

11 September 2018

**DIVERSIFIED GAS & OIL PLC**  
**("DGO" or the "Company")**

**Interim Results**

Diversified Gas & Oil PLC (AIM: DGOC), the US based gas and oil producer with a focus on the Appalachian Basin, is pleased to announce its interim results for the six-month period ended 30 June 2018.

**Period Highlights:**

- Revenue of \$58.0m (2017: \$10.9m\*)
- Adjusted EBITDA of \$22.87m
- Materially increased production through acquisition
  - Average daily production of 19.3 kboed
  - Exit rate of approximately 27 kboed at period end (June average)
  - Current net production of approximately 60 kboed (July average)
- Strong adjusted EBITDA margins of 40%
- Continued success of value accretive acquisitions:
  - Alliance Petroleum for \$80.7m completed in early March
  - Conventional assets from CNX Resources for \$89.3m completed in early April
  - \$575m of gas, oil and midstream assets from EQT Corporation completed post period (July)
- Commencement of quarterly dividend payment
  - Q1'18 dividend of 1.725 cents per share announced previously to be paid on 24 September 2018 to shareholders on the register at 13 July 2018
  - Q2 '18 dividend declared of 2.8 cents per share to be paid on 19 December 2018
- Significantly strengthened balance sheet & liquidity
  - \$439m of new gross equity raised (inclusive of July 2018 equity raise)
  - Enlarged credit facility of \$1bn with a \$600m committed borrowing base
  - Maintains 1.7x leverage ratio on prospective basis
  - Strong liquidity position of \$187m
- Successful integration process of acquired assets delivering operating synergies:
  - Lower unit costs (H1'17 vs H1'18)
  - Enhanced operating margins (H1'17 vs H1'18)

\* figures have been restated to reflect the revisions for operator revenue, cost of sales and administrative expenses. Operator revenue of \$641k has been reclassified as reductions in operator expenses included in cost of sales for the six months to 30 June 2017. This represents operator expenses recharged to and recovered from holders of working interests.

**Commenting on the Results, CEO Rusty Hutson said:**

*"We would define the first half of 2018 as a period of transformative growth resulting in a material step-change for our operational and financial profile. We continued to deliver on our growth strategy and capitalised on compelling, per-share accretive acquisition opportunities in the Appalachian Basin to grow our production by more than 90% since year end, and we accomplished this growth without risking the balance sheet. Instead, our financial strength has been improved with the addition of our low cost credit facility and a leverage profile of less than two times adjusted EBITDA. The real impact of these game-changing acquisitions will be achieved in the second half of the year and beyond, as we realise the benefits of scale in the form of materially increased cash flow, lower costs and enhanced EBITDA margins, all of which underpin the reliable and peer-leading quarterly dividend. Our near-term focus will remain on extracting maximum value from our enlarged portfolio by leveraging operating synergies to drive both top line growth and further cost reductions that collectively elevate our already compelling margins. Our operating environment is increasingly positive, and we continue to screen a robust pipeline of growth opportunities from our position as the consolidator of choice in the Appalachian Basin."*

**Results presentation and audiocast**

An analyst presentation will be held at 10:30am BST on 11 September 2018 at the offices of Buchanan (107 Cheapside, London, EC2V 6DN).

The presentation will be made available on the Company website, [www.dgoc.com](http://www.dgoc.com).

An audiocast of the presentation can be accessed shortly after the live presentation concludes through the following link:  
<http://webcasting.buchanan.uk.com/broadcast/5b800ba90f6d547ed12e613c>

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

**Diversified Gas & Oil PLC**

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## Introduction

The first half of 2018 saw DGO accelerate the speed of its growth through a series of transformative events. Although the Half Year Results tell the story of dramatic growth in the period, they do not reflect the scale of DGO's current operational footprint and financial profile, following the completion of two major acquisitions in the second quarter, and yet another game-changing transaction that made DGO one of the largest producers by volume, listed in London.

The focus for the business throughout the period has been on positioning the Company to grow production, cashflow and EBITDA margins, all with a view to generating long-term value for its shareholders through capital appreciation and a competitive dividend yield. As highlighted by these results, DGO has been successful in every measure and is well placed to demonstrate a step-change in all key metrics as it benefits from its recently expanded operational footprint and associated operating efficiencies.

The Board is pleased to announce a dividend for the second quarter of 2.8 cents per share, payable on 19 December 2018 to those shareholders on the Company's register on 30 November 2018. This represents an increase of 62 per cent over the 2018 Q1 dividend of 1.725 cents. Together these dividends are an increase of 128 per cent over the first half of 2017.

## Accelerating our strategy

Throughout the period, the Company continued to effectively implement its growth strategy by leveraging its highly visible growth profile within both the Appalachian Basin and the Capital Markets to capitalise on the acquisition opportunities created by often larger, drilling-oriented companies wishing to divest of non-core assets, particularly within its focus region of Appalachia.

DGO has cemented its position as the leading consolidator for mature, cash-flowing assets in the region to become the largest producer from conventional assets in the Appalachian Basin. The Company has successfully leveraged its established dividend-paying investment case and track record for closing value-creating acquisitions to access the capital required to continue targeting sizeable transactions through a combination of new equity and debt.

In January, DGO announced the nearly simultaneous and highly complementary acquisitions of Alliance Petroleum for \$80.7m and certain producing assets from CNX for \$89.3m, which it funded through a placing raising gross proceeds of \$189m. These transactions took net

production to over 26 kboepd on a historical pro forma basis, an increase of 170% from year-end 2017.

Even more transformative still was the \$575m acquisition of assets from EQT Corporation announced just prior to the period-end, which again more than doubled the already elevated production levels and increased DGO's PDP Reserves to 393 mmboe. The Company funded this transaction, which was immediately accretive to cash and earnings, through a placing which raised \$250m, and with low-cost funding from its existing credit facility, which was doubled to \$1 billion with a \$600m borrowing base. After the completion of the EQT acquisition in July, DGO's current net production of approximately 60 kboepd has made it the largest producer on AIM by some margin and one of the largest independent producers in terms of volumes quoted in London. Demonstrating the value creating nature of the transaction, DGO's declared dividend for the second quarter of 2018 is 62% higher than its previous first quarter dividend, and is compelling evidence of its commitment to its dividend policy to provide robust income for shareholders.

The EQT acquisition also included more than 6,400 miles of gathering pipe, incorporating some 59 compression stations. This acquisition enhanced the economics of the Company's production in the region and will form a basis from which to develop the Company's mid-stream operations.

### **Leveraging an expanded operational footprint**

The opportunity to acquire complementary and operationally compatible assets in the Appalachian Basin from Alliance and CNX was compelling. Building on DGO's enhanced experience of completing the acquisition of Titan the previous year, our team quickly set about integrating and optimising these newly acquired assets.

The focus throughout the integration process has been to further realise the financial and operating benefits of enlarged scale - elements central to DGO's investment strategy. The integration of these assets, acquired in March 2018, was facilitated by the high-quality teams that came with the respective acquisitions, particularly the Alliance team that included a number of talented corporate support personnel including accounting, treasury and land personnel. By taking on a combination of experienced senior management and highly skilled field workers with in-depth knowledge of the assets, DGO has been able to identify and prioritise the areas of integration that maximise synergies and optimise production.

In addition to maintaining and increasing production from existing wells through workover initiatives, the operations team has successfully returned wells into production, many of which came within the Alliance and CNX packages. Returning these previously unproductive wells to production has the dual benefit of partially offsetting overall natural decline rates, whilst also removing the wells from decommissioning. Over the last 18 months, DGO has brought over 500 wells back into production across its expanded acreage, resulting in prolonged production and deferred Plugging & Abandonment ("P&A") liabilities.

### **Decommissioning**

The topic of decommissioning has always been a key consideration for DGO given the mature asset focus of the business. The issue has increased in relevance as the Company has expanded its acreage and therefore the scale of future liabilities. The State regulatory bodies typically establish the requirements around P&A liabilities, and DGO maintains constructive dialogue with those relevant authorities to ensure compliance and to agree on mutually beneficial long-term plugging programmes over the life of DGO's diverse portfolio.

The cost of plugging activities varies according to the depth of a well. Over 98% of DGO's well portfolio will be at the lower end of the range at around \$25k per well. The Company continually reviews ways in which plugging costs can be reduced further and is likely to expand its internal P&A capabilities to minimise the role of third party vendors whose work inherently carries its own profit margins, an action that is expected to further reduce the average plugging costs.

In line with DGO's approach to risk mitigation and visibility on key financial metrics, DGO is actively pursuing agreements with state authorities in the states in which it operates. In this regard, the Company can budget accordingly for the long-term costs and logistical efforts associated with plugging wells, with costs representing a fraction of the annual earnings generated by the portfolio. Of the more than 50,000 wells in the current portfolio, we expect to plug fewer than 2,000 wells over the next 15 years, with the vast majority producing for many decades based on the low natural decline profile of the wells comprising our portfolio.

### **A transformational acquisition**

The completion of the acquisition of assets from EQT Corporation in July represented a material step change in DGO's operating footprint and financial profile. This transaction gives DGO unparalleled scale in the conventional gas space in the Appalachian Basin, an enhanced exposure to liquids, and an expansive wholly owned midstream infrastructure.

