



DIVERSIFIED GAS & OIL
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Unaudited Interim Consolidated Financial Information
30 June 2015

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DIVERSIFIED GAS AND OIL PLC
Interim Consolidated Statements of Profit or Loss
6-month periods ended 30 June 2015 and 30 June 2014

	<u>Note</u>	<u>Proforma 6 months ended 30 June 2015</u> \$'000	<u>Proforma 6 months ended 30 June 2014</u> \$'000
Revenue	8	\$ 2,918	\$ 3,135
Operating expenses	9	(1,675)	(1,376)
Depreciation, depletion and amortization		(1,360)	(1,161)
Gross (loss)/profit		\$ (117)	\$ 598
Loss on sale of property, plant and equipment		(2)	-
Loss on derivative financial instruments		(316)	(14)
General and administrative costs	9	(278)	(303)
Operating (loss)/profit		\$ (713)	\$ 281
Finance costs		(1,489)	(1,288)
Loss attributable to owners of the company		\$ (2,202)	\$ (1,007)
Other comprehensive income		8	-
Total comprehensive loss for the year		\$ (2,194)	\$ (1,007)
Earnings per share - basic and diluted (U.S.\$)	5	\$ (0.05)	\$ (0.03)

DIVERSIFIED GAS AND OIL PLC
Interim Consolidated Statements of Financial Position
At 30 June 2015 and 30 June 2014

	<u>Note</u>	<u>30 June 2015</u>	<u>Proforma 30 June 2014</u>
		\$'000	\$'000
ASSETS			
Non-current assets			
Oil and gas properties		\$ 33,782	\$ 26,279
Property and equipment		1,045	994
Restricted cash		90	90
		<u>34,917</u>	<u>27,363</u>
Current assets			
Trade receivables		1,101	1,135
Derivative financial instruments	12	561	-
Other current assets		31	-
Cash and cash equivalents		799	349
		<u>2,492</u>	<u>1,484</u>
Total Assets		\$ 37,409	\$ 28,847
EQUITY AND LIABILITIES			
Equity			
Share capital	7	622	-
Merger reserve		(479)	58
Accumulated losses		(9,359)	(6,598)
Total Equity		\$ (9,216)	\$ (6,540)
Non-current liabilities			
Decommissioning provision		4,631	2,730
Borrowings		14,431	13,608
Other liabilities		310	198
		<u>19,372</u>	<u>16,536</u>
Current liabilities			
Trade and other payables		3,757	1,670
Borrowings		22,572	16,452
Derivative financial instruments	12	-	578
Other liabilities		924	151
		<u>27,253</u>	<u>18,851</u>
Total Liabilities		\$ 46,625	\$ 35,387
Total Liabilities and Equity		\$ 37,409	\$ 28,847

DIVERSIFIED GAS AND OIL PLC
Interim Consolidated Statements of Changes in Equity
For the 6-month periods ended 30 June 2014, 31 December 2014 and 30 June 2015

	<u>Share Capital</u> \$'000	<u>Merger Reserve</u> \$'000	<u>Accumulated Losses</u> \$'000	<u>Total</u> \$'000
Proforma Balance as of 1 January 2014	\$ -	\$ 58	\$ (5,189)	\$ (5,131)
Loss attributable to owners of the company	-	-	(1,007)	(1,007)
Stockholder Distributions	-	-	(402)	(402)
Proforma Balance as of 30 June 2014	<u>\$ -</u>	<u>\$ 58</u>	<u>\$ (6,598)</u>	<u>\$ (6,540)</u>
Issue of ordinary shares	85	-	-	85
Income attributable to owners of the company	-	-	772	772
Stockholder Distributions	-	-	(1,645)	(1,645)
Proforma Balance as of 31 December 2014	<u>\$ 85</u>	<u>\$ 58</u>	<u>\$ (7,471)</u>	<u>\$ (7,328)</u>
Group reorganization	537	(537)	-	-
Loss attributable to owners of the company	-	-	(2,202)	(2,202)
Other comprehensive income	-	-	8	8
Stockholder Contributions	-	-	306	306
Balance as of 30 June 2015	<u>\$ 622</u>	<u>\$ (479)</u>	<u>\$ (9,359)</u>	<u>\$ (9,216)</u>

