contract) upon termination.

The Directors have identified, and post Completion expect to employ approximately 130 employees of Titan comprising operational employees located in the gas and oil fields and administrative employees located in the Uniontown, Ohio corporate facility.

## **11. TAXATION**

### **11.1 Taxation in the United Kingdom**

The following information is based on UK tax law and HMRC practice currently in force in the UK. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The information that follows is for guidance purposes only. Any person who is in any doubt about his or her position should contact their professional advisor immediately.

### **11.2 Tax treatment of UK investors**

The following information, which relates only to UK taxation, is applicable to persons who are resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

- (a) who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10%, of any of the classes of shares in the Company; or
- (b) who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or
- (c) who are in any doubt as to their taxation position.

Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

### 11.3 Dividends

Where the Company pays dividends, Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident individual Shareholders who hold their Shares as investments, will be subject to UK income tax on the amount of dividends received from the Company.

Dividend income received by UK tax resident individuals will have a £5,000 dividend tax allowance. Dividend receipts in excess of £5,000 will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers, and 38.1% for additional rate taxpayers.

Shareholders who are subject to UK corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax or withholding tax imposed.

### 11.4 Disposals of Ordinary Shares

Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

The rate of capital gains tax on disposal of Ordinary shares by basic rate taxpayers is 10%, and for upper rate and additional rate taxpayers the rate is 20%.

For Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Subject to certain exemptions, the corporation tax rate applicable to its taxable profits is currently being 19% falling to 17% after 1 April 2020.

Further information for Shareholders subject to UK income tax and capital gains tax

### 11.5 “Transactions in securities”

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel “*tax advantages*” derived from certain prescribed “*transactions in securities*”.

### 11.6 Stamp Duty and Stamp Duty Reserve Tax

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or stamp duty reserve tax or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

No stamp duty or stamp duty reserve tax will generally be payable on the issue of Ordinary Shares.

Neither UK stamp duty nor stamp duty reserve tax should arise on transfers of Ordinary Shares on AIM (including instruments transferring Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

- (a) the Ordinary Shares are admitted to trading on AIM, but are not listed on any market (with the term “*listed*” being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and
- (b) AIM continues to be accepted as a “*recognised growth market*” as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions does not apply, stamp duty or stamp duty reserve tax may apply to transfers of Ordinary Shares in certain circumstances.

The above comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.



## **United States Federal Income Tax Consequences of the Group structure**

- 11.7 Pursuant to Section 7874 of the Code, the Company should be treated as a U.S. corporation for all purposes under the Code because (i) the Company does not have substantial business activities in the UK, and (ii) the former holders of shares in Diversified Gas and Oil Corporation will hold at least 80% or more of the ordinary shares of the Company prior to Admission and completion of the Placing. As the Company will be treated as a U.S. corporation for all purposes under the Code, the Company will not be treated as a “passive foreign investment company,” as such rules apply only to non-U.S. corporations for U.S. federal income tax purposes.
- 11.8 As the Company will be treated as a U.S. corporation for all purposes under the Code, dividends from the Company may be subject to US withholding taxes, depending on the country of residence of the shareholder, and whether the country has an income tax treaty with the United States. The statutory rate of withholding under the Code is 30% to non-US shareholders, which may be reduced by an applicable treaty.
- 11.9 Shareholders are encouraged to consult with their tax advisor with respect to their individual tax situation related to these matters.

## **12. MATERIAL CONTRACTS**

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document or are other material subsisting contracts which relate to the assets and liabilities of the Group:

### **12.1 Acquisition Agreement**

- 12.1.1 On 4 May 2017, Titan and the Company entered into a Purchase and Sale Agreement (the “Acquisition”) pursuant to which Diversified Energy, LLC (“Diversified Energy”), a wholly-owned subsidiary of Diversified Gas & Oil Corporation, agreed, conditionally, to purchase the Titan Assets from (i) Atlas Energy Group, LLC, (ii) Atlas Energy Ohio, LLC, (iii) Resource Well Services, LLC, (iv) Atlas Energy Tennessee, LLC, (v) Atlas Pipeline Tennessee, LLC, (vi) Atlas Noble, LLC, (vii) Viking Resources, LLC, (viii) Resource Energy, LLC, (ix) Atlas Resources, LLC, and (x) REI-NY, LLC (collectively, the “Sellers”).
- 12.1.2 The purchase price for the Acquisition is \$84,200,000 which is payable in immediately available funds upon the closing of the Acquisition. The purchase price for the Acquisition is subject to adjustment in accordance with the terms of the Acquisition Agreement.
- 12.1.3 The Acquisition Agreement contains certain warranties given by the Sellers in relation to the Titan Assets, subject to certain limitations as to quantum. Claims under the warranties generally must be brought within 1 year of completion of the Acquisition.
- 12.1.4 The conveyance documents contain certain special warranties of title given by the Sellers in relation to the Titan Assets. There is no time limit for claims under the special warranties.
- 12.1.5 The Acquisition Agreement contains certain covenants from the Sellers that they will conduct their businesses in the usual and customary manner, consistent with prior practice and not take certain significant actions prior to the closing of the Acquisition without Diversified Energy’s consent.
- 12.1.6 The Titan Assets include interests in partnerships that hold certain oil and gas properties. As part of the Acquisition, Titan has agreed to undertake a reorganization of the existing partnerships. In most cases, the reorganization will result in the formation of new partnerships and the transfer by Sellers of the relevant oil and gas properties that comprise certain of the Titan Assets to such new partnerships the Sellers will create a new limited liability company and transfer to this company the Sellers’ interests in the partnerships which will include the sole general partner interests. The Sellers will then transfer to Diversified Energy the interest in the newly formed company that holds these partnership interests.
- 12.1.7 Due to the fact that certain of the partnerships are SEC reporting partnerships, the closing of the acquisition of the interests in those reorganized partnerships will be deferred due to certain SEC notice and filing requirements. The Sellers are required to complete the reorganization on or before September 30, 2017 or Diversified Energy will not be obligated

to purchase the partnership interests. As a result, the consideration payable at closing is \$72,000,000 and the balance of \$11,800,000 shall be at the closing of purchase of the interests in the recognised partnerships.

12.1.8 Diversified Energy has the right under the Acquisition Agreement to offer employment to certain employees of the Sellers, and Diversified Energy intends to hire a number of the employees.

12.1.9 The Acquisition Agreement is capable of termination by Diversified Energy prior to completion if the Sellers commit a material breach of certain representations, warranties and covenants relating to ownership of the Titan Assets which is not cured.

