



DIVERSIFIED GAS & OIL  
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Strengthening Strategic Foundations for Growth

Interim Report 2019

# DIVERSIFIED GAS & OIL PLC

## Strategic Review

### Continued Operational Excellence

I am pleased to be providing the first report in my capacity as Chairman since assuming the role during this period ended 30 June. Consistent with Diversified Gas & Oil's performance since its admission to AIM in February 2017, the first half of 2019 has been another eventful and progressive six-month period during which we have delivered a number of key strategic and operational milestones, all of which support our long-term growth objectives. Our results are in line with market expectations and position us to maintain our commitment to leverage and utilise the exceptionally strong cash flow of the business to return cash to shareholders through dividends and share buybacks, whilst in parallel maintaining a healthy financial footing by reducing debt. Importantly, we achieved all of this despite the wider macro backdrop of commodity volatility in our market, which only serves to emphasise the strength and resilience of our business model and effective hedging policy.

### Corporate milestones

In March 2019, we identified the opportunity to acquire a complementary package of unconventional assets from HG Energy for a total cash consideration of approximately \$400 million funded through a combination of debt and equity, with \$225 million raised via a placing with new and existing investors. This material and accretive acquisition added c.20Mboepd to our production and elevated us further into the top tier of independent producers quoted in London. Whilst the assets are unconventional and generate their production from considerably fewer wells than our previous acquisitions, the profile of the wells is consistent with the wider portfolio in terms of being mostly post hyperbolic decline wells that are synergistically compatible with the existing producing wells.

Following the acquisition of the HG Energy assets, we were pleased to announce our expanded and fully underwritten borrowing base of \$950 million under its \$1.5 billion revolving credit facility (the "Facility"), led by KeyBank National Association. We also negotiated a reduction to each tier of our Facility's pricing grid resulting in a lowering of the spread by 10%. We retain current liquidity of ~\$335 million while ensuring we maintain comfortable leverage of ~2.0x, below our stated net debt-to-EBITDA ratio of less than 2.5x to evaluate potential complementary and accretive acquisition opportunities.

Early in the period we finalised long-term agreements with oil and gas regulatory entities for Kentucky and Pennsylvania setting out our asset retirement obligations in these respective states. These long-term agreements sit alongside those already in place with the states of Ohio and West Virginia, with 98% of the portfolio now covered by multi-year agreements. The agreements set out our undertakings to return certain wells to production under our Smarter Well Management Programme ("SWM") programme while safely and systematically retiring those wells that have reached the end of their productive life. Execution of the agreements followed lengthy discussions during which we were able to demonstrate our proven ability to successfully return to production wells acquired from previous operators and catalyse a positive socioeconomic impact in terms of job creation and contribution to the local economies in which we operate. Critically, the agreements provide long term visibility for all stakeholders, including the states and our shareholders, on the clear asset retirement parameters within which we can budget for and execute these obligations. These agreements complement our efforts in late 2018 to evaluate the remaining life of our well portfolio and the costs expected to retire these wells, supported by independent expert consultants.

### Strong Cashflow

Our business model is defined by our ability to generate exceptionally strong free cash flow, even in an environment of lower commodity pricing. This period was no exception, and the addition of improved margin wells from the HG Energy acquisition will significantly increase cash flow, as demonstrated by the adjusted EBITDA of \$24 million generated in the month of June 2019 despite lower natural gas and natural gas liquids prices. As we continue to grow in scale, we are able to better demonstrate the fundamentals of our business model and equity proposition; namely to drive cash flow generation and shareholder returns.

The combination of significant free cash flow generated from long-life, low-decline assets, and low capex intensity required to maintain that cash flow, results in our ability to distribute free cash flow for the benefit of shareholders. Our stated dividend policy is to target 40% of free cash flow to be returned to shareholders in reliable quarterly dividends, with another 40% used to pay down debt and maintain low leverage.

In April 2019, the Board approved the implementation of a share buyback programme which it deemed to be a value accretive use of our remaining free cash flow given the perceived value proposition resulting from our share price at the time. Since June 2019, we have repurchased \$32 million of shares. The Board will keep the form and quantum of the programme under review while allowing us to maintain the current dividend policy.

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### Dividend

In June 2019, we announced a dividend payment for 1Q19 of 3.42 cents per share, totalling almost double the amount paid out in the corresponding period in 2018, demonstrating the step change in free cash flow and benefit to shareholders of recent acquisitive growth. I am also pleased to declare our 2019 dividend of 3.5 cents per share (2Q18: 2.8 cents per share), which will be paid on 18 December 2019 to those shareholders on the register as at 29 November 2019. Since our Admission to AIM, we have returned almost \$100 million to shareholders in dividends declared and paid, \$59 million of which has been returned since the start of this year, and paid \$117 million towards reducing debt, of which \$52 million was paid year to date.

I am pleased to announce that we are making available the ability for our shareholders to receive our dividend paid in sterling. This will commence with the Q1 dividend of which is due to be paid 27 September 2019. An announcement will be made shortly and election forms will be sent to shareholders in the coming days.

### Commodity Volatility

The period was characterised by continued volatility in natural gas prices. Our hedging policy largely mitigated our exposure to the volatility with \$7.4 million of commodity hedge cash settlements and highlighted the strategic rationale for having this policy in place. In line with our stated policy to use a mixture of physical and financial contracts to protect cash flow, and specifically those associated with the acquisition of HG Energy Assets, we successfully executed financial NYMEX gas hedges for the period of May 2019 through April 2020. At the period end, our net hedge portfolio was valued at \$60.6 million, of which \$47.1 million was current. Our philosophy with regards to hedging is that we are willing to forgo potential upside, protect the downside and provide visibility and security on cash flow.

### Operating efficiencies

Another fundamental aspect of the business model is our ability to achieve operating efficiencies by leveraging economies of scale and maintaining a strict focus on cost discipline and operational excellence. Each material acquisition completed by us has resulted in a positive impact on costs. The completion of the HG Energy acquisition allowed us to reduce Base LOE, Total LOE and per unit G&A expenses, all key cost metrics for our business, by ~14%, ~6% and ~15% respectively compared with 4Q18. This reduction of costs enabled us to maintain a robust cash margin of 54% through the first half of the year, despite the lower natural gas and natural gas liquids prices that prevailed throughout the period.

One of the key operating highlights in the first half of the year was our ability to maintain flat organic production through the effective SWM programme. By optimising existing wells and bringing ~430 previously non-producing wells back into production since the start of 2019, we were able to offset the natural decline of the portfolio, representing a considerable achievement and testament to the quality of our field managers.

