



Interim Presentation  
**First Quarter 2016**



# Corporate overview and operational highlights

# Corporate overview

- On track to profitability in 2016
- Financial performance bolstered by higher oil prices and seven consecutive monthly payments for oil produced in Kurdistan, the last three in line with contractual entitlements
- Normalization of payments has led to stepped up investments at the Tawke field, with production to continue to climb in 2016 following drilling of five new production wells and workover of ten existing ones
- Among three key foreign operators in Kurdistan, DNO solidifies lead as first in oil production (50 percent), oil exports (60 percent) and proven oil reserves (50 percent)
- Tawke proven oil reserves increased 21 percent last year to 387 million barrels on improved confidence about primary recovery, though probable reserves declined with partial re-categorization to contingent resources
- Continue to rationalize company portfolio to focus on core assets while evaluating growth opportunities, including new country entries

# Q1 2016 operational highlights

- Total DNO operated production in Q1 2016 of 97,000 barrels of oil equivalent per day (boepd)
- Of which Tawke represented 91,700 bopd (87,200 bopd delivered for pipeline export through Turkey)
- Kurdistan production impacted by extended closure of the Turkish portion of export pipeline during second half of February and first half of March
- Once normal pipeline operations restored and following successful completion of first set of well workovers at the field, Tawke production climbed to 118,900 bopd in April (117,800 bopd delivered for export)
- Oman production averaged 5,300 boepd during Q1 2016

# Q1 2016 financial highlights

- Q1 revenues of USD 50 million, of which Kurdistan share was USD 47 million
- Fourth consecutive quarter in which DNO revenues totaled USD 50 million or higher
- Planned capital investments totaling USD 100 million in 2016 funded by cash from operations
- Continue to strengthen our balance sheet
- Exited Q1 with cash balance of USD 262 million, up from USD 238 million at end-2015

# Kurdistan's improving payment situation

- Since September 2015, seven monthly payments received from Kurdistan totaling USD 175 million, of which USD 128 million net to DNO
- In Q1, three payments totaling USD 65 million (USD 48 million net to DNO) received for Tawke deliveries to the domestic and export markets
- New 2016 payment arrangement based on contractual entitlements provides regularity and predictability of payments and incentivizes companies to make new investments
- Higher oil prices boost DNO monthly entitlement revenues and also improve Kurdistan's ability to pay companies
- Payments received during Q1 reduced booked receivable for DNO's share of past Tawke deliveries to the domestic market by USD 2 million; at current production, oil price and repayment terms booked receivables will drop USD 10 million a quarter
- Agreed with Kurdistan to verify all DNO receivables through a joint audit ahead of discussions to set payment terms, modality and schedule

# Planned Tawke investments in 2016

- Foot back on the accelerator in Kurdistan
- At Tawke license, one rig currently active with plans to add two more by mid-year
- Completed workovers of three wells in Q1 reversing declines and adding 10,000 bopd in incremental production in 30 days and at a cost of USD 1.5 million; 10,000 bopd at current oil prices adds USD 10 million to Tawke monthly export revenues
- Five well workovers planned in Q2 and another two in Q4
- Tawke 2016 drilling program includes five new production wells, including three Cretaceous and two Jeribe, as well as one water disposal well
- New investments expected to increase production from 120,000 bopd currently to 135,000 bopd

