






**DIVERSIFIED**  
energy

# INTERIM REPORT

**For the six months ended 30 June**

# 2022

# TABLE OF CONTENTS

	Page
	
<b>STRATEGIC REPORT</b>	<b>4</b>
Operational & Financial Results Overview	5
Key Performance Indicators	7
Environmental, Social & Governance and Corporate Responsibility	8
Principal Risks & Uncertainties	9
Results of Operations	11
	
<b>INTERIM FINANCIAL STATEMENTS</b>	<b>23</b>
Independent Review Report to Diversified Energy Company PLC	24
Condensed Consolidated Statement of Comprehensive Income	25
Condensed Consolidated Statement of Financial Position	26
Condensed Consolidated Statement of Changes in Equity	27
Condensed Consolidated Statement of Cash Flows	28
Notes to the Interim Condensed Consolidated Financial Statements	29
	
<b>ADDITIONAL INFORMATION</b>	<b>58</b>
Alternative Performance Measures	59
Glossary of Terms	63

We have prepared our financial statements and the notes thereto in accordance with UK-adopted International Accounting Standards. To provide metrics that enhance the comparability of our results to similar companies, throughout this Interim Report, we refer to Alternative Performance Measures ("APMs"). Within the APMs section located in the Additional Information section, we define, provide calculations and reconcile each APM to its nearest IFRS measure. These APMs include "Average Quarterly Dividend per Share," "Adjusted EBITDA," "Net Debt," "Net Debt-to-Adjusted EBITDA," "Adjusted EBITDA per Share," "Hedged Total Revenue," "Cash Margin," "Cash Operating Margin," "Free Cash Flow," "Free Cash Flow Yield," and "Total Cash Cost per Boe."

Diversified Energy Company PLC (the “Parent”), and its wholly owned subsidiaries (the “Company,” “Group,” “DEC,” or “Diversified”) is an independent energy company engaged in the production, marketing and transportation of primarily natural gas.

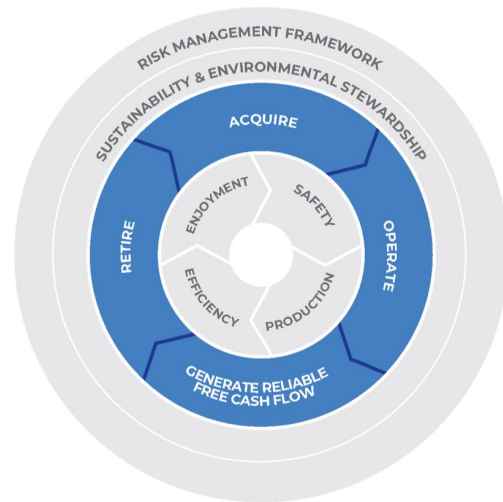
Our proven business model creates sustainable value in today’s natural gas market by investing in producing assets, reducing emissions and improving asset integrity while generating significant, hedge-protected cash flows. We Acquire, Optimise, Produce and Transport natural gas from existing wells to optimally steward the resources previously developed by others within the industry and reduce their environmental footprint while sustaining important jobs and tax revenues for many local communities. Most companies in our sector are built to explore for and develop new reserves, yet we fully exhaust existing reserves by focusing on safely and efficiently operating existing wells to maximise their productive lives and economic capabilities and, in turn, reducing the industry’s footprint on the planet.

Our assets primarily consist of long-life, low-decline natural gas wells and gathering systems located within the Central Region and the Appalachian Basin of the US, providing opportunistic synergies in our operations. Our headquarters is located in Birmingham, Alabama with field offices located throughout the states in which we operate.

## STRATEGIC ACHIEVEMENTS

Diversified’s rapid growth and attractive dividend stems from its unique business model and successful execution of its strategy.

Outlined below are Diversified’s achievements during the first half of 2022 against its core business strategies.



### ACQUIRE

ACQUIRE LONG-LIFE STABLE ASSETS



- Bolt-on East Texas Assets acquisition adds 3.7 MBoepd at a 1.4x Adjusted EBITDA multiple
- Midstream and processing facility acquisition enhances integrations in the Central Region
- Remained disciplined in a volatile M&A market

### OPERATE

OPERATE OUR ASSETS IN A SAFE, EFFICIENT & RESPONSIBLE MANNER



- Handheld emissions measurement initiatives are driving reportable emissions lower
- Accelerating full Appalachian well survey by the end of the third quarter of 2022
- Continuing progress on midstream aerial surveys

### RETIRE

RETIRE ASSETS SAFELY AND RESPONSIBLY & RESTORE THE ENVIRONMENT TO ITS NATURAL STATE



- Asset retirement capacity added in Appalachia with two plugging company acquisitions
- Expanded plugging operations from three rigs to nine
- Achieved goal of expanding our plugging operations to six teams by mid-year 2022

### GENERATE RELIABLE CASH FLOW

DURABLE FREE CASH FLOW PROFILE



- Closed three ESG-aligned asset-backed securitisations for an aggregate \$970 million
- Enhanced our Liquidity to approximately \$469 million
- Continued our consistent distributions to shareholders by paying \$72 million in dividends

Indicates ESG achievements.



# STRATEGIC REPORT

## RESULTS OVERVIEW

We are pleased to provide an overview of our successes thus far in 2022 which have optimised our position for the next stage of our growth.

While we continue to see significant commodity price volatility in 2022, our unique model of acquiring and optimising existing assets continues to create value. As we exited 2021, we then observed markets demonstrating high volatility as the world re-emerged from COVID-19 and rebalanced the supply and demand of energy while stakeholders increased the pressure on producers to reduce emissions and progress their climate-change initiatives.

In February 2022, the world's energy landscape further changed with Russia's invasion of Ukraine. The conflict in Ukraine, the resulting sanctions, and the push for Europe to decouple from dependency on Russian energy further increased market volatility, sending prices to levels not seen in 14 years when Henry Hub prices reached \$9.32 per Mcf at the start of June 2022. The resulting imbalance in the supply and demand of energy markets complicated perceptions of scarcity and supply excess with markets becoming highly sensitive to changes in production levels. This was evident during the latter part of June 2022, when prices quickly fell 42% during the month as markets reacted to the news of the Freeport LNG processing facility fire that resulted in the loss of 17% of the US LNG process capacity, creating temporary builds in US storage levels, and lowering prices to \$5.42 per Mcf by the close of the month. The resulting impact to Europe proved unfavourable as prices eclipsed \$30.00 per Mcf during the same period.

Since June, prices began to rebound in the US as temperatures trended higher driving the need for additional energy to cool homes, creating the potential for lower storage levels heading into winter, particularly if LNG exports from the Freeport facility resumed thereby removing that supply from the US markets.

With this dynamic macro backdrop, we are pleased with our ability to continue optimising our existing assets and to integrate those we acquired within the Central region while continuing to deliver accretive growth through new acquisitions. The M&A market remains active with opportunities nicely aligned with our strategy, though market volatility can complicate the ability to agree on commercial terms, including price, before commodity pricing meaningfully changes thereby resetting portions of the negotiations.

As evidence of our success, in April 2022, we acquired the East Texas Assets, which closed at a highly accretive 1.4x purchase price multiple of cash flows, and most recently, we announced an agreement with ConocoPhillips Company ("ConocoPhillips") to acquire producing wells within our Central Region which, once closed, will add additional scale within this region.

The completion of our third, fourth and fifth Asset-Backed Securitisation (or "ABS") enhanced our Liquidity position to \$469 million, issuing notes with an aggregate value of \$970 million. We used the ABS proceeds to repay borrowings on our revolving Credit Facility and, a portion, to optimise our derivative hedge portfolio as we offset trades on our Credit Facility and executed new trades within the financing entity at current market prices. In the aggregate, we have a weighted average hedge floor of \$3.50 per Mcf for the remainder of 2022 and \$3.27 per Mcf for 2023, up \$0.31 and \$0.21, respectively, from our year-end 2021 reporting.