Another area of focus in terms of operational efficiency and cost control is our asset retirement obligations. In the first half of the year, we successfully plugged 55 wells, representing over 62% of our 2019 required plugging obligations per the long-term agreements with the four primary states in which almost all of our wells are located. These wells have been plugged at an average cost of \$25 thousand per well, in line with our estimates. As we progress with our asset retirement programme, we benefit from the knowledge and data obtained in terms of cost and process which in turn help support our long term asset retirement obligation estimates. Since the beginning of 2018 through to 30 June 2019, we have plugged 90 wells at an average cost of \$23 thousand per well, approximately 5% below our estimates.

### Governance

To reflect the growth and maturing of the business, the Board continues to enhance its governance structures and policies. In this regard, I was pleased to assume the role of Non-Executive Chairman during the period, replacing Robert Post who assumed the role of Non-Executive Director. We also strengthened the Board with the appointment of another Independent Non-Executive Director, David J Turner, Jr, who brings a wealth of experience and skill to our Board. These changes reflect a wholesale strengthening of our internal policies, structures and protocols and we will continue to focus on improved governance structures in the second half of the year, including a strong focus on ensuring ESG best-practices.

### Positive Outlook

At the half year stage, we are performing in line with market expectations. The near-term priorities for the remainder of the year will be the continued success of the SWM programme and value extraction from the HG Energy acquisition earlier this year. We will also continue to be opportunistic and agile in our approach to business development and remain well capitalised to move swiftly on opportunities that we deem to be value accretive and complementary. As an example, on 25 July 2019, we announced that we entered a Conditional Asset Purchase Agreement to acquire for \$50 million certain oil and natural gas development, production and exploration assets located in Ohio from EdgeMarc Energy Holdings LLC ("EdgeMarc") and certain of its subsidiaries. Because EdgeMarc is undergoing liquidation under Chapter 11 of the US Bankruptcy

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code, we presently are unable to offer certainty that we will complete the transaction. However, if we are successful in acquiring these assets, consistent with our other acquisitions, we believe the assets will create long-term value for our shareholders. We expect to make a further announcement on or before 29 August 2019. In summary, it has been another period of focused execution of our strategy and remarkable growth for the business. We continue to build a bigger, better and stronger business that is capable of delivering continued long-term, sustainable value for our shareholders.

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**Financial Review**

	Six months to		\$ Change	% Change
	30 June 2019	30 June 2018		
<b>Net production</b>				
Natural gas (MMcf)	73,196	19,982	53,214	266.3 %
NGL (MBbls)	1,313	53	1,260	2,377.4 %
Oil (MBbls)	189	116	73	62.9 %
Total (MBOE)	13,701	3,499	10,202	291.5 %
Average daily production (BOE/d)	75,696	19,333	56,363	291.5 %
% gas (BOE basis)	89%	95%		
<b>Average realised sales price (excluding impact of cash settled derivatives)</b>				
Natural gas (Mcf)	\$ 2.66	\$ 2.40	\$ 0.26	10.8 %
NGL (Bbl)	14.04	21.77	(7.73)	(35.5)%
Oil (Bbl)	53.16	64.59	(11.43)	(17.7)%
Total (BOE)	\$ 16.30	\$ 16.20	\$ 0.10	0.6 %
<b>Average realised sales price (including impact of cash settled derivatives)</b>				
Natural gas (Mcf)	\$ 2.64	\$ 2.44	\$ 0.20	8.2 %
NGL (Bbl)	21.08	21.77	(0.69)	(3.2)%
Oil (Bbl)	52.96	53.83	(0.87)	(1.6)%
Total (BOE)	\$ 16.84	\$ 16.08	\$ 0.76	4.73 %
<b>Natural gas, NGL and oil revenue (Financial amounts reported in thousands except per unit and per share amounts)</b>				
Natural gas	\$ 194,810	\$ 48,027	\$ 146,783	305.6 %
NGL	18,439	1,154	\$ 17,285	1497.8 %
Oil	10,048	7,492	\$ 2,556	34.1 %
Total natural gas, NGL and oil revenue	\$ 223,297	\$ 56,673	\$ 166,624	294.0 %
Other revenue	1,396	1,360	36	2.6 %
Midstream revenue	12,765	—	12,765	100.0 %
Total revenue	\$ 237,458	\$ 58,033	\$ 179,425	309.2 %
<b>Gains (losses) on derivative settlements</b>				
Natural gas	(1,780)	825	\$ (2,605)	(315.8)%
NGL	9,241	—	\$ 9,241	100.0 %
Oil	(39)	(1248)	\$ 1,209	96.9 %
Net gains (losses) on derivative settlements	\$ 7,422	\$ (423)	\$ 7,845	1,854.6 %
<b>Per BOE metrics</b>				
Realised price (including impact of cash settled derivatives)	\$ 16.84	\$ 16.08	\$ 0.76	4.7 %
Other revenue	1.03	0.39	0.64	164.1 %
Base lease operating expense	3.78	7.01	(3.23)	(46.1)%
Gathering and compression, owned	1.50	—	1.50	100.0 %
Recurring administrative expenses	1.35	1.51	(0.16)	(10.6)%
Production taxes	0.53	0.20	0.33	165.0 %
Gathering and transportation, third party	1.13	1.21	(0.08)	(6.6)%
Operating margin	\$ 9.58	\$ 6.54	\$ 3.04	46.5 %
% Operating margin	53.6%	39.7%		

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*Production, Revenue and Hedging*

Total revenue in 1H19 of \$237.5 million increased 309.2% from the \$58.0 million reported for 1H18 primarily due to 291.5% higher production and an increase in midstream revenue, both of which were positively impacted by our acquisitive growth strategy. DGO ended 1H19 with net MBOE sales of approximately 13,701 vs. the prior year sales of approximately 3,499. The increase in production was driven by the full integration of the previously acquired EQT and Core assets in 2H18 and the HG Energy assets in 1H19. See Note 3 for additional information regarding DGO's acquisitions.

The following table is intended to reconcile the change in natural gas, NGL and oil revenue (excluding the impact of cash settled hedges) for 1H19 by reflecting the effect of changes in volume and in the underlying prices.