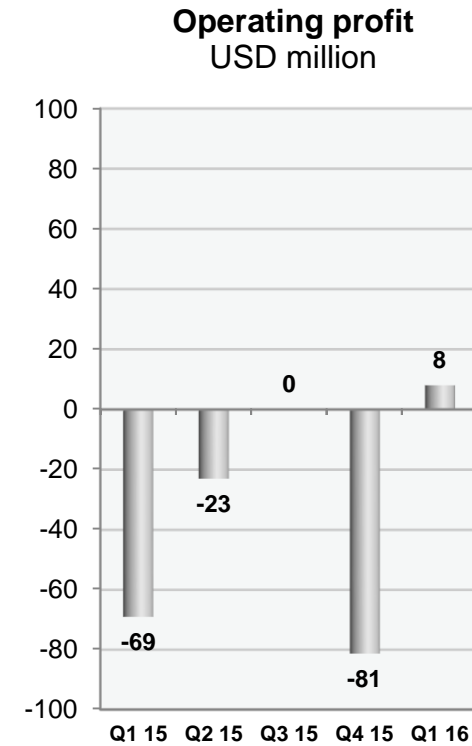
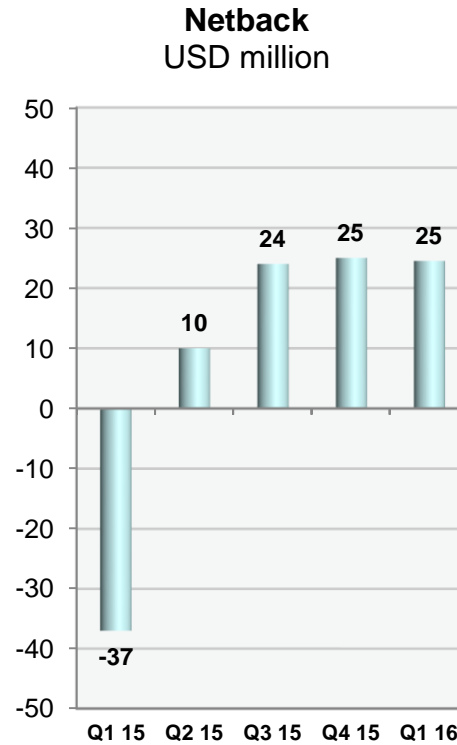
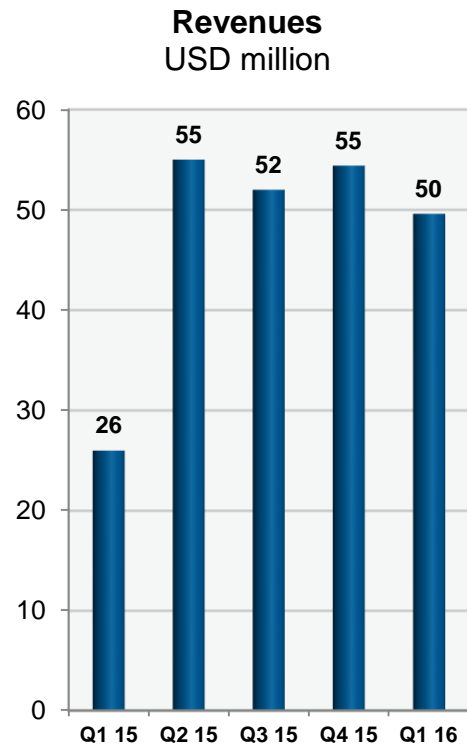
## Other drilling activity

- In Kurdistan, planning Q3 spud of Peshkabir-2 well to appraise Jurassic discovery and explore Cretaceous horizon
- Drilling to be completed by year-end and if successful, Peshkabir field to be quickly brought on production using existing infrastructure
- In Oman, drilling of Hayah-1 exploration well at Block 36 progressing and expected to reach target depth of 2,700 meters by end-May
- Located in prolific Rub al-Khali basin in southwestern Oman bordering Saudi Arabia and Yemen, with license covering surface area of more than 18,000 square kilometers