Certainly, one of our most significant achievements in the first half of 2022 is a further investment in well crews and equipment that will allow us to meaningfully expand plugging capacity and ability to generate revenue by offering these services to third-parties including State governments as they retire orphaned wells. Our continued vertical integration of asset retirement provides increased line of sight to comfortably achieving our plugging goals while adding a new revenue source. Importantly, we expect the added scale of our internal programme to reduce our effective per-well plugging cost including the additional cash flows from third-party plugging revenues. With our most recent plugging company acquisition (ConServ; announced 27 July 2022), we believe we comprise a significant portion of the plugging operations in Appalachia and have one of the largest full-service plugging operations in the region, positioning us to lead and innovate in this area. As responsible stewards of our assets, we expect to continue investing in this complementary area whether through equipment purchases or additional plugging company acquisitions to more fully control this environmentally impactful aspect of our business.

### First-Half 2022 Highlights

- Completed the issuance of three sustainability-linked asset-backed securitisations with the ABS III Notes, ABS IV Notes and ABS V Notes. The higher advance rate associated with these structures enhanced Liquidity to \$469 million as of 30 June 2022 while maintaining low Leverage of 2.3x. As a result, 99% of our borrowings reside in low interest amortising structures and we retain \$187 million in cash on hand.
- Continued growth in the Central Region with acquisitions of certain East Texas upstream assets and related facilities alongside Oaktree under the previously announced strategic participation agreement. We acquired a 52.5% proportionate share of the wells for consideration of approximately \$50 million (based on a PV-40 valuation at the effective date of 1 April 2022, with net proved developed producing reserves of 18 MMBoe).
- Acquired an NGL processing facility and the associated midstream lines in the Central Region that is strategically contiguous to our existing assets acquired from Tanos in 2021 for total consideration of \$10 million.
- Expanded plugging operations through the successful acquisitions of two plugging companies. These acquisitions enhance our ability to comfortably achieve our goal of plugging 200 wells a year by 2023. With these acquisitions we have exceeded our goal of expanding plugging operations to six teams by mid-year 2022.

- 🌱 Deployed Opgal EyeCGas 2.0, EyeCSite software, and Semtech Hi-Flow 2 sampler, both state-of-the art emissions measurement devices that position us as the first US company to deploy this advanced technology in natural gas upstream operations.
- 🌱 Joined the Oil and Gas Methane Partnership 2.0 (OGMP 2.0) further advancing our commitment to reducing emissions.

## Post-Period Highlights

- Announced on 28 July 2022 that we entered into a purchase and sale agreement to acquire certain upstream assets in the Central Region from ConocoPhillips for a gross purchase price of \$240 million, representing an approximate 2.5x purchase multiple of cash flows. The acquisition is anticipated to increase our production by approximately 9 MBoepd while maintaining our consolidated corporate decline rate of ~8.5%.
- Entered into a series of trades for \$87.6 million to align the Group's hedge portfolio with its financing entities. These trades elevate our floor price for certain trades and eliminate our ceiling price on other contracts. The trades will allow the cost of the optimisation to be recouped by us through future 2022 and 2023 hedge settlements and also provides exposure to additional upside in this volatile commodity market.
- 🌱 Continued the expansion of our plugging operations with an additional acquisition in Appalachia, adding six more rigs to our operations and bringing our total rig count to 15, further enhancing our ability to realise efficiencies and generate third-party revenues for a variety of inspection and retirement services at attractive margins.

## Operational & Financial

During the first half of 2022 our financial results continued to display strong cash flow growth underpinned by our operations and the benefit of an improving commodity market. While for the six months ended 30 June 2022, we reported a net loss of \$935 million or loss per share of \$1.10, excluding the non-cash charge for the valuation adjustment of our multi-year derivative portfolio and other customary adjustments, we reported Adjusted EBITDA of \$224 million, or \$0.26 per share, representing increases of 48% and 30%, respectively, compared to the six months ended 30 June 2021. This growth, underscored by our prudent 2.3x pro forma Leverage profile, reflects the Central Region's contribution following our May 2021 entry into the region with the Indigo transaction. We continue to scale our presence within this region, most recently with closing the East Texas Assets acquisition and our announced agreement with ConocoPhillips. The Central Region presents a significant avenue for continued infill growth, and we expect to continue our success there in the future.

While operating costs are higher within the Central Region compared to those in Appalachia and therefore raise our Total Cash Cost, so too are realised prices given the region's access to Gulf Coast pricing. The results are Central Region net cash margins that approximate those we realise within our Appalachian region. Additionally, as our operations mature in the region, we believe our Smarter Asset Management ("SAM") programme, combined with added scale within the region, will allow us to improve efficiencies, reduce operating costs and expand already compelling cash margins.

Inflationary pressures have garnered the attention of headlines recently and while our low capital expenditure model and vertical integration has shielded us from the impacts more than other entities, we have seen inflation creep into our fuel cost, wages, and other related costs similar to other operators. Despite these pressures, however, our Cash Margin has remained strong at 48% and our cash flow growth is once again significant period-over-period.

With regard to production, Appalachia remains strong and consistent with limited declines while the Central Region has meaningfully increased our production to 24,620 MBoe for the six months ended 30 June 2022 with an exit rate of 139 MBoepd representing growth of 28.7% and 19.7%, respectively, compared to the six months ended 30 June 2021. Strong production, along with healthy margins, have translated to robust operating cash flows of \$205 million and Free Cash Flow of \$128 million which has allowed us to continue to pay shareholders a strong average quarterly dividend per share of \$0.0425, up 6.3% from the quarterly average of \$0.0400 paid during the six months ended 30 June 2021. We have also utilised these cash flows to repay \$59 million in debt which is now 99% comprised of amortising structures as we have leveraged our investment grade rating to generate \$469 million in Liquidity for our continued growth.

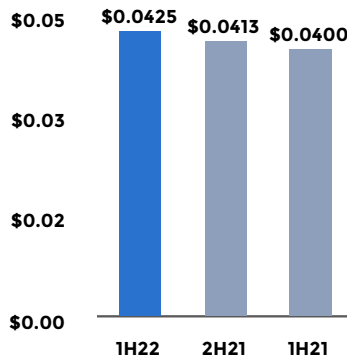
With this backdrop of growth and a solid financial performance, we enter the third quarter with a strong balance sheet and a track record of success in navigating volatile markets and, as a result, expect 2022 to be yet another strong year for Diversified.

# KEY PERFORMANCE INDICATORS

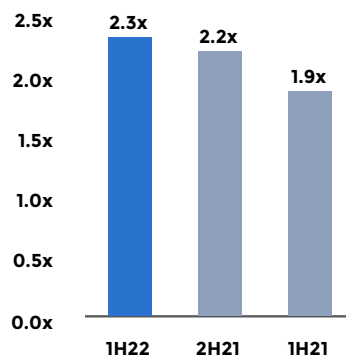
In assessing DEC's performance, the Directors use the following key performance indicators ("KPIs") to track the Group's success against its stated strategy. These KPIs focus on corporate and environmental responsibility, consistent per share returns underpinned by prudent cost management, low Leverage and sufficient Liquidity to protect the sustainability of the business.

Please refer to the APMs section in Additional Information within this Interim Report for information on how these metrics are calculated and reconciled to IFRS measures.