DIVERSIFIED GAS AND OIL PLC
Interim Consolidated Statements of Cash Flows
For the 6-month periods ended 30 June 2015 and 30 June 2014

	Proforma 6 months ended 30 June 2015	Proforma 6 months ended 30 June 2014
	\$'000	\$'000
Cash flows from operating activities		
Loss attributable to owners of the company	\$ (2,194)	\$ (1,007)
<i>Adjustments to add non-cash items:</i>		
Depreciation, depletion and amortization	1,360	1,161
Loss on derivative financial instruments	316	14
Loss on disposal of property and equipment	2	-
<i>Working capital adjustments:</i>		
Change in trade receivables	(465)	(178)
Change in other current assets	(10)	16
Change in trade and other payables	1,563	(438)
Change in other liabilities	13	124
Change in decommissioning provision	107	76
Net cash provided by/(used in) operating activities	692	(232)
Cash flows from investing activities		
Expenditures on oil and gas properties	(2,669)	(80)
Expenditures on property and equipment	(34)	(168)
Net cash used in investing activities	(2,703)	(248)
Cash flows from financing activities		
Proceeds from borrowings	2,910	1,401
Repayment of borrowings	(304)	(482)
Accrued interest expense	302	-
Borrowing expense	(438)	-
Contributions from/(dividends to) stockholders	306	(402)
Net cash provided by financing activities	2,776	517
Net increase in cash and cash equivalents	765	37
Cash and cash equivalents - beginning of period	34	312
Cash and cash equivalents - end of period	\$ 799	\$ 349

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 1 - GENERAL INFORMATION

Diversified Gas and Oil PLC (“DGO”) is an Appalachian focused oil and gas company with headquarters in Birmingham, Alabama, USA. The Company 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 Regis House, 45 King William Street, London EC4R 9AN.

NOTE 2 - BUSINESS COMBINATIONS

Effective 1 June 2015, Robert R. Hutson, Jr. and Robert M. Post collectively assigned their capital stock or membership interest in the following companies to Diversified Gas & Oil Corporation (DGOC):

1. Diversified Resources, Inc.;
2. M & R Investments, LLC;
3. M & R Investments Ohio, LLC;
4. Marshall Gas and Oil Corporation;
5. R&K Oil and Gas, Inc.;
6. Fund 1 DR, LLC; and,
7. Diversified Oil & Gas, LLC

In exchange for the equity of the Subsidiary Companies, Hutson and Post, were issued 4,000 shares of common stock, par value \$0.01 in DGOC.

Effective 10 June 2015, Robert R. Hutson, Jr. and Robert M. Post collectively transferred their 4,000 shares of common stock in DGOC to DGO. In exchange for their common stock of DGOC, Hutson and Post were collectively issued 35,000,000 shares of common stock, par value £0.01 in DGO.

NOTE 3 - BASIS OF PREPARATION

(a) Basis of Preparation and Measurement

As a result of the stock exchange transaction between DGO and stockholders Hutson and Post, the Directors considered IFRS 3 – Business Combinations (Revised 2008). However, they concluded that this transaction fell outside the scope of IFRS 3 (revised 2008) since the transaction described in Note 2 represents a combination of entities under common control.

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom (“UK GAAP”) for guidance (FRS 6 – Acquisition and Mergers) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of both entities are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the legal acquirer in accordance within applicable IFRS, no goodwill is recognized, any expenses of the combination are written off immediately to the income statement and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period presented.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 3 - BASIS OF PREPARATION AND CHANGE OF ACCOUNTING POLICY (Continued)

Therefore, although the DGO reconstruction did not become unconditional until 10 June 2015, these consolidated financial statements are presented as if the DGO structure has always been in place, including the activity from incorporation of DGO's subsidiary companies. All entities had the same management as well as majority shareholders.

In September 2014, DGO completed the business acquisition to purchase the issued share capital of Fund 1 DR, LLC. The purchase consideration comprised of cash of \$4,300,000. Such combination occurred prior to the DGO stock reconstruction and was accounted for as a business combination under IFRS 3, which resulted in oil and gas properties being recorded at fair market value of \$914,000 above the cost and recognizing a bargain purchase adjustment.

The financial statements are presented in US Dollar, which is the currency of the primary economic environment in which the subsidiary companies operate, unless otherwise stated. All values are rounded to the nearest thousand dollars except where otherwise indicated. They have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value through profit and loss.