# Financial review

# DNO financial results – key figures



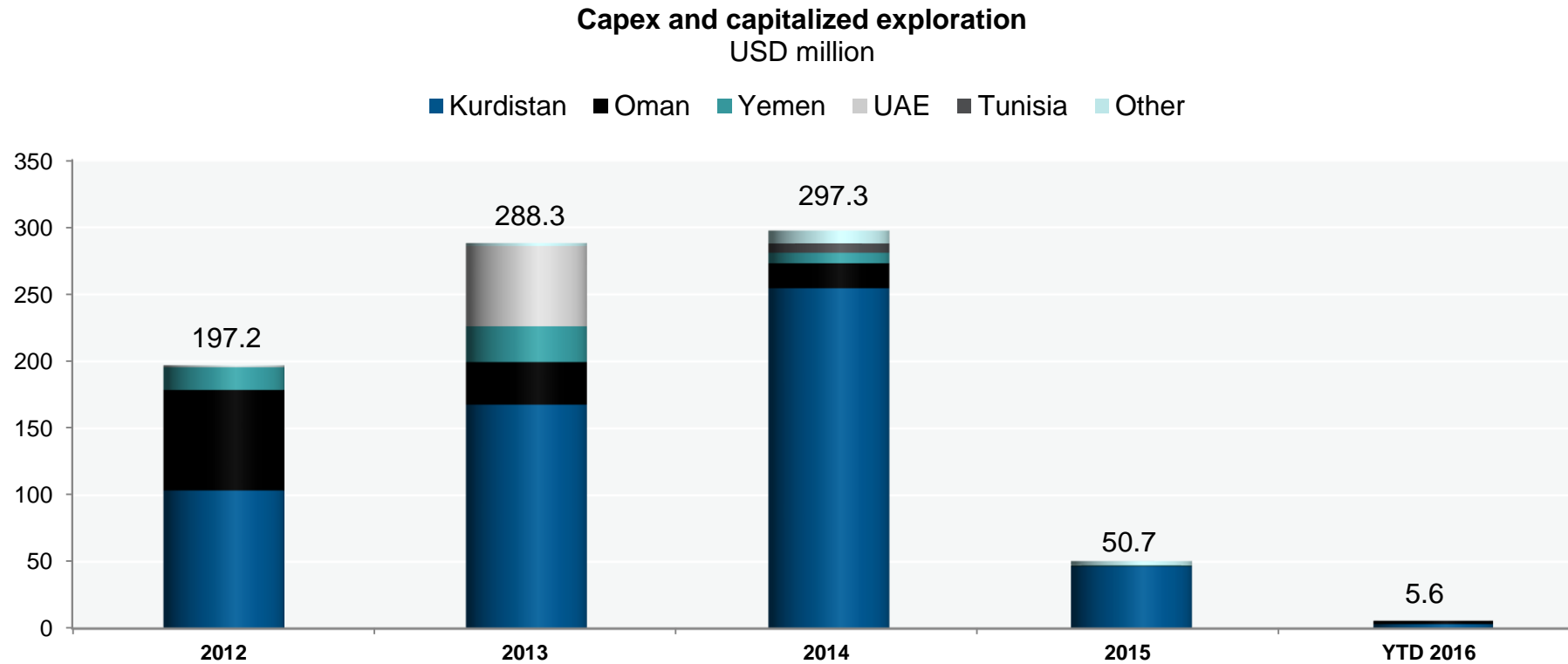
- Stable quarterly revenues at USD 50 million or higher during four consecutive quarters
- Steady netback cash flow over last three quarters

# Financial summary

USD million	Q1 2016	Q4 2015	Q1 2015	2015
<b>Sales</b>	<b>49.6</b>	<b>54.5</b>	<b>26.0</b>	<b>187.4</b>
Cost of goods sold	-30.7	-26.7	-61.8	-197.0
<b>Gross profit</b>	<b>18.9</b>	<b>27.9</b>	<b>-35.8</b>	<b>-9.5</b>
Expensed exploration	-3.5	-4.1	7.0	-23.5
Administrative expenses	-6.8	-6.2	-4.3	-19.0
Other operating expenses	-0.6	-19.2	-22.9	-29.0
Impairment of oil and gas assets	-	-79.7	-13.2	-92.9
<b>Profit/loss from operating activities</b>	<b>8.0</b>	<b>-81.3</b>	<b>-69.2</b>	<b>-174.0</b>
Net finance	-12.2	-27.7	-3.9	-62.5
<b>Profit/loss before income tax</b>	<b>-4.3</b>	<b>-109.0</b>	<b>-73.2</b>	<b>-236.5</b>
Income tax expense	-0.7	25.8	-1.0	24.1
<b>Net profit/loss</b>	<b>-4.9</b>	<b>-83.3</b>	<b>-74.2</b>	<b>-212.4</b>