**TTM Average Quarterly Dividend per Share**



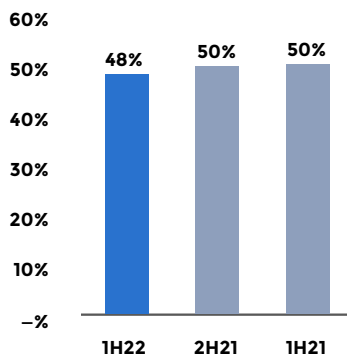
**Net Debt-to-Pro Forma TTM Adjusted EBITDA**



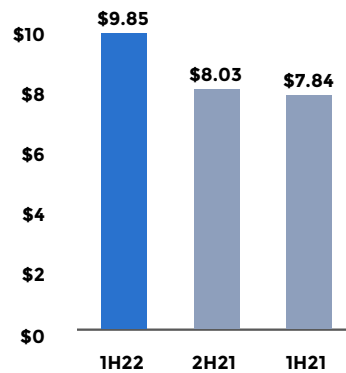
**Adjusted EBITDA per Share**



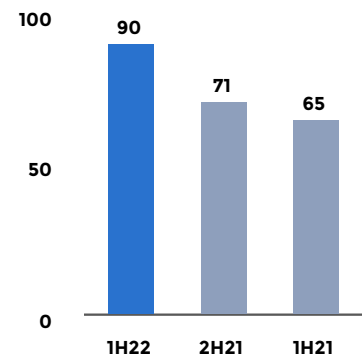
**Cash Margin**



**Total Cash Cost per Boe**



**Actual Wells Retired**



Our Emissions Intensity, State Asset Retirement Goals and Total Recordable Incident Rate ("TRIR") are reported on an annual basis. For the years ended 31 December 2021 and 2020, our Emissions Intensity was 1.5 MT CO<sub>2</sub>e/MMcfe and 1.6 MT CO<sub>2</sub>e/MMcfe, respectively. For the years ended 31 December 2021 and 2020, our State Asset Retirement Goal was 80 wells. For the years ended 31 December 2021 and 2020, our TRIR was 1.55 and 1.35, respectively. Refer to our 2021 Annual Report for additional information on Emissions Intensity, State Asset Retirement Goals and TRIR.

# ESG AND CORPORATE RESPONSIBILITY

## Sustainability

We entered the calendar year of 2022 on the heels of a successful inaugural Capital Markets Day in November 2021 which outlined, in part, our financial and operational commitment to several environmental initiatives aimed at reducing our carbon footprint while affirming a clear and leading role for mature natural gas assets to meet both domestic and global energy demands within the constantly evolving energy transition through which all E&Ps navigate today. We committed to spend an additional \$15 million in 2022 on near-term emissions reduction initiatives in support of our stated targets of 30% and 50% reductions in Scope 1 methane intensity (relative to a revised 2020 baseline) by 2026 and 2030, respectively. Simultaneously, we seek to work towards a long-term goal of achieving net zero Scope 1 and Scope 2 GHG emissions by 2040. The commitment to positively impact climate change through aggressive climate targets reflects our roadmap to accelerate emissions reduction efforts during the first six months of 2022.

In April 2022, we published our 2021 Sustainability Report providing a robust and transparent perspective on the operational results of our 2021 ESG activities, a closer look at our 2022 initiatives, and an expanded set of disclosures aligned to the recommendations of the Task Force on Climate-Related Financial Disclosures (“TCFD”) (except for Scope 3 disclosures). This year’s Sustainability Report included an assurance on the accuracy and completeness of our 2021 Scope 1 and Scope 2 GHG emissions, provided by ISOS Group Inc. at a moderate level II assurance. We plan to continue this independent third-party assurance in the years ahead and to further bolster commitments to emissions reductions through an independent review of the same. Additionally, we started reporting emissions in May 2022 under the United Nations’ Environment Programme, Oil and Gas Methane Partnership (“OGMP”) 2.0 and established a credible plan to attain “The Gold Standard” for emissions reporting under OGMP 2.0 which includes a data review and validation element.

As we advance our emissions reduction efforts and work towards our 2040 net zero carbon target, we also continue to progress our marginal abatement cost curve (“MACC”) analysis under the direction of third-party consultants, Montrose Environmental, and the oversight of our Sustainability & Safety Committee. As mentioned in the Capital Markets Day presentation, we continue to evaluate and advance MACC projects including waste heat recovery, biogas, fuel cells, carbon capture and storage, and generation of offsets from the plugging of wells among others. Importantly, our mission seeks to engage in actual emission reduction projects to meet targets before turning to the use of carbon offsets.

## Environmental and Emissions Reduction Update

### Upstream Emissions Initiatives

Having fully deployed nearly 600 handheld emissions detection devices within the first half of 2022, and further incorporating the use of recently added leading-edge technology that quantifies fugitive methane emissions, our well tenders continue making tremendous progress in 2022 on commitments to survey and repair, as needed, upstream assets within the Appalachia portfolio. Through 30 June 2022, we have proactively surveyed ~49,000 wells, or 80% of our operated Appalachian wells, and consistently found no detectable fugitive emissions on 80% of surveyed wells. Additionally, we have resurveyed for a second, and in some cases a third, time more than 19,000 of those same wells confirming no detectable fugitive emissions in some 94% of those wells. We remain on track to conduct initial surveys on substantially all of our operated Appalachian wells by the end of the third quarter of 2022, as announced in the 16 May 2022 Trading Update.

In the first half of 2022, we completed an assessment of our 150 largest methane emitting well pads and utilised this information to design, source, and build or purchase a limited number of solar and auxiliary air packages for a pilot pneumatic conversion project. We piloted both applications in Appalachia and the Central Region, with intentions to focus primarily on the Central Region due to the region’s emissions profile and higher cost application areas as a function of the number of wells and pneumatic devices on the typically larger Central Region well pads. With pleasure, we report these pilot projects exceed expectations, with no production or well status degradations to date since the installation of the projects.

Finally, we aim to install 10 air packages per quarter (five each of solar and auxiliary air) beginning with the largest emitters in order to accelerate emissions reductions. With conversion costs ranging from \$10,000 to \$30,000 per pad, estimates total gross expenditures for the pneumatic conversion of these 150 sites would approximate \$2 to \$3 million and could result in the annual elimination of ~82 thousand metric tonnes of carbon dioxide equivalent (“MT CO<sub>2</sub>e”) from our emissions reporting.

### Midstream Emissions Initiatives

Since commencing in the first quarter of 2022 and to date through 30 June 2022, we have surveyed ~5,700 miles, or some 34%, of our Appalachian midstream system as part of the aerial emissions detection programme utilising Bridger Photonics’ (“Bridger”) advanced light detection and ranging (“LiDAR”) technology. This has been a valuable tool in our emissions reduction strategy and has allowed us to more efficiently identify and repair any fugitive emissions on our systems.

### Asset Retirement Initiatives

As announced on 27 July 2022, we have recently closed on Contractor Services Inc. (“ConServ”), our third acquisition of an established and well-respected plugging company since February 2022. Combined with our own internal asset retirement teams, the acquisitions of Next LVL Energy, Nick’s Well Plugging and ConServ expand internal resources to 12 plugging teams, allowing for the elimination of third-party contractors from our plugging operations, therefore, further increasing the ability to control costs and margins. Now fully vertically integrated, our plugging operations provide all services required for plugging, ranging from pre-plugging well site preparation to site restoration. The increased capability positions us as a leading plugging operator in Appalachia with the ability to meet our annual retirement commitments and to profitably retire wells for third-parties, whether complete turnkey services or through single phase support services such as cementing or wireline activities.

During the first half of 2022, we retired 90 wells at an average cost of \$21,052 per well as compared to the calendar year 2021 average annual cost of \$22,500 per well. This 6% reduction in average cost reflects our vertical integration and ability to control costs by



avoiding third-party market rates. Current forecasts place us on track to meet internal goals of retiring 200 of our wells during 2022, one year in advance of previously stated commitments to achieve 200 wells plugged by year end 2023.

As States continue to pursue plans to permanently retire orphan wells utilising federal Build Back Better funding, our integrated plugging operations, combined under a single operating subsidiary, Next LVL, position us to capitalise on these programmes, whether directly plugging orphan wells for the States or serving as a State's contracted programme manager responsible for awarding work and overseeing third-party plugging operators. Next LVL actively pursues both revenue-generating avenues, and the subsidiary was recently awarded the opportunity to co-manage Ohio's \$12.5 million plugging contractor risk management programme which will oversee and manage the State's plugging of orphan wells for the next three years.

