



Interim Presentation
Third Quarter 2016



Corporate overview and operational highlights

Corporate overview

- Third consecutive quarter of operating profits underscores DNO's financial recovery
- Stepped up investments in Kurdistan in 2016 with drilling of four wells at flagship Tawke field, adding 10,000 barrels of oil per day (bopd) of new production
- At 118,000 bopd, Tawke currently exceeds the combined production of fields operated by all other international oil companies in Kurdistan
- Recent export payments by Kurdistan Regional Government for Tawke have been irregular and delayed; notwithstanding, Tawke payments year-to-date (YTD) have totaled USD 255 million, of which USD 184 million net to DNO
- DNO continues to respond to challenging oil market environment by focusing on low-risk, low-cost drilling and further rationalization of portfolio by shedding non-core assets

Q3 2016 operational highlights

- Operated production in Q3 averaged 114,500 barrels of oil equivalent per day (boepd)
- Of which Tawke represented 109,200 bopd
- Tawke production periodically constrained by pipeline closures in Turkey
- Average wellhead sales price for Tawke crude of USD 34 per barrel in Q3 2016, unchanged from previous quarter
- Oman production averaged 5,300 boepd during the quarter
- Total Q3 Company Working Interest (CWI) production averaged 70,300 boepd

Q3 2016 financial highlights

- Q3 2016 revenues of USD 49 million
- Q3 operating profit of USD 9 million, resulting in YTD operating profit of USD 33 million
- Projected 2016 capital investments of USD 70 million, funded by cash from operations, against previous guidance of USD 100 million
- Continue to strengthen our balance sheet
- Exited the quarter with cash of USD 266 million, up from USD 238 million at end-2015

Tawke drilling activity

- Four production wells completed YTD 2016 utilizing two rigs
- Tawke-31 Cretaceous well completed at cost of USD 7 million and currently producing 4,000 bopd
- Encouraging results from Tawke shallow Jeribe wells; quick-drill (10 days), low-cost (USD 2 million) wells have together added 6,000 bopd of new production
- Spudded Peshkabir-2 well in early October to appraise Jurassic reservoir and explore Cretaceous horizon on previous discovery west of main Tawke field; drilling ahead at 2,000 meters and expected to reach target depth of 3,500 meters in January 2017
- First half 2017 drilling of Tawke-35 and Tawke-36 Cretaceous wells and currently firming up plans for Tawke-41 Cretaceous well and Tawke-38 and Tawke-39 Jeribe wells
- Engagement of a third drilling rig at Tawke license in 2017 contingent on export payments and drawdown of receivables from the Kurdistan Regional Government

12-month drilling program

Well	2016						2017					
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Tawke-31 (Cretaceous producer)		Firm										
Tawke-32 (Jeribe water disposal)		Firm										
Tawke-33 (Jeribe producer)			Firm									
Tawke-34 (Jeribe producer)				Firm								
Tawke-35 (Cretaceous producer)								Firm				
Tawke-36 (Cretaceous producer)										Firm		
Tawke-37 (Jeribe producer)					Firm							
Tawke-38 (Jeribe producer)									Firm			
Tawke-39 (Jeribe producer)										Firm		
Tawke-40 (Jeribe water disposal)											Firm	
Tawke-41 (Cretaceous producer)												Firm
Peshkibir-2 (appraisal)				Firm								
West Bukha-5 (re-drill)							Firm					

