

**THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if you are resident outside the United Kingdom, from another appropriately qualified financial adviser.**

If you have sold or transferred all of your Ordinary Shares please forward this document together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on the AIM market of the London Stock Exchange. Subject, *inter alia*, to the Resolutions being passed, it is expected that Admission will become effective and that dealings in the Placing Shares will commence on AIM on 18 April 2019. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

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## **DIVERSIFIED GAS & OIL PLC**

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

### **Proposed Acquisition of certain gas assets from HG Energy II Appalachia, LLC**

**Placing of 151,515,151 new Ordinary Shares of 1 pence each  
at 117 pence per Ordinary Share**

### **Notice of General Meeting**

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**Your attention is drawn to the letter from the Chairman of the Company set out in this document in which the Directors unanimously recommend that you VOTE IN FAVOUR of the Resolutions to be proposed at the General Meeting.**

**A notice convening a General Meeting of the Company to be held at Buchanan Communications Ltd, 107 Cheapside, London, EC2V 6DN at 12.30 p.m. on 17 April 2019 is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed.** Whether or not you intend to attend the General Meeting in person, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received by the Company's share registrar, Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol, BS13 8AE, United Kingdom no later than 12.30 p.m. on 15 April 2019, being 48 hours before the time appointed for the holding of the General Meeting (excluding any part of a day which is not a Business Day). Completion and posting of the Form of Proxy will not prevent you from attending and voting in person at the General Meeting if you wish to do so.

This document contains forward-looking statements which are subject to assumptions, risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. Each forward-looking statement is correct only as of the date of the particular statement. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the AIM Rules or by law.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has not been any change in the affairs of the Company since the date of this document or that the information is correct as of any subsequent time.

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## PLACING AND ACQUISITION STATISTICS

Number of Existing Ordinary Shares <sup>1</sup>	542,653,937
Number of Placing Shares	151,515,151
Placing Price	117p
Placing Shares as percentage of Existing Ordinary Shares	27.9 per cent.
Number of Ordinary Shares in issue following Admission <sup>2</sup>	694,169,088
Placing Shares as percentage of Enlarged Share Capital <sup>2</sup>	21.8 per cent.
Net proceeds of the Placing	\$225 million

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Posting of this document and the Form of Proxy	28 March 2019
Latest time and date for receipt of Forms of Proxy	12.30 p.m. on 15 April 2019
General Meeting	12.30 p.m. on 17 April 2019
Admission of Placing Shares to trading on AIM	18 April 2019
Expected completion of the Acquisition	18 April 2019

### Notes:

- (1) As at the close of business on 27 March 2019, being the last practicable Business Day prior to the publication of this document.
- (2) Assuming no further issue of Ordinary Shares prior to the issue of the Placing Shares.
- (3) Each of the dates in the above timetable is subject to change. Changes to the above timetable will be notified through a Regulatory Information Service and/or to Shareholders, as appropriate.
- (4) References to times in this document are to London, UK time (unless otherwise stated).
- (5) Conversion of \$ figures to £ in this document are at an exchange rate of \$1.32: £1.00.

## PART I – LETTER FROM THE CHAIRMAN OF THE COMPANY

# DIVERSIFIED GAS & OIL PLC

(Incorporated and registered in England and Wales with registered number 09156132)

### Directors:

Robert Marshall Post (*Non-Executive Chairman*)  
Robert “Rusty” Russell Hutson Jr. (*Chief Executive Officer*)  
Bradley Grafton Gray (*Finance Director & U.S. Chief Operating Officer*)  
David Edward Johnson (*Non-Executive Director*)  
Martin Keith Thomas (*Non-Executive Director*)

### Registered Office:

27/28 Eastcastle Street  
London  
W1W 8DH

28 March 2019

Dear Shareholder

## Proposed Acquisition of certain gas assets from HG Energy II Appalachia, LLC

### Placing of 151,515,151 new Ordinary Shares of 1 pence each at 117 pence per Ordinary Share

### Notice of General Meeting

#### 1. Introduction

DGO announced yesterday that it had signed a conditional sale and purchase agreement (the “**Acquisition Agreement**”) to acquire certain producing gas assets from HG Energy II Appalachia, LLC (“**HG Energy**”), comprising 110 wells and related surface rights and gathering equipment (the “**HG Energy Assets**”). The HG Energy Assets are located in the states of Pennsylvania and West Virginia close to the Company’s existing operations comprising over 60,000 producing wells in the Appalachian Basin in the northeastern United States.

The Company has grown rapidly over the last few years, capitalising upon opportunities to acquire conventional gas and oil producing assets from larger US exploration and production companies which are today focused increasingly upon the opportunities from new unconventional shale production. The Board has continued to review further potential acquisition opportunities, and has now identified the Acquisition, further details of which are set out below.

