

May 26, 2020



Diversified Gas & Oil Plc Completes Acquisition of EQT Assets

BIRMINGHAM, AL / ACCESSWIRE / May 26, 2020 /London-LSE quoted Diversified Gas & Oil Plc (LSE:DGOC), "DGO" or the "Company"), the U.S. based owner and operator of natural gas, natural gas liquids, and oil wells as well as midstream assets, confirms that further to the announcements made by the Company on May 11, 2020 and May 12, 2020, it has completed the purchase of certain upstream and related infrastructure assets from EQT Corporation ("EQT") (the "Acquisition"). DGO is also pleased to announce that it has secured a commitment from Munich Re Reserves Risk Financing, Inc. ("MRRF") for the term loan financing for the Acquisition. The Company continues to advance towards completing its diligence and closing the previously announced conditional Purchase and Sale Agreement with Carbon Energy Corporation announced on April 8, 2020.

Acquisition Highlights:

- PDP reserves of ~48 MMBoe (288 Bcfe) with pretax PV10 of ~\$185 million on recent NYMEX strip
- Estimated next twelve months ("NTM") Adjusted EBITDA of ~\$32-\$34 million
- Net consideration represents a 3.3x-3.5x cash multiple
- ~9,000 Boepd (~54,000 Mcfe) of adjusted 2019 net production (~100% gas)
- Average 97% working interest / 92% net revenue interest
- ~900 net operated wells and related gathering infrastructure
 - 67 horizontal producing wells in Pennsylvania
 - Remainder are conventional vertical producing wells in West Virginia
- Additional upside opportunity from 13 presently non-producing horizontal Marcellus wells which DGO will pursue returning to production, and to which the Company allocated no value in the purchase price, estimated reserves, PV10 value or NTM Adjusted EBITDA

For the Acquisition and at closing, DGO paid net consideration of approximately \$112 million (\$125 million, gross) after customary purchase price adjustments with a January 1, 2020 effective date. Depending on future natural gas prices and measured on a quarterly basis over the next three years, EQT may earn additional contingent consideration of up to \$20 million in aggregate if actual NYMEX natural gas prices exceed certain established thresholds. Based on forward NYMEX natural gas prices at the time of closing, total estimated contingent consideration is less than \$1 million.

To fund the net \$112 million due at closing, DGO utilized the \$82 million of net proceeds from its recent fundraise and a short-term draw on its revolving credit facility. DGO received final approval from MRRF, a wholly-owned subsidiary of Munich Re, for a \$160 million senior secured term loan (the "Term Loan") that it will utilize as the long-term, amortizing financing instrument for this Acquisition and, subject to successfully completing the final stages of

diligence, its acquisition of assets from Carbon Energy Corporation. The Term Loan will fully amortize over ten years with a 6.5% fixed coupon and will include 10-year hedge protection on the production underlying the loan. DGO expects to close the Term Loan during May 2020.

Rusty Hutson, Jr., CEO of the Company commented:

"This transaction further solidifies the strong relationship we share with EQT that dates back to 2018 when we completed a \$575 million purchase of similar Appalachian assets. Our teams work exceptionally well together, and we look forward to future opportunities to partner again. Today's acquisition builds on the significant momentum we've generated this year and continues to validate the large opportunity set of accretive gas and oil producing assets available in this market. As in the past, we now turn our attention to seamlessly integrating the assets into our existing portfolio, eager to capitalize on the embedded upside from the 13 non-producing wells by restoring them to production and further leveraging the scale and geographic density of our operation to reduce costs while also improving production from the other wells."

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SOURCE: Diversified Gas & Oil PLC

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