The upstream assets are consistent with the wider portfolio profile in terms of long well-life (average 50 years) and low decline rates of around 4% to 7% per annum. The midstream assets provide DGO with its initial ownership of gathering systems that span a significant portion of its Kentucky acreage position and eliminate a meaningful portion of third party gathering expenses. Importantly, they also provide DGO with significant takeaway capacity to multiple end markets and processing capacity to support both existing and future potential development across the portfolio. For example, the ability to move a significant portion of its Kentucky natural gas production to a local liquids processing plant allows the Company to realize the economics of its natural gas liquids, providing an estimated net 56% uplift in the realized price it receives for this production. It is this type of value-creating element of the acquisition that is driving DGO's adjusted EBITDA margins from approximately 40% to approximately 60%. As with previous acquisitions, DGO has assumed related operating personnel to expedite integration of these assets to realize these higher margins.

The EQT acquisition represented a continuation of DGO's track record to source, progress and complete value accretive acquisitions. The Company's purchase price for the assets represents an attractive valuation multiple of just 3.5x annual operating cash flow, which is consistent with DGO's recent track record for acquisitions and is particularly impressive for an acquisition of this size and including midstream assets. As DGO successfully integrates the assets, the Company expects to demonstrate a further reduction in its operating costs, which will further enhance its EBITDA margins.

## **Outlook**

DGO continues to progress from one position of strength to another, and is already unrecognisable from the company that floated on AIM just over 18 months ago. The Company has achieved a significant level of growth, surpassing market forecasts through a series of high quality, earnings accretive acquisitions.

The window for further M&A opportunities in the Appalachian Basin remains open, and the Company continues to review value accretive acquisitions in line with its proven growth strategy. With its growing list of successfully completed, sizeable acquisitions in the region, DGO has access to an increasingly robust pipeline of growth opportunities to consider. The Board remains steadfast in its focus to only consider new opportunities that complement and enhance the existing business and often passes on growth opportunities not suited to the Company's current asset portfolio. Importantly, DGO benefits from a strong balance sheet, liquidity and the demonstrated ability to move quickly on large packages of exceptional assets should it identify compelling opportunities.

The long-term outlook for natural gas prices in the region remains stable with investments being made in expanded take-away capacity coming online in the region providing a catalyst for higher realized prices as basin basis differential begins to decline. Consistent with its commitment to always protect its cash flow and the underlying dividend funded by its stable production base, DGO will continue to implement its hedging strategy, whilst also retaining upside exposure on a portion of its production to realise pricing increases.

Presently, DGO is intensely focused on the complete and efficient integration of assets acquired from EQT, and expects the addition of these assets and the achieved operating synergies to enhance revenue, cashflow and EBITDA margins whilst reducing operating costs.

Overall, DGO has created long-term value for shareholders by stewarding its capital to enlarge a strong platform of stable, cashflow producing assets, and is well positioned to deliver a materially stronger second half as it realises the benefits of the transformative acquisitions completed in the first seven months of 2018.

## **Financial Review**

(Amounts other than per unit are reported in thousands)

	Six months to			
	30 June 2018	30 June 2017	\$ Change	% Change
<b>Net production</b>				
Natural gas (MMcf)	19,982	3,168	16,814	530.7 %
Oil (MBbls)	116	53	63	120.5 %
NGL (MBbls)	53	-	53	100 %
Total (MBOE)	3,499	581	2,918	502.2 %
Average daily production (BOE/d)	19,331	3,210	16,121	502.2 %
% gas (BOE basis)	95%	91%		
<b>Average realised sales price</b>				
(excluding impact of cash settled derivatives)				
Natural gas (Mcf)	\$ 2.40	\$ 2.46	\$ (0.06)	(2.4)%
Oil (Bbl)	64.59	45.59	19.00	41.7 %
Total (BOE)	\$ 16.20	\$ 17.55	\$ (1.35)	(7.7)%
<b>Average realised sales price</b>				
(including impact of cash settled derivatives)				
Natural gas (Mcf)	\$ 2.44	\$ 2.49	\$ (0.05)	(2.0)%
Oil (Bbl)	53.83	46.33	7.50	16.2 %
Total (BOE)	\$ 16.07	\$ 17.80	\$ (1.73)	(9.7)%
<b>Natural gas and oil revenue</b>				
(in thousands)				
Natural gas	\$ 48,027	\$ 7,795	\$ 40,232	516.1 %
Oil	7,492	2,399	5,093	212.3 %
NGL	1,154	-	1,154	100 %
Total natural gas, oil and NGL revenue	56,673	10,194	46,479	455.9 %
Other revenue	1,360	706	654	92.6 %
Total revenue	\$ 58,033	\$ 10,900	\$ 47,133	432.4 %
<b>Gains (losses) on derivative settlements</b>				
Natural gas	\$ 825	\$ 108	\$ 698	646.3 %
Oil	(1,248)	39	(1,287)	(3,300.0)%
Net gains on derivative settlements	\$ (423)	\$ 147	\$ (589)	(400.7)%
<b>Per BOE metrics</b>				
Realised price (including impact of cash settled derivatives)	\$ 16.08	17.80	\$ (1.73)	(9.7)%
Other revenue	0.39	1.22	(0.83)	(68.0)%
Lease operating expenses (a)	7.01	8.13	(1.12)	(13.8)%
Recurring administrative expenses	1.51	2.64	(1.13)	(42.8)%
Production taxes	0.20	1.25	(1.05)	(84.0)%
Gathering, processing and transportation	1.21	-	1.21	100 %
Operating margin	\$ 6.53	7.00	\$ (0.47)	(6.7)%
% Operating margin	39.7%	36.8%		

#### *Production, Revenue and Hedging*

Total revenue in 1H18 of \$58.0m increased 432.4% from \$10.9m reported for 1H17 primarily due to a 502.2% increase in barrel of oil equivalent sales partially offset by a 7.7% decrease in the average realised sales price. DGO ended 1H18 with net MBOE sales of approximately 3,499 vs. the prior year sales of approximately 581. The increase in production was driven by the increase in producing wells from our acquisitions of assets from Titan Energy, EnerVest Energy, Alliance Petroleum Company, and CNX Resources LLC in 2H17 and 1H18. See Note 9 for additional information regarding DGO's acquisitions.

The following table is intended to reconcile the change in oil and natural gas revenue for 1H18 by reflecting the effect of changes in volume and in the underlying prices.

(Reported in thousands)	Natural gas		Oil
<b>Revenue for the six months to 30 June 2017</b>	\$	7,795	2,399
Volume increase		41,362	2,890
Price (decrease)/increase		(1,130)	2,203
Net increase		40,232	5,093
<b>Revenue for the six months to 30 June 2018</b>	\$	48,027	\$ 7,492

To manage its cash flows in a volatile commodity price environment, DGO uses a combination of physical and financial derivative instruments. As required by its Senior Secured Credit Facility, DGO executed a combination of fixed price physical contracts, price swap financial contracts and two-way collar financial contracts to hedge between 75% and 90% of the Company's forecasted production volumes for a 36-month rolling period. Refer to Note 13 for additional information regarding DGO's hedge portfolio.

#### Expenses

(Amounts other than per unit are reported in thousands)	Six months to				Total Change		BOE Change	
	30 June 2018	Per BOE	30 June 2017	Per BOE	\$	%	\$	%
	Lease operating expenses <sup>(a)</sup>	\$ 24,520	\$ 7.01	\$ 4,722	\$ 8.13	\$ 19,798	419 %	\$ (1.12)
Production taxes	700	0.20	725	1.25	(25)	(3)%	(1.05)	(84)%
Gathering, processing and transportation	4,225	1.21	-	-	4,225	100 %	1.21	100 %
Total cost of sales	\$29,445	\$ 8.41	\$5,447	\$9.38	\$23,998	441 %	\$ (0.97)	(10)%
Depreciation and depletion	8,354	2.39	2,242	3.86	6,112	273 %	(1.47)	(38)%
Administrative expenses <sup>(b)</sup>	7,494	2.14	3,304	5.69	4,190	127 %	(3.55)	(62)%
<b>Total expenses</b>	<b>\$ 45,293</b>	<b>\$ 12.94</b>	<b>\$ 10,993</b>	<b>18.93</b>	<b>\$ 34,300</b>	<b>312 %</b>	<b>(5.98)</b>	<b>(32)%</b>

- a) Lease operating expenses are daily costs incurred to extract oil and natural gas and maintain our producing properties. Such costs include maintenance, repairs, insurance, employee and benefits and automobile expenses.
- b) Includes non-recurring costs related to acquisitions of \$2.1m in 1H18 and \$1.8m in 1H17.

As a result of DGO's significant, value-focused growth, unit operating expenses decreased 32% or \$5.98 per BOE. These reductions include:

- Lower per BOE lease operating expenses, which declined 14% or \$1.12 per BOE through a mixture of disciplined cost reductions and through achieving an enlarged scale in the region whereby fixed operating costs were spread across a larger base of producing assets.
- Lower per BOE production taxes, which declines 84% or \$1.05 per BOE.
- Lower per BOE depreciation and depletion, which declined 38% or \$1.47 per BOE due to the acquisition of reserves at attractive valuations resulting in a lower unit depletion charge for each unit produced.
- Lower per BOE administrative expenses, which decreased 62% or \$3.55 per BOE due to the significant growth in our production base.

Partially offsetting these significant per BOE declines were increases in non-controllable costs related to gathering and transportation costs to deliver our production to market.