## Community Outreach

Continuously encouraged by the actions of our enlarged employee base as they actively seek opportunities to engage and support each other in their professional and personal lives to contribute to their local communities and charities, we seek to elevate these activities. This support has manifested into employee-driven efforts during the first half of 2022 to establish both an employee charitable matching gift programme and a volunteer hours tracking programme. We believe these programmes exemplify our company's value to "serve and support our teams and communities with passion and enthusiasm."

Just as we aim to responsibly steward the assets we manage, we also strive to financially steward the communities in which our employees work, live and raise their families. We desire through both our actions and economic contributions to make a difference in communities, therefore, part of our 2022 commitments seek to invest up to \$2 million in outreach and support programmes. Specifically, we developed a new Community Giving and Engagement grant programme focused on investing in three key areas:

- *Community Enrichment* - to encourage the development of diverse, safe, healthy and sustainable communities;
- *Education & Workforce* - to advance STEM-based learning and support workforce training & development; and
- *Environment* - to foster natural resource preservation and conservation.

As part of the Education & Workforce focus area, and in keeping with commitments as outlined at our Capital Markets Day, we continue our investments in future leaders through the expansion of both our scholarship and internship programmes. We now fund scholarships at six different local colleges and universities within our operating footprint. Further, we broadened our Summer Internship Programme to include nine university students currently serving in numerous departments across the Company while gaining key professional and life skills experience.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have reconsidered our principal risks and uncertainties and determined that the principal risks and uncertainties published in the Annual Report for the year ended 31 December 2021 remain appropriate. The risks and associated risk management processes can be found in our [2021 Annual Report](#), which is available in the Investor Resources section of our website at [www.div.energy](http://www.div.energy).

The risks referred to and which could have a material impact on performance for the remainder of the current financial year relate to:

- Corporate Strategy and Acquisition Risk;
- Cybersecurity Risk;
- Health and Safety Risk;
- Regulatory and Political Risk;
- Climate Risk;
- Commodity Price Volatility; and
- Financial Strength and Flexibility Risk.

## Going Concern

As described in Note 2 in the Notes to the Interim Condensed Consolidated Financial Statements, the Directors have formed a judgement, at the time of approving the Interim Condensed Consolidated Financial Statements, that there is a reasonable expectation that we are sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of the Interim Condensed Consolidated Financial Statements. In making this judgement, they have considered the impacts of current and severe, but plausible, consequences arising from our identified principal risks and uncertainties to our activities. For this reason, the Directors continue to adopt the going concern basis in preparing the Interim Condensed Consolidated Financial Statements.

## Responsibility Statement

Each of the Directors confirm that, to the best of their knowledge:

- The Interim Condensed Consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting Standard 34 'Interim Financial Reporting', as adopted in the United Kingdom; and
- The interim report includes a fair review of the information required by:
  - (a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2022, and their impact on the interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - (b) DTR 4.2.8R, being material related party transactions that have taken place in the first six months of the financial year ending 31 December 2022, and any material changes in the related party transactions described in the 2021 annual report.

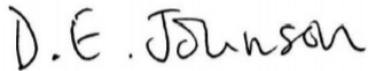
A list of the current Directors is maintained on the Diversified Energy Company Plc website: [www.div.energy](http://www.div.energy).

The maintenance and integrity of the Diversified Energy Company Plc website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## CONCLUSION

We have enjoyed an eventful and successful 2022 thus far, and we look forward to continued progress throughout the second half of 2022. 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 us with their capital to fuel our growth. I look forward to reporting back to you with our full-year results.



**David E. Johnson**  
Chairman of the Board  
8 August 2022

## RESULTS OF OPERATIONS

Please refer to the APMs section within this Interim Report for information on how these metrics are calculated and reconciled to IFRS measures.

	Six Months Ended			
	30 June 2022	30 June 2021	Change	% Change
<b>Net production</b>				
Natural gas (MMcf)	127,398	104,888	22,510	21 %
NGLs (MBbls)	2,601	1,410	1,191	84 %
Oil (MBbls)	786	242	544	225 %
<b>Total production (MBoe)</b>	<b>24,620</b>	<b>19,133</b>	<b>5,487</b>	<b>29 %</b>
Average daily production (Boepd)	136,022	105,707	30,315	29 %
% Natural gas (Boe basis)	86 %	91 %		
<b>Average realised sales price</b> (excluding impact of derivatives settled in cash)				
Natural gas (Mcf)	\$ 5.71	\$ 2.46	\$ 3.25	132 %
NGLs (Bbls)	41.46	24.86	16.60	67 %
Oil (Bbls)	100.28	55.88	44.40	79 %
<b>Total (Boe)</b>	<b>\$ 37.12</b>	<b>\$ 16.05</b>	<b>\$ 21.07</b>	<b>131 %</b>
<b>Average realised sales price</b> (including impact of derivatives settled in cash)				
Natural gas (Mcf)	\$ 2.68	\$ 2.43	\$ 0.25	10 %
NGLs (Bbls)	16.61	10.13	6.48	64 %
Oil (Bbls)	76.24	64.38	11.86	18 %
<b>Total (Boe)</b>	<b>\$ 18.08</b>	<b>\$ 14.90</b>	<b>\$ 3.18</b>	<b>21 %</b>
<b>Revenue (in thousands)</b>				
Natural gas	\$ 727,152	\$ 258,453	\$ 468,699	181 %
NGLs	107,846	35,050	72,796	208 %
Oil	78,817	13,523	65,294	483 %
<b>Total commodity revenue</b>	<b>\$ 913,815</b>	<b>\$ 307,026</b>	<b>\$ 606,789</b>	<b>198 %</b>
Midstream revenue	16,602	15,089	1,513	10 %
Other revenue	3,111	1,201	1,910	159 %
<b>Total revenue</b>	<b>\$ 933,528</b>	<b>\$ 323,316</b>	<b>\$ 610,212</b>	<b>189 %</b>
<b>Gain (loss) on derivative settlements (in thousands)</b>				
Natural gas	\$ (385,186)	\$ (3,246)	\$ (381,940)	11,766 %
NGLs	(64,654)	(20,761)	(43,893)	211 %
Oil	(18,891)	2,058	(20,949)	(1,018)%
<b>Net gain (loss) on derivative settlements</b>	<b>\$ (468,731)</b>	<b>\$ (21,949)</b>	<b>\$ (446,782)</b>	<b>2,036 %</b>
<b>Hedged Total Revenue</b>	<b>\$ 464,797</b>	<b>\$ 301,367</b>	<b>\$ 163,430</b>	<b>54 %</b>
<b>Per Boe Metrics</b>				
<b>Average realised sales price</b> (including impact of derivatives settled in cash)				
Other revenue	\$ 18.08	\$ 14.90	\$ 3.18	21 %
LOE	0.80	0.85	(0.05)	(6)%
Midstream operating expense	(3.32)	(2.77)	(0.55)	20 %
Employees, administrative costs and professional services	(1.35)	(1.52)	0.17	(11)%
Recurring allowance for credit losses	(1.47)	(1.56)	0.09	(6)%
Production taxes	–	(0.03)	0.03	(100)%
Transportation expense	(1.37)	(0.48)	(0.89)	185 %
	(2.34)	(1.48)	(0.86)	58 %
<b>Operating margin</b>	<b>\$ 9.03</b>	<b>\$ 7.91</b>	<b>\$ 1.12</b>	<b>14 %</b>
% Operating margin	48 %	50 %		
<b>Other financial metrics (in thousands)</b>				
Operating profit (loss)	\$ (1,177,133)	\$ (305,668)	\$ (871,465)	285 %
Net income (loss)	\$ (935,250)	\$ (83,957)	\$ (851,293)	1,014 %

## Production, Revenue and Hedging

Total revenue in the six months ended 30 June 2022 of \$934 million increased 189% from \$323 million reported for the six months ended 30 June 2021, primarily due to a 131% increase in the average realised sales price and 29% higher production. Including commodity hedge settlement losses of \$469 million and \$22 million in the six months ended 30 June 2022 and 2021, respectively, Hedged Total Adjusted Revenue increased by 54% to \$465 million in 2022 from \$301 million in 2021.