The consideration for the Acquisition is \$400 million (approximately £303 million) (subject to adjustment in accordance with the terms of the Acquisition Agreement). A deposit of \$10 million will be paid into escrow upon entering into the Acquisition Agreement and the balance of \$390 million is to be satisfied in cash at Completion. The Placing is conditional, *inter alia*, upon Shareholder approval. The Acquisition is scheduled to be completed on 18 April 2019.

The Acquisition (and related costs) will be funded by a combination of a drawdown from the Company’s Existing KeyBank Facility and the net proceeds of the Placing raising \$225 million.

The Board was also pleased to announce earlier today an oversubscribed conditional placing of 151,515,151 new Ordinary Shares at a price of 117 pence per Ordinary Share, raising net proceeds of \$225 million, to fund the Acquisition. The Placing is not conditional upon completion of the Acquisition.

The purpose of this document is to provide Shareholders with information regarding the Acquisition and the Placing, and to convene a General Meeting at which the Resolutions seeking Shareholder authority for the issue of the Placing Shares will be put to Shareholders. If the Resolutions are not passed, the Company will be unable to issue the Placing Shares.

Further information about the Acquisition, the Placing, the Existing KeyBank Facility and the Company’s current trading and prospects is set out below. Additional information about the Company and its assets,

financial information and constitutional documents can be found on the Company's website at: [www.dgoc.com](http://www.dgoc.com).

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

The Company currently has 1P PDP Reserves of 474 MMboe and daily net production of approximately 70 Mboe. The Acquisition will increase proved developed producing reserves by approximately 92 MMboe to 566 MMboe.

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

	<i>DGO*</i>		<i>HG Energy Assets</i>		<i>Pro forma total</i>	
	<i>Gross</i>	<i>Net**</i>	<i>Gross</i>	<i>Net**</i>	<i>Gross</i>	<i>Net**</i>
Gas	73,851	59,956	23,772	20,636	97,623	80,592
NGL	1,618	1,158	–	–	1,618	1,158
Oil	9,098	8,841	23	21	9,121	8,862
<b>Total</b>	<b>84,567</b>	<b>69,955</b>	<b>23,795</b>	<b>20,657</b>	<b>108,362</b>	<b>90,612</b>

\* DGO production numbers represent average Q4 2018 production

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

The HG Energy Assets include 107 unconventional producing gas wells and three unconventional non-producing gas wells (which the Company intends to bring back into production), located in the states of Pennsylvania and West Virginia, close to the Group's existing operations in the Appalachian Basin in the northeastern United States.

Although the HG Energy Assets are, in aggregate, relatively mature and beyond the high decline initial phase of production, they produce significant volumes of gas from relatively few wells, meaning that operating costs are significantly lower than the Company's existing portfolio. Accordingly, the addition of the HG Energy Assets will spread the fixed cost base of the Company over an increased production base, driving down operating costs per boe. The reserves are characterised by an average well life to date of approximately five years and a predictable production profile of approximately 60 years in total. The gas produced from the HG Energy Assets has an average calorific value of approximately 1,109 btu.

The wells included in the HG Energy Assets do not require any incremental general & administrative expense and the wells have a lower average stand alone operating expense (including lease operating expenses, gathering & compression expenses, third party gathering & transportation expenses and production taxes) of \$4.49/boe versus an operating expense for the Company in 2018 of \$6.84/boe (on an annualised basis). In addition, the HG Energy Assets have a very limited asset retirement liability of approximately \$0.3 million, given the long life of the wells.

Included within the 107 producing wells, HG Energy has planned and financed two new wells and the installation of gas compression, which DGO expects to lead to 2019 production exhibiting no decline from that recorded in 2018. In addition, with significant pipeline capacity to multiple end markets, there is a limited need for firm transportation agreements, as well as exposure to diversified gas markets, with low basis differentials (estimated average \$0.37/mmBtu in FY2019).

The Acquisition is expected to be immediately accretive to free cashflow and earnings, with an estimated increase in pro-forma free cash flow per share of 19 per cent., with a greater than corresponding increase in dividend per share. Following Completion, the Company will retain a strong balance sheet and conservative leverage metrics, of 1.8x Net Debt to 2018 Adjusted EBITDA and 30 per cent. Net Debt to PDP NPV10.

## 3. The Acquisition

DGO Corp, a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement with HG Energy II Appalachia, LLC for the conditional acquisition of certain gas leaseholds, wells, working interests, licenses, related equipment and other assets.