	Natural gas	NGL	Oil	Total
<b>Revenue for the six months ended 30 June 2018</b>	<b>\$ 48,027</b>	<b>\$ 1,154</b>	<b>\$ 7,492</b>	<b>\$ 56,673</b>
Volume increase	127,901	27,430	4,716	160,047
Price increase (decrease)	18,882	(10,145)	(2,160)	6,577
Net increase	146,783	17,285	2,556	166,624
<b>Revenue for the six months ended 30 June 2019</b>	<b>\$ 194,810</b>	<b>\$ 18,439</b>	<b>\$ 10,048</b>	<b>\$ 223,297</b>

To manage its cash flows in a volatile commodity price environment, DGO uses a combination of physical and financial derivative instruments. See the table below for our hedging impact on revenue and average realised prices:

**For the six months ended 30 June 2019**

	Natural Gas		NGL		Oil	
	Revenue	Realised Price	Revenue	Realised Price	Revenue	Realised Price
Excluding hedge impact	\$ 194,810	\$ 2.66	\$ 18,439	\$ 14.04	\$ 10,048	\$ 53.16
Hedge impact	(1,780)	(0.02)	9,241	7.04	(39)	(0.21)
Including hedge impact	<u>\$ 193,030</u>	<u>\$ 2.64</u>	<u>\$ 27,680</u>	<u>\$ 21.08</u>	<u>\$ 10,009</u>	<u>\$ 52.96</u>

Refer to Note 15 for additional information regarding DGO's hedge portfolio.

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Expenses

	Six months to				Total Change		BOE Change	
	30 June 2019	Per BOE	30 June 2018	Per BOE	\$	%	\$	%
	Base lease operating expense (a)	\$ 51,777	\$ 3.78	\$ 24,520	\$ 7.01	\$ 27,257	111%	\$ (3.23)
Production taxes	7,277	0.53	700	0.20	6,577	940%	0.33	165 %
G & C (b)	20,552	1.50	—		20,552	100%	1.50	100 %
G & T (c)	15,523	1.13	4,225	1.21	11,298	267%	(0.08)	(7)%
Total operating expense	\$ 95,129	\$ 6.94	\$ 29,445	\$ 8.41	\$ 65,684	223%	\$ (1.47)	(17)%
G & A (d)	21,682	1.59	7,494	2.14	14,188	189%	(0.56)	(26)%
Total cash operating expense	\$ 116,811	\$ 8.53	\$ 36,939	\$ 10.56	\$ 79,872	216%	\$ (2.03)	(19)%
Depreciation and depletion (non-cash)	45,342	3.31	8,354	2.39	36,988	443%	0.92	38 %
<b>Total expenses</b>	<b>\$ 162,153</b>	<b>\$ 11.84</b>	<b>\$ 45,293</b>	<b>\$ 12.94</b>	<b>\$ 116,860</b>	<b>258%</b>	<b>\$ (1.10)</b>	<b>(9)%</b>

- a) Lease operating expenses are daily costs incurred to extract oil and natural gas and maintain our producing properties. Such costs generally include maintenance, repairs, insurance, employee and benefits and automobile expenses.
- b) G & C expenses are daily costs incurred to operate the Company's owned midstream assets.
- c) G & T expenses are daily costs incurred to gather, process and transport the Company's natural gas, natural gas liquids and oil.
- d) G & A expenses are daily costs incurred for general and administrative activities.

As a result of DGO's significant, value-focused growth, unit operating expenses decreased 9% or \$1.10 per BOE. These reductions are a result of:

- Lower per BOE lease operating expenses, which declined 46% or \$3.23 per BOE through a mixture of disciplined cost reductions and economies of scale whereby fixed operating costs were spread across a larger base of producing assets.
- Lower per BOE gathering, processing and transportation expenses, which declined 7% or \$0.08 per BOE.
- Lower per BOE administrative expenses, which decreased 26% or \$0.56 per BOE due to the significant growth in our production base.

Partially offsetting these significant per BOE declines were increases to production taxes and depreciation and depletion caused by the increase in production associated with the EQT, Core and HG Energy acquisitions.

Refer to Note 3 for additional information regarding DGO's acquisitions.

*Finance costs, loss on early retirement of debt*

	Six months to			
	30 June 2019	30 June 2018	\$ Change	% Change
Interest	\$ 15,676	\$ 3,415	\$ 12,261	359.0 %
Finance charge	1,930	5	1,925	38,500.0 %
Bond financing costs	2	613	(611)	(99.7)%
Loan standby fee	—	204	(204)	(100.0)%
Loan management fee	—	38	(38)	(100.0)%
<b>Total finance costs</b>	<b>\$ 17,608</b>	<b>\$ 4,275</b>	<b>\$ 13,333</b>	<b>311.9 %</b>
<b>Loss on early retirement of debt</b>	<b>\$ —</b>	<b>\$ 8,359</b>	<b>\$ (8,359)</b>	<b>(100.0)%</b>

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DGO's finance costs include interest expense on borrowings and non-cash amortisation of deferred financing costs. Interest expense on borrowings of \$15.7 million in 2019 increased \$12.3 million compared to \$3.4 million in 2018 primarily due to the increase in borrowings used to fund the Company's previously mentioned acquisitions.

In March 2018, the Company closed a new \$500 million five year credit facility, initially subject to a borrowing limit of \$140 million that stepped up within the same month to \$200 million following the closing of the acquisition of certain assets of CNX. The new credit facility resulted in a non-recurring loss on early extinguishment of debt of \$8.4 million, which included a \$2.6 million charge for the accelerated amortisation of the remaining deferred financing costs and \$5.8 million relating to an early payment fee.

In July 2018 and in conjunction with the acquisition of certain assets of EQT, the Company closed on an enlarged \$1 billion, five-year secured revolving credit facility with an initial borrowing base of \$600 million, which replaced the existing \$500 million facility.

In December 2018 and following the October 2018 acquisition of Core, the Company closed on a further-enlarged \$1.5 billion, five-year senior secured credit facility with an initial borrowing base of \$725 million, and which replaced the \$1 billion facility and fully extinguished Core's facility assumed as part of that acquisition. The facility maintains the July 2023 maturity date of the prior facility, and had an interest rate of 2.75% plus one-month LIBOR and is subject to a grid that fluctuates from 2.25% to 3.25% plus LIBOR based on utilisation.

In April 2019, the Company increased its borrowing base on the \$1.5 billion, five-year senior secured credit facility from \$725 million to \$950 million. The April 2019 acquisition of certain producing assets of HG Energy, discussed in Note 3, was funded partially by a \$152 million draw on the upsized credit facility. The facility has an initial interest rate of 2.50% plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00% to 3.00% plus LIBOR based on utilisation.