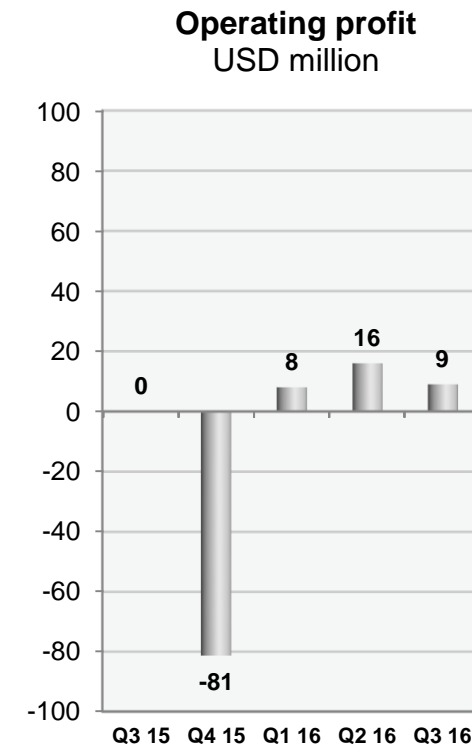
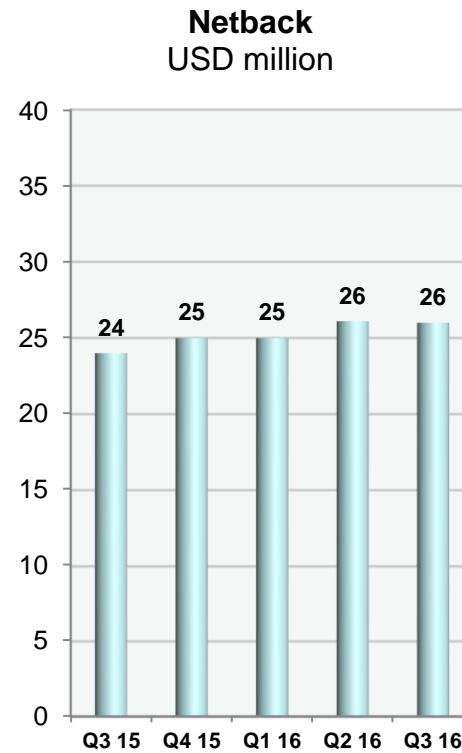
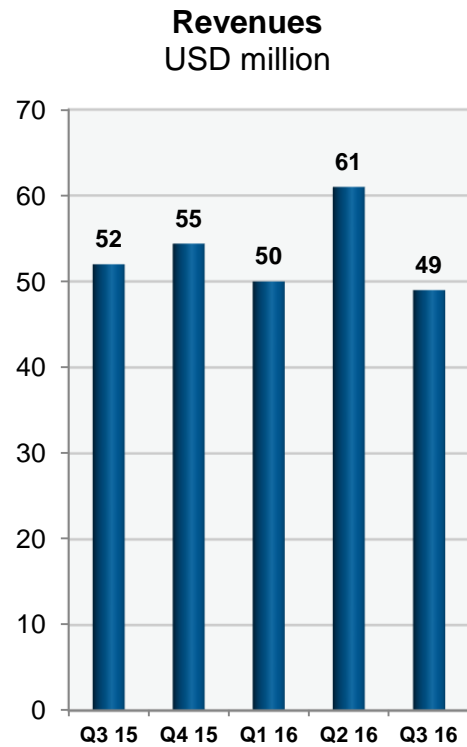
■ Firm
 ■ Contingent

Gulf Keystone revisit

- July 2016 proposal to acquire Gulf Keystone at USD 300 million in cash and shares has expired as certain conditions to the financial restructuring set by Gulf Keystone itself appear not to have been met
- Given uncertainties about Gulf Keystone's asset, commercial outlook and future rights and obligations at Shaikan field, and following a careful review of the company's latest reserves report, DNO prepared to consider all cash transaction but at meaningful discount to previous USD 300 million cash-and-shares offer
- Approval from Kurdistan Regional Government still required
- Clear operational synergies and efficiencies in a DNO-Gulf Keystone combination in Kurdistan