12.1.10 If the conditions to closing of the Acquisition are not satisfied due to breach by a party to the Acquisition Agreement, then the non-breaching party that elects to terminate the Acquisition Agreement has the option to (i) receive the deposit delivered by Diversified Energy that is being held in escrow pending completion of the Acquisition or (ii) pursue other rights and remedies at law and equity (but excluding specific performance) subject to a maximum limit on monetary damages.

12.1.11 The Acquisition Agreement is governed by the laws of the state of Texas.

## 12.2 **Acquisition Agreement relating to assets acquired in February 2017**

On 23 February 2017, a purchase and sale agreement was entered into by and among Diversified Oil & Gas, LLC, Enervest Energy Institutional Fund, XI-A, L.P., Enervest Energy Institutional Fund XI-WI, L.P., CGAS Properties L.P., and Belden & Blake, L.L.C., as amended relating to the purchase of oil and gas leaseholds, wells, working interests, related equipment and other assets for a total consideration of US\$1,750,000.

This agreement is governed by the laws of the state of Texas.

## 12.3 **Acquisition Agreement relating to assets of Diversified Resources, Inc.**

On 16 May 2006, a purchase and sale agreement was entered into by and between Diversified Resources, Inc. and M & R Investments, LLC relating to the purchase of oil and gas leaseholds, wells, working interests, related equipment and other assets for a total consideration of US\$5,200,000.

This agreement is governed by the laws of the state of West Virginia.

## 12.4 **Acquisition Agreement relating to assets of AB Resources**

On 1 April 2010, a purchase and sale agreement was entered into by and among AB Resources OH LLC, a Delaware limited liability company, Diversified Resources Inc and M&R Investments (Ohio) LLC, relating to the purchase of oil and gas leaseholds, wells, working interests, licenses, related equipment and other assets for a total consideration of US\$14,500,000.

This agreement is governed by Ohio law.

## 12.5 **Acquisition Agreement relating to Deep Resources LLC**

On 31 March 2011, a purchase and sale agreement was entered into by and among Deep Resources, LLC and M&R Investments LLC, relating to the purchase of oil and gas leaseholds, wells, working interests, licenses, related equipment and other assets for a total consideration of US\$5,200,000.

This agreement is governed by Ohio law.

## 12.6 **Acquisition Agreement relating to Broad Street Energy**

On 16 March 2015, a purchase and sale agreement was entered into by each of Diversified Gas & Oil Corporation, Broad Street Energy Company, an Ohio corporation, Broad Street Energy, LLC, an Ohio limited liability company, and Broad Street Services, LLC, an Ohio limited liability company for the purchase of oil and gas leaseholds, wells, working interests, real property, licenses, related equipment and other assets for a total consideration of \$2,600,000. The transaction was completed in June 2015.

This agreement is governed by Ohio law.

### 12.7 Acquisition relating to Texas Keystone

On 22 October 2015, a purchase and sale agreement was entered into by each of Diversified Oil & Gas LLC and Texas Keystone Inc. relating to the purchase by the Group of 1,709 conventional natural gas and oil wells and two buildings in Pennsylvania and West Virginia, in addition to equipment and automobiles. As part of and in connection with this Texas Keystone transaction, on 14 December 2015, Diversified Oil & Gas, LLC entered into a purchase and sale agreement to acquire certain overriding royalty interests in these wells and the Indiana, Pennsylvania real estate from Falcon Partners Trust, and on 2 January 2016, Diversified Oil & Gas, LLC entered into a purchase and sale agreement to acquire certain of the leases and wells (including working interests and net revenue interests) related to those wells from Keystone Energy Oil & Gas, Inc. The total collective consideration paid in these transactions amounted to \$725,000.

These agreements are governed by Pennsylvania law.

### 12.8 Acquisition Agreement relating to Falcon Partners

On 14 December 2015, a purchase and sale agreement was entered into by and between Diversified Oil & Gas LLC and Falcon Partners, a for-profit Pennsylvania business trust, relating to the purchase of oil and gas leaseholds, working interests, wells, permits, related equipment and other assets for a total consideration of US\$675,000.

This agreement is governed by Pennsylvania law.

### 12.9 Acquisition Agreement relating to Eclipse Resources

On 14 March 2016, a purchase and sale agreement was entered into by and among (i) Diversified Oil & Gas, LLC; (ii) Eclipse Resources – Ohio, LLC, a Delaware limited liability company, Eclipse Resources I, LP, a Delaware limited partnership, and Eclipse Resources Operating, LLC, a Delaware limited liability company;

(iii) Diversified Gas & Oil Corporation; and (iv) the Company relating to the purchase of oil and gas leaseholds, real property, mineral interests, wells, working interests, related equipment and other assets for \$4,800,000. The transaction was completed in April 2016.

This agreement is governed by Ohio law.

### 12.10 Acquisition Agreement relating to Seneca Resources

On 1 May 2016, a purchase and sale agreement was entered into by and among Diversified Oil & Gas, LLC and Seneca Resources Corporation, a for-profit Pennsylvania corporation, relating to the purchase of oil and gas production rights, wells, licenses, permits, related equipment and other assets for a total consideration of \$3,550,000. The transaction was completed in June 2016. This agreement is governed by Pennsylvania law.

On 24 May 2017, Diversified Oil & Gas, LLC reached an agreement in principle with Black Gold Group, Ltd., Three Gold Resources, LLC, the Shelter Family Foundation, Inc., and Norman Shelter (collectively, “Three Gold”) to settle a dispute regarding interests in the Seneca assets acquired (the “Seneca Interests”). As part of the settlement, Diversified Oil & Gas, LLC will pay to Three Gold \$3,500,000 for an eight percent (8%) overriding royalty interest in the oil, gas, and mineral lease and production payment on the fee oil, gas, and mineral leases and production payment on the fee oil, gas and mineral interests in the production rights, rights in production, wells and hydrocarbons (“ORRI”) in the Seneca Interests. In exchange, Three Gold will reassign an eight (8%) assignment of ORRI in the Seneca Interests to Diversified Oil & Gas, LLC.

### 12.11 Bond Instrument

On 10 June 2015, the Company entered into a bond instrument constituting the Bonds (the “**Bond Instrument**”), the principal terms of which are as follows:

Denomination:	Pounds sterling.
Minimum Investment:	£5,000, with additional subscription in multiples of £5,000. Income: 8.5% interest per annum, payable quarterly in instalments of 2.125% in March, June, September and December each year.
Security:	Unsecured.