The HG Energy Assets include 107 unconventional producing gas wells and three unconventional non-producing gas wells (which the Company intends to bring back into production) located in the states of Pennsylvania and West Virginia, close to the Group's existing operations in the Appalachian Basin in the northeastern United States, principally in the states of Ohio, Pennsylvania, West Virginia and northeast Tennessee.

Management internal estimates have determined that the HG Energy Assets have proven reserves of approximately 92 MMboe with an estimated NPV10 of \$462 million (£350 million). Current net daily production is approximately 21 mboe. Based on trading in the 12 months to 31 December 2018, the Huckleberry Energy Assets generated unaudited EBITDA of \$96 million (£72.7 million).

The table below sets out details on the wells by state included in the HG Energy Assets and the relative 1P PDP figures:

<i>Well District</i>	<i>Number of Total Proved Producing Properties</i>	<i>Net gas mmcf</i>	<i>Net oil mdbl</i>	<i>Net total mboe</i>
Pennsylvania	56	368,820	17	61,487
West Virginia	51	185,240	24	30,897
<b>Total</b>	<b>107</b>	<b>554,060</b>	<b>41</b>	<b>92,384</b>

Source: Management internal estimates

Note: Net production is stated after working interest and royalty adjustments

The working interest across all wells is 100 per cent., while the overall average net revenue interest is approximately 87 per cent.

The table below sets out summary pro-forma financial information for the HG Energy Assets for the year ended 31 December 2018 extracted from HG Energy's unaudited management accounts, as adjusted by the Directors:

Extracted unaudited pro-forma results for the HG Energy Assets:

	<i>Year ended 31 December 2018 (Unaudited) \$'000</i>
Revenue	137,237
Production taxes	(2,862)
Operating & other expenses	(38,142)
Gross profit	96,233
General & administrative expenses	—
EBITDA	96,233

The Acquisition Agreement contains certain undertakings and warranties given by HG Energy, which are usual for a transaction of this nature. Claims under the warranties generally must be brought within twelve months of the closing of the Acquisition. The Acquisition Agreement contains certain specified representations for which there is no time limit for claims to be brought, including representations concerning organisation, existence and qualification, and authorization, approval and enforceability.

The Acquisition Agreement is capable of termination by DGO Corp prior to closing if HG Energy commits a material breach of, or fails to perform, its representations, warranties and covenants and such breach or failure to perform is not cured within ten business days after receiving notice thereof.

If the conditions to closing are not satisfied due to breach by DGO Corp, HG Energy has the right to terminate the Acquisition Agreement and receive as its sole and exclusive remedy the deposit of \$10 million that is held in escrow pending Completion. If the conditions to closing are not satisfied due to breach by HG Energy, DGO Corp has the right to (i) terminate the Acquisition Agreement and receive the deposit of \$10 million that is held in escrow pending Completion or (ii) seek specific performance of the Acquisition Agreement by HG Energy.

#### **4. Details of the Existing KeyBank Facility, Placing and Use of Proceeds**

The Acquisition (and related costs) will be funded by a combination of draw-down under the Company's Existing KeyBank Facility and from the net proceeds of the Placing.

##### **Existing KeyBank Facility**

As at the date of this document, the Group currently has in place a \$1.5 billion, five-year senior secured credit facility (the "**Existing KeyBank Facility**") with a syndicate of twelve US banks, led by KeyBank National Association ("**KeyBank**"). The syndicate comprises KeyBank, Huntington National Bank, Citizens Bank, N.A., Branch Banking and Trust Company, Iberia Bank, CIT Bank, N.A., First Tennessee Bank, N.A., RBC, ING Capital LLC, CIBC, U.S. Bank National Association and Credit Agricole.

As at 28 February 2019, the amount drawn down by the Group under the Existing KeyBank Facility was \$460 million with a current borrowing base of \$725 million. Following Completion, and the increase in the Company's PDP Reserves, the Group expects to agree a corresponding increase in the borrowing base available to the Group.

The Existing KeyBank Facility has an interest rate of LIBOR plus a margin based on a pricing grid of 2.25 per cent. to 3.25 per cent. based upon utilisation. The Existing KeyBank Facility contains standard representations and warranties, affirmative and negative covenants and events of defaults, including financial reporting requirements and performance covenants.

##### **Placing**

The Company has raised \$234 million (£177 million) before expenses, conditional upon approval of Shareholders at the General Meeting, through the Placing of 151,515,151 Placing Shares at 117 pence per Placing Share with certain existing and new institutional investors. Estimated net proceeds of the Placing are \$225 million (£170 million). The Placing has been undertaken by Mirabaud and Stifel as joint bookrunners. The Placing Price represents the same price as the Company's closing mid-market price of 117 pence on 27 March 2019.