While higher realised sales prices in the six months ended 30 June 2022 contributed \$45 million in additional Hedged Total Revenue, we will not realise the full impact of the higher commodity price environment until the second half of 2022 and into 2023 when the increase in our hedged floor price, the result of recent enhancements to our hedge portfolio, will be more impactful. The majority of the increase in Hedged Total Revenue, or \$115 million, was driven by added volumes. We produced approximately 24,620 MBoe in 2022 versus approximately 19,133 MBoe in 2021. The increase in volumes was primarily due to the full integration of the Central Region assets acquired in May, July, August, and December of 2021 in connection with the Indigo, Blackbeard, Tanos and Tapstone acquisitions, respectively, as well as approximately two months of production from the East Texas Assets acquired in April 2022.

The following table summarises average commodity prices for the periods presented with Henry Hub on a per Mcf basis and Mont Belvieu and WTI on a per Bbl basis:

	Six Months Ended			
	30 June 2022	30 June 2021	\$ Change	% Change
Henry Hub	\$ 6.06	\$ 2.76	\$ 3.30	120 %
Mont Belvieu	59.43	39.98	19.45	49 %
WTI	99.00	61.96	37.04	60 %

Refer to Note 4 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding acquisitions.

### Commodity Revenue

The following table reconciles the change in commodity revenue (excluding the impact of hedges settled in cash) for the six months ended 30 June 2022 by reflecting the effect of changes in volume and in the underlying prices:

(In thousands)	Natural Gas	NGLs	Oil	Total
Commodity revenue for the six months ended 30 June 2021	\$ 258,453	\$ 35,050	\$ 13,523	\$ 307,026
Volume increase (decrease)	55,375	29,608	30,399	115,382
Price increase (decrease)	413,324	43,188	34,895	491,407
Net increase (decrease)	468,699	72,796	65,294	606,789
Commodity revenue for the six months ended 30 June 2022	\$ 727,152	\$ 107,846	\$ 78,817	\$ 913,815

To manage our cash flows in a volatile commodity price environment, we utilise derivative contracts that allow us to fix the per unit sales prices for approximately 90% of our production over the next twelve months. The tables below set forth the commodity hedge impact on commodity revenue, excluding and including cash received for commodity hedge settlements with natural gas on a per Mcf basis and NGLs and oil on a per Bbl basis:

(In thousands, except per unit data)	Six Months Ended 30 June 2022							
	Natural Gas		NGLs		Oil		Total Commodity	
	Revenue	Realised \$	Revenue	Realised \$	Revenue	Realised \$	Revenue	Realised \$
Excluding hedge impact	\$ 727,152	\$ 5.71	\$ 107,846	\$ 41.46	\$ 78,817	\$ 100.28	\$ 913,815	\$ 37.12
Commodity hedge impact	(385,186)	(3.03)	(64,654)	(24.85)	(18,891)	(24.04)	(468,731)	(19.04)
Including hedge impact	\$ 341,966	\$ 2.68	\$ 43,192	\$ 16.61	\$ 59,926	\$ 76.24	\$ 445,084	\$ 18.08

(In thousands, except per unit data)	Six Months Ended 30 June 2021							
	Natural Gas		NGLs		Oil		Total Commodity	
	Revenue	Realised \$	Revenue	Realised \$	Revenue	Realised \$	Revenue	Realised \$
Excluding hedge impact	\$ 258,453	\$ 2.46	\$ 35,050	\$ 24.86	\$ 13,523	\$ 55.88	\$ 307,026	\$ 16.05
Commodity hedge impact	(3,246)	(0.03)	(20,761)	(14.73)	2,058	8.50	(21,949)	(1.15)
Including hedge impact	\$ 255,207	\$ 2.43	\$ 14,289	\$ 10.13	\$ 15,581	\$ 64.38	\$ 285,077	\$ 14.90

Refer to Note 13 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding derivative financial instruments.

## Expenses

(In thousands, except per unit data)	Six Months Ended									
	30 June 2022		30 June 2021		Total Change		Per Boe Change			
	\$	Per Boe	\$	Per Boe	\$	%	\$	%	\$	%
LOE <sup>(a)</sup>	\$ 81,776	\$ 3.32	\$ 52,836	\$ 2.77	\$ 28,940	55 %	\$ 0.55	20 %		
Production taxes <sup>(b)</sup>	33,878	1.37	9,215	0.48	24,663	268 %	0.89	185 %		
Midstream operating expense <sup>(c)</sup>	33,156	1.35	29,172	1.52	3,984	14 %	(0.17)	(11)%		
Transportation expense <sup>(d)</sup>	57,547	2.34	28,332	1.48	29,215	103 %	0.86	58 %		
<b>Total operating expense</b>	<b>\$ 206,357</b>	<b>\$ 8.38</b>	<b>\$ 119,555</b>	<b>\$ 6.25</b>	<b>\$ 86,802</b>	<b>73 %</b>	<b>\$ 2.13</b>	<b>34 %</b>		
Employees, administrative costs and professional services <sup>(e)</sup>	36,245	1.47	29,896	1.56	6,349	21 %	(0.09)	(6)%		
Costs associated with acquisitions <sup>(f)</sup>	6,935	0.28	6,221	0.32	714	11 %	(0.04)	(13)%		
Other adjusting costs <sup>(g)</sup>	67,033	2.72	2,628	0.14	64,405	2451 %	2.58	1843 %		
Non-cash equity compensation <sup>(h)</sup>	4,069	0.17	3,588	0.19	481	13 %	(0.02)	(11)%		
<b>Total operating and G&amp;A expense</b>	<b>\$ 320,639</b>	<b>\$ 13.02</b>	<b>\$ 161,888</b>	<b>\$ 8.46</b>	<b>\$ 158,751</b>	<b>98 %</b>	<b>\$ 4.56</b>	<b>54 %</b>		
Depreciation, depletion and amortisation	118,480	4.81	71,843	3.75	46,637	65 %	1.06	28 %		
Allowance for credit losses <sup>(i)</sup>	–	–	602	0.03	(602)	(100)%	(0.03)	(100)%		
<b>Total expenses</b>	<b>\$ 439,119</b>	<b>\$ 17.83</b>	<b>\$ 234,333</b>	<b>\$ 12.24</b>	<b>\$ 204,786</b>	<b>87 %</b>	<b>\$ 5.59</b>	<b>46 %</b>		

(a) LOE is defined as the sum of employee and benefit expenses, well operating expense (net), automobile expense and insurance cost.

(b) Production taxes include severance and property taxes. Severance taxes are generally paid on produced natural gas, NGLs and oil production at fixed rates established by federal, state, or local taxing authorities. Property taxes are generally based on the taxing jurisdictions' valuation of our natural gas and oil properties and midstream assets.

(c) Midstream operating expenses are daily costs incurred to operate our owned midstream assets inclusive of employee and benefit expenses.

(d) Transportation expenses are daily costs incurred from third-party systems to gather, process and transport our natural gas, NGLs and oil.

(e) Employees, administrative costs and professional services includes payroll and benefits for our administrative and corporate staff, costs of maintaining administrative and corporate offices, costs of managing our production operations, franchise taxes, public company costs, fees for audit and other professional services and legal compliance.

(f) We generally incur costs related to the integration of acquisitions, which will vary for each acquisition. For acquisitions considered to be a business combination, these costs include transaction costs directly associated with a successful acquisition transaction. These costs also include costs associated with transition service arrangements where we pay the seller of the acquired entity a fee to handle various G&A functions until we have fully integrated the assets onto our systems. In addition, these costs include costs related to integrating IT systems and consulting and internal workforce costs directly related to integrating acquisitions into our systems.