Raise Amount:	Up to £20,000,000, with a minimum raise of £500,000.
Term:	5 years (Due 2020. Admitted to trading on NEX Exchange on 24 June 2015).
Redemption:	Repayment of capital on 24 June 2020.
Ranking:	All the Bonds shall rank <i>pari passu</i> , equally and rateably, without discrimination or preference alongside all unsecured creditors of the Company.
Events of default:	On one of four identified events listed in the Bond Instrument relating to the solvency of the Company, the Bonds will be redeemed immediately at the principal amount.
Listed/unlisted:	The Bond is admitted to trading on the NEX Exchange Growth Market which is a HMRC recognised growth stock exchange.
Liquidity events:	<p>If a person makes an offer to take control of the shares of the Company, an offer to redeem the Bonds must be made by the Company at the time of such takeover offer, on terms whereby the consideration payable for the Bonds shall be satisfied by the allotment to Bondholders of new Ordinary Shares at a discount of 20% to the price agreed to be paid for the Ordinary Shares in the takeover offer. Bondholders shall be free to accept or reject such bond offer. If a Bondholder rejects the bond offer, the Bondholder shall redeem the bonds at the principal amount on the final redemption date.</p> <p>If the Ordinary Shares are admitted to trading on AIM or any other recognised investment exchange, the Company shall be obliged, at the time of such admission, to make an offer to buy back the Bonds on terms whereby the consideration payable for the Bonds shall be satisfied by the allotment to Bondholders of Ordinary Shares at a discount of 20% to the Share admission price of the new Ordinary Shares. Bondholders shall be free to accept or reject such buyback offer. If a Bondholder rejects the buyback offer, the Bondholder shall redeem the bonds at the principal amount on the final redemption date.</p>

As at the date of this document there were 90,440 Bonds outstanding under the Bond Instrument.

#### 12.12 Private Bond Instrument

On 6 October 2016, the Company entered into a bond instrument which constituted unlisted 8.5% redeemable unsecured bonds maturing on 23 June 2020. This bond instrument included identical "Liquidity Events" to those set out in the Bond Instrument described at paragraph 12.11 above. In June 2017, all of the bondholders elected to receive new Ordinary Shares (totalling in aggregate 184,837 Ordinary Shares) in consideration for the redemption of all of the bondholders' unlisted bonds of the Company. As at the date of this document there are no bonds outstanding under the private bond instrument.

#### 12.13 February 2017 Admission – Placing Agreement

On 30 January 2017, the Company, Smith & Williamson and Mirabaud entered into a placing agreement pursuant to which Smith & Williamson and Mirabaud agreed to use their reasonable endeavours procure subscribers for 61,000,000 Ordinary Shares for which Smith & Williamson and Mirabaud were paid an advisory fee and broking commission in respect of the gross proceeds of the placing (allocated *pro rata* to the funds raised by each of Mirabaud and Smith & Williamson).

In addition, the Company agreed to issue Warrants to the value of 5 per cent. of the gross placing proceeds, to be divided between Mirabaud and Smith & Williamson (allocated *pro rata* to the funds raised by each of Mirabaud and Smith & Williamson).

The Company and the Directors gave warranties in favour of Smith & Williamson and Mirabaud. The liability of the Directors was limited in terms of the amount of the liability save in certain circumstances. The liability of the Directors and the Company in respect of the warranties was limited as to time, save in certain circumstances. In addition, the Company gave Smith & Williamson and Mirabaud, its affiliates

and their respective directors, officers, employees and agents an indemnity relating to certain losses and liabilities which may be incurred by such persons in the performance by Smith & Williamson and Mirabaud of their obligations and services rendered pursuant to the February 2017 Admission.

#### **12.14 February 2017 Admission – Lock-in agreements**

Each of Rusty Hutson Jr., Robert Post, Brad Gray and Martin Thomas has undertaken with Smith & Williamson, Mirabaud and the Company (subject to certain exceptions) not to dispose of any interest in any of their Ordinary Shares until 18 months after 3 February 2017 without the prior written consent of each of Smith & Williamson and Mirabaud.

#### **12.15 February 2017 Admission – Smith & Williamson Engagement Letter (and addendum thereto)**

Pursuant to a letter of engagement dated 20 July 2016 and an addendum thereto dated 5 September 2016, the Company appointed Smith & Williamson to act as its nominated adviser and financial adviser and joint broker in connection with the February 2017 Admission. The Company agreed to pay to Smith & Williamson (i) a retainer fee (the “Retainer Fee”) up to an aggregate maximum amount, (ii) a corporate finance fee (the “Corporate Finance Fee”) payable on completion of the February 2017 Admission (less any Retainer Fee already paid) and (iii) a commission on the basis set out in paragraph 12.13 above.

In addition, the Company agreed to issue Warrants on the basis set out in paragraph 12.13 above.

The Company agreed to reimburse Smith & Williamson for any expenses and disbursements as Smith & Williamson, in its discretion, incurs in connection with its appointment under the letter of engagement.

The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England and Wales.

#### **12.16 February 2017 Admission – Nominated Adviser and Broker Appointment Letter**

A nominated adviser and broker appointment letter dated 30 January 2017 and made between (1) the Company and (2) Smith & Williamson (the “Nominated Adviser and Broker Appointment Letter”) pursuant to which the Company appointed Smith & Williamson to act as nominated adviser and joint broker to the Company for the purposes of the AIM Rules. The Company agreed to pay Smith & Williamson a fee of £42,500 (plus VAT) for its services as nominated adviser and joint broker under the Nominated Adviser and Broker Appointment Letter. The Nominated Adviser and Broker Appointment Letter contains certain covenants and undertakings given by the Company to Smith & Williamson. The appointment shall continue until terminated by either the Company or Smith & Williamson on, among other things, giving three months’ prior written notice after the initial twelve month term.

#### **12.17 February 2017 Admission – Mirabaud Engagement Letter**

An engagement letter dated 5 September 2016 was entered into between the Company and Mirabaud pursuant to which the Company appointed Mirabaud to act as lead broker to the Company in connection with the February 2017 Admission.

Under the terms of the letter of engagement, the Company agreed to pay a commission on the basis set out in paragraph 12.13 above.

In addition, the Company agreed to issue warrants on the basis set out in paragraph 12.13 above.

Under the letter of engagement, the Company gave certain customary undertakings and indemnities to Mirabaud in connection with its engagement.

The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England and Wales.