The issue of the Placing Shares is conditional, *inter alia*, on the passing of the Resolutions at the General Meeting. The Placing Shares will represent approximately 21.8 per cent. of the Enlarged Share Capital on Admission. The Placing is not underwritten or otherwise guaranteed.

On 27 March 2019, the Company, Mirabaud, Stifel and Cenkos Securities entered into the Placing Agreement pursuant to which Mirabaud and Stifel agreed, subject to certain conditions, to use their reasonable endeavours to procure subscribers for the Placing Shares pursuant to the Placing.

The Placing is conditional, *inter alia*, upon:

- (i) the Resolutions to be proposed at the General Meeting being passed without amendment;
- (ii) compliance by the Company in all material respects with its obligations under the Placing Agreement; and
- (iii) Admission having become effective by not later than 8.00 a.m. on 18 April 2019 or such later date as the parties shall agree being not later than 8.00 a.m. on 29 April 2019.

Under the Placing Agreement, which may be terminated by Mirabaud, Stifel or Cenkos Securities in certain circumstances prior to Admission, the Company has given certain warranties and indemnities to Mirabaud, Stifel and Cenkos Securities concerning, *inter alia*, the accuracy of the information contained in this document.

Application will be made for the Placing Shares to be admitted to trading on AIM, subject to the passing of the Resolutions at the General Meeting. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on AIM on 18 April 2019.

The Placing Shares will rank, on issue, *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and distributions paid or made in respect of the Ordinary Shares including the Q1 2019 dividend in respect of the first quarter to 31 March 2019 expected to be announced in June 2019 and paid in September 2019. The Placing Shares will not receive the final quarter dividend in respect of the year ended 31 December 2018 to be paid on 28 June 2019 to those shareholders on the register at 12 April 2019. The Placing Shares will be issued free from all liens, charges and encumbrances.

## 5. Current Trading and Prospects

2017 and 2018 was a time of significant growth for DGO with the Company completing a total of seven acquisitions during this period following IPO, including the transformative acquisitions of assets from Titan Energy LLC in October 2017 and entities holding certain gas and oil assets of EQT Corporation in July 2018. DGO exited 2018 with daily production of over 70,000 boepd, and over 10,500 miles of midstream pipeline and associated infrastructure, in a portfolio that established DGO as the largest conventional producer in the Appalachian Basin.

On 28 February 2019, the Company announced its final results for the year ended 31 December 2018. For the year ended 31 December 2018, DGO generated revenues of \$289.7 million and reported an adjusted EBITDA (unhedged) of \$161.9 million.

The Board recommended a final dividend of 3.40 cents per Ordinary Share for Q4 2018 making the total dividend for the year ended 31 December 2018 of 11.225 cents per Ordinary Share (2017: 5.44 cents per Ordinary Share).

The Board believes that the outlook for 2019 and beyond is wholly encouraging, and the Company is fortunate to have strong opportunities on account of its low-risk business model. The Company has achieved rapid expansion and its focus will be on the continued successful integration and value extraction of the material acquisitions completed in 2018 as well as the Acquisition.

Following Completion, the Company will produce approximately 91 mboed (net), making the Company a material producer amongst its small-mid cap peer group and the largest gas and oil producer on AIM. Increased combined production, improved operational efficiencies and the corresponding earnings enhancing impact on the Group, significantly enhances the future prospects of the Group. The Directors continue to identify further suitable acquisition targets.

## 6. Financial Information

Audited accounts for the Group for each of the three years ended 31 December 2018, 31 December 2017 and 31 December 2016 are available on the Company's website at [www.dgoc.com](http://www.dgoc.com).

## 7. General Meeting

**The issue of the Placing Shares is conditional upon, *inter alia*, the approval by Shareholders of the Resolutions to be proposed at the General Meeting. If Shareholders do not pass the appropriate Resolutions, the issue of the Placing Shares will not proceed.** A notice convening the General Meeting to be held at Buchanan Communications Ltd, 107 Cheapside, London, EC2V 6DN at 12.30 p.m. on 17 April 2019 is set out at the end of this document, at which the following Resolutions will be proposed to enable the issue of the Placing Shares:

### **Resolution 1 – Authority to allot shares**

Resolution 1 is an ordinary resolution to authorise the Directors under Section 551 of the Act to issue and allot Ordinary Shares. The Act requires that the authority of Directors to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or convert any security into shares ("relevant securities") should be subject to the approval of Shareholders in a general meeting or to an authority set out in the Company's Articles. Accordingly, Resolution 1 will be proposed to authorise the



Directors to allot relevant securities in respect of the issue of the Placing Shares and otherwise up to a total nominal value of £2,313,896.96 representing 231,389,696 new Ordinary Shares (being approximately 33 per cent. of the Enlarged Share Capital). This authority will expire on the conclusion of the Company's next Annual General Meeting.