Refer to Note 9 for additional information regarding DGO's acquisitions.

#### Finance costs

(Reported in thousands)	Six months to		\$ Change	% Change
	30 June 2018	30 June 2017		

Interest	\$	3,415	\$	437	\$	2,978	681.5 %
Finance charge		5		130		(125)	(96.2)%
Bond financing costs		613		174		439	252.3 %
Loan standby fee		204		4		200	5,000.0 %
Loan management fee		38		-		38	100 %
<b>Total finance costs</b>	<b>\$</b>	<b>4,275</b>	<b>\$</b>	<b>745</b>	<b>\$</b>	<b>3,530</b>	<b>473.8 %</b>
<b>Loss (gain) on early retirement of debt</b>	<b>\$</b>	<b>8,359</b>	<b>\$</b>	<b>4,468</b>	<b>\$</b>	<b>3,891</b>	<b>(87.1)%</b>

DGO's finance costs include interest expense on borrowings and non-cash amortization of deferred financing costs. In March 2018, the Company closed a new \$500 million five-year senior secured revolving credit facility with an initial base borrowing base of \$140 million increasing to \$200 million with the closing of the CNX acquisition. The facility has an initial interest rate of 2.50% plus LIBOR and is subject to a grid that fluctuates based upon utilisation with a pricing of 2.25% - 3.25% plus LIBOR.

In 1H18 and using the proceeds from the March 2018 credit facility, DGO repaid its previous outstanding debt. Accordingly, DGO incurred a non-recurring loss on the early extinguishment of debt of \$8.36 million. In 1H17 using the proceeds from our successful AIM IPO, DGO repaid its publicly traded bonds and other outstanding debt. Accordingly, DGO incurred a non-recurring loss on the early extinguishment of debt, which primarily included a \$3.8m charge for the accelerated amortization of the remaining deferred financing costs and \$0.6m in premiums paid to redeem convertible bonds prior to DGO's admission to AIM.

For more information on DGO's acquisitions, secondary offering and borrowings, refer to Notes 9, 8 and 16, respectively

#### **Income before taxation, EPS and Adjusted EBITDA**

DGO reported income before taxation of \$21.4m in 1H18 compared to \$29.4m in 1H17, a decrease of 27%, and reported statutory earnings for 1H18 per diluted ordinary share of \$0.09 compared to \$0.24 per diluted ordinary share in 1H17. However, when adjusted for certain non-cash items such as gains on bargain purchases and similar items, DGO reported adjusted EBITDA per diluted ordinary share of \$0.09 per diluted ordinary share, a 125.0% increase over the prior year's \$0.04 adjusted EBITDA per diluted ordinary share. DGO's adjusted EBITDA for 1H18 was \$22.9m, a 462.2% increase over \$4.1m in 1H17. Refer to Note 6 for additional information regarding DGO's adjusted EBITDA.

#### **Conclusion**

We have already enjoyed an eventful and successful 2018, and we look forward to continued progress as we focus our attention towards 2019. I would like to thank the growing Diversified family for its commitment to safe and efficient operations, the Board for its diligent oversight and guidance, and our shareholders and stakeholders who entrust to us the capital to fuel our growth. I will look forward to reporting back to you with our full-year results.

**Rusty Hutson Jr.**  
**Chief Executive Officer**

#### **AUDITORS' REVIEW REPORT**

##### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the 6 months ended 30 June 2018 which comprises the Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Condensed Interim Consolidated Statement of Financial Position, the Condensed Interim Consolidated Statement of Changes in Equity, the Condensed Interim Consolidated Statement of Cash Flow and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company, in accordance with our instructions. Our review has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the opinions we have reached.

##### **Directors' Responsibilities**

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 3, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

## Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 6 months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

**Crowe U.K. LLP**  
**Statutory Auditor**

**DIVERSIFIED GAS & OIL PLC**  
**Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income**  
**(Amounts in thousands, except per-share**

amounts)

		(Restated)	(Restated)
		Unaudited	Audited
		Six months to	Year ended
	Note	30 June 2018	31 December 2017
Revenue	4	\$ 58,033	\$ 41,777
Cost of sales	5	(29,445)	(20,908)
Depreciation and depletion	5	(8,354)	(7,536)
<b>Gross profit</b>		<b>\$ 20,234</b>	<b>\$ 13,333</b>
Administrative expenses	5	(7,494)	(8,919)
(Loss) gain on disposal of property and equipment		(137)	95
Loss on derivative financial instruments	13	(18,447)	(441)
Gain on sale of oil and gas properties		4,200	-
Gain on bargain purchase	9	37,823	37,093
<b>Operating profit</b>		<b>\$ 36,179</b>	<b>\$ 41,161</b>
Finance costs	16	(4,275)	(5,225)
(Loss) on early retirement of debt	16	(8,359)	(4,468)
Accretion of decommissioning provision	15	(2,158)	(1,764)
<b>Income before taxation</b>		<b>\$ 21,387</b>	<b>\$ 29,704</b>



Taxation on income		2,159	(6,780)	(2,250)
<b>Income after taxation available to ordinary shareholders</b>		<b>\$ 23,546</b>	<b>\$ 22,634</b>	<b>\$ 27,454</b>
Other comprehensive income - gain on foreign currency conversion		6	202	355
<b>Total comprehensive income for the year</b>		<b>\$ 23,552</b>	<b>\$ 22,836</b>	<b>\$ 27,809</b>
<b>Earnings per ordinary share - basic &amp; diluted</b>	7	<b>\$ 0.09</b>	<b>\$ 0.24</b>	<b>\$ 0.23</b>
<b>Weighted average ordinary shares outstanding - basic</b>	7	<b>265,509</b>	<b>94,971</b>	<b>120,136</b>
<b>Weighted average ordinary shares outstanding - diluted</b>	7	<b>266,483</b>	<b>94,971</b>	<b>120,269</b>

The notes are an integral part of these consolidated financial statements.

**DIVERSIFIED GAS & OIL PLC**  
**Interim Consolidated Statements of Financial Position**  
**(Amounts in thousands)**

	Note	Unaudited 30 June 2018	(Restated) Unaudited 30 June 2017	(Restated) Audited 31 December 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Oil and gas properties, net	11	\$ 483,530	\$ 202,010	\$ 215,325
Property and equipment, net	12	10,090	5,668	6,947
Other non-current assets		57,769	1,011	1,036
Restricted cash		2,672	117	744
Indemnification receivable	9	2,133	\$ -	\$ -
<b>Total non-current assets</b>		<b>\$ 556,194</b>	<b>\$ 208,806</b>	<b>\$ 224,052</b>
<b>Current assets</b>				
Trade receivables		34,967	5,085	13,917
Other current assets		2,530	417	513
Equity placing receivable		-	24,864	-
Cash and cash equivalents		9,537	4,574	15,168
<b>Total current assets</b>		<b>\$ 47,034</b>	<b>\$ 34,940</b>	<b>\$ 29,598</b>
<b>Total Assets</b>		<b>\$ 603,228</b>	<b>\$ 243,746</b>	<b>\$ 253,650</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	14	\$ 4,299	\$ 1,940	\$ 1,940
Share premium		254,327	76,015	76,026
Merger reserve		(478)	(478)	(478)
Share based payment reserve		-	-	59
Retained earnings		43,497	28,607	30,691
<b>Total Equity</b>		<b>\$ 301,645</b>	<b>\$ 106,084</b>	<b>\$ 108,238</b>

**Non-current liabilities**

Decommissioning liability	15	\$	72,390	\$	31,630	\$	35,448
Capital lease			1,465		440		836
Borrowings	16		139,688		61,316		70,619
Deferred tax liability			35,092		21,926		17,399
Other non-current liabilities	10		9,780		5,038		5,764
Uncertain tax position	9		2,133		-		-
<b>Total non-current liabilities</b>		<b>\$</b>	<b>260,548</b>	<b>\$</b>	<b>120,350</b>	<b>\$</b>	<b>130,066</b>

**Current liabilities**

Trade and other payables		\$	6,323	\$	3,032	\$	2,132
Borrowings	16		107		305		373
Capital lease			579		250		324
Dividends payable			-		2,887		-
Other current liabilities	10		34,026		10,838		12,517
<b>Total current liabilities</b>		<b>\$</b>	<b>41,035</b>	<b>\$</b>	<b>17,312</b>	<b>\$</b>	<b>15,346</b>

**Total Liabilities**

<b>\$</b>	<b>301,583</b>	<b>\$</b>	<b>137,662</b>	<b>\$</b>	<b>145,412</b>
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**Total Equity and Liabilities**

<b>\$</b>	<b>603,228</b>	<b>\$</b>	<b>243,746</b>	<b>\$</b>	<b>253,650</b>
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The notes are an integral part of these consolidated financial statements.