#### **12.18 February 2017 Admission – Mirabaud Broker Agreement**

A broker agreement dated 30 January 2017 and made between the Company and Mirabaud pursuant to which the Company appointed Mirabaud as lead broker in connection with the February 2017 Admission. The Company agreed to pay Mirabaud an annual retainer of £45,000 plus VAT for its services as lead broker. The agreement shall continue until terminated by either the Company or Mirabaud giving not less than three months’ prior written notice not to expire before the first anniversary of the date of the agreement. The Company has agreed to give an indemnity in favour of Mirabaud, subject to certain limitations on liability.

#### 12.19 February 2017 Admission – Relationship Agreement between the Company, Robert Hutson Jr. and Robert Post

The Company has entered into a relationship agreement with Smith & Williamson, Robert Marshall Post and Robert Russell Hutson Jr. (the “Substantial Shareholders”) (the “Relationship Agreement”).

The Substantial Shareholders have undertaken to use their reasonable endeavours to ensure, *inter alia*, that:

- (a) the Group is capable at all times of carrying on its business independently of the Substantial Shareholders;
- (b) no additional directors to the Company are appointed nor any Directors removed except following consultation with Smith & Williamson;
- (c) no general meeting of the Company is to be requisitioned by either Substantial Shareholder or any associates in order to amend the articles of association of the Company in such a way as might reasonably be expected to adversely affect the independence of the Group from the Substantial Shareholders or their associates or undermine the effect of the Relationship Agreement to the detriment of the Group;
- (d) there are and remain at all times not less than two Independent Directors;
- (e) neither Substantial Shareholder nor any associate thereof shall seek to procure or vote on any resolution to cancel the Company’s admission to trading on AIM without prior consultation with the Company’s nominated adviser for the purpose of the AIM Rules, and with the approval of the Independent Directors (such approval not to be unreasonably withheld, conditioned or delayed; and
- (f) any resolutions at any annual general meeting of the Company relating to either:
  - (i) the authority of the Board to issue Ordinary Shares generally, limited on an annual basis to 30 per cent of the Company’s issued share capital; or
  - (ii) the disapplication of the statutory pre-emption rights regarding the issue of Ordinary Shares, limited on an annual basis to 10 per cent of the Company’s issued share capital,are passed without amendment.

The Relationship Agreement is governed by English law and the parties irrevocably submit to the non-exclusive jurisdiction of the Courts of England.

#### 12.20 February 2017 Admission – Warrant Agreement between the Company and Mirabaud

On 30 January 2017, the Company entered into a warrant agreement with Mirabaud (the “Mirabaud Warrant Agreement”), pursuant to which the Company granted Mirabaud the right, subject to the February 2017 Admission, to subscribe for up to 2,364,769 new Ordinary Shares at 65 pence for the period beginning on 3 February 2017 and ending on 3 February 2022.

The Mirabaud Warrant Agreement contains a mechanism whereby the Warrant subscription price (being 65 pence) may be adjusted following the occurrence of certain alterations to the Company’s share capital, including a sub-division or consolidation of the Ordinary Shares.

The Mirabaud Warrant Agreement shall be exercised by Mirabaud giving notice to the Company in writing setting out the number of Ordinary Shares in respect of which it wishes to exercise the warrants accompanied by payment of the relevant subscription price.

The Mirabaud Warrant Agreement is governed by English law and the parties irrevocably submit to the exclusive jurisdiction of the Courts of England.

#### 12.21 February 2017 Admission – Warrant Agreement between the Company and Smith & Williamson

The terms of the Warrant Agreement between the Company and Smith & Williamson are the same as the Mirabaud Warrant Agreement summarised in paragraph 12.20 above (*mutatis mutandis*), save that the right relates to up to 685,231 new Ordinary Shares.

#### 12.22 Share Exchange Agreement and Contribution Agreements

On 10 June 2015, each of Rusty Hutson Jr. and Robert Post (the “Vendors”) entered into a Share Exchange Agreement with the Company and Diversified Gas & Oil Corporation. Pursuant to the Share Exchange Agreement, each of the Vendors agreed to transfer his shares in Diversified Gas & Oil

Corporation (together constituting the entire issued share capital of Diversified Gas & Oil Corporation) to the Company in consideration for the Company issuing to each of the Vendors 17,500,000 Ordinary Shares (the “Share for Share Exchange”).

The Share for Share Exchange was conditional on admission of the Bonds to trading on the NEX Exchange. Each of the Vendors was required to give certain warranties to the Company regarding (*inter alia*) his title to the shares being transferred, lack of encumbrances affecting such shares and capacity to enter into the agreement.

The agreement is governed by English law, and the parties submit to the exclusive jurisdiction of the English courts.

Effective as of 31 December 2015, Rusty Hutson Jr. and Robert Post executed two separate contribution agreements with Diversified Gas & Oil Corporation and executed related assignments of interest and stock assignments (the “Contribution Agreements”) providing for the contribution of 100% of the membership interests and capital stock, as applicable, of each of Diversified Resources, Inc., M&R Investments, LLC, M&R Investments Ohio, LLC, Marshall Gas & Oil Corporation, R&K Oil and Gas, Inc., and Fund 1 DR, LLC (the “Initial US Subsidiaries”) to Diversified Gas & Oil Corporation. The Contribution Agreements resulted in all of the ownership interests (consisting of membership interests and capital stock) in each of the Initial US Subsidiaries being transferred from Rusty Hutson Jr. and Robert Post to Diversified Gas & Oil Corporation. The contribution of ownership interests in each of the Initial US Subsidiaries were originally contributed by Rusty Hutson Jr. and Robert Post to Diversified Gas & Oil Corporation on 1 June 2015, but these contributions were subsequently rescinded and re-contributed effective as of 31 December 2015. A rescission acknowledgement agreement also was entered into among Rusty Hutson Jr. and Robert Post, the Company, Diversified Gas & Oil Corporation and the Initial US Subsidiaries to acknowledge, ratify and confirm the rescission of the original contributions, the subsequent contributions pursuant to the Contribution Agreements and the resulting ownership of the Initial US Subsidiaries.

The Contribution Agreements and the additional contribution and assignment agreements referred to in paragraphs 12.25, 12.26 and 12.27 are basic contribution and assignment documents providing for limited and basic representations and warranties from the parties, with the primarily representations and warranties from Rusty Hutson Jr. and Robert Post addressing authority and title to the membership interests and capital stock of the contributed subsidiaries, with no material ongoing obligations by the Group, any of its officers, directors or employees or Rusty Hutson Jr. or Robert Post.