### **Resolution 2 – Disapplication of statutory pre-emption rights**

Resolution 2 is a special resolution to disapply statutory pre-emption rights under Section 571 of the Act in respect of equity securities (as defined in Section 560 of the Act). The Act requires that any equity shares issued wholly for cash must be offered to existing Shareholders in proportion to their existing shareholdings unless otherwise approved by Shareholders in general meeting or accepted under the Company's Articles. The Placing Shares are not being offered to Shareholders in proportion to their existing holdings. A special resolution will be proposed at the General Meeting to give the Directors authority to allot equity securities for cash other than on a pro rata basis pursuant to the issue of the Placing Shares under the Placing, in respect of certain rights issues and otherwise up to a total nominal value of £694,169.08 representing 69,416,908 new Ordinary Shares (being approximately 10 per cent. of the Enlarged Share Capital). This authority will expire on the conclusion of the Company's next Annual General Meeting.

**The issue of the Placing Shares is conditional, *inter alia*, on Shareholders passing the appropriate Resolutions being proposed at the General Meeting. If Shareholders do not pass the appropriate Resolutions, the issue of the Placing Shares will not proceed.**

### **8. Action to be taken**

You will find enclosed with this document a Form of Proxy for use by Shareholders at the General Meeting. Whether or not you intend to attend the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon.

To be valid, completed Forms of Proxy must be received by Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol, BS13 8AE, United Kingdom as soon as possible and in any event not later than 12.30 p.m. on 15 April 2019, being 48 hours (excluding non-Business Days) before the time appointed for holding the General Meeting. Completion of a Form of Proxy will not preclude you from attending the meeting and voting in person if you so choose.

### **9. Recommendation and Voting Intentions**

**The Directors consider that the issue of the Placing Shares is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings of 44,982,981 Ordinary Shares, representing approximately 8.3 per cent. of the Existing Ordinary Shares. If the Resolutions are not passed, the Company will be unable to issue the Placing Shares.**

Yours faithfully

**Robert Marshall Post**  
*Non-Executive Chairman*

## PART II – ADDITIONAL INFORMATION

### 1. Responsibility Statement

The Company and the Directors, whose names and functions are set out on page 4 of this document, accept responsibility, both individually and collectively, for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2. Share Capital of the Company

2.1 The issued fully paid up share capital of the Company as at the date of this document and as it is expected to be immediately following the Placing and Admission, is as follows:

<i>Ordinary Shares</i>	<i>Aggregate nominal value</i>	<i>Number of Ordinary Shares</i>
As at the date of this document	£5,426,539.37	542,653,937
Immediately following Admission	£6,941,690.88	694,169,088

2.2 At the General Meeting, the following resolutions are proposed, that:

2.2.1 the Directors be generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers to allot new Ordinary Shares in connection with the Placing up to an aggregate nominal amount of £1,515,151.51 and otherwise up to a total nominal value of £2,313,896.96;

2.2.2 subject to the passing of the above resolution, the directors of the Company shall have the power to allot equity securities (within the meaning of section 560 of the Act) as if section 561 of the Act did not apply to the allotment and this power shall be limited to the allotment of equity securities in relation to the Placing Shares, the allotment of equity securities in connection with an offer by way of a rights issue and otherwise up to an aggregate nominal amount of £694,169.08;

such authorities to expire on at the conclusion of the next Annual General meeting of the Company.

2.3 The number of Existing Ordinary Shares is 542,653,937. The Company will, pursuant to the Placing (and in accordance with the terms of the Placing Agreement), allot 151,515,151 new Placing Shares at the Placing Price, conditionally upon (*inter alia*) Admission. Accordingly, immediately following Admission the issued share capital of the Company will increase to £6,941,690.88 divided into 694,169,088 Ordinary Shares.

2.4 The Placing Shares will, following issue, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions hereafter declared, paid or made on the share capital of the Company including the Q1 2019 dividend in respect of the first quarter to 31 March 2019 expected to be announced in June 2019 and paid in September 2019. The Placing Shares will not receive the final quarter dividend in respect of the year ended 31 December 2018 to be paid on 28 June 2019 to those shareholders on the register at 12 April 2019. The Placing Shares will be issued free from all liens, charges and encumbrances.

2.5 The holders of Existing Ordinary Shares will be diluted by the issue of the Placing Shares. The effect of the issue of the Placing Shares will be that holders of Existing Ordinary Shares at the date of this document will own 78.2 per cent. of the Enlarged Share Capital following Admission.