For more information on DGO's acquisitions and borrowings refer to Notes 3 and 13, respectively.

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

DGO reported income before taxation of \$84.0 million in 1H19 compared to \$21.4 million in 1H18, an increase of 293%, and reported statutory earnings for 1H19 per diluted ordinary share of \$0.10 compared to \$0.09 per diluted ordinary share in 1H18. 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 \$0.22, a 152% increase over the prior year's \$0.09. DGO's adjusted EBITDA for 1H19 was \$131.3 million, a 474% increase over \$22.87 million in 1H18. Refer to Note 6 for additional information regarding DGO's adjusted EBITDA.

**Conclusion**

We have already enjoyed an eventful and successful 2019, and we look forward to continued progress as we focus our attention towards the second half of 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 look forward to reporting back to you with our full-year results.



**David Johnson**  
**Chairman**



## **INDEPENDENT REVIEW REPORT**

### **Introduction**

We have been engaged by the company to review the condensed financial statements in the interim financial report for the 6 months ended 30 June 2019 which comprise the Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Condensed Statement of Financial Position, the Consolidated Condensed Statement of Changes in Equity, the Consolidated Condensed 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 2, 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 financial statements in the interim financial report for the 6 months ended 30 June 2019 are 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

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

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

	Note	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
Revenue	4	\$ 237,458	\$ 58,033	\$ 289,769
Operating expense	5	(95,129)	(29,445)	(107,793)
Depreciation and depletion	5,9	(45,342)	(8,354)	(41,988)
<b>Gross profit</b>		<b>\$ 96,987</b>	<b>\$ 20,234</b>	<b>\$ 139,988</b>
Administrative expenses	5	\$ (21,682)	\$ (7,494)	\$ (40,524)
Gain (loss) on oil and gas programme and equipment		(336)	4,063	4,079
Gain (loss) on derivative financial instruments	15	32,794	(18,447)	17,981
Gain on bargain purchase		—	37,823	173,473
<b>Operating profit</b>		<b>\$ 107,763</b>	<b>\$ 36,179</b>	<b>\$ 294,997</b>
Finance costs		\$ (17,608)	\$ (4,275)	\$ (17,743)
Loss on early retirement of debt		—	(8,359)	(8,358)
Accretion of asset retirement obligation	12	(6,108)	(2,158)	(7,101)
<b>Income before taxation</b>		<b>\$ 84,047</b>	<b>\$ 21,387</b>	<b>\$ 261,795</b>
Taxation on income		(21,881)	2,159	(60,676)
<b>Income after taxation available to ordinary shareholders</b>		<b>\$ 62,166</b>	<b>\$ 23,546</b>	<b>\$ 201,119</b>
Other comprehensive income - gain on foreign currency conversion		—	6	1
<b>Total comprehensive income for the year</b>		<b>\$ 62,166</b>	<b>\$ 23,552</b>	<b>\$ 201,120</b>
<b>Earnings per ordinary share - basic &amp; diluted</b>	7	<b>\$ 0.10</b>	<b>\$ 0.09</b>	<b>\$ 0.52</b>
<b>Weighted average ordinary shares outstanding - basic</b>	7	<b>603,807</b>	<b>265,509</b>	<b>386,559</b>
<b>Weighted average ordinary shares outstanding - diluted</b>	7	<b>604,996</b>	<b>266,483</b>	<b>387,925</b>

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

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**Consolidated Condensed Statements of Financial Position**  
(Amounts in thousands)

	Note	Unaudited 30 June 2019	Unaudited June 30, 2018	Audited 31 December 2018
<b>ASSETS</b>				
Non-current assets				
Oil and gas properties, net	9	\$ 1,449,962	\$ 483,530	\$ 1,092,951
Property and equipment, net	10	332,536	10,090	327,749
Other non-current assets	14	14,000	57,769	22,543
Indemnification receivable		2,133	2,133	2,133
<b>Total non-current assets</b>		<b>\$ 1,798,631</b>	<b>\$ 553,522</b>	<b>\$ 1,445,376</b>
Current assets				
Trade receivables		\$ 75,145	\$ 34,967	\$ 78,451
Other current assets	14	57,481	2,530	30,043
Cash and cash equivalents		—	9,537	1,372
Restricted cash		1,681	2,672	1,730
<b>Total current assets</b>		<b>\$ 134,307</b>	<b>\$ 49,706</b>	<b>\$ 111,596</b>
<b>Total Assets</b>		<b>\$ 1,932,938</b>	<b>\$ 603,228</b>	<b>\$ 1,556,972</b>
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity				
Share capital	11	\$ 9,318	\$ 4,299	\$ 7,346
Share premium	11	760,543	254,327	540,655
Merger reserve		(478)	(478)	(478)
Share based payment reserve		1,250	—	842
Retained earnings		207,125	43,497	200,498
<b>Total Equity</b>		<b>\$ 977,758</b>	<b>\$ 301,645</b>	<b>\$ 748,863</b>
Non-current liabilities				
Asset retirement obligation	12	\$ 145,167	\$ 72,390	\$ 140,190
Capital lease		1,816	1,465	2,694
Borrowings	13	610,231	139,688	482,528
Deferred tax liability		114,091	35,092	95,033
Other non-current liabilities	14	22,892	20,925	21,219
Uncertain tax position		2,133	2,133	2,133
<b>Total non-current liabilities</b>		<b>\$ 896,330</b>	<b>\$ 271,693</b>	<b>\$ 743,797</b>
Current liabilities				
Trade and other payables		\$ 7,568	\$ 6,323	\$ 9,383
Borrowings	13	122	107	286
Capital lease		796	579	842
Other current liabilities	14	50,364	22,881	53,801
<b>Total current liabilities</b>		<b>\$ 58,850</b>	<b>\$ 29,890</b>	<b>\$ 64,312</b>
<b>Total Liabilities</b>		<b>\$ 955,180</b>	<b>\$ 301,583</b>	<b>\$ 808,109</b>
<b>Total Equity and Liabilities</b>		<b>\$ 1,932,938</b>	<b>\$ 603,228</b>	<b>\$ 1,556,972</b>

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

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

The consolidated financial statements were approved by the Board of Directors on 8 August, 2019 and were signed on its behalf by:

*D. E. Johnson*

**David Johnson**  
**Chairman**

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

	Note	Share Capital	Share Premium	Merger Reserve	Share Based Payment Reserve	Retained Earnings	Total Equity
<b>Balance at 1 January 2019</b>		\$ 7,346	\$ 540,655	\$ (478)	\$ 842	\$ 200,498	\$ 748,863
Income after taxation		—	—	—	—	62,166	62,166
Gain on foreign currency conversion		—	—	—	—	—	—
<b>Total comprehensive income</b>		—	—	—	—	62,166	62,166
Issuance of share capital	11	1,972	219,888	—	—	—	221,860
Equity compensation		—	—	—	408	—	408
Repurchase of shares	11	—	—	—	—	(19,181)	(19,181)
Dividends authorized and declared	8	—	—	—	—	(36,358)	(36,358)
<b>Transactions with shareholders</b>		1,972	219,888	—	408	(55,539)	166,729
<b>Balance at 30 June 2019</b>		<b>\$ 9,318</b>	<b>\$ 760,543</b>	<b>\$ (478)</b>	<b>\$ 1,250</b>	<b>\$ 207,125</b>	<b>\$ 977,758</b>
					Share Based		
		Share Capital	Share Premium	Merger Reserve	Payment Reserve	Retained Earnings	Total Equity
<b>Balance at 1 January 2018</b>		\$ 1,940	\$ 76,026	\$ (478)	\$ 59	\$ 30,691	\$ 108,238
Income after taxation		—	—	—	—	23,546	23,546
Gain on foreign currency conversion		—	—	—	—	6	6
<b>Total comprehensive income</b>		—	—	—	—	23,552	23,552
Issuance of share capital		2,359	178,301	—	—	—	180,660
Equity compensation		—	—	—	(59)	—	(59)
Repurchase of shares		—	—	—	—	—	—
Dividends authorized and declared		—	—	—	—	(10,746)	(10,746)
<b>Transactions with shareholders</b>		2,359	178,301	—	(59)	(10,746)	169,855
<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>
					Share Based		
		Share Capital	Share Premium	Merger Reserve	Payment Reserve	Retained Earnings	Total Equity
<b>Balance at 1 January 2018</b>		\$ 1,940	\$ 76,026	\$ (478)	\$ 59	\$ 30,691	\$ 108,238
Income after taxation		—	—	—	—	201,119	201,119
Gain on foreign currency conversion		—	—	—	—	1	1
<b>Total comprehensive income</b>		—	—	—	—	201,120	201,120
Issuance of share capital		5,406	464,629	—	—	—	470,035
Equity compensation		—	—	—	783	—	783
Repurchase of shares		—	—	—	—	—	—
Dividends authorized and declared		—	—	—	—	(31,313)	(31,313)
<b>Transactions with shareholders</b>		5,406	464,629	—	783	(31,313)	439,505
<b>Balance at 31 December 2018</b>		<b>\$ 7,346</b>	<b>\$ 540,655</b>	<b>\$ (478)</b>	<b>\$ 842</b>	<b>\$ 200,498</b>	<b>\$ 748,863</b>

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

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

	Note	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
<b>Cash flows from operating activities</b>				
Income after taxation		\$ 62,166	\$ 23,546	\$ 201,119
Cash flow from operations reconciliation:				
Depreciation and depletion		45,342	8,354	41,988
Accretion of asset retirement obligation	12	6,108	2,158	7,101
Income tax charge (credit)		21,881	(2,159)	60,676
(Gain)/loss on derivative financial instruments	15	(21,252)	18,447	(32,768)
Gain on oil and gas program and equipment		—	(4,200)	(4,079)
Gain on bargain purchase	3	—	(37,823)	(173,473)
Finance costs	13	17,608	195	17,743
Loss on early retirement of debt		—	8,164	8,358
Non-cash equity compensation	11	408	137	783
Working capital adjustments:				
Change in trade receivables		3,384	(9,269)	(41,225)
Change in other current assets		2,138	(1,743)	(6,286)
Change in other assets		220	767	(1,732)
Change in trade and other payables		(1,849)	4,191	1,134
Change in other current and non-current liabilities		(4,376)	(2,817)	8,396
<b>Net cash provided by operating activities</b>		<b>\$ 131,778</b>	<b>\$ 7,948</b>	<b>\$ 87,735</b>
<b>Cash flows from investing activities</b>				
Acquisitions	3	\$ (388,064)	\$ (162,498)	\$ (750,256)
Acquisition deposit		—	(57,500)	—
Expenditures on oil and gas properties and equipment		(19,178)	(1,927)	(18,515)
Asset retirement (plugging)		(1,237)	(128)	(1,171)
Decrease (increase) in restricted cash		49	(1,928)	(986)
Proceeds on disposals of oil and gas properties		—	4,219	4,079
<b>Net cash used in investing activities</b>		<b>\$ (408,430)</b>	<b>\$ (219,762)</b>	<b>\$ (766,849)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	13	\$ (189,993)	\$ (104,016)	\$ (280,890)
Proceeds from borrowings	13	317,267	145,600	581,221
Financing expense		(16,024)	(6,140)	(15,433)
Cost incurred to secure financing		(1,581)	—	(17,176)
Proceeds from equity issuance, net		221,860	180,601	425,601
Proceeds from capital lease		—	884	4,401
Repayment of capital lease		(710)	—	(1,093)
Dividends to shareholders	8	(36,358)	(10,746)	(31,313)
Repurchase of shares		(19,181)	—	—
<b>Net cash provided by financing activities</b>		<b>\$ 275,280</b>	<b>\$ 206,183</b>	<b>\$ 665,318</b>
Net decrease in cash and cash equivalents		(1,372)	(5,631)	(13,796)
Cash and cash equivalents - beginning of the period		1,372	15,168	15,168
<b>Cash and cash equivalents - end of the period</b>		<b>\$ —</b>	<b>\$ 9,537</b>	<b>\$ 1,372</b>

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

**DIVERSIFIED GAS & OIL PLC**  
**NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except per share and per unit data)**

**Note 1 - General Information**

Diversified Gas & Oil PLC ("DGO" or the "Company") is a natural gas, natural gas liquids and crude oil producer and midstream operator 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, Kentucky, 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 - Accounting Policies**

**Basis of Preparation and Measurement**

The interim condensed 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 year ended 31 December 2018 is based on the statutory accounts for the year ended 31 December 2018. 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 2018 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 2018, 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.

To conform with current presentation, \$2,983 has been reclassified from other long term assets to property and equipment for the year ended 31 December 2018. To conform with current presentation \$11,145 has been reclassified from other current liabilities to other non-current liabilities.