The financial statements have been prepared on the going concern basis, which assumes that DGO will be able to meet its liabilities as they fall due for the foreseeable future.

(b) New Standards and Interpretations Not Yet Adopted

The accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those followed in the preparation of DGO's combined financial information for the year ended 31 December 2014, as set out in Part 3 of the Company's Admission Document in relation to the admission to the ISDX Growth Market of the Company's Sterling Denominated Unsecured 8.5% Bonds, except for the adoption of new standards and interpretations effective as of 1 January 2015.

(c) Changes in Accounting Policy and Disclosure

New and Amended Standards, and Interpretations Mandatory for the First Time for the Financial Year Beginning January 1, 2015, but not Currently Relevant to DGO

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing the unaudited interim financial information. None of these are expected to have a significant effect on the unaudited interim financial information of DGO.

Amendments to IFRS 10, IFRS 12, and IAS 27 "Investment Entities", provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Combined Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to DGO, since DGO, including its subsidiaries, qualifies to be an investment entity under IFRS 10.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 3 - BASIS OF PREPARATION (Continued)

Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”, clarify the meaning of currently has a legally enforceable right to set-off and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to DGO as DGO has not novated its derivatives during the current or prior periods.

Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”, remove the unintended consequences of IFRS 13 “Fair Value Measurement” on the disclosures required under IAS 36 “Impairment of Assets”. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognized or reversed during the period. These amendments have no impact on DGO as DGO has not recognized any impairment loss during the current or prior periods.

FRIC 21 “Levies”, clarifies that DGO must recognize a liability for a levy no earlier than when the activity that triggers a payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial information.

DGO has not early adopted any other standard, interpretation or amendments that has been issued but is not effective.

The preparation of DGO’s consolidated financial statements require management to make judgments, estimates and assumptions that affect the recognition and reported amounts of assets and liabilities, and the accompanying disclosures. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(d) Statement of Compliance

The unaudited interim financial information of DGO has been prepared in accordance with IAS 34 Interim Financial Reporting.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 3 - BASIS OF PREPARATION (Continued)

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of DGO and 100% of its subsidiaries:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Principal Activities</u>
Diversified Gas & Oil Corporation	Delaware, USA	Stock holding company
Diversified Resources, Inc.	West Virginia, USA	Oil and gas operator
Diversified Oil & Gas, LLC	Alabama, USA	Oil and gas producer
Fund 1 DR, LLC	Nevada, USA	Oil and gas producer
M&R Investments, LLC	West Virginia, USA	Oil and gas producer
M&R Investments Ohio, LLC	Ohio, USA	Oil and gas producer
Marshall Gas & Oil Corporation	Alabama, USA	Oil and gas producer
R&K Oil and Gas, Inc.	West Virginia, USA	Oil and gas producer

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the company obtains control, and continue to be combined until the date that such control ceases.

All intra-company assets and liabilities, equity, income, expenses and cash flows related to transactions between members of the Company are eliminated in full on consolidation.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying DGO's accounting policies, the Directors have made the following judgments, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the unaudited interim financial information:

a. Impairment indicators:

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the oil price assumption may change, which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of oil and gas property and equipment. DGO monitors internal and external indicators of impairment relating to its long-lived assets.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

**NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(Continued)**

b. Decommissioning costs:

These costs will be incurred by DGO at the end of the operating life of some of DGO's properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

c. Income taxes:

DGO is a UK company subject to Corporation Tax on taxable profit at the standard rate of Corporation Tax, which is currently 20%.

As a result of the stock exchange, effective 1 June 2015 all subsidiaries lost their pass-through tax status, will be subject to U.S. federal and state income tax, and will begin filing a consolidated U.S. federal income tax return and separate company state tax returns. The Subsidiaries have identified its federal tax return and its state tax returns in West Virginia and Ohio as "major" tax jurisdictions, as defined.