2.6 The legislation under which the Ordinary Shares have been created is the Act and regulations made under the Act. The Placing Shares are denominated in sterling. It is expected that the Placing Shares will be allotted on 17 April 2019, conditional (*inter alia*) on Admission taking place, and issued on Admission, which is expected to be on 18 April 2019. No admission to listing or trading of the Ordinary Shares is being sought on any stock exchange other than AIM.

- 2.7 The Placing Shares will be in registered form. They will be capable of being held in certificated form or in uncertificated form and traded in CREST. The records in respect of Placing Shares held in uncertificated form will be maintained by Computershare.
- 2.8 There is no class of shares in issue other than Ordinary Shares and no Ordinary Shares have been issued other than as fully paid.

### **3. Consents and other information**

- 3.1 Cenkos Securities has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 3.2 Mirabaud has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 3.3 Stifel has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 3.4 The total costs and expenses payable by the Company in connection with the Placing and Acquisition (including professional fees, commissions, the costs of printing and registrars fees) are estimated to amount to approximately \$9 million excluding VAT. The net proceeds of the Placing receivable by the Company are expected to be approximately \$225 million.
- 3.5 It is expected that CREST accounts will be credited as applicable on the date of Admission. The ISIN of the Ordinary Shares is GB00BYX7JT74. Share certificates in respect of Placing Shares (where applicable) will be dispatched by first class post within 14 days of the date of Admission.
- 3.6 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.
- 3.7 Cenkos Securities is registered in England and Wales as a private company under the Act with number 5210733 and is regulated by the FCA. Its registered office is at 6.7.8 Tokenhouse Yard, London EC2R 7AS.
- 3.8 Mirabaud is registered in England and Wales as a private company under the Act with number 01654710 and is regulated by the FCA. Its registered office is at 10 Bressenden Place, London, SW1E 5DH.
- 3.9 Stifel is registered in England and Wales as a private company under the Act with number 03719559 and is regulated by the FCA. Its registered office is at 150 Cheapside, London, EC2V 6ET.
- 3.10 The Placing Price of 117 pence per Ordinary Share represents a premium of approximately 116 pence over the nominal value of 1 pence per Ordinary Share.
- 3.11 There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 3.12 Save as disclosed in this document, the Directors are unaware of:
- 3.12.1 any significant trends in production, sales and inventory and costs and selling prices from 31 December 2018 (being the date to which the Company's most recently audited accounts were drawn-up) to the date of this document;
- 3.12.2 any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year; or
- 3.12.3 exceptional factors which have influenced the Company's activities.

3.13 There are no mandatory takeover bids outstanding in respect of the Company and no public takeover bids have been made by third parties either in the last financial year or the current financial year of the Company.

3.14 There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

#### **4. Availability of Document**

Copies of this document, which contains details about the Company and the admission of its securities, will be available from the offices of Cenkos Securities, 6.7.8. Tokenhouse Yard, London EC2R 7AS, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from the date of Admission. A copy of this document is also available for download at the Company's website at [www.dgoc.com](http://www.dgoc.com).

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>“Act”</b>	the Companies Act 2006, as amended;
<b>“Acquisition”</b>	the proposed acquisition of the HG Energy Assets from HG Energy, pursuant to the terms of the Acquisition Agreement;
<b>“Acquisition Agreement”</b>	the conditional agreement between (1) HG Energy and (2) DGO Corp relating to the Acquisition, details of which are set out in paragraph 3 of Part I this document;
<b>“Admission”</b>	the admission of the Placing Shares to trading on AIM;
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange;
<b>“AIM Rules”</b>	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for Companies” relating to companies whose securities are traded on AIM, as amended from time to time;
<b>“Board” or “Directors”</b>	the directors of the Company, whose names are set out on page 4 of this document;
<b>“Business Day”</b>	a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, England;
<b>“Cenkos Securities”</b>	Cenkos Securities plc, the Company’s nominated adviser;
<b>“Company” or “DGO”</b>	Diversified Gas & Oil PLC;
<b>“Completion”</b>	completion of the Acquisition;
<b>“Consideration”</b>	the total cash consideration to be paid in accordance with the terms of the Acquisition Agreement;
<b>“DGO Corp”</b>	Diversified Gas and Oil Corporation, a wholly owned subsidiary of the Company;
<b>“Existing KeyBank Facility”</b>	the Company’s existing \$1.5 billion, five-year senior secured credit facility with a syndicate of twelve US banks, led by KeyBank National Association;
<b>“Existing Ordinary Shares”</b>	the 542,653,937 Ordinary Shares in issue at the date of this document;
<b>“Enlarged Share Capital”</b>	the issued share capital of the Company on Admission comprising the Existing Ordinary Shares and the Placing Shares;
<b>“Form of Proxy”</b>	the form of proxy relating to the General Meeting being sent to Shareholders with this document;
<b>“General Meeting” or “GM”</b>	the General Meeting of the Company to be held at Buchanan Communications Ltd, 107 Cheapside, London, EC2V 6DN at 12.30 p.m. on 17 April 2019, notice of which is set out at the end of this document;
<b>“Group”</b>	the Company and its subsidiary undertakings;
<b>“HG Energy”</b>	HG Energy II Appalachia, LLC;