#### 12.23 Office Space Lease

On 26 January 2017 each of Diversified Real Estate Holdings, LLC a company owned by Rusty Hutson Jr. and Robert Post, as landlord, and Diversified Resources, Inc, and Diversified Gas & Oil Corporation, collectively as tenant entered into a lease relating to the property situated in 1100 Corporate Drive, Birmingham, Alabama, 35242. The effective date of the lease was 1 January 2017 and the lease terminates on 31 December 2036, with an annual rent of \$93,000 for years one to five, \$95,328 for years six to 10, \$97,716 for years 11 to 15 and \$100,164 for years 16 to 20. The lease is governed by Alabama law. This lease supersedes and fully replaces the lease dated 18 May 2016 entered into between Diversified Real Estate Holdings, LLC, as landlord, and Diversified Resources, Inc, as tenant.

#### 12.24 Restricted Stock Agreement

The Company entered into a restricted stock agreement with Bradley Gray which has an effective date of 24 October 2016 (the “Restricted Stock Agreement”), pursuant to which Bradley Gray was awarded 2,210,481 Ordinary Shares (the “Restricted Stock”). Bradley Gray shall subscribe for the Restricted Stock at the par value ( £0.01) per Ordinary Share and the Restricted Stock is vested or is to be vested (subject to certain conditions) on three separate dates:

- (i) 24 October 2016: Bradley Gray acquired a vested interest in 33 1/3 per cent. of the Restricted Stock;
- (ii) 24 October 2018: Bradley Gray will acquire a vested interest in 33 1/3 per cent. of the Restricted Stock; and
- (iii) 24 October 2019: Bradley Gray will acquire a vested interest in 33 1/3 per cent. of the Restricted Stock.

Subject to the Restricted Stock Agreement and the conditions outlined therein, Bradley Gray is only able to transfer any interest he may have in the Ordinary Shares once the Ordinary Shares have vested.

The Company has the right, exercisable at any time during the ninety day period following the date on which Bradley Gray ceases for any reason to be a Service Provider (as defined below) to the Company (or such longer period of time mutually agreed to by the parties), to have forfeited for no additional consideration all or (at the discretion of the Company) any portion of the Restricted Stock in which Bradley Gray has not acquired a vested interest in accordance with the vesting provisions set out in the Restricted Stock. For the purposes of the Restricted Stock Agreement, Bradley Gray will be deemed to be a "Service Provider" to the Company for so long as he renders periodic services to the Company or one or more of its parent or subsidiary corporations, whether as an employee, non-employee member of the board of directors, or an independent, non-employee consultant.

The Restricted Stock Agreement also provides that the Company shall pay to Bradley Gray an amount equal to the estimated US and applicable state income tax liability to be incurred by Bradley Gray resulting from the grant of the Restricted Stock, together with a grossed up amount to ensure that Bradley Gray will not incur any unreimbursed tax (the "Tax Indemnity"), provided that the Tax Indemnity does not exceed US\$500,000.

#### **12.25 Contribution Agreement**

The Company entered into a contribution agreement effective as of 1 November 2016 with Robert M. Post and Robert R. Hutson, Jr. (the "Contributors") (the "Contribution Agreement") pursuant to which the Contributors agree to contribute their interests in Diversified Oil & Gas, LLC and Diversified Appalachian Group, LLC to the capital of the Company. The Contribution Agreement contains certain basic warranties and representations given by the Contributors to the Company. The Contribution Agreement is governed by the laws of the State of Alabama.

#### **12.26 Assignment Agreement (1)**

Pursuant to the Contribution Agreement, the Company entered into an assignment of interests agreement by and between Robert M. Post, Robert R. Hutson, Jr. (the "Assignors") and the Company effective as of 1 November 2016 ("Assignment Agreement (1)") pursuant to which the Assignors assign their interest (which collectively amounts to 100% ownership) in Diversified Oil & Gas, LLC and Diversified Appalachian Group, LLC to the Company. The Assignment Agreement (1) is governed by the laws of the State of Alabama.

#### **12.27 Assignment Agreement (2)**

Pursuant to the Contribution Agreement, the Company entered into an assignment of interests agreement by and between the Company (the "Assignor") and Diversified Gas & Oil Corporation effective as of 1 November 2016 ("Assignment Agreement (2)") pursuant to which the Assignor assigns its interest in Diversified Oil & Gas, LLC and Diversified Appalachian Group, LLC to Diversified Gas & Oil Corporation immediately after Assignment Agreement (1) was effective. The Assignment Agreement (2) is governed by the laws of the State of Alabama.

#### **12.28 CrossFirst Bank Loan Agreement**

On 30 June 2015, a loan agreement was entered into by and between Diversified Oil & Gas LLC and CrossFirst Bank, pursuant to which a revolving line of credit for up to US\$25,000,000 was made available to the Group. The initial maturity date of the loan was 30 June 2016, however the loan has been extended through to 31 August 2017. The current outstanding balance under the loan as at 31 December 2016 is US\$2 million.

Pursuant to the terms of the loan, a first priority and senior mortgage lien and security interest has been granted in favour of CrossFirst Bank, encumbering all of Diversified Oil & Gas LLC's leasehold working interests in the certain oil and gas properties covering at least 80% of the value of Diversified Oil & Gas LLC's proven reserves (including leasehold properties, wells, leasehold working interest, royalty interests and other mining and mineral interests situated in Ohio). Those certain oil and gas properties include wells located in Ashtabula, Athens, Coshocton, Geauga, Holmes, Lake, Lorain, Medina, Meigs, Morgan, Noble, Stark, Summit, Trumbull, Tuscarawas, Washington, and Wayne Counties. The Group has confirmed that only those assets related to the Broad Street purchase and sale agreement, summarised in paragraph 12.6 of this Part VII, are subject to this mortgage.



The CrossFirst loan agreement and security documents related thereto are governed by the laws of Oklahoma.

#### **12.29 Master Equity Lease Agreement**

On 24 July 2012, an equity master lease agreement was entered into by and between Enterprise FM Trust, a Delaware statutory trust and Texas Keystone, Inc., a Pennsylvania Corporation. This agreement was subsequently assigned to the Company by Texas Keystone, Inc. on 31 October 2015. This agreement provides for the lease of vehicles by the Company.

This agreement is governed by Missouri law.

#### **12.30 Smith & Williamson Engagement Letter**

Pursuant to a letter of engagement dated 1 June 2017, the Company appointed Smith & Williamson to act as its nominated adviser and joint broker in connection with the Proposals. The Company agreed to pay to Smith & Williamson (i) a corporate finance fee payable on Second Admission and (ii) if Second Admission did not proceed, an abort fee.

The Company agreed to reimburse Smith & Williamson for any expenses and disbursements as Smith & Williamson, in its discretion, incurs in connection with its appointment under the letter of engagement.