**DIVERSIFIED GAS & OIL PLC**  
**Interim Consolidated Statements of Changes in Equity**  
**(Amounts in thousands)**

					Share Based		
	Note	Share Capital	Share Premium	Merger Reserve	Payment Reserve	Retained Earnings	Total Equity
<b>Balance at 1 January 2018</b>		<b>\$ 1,940</b>	<b>\$ 76,026</b>	<b>\$ (478)</b>	<b>\$ 59</b>	<b>\$ 30,691</b>	<b>\$ 108,238</b>
Income after taxation		-	-	-	-	23,546	23,546
Gain on foreign currency conversion		-	-	-	-	6	6
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,552</b>	<b>23,552</b>
Issuance of share capital, secondary offering	14	2,359	178,301	-	-	-	180,660
Equity compensation		-	-	-	(59)	-	(59)
Dividends authorized and declared	8	-	-	-	-	(10,746)	(10,746)
<b>Transactions with shareholders</b>		<b>2,359</b>	<b>178,301</b>	<b>-</b>	<b>(59)</b>	<b>(10,746)</b>	<b>169,855</b>
<b>Balance at 30 June 2018</b>		<b>\$ 4,299</b>	<b>\$ 254,327</b>	<b>\$ (478)</b>	<b>\$ -</b>	<b>\$ 43,497</b>	<b>\$ 301,645</b>

	(Restated)					
	Share					
	(Restated)	(Restated)	(Restated)	Based	(Restated)	(Restated)
	Share	Share	Merger	Payment	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	Equity
<b>Balance at 1 January 2017</b>	\$ 669	\$ 313	\$ (478)	\$ -	\$ 8,658	\$ 9,162
Income after taxation	-	-	-	-	22,634	22,634
Gain on foreign currency conversion	-	-	-	-	202	202
<b>Total comprehensive income</b>	-	-	-	-	<b>22,836</b>	<b>22,836</b>
Issuance of share capital, initial offering	768	43,550	-	-	-	44,318
Issuance of share capital, secondary offering	503	32,152	-	-	-	32,655
Dividends authorized and declared	-	-	-	-	(2,887)	(2,887)
<b>Transactions with shareholders</b>	<b>1,271</b>	<b>75,702</b>	<b>-</b>	<b>-</b>	<b>(2,887)</b>	<b>74,086</b>
<b>Balance at 30 June 2017</b>	<b>\$ 1,940</b>	<b>\$ 76,015</b>	<b>\$ (478)</b>	<b>\$ -</b>	<b>\$ 28,607</b>	<b>\$ 106,084</b>

	(Restated)					
	Share					
	(Restated)	(Restated)	(Restated)	Based	(Restated)	(Restated)
	Share	Share	Merger	Payment	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	Equity
<b>Balance at 1 January 2017</b>	\$ 669	\$ 313	\$ (478)	\$ -	\$ 8,658	\$ 9,162
Income after taxation	-	-	-	-	27,454	27,454
Gain on foreign currency conversion	-	-	-	-	355	355
<b>Total comprehensive income</b>	-	-	-	-	<b>27,809</b>	<b>27,809</b>
Issuance of share capital, initial offering	768	43,550	-	-	-	44,318
Issuance of share capital, secondary offering	503	32,163	-	-	-	32,666
Equity compensation	-	-	-	59	-	59
Dividends authorized and declared	-	-	-	-	(5,776)	(5,776)
<b>Transactions with shareholders</b>	<b>1,271</b>	<b>75,713</b>	<b>-</b>	<b>59</b>	<b>(5,776)</b>	<b>71,267</b>
<b>Balance at 31 December 2017</b>	<b>\$ 1,940</b>	<b>\$ 76,026</b>	<b>\$ (478)</b>	<b>\$ 59</b>	<b>\$ 30,691</b>	<b>\$ 108,238</b>

The notes are an integral part of these consolidated financial statements.

**DIVERSIFIED GAS & OIL PLC**  
**Interim Consolidated Statements of Cash Flow**  
(Amounts in thousands)

	(Restated)		(Restated)
	Unaudited		Audited
	Six months to		Year ended
Note	30 June 2018	30 June 2017	31 December 2017
<b>Cash flows from operating activities</b>			
Income after taxation	\$ 23,546	\$ 22,634	\$ 27,454
Cash flow from operations reconciliation:			

Depreciation and depletion		8,354	2,242	7,536
Accretion of decommissioning provision	15	2,158	585	1,764
Deferred income taxes		(2,159)	6,780	2,251
Provision for working interest owners receivable		-	-	632
Loss on derivative financial instruments	13	18,447	687	1,965
Gain on oil and gas properties		(4,200)	(396)	(396)
Gain on bargain purchase	9	(37,823)	(35,841)	(37,093)
Deferred financing expense		195	4,045	4,510
Loss on debt cancellation		8,164	-	-
Loss (gain) on disposal of property and equipment	12	137	(4)	95
Non-cash equity compensation		-	-	59
Working capital adjustments:				
Change in trade receivables		(9,269)	(2,002)	(11,465)
Change in other current assets		(1,743)	138	798
Change in other assets	9	767	(15)	(38)
Change in trade and other payables		4,191	(1,595)	(2,495)
Change in other liabilities		(2,817)	9,733	11,345
<b>Net cash provided by operating activities</b>		<u>\$ 7,948</u>	<u>\$ 6,991</u>	<u>\$ 6,922</u>
<b>Cash flows from investing activities</b>				
Acquisition costs	9	\$ (72,105)	\$ -	\$ -
Acquisition deposit	9	(57,500)	-	-
Expenditures on oil and gas properties		(90,393)	(73,585)	(88,267)
Expenditures on property and equipment from acquisitions		-	-	(2,500)
Expenditures on property and equipment		(1,927)	(2,652)	(1,953)
Plugging and abandonment		(128)	-	(78)
Increase in restricted cash		(1,928)	-	(627)
Proceeds on disposal of oil and gas properties		4,219	-	334
<b>Net cash used in investing activities</b>		<u>\$ (219,762)</u>	<u>\$ (76,237)</u>	<u>\$ (93,091)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		\$ 145,600	\$ 64,000	\$ 75,000
Repayment of borrowings		(104,016)	(40,521)	(42,514)
Financing expense		(6,140)	(2,994)	(3,298)
Proceeds from equity issuance, net		180,601	52,864	76,984
Proceeds from capital lease		884	319	1,246
Repayment of capital lease		-	(72)	(529)
Dividends to shareholders	8	(10,746)	-	(5,776)
<b>Net cash provided by financing activities</b>		<u>\$ 206,183</u>	<u>\$ 73,596</u>	<u>\$ 101,113</u>
Net (decrease) increase in cash and cash equivalents		(5,631)	4,350	14,944
Cash and cash equivalents - beginning of the period		15,168	224	224
<b>Cash and cash equivalents - end of the period</b>		<u><u>\$ 9,537</u></u>	<u><u>\$ 4,574</u></u>	<u><u>\$ 15,168</u></u>

The notes are an integral part of these consolidated financial statements.

## Note 1 - General Information

Diversified Gas & Oil PLC ("DGO" or the "Company") is a natural gas and crude oil producer that is focused on acquiring and operating mature producing wells with long lives and slow decline profiles. The Company's assets are exclusively located within the Appalachian Basin of the United States. The Company is headquartered in Birmingham, Alabama, USA with field offices located in the states of Pennsylvania, Ohio, West Virginia and Tennessee. DGO was incorporated on 31 July 2014 in England and Wales as a private limited company under company number 09156132. DGO's registered office is located at 27/28 Eastcastle Street, London W1W 8DH, United Kingdom. In February 2017, the Company's ordinary shares were admitted to trading on AIM under the ticker "DGOC."

## Note 2 - Basis of Consolidation

The interim consolidated financial statements reflect the following corporate structure of DGO:

- Diversified Gas & Oil PLC ("PLC"), and its wholly owned subsidiary,
  - Alliance Petroleum Corporation
  - Diversified Gas & Oil Corporation ("DGOC") as well as its, direct and indirect, wholly owned subsidiaries,
    - Diversified Resources, Inc.;
    - M & R Investments, LLC;
    - M & R Investments Ohio, LLC;
    - Marshall Gas and Oil Corporation;
    - R&K Oil and Gas, Inc.;
    - Fund 1 DR, LLC;
    - Diversified Oil & Gas, LLC;
    - Diversified Appalachian Group, LLC;
    - Diversified Energy, LLC;
      - Diversified Partnership Holdings, LLC
      - Diversified Partnership Holdings II, LLC
      - Atlas Energy Tennessee, LLC
      - Atlas Pipeline Tennessee, LLC

## Note 3 - Basis of Preparation

### Basis of Preparation and Measurement

The interim consolidated financial statements are unaudited and do not represent statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the six month period ended 30 June 2018 is based on the statutory accounts for the year ended 31 December 2017. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or (3) of the Companies Act.

The interim consolidated financial information has been prepared on the basis of the accounting policies set out in the Company's 2017 statutory accounts in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. The interim consolidated financial statements do not include all of the information required for a full annual financial report and should be read in conjunction with the Company's financial statements for the year ended 31 December 2017, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

Unless otherwise stated, the interim consolidated financial statements are presented in US Dollars, which is the currency of the primary economic environment in which DGO operates, and all values are rounded to the nearest thousand dollars except per unit amounts and where otherwise indicated. Transactions in foreign currencies are translated into US Dollars at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange ruling at the balance sheet date. The resulting gain or loss is reflected in the Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income within Other comprehensive income - gain on foreign currency conversion.

Certain prior period amounts within the Revenue and Expense accounts have been reclassified to conform with current presentation as follows:

- Operator revenue of \$641 has been reclassified as reductions in operator expenses included in Cost of sales for the six months to 30 June 2017. This represents operator expenses recharged to and recovered from holders of working interests.
- Salaries and benefits of \$137 have been reclassified from Cost of sales to Administrative expenses for the six months to 30 June 2017. This represents salaries and benefits for certain corporate employees that were recorded in cost of sales.