**DIVERSIFIED GAS & OIL PLC**  
**NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except per share and per unit data)**

**Basis of Consolidation**

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

- Diversified Gas & Oil PLC ("PLC"), and its wholly owned subsidiary,
  - Diversified Gas & Oil Corporation ("DGO") 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;
    - Alliance Petroleum Co, 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
    - Diversified Southern Production, LLC;
    - Diversified Southern Midstream, LLC;
    - Diversified Energy Marketing, LLC;
    - Core Appalachia Holding Co, LLC;
      - Core Appalachia Compression, LLC
      - Core Appalachia Midstream, LLC
      - Core Appalachia Operating, LLC
      - Core Appalachia Production, LLC

**New Standards and Interpretations**

**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 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 was 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.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company does not consider IFRS 16 to have a material impact on its consolidated financial statements.

**Significant Accounting Policies**

The preparation of the interim condensed consolidated financial information requires Management to exercise judgment in applying DGO's accounting



**DIVERSIFIED GAS & OIL PLC**  
**NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
(Amounts in thousands, except per share and per unit data)

policies.

**Note 3 - Acquisitions**

The assets acquired in all acquisitions include the necessary permits, rights to production, royalties, assignments, contracts and agreements that support the production from wells and operations of pipelines. The Company accounts for business acquisitions under IFRS 3. Where practical to do so the contribution arising from acquisitions up to the reporting date is disclosed.

**2019 Acquisitions**

*Acquisition of HG Energy Appalachia II, LLC*

In April 2019, DGO acquired 107 non-conventional wells in the states of Pennsylvania and West Virginia from HG Energy. The Company paid purchase consideration of \$388,064, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with the proceeds from its equity placing of stock in April 2019, discussed in Note 11, and a draw from the credit facility discussed in Note 13. The Company is currently evaluating the purchase price accounting.

**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. In addition, DGO provides gathering and transportation services to third parties. All revenue was generated in the United States of America. The following table reconciles the Company's revenue for the periods presented:

	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
Natural gas	\$ 194,810	\$ 48,027	\$ 219,189
NGL	18,439	1,154	41,854
Oil	10,048	7,492	19,117
Total natural gas, NGL and oil	\$ 223,297	\$ 56,673	\$ 280,160
Midstream revenue	12,765	—	7,315
Other	1,396	1,360	2,294
<b>Total revenue</b>	<b>\$ 237,458</b>	<b>\$ 58,033</b>	<b>\$ 289,769</b>

A significant portion of DGO's trade receivables represent receivables related to either sales of natural gas, NGL and oil or operational services, all of which are generally uncollateralised, and collected within 30-to-60 days depending on the commodity, location and well-type.

**DIVERSIFIED GAS & OIL PLC**  
**NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
(Amounts in thousands, except per share and per unit data)

**Note 5 - Expenses by Nature**

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

<u>Explanation</u>	<u>Unaudited Six months to 30 June 2019</u>	<u>Unaudited Six months to 30 June 2018</u>	<u>Audited Year ended 31 December 2018</u>
Employees and benefits (operations)	\$ 34,124	\$ 8,209	\$ 35,061
Well operating expenses, net	28,636	12,741	31,080
Automobile	4,871	1,475	5,569
Insurance	4,698	2,095	4,698
Production taxes (severance, property and other)	7,277	700	10,221
Gathering, compression and transportation	15,523	4,225	21,164
<b>Total operating expense</b>	<b>\$ 95,129</b>	<b>\$ 29,445</b>	<b>\$ 107,793</b>
Depreciation	\$ 11,290	1,091	\$ 10,272
Depletion	34,052	7,263	31,716
<b>Total depreciation and depletion</b>	<b>\$ 45,342</b>	<b>\$ 8,354</b>	<b>\$ 41,988</b>
Employees and benefits (administrative)	\$ 8,952	\$ 3,921	\$ 12,653
Other administrative	3,554	213	1,834
Professional fees	5,261	302	5,070
Auditors' remuneration			
Fees payable to the Company's auditor for the audit of the group and Company's annual accounts	70	73	95
Fees payable to the Company's auditor and its associates for other services:			
Audit of the accounts of subsidiaries	42	238	310
Corporate finance services	591	116	142
Total auditors' remuneration	\$ 703	\$ 427	\$ 547
Rent	—	430	—
<b>Recurring administrative expenses</b>	<b>\$ 18,470</b>	<b>\$ 5,293</b>	<b>\$ 20,104</b>
Non-recurring costs associated with acquisitions	2,803	2,059	19,637
Non-cash equity compensation (a)	409	142	783
Non-recurring administrative expenses	\$ 3,212	\$ 2,201	\$ 20,420
Total administrative expenses	\$ 21,682	\$ 7,494	\$ 40,524
<b>Total expenses</b>	<b>\$ 162,153</b>	<b>\$ 45,293</b>	<b>\$ 190,305</b>

a) Non-cash equity issuances in 2019 and 2018 reflect the expense recognition related to stock compensation provided to certain key managers.

**DIVERSIFIED GAS & OIL PLC**  
**NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
(Amounts in thousands, except per share and per unit data)

**Note 6 - Adjusted EBITDA**

Adjusted EBITDA is a non-IFRS financial measure, that is defined as operating profit plus or minus items detailed in the table below, which is of particular interest to the industry and Management, 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.

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:

	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
<b>Operating profit</b>	<b>\$ 107,763</b>	<b>\$ 36,179</b>	<b>\$ 294,997</b>
Depreciation and depletion	45,342	8,354	41,988
Gain on bargain purchase	—	(37,823)	(173,473)
Loss (gain) on oil and gas programme and equipment	336	(4,063)	(4,079)
Loss (gain) on derivative financial instruments	(21,252)	18,024	(33,636)
Non-recurring costs associated with acquisitions	2,802	2,059	19,637
Non-cash equity issuance included in administrative expense	408	142	738
Gain on foreign currency hedge	(4,120)	—	—
Total adjustments	<u>23,516</u>	<u>(13,307)</u>	<u>(148,825)</u>
<b>Adjusted EBITDA</b>	<b><u>\$ 131,279</u></b>	<b><u>\$ 22,872</u></b>	<b><u>\$ 146,172</u></b>
Weighted average ordinary shares outstanding - basic	603,807	265,509	386,559
Weighted average ordinary shares outstanding - diluted	604,996	266,483	387,925
<b>Adjusted EBITDA per share - basic and diluted</b>	<b><u>\$ 0.22</u></b>	<b><u>\$ 0.09</u></b>	<b><u>\$ 0.38</u></b>

**DIVERSIFIED GAS & OIL PLC**  
**NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
(Amounts in thousands, except per share and per unit data)