The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England and Wales.

#### **12.31 June 2017 Mirabaud Warrant Agreement**

On 15 June 2017, the Company entered into a warrant agreement with Mirabaud (the “June 2017 Mirabaud Warrant Agreement”), pursuant to which the Company granted Mirabaud the right, subject to Second Admission, to subscribe for up to 1,179,000 new Ordinary Shares at 75 pence for the period beginning on 3 July 2017 and ending on 3 July 2022.

The June 2017 Mirabaud Warrant Agreement contains a mechanism whereby the Warrant subscription price (being 75 pence) may be adjusted following the occurrence of certain alterations to the Company’s share capital, including a sub-division or consolidation of the Ordinary Shares.

The June 2017 Mirabaud Warrant Agreement shall be exercised by Mirabaud giving notice to the Company in writing setting out the number of Ordinary Shares in respect of which it wishes to exercise the warrants accompanied by payment of the relevant subscription price.

The June 2017 Mirabaud Warrant Agreement is governed by English law and the parties irrevocably submit to the exclusive jurisdiction of the Courts of England.

#### **12.32 Placing Agreement**

On 15 June 2017, the Company, the Directors, Smith & Williamson and Mirabaud entered into a placing agreement pursuant to which Mirabaud agreed to use its reasonable endeavours to procure subscribers for the Placing Shares, which are to be admitted to trading on AIM in two separate tranches – the Firm Placing Shares and the Conditional Placing Shares, for which Mirabaud will be paid a broking commission of 5% in respect of the gross proceeds of the Placing.

The Company and the Directors gave warranties in favour of Smith & Williamson and Mirabaud. The liability of the Directors was limited in terms of the amount of the liability save in certain circumstances. The liability of the Directors and the Company in respect of the warranties was limited as to time, save in certain circumstances. In addition, the Company gave Smith & Williamson and Mirabaud, its affiliates and their respective directors, officers, employees and agents an indemnity relating to certain losses and liabilities which may be incurred by such persons in the performance by Smith & Williamson and Mirabaud of their obligations and services rendered pursuant to the Admission.

The Placing Agreement is governed by English Law.

#### **12.33 Irrevocable Undertakings**

An irrevocable undertaking to voting in favour of the ordinary resolution to approve the Acquisition, proposed at the General Meeting was given by the following:

- Robert Russell Hutson Jr.;

- Robert Marshall Post;
- Bradley Grafton Gray;
- David Edward Johnson;
- Martin Keith Thomas;
- Chelverton Asset Management Limited;
- Hadron Capital LLP; and
- Amati Global Investors

#### 12.34 Facility Agreement

The Company has arranged a three year, senior secured credit facility of up to \$110 million (approximately £86.4 million) from the Lenders. Certain subsidiaries of the Company will guarantee the Facility and pledge their assets to secure the Facility. It is intended that \$75 million will be drawn down on the closing date of the Facility and will be used to fund the Acquisition and to pay related closing costs provided, however, that if the acquisition of the interests in the Public Partnerships is delayed, the amount permitted to be drawn down on the closing date will be \$64,000,000. The amount required for the delayed closing of interests in the Public Partnerships will be drawn down on the delayed closing date. The balance of the amount under the Facility to be drawn will be available to the Company for additional working capital, as well as providing delayed draw liquidity for future development and acquisitions permitted under the Facility. The Company shall have the option to borrow such available amounts up to one year from the closing date of the Facility. Any draws requested by the Company in excess of \$85 million (\$74,000,000 if the delayed acquisition of interests in the Public Partnerships does not occur) shall require approval of the respective lenders in accordance with the terms of the Facility. The Company will receive proceeds of the loan net of two percent (2%) of the principal amount of such loan which will be retained for U.S. federal income tax purposes.

The Facility Agreement stipulates that the loan proceeds are to be utilized for the Acquisition, the development of the Titan Assets pursuant to an approved plan of development, working capital and transaction costs. The Facility is a 36 month facility bearing an interest rate of LIBOR plus 8.25% per annum. The Company has to pay an annual administration fee equal to \$75,000 and a standby fee for the period from the closing date of the Facility to the one year anniversary of the closing date of the Facility in an amount equal to three percent (3%) per annum on the difference between the maximum available amount to be drawn under the Facility (less any reductions) and the aggregate principal amount of loan extended under the Facility. The Company must prepay the loan, on a quarterly basis, by an amount equal to ninety percent (90%) multiplied by the consolidated net cash flow (which includes the payment of dividends permitted under the Facility and certain other adjustments) for the fiscal quarter most recently ended. The Company may voluntarily prepay the loan and is required to prepay the loan, subject to certain limitations, upon the occurrence of an asset sale, receipt of insurance/condemnation proceeds, amounts generated by the issuance of debt/equity and receipt of extraordinary receipts and tax refunds. Certain prepayments will result in the payment of a prepayment premium or a make whole amount.

The Facility Agreement is subject to, *inter alia*, the following conditions precedent:

- (i) the Company having received cash proceeds of a minimum of \$10 million through an issue of Ordinary Shares;
- (ii) satisfactory completion of legal, collateral and commercial due diligence;
- (iii) 75% PDP hedge coverage for 36 months following the closing date of the Facility; and
- (iv) evidence that the Company has \$2.5 million in unrestricted cash as of the closing date of the Facility.

The Facility Agreement contains standard representations and warranties, affirmative and negative covenants and events of defaults, including financial reporting requirements (e.g., annual audited financial statements, quarterly and monthly unaudited financial statements, compliance certificates, financial plans, reserve reports and information regarding oil and gas properties) and performance covenants (e.g., net leverage ratio, asset coverage ratio and receipt of an additional \$20,000,000 in cash from the proceeds of the Second Admission within 10 Business Days of the closing date of the Facility).

The Company is responsible for payment of all fees and costs associated with the Facility including the fees and costs of legal advisors to the lenders. The Company has given the lenders, their respective officers, directors, employees, advisors, representatives and agents an indemnity relating to certain indemnified liabilities which may be incurred by such person, absent any willful misconduct or gross negligence of such persons as determined by a court of competent jurisdiction.

The Facility is governed by the laws of the state of New York, and the parties irrevocably waive their right to a jury trial and submit to the jurisdiction of the courts of New York.

#### **12.35 Master Consulting Agreement**

On 27 May 2017 Opportune LLP and Diversified Gas & Oil Corporation entered into a master consulting agreement pursuant to which Opportune LLP agreed to provide certain professional advisory services to Diversified Gas & Oil Corporation on a contractual basis, indefinitely until the contract is terminated by either party. Opportune LLP provided Diversified Gas & Oil Corporation with an indemnity which covers any costs made or arising in favour of the owner of (*inter alia*) third party intellectual property rights or certain other services or software which may arise from Opportune LLP providing its services under the contract.