(g) Other adjusting costs for the six months ended 30 June 2022 primarily consist of \$28 million in contract terminations which will allow the Company to obtain more favourable pricing in the future and \$33 million in costs associated with deal breakage and/or sourcing costs for acquisitions. For the six months ended 30 June 2021, other adjusting costs are primarily associated with one-time projects and contemplated financing arrangements. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon Acquisition.

(h) Non-cash equity compensation for the six months ended 30 June 2022 and 30 June 2021 reflect the expense recognition related to share-based compensation provided to certain key members of the management team.

(i) Allowance for credit losses consists of the recognition and reversal of credit losses. Refer to Note 14 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding credit losses.

## Operating Expense

We experienced increases in per unit operating expense of 34%, or \$2.13 per Boe, resulting from:

- Higher per Boe LOE that rose 20%, or \$0.55 per Boe, resulting from increases in costs from the assets acquired in connection with the Central Region and inflationary pressures;
- Higher per Boe Production taxes that rose 185%, or \$0.89 per Boe, primarily attributable to an increase in severance taxes as a result of an increase in unhedged revenue due to higher commodity prices and sold volumes and an increase in property taxes per Boe related to the assets acquired in connection with the Indigo, Blackbeard, Tanos and Tapstone acquisitions given the difference in regulatory environment;
- Higher per Boe transportation expense related to increases in third-party midstream rates and midstream costs related to the assets acquired in the Central Region given they tend to carry a higher transportation expense profile; and

Partially offsetting the per unit increases was a decrease due to:

- Lower per Boe Midstream operating expense that declined 11%, or \$0.17 per Boe. While costs increased due to the growth of our midstream workforce to service the additional midstream capabilities we gained as a result of the 2021 acquisitions, the midstream costs are spread across a larger base of producing assets, including production from the assets acquired in connection with the Indigo, Blackbeard, Tanos and Tapstone acquisitions.

## General and Administrative Expense

G&A expense increased due to:

- From time to time we incur costs associated with potential acquisitions. These costs include deposits, right of first refusals, option agreement costs and other acquisition related payments which can include hedging costs incurred in connection with the potential acquisitions. At times, due to changing macro-economic conditions, commodity price volatility and/or findings observed during our deal diligence efforts, we incur expenses of this nature as breakage and/or deal sourcing fees. In 2021, we paid \$25 million in costs associated with a potential acquisition and, due to decisions we made in the first quarter of 2022, we terminated the transaction and wrote off this \$25 million in certain acquisition related costs related to these items. During 2022, we also incurred an additional \$8 million of costs of this nature. These transactions were classified as other adjusting costs.
- In February 2022, we paid \$28 million to terminate a fixed price purchase contract associated with certain Barnett volumes acquired during the Blackbeard acquisition. The contract extended through March 2024 and as a result of the termination we will realise more favourable pricing over this period. This transaction also positioned us to refinance these assets as part of the ABS IV financing arrangement. The termination also enhanced our Liquidity by eliminating the need for a \$20 million letter of credit on our Credit Facility. This transaction was classified in other adjusting costs.
- An increase in costs associated with acquisitions and other adjusting costs during 2022 when compared to 30 June 2021 was due to the comparatively limited acquisition and other transactional activity incurred in the first half of 2021. During 2022, costs consist of the continued integration of the Central Region, the East Texas Assets acquisition, as well as other midstream and plugging related transactions and the related diligence for each of these transactions. Expenses incurred in the first half of 2021 are primarily attributable to the completion of the integration of the Carbon and EQT acquisitions which were acquired in May 2020.
- Employees, administrative costs and professional services and non-cash equity compensation increased due to investments made in staff and systems to support our enlarged operation. On a per Boe basis, these costs declined 17%, or \$0.11 per Boe, as a result of efficiencies gained relative to our increasing production base.

## Other Expenses

Depreciation, depletion and amortisation ("DD&A") increased due to:

- Higher depreciation expense attributable to an increase of property, plant & equipment resulting from acquisitions and maintenance capital expenditures; and
- Higher depletion expense due to a 29% increase in production attributable to an increased number of producing wells from acquisitions.

Allowance for credit losses decreased due to:

- The impact on anticipated credit losses on joint interest owner receivables has a direct relationship with pricing and distributions to individual owners. As the pricing environment improved in 2022, the underlying well economics did as well, and as a result, in 2022, we were able to collect on receivables without the need to increase our existing reserves.

Refer to Notes 4, 10, 11 and 13 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding acquisitions, natural gas and oil properties, property, plant and equipment and derivative financial instruments, respectively.

## Derivative Financial Instruments

We recorded the following gain (loss) on derivative financial instruments in the Consolidated Statement of Comprehensive Income for the periods presented:

(In thousands)	Six Months Ended			
	30 June 2022	30 June 2021	\$ Change	% Change
Net gain (loss) on commodity derivatives <sup>(a)</sup>	\$ (468,731)	\$ (21,949)	\$ (446,782)	2,036 %
Net gain (loss) on interest rate swap <sup>(a)</sup>	828	(251)	1,079	(100)%
Gain (loss) on foreign currency hedge <sup>(a)</sup>	–	(1,227)	1,227	(100)%
<b>Total gain (loss) on settled derivative instruments</b>	<b>\$ (467,903)</b>	<b>\$ (23,427)</b>	<b>\$ (444,476)</b>	<b>1,897 %</b>
Gain (loss) on fair value adjustments of unsettled financial instruments <sup>(b)</sup>	(1,205,938)	(371,458)	(834,480)	225 %
<b>Total gain (loss) on derivative financial instruments</b>	<b>\$ (1,673,841)</b>	<b>\$ (394,885)</b>	<b>\$ (1,278,956)</b>	<b>324 %</b>

(a) Represents the cash settlement of hedges that settled during the period.

(b) Represents the change in fair value of financial instruments net of removing the carrying value of hedges that settled during the period.

For the six months ended 30 June 2022, the total loss on derivative financial instruments of \$1,674 million increased by \$1,279 million compared to a loss of \$395 million in 2021. Adjusting our unsettled derivative contracts to their fair values drove a loss of \$1,206 million in 2022, an increase of \$834 million, as compared to a loss of \$371 million in 2021. While this loss certainly reflects the increase in commodity markets in relation to our hedge floor, the magnitude of the loss is amplified due to the increase in the size of our long-dated hedge portfolio, which has increased meaningfully with the addition of ABS III, IV and V. The percentage of our long-term future production hedged increases with each additional ABS transaction and can extend through the life of the note.

While the change in fair value is significant and reflective of higher prices on the forward price curve, we use derivative contracts to insulate our cash flow from commodity price volatility and bolster our ability to pay dividends and scheduled debt repayments. Additionally, a portion of the unsettled hedge loss relates to the time option value of our long-dated portfolio. Specifically, approximately \$85 million of the \$1,933 million net liability reflected on our Consolidated Statement of Financial Position relates to the time value rather than their settlement value based on the current futures price strip.

For the six months ended 30 June 2022, the total cash loss on settled derivative instruments was \$468 million, an increase of \$444 million when compared to 2021. The loss on settled derivative instruments relates to higher commodity market prices that we secured through our derivative contracts. With dividend payments and scheduled debt principal payments central to our strategy, to protect our downside risk, we routinely hedge at levels that, based on our operating and overhead costs, provide a significant Cash Margin even if it means forgoing potential price upside.

Refer to Note 13 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding derivative financial instruments.