As of 30 June 2015, no deferred tax asset or liability existed.

d. Reserve estimates:

Reserves are estimates of the amount of product that can be economically and legally extracted from DGO's properties. In order to calculate the reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of fields to be determined by analyzing geological data, such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Given the economic assumptions used to estimate reserves change from year to year and, because additional geological data is generated during the course of operations, estimates of reserves may change from time to time.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

**NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(Continued)**

Changes in reported reserves may affect DGO’s financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected by possible impairment due to adverse changes in estimates future cash flows; and
- depreciation, depletion and amortization charged in the statement of comprehensive income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

NOTE 5 – PRO-FORMA EARNINGS PER SHARE

Pro-forma basic and diluted earnings per share is calculated by dividing the loss attributable to equity holders by 40,000,000, being the total number of shares in issue following the group reorganisation. There are no dilutive or potentially dilutive instruments.

	6 months ended 30 June 2015	Proforma 6 months ended 30 June 2014
	\$'000	\$'000
Loss after tax attributable to owners	\$ (2,194)	\$ (1,007)
Weighted average numbers of shares, basic:	50,000,000	50,000,000
Earnings per share - basic (U.S.\$)	\$ (0.04)	\$ (0.02)

NOTE 6 – OIL AND GAS PROPERTIES ACQUISITION

On 31 May 2015, DGO acquired 700 Ohio oil and gas wells from Broad Street Energy, LLC. The purchase has been treated as the acquisition of a business in accordance with IFRS 3. The fair value of the oil properties acquired was \$2,600,000 and the consideration comprised cash of \$600,000 and a note payable for \$2,000,000. The assets acquired included the necessary permits, rights to production, royalties, contracts and agreements that support the production from the wells.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 7 – SHARE CAPITAL

	6 months ended 30 June 2015	
	Number of shares	Share capital \$'000
At 1 January 2015	5,000,000	\$ 85
Issue of shares:		
10 June 2015	35,000,000	\$ 537
At 30 June 2015	40,000,000	\$ 622

NOTE 8 - REVENUE AND OTHER INCOME

	6 months ended 30 June 2015	Proforma 6 months ended 30 June 2014
	\$'000	\$'000
Oil and natural gas revenue	\$ 2,367	\$ 2,385
Operator revenue	471	470
Water disposal revenue	45	-
Oil and gas program revenue	35	280
Total revenue	\$ 2,918	\$ 3,135

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 9 - EXPENSES BY NATURE

	6 months ended 30 June 2015	Proforma 6 months ended 30 June 2014
	\$'000	\$'000
Automobile	\$ 129	\$ 144
Employees & benefits	755	590
Insurance	105	40
Well operating expenses	686	602
Total operating expenses	\$ 1,675	\$ 1,376
Employees and benefits	\$ 76	\$ 89
Other administrative	33	48
Professional fees	123	113
Rent	41	42
Travel	4	11
Uncollectible accounts	1	-
Total general and administrative costs	\$ 278	\$ 303
Total expenses	\$ 1,953	\$ 1,679

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

Natural gas put option agreements

On 15 January 2015, DGO entered into a call option with a counterparty to sell approximately 501,000 MMBTUs of natural gas during the period the period 1 February 2015 to 31 December 2015. The counterparty agreed to pay DGO a strike price of \$3.13 per MMBTU.

The effects of the natural gas put option agreements are recorded as an offset to revenue on the combined statement of comprehensive income.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Natural gas basis swap agreements

On 20 January 2015, DGO entered into a natural gas basis swap agreement to exchange 835,000 MMBTUs of natural gas during the period 1 February 2015 to 31 December 2015 at a fixed price of \$1.22 per MMBTU, to be paid by the counterparty and the Dominion Transmission Appalachian monthly settlement price to be paid by DGO.

The effects of the natural gas swap agreement were recorded as an offset to revenue on the combined statement of comprehensive income.

NOTE 11 - BORROWINGS

During the 6-month period ended 30 June 2015, DGO established a credit facility in the maximum principal amount of \$25,000,000 with CrossFirst Bank and drew \$2,000,000 to purchase oil and gas properties. The credit facility has a variable interest rate of Wall Street Journal Prime plus 0.50% with a maturity date of 30 June 2016.

During the 6-month period ended 30 June 2015, DGO issued and raised £565,944 (\$877,634) in an ISDX Growth Market Unsecured 8.5% bond. The bonds have a final redemption date of 23 June 2020. The proceeds were used to purchase oil and gas properties.