<b>“HG Energy Assets”</b>	certain oil and gas leaseholds, wells, working interests, licenses, related equipment and other assets owned by HG Energy;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Mirabaud”</b>	Mirabaud Securities Limited, the Company’s joint bookrunner;
<b>“Ordinary Shares”</b>	ordinary shares of 1p each in the capital of the Company;
<b>“Placing”</b>	the conditional placing by Mirabaud and Stifel on behalf of the Company of the Placing Shares pursuant to the Placing Agreement;
<b>“Placing Agreement”</b>	the conditional agreement dated 27 March 2019 between the Company (1), Mirabaud (2), Stifel (3) and Cenkos Securities (4) relating to the Placing, details of which are set out in paragraph 4 of Part I this document;
<b>“Placing Price”</b>	117 pence per Placing Share;
<b>“Placing Shares”</b>	151,515,151 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing;
<b>“Regulatory Information Service”</b>	one of the regulatory information services authorised by the London Stock Exchange to receive, process and disseminate information in respect of AIM quoted companies;
<b>“Resolutions”</b>	the shareholder resolutions set out in the notice of General Meeting at the end of this document;
<b>“Shareholders”</b>	holders of the Ordinary Shares;
<b>“Stifel”</b>	Stifel Nicolaus Europe Limited, the Company’s joint bookrunner;
<b>“UK”</b>	the United Kingdom;
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
<b>“£” or “Sterling”</b>	pounds sterling, the lawful currency of the United Kingdom; and
<b>“\$” or “US\$”</b>	United States dollars, the lawful currency of the United States.

## GLOSSARY

<b>"1P PDP"</b>	proved developed reserves that are expected to be recovered from Reserves" or "PDP" completion intervals currently open in existing wells and able to produce to market. Reserves that can be recovered through wells with existing equipment and operating methods
<b>"boed"</b>	barrels of oil equivalent per day
<b>"boe"</b>	barrels of oil equivalent
<b>"boed"</b>	barrels of oil equivalent per day
<b>"btu"</b>	British thermal unit, which is the heat required to raise the temperature of a one pound mass of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit under specific conditions
<b>"Mcf"</b>	thousand standard cubic feet equivalent
<b>"Mcfed"</b>	thousand cubic feet of natural gas equivalent per day
<b>"MMboe"</b>	million barrels of oil equivalent
<b>"Mboed"</b>	thousand barrels of oil equivalent per day
<b>"NGLs"</b>	natural gas liquids
<b>"NPV10"</b>	the current value of future cash flows, discounted at a rate of 10 per cent. per annum
<b>"PDP reserves"</b>	proven developed producing reserves

# **NOTICE OF GENERAL MEETING**

## **DIVERSIFIED GAS & OIL PLC**

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

NOTICE is hereby given that a General Meeting of Diversified Gas & Oil PLC (the “**Company**”) will be held at the offices of Buchanan Communications Ltd, 107 Cheapside, London EC2V 6DN at 12.30 p.m. on 17 April 2019 to consider and, if thought fit, pass resolution 1 set out below to be proposed as an ordinary resolution and resolution 2 as a special resolution.

### **ORDINARY RESOLUTION**

#### **1. THAT:**

- 1.1 the directors be generally and unconditionally authorised under section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the Act) and to grant rights to subscribe for, or to convert any security into, shares in the Company (“Rights”):
  - 1.1.1 up to an aggregate nominal amount of £1,515,151.51 in respect of the 151,515,151 new Ordinary Shares of 1 pence each in the capital of the Company (“Ordinary Shares”) to be issued at 117 pence per share by the Company pursuant to the placing on the terms set out in the circular of which this notice forms part (the “Placing Shares”); and
  - 1.1.2 otherwise than pursuant to 1.1.1 above, up to a maximum aggregate nominal amount of £798,745.45 (being equal to one-third of the nominal value of the enlarged issued share capital of the Company following the issue of the Placing Shares);
- 1.2 such authority shall expire (unless previously revoked by the Company) at the conclusion of the next annual general meeting of the Company save that in each case the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or Rights to be granted after the authority has expired and the directors may allot equity securities or grant Rights in pursuance of any such offer or agreement notwithstanding that this authority has expired; and
- 1.3 all previous authorities to allot equity securities or grant Rights to the extent unused, shall be revoked.