Financial review

DNO financial results – key figures

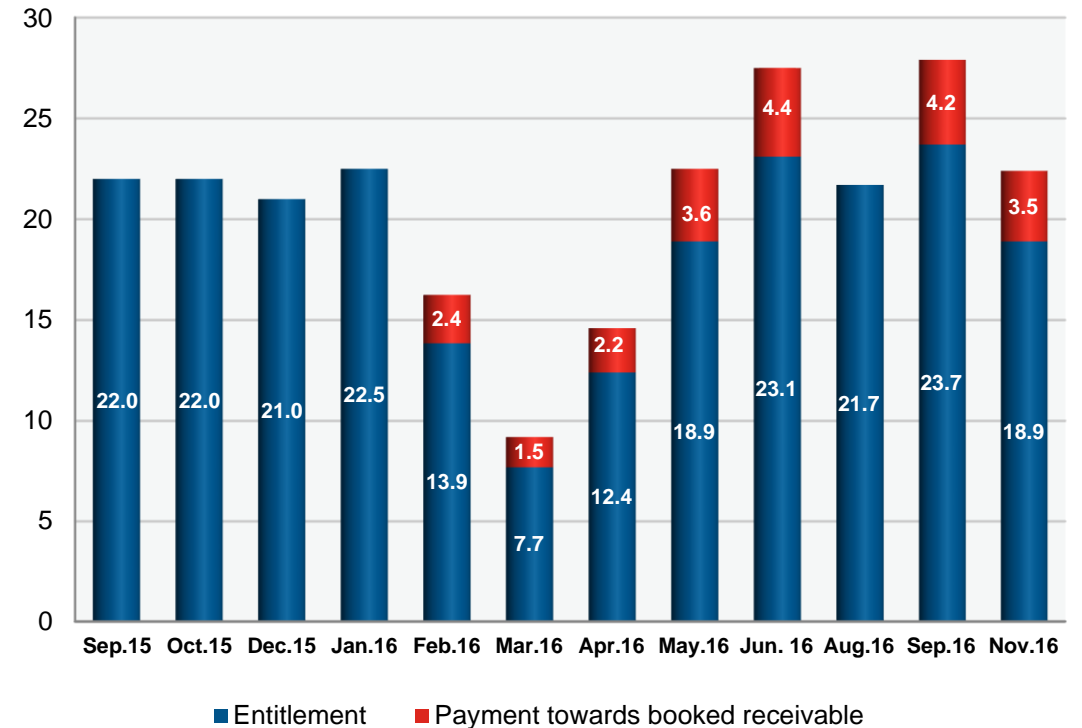


- Q3 revenues below entitlement due to Kurdistan payment delay
- Strong operational cash flow

Kurdistan payment update

- Since resumption of export payments in September 2015, 12 monthly payments received from KRG totaling USD 345 million (USD 249 million net to DNO)
- In Q3, payments totaling USD 67 million (USD 50 million net to DNO) received for Tawke exports
- Gross payment of USD 31 million (USD 22 million net to DNO) for August exports not received until Q4 2016