### Gain on Bargain Purchase

We recorded the following gains on bargain purchase in the Consolidated Statement of Comprehensive Income for the periods presented:

(In thousands)	Six Months Ended			
	30 June 2022	30 June 2021	\$ Change	% Change
<b>Gains on bargain purchases</b>	\$ 1,249	\$ –	\$ 1,249	100 %

For the past few years, the E&P segment of the broader energy sector has been in a period of transition and rebalancing, thereby creating opportunities for healthy companies like ours to acquire high quality assets for less than their fair value. We have established a track record of being disciplined in our bidding to acquire assets that meet our strict asset profile and are accretive to our overall corporate value.

The \$1.2 million of gains on bargain purchases in the six months ended 30 June 2022 were comprised of gains associated with a midstream acquisition we completed in the Central Region during the six months ended 30 June 2022. Gains on bargain purchases are not recorded for transactions that are accounted for as an acquisition of assets under IFRS 3, Business Combinations ("IFRS 3"). Rather, the consideration paid is allocated to the assets acquired on a relative fair value basis.

Refer to Note 4 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding acquisitions and bargain purchase gains.

### Finance Costs

(In thousands)	Six Months Ended			
	30 June 2022	30 June 2021	\$ Change	% Change
Interest expense, net of capitalised and income amounts <sup>(a)</sup>	\$ 33,322	\$ 18,172	\$ 15,150	83 %
Amortisation of discount and deferred finance costs	5,797	4,304	1,493	35 %
Other	43	36	7	19 %
<b>Total finance costs</b>	<b>\$ 39,162</b>	<b>\$ 22,512</b>	<b>\$ 16,650</b>	<b>74 %</b>

(a) Includes payments related to borrowings and leases.

For the six months ended 30 June 2022, interest expense of \$33 million increased \$15 million compared to \$18 million in 2021, primarily due to the increase in borrowings to fund our 2022 acquisitions as well as the incurrence of a full year of interest on borrowings associated with the 2021 acquisitions. Offsetting these increases was a decrease in interest expense for repaid principal of \$59 million on the ABS Notes and Term Loan I as these borrowings are repaid monthly due to their amortising structures.

As of 30 June 2022 and 2021, total borrowings were \$1,381 million and \$655 million, respectively. For the period ended 30 June 2022, the weighted average interest rate on borrowings was 5.38% as compared to 4.77% as of 30 June 2021. This increase resulted from a change in the mix of our financing year-over-year attributable to 99% of our borrowings now being in fixed-rate, hedge-protected, amortising ABS structures as compared to 2021 when we were in a drawn position on our Credit Facility. In May 2022, the Group reaffirmed its borrowing base on the Credit Facility at \$300 million. The recent ABS III, ABS IV and ABS V Notes have interest rates of 4.875%, 4.950% and 5.780%, respectively.

Refer to Notes 4, 19, and 20 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding acquisitions, leases and borrowings, respectively.

## Taxation

The effective tax rate is calculated on the face of the Statement of Comprehensive Income by dividing the amount of recorded income tax benefit (expense) by the income (loss) before taxation as follows:

(In thousands)	Six Months Ended			
	30 June 2022	30 June 2021	\$ Change	% Change
<b>Income (loss) before taxation</b>	<b>\$ (1,230,127)</b>	<b>\$ (343,978)</b>	<b>\$ (886,149)</b>	<b>258 %</b>
Income tax benefit (expense)	294,877	260,021	34,856	13 %
<b>Effective tax rate</b>	<b>24.0 %</b>	<b>75.6 %</b>		

The differences between the statutory US federal income tax rate and the effective tax rates are summarised as follows:

	Six Months Ended	
	30 June 2022	30 June 2021
Expected tax at statutory US federal income tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	3.0 %	5.3 %
Federal credits	– %	50.3 %
Other, net	– %	(1.0)%
<b>Effective tax rate</b>	<b>24.0 %</b>	<b>75.6 %</b>

For the six months ended 30 June 2022, we reported a tax benefit of \$295 million, an increase of \$35 million, compared to a benefit of \$260 million in 2021, which was a result of the change in the loss before taxation and a change in the amount of tax credits recognised.

The resulting effective tax rates for the six months ended 30 June 2022 and 2021 were 24.0% and 75.6%, respectively. The effective tax rate for the six months ended 30 June 2021 was primarily impacted by the recognition of the marginal well tax credit available to qualified producers as compared to the six months ended 30 June 2022, where no additional marginal well credits have been recorded. The federal government provides these credits to encourage companies to continue operating lower-volume wells during periods of low prices to maintain the underlying jobs they create and the state and local tax revenues they generate for communities to support schools, social programmes, law enforcement and other similar public services. Due to the higher prices experienced in 2022, we did not generate any new marginal well tax credits in the first six months of 2022, whereas we did generate new such credits in the same period of the prior year, which impacted our effective tax rate.

Refer to Note 7 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding taxation.

## Operating Profit, Net Income, EPS and Adjusted EBITDA

(In thousands, except per unit data)	Six Months Ended			
	30 June 2022	30 June 2021	\$ Change	% Change
Operating profit (loss)	\$ (1,177,133)	\$ (305,668)	\$ (871,465)	285 %
Net income (loss)	(935,250)	(83,957)	(851,293)	1,014 %
Adjusted EBITDA	223,760	151,314	72,446	48 %
Earnings (loss) per share - basic and diluted	\$ (1.10)	\$ (0.11)	\$ (0.99)	900 %
Adjusted EBITDA per Share - basic and diluted	0.26	0.20	0.06	30 %

For the six months ended 30 June 2022, we reported a net loss of \$935 million and loss per share of \$1.10 compared to a net loss of \$84 million and loss per share of \$0.11 in 2021, an increase of 1,014% and 900%, respectively. We also reported an operating loss of \$1,177 million compared with an operating loss of \$306 million for the six months ended 30 June 2022 and 2021, respectively. This year-over-year increase in net loss was primarily attributable to an increase of \$834 million in the mark-to-market loss to \$1,206 million in 2022 from \$371 million in 2021 as discussed above.

Additional adjustments for DD&A, interest, and taxes resulted in Adjusted EBITDA of \$224 million and Adjusted EBITDA per Share of \$0.26 compared to \$151 million and \$0.20 in 2021, representing increases of 48% and 30%, respectively. The increase in this metric on a per share basis is primarily a result of our accretive growth through acquisitions year-over-year. This growth is particularly meaningful when considering Leverage remained consistent year-over-year at 2.3x and 1.9x for the periods ended 30 June 2022 and 2021, respectively, emphasising our ability to generate earnings accretion for shareholders while maintaining a consistent Leverage profile.



Refer to Note 8 in the Notes to the Interim Condensed Consolidated Financial Statements for information regarding Adjusted EBITDA. Refer to the APMs section within this Interim Report for information on how these metrics are calculated and reconciled to IFRS measures.

## Liquidity and Capital Resources

### Overview

Our principal sources of Liquidity have historically been cash generated from operations and available borrowings under our Credit Facility. To minimise interest expense, we use our excess cash flow to reduce borrowings on our Credit Facility and as a result have historically carried little cash on our Consolidated Statement of Financial Position as evidenced by our \$13 million in cash and cash equivalents as of 31 December 2021. In 2022, however, we completed three ABS financing transactions and generated sufficient Liquidity to pay off previous borrowings on our Credit Facility and, as a result, we have \$187 million in cash and cash equivalents as of 30 June 2022 and hold 99% of our debt in amortising structures with clear line of sight to its hedge-protected repayment by December 2030.

When we acquire assets to grow, we complement our Credit Facility with asset-backed debt securitised by certain natural gas and oil assets, which are long-term, fixed-rate, fully-amortising debt structures that better match the long-life nature of our assets. These structures afford us low borrowing rates and also provide a visible path for reducing Leverage as we make scheduled principal payments. For larger value-adding acquisitions, and to ensure we maintain a Leverage profile that we believe is appropriate for the type of assets we acquire, we also raise proceeds through secondary equity offerings from time to time.