During the period ended 30 June 2018, DGO finalized the fair value measurement related to the previously reported EnerVest and Titan acquisitions discussed in Note 9. As a result, DGO retrospectively adjusted previously reported provisional amounts related to the EnerVest and Titan Energy acquisitions in accordance with IFRS - 3. The following tables summarize the impact of these adjustments for the year ended 31 December 2017 and the period ended as at 30 June 2017:

(Amounts reported in thousands)

	Year ended 31 December 2017 (Reported)	Revisions	Year ended 31 December 2017 (Restated)
<b>Balance sheet accounts impacted</b>			
Oil and gas properties, net	190,358	24,967	215,325
Deferred tax liability	11,011	6,388	17,399
Retained earnings	12,112	18,579	30,691
<b>Income statement accounts impacted</b>			
Depreciation and depletion	(7,013)	(523)	(7,536)
Gain on bargain purchase	11,603	25,490	37,093
Income tax benefit (expense)	4,138	(6,388)	(2,250)

For the year ended 31 December 2017 the cumulative impact of these adjustments resulted in an \$18,579 increase to the Consolidated Statements of Changes in Equity through retained earnings and did not impact net cash provided by operating activities on the Consolidated Statements of Cash Flow.

(Amounts reported in thousands)

	Unaudited Six Months to 30 June 2017 (Reported)	Revisions	Unaudited Six Months to 30 June 2017 (Restated)
<b>Balance sheet accounts impacted</b>			
Oil and gas properties, net	176,536	25,474	202,010
Deferred tax liability	15,408	6,518	21,926
Retained earnings	9,651	18,956	28,607
<b>Income statements impacted</b>			
Depreciation and depletion	(2,226)	(16)	(2,242)
Gain on bargain purchase	10,351	25,490	35,841
Income tax benefit (expense)	(262)	(6,518)	(6,780)

For the unaudited six months to 30 June 2017 the cumulative impact of these adjustments resulted in a \$18,956 increase to the Statements of Changes in Equity through an increase to retained earnings and did not impact the net cash provided by operating activities on the Consolidated Statements of Cash Flow.

The interim consolidated financial statements have 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 interim consolidated financial statements have 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. The Directors have reviewed DGO's overall position and outlook and are of the opinion that DGO is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of these interim consolidated financial statements.

## **New Standards and Interpretations**

### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 incorporates the three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Except for hedge accounting, the standard should be applied using the retrospective application. The Company adopted this standard on 1 January 2018. The adoption of this standard did not have a material impact on the Company's financial statements.

### *IFRS 15 Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The standard requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will supersede all current revenue recognition requirements under IFRS

when it becomes effective. The standard can be applied using either the full retrospective approach or a modified retrospective approach at the date of adoptions. The Company adopted this standard on 1 January 2018 using the modified retrospective method. The adoption of this standard did not have a material impact on the Company's financial statements.

## Not Yet Adopted

### IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard requires the present value of future minimum lease payments for all lease transactions (with terms in excess of 12 months) to be recognized on the balance sheet as lease assets and lease liabilities, and to depreciate lease assets separately from interest on lease liabilities in the income statement. IFRS 16 replaces the previous lease standard, IAS 17 *Leases*, and related interpretations. This standard will be effective on 1 January 2019. Early adoption is permitted only if the Company also applies IFRS 15 *Revenue from Contracts with Customers*. The standard can be applied using either the full retrospective approach or a modified retrospective approach at the date of adoption. To date, the Company has not yet concluded on the impact of this standard.

## Note 4 - Revenue

DGO extracts and sells natural gas, natural gas liquids and crude oil to various customers in addition to operating a majority of these oil and natural gas wells for customers and other working interest owners. The following table reconciles the Company's revenue for the periods presented:

(Amounts reported in thousands)

	Unaudited Six months to 30 June 2018	(Restated) Unaudited Six months to 30 June 2017	(Restated) Audited Year ended 31 December 2017
Natural gas	\$ 48,027	\$ 7,795	\$ 30,463
Oil	7,492	2,399	8,047
NGL	1,154	-	1,043
Total natural gas, oil and NGL	56,673	10,194	39,553
Operator	776	21	936
Oil and gas program	195	403	705
Water disposal	344	282	565
Other	45	-	18
<b>Total revenue</b>	<b>\$ 58,033</b>	<b>\$ 10,900</b>	<b>\$ 41,777</b>

A significant portion of DGO'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 uncollateralised.

Certain prior period amounts of Operator revenue have been reclassified to conform with current presentation. See Note 3 for additional information regarding reclassifications.

## Note 5 - Expenses by Nature

The following table provides a detail of the Company's expenses:

(Amounts reported in thousands)

Explanation	Unaudited		(Restated)	
	Six months to 30 June 2018	Six months to 30 June 2017	Unaudited Six months to 30 June 2017	(Restated) Audited Year ended 31 December 2017
Employees and benefits	\$ 8,209	\$ 2,217	\$ 8,539	
Automobile	1,475	526	1,441	
Insurance	2,095	117	491	
Production taxes	700	725	1,345	
Gathering, processing and transportation	4,225	-	2,712	
Well operating expenses, net	12,741	1,862	6,380	
<b>Total cost of sales</b>	<b>\$ 29,445</b>	<b>\$ 5,447</b>	<b>\$ 20,908</b>	
Depreciation	1,091	516	1,469	
Depletion	7,263	1,726	6,067	
<b>Total depreciation and depletion</b>	<b>\$ 8,354</b>	<b>\$ 2,242</b>	<b>\$ 7,536</b>	
Employees and benefits	3,921	1,102	2,655	
Other administrative	213	136	1,525	
Professional fees	302	165	360	
Auditors' remuneration				
Fees payable to the Company's auditor for the audit of the group and Company's annual accounts	73	11	55	
Fees payable to the Company's auditor and its associates for other services:				
Audit of the accounts of subsidiaries	238	75	125	
Corporate finance services	116	4	73	
Total auditors' remuneration	427	\$ 90	253	
Rent	430	42	86	
<b>Recurring administrative expenses</b>	<b>\$ 5,293</b>	<b>\$ 1,535</b>	<b>\$ 4,879</b>	
Non-recurring costs associated with acquisitions & contribution of assets	2,059	1,769	3,349	
Provision for working interest owners receivable	-	-	632	
Non-cash equity compensation	142	-	59	
<b>Non-recurring administrative expenses</b>	<b>\$ 2,201</b>	<b>\$ 1,769</b>	<b>\$ 4,040</b>	
<b>Total administrative expenses</b>	<b>\$ 7,494</b>	<b>\$ 3,304</b>	<b>\$ 8,919</b>	
<b>Total expenses</b>	<b>\$ 45,293</b>	<b>\$ 10,993</b>	<b>\$ 37,363</b>	

a) The increase in expenses is primarily related to the oil and gas properties acquired during 2018. See Note 9 for more information about the Company's acquisitions.

b) Non-cash equity issuance reflects the expense recognition related to the issuance of restricted stock units to certain key managers.

Certain prior period amounts have been reclassified to conform with current presentation. See Note 3 for additional information regarding reclassifications.

#### Note 6 - 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 operating profit plus or minus items detailed below in the table below.

The Company believes Adjusted EBITDA is a useful measure because it enables a more effective way to evaluate operating performance and compare the results of operations from period-to-period and against its peers without regard to DGO's financing methods or capital structure. The Company excludes the items listed in the table below from operating profit in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. The following table reconciles operating profit to Adjusted EBITDA:

(Amounts other than per share are reported in thousands)

	Unaudited Six months to 30 June 2018	(Restated) Unaudited Six months to 30 June 2017	(Restated) Audited Year ended 31 December 2017
<b>Operating profit</b>	<b>\$ 36,179</b>	<b>\$ 35,212</b>	<b>\$ 41,161</b>
Depreciation and depletion	8,354	2,242	7,536
Gain on bargain purchase	(37,823)	(35,841)	(37,093)
(Loss) gain on disposal of property and equipment	137	(4)	(95)
Loss on derivative financial instruments	18,024	687	1,965
Non-recurring costs associated with acquisitions & contribution of assets	2,059	1,769	3,349
Provision for working interest owners receivable	-	-	632
Gain on sale oil and gas properties	(4,200)	-	-
Non-cash equity issuance included in administrative expense	142	-	59
Total adjustments	(13,307)	(31,147)	(23,457)
<b>Adjusted EBITDA</b>	<b>\$ 22,872</b>	<b>\$ 4,065</b>	<b>\$ 17,704</b>
Weighted average ordinary shares outstanding - basic	265,509	94,971	120,136
Weighted average ordinary shares outstanding - diluted	266,483	94,971	120,269
<b>Adjusted EBITDA per share - basic and diluted</b>	<b>\$ 0.09</b>	<b>\$ 0.04</b>	<b>\$ 0.15</b>

#### Note 7 - Earnings Per Share

The calculation of basic income/(loss) per ordinary share is based on the income/(loss) after taxation available to ordinary shareholders and on the weighted average number of ordinary shares outstanding during the period. The calculation of diluted income/(loss) per ordinary share is based on the income/(loss) after taxation available to ordinary shareholders and the weighted average number of ordinary shares outstanding plus the weighted average number of shares that would be issued if dilutive options and warrants were converted into ordinary shares on the last day of the reporting period. Basic and diluted income/(loss) per ordinary share is calculated as follows:

(Amounts other than per share are reported in thousands)

	Unaudited Six months to 30 June 2018	(Restated) Unaudited Six months to 30 June 2017	(Restated) Audited Year ended 31 December 2017
<b>Calculation</b>			

Income after taxation available to ordinary shareholders	A	\$	23,546	\$	22,634	\$	27,454
Weighted average ordinary shares outstanding - basic	B		265,509		94,971		120,136
Weighted average ordinary shares outstanding - diluted	C		266,483		94,971		120,269
Earnings per ordinary share - basic	= A / B	\$	<u>0.09</u>	\$	<u>0.24</u>	\$	<u>0.23</u>
Earnings per ordinary share - diluted	= A / C	\$	<u>0.09</u>	\$	<u>0.24</u>	\$	<u>0.23</u>
Adjusted EBITDA per ordinary share - basic & diluted	Note 6	\$	<u>0.09</u>	\$	<u>0.04</u>	\$	<u>0.15</u>

#### Note 8 - Dividends

The following table summarizes the Company's dividends paid and declared:

	Dividends per Ordinary Share		Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid \$'000
	USD \$	GBP				
Dividend declared 15 June 2017	0.0199	0.0155	07 July 2017	31 July 2017	145,076	2,887
Dividend declared 11 September 2017	0.0199	0.0149	17 November 2017	20 December 2017	145,076	2,889
Cumulative dividends declared as at for the year ended 31 December 2017						5,776
Dividend declared 30 April 2018	0.0345	0.0251	11 May 2018	25 May 2018	311,476	10,746
Cumulative dividends declared as at for the period ended 30 June 2018						<u>\$16,522</u>

#### Note 9 - 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 Company accounts for business acquisitions under IFRS 3. 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, the financial condition of the sellers, and a change in the operational focus of the sellers compelling these sellers to divest of their conventional oil and gas assets.

##### 1H 2018 Acquisitions

In February 2018, DGO placed 166,400 new ordinary shares at \$1.13 per share with certain existing and new institutional investors to raise net proceeds of \$180,000 to fund the following acquisitions (see Note 14 for more information on share issuances):

##### *Acquisition of the stock of Alliance Petroleum Corporation*

In March 2018, DGO acquired the entire share capital of Alliance Petroleum Corporation, including approximately 13,000 conventional natural gas and oil wells in the states of Pennsylvania, West Virginia and Ohio and all other property and equipment. The Company paid consideration of \$80,743, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with the \$180,000 net proceeds from its equity placing of DGO's stock in February 2018.

Management determined the fair value of the reserves held in the assets acquired to be \$129,125. The provisional estimated fair values of the assets and liabilities assumed were as follows:

(Amounts reported in thousands)

Total cash consideration	\$	80,743
Less cash received		(8,638)
<b>Cash consideration, net of cash received</b>		<u>\$72,105</u>
<b>Net Assets Acquired:</b>		
Current assets		\$14,645
Oil and gas properties, net		129,125
Property and equipment, net		2,444
Other assets		2,133
Current liabilities		(7,576)
Deferred tax liability		(19,852)
Uncertain tax position		(2,133)
Debt		(25,000)
Other liabilities		(119)
Decommissioning liability		(20,153)
		<u>73,514</u>
Gain on bargain purchase		(1,409)
		<u>\$72,105</u>

(a) At the date of acquisition DGO determined the Alliance Petroleum Corporation had taken uncertain tax positions, and as a result, an indemnification agreement was executed. DGO recorded an indemnification receivable in the amount of \$2,133. In accordance with IFRS 3, DGO assigned acquisition date fair value to the indemnification asset using the same valuation techniques used to determine the acquisition date fair value of the related liability.

(b) On the date of acquisition DGO repaid the debt in full using proceeds from the February 2018 equity placing.

#### *Acquisition of assets from CNX Resources LLC*

In March 2018, DGO acquired approximately 11,000 conventional natural gas and oil wells principally in the states of Pennsylvania and West Virginia and other equipment from CNX Resources LLC ("CNX"). The Company paid purchase consideration of \$89,296, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with the \$180,000 net proceeds from its equity placing of DGO's stock in February 2018. Subsequent to the purchase of these assets, CNX agreed to retain a monthly tariff obligation applicable to the Appalachian assets that requires monthly cash payments to a pipeline transmission company through a portion of calendar year 2022. Tariff payments from the effective date of the purchase through their expiration in 2022 totaled \$27,000. In exchange for CNX retaining this \$27,000 pipeline tariff obligation, the Company paid CNX \$17,000. This one-time payment allows DGO to retain complete and uninterrupted access to the applicable pipeline system and eliminates the \$27,000 tariffs the Company would have paid over the remaining term.

Management determined the fair value of the reserves held in the assets acquired to be \$130,500. The provisional estimated fair values of the assets and liabilities assumed were as follows:

(Amounts reported in thousands)

Oil and gas properties	\$	130,500
Oil and gas properties (Decommissioning provision, asset portion)		14,332
Other PPE		

Decommissioning liability	(14,332)
Other liabilities	(4,790)
Gain on bargain purchase	(36,414)
<b>Purchase price</b>	<b>\$ 89,296</b>

### 2017 Acquisitions (Restated)

#### EnerVest Acquisition

In April 2017, DGO acquired approximately 1,300 conventional natural gas and oil wells in Ohio and equipment from EnerVest. The Company paid in cash the consideration totaling \$1,750. Management considered the fair value of the reserves held in the assets acquired to be \$8,500. The fair values of the assets and liabilities assumed were as follows:

(Amounts reported in thousands)

Oil and gas properties	\$ 8,500
Oil and gas properties (Decommissioning provision, asset portion)	2,406
Decommissioning liability	(2,406)
Gain on bargain purchase	(6,750)
<b>Purchase price</b>	<b>\$ 1,750</b>

#### Titan Energy Acquisition

In June 2017, DGO acquired approximately 8,380 producing conventional natural gas and oil wells in the states of Pennsylvania, Ohio, and Tennessee (including approximately 1,140 non-operated wells) and equipment from Titan Energy. The Company paid total consideration of \$84,200, excluding customary purchase price adjustments. The cash consideration for the purchase was funded by a new \$110,000 Senior Secured Loan Facility, of which, \$64,000 was drawn at closing on 30 June 2017, and an equity placing of DGO's stock. DGO placed 39,300 new ordinary shares at \$0.89 per share with certain existing and new institutional investors to raise \$35,020. The equity placing occurred in two tranches of 11,400 shares which raised \$10,158 and 27,900 shares were placed with the second tranche, which raised \$24,862.

Management determined the fair value of the reserves held in the assets acquired on 30 June 2017 to be \$108,011. The fair values of the assets and liabilities assumed were as follows:

(Amounts reported in thousands)

Oil and gas properties	\$ 108,011
Oil and gas properties (Decommissioning provision, asset portion)	16,366
Other PPE	1,752
Decommissioning liability	(16,366)
Other liabilities	(2,279)
Gain on bargain purchase	(30,141)
<b>Purchase price</b>	<b>\$ 77,343</b>

#### NGO Acquisition

In November 2017, DGO acquired approximately 550 wells in Central Ohio from NGO Development Corporation, Inc. The Company paid cash consideration totaling \$3,114. Management determined the fair value of the reserves held in the assets acquired to be \$3,003. The provisional estimated fair values of the assets and liabilities assumed were as follows:

(Amounts reported in thousands)

Oil and gas properties	\$	3,003
Oil and gas properties (Decommissioning provision, asset portion)		818
Other PPE		352
Decommissioning liability		(818)
Other liabilities		(39)
Gain on bargain purchase		(202)
<b>Purchase price</b>	<b>\$</b>	<b>3,114</b>

#### Subsequent Events

In July 2018, DGO placed 195,330 new ordinary shares at \$1.32 per share (97 pence) with certain existing and new institutional investors to raise net proceeds of \$238,800 to partially fund the acquisition of approximately 11,250 conventional natural gas wells and a wholly-owned midstream gathering and compression system with approximately 6,400 miles of pipeline and 59 compressor stations in the states of Kentucky, West Virginia and Virginia and other equipment from EQT. The Company paid purchase consideration of \$575,000, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with \$238,800 from the net proceeds from its equity placing of stock in July 2018 and an initial draw of \$336,200 from the new \$1,000,000 debt facility as discussed in Note 16. As at 30 June 2018 the Company has made a \$57,500 deposit related to the acquisition, which is included in other non-current assets on the financial position.

Also in July, DGO purchased for \$20,212 additional working interest in certain wells it already operated. These assets were previously held in seven limited partnerships with working interest ranges from 54% to 82% to which the Company served as the managing general partner. The Company funded the cash consideration for the purchase with a draw on its debt facility.