Kurdistan export payments net to DNO
USD million

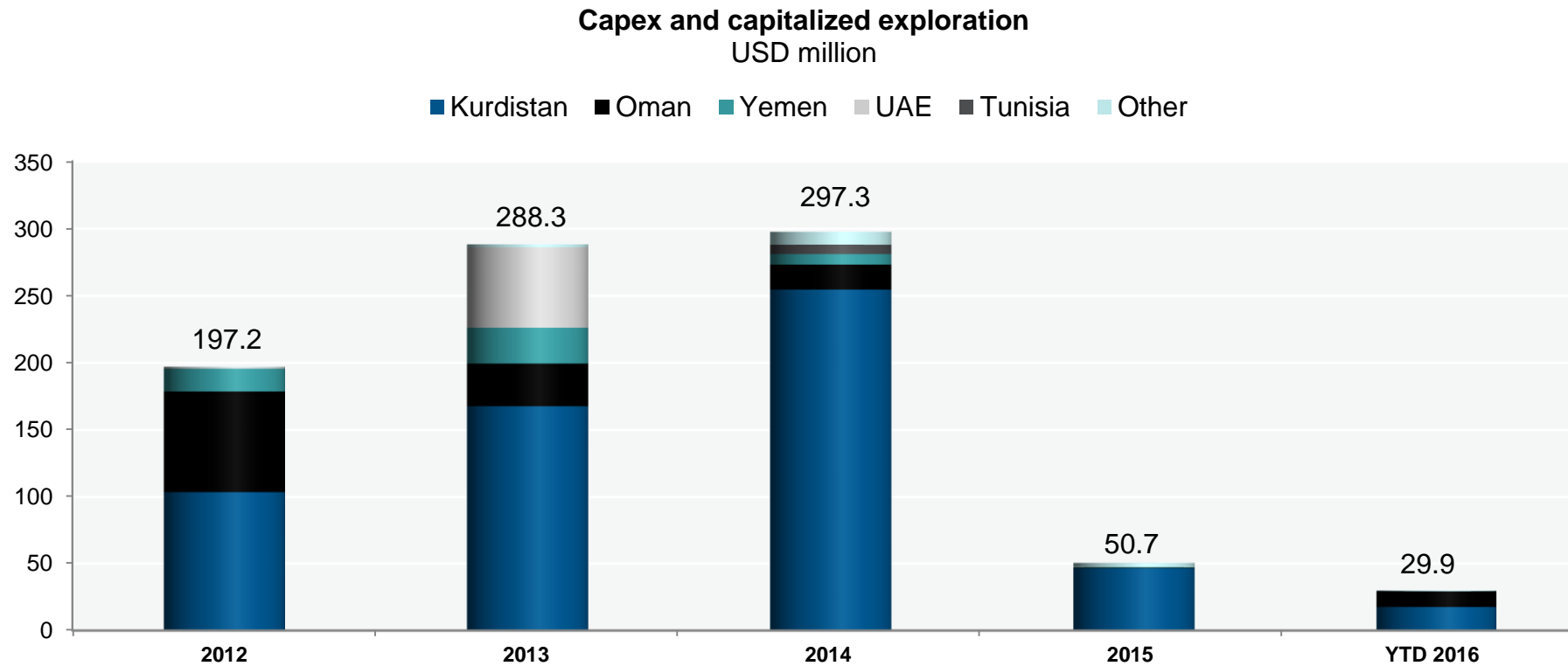


Financial summary

USD million	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015
Sales	48.8	61.2	52.1	159.6	132.9
Cost of goods sold	-29.1	-32.0	-42.8	-91.8	-170.3
Gross profit	19.8	29.2	9.3	67.9	-37.4
Expensed exploration	0.6	-16.1	-4.7	-19.0	-19.4
Administrative expenses	-6.9	-7.9	-3.9	-21.6	-12.9
Other operating income/expenses	-2.3	4.9	-0.8	2.1	-9.8
Impairment of oil and gas assets	-2.0	6.0	0.0	4.0	-13.2
Profit/loss from operating activities	9.1	16.2	-0.1	33.3	-92.6
Net finance	-11.5	-11.1	-14.8	-34.8	-34.7
Profit/loss before income tax	-2.4	5.1	-14.9	-1.6	-127.3
Income tax expense	-0.8	-1.0	0.1	-2.5	-1.7
Net profit/loss	-3.2	4.0	-14.9	-4.1	-129.0

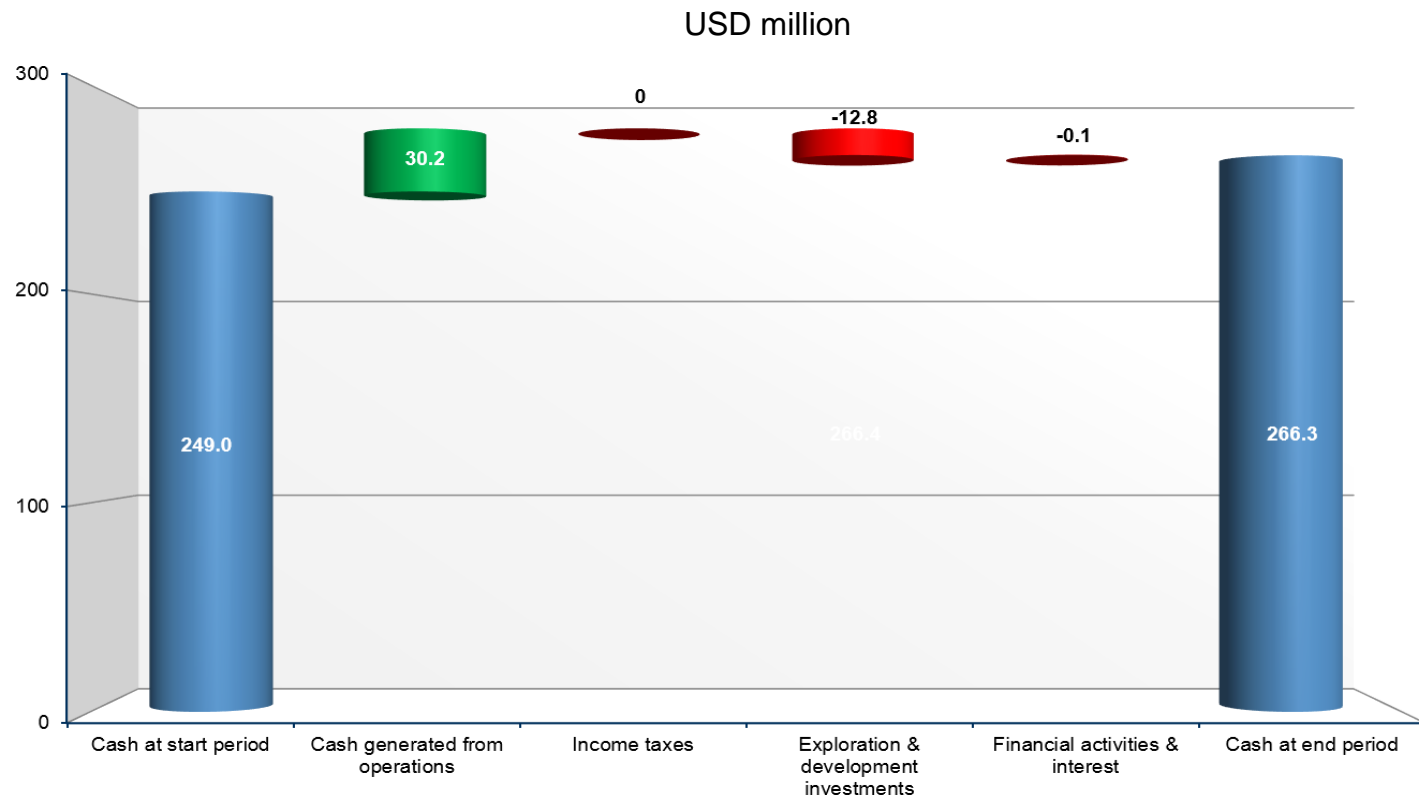
- Improved YTD financials on back of higher revenues and lower costs
- Increase in YTD operating profit to USD 33.3 million, compared with operating loss of USD 92.6 million during same period in 2015