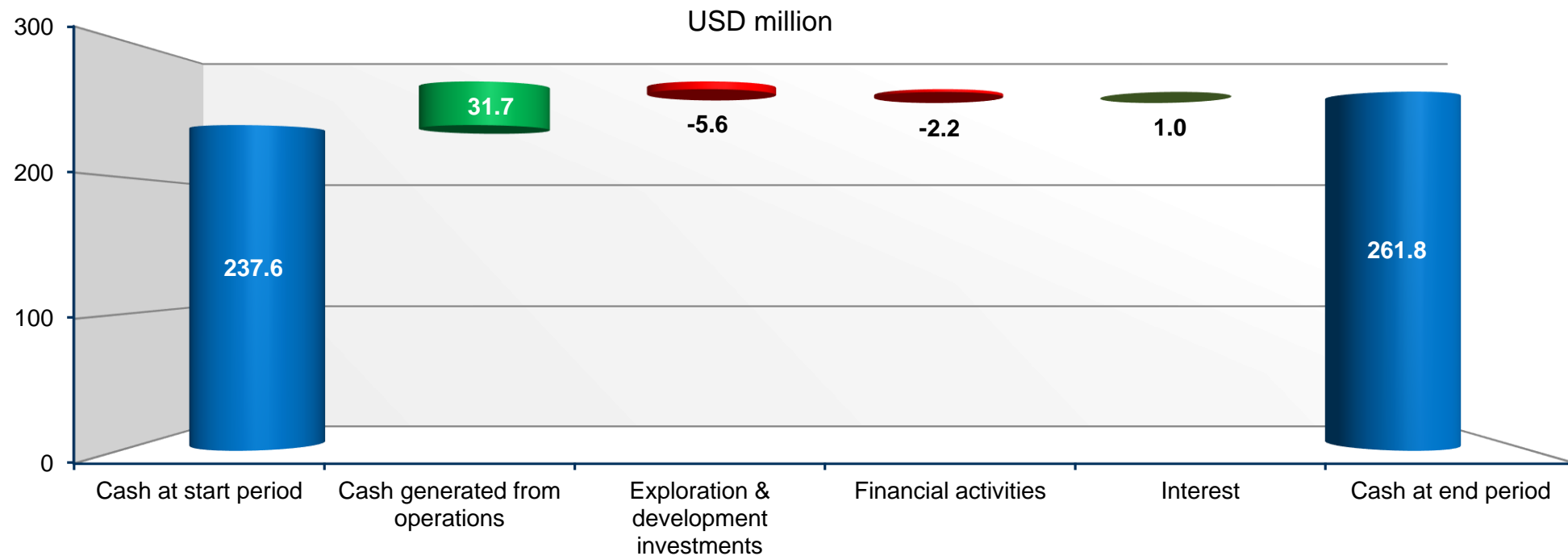
- Q1 cost of goods sold down year-on-year due to significant reduction in lifting costs
- Depreciation method for Tawke PSC changed from 2P to 1P reserves from 1 January 2016
- Reduction in DNO net Tawke booked receivable by USD 2 million during Q1

# Investment program



- Capex spending in Q1 of USD 5.6 million split between Tawke and Block 36 exploration well
- Additional USD 3.5 million exploration expensed, primarily from Tunisia activity
- Planned capital investments totaling USD 100 million in 2016, mainly on stepped up drilling in Kurdistan