**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 first day of the reporting period. Basic and diluted income/(loss) per ordinary share is calculated as follows:

	Calculation	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
<b>Income after taxation available to ordinary shareholders</b>	<b>A</b>	<b>\$ 62,166</b>	<b>\$ 23,546</b>	<b>\$ 201,119</b>
Weighted average ordinary shares outstanding - basic	<b>B</b>	603,807	265,509	386,559
Weighted average ordinary shares outstanding - diluted	<b>C</b>	604,996	266,483	387,925
<b>Earnings per ordinary share - basic</b>	<b>= A/B</b>	<b>\$ 0.10</b>	<b>\$ 0.09</b>	<b>\$ 0.52</b>
<b>Earnings per ordinary share - diluted</b>	<b>= A/C</b>	<b>\$ 0.10</b>	<b>\$ 0.09</b>	<b>\$ 0.52</b>
<b>Adjusted EBITDA per ordinary share - basic &amp; diluted</b>	<b>Note 6</b>	<b>\$ 0.22</b>	<b>\$ 0.09</b>	<b>\$ 0.38</b>

**Note 8 - Dividends**

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

Date Declared	Dividend per Ordinary Share		Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid '000
	USD	GBP				
Dividend declared 30 April 2018	0.0345	0.0251	11 May 2018	25 May 2018	311,476	\$ 10,746
Dividends paid during the period ended 30 June 2018						10,746
Dividend declared 29 June 2018	0.0173	0.013	13 July 2018	24 September 2018	311,476	5,373
Dividend declared 11 September 2018	0.0280	0.022	30 November 2018	19 December 2018	542,633	15,194
Dividends paid during the year ended 31 December 2018						31,313
Dividend declared 14 December 2018	0.0330	0.0434	8 March 2019	29 March 2019	542,654	17,908
Dividend declared 28 February 2019	0.0340	0.0432	12 April 2019	28 June 2019	542,654	18,450
Dividends paid during the period ended 30 June 2019						\$ 36,358

On 13 June 2019 the Company announced a dividend of \$0.0342 per share. The dividend will be paid on 27 September 2019 to shareholders on the register on 6 September 2019. On 8 August 2019 the Company announced a dividend of \$0.035 per share that will be paid in December 2019.

**DIVERSIFIED GAS & OIL PLC**  
**NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
(Amounts in thousands, except per share and per unit data)

**Note 9 - Oil and Gas Properties**

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

Period	Costs				Depletion and Impairment				Net Book Value
	Beginning Balance	Additions (a)	Disposals	Ending Balance	Beginning Balance	Period Charges	Disposals	Ending Balance	
As at and for the six months to 30 June 2019	\$1,148,235	391,063	—	\$1,539,298	\$ (55,284)	(34,052)	—	\$(89,336)	<b>\$ 1,449,962</b>
As at and for the six months to 30 June 2018	\$ 239,814	275,716	(19)	\$ 515,511	\$ (24,489)	(7,492)	—	\$(31,981)	<b>\$ 483,530</b>
As at and for the year ended December 31 2018	\$ 239,814	908,514	(93)	\$1,148,235	\$ (24,489)	(30,795)	—	\$(55,284)	<b>\$ 1,092,951</b>

a) See Note 3 for more information about the Company's acquisitions.

**Note 10 - Property and Equipment**

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

Period	Plant, Property & Equipment				Accumulated Depreciation and Disposals				Net Book Value
	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Balance	Period Charges	Disposals	Ending Balance	
As at and for the six months to 30 June 2019	\$ 340,393	16,077	—	\$ 356,470	\$ (12,644)	(11,290)	—	\$(23,934)	<b>\$ 332,536</b>
As at and for the six months to 30 June 2018	\$ 9,676	8,608	(465)	\$ 17,819	\$ (2,729)	(5,000)	—	\$( 7,729)	<b>\$ 10,090</b>
As at and for the year ended 31 December 2018	\$ 9,676	330,859	(142)	\$ 340,393	\$ (2,729)	(11,193)	1,278	\$(12,644)	<b>\$ 327,749</b>

Certain prior period amounts of property and equipment have been reclassified to conform with current presentation. See Note 2 for additional information.

**DIVERSIFIED GAS & OIL PLC**  
**NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
(Amounts in thousands, except per share and per unit data)

**Note 11 - Share Capital**

In April 2019 DGO placed 151,515 new ordinary shares at \$1.52 per share (£1.17) to raise gross proceeds of \$230,676 (approximately £177,278). DGO used the proceeds to fund the HG Energy acquisition discussed in Note 3.

The following table summarises the Company's share capital for the periods presented:

	Number of shares	Total Share Capital \$'000		Total Share Premium \$'000
<b>Balance at 1 January 2019</b>	<b>542,654</b>	<b>\$ 7,346</b>	<b>\$</b>	<b>540,655</b>
Issuance of share capital	151,515	1,972		219,888
Repurchase of shares	(13,732) <sup>(a)</sup>	—		—
<b>Balance at 30 June 2019</b>	<b>680,437</b>	<b>\$ 9,318</b>	<b>\$</b>	<b>760,543</b>

(a) In April 2019 the Company announced the terms of a share buyback programme. For the period ended 30 June 2019, the Company repurchased 13,732 shares at an average price of \$1.40, totaling \$19,181. The Company has accounted for the repurchase of these shares a direct reduction to retained earnings. All repurchased shares will be canceled.

**Note 12 - Asset Retirement Obligation**

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 2093 when the Company expects its producing oil and gas properties to reach the end of their economic lives.

The discount rate and the cost inflation rate used in the calculation of the decommissioning liability was 8.0% and 2.2%, respectively, as at each of the periods presented. The table below summarises the activity for the Company's decommissioning liability:

	Six months to 30 June 2019	Six months to 30 June 2018	Year ended 31 December 2018
<b>Balance at 1 January</b>	<b>\$ 142,725</b>	<b>\$ 35,448</b>	<b>\$ 35,448</b>
Additions (a)	221	34,784	96,508
Accretion	6,108	2,158	7,101
Disposals	(1,237)	—	(1,161)
Revisions to estimate	—	—	4,829
<b>Balance</b>	<b>\$ 147,817</b>	<b>\$ 72,390</b>	<b>\$ 142,725</b>
Less: Current decommissioning provision	2,650	—	2,535
<b>Long-term decommissioning liability</b>	<b>\$ 145,167</b>	<b>\$ 72,390</b>	<b>\$ 140,190</b>

a) See Note 3 for more information about the Company's acquisitions.