#### Note 10 - Other Liabilities

The following table includes a detail of other liabilities as at the periods presented:

(Amounts reported in thousands)

	<b>Unaudited</b>	<b>(Restated)</b>	<b>(Restated)</b>
	<b>30 June 2018</b>	<b>Unaudited</b>	<b>Audited</b>
		<b>30 June 2017</b>	<b>31 December 2017</b>
<b>Other non-current liabilities</b>			
Customer deposits	\$ -	\$ 55	\$ 52
Revenue to be distributed	-	3,128	3,486
Derivative financial instruments	5,971	1,855	1,943
Other	3,809	-	283
<b>Total other non-current liabilities</b>	<b>\$ 9,780</b>	<b>\$ 5,038</b>	<b>\$ 5,764</b>
<b>Other current liabilities</b>			
Accrued expenses	2,715	\$ 896	\$ 2,300
Net revenue clearing	9,344	2,461	6,472
IPO related expenses	-	2,768	-
Acquisition related short term financing	-	3,500	-
Derivative financial instruments	12,921	-	961
Other	9,046	1,213	2,784
<b>Total other current liabilities</b>	<b>\$ 34,026</b>	<b>\$ 10,838</b>	<b>\$ 12,517</b>

#### Note 11 - Oil and Gas Properties

The following table summarizes the Company's oil and gas properties for each of the periods presented:

(Amounts reported in thousands)

Period	Costs				Depletion and Impairment				Net Book Value
	Beginning Balance	Additions <sup>a</sup>	Disposals	Ending Balance	Beginning Balance	Period Charges	Disposals	Ending Balance	
As at and for the six months to 30 June 2018	239,814	275,716	(19)	515,511	(24,489)	(7,492)	-	(31,981)	\$ 483,530
As at and for the six months to 30 June 2017	94,608	127,135	(12)	221,731	(17,815)	(1,906)	-	(19,721)	202,010
As at and for the year ended 31 December 2017	94,608	145,527	(321)	239,814	(17,815)	(6,674)	-	(24,489)	215,325

a) See Note 9 for more information about the Company's acquisitions.

#### Note 12 - Property and Equipment

The following table summarizes the Company's property and equipment for each of the periods presented:

(Amounts reported in thousands)

Period	Plant, Property & Equipment				Accumulated Depreciation and Disposals				Net Book Value
	Beginning Balance	Additions <sup>a</sup>	Disposals	Ending Balance	Beginning Balance	Period Charges	Disposals	Ending Balance	
As at and for the six months to 30 June 2018	\$ 9,676	8,608	(465)	17,819	(2,729)	(5,000)	-	\$ (7,729)	\$ 10,090
As at and for the six months to 30 June 2017 (Restated)	5,223	2,657	(5)	7,875	(1,875)	(336)	4	(2,207)	5,668
As at and for the year ended 31 December 2017 (Restated)	5,223	4,595	(142)	9,676	(1,875)	(862)	8	(2,729)	6,947

a) Of the \$8,575 in 2018 additions, \$4,317 relates to equipment purchased through acquisitions. See Note 9 for more information about the Company's acquisitions.

#### Note 13 - Derivatives

The following table summarizes the Company's calculated fair value of derivative financial instruments:

(Amounts reported in thousands)

(Liabilities)/Assets	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
<b>Natural gas</b>			
Swaps	\$ (1,020)	\$ (747)	\$ 28
Collars	(2,288)	(57)	311
Basis swaps	(872)	(568)	(965)
Put options	-	-	-
<b>Total natural gas financial derivative contracts</b>	<b>\$ (4,180)</b>	<b>\$ (1,372)</b>	<b>\$ (626)</b>
<b>Oil</b>			
Swaps	\$ (992)	-	\$ (56)
Collars	(4,349)	(254)	(2,222)
Basis swaps	-	-	-
Put options	-	-	-
<b>Total oil financial derivative contracts</b>	<b>\$ (5,341)</b>	<b>\$ (254)</b>	<b>\$ (2,278)</b>
<b>Natural gas liquids</b>			
Swaps	\$ (9,371)	-	-
<b>Total financial derivative contracts</b>	<b>\$ (18,892)</b>	<b>\$ (1,626)</b>	<b>\$ (2,904)</b>

The Company reports derivative financial instrument assets and liabilities net in its balance sheet. The following table reconciles the Company's derivative financial instrument gross assets and gross liabilities for the periods presented:

(Amounts reported in thousands)

Derivative Financial Instruments	Statement of Financial Position line item	Unaudited 30 June 2018	(Restated) Unaudited 30 June 2017	(Restated) Audited 31 December 2017
Non-current assets		\$ 13,791	\$ 1,585	\$ 1,348
Current assets		1,646	2,012	955
<b>Total assets</b>		<b>\$ 15,437</b>	<b>\$ 3,597</b>	<b>\$ 2,303</b>
Non-current liability		\$ (19,762)	\$ (3,440)	\$ (3,291)
Current liabilities		(14,567)	(1,783)	(1,916)
<b>Total liabilities</b>		<b>\$ (34,329)</b>	<b>\$ (5,223)</b>	<b>\$ (5,207)</b>
Net liabilities - non-current	Other non-current liabilities	\$ (5,971)	\$ (1,855)	\$ (1,943)
Net liabilities - current	Other current liabilities	(12,921)	229	(961)
<b>Net (liabilities)/assets</b>		<b>\$ (18,892)</b>	<b>\$ (1,626)</b>	<b>\$ (2,904)</b>

The Company recorded the following gain (loss) on derivative financial instruments in the Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income for the periods presented:

(Amounts reported in thousands)

	Unaudited Six months to 30 June 2018	(Restated) Unaudited Six months to 30 June 2017	(Restated) Audited Year ended 31 December 2017
Net (loss) gain on settlements	\$ (423)	\$ 147	\$ 1,524
Net loss on fair value adjustments on unsettled financial instruments	(18,024)	(687)	(1,965)
<b>Total loss on derivative financial instruments</b>	<b>\$ (18,447)</b>	<b>\$ (540)</b>	<b>\$ (441)</b>





The Company's natural gas and oil derivative financial instruments outstanding at 30 June 2018 are listed below:

Financial Instrument Type	Remaining Volumes	Ending Month	Swap Price	Floor Price	Short Put Price	Ceiling Price	Mark-to-Market 30 June 2018
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(Amounts reported in thousands)

**Natural gas**

Swap	3,450,000 MMBTUs	Dec-18	\$ 2.88	\$ -	\$ -	\$ -	(242)
Swap	6,000,000 MMBTUs	Dec-19	2.83	-	-	-	137
Swap	6,207,000 MMBTUs	Dec-20	2.81	-	-	-	776
Swap	2,970,000 MMBTUs	Mar-21	2.91	-	-	-	247
Swap	9,063,000 MMBTUs	Mar-19	2.35	-	-	-	(1,245)
Swap	4,250,000 MMBTUs	Mar-20	2.72	-	-	-	(345)
Swap	4,250,000 MMBTUs	Mar-20	2.72	-	-	-	(348)
Two-Way Collar	3,660,000 MMBTUs	Mar-20	-	2.55	-	2.85	(251)
Two-Way Collar	3,660,000 MMBTUs	Mar-20	-	2.55	-	2.79	(346)
Two-Way Collar	3,650,000 MMBTUs	Mar-21	-	2.55	-	2.74	(67)
Two-Way Collar	3,650,000 MMBTUs	Mar-21	-	2.55	-	2.74	(60)
Two-Way Collar	3,660,000 MMBTUs	Mar-21	-	2.55	-	2.79	(346)
Two-Way Collar	3,660,000 MMBTUs	Mar-20	-	2.55	-	2.79	(338)
Two-Way Collar	3,650,000 MMBTUs	Mar-21	-	2.55	-	2.73	(67)
Two-Way Collar	1,825,000 MMBTUs	Mar-21	-	2.55	-	2.76	(20)
Two-Way Collar	1,825,000 MMBTUs	Mar-21	-	2.55	-	2.75	(23)
Two-Way Collar	3,360,000 MMBTUs	Mar-20	-	2.60	-	2.76	(313)
Two-Way Collar	3,360,000 MMBTUs	Mar-20	-	2.60	-	2.74	(343)
Two-Way Collar	3,365,000 MMBTUs	Mar-21	-	2.55	-	2.76	(40)
Two-Way Collar	3,365,000 MMBTUs	Mar-21	-	2.55	-	2.76	(40)
Two-Way Collar	3,365,000 MMBTUs	Mar-21	-	2.55	-	2.76	(34)
Basis Swap: Dominion SP	3,005,000 MMBTUs	Dec-18	0.58	-	-	-	(123)
Basis Swap: Dominion SP	6,180,000 MMBTUs	Dec-19	0.58	-	-	-	(468)
Basis Swap: Dominion SP	4,197,000 MMBTUs	Dec-20	0.59	-	-	-	(272)
Basis Swap: Dominion SP	1,770,000 MMBTUs	Mar-20	0.48	-	-	-	44
Basis Swap: TCO	320,000 MMBTUs	Oct-18	0.35	-	-	-	(46)
Basis Swap: TCO	183,000 MMBTUs	Dec-18	0.35	-	-	-	(25)
Basis Swap: TCO	1,160,000 MMBTUs	Dec-19	0.39	-	-	-	(44)
Basis Swap: TCO	1,029,000 MMBTUs	Dec-20	0.40	-	-	-	45
Basis Swap: Tetco	810,000 MMBTUs	Mar-21	0.46	-	-	-	20
Basis Swap: Dominion SP	117,000 MMBTUs	Dec-18	0.58	-	-	-	(3)

(Amounts reported in thousands)