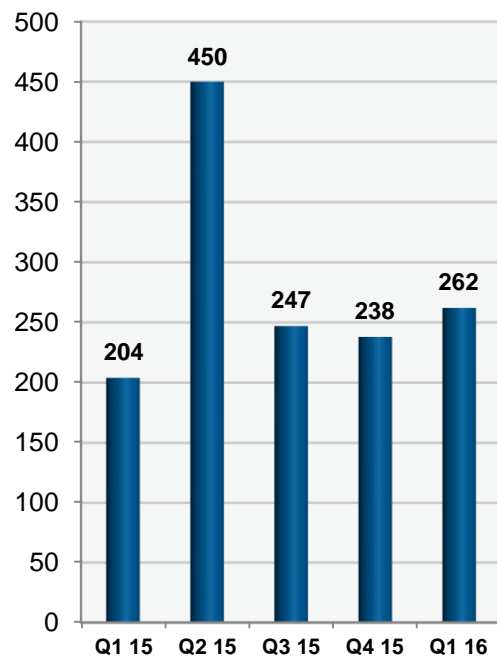
# Q1 2016 cash flow



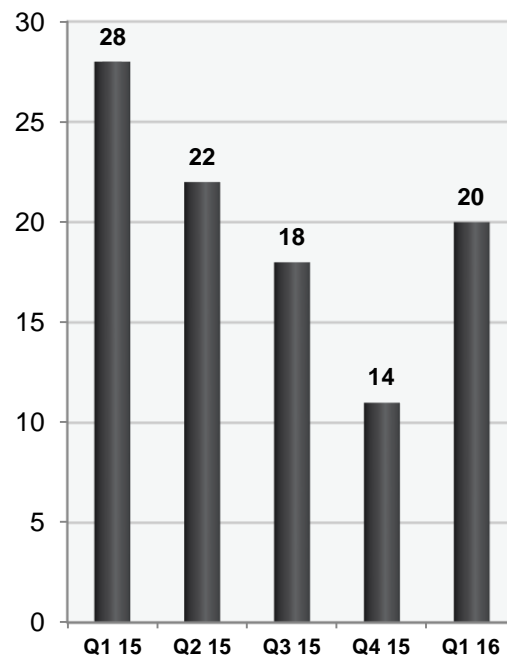
- Solid Q1 operational cash flow of USD 31.7 million
- Trade and other payables reduced by USD 3.3 million in Q1
- Tawke local sales receivable reduced to USD 117.3 million

# Capital structure

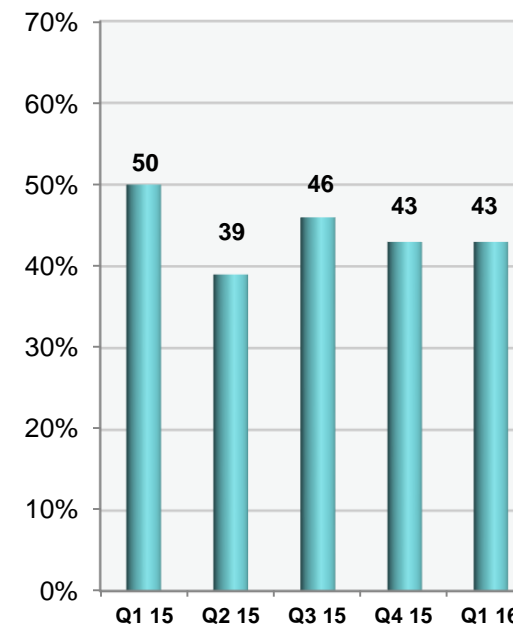
**Cash deposits**  
USD million



**Financial assets**  
USD million



**Equity ratio**  
Percent



- Solid balance sheet with low leverage
- Increase in cash reduces net interest bearing debt to USD 138 million
- Increase in financial asset value to USD 20 million

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