### **SPECIAL RESOLUTION**

#### **2. THAT:**

- 2.1 conditional on the passing of resolution 1, the directors be generally and unconditionally empowered under section 570 of the Act to exercise all the powers of the Company to allot equity securities for cash pursuant to the authorisation conferred by resolution 1 above as if section 561 of the Act did not apply to the allotment, provided that this power shall be limited to the allotment of equity securities:
  - 2.1.1 up to an aggregate nominal amount of £1,515,151.51 in respect of the allotment and issue of the Placing Shares;
  - 2.1.2 in connection with an offer by way of a rights issue to:
    - 2.1.2.1 Shareholders in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares; and
    - 2.1.2.2 holders of other equity securities, if this is required by the rights of those securities or, if the directors consider it necessary, but subject to such exclusions and other arrangements as the directors may consider necessary or appropriate in relation to fractional entitlements, record dates, legal, regulatory or practical problems or under the laws of any territory (including the requirements of any regulatory body or stock exchange) or any other matter; and



- 2.1.3 otherwise than pursuant to 2.1.1 and 2.1.2 above, the allotment of further equity securities up to an aggregate nominal amount of £694,169.08 in respect of up to 69,416,908 new Ordinary Shares;
- 2.2 such power shall expire (unless previously revoked by the Company) at the conclusion of the next annual general meeting of the Company save that in each case the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

*By order of the Board*

*Registered Office*  
27/28 Eastcastle Street  
London W1W 8DH

**Cargil Management Services Limited**

*Company Secretary*

28 March 2019

**Notes:**

1. Only those Shareholders registered in the Company's register of members at:
  - (i) 6.00 p.m. (UK time) on 15 April 2019; or,
  - (ii) if this meeting is adjourned, at 6.00 p.m. (UK time) on the day two days prior to the adjourned meeting, shall be entitled to attend, speak and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. If you wish to attend the meeting in person, please attend the offices of Buchanan Communications Ltd, 107 Cheapside, London EC2V 6DN on 17 April 2019 at 12.30 p.m. (UK time) for the purpose of considering and, if thought fit, passing the proposed Resolutions.
3. Information regarding the meeting, including the information required by section 311A of the Act can be found at [www.dgoc.com](http://www.dgoc.com).
4. If you are a Shareholder who is entitled to attend and vote at the meeting, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. To appoint more than one proxy, please contact the Company's share registrar on telephone number 0370 702 0000.
5. To be valid, an instrument appointing a proxy and any power of attorney or other authority under which the proxy instrument is signed (or a notarially certified copy thereof) must be deposited with the Company's share registrar, Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol, BS13 8AE, United Kingdom ("Computershare") by 12.30 p.m. (UK time) on 15 April 2019.
6. The completion and return of a proxy card will not affect the right of a member to attend, speak and vote in person at the meeting convened by this notice. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
8. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
9. Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
10. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by Computershare Investor Services plc (ID: 3RA50) no later than 12.30 p.m. on 15 April 2019. Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 as amended.
12. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
13. A Shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to the Computershare. In the case of a Shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
14. In either case, the revocation notice must be received by Computershare no later than 12.30 p.m. (UK time) on 15 April 2019.
15. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, your original proxy appointment will remain valid unless you attend the meeting and vote in person.
16. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a Shareholder provided that no more than one corporate representative exercises powers over the same share.
17. As at 27 March 2019, being the latest practicable date before publication of this notice, the Company's issued share capital comprised 542,653,937 ordinary shares of 1 pence each and, therefore, the total number of voting rights in the Company on the resolutions proposed at this general meeting will be 542,653,937.

18. Any member attending the meeting has the right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:
  - (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (ii) the answer has already been given on a website in the form of an answer to a question; or
  - (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
19. The quorum for the meeting is two or more members, who are entitled to vote, present in person or by proxy or a duly authorised representative of a corporation which is a member.
20. The ordinary resolution must be passed by a simple majority (i.e. more than half) of the total number of votes cast for and against such resolution. The special resolution must be passed by at least 75 per cent. of the votes cast for and against such resolution.
21. At the meeting votes may be taken by a show of hands or by poll. On a poll, every member, who is present in person or by proxy, shall be entitled to one vote for every share held by him.
22. If, within five minutes after the time appointed for the meeting (or such longer interval not exceeding one hour as the Chairman of the meeting may think fit to allow) a quorum is not present, the meeting shall stand adjourned to a day (but not less than 10 days later, excluding the day on which the meeting is adjourned and the day for which it is reconvened) the time and place to be decided by the Chairman, and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present in person and by proxy shall be a quorum.