**Oil**

Swap	33,000 BBLs	Mar-21	50.78	-	-	-	(252)
Swap	15,000 MMBTUs	Dec-18	54.1	-	-	-	(247)
Swap	72,000 MMBTUs	Dec-19	58.55	-	-	-	(493)
Two-Way Collar	74,000 MMBTUs	Dec-18	-	41.50	-	51.45	(1,413)
Two-Way Collar	146,000 MMBTUs	Dec-19	-	43.50	-	52.40	(2,046)
Two-Way Collar	6,000 MMBTUs	Feb-19	-	40.00	-	56.05	(70)
Two-Way Collar	33,000 MMBTUs	Dec-20	-	42.5	-	57.40	(226)
Two-Way Collar	36,000 MMBTUs	Dec-20	-	45	-	64	(145)
Two-Way Collar	108,000 MMBTUs	Sep-20	-	45	-	64.6	(435)
Two-Way Collar	9,000 MMBTUs	Mar-21	-	50	-	63.45	(14)

#### Natural Gas Liquids

Swap	7,130,000 MMBTUs	Jul-21	0.81	-	-	-	41
Swap	509,000 MMBTUs	Jul-21	0.81	-	-	-	(62)
Swap	1,630,000 MMBTUs	Jul-21	0.81	-	-	-	(170)
Swap	917,000 MMBTUs	Jul-21	0.81	-	-	-	(558)
Swap	75,514,000 MMBTUs	Jul-20	0.81	-	-	-	246
Swap	5,394,000 MMBTUs	Jul-20	0.81	-	-	-	(668)
Swap	17,260,000 MMBTUs	Jul-20	0.81	-	-	-	(1,891)
Swap	9,709,000 MMBTUs	Jul-21	0.81	-	-	-	(6,309)

**Total derivative financial instruments** **\$ (18,892)**

#### Subsequent Event

No significant natural gas, natural gas liquid or oil derivative financial instruments have been executed subsequent to 30 June 2018.

#### Note 14 - Share Capital

In February 2018, DGO placed 166,400 new ordinary shares at \$1.13 per share (80 pence) to raise gross proceeds of \$188,775 (approximately £133,120). DGO used the proceeds to fund the Alliance Petroleum and CNX Resources acquisition discussed in Note 9. The following table summarizes the Company's share capital for the periods presented:

(Amounts reported in thousands)

	Number of Shares	Total Share Capital	Total Share Premium
<b>Balance at 1 January 2018</b>	<b>145,076</b>	<b>\$ 1,940</b>	<b>\$ 76,026</b>
Issuance of share capital, secondary offering	166,400	2,359	\$ 178,301
<b>Balance at 30 June 2018</b>	<b>311,476</b>	<b>\$ 4,299</b>	<b>\$ 254,327</b>

	Number of Shares	Total Share Capital	Total Share Premium
<b>Balance at 1 January 2017</b>	<b>44,210</b>	<b>\$ 669</b>	<b>\$ 313</b>
Issuance of share capital, initial offering	61,381	768	43,550
Issuance of share capital, secondary offering	39,485	503	32,152
<b>Balance at 30 June 2017 (Restated)</b>	<b>145,076</b>	<b>\$ 1,940</b>	<b>\$ 76,015</b>

	Number of Shares	Total Share Capital	Total Share Premium
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<b>Balance at 1 January 2017</b>	<b>44,210</b>	<b>\$</b>	<b>669</b>	<b>\$</b>	<b>313</b>
Issuance of share capital, initial offering	61,381		768		43,550
Issuance of share capital, secondary offering	39,485		503		32,163
<b>Balance at 31 December 2017 (Restated)</b>	<b>145,076</b>	<b>\$</b>	<b>1,940</b>	<b>\$</b>	<b>76,026</b>

#### Subsequent Event

In July 2018, DGO placed 195,330 new ordinary shares at \$1.32 per share (97 pence) with certain existing and new institutional investors to raise net proceeds of \$238,800 to partially fund the acquisition of assets from EQT as discussed in Note 9.

#### Note 15 - Decommissioning Liability

The Company records a liability for future cost of decommissioning production facilities and pipelines. The decommissioning liability represents the present value of decommissioning costs relating to oil and gas properties, which the Company expects to incur over the long producing life of its wells, presently estimated through to 2048 when the Company expects its producing oil and gas properties to reach the end of their economic lives.

As discussed more fully in Note 2, these liabilities represent the Directors' best estimates of the future obligation. Directors' assumptions are based on the current economic environment, and represent what they believe is a reasonable basis upon which to estimate the future liability. The Directors review these estimates regularly and adjust for any identified material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices at the time the decommissioning services are performed. Furthermore, the timing of decommissioning will vary depending on when the fields ceases to produce economically, which makes the determination dependent upon future oil and gas prices, which are inherently uncertain.

The discount rate and the cost inflation rate used in the calculation of the decommissioning liability were 8.0% and 3.0%, respectively as at each of the periods presented. The table below summarizes the activity for the Company's decommissioning liability:

(Amounts reported in thousands)

	<b>Unaudited</b>	<b>(Restated)</b>	<b>(Restated)</b>
	<b>Six months to</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2018</b>	<b>Six months to</b>	<b>Year ended</b>
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>31 December 2017</b>
Balance at 1 January	\$ 35,448	\$ 12,265	\$ 12,265
Additions <sup>a</sup>	34,784	18,780	21,497
Accretion <sup>a</sup>	2,158	585	1,764
Disposals	-	-	(78)
<b>Balance at 30 June</b>	<b>\$ 72,390</b>	<b>\$ 31,630</b>	<b>\$ 35,448</b>

a) See Note 9 for more information about the Company's acquisitions.

#### Note 16 - Borrowings

DGO's borrowings consist of the following amounts for the periods presented:

(Amounts reported in thousands)

	<b>Unaudited</b>	<b>(Restated)</b>	<b>(Restated)</b>
	<b>Six months to</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2018</b>	<b>Six months to</b>	<b>Year ended</b>
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>31 December 2017</b>

Financial institution, with interest rate of 2.25% plus LIBOR, maturing March 14, 2023, secured by oil and gas properties	\$	145,600	\$	-	\$	-
Financial institution, interest rate of 8.25% plus LIBOR, secured by oil and gas properties (a)		-		64,000		73,249
Individuals and institutional investor bonds, interest rate of 8.50%, maturing June 2020, unsecured		89		118		81
Miscellaneous notes, primarily for equipment, real estate and operational cash flow		301		497		495
<b>Total borrowings</b>	<b>\$</b>	<b>145,990</b>	<b>\$</b>	<b>64,615</b>	<b>\$</b>	<b>73,825</b>
Less current portion of long-term debt		(107)		(305)		(373)
Less deferred financing costs (b)		(6,195)		(2,994)		(2,833)
<b>Total non-current borrowings, net</b>	<b>\$</b>	<b>139,688</b>	<b>\$</b>	<b>61,316</b>	<b>\$</b>	<b>70,619</b>

In March 2018, the Company closed a new \$500,000 five-year senior secured revolving credit facility, initially subject to a borrowing limit of \$140,000. Following the closing of the acquisition of certain assets of CNX Resources LLC in March 2018, as discussed in Note 9, the borrowing limit increased to \$200,000. The facility has an initial interest rate of 2.50% plus LIBOR and is subject to a grid that fluctuates based upon utilisation with a pricing of 2.25% - 3.25% plus LIBOR.

- In June 2017 the Company closed a new \$110,000 senior secured credit facility, of which, \$64,000 was drawn at closing on 30 June 2017. On 30 September 2017, an additional \$11,000 was drawn to close on the remaining purchase of oil and gas assets discussed in Note 9.
- Deferred financing costs outstanding at 30 June 2018 were incurred with the financing of the senior secured term loan.

The following table provides a reconciliation of DGO's future maturities of its total borrowings for each of the periods presented:

(Amounts reported in thousands)

	<u>30 June 2018</u>	<u>30 June 2017</u>	<u>31 December 2017</u>
Not later than one year	\$ 107	\$ 305	\$ 373
Later than one year and not later than five years	145,883	64,310	73,452
Later than five years	-	-	-
<b>Total borrowings</b>	<b>\$ 145,990</b>	<b>\$ 64,615</b>	<b>\$ 73,825</b>

Reconciliation of borrowings arising from financing activities:

(Amounts reported in thousands)

	<u>31 December 2017</u>	<u>Net Cash Flows</u>	<u>30 June 2018</u>
<b>Total borrowings</b>	\$ 73,825	\$ (72,165)	\$ 145,990

#### *Gain/Loss on Debt Extinguishment*

As discussed above, when DGO entered into the new senior secured revolving credit facility in March 2018 it resulted in a non-recurring loss on the early extinguishment of debt of \$8,359, which primarily included a \$2,583 charge for the accelerated amortization of the remaining deferred financing costs and \$5,776 related to an early payment fee.

#### Subsequent Event

In July 2018, the Company arranged an amended five year, senior secured credit facility up to \$1,000,000 with an initial availability of \$600,000 to fund the EQT acquisition as discussed in Note 9, to pay related costs and to refinance indebtedness under the existing credit facility.

#### **Note 17 - Subsequent Events**

The Directors determined the need to disclose the following material transactions that occurred subsequent to 30 June 2018, which have been described within each relevant footnote as follows:

Description	Footnote
Acquisitions	Note 9
Share Capital	Note 14
Borrowings	Note 16

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