### **13. RELATED PARTY TRANSACTIONS**

Save for the related party transactions noted in the historical financial information for the Group in Part IV of this document, or referred to in paragraph 12.23 in this Part VII, during the period of two years immediately preceding the date of this document, no company in the Group has entered into any related party transactions.

### **14. WORKING CAPITAL**

The Directors are of the opinion, having made due and careful enquiry that, after taking into existing cash resources, the net proceeds of the Fundraising, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is, for at least the period of 12 months from the date of Second Admission.

### **15. LITIGATION**

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which have had or may have a significant effect on the Group's financial position or profitability during the 12 months preceding the date of this document and, so far as the Directors are aware, there are no such proceedings pending or threatened by or against any member of the Group.

### **16. NO SIGNIFICANT CHANGE IN FINANCIAL OR TRADING POSITION**

Save as otherwise disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2016, the date to which financial information set out in Part IV of this document was prepared.

### **17. INTELLECTUAL PROPERTY**

The Company has confirmed that it does not own any intellectual property other than its website domain name – <http://www.diversifiedgasandoil.com>.

### **18. PROPERTY**

The following properties are owned by the Group, and were acquired pursuant to the following deeds:

- (a) pursuant to a deed dated 16 December 2013, the real property located at 7907 TR 103, Millersburg, Ohio, 44654 was acquired by the Group (and consists of a garage and pipe yard); and
- (b) pursuant to a deed dated 11 January 2016, the real property located at 130 Raymond Drive, Indiana, Pennsylvania, 15701 was acquired by the Group (and consists of an office building and pipe yard).

In addition, the US headquarters of the Group is located at 1100 Corporate Drive, Birmingham, Alabama 35242. The 1100 Corporate Drive office building is leased to the Group by an entity owned by the two founding principals, Robert Post and Rusty Hutson Jr. The terms of this new lease are summarised in paragraph 12.23 of this Part VII.

## **19. CONSENTS AND OTHER INFORMATION**

- 19.1 Smith & Williamson has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 19.2 Mirabaud has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 19.3 The reporting accountant, Crowe Clark Whitehill LLP, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its reports and letters contained in Parts IV and V of this document respectively, and references thereto and to its name in the form and context in which they appear.
- 19.4 The Competent Person, Wright & Co Inc., has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its reports contained in Part VI of this document respectively, and references thereto and to its name in the form and context in which they appear.
- 19.5 Crowe Clark Whitehill LLP of St Bride's House, 10 Salisbury Square, London, EC4Y 8EH are the auditors of the Group.
- 19.6 The estimated costs of the Placing are £1.9 million and the net proceeds of the Placing receivable by the Company are expected to be approximately £25.6 million. The total costs and expenses payable by the Company in connection with the Proposals (including professional fees, commissions, the costs of printing and registrars fees) are estimated to amount to approximately £4.9 million excluding VAT.
- 19.7 Save as otherwise disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business or profitability.
- 19.8 Save as otherwise disclosed in this document, there have been no significant authorised or contracted capital commitments of the Group at the date of publication of this document.
- 19.9 No environmental issues have arisen in the past 12 months which would have had a significant effect on the Company's financial position or profitability. Save as disclosed in this document, the Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.
- 19.10 Other than as disclosed in this document, no person has (excluding those professional advisers disclosed in this document and trade suppliers):
- (a) received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or
  - (b) entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Second Admission any of the following:
    - (i) fees totalling either £10,000 or more;
    - (ii) securities in the Company with a value of either £10,000 or more calculated by reference to the expected price of an Ordinary Share at Second Admission; or
    - (iii) any other benefit with a value of either £10,000 or more or more at the date of Second Admission.
- 19.11 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.12 The Ordinary Shares are issued and allotted in registered form under the laws of England and Wales and their currency is Pounds Sterling. No admission to listing or trading of the Ordinary Shares is being sought on any stock exchange other than AIM.

- 19.13 It is expected that CREST accounts will be credited as applicable on the date of Admission. The ISIN of the Ordinary Shares is GB00BYX7JT74. Share certificates in respect of Firm Placing Shares (where applicable) will be dispatched by first class post within 14 days of the date of First Admission. Share certificates in respect of Conditional Placing Shares (where applicable) will be dispatched by first class post within 14 days of the date of Second Admission.
- 19.14 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.
- 19.15 Smith & Williamson is registered in England and Wales as a private company under the Companies Act 1985 of Great Britain with number 04533970 and is regulated by the FCA. Its registered office is at 25 Moorgate, London, EC2R 6AY.
- 19.16 Mirabaud is registered in England and Wales as a limited liability partnership under the Limited Liability Partnerships Act 2000 of Great Britain with number OC340133 and is regulated by the FCA. Its registered office is at 33 Grosvenor Place, London, SW1X 7HY.
- 19.17 The Directors will comply with Rule 21 of the AIM Rules and Article 19 of the Market Abuse Regulation relating to Directors' and applicable employees' dealings in Ordinary Shares and to this end, the Company has adopted an appropriate share dealing code.
- 19.18 The Placing Price of 70 pence per Ordinary Share represents a premium of approximately 69 pence over the nominal value of £0.01 per Ordinary Share.
- 19.19 There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 19.20 Save as disclosed in this document, the Directors are unaware of:
- (a) any significant trends in production, sales and inventory and costs and selling prices from 31 December 2016 (being the date to which the financial information set out in Part IV of this document was prepared) to the date of this document;
  - (b) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year; or
  - (c) any exceptional factors which have influenced the Company's activities.
- 19.21 There are no mandatory takeover bids outstanding in respect of the Company and no public takeover bids have been made by third parties either in the last financial year or the current financial year of the Company.
- 19.22 There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

## **20. AVAILABILITY OF ADMISSION DOCUMENT**

Copies of the admission document, which will contain full details about the Company and the admission of its securities, will be available from the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from the date of Second Admission. A copy of this document is also available for download at the Company's website at [www.diversifiedgasandoil.com](http://www.diversifiedgasandoil.com).