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**Note 13 - Borrowings**

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

	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>31 December 2018</b>
Individuals and institutional investor bonds, interest rate of 8.50%, maturing June 2020, unsecured	\$ 123	89	\$ 86
Financial institution, interest rate of 2.00% plus LIBOR (2019) and 2.25% plus LIBOR (2018), secured by oil and gas properties	615,200	145,600	495,284
Miscellaneous, primarily for real estate, vehicles and equipment	9,859 (a)	301	2,537
<b>Total borrowings</b>	<b>\$ 625,182</b>	<b>\$ 145,990</b>	<b>\$ 497,907</b>
Less: Current portion of long-term debt	(122)	(107)	(286)
Less: Deferred financing costs	(14,829)	(6,195)	(15,093)
<b>Total non-current borrowings, net</b>	<b>\$ 610,231</b>	<b>\$ 139,688</b>	<b>\$ 482,527</b>

(a) In June 2019 the Company entered into a fleet financing agreement for \$7.7 million with an implied interest of 2%

In April 2019, the Company increased its borrowing base on the \$1,500,000, five-year senior secured credit facility from \$725,000 to \$950,000. The April 2019 acquisition of certain producing assets of HG Energy, discussed in Note 3, were funded partially by a \$152,000 draw on the upsized credit facility. The facility has an initial interest rate of 2.50% plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00% to 3.00% plus LIBOR based on utilisation.

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

	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>31 December 2018</b>
Not later than one year	\$ 122	\$ 107	\$ 286
Later than one year and not later than five years	625,060	145,883	497,621
<b>Total borrowings</b>	<b>\$ 625,182</b>	<b>\$ 145,990</b>	<b>\$ 497,907</b>

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**Note 14 - Other Assets & Liabilities**

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

	30 June 2019	30 June 2018	31 December 2018
<b>Other non-current assets</b>			
Derivative financial instruments	\$ 13,423	\$ —	\$ 21,745
Other non-current assets	577	57,769	798
<b>Total other non-current assets</b>	<b>\$ 14,000</b>	<b>\$ 57,769</b>	<b>\$ 22,543</b>
<b>Other current assets</b>			
Prepaid expenses	\$ 3,240	\$ 2,158	\$ 2,996
Derivative financial instruments	47,148	—	17,573
Other receivables	1,930	372	4,171
Inventory	5,163	—	5,303
<b>Total other current assets</b>	<b>\$ 57,481</b>	<b>\$ 2,530</b>	<b>\$ 30,043</b>
<b>Other non-current liabilities</b>			
Derivative financial instruments	\$ —	\$ 5,971	\$ —
Revenue to be distributed	21,198	11,145	20,159
Other	1,694	3,809	1,060
<b>Total other non-current liabilities</b>	<b>\$ 22,892</b>	<b>\$ 20,925</b>	<b>\$ 21,219</b>
<b>Other current liabilities</b>			
Accrued expenses	\$ 22,198	\$ 4,339	\$ 21,852
Taxes payable	12,865	509	13,854
Net revenue clearing	10,729	3,642	9,299
Asset retirement obligation - current	2,650	—	2,535
Derivative financial instruments	—	12,921	—
Other	1,922	1,470	6,261
<b>Total other current liabilities</b>	<b>\$ 50,364</b>	<b>\$ 22,881</b>	<b>\$ 53,801</b>



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**Note 15 - Derivatives**

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

<b>Assets/(Liabilities)</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>31 December 2018</b>
<b>Natural gas</b>			
Swaps	\$ 25,301	\$ (1,020)	\$ 4,053
Collars	11,526	(2,288)	131
Basis swaps	(2,073)	(872)	(1,720)
Put options	3,486	—	7,292
<b>Total natural gas financial derivative contracts</b>	<b>\$ 38,240</b>	<b>\$ (4,180)</b>	<b>\$ 9,756</b>
<b>Natural gas liquids</b>			
Swaps	21,793	(9,371)	26,208
<b>Total natural gas financial derivative contracts</b>	<b>\$ 21,793</b>	<b>\$ (9,371)</b>	<b>\$ 26,208</b>
<b>Oil</b>			
Swaps	\$ 41	\$ (992)	\$ 676
Collars	497	(4,349)	2,929
<b>Total oil financial derivative contracts</b>	<b>\$ 538</b>	<b>\$ (5,341)</b>	<b>\$ 3,605</b>
<b>Total financial derivative contracts</b>	<b>\$ 60,571</b>	<b>\$ (18,892)</b>	<b>\$ 39,569</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:

<b>Derivative Financial Instruments</b>	<b>Statement of Financial Position line item</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>31 December 2018</b>
Non-current assets		\$ 34,274	\$ 13,791	\$ 49,854
Current assets		59,249	1,646	29,068
<b>Total assets</b>		<b>\$ 93,523</b>	<b>\$ 15,437</b>	<b>\$ 78,922</b>
Non-current liability		\$ (20,851)	\$ (19,762)	(28,109)
Current liabilities		(12,101)	(14,567)	(11,495)
<b>Total liabilities</b>		<b>\$ (32,952)</b>	<b>\$ (34,329)</b>	<b>(39,604)</b>
Net assets - non-current	Other non-current assets/(liabilities)	\$ 13,423	\$ (5,971)	21,746
Net assets - current	Other current assets/(liabilities)	47,148	(12,921)	17,573
<b>Net assets/(liabilities)</b>		<b>\$ 60,571</b>	<b>\$ (18,892)</b>	<b>\$ 39,319</b>

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

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	Unaudited Six months to 30 June 2019	Unaudited Six Months to 30 June 2018	Audited Year ended 31 December 2018
Net gain (loss) on settlements	\$ 7,422	\$ (423)	\$ (15,655)
Gain on foreign currency hedge	4,120	—	—
Total gain (loss) on settled derivative instruments	\$ 11,542	\$ (423)	\$ (15,655)
Net gain (loss) on fair value adjustments on unsettled financial instruments	21,252	(18,024)	33,636
<b>Total gain (loss) on derivative financial instruments</b>	<b>\$ 32,794</b>	<b>\$ (18,447)</b>	<b>\$ 17,981</b>

All derivatives are defined as Level 2 instruments as they are valued using inputs and outputs other than quoted prices that are observable for the assets and liabilities.

**Note 16 - Subsequent Events**

The Company determined the need to disclose the following material transactions that occurred subsequent to 30 June 2019, which have been described within each relevant footnote as follows:

Description	Footnote
Dividends	Note 8