NOTE 12 – FAIR VALUE

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal marked (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, DGO utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. IFRS 13 “Fair Value Measurement” establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs (other than quoted prices included in Level 1 can include the following:

- (a) observable prices in active markets for similar assets,
- (b) prices for identical assets in markets that are not active,
- (c) directly observable market inputs for substantially the full term of the asset, and
- (d) market inputs that are not directly observable but are derived from or corroborated by observable market data.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 12 – FAIR VALUE (Continued)

Level 3: Unobservable inputs which reflect the Directors' best estimate of what market participants would use in pricing the asset at the measurement date.

For interest rates, DGO has entered into floating-to fixed swaps where DGO receives a floating market rate and pays a fixed interest rate to manage the interest expense.

No derivatives are held for speculative or trading purposes and the contracts do not contain any credit-risk related contingent features. DGO has never elected to designate any of the derivatives for hedge accounting.

Netting the fair values of derivative assets and liabilities for financial reporting purposes is permitted if such assets and liabilities are with the same counterparty and a legal right of set-off exists subject to a master netting arrangement. We have elected to present derivative assets and liabilities, net, when these conditions are met. When derivative assets and liabilities are presented net, the fair value of the right to reclaim collateral assets (receivable) or the obligation to return cash collateral (payable) is also offset against the net fair value of the corresponding derivative. As at each of 30 June 2015 and 30 June 2014, there were no collateral assets or liabilities associated with derivative assets and liabilities.

Derivatives expose DGO to counterparty credit risk. The derivative contracts have been executed under master netting arrangements which allow DGO, in the event of default by our counterparties, to elect early termination. We monitor the creditworthiness of our counterparties but are not able to predict sudden changes and may be limited in our ability to mitigate an increase in credit risk.

Possible actions would be to transfer its positions to another counterparty, or request a voluntary termination of the derivative contracts resulting in a cash settlement in the event of non-performance by the counterparty. For each of the 6-month periods ended 30 June 2015 and 30 June 2014, the counterparties for all of our derivative financial instruments were lenders under our credit agreements.

The derivative instruments consist of interest rate swap. As such, significant fair values inputs can generally be verified and do not typically involve significant judgments by the Directors.

The fair value of the intangibles are carried at the lower of cost or fair value, as determined by contacts and agreements.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 12 – FAIR VALUE (Continued)

The following presents DGO's assets and liabilities measured at fair value on a recurring basis as at each of 30 June 2015 and 30 June 2014:

30 June 2015	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	\$'000	\$'000	\$'000	\$'000
Assets:				
Derivatives	\$ -	\$ 561	\$ -	\$ 561
Total assets	<u>\$ -</u>	<u>\$ 561</u>	<u>\$ -</u>	<u>\$ 561</u>
30 June 2014	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	\$'000	\$'000	\$'000	\$'000
Liabilities:				
Derivatives	\$ -	\$ 578	\$ -	\$ 578
Total liabilities	<u>\$ -</u>	<u>\$ 578</u>	<u>\$ -</u>	<u>\$ 578</u>

There were no transfers between Level 1 and Level 2 during either of the 6-month periods ended 30 June 2015 and 30 June 2014.

DIVERSIFIED GAS AND OIL PLC
Notes to the Consolidated Financial Information
Periods Ended 30 June 2015 and 30 June 2014

NOTE 13 – RELATED PARTIES

Balances and transactions between DGO and other related parties are disclosed below.

(a) Remuneration of Key Management

The remuneration of key management, which comprises the Shareholders, is set out below:

	Proforma 6 months ended 30 June 2015		Proforma 6 months ended 30 June 2014
	\$'000		\$'000
Salaries and benefits	\$ 27	\$	39
Capital contributions	\$ 2,011	\$	-
Dividends	\$ (1,705)	\$	(402)

NOTE 14 - CONTINGENCIES AND PROVISIONS

DGO's operations are subject to environmental regulation in all the jurisdictions in which it operates. DGO is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect DGO's operations. There can be no assurance that such new environmental legislation once implemented will not oblige DGO to incur significant expenses and undertake significant investments.

NOTE 15 – EVENTS AFTER THE REPORTING PERIOD

The Directors have performed an analysis of the activities and transactions subsequent to 30 June 2015 to determine the need for any adjustments to and/or disclosure, within the unaudited interim financial information for the 6-month period ended 30 June 2015. The Directors have performed their analysis through to the date of the Document.

NOTE 16 – NATURE OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information presented above does not constitute statutory financial statements for the period under review.