Investment program



- Revised capex forecast of USD 70 million for 2016 following review of drilling plans
- USD 29.9 million spent YTD, of which USD 11.8 million was expensed in Q2 following dry well in Oman

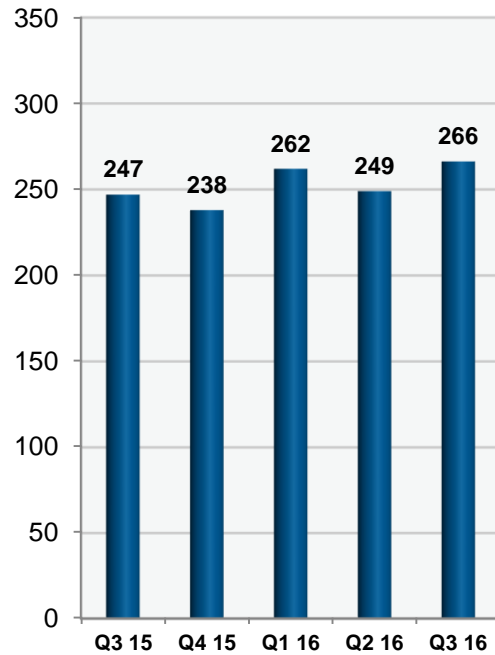
Q3 2016 cash flow



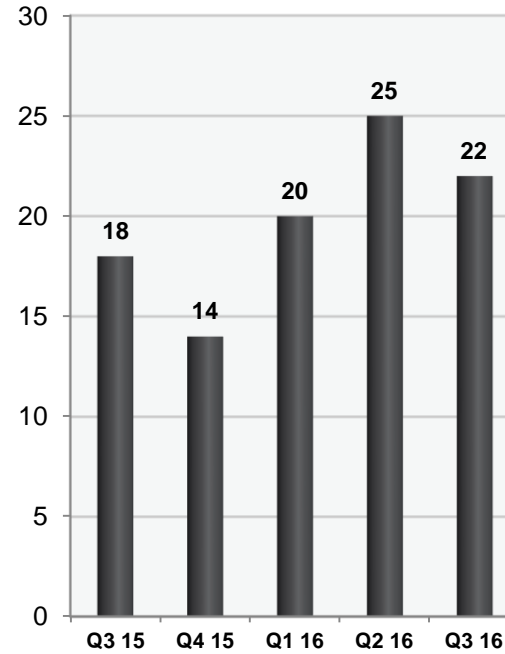
- Strong Q3 operational cash flow of USD 30.2 million
- Limited working capital changes
- Tawke booked local sales receivable reduced by USD 4.2 million during Q3

Capital structure

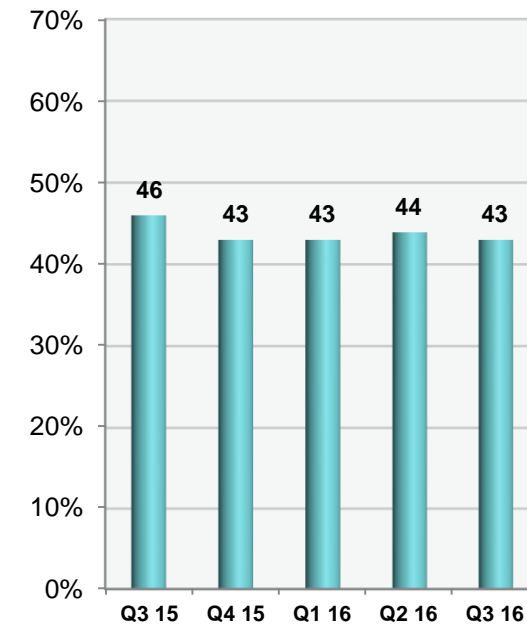
Cash deposits
USD million



Financial assets
USD million



Equity ratio
Percent



- Cash balance up to USD 266 million
- Net interest bearing debt stands at USD 134 million
- Solid balance sheet with low leverage

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