15 June 2017

## PART VIII

### NOTICE OF GENERAL MEETING

#### DIVERSIFIED GAS & OIL PLC (Company)

*(incorporated in England and Wales with registered number 09156132)*

### NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at the offices of Buchanan Communications Limited, 107 Cheapside, London EC2V 6DN at 11.00 a.m. on 30 June 2017 for the purpose of considering and, if thought fit, passing the following resolutions, resolutions numbered 1 and 2 as Ordinary Resolutions and resolution 3 as a Special Resolution:

#### ORDINARY RESOLUTIONS

1. **THAT** the proposed acquisition by the Company of the assets comprising certain of the gas and oil assets of Titan Energy, LLC (the "**Acquisition**") on the terms summarised in the admission document issued by the Company dated 16 June 2017 (the "**Admission Document**") of which this notice forms part be and is hereby approved and that the directors of the Company, or a duly constituted committee of the directors, be and are hereby authorised to waive, amend, vary or extend any of the terms and conditions of the Acquisition or the agreement for the Acquisition or any related agreements (but not to a material extent) and do all such things that they may consider necessary or desirable in connection with the Acquisition.
2. **THAT:**
  - 2.1 the directors of the Company be generally and unconditionally authorised under section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the Act):
    - 2.1.1 up to an aggregate nominal amount of £279,000 in respect of the 27,900,000 new Ordinary Shares of £0.01 each in the capital of the Company to be issued at £0.70 per share by the Company pursuant to the placing on the terms set out in the Admission Document (the "**Conditional Placing Shares**");
    - 2.1.2 up to £105,591.25 in respect of up to 10,559,125 new Ordinary Shares of £0.01 each in the capital of the Company issuable to satisfy awards made under the Company's share option scheme; and
    - 2.1.3 otherwise than pursuant to 2.1.1 and 2.1.2 above, up to an aggregate nominal amount of £393,818.26;
  - 2.2 such authority shall expire (unless previously revoked by the Company) at the conclusion of the next Annual General Meeting of the Company and the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be granted after the authority has expired and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that this authority has expired; and
  - 2.3 all previous authorities to allot equity securities to the extent unused, shall be revoked.

#### SPECIAL RESOLUTION

3. **THAT:**
  - 3.1 The directors of the Company be generally and unconditionally empowered under section 570 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot equity securities for cash pursuant to the authorisation conferred by resolution 2 above as if section 561 of the Act did not apply to the allotment, provided that this power shall be limited to:
    - 3.1.1 the allotment of up to an aggregate nominal amount of £279,000 in respect of the allotment and issue of the Conditional Placing Shares; and
    - 3.1.2 the allotment of equity securities (as defined in section 560 of the Act in connection with an offer by way of a rights issue to:

- 3.1.2.1 ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and
  - 3.1.2.2 holders of other equity securities, if this is required by the rights of those securities or, if the directors consider it necessary, but subject to such exclusions and other arrangements as the directors may consider necessary or appropriate in relation to fractional entitlements, record dates, legal, regulatory or practical problems nor under the laws of any territory (including the requirements of any regulatory body or stock exchange) or any other matter; and
- 3.1.3 otherwise than pursuant to 3.1.1 and 3.1.2 above the allotment of further equity securities up to an aggregate nominal amount of £159,466.09;
- 3.2 such power shall expire (unless previously revoked by the Company) at the conclusion of the next annual general meeting of the Company and in each case the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

By Order of the Board

*Registered Office:*  
27/28 Eastcastle Street  
London  
W1W 8DH

**Cargil Management Services Limited**  
*Company Secretary*

Dated: 15 June 2017

## NOTES TO THE NOTICE OF GENERAL MEETING

- (a) Only those shareholders registered in the Company's register of members at:
- (i) 11.00 a.m. (UK time) on 28 June 2017; or,
  - (ii) if this meeting is adjourned, at 11.00 a.m. (UK time) on the day two days prior to the adjourned meeting,
- shall be entitled to attend, speak and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (b) Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, can be found at [www.diversifiedgasandoil.com](http://www.diversifiedgasandoil.com).
- (c) If you wish to attend the meeting in person, please attend the offices of Buchanan Communications Ltd, 107 Cheapside, London EC2V 6DN on 30 June 2017 at 11.00 a.m. (UK time) for the purpose of considering and, if thought fit, passing the proposed Resolutions.
- (d) If you are a shareholder who is entitled to attend and vote at the meeting, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. To appoint more than one proxy, please contact the Company's share registrar on telephone number 0121 585 1131.
- (e) To be valid, an instrument appointing a proxy and any power of attorney or other authority under which the proxy instrument is signed (or a notarially certified copy thereof) must be deposited with the Company's share registrar, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA ("**Neville Registrars**") by 11.00 a.m. (UK time) on 28 June 2017.
- (f) The completion and return of a proxy card will not affect the right of a member to attend, speak and vote in person at the meeting convened by this notice. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
- (g) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- (h) In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- (i) Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- (j) Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars.
- (k) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by Neville Registrars Limited (ID: 7RA11) no later than 11.00 a.m. on 28 June 2017. Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 as amended.
- (l) If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- (m) A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to the Neville Registrars. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- (n) In either case, the revocation notice must be received by Neville Registrars no later than 11.00 a.m. (UK time) on 28 June 2017.
- (o) If you attempt to revoke your proxy appointment but the revocation is received after the time specified, your original proxy appointment will remain valid unless you attend the meeting and vote in person.



- (p) A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same share.
- (q) As at 6.00 p.m. (UK time) on 14 June 2017, which is the latest practicable date before publication of this notice, the Company's issued share capital comprised 105,591,250 ordinary shares of £0.01 each and therefore, the total number of voting rights in the Company on the resolutions proposed at this general meeting is 105,591,250.
- (r) Any member attending the meeting has the right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:
  - (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (ii) the answer has already been given on a website in the form of an answer to a question; or
  - (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (s) Copies of the service contracts of the executive directors and the non-executive directors' contracts for services are available for inspection at the Company's registered office during normal business hours and at the place of the meeting from at least 15 minutes prior to the meeting until the end of the meeting.
- (t) The quorum for the meeting is two or more members, who are entitled to vote, present in person or by proxy or a duly authorised representative of a corporation which is a member.
- (u) The ordinary resolutions must be passed by a simple majority of the total number of votes cast for and against such resolution.
- (v) At the meeting the vote may be taken by show of hands or by poll. On a poll, every member, who is present in person or by proxy, shall be entitled to one vote for every share held by him.
- (w) If, within five minutes after the time appointed for the meeting (or such longer interval not exceeding one hour as the Chairman of the meeting may think fit to allow) a quorum is not present, the meeting shall stand adjourned to a day (but not less than 10 days later, excluding the day on which the meeting is adjourned and the day for which it is reconvened) the time and place to be decided by the Chairman, and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present in person and by proxy shall be a quorum.