We monitor our working capital to ensure that the levels remain adequate to operate the business with excess cash primarily utilised for the repayment of debt or dividends to shareholders. In addition to working capital management, we have a disciplined approach to managing operating costs and allocating capital resources, ensuring that we are generating returns on our capital investments to support the strategic initiatives in our business operations.

Capital expenditures were \$45 million for the six months ended 30 June 2022 compared to \$16 million for the six months ended 30 June 2021. This increase in capital expenditures was primarily driven by our growth through acquisitions year-over-year and the completion of wells that were under development by Tapstone at the time we closed that acquisition. We expect to meet our capital expenditure needs for the foreseeable future from our operating cash flow and our existing cash and cash equivalents. Our future capital requirements will depend on several factors, including our growth rate, future acquisitions and the expansion of our employee headcount, among other things.

With respect to our other known current obligations, we believe that our sources of Liquidity and capital resources will be sufficient to meet our existing business needs for at least the next 12 months. However, our ability to satisfy our working capital requirements, debt service obligations and planned capital expenditures will depend upon our future operating performance, which will be affected by prevailing economic conditions in the natural gas and oil industries and other financial and business factors, some of which are beyond our control. Refer to Note 13 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding our hedging programme to mitigate the risk associated with future cash flow generation.

### Liquidity

The table below represents our Liquidity position as of 30 June 2022 and 31 December 2021.

(In thousands)	Six Months Ended	
	30 June 2022	31 December 2021
Cash	\$ 187,342	\$ 12,558
Available borrowings under the Credit Facility <sup>(a)</sup>	281,982	222,263
<b>Liquidity</b>	<b>\$ 469,324</b>	<b>\$ 234,821</b>

(a) Represents available borrowings under the Credit Facility less outstanding letters of credit of \$18 million and \$32 million as of 30 June 2022 and 31 December 2021, respectively.

**Debt**

Our net debt consisted of the following as of the reporting dates presented:

(In thousands)	30 June 2022	31 December 2021
Credit Facility	–	(570,600)
ABS I Notes	(141,347)	(155,266)
ABS II Notes	(158,475)	(169,320)
ABS III Notes	(349,477)	–
ABS IV Notes	(149,900)	–
ABS V Notes	(445,000)	–
Term Loan I	(128,595)	(137,099)
Other	(8,623)	(9,380)
<b>Total Debt</b>	<b>\$ (1,381,417)</b>	<b>\$ (1,041,665)</b>
Cash	\$ 187,342	\$ 12,558
Restricted cash	44,206	19,102
<b>Net Debt</b>	<b>\$ (1,149,869)</b>	<b>\$ (1,010,005)</b>

**Credit Facility**

The Group maintains a revolving loan facility with a lending syndicate, the borrowing base for which is redetermined on a semi-annual, or as needed, basis. The borrowing base is primarily a function of the value of the natural gas and oil properties that collateralise the lending arrangement and will fluctuate with changes in collateral, which may occur as a result of acquisitions or through the establishment of ABS, Term Loan or other lending structures that result in changes to the collateral base.

In May 2022, the Group reaffirmed its borrowing base on the Credit Facility at \$300 million and maintained the previous maturity date of August 2025. The Credit Facility has an interest rate of SOFR plus an additional spread that ranges from 2.75% to 3.75% based on utilisation. Interest payments on the Credit Facility are paid on a monthly basis. The next redetermination is expected to occur in October 2022. Available borrowings under the Credit Facility were \$282 million as of 30 June 2022 which considers the impact of \$18 million in letters of credit issued to certain vendors.

The Credit Facility contains certain customary representations and warranties and affirmative and negative covenants, including covenants relating to: maintenance of books and records; financial reporting and notification; compliance with laws; maintenance of properties and insurance; and limitations on incurrence of indebtedness, liens, fundamental changes, international operations, asset sales, making certain debt payments and amendments, restrictive agreements, investments, restricted payments and hedging. It also requires the Company to maintain a ratio of total debt to EBITDAX of not more than 3.25 to 1.00 and a ratio of current assets (with certain adjustments) to current liabilities of not less than 1.00 to 1.00 as of the last day of each fiscal quarter. The fair value of the Credit Facility approximates the carrying value as of 30 June 2022.

**Term Loan I**

In May 2020, the Company acquired DP Bluegrass LLC (“Bluegrass”), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to enter into a securitised financing agreement for \$160 million, which was structured as a secured term loan. The Group issued the Term Loan I at a 1% discount and used the proceeds of \$158 million to fund the Carbon and EQT acquisitions.

The Term Loan I is secured by certain producing assets acquired from Carbon and EQT.

The Term Loan I accrues interest at a stated 6.50% annual rate and has a maturity date of May 2030. Interest and principal payments on the Term Loan I are payable on a monthly basis. During the six months ended 30 June 2022 and 2021 and the year ended 31 December 2021, the Group incurred \$4 million, \$5 million and \$10 million in interest related to the Term Loan I, respectively, which is recognised under the effective interest rate method. The fair value of the Term Loan I approximates the carrying value as of 30 June 2022.

**ABS I Notes**

In November 2019, the Company formed Diversified ABS LLC (“ABS I”), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to enter into a securitised financing agreement for \$200 million which was issued at par through a BBB- rated bond.

The ABS I Notes are secured by certain of the Company’s upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

Interest and principal payments on the ABS I Notes are payable on a monthly basis. The legal final maturity date is January 2037 with an amortising maturity of December 2029. The ABS I Notes accrue interest at a stated 5% rate per annum. During the six months ended 30 June 2022 and 2021 and the year ended 31 December 2021, the Group incurred \$4 million, \$4 million and \$8 million of interest related to the ABS I Notes, respectively. In the event that ABS I has cash flow in excess of the required payments, the Group is required to pay between 25% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. The fair value of the ABS I Notes approximates the carrying value as of 30 June 2022.

**ABS II Notes**

In April 2020, the Company formed Diversified ABS Phase II LLC ("ABS II"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to enter into a securitised financing agreement for \$200 million. The ABS II Notes are BBB rated and were issued at a 2.775% discount. The Group used the proceeds of \$184 million, net of discount, capital reserve requirement, and debt issuance costs, to pay down its Credit Facility.

The ABS II Notes are secured by certain of the Company's upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

The ABS II Notes accrue interest at a stated 5.25% rate per annum and have a maturity date of July 2037 with an amortising maturity of September 2028. Interest and principal payments on the ABS II Notes are payable on a monthly basis. During the six months ended 30 June 2022 and 2021 and the year ended 31 December 2021, the Group incurred \$5 million, \$5 million and \$11 million in interest related to the ABS II Notes, respectively, which is recognised under the effective interest rate method. In the event that ABS II has cash flow in excess of the required payments, the Group is required to pay between 25% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. The fair value of the ABS II Notes approximates the carrying value as of 30 June 2022.

**ABS III Notes**

In February 2022, the Group formed Diversified ABS III LLC ("ABS III"), a limited-purpose, bankruptcy-remote, wholly-owned, to enter into a securitised financing agreement for \$365 million which was issued at par through a BBB rated bond.

The ABS III Notes are secured by certain of the Group's upstream producing, as well as certain midstream, Appalachian assets.

The ABS III Notes accrue interest at a stated 4.875% rate per annum and have a final maturity date of April 2039 with an amortising maturity of November 2030. Interest and principal payments on the ABS III Notes are payable on a monthly basis. During the six months ended 30 June 2022, the Group incurred \$7 million in interest related to the ABS III Notes, which is recognised under the effective interest rate method. In the event that ABS III has cash flow in excess of the required payments, the Group is required to pay between 25% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. Additionally, ABS III is subject to a contingent interest provision, whereas the Group must meet certain sustainability-linked performance targets. If those targets are not met, the interest rate will increase by five basis points above the initial stated interest rate.

**ABS IV Notes**

In February 2022, the Group formed Diversified ABS IV LLC ("ABS IV"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to enter into a securitised financing agreement for \$160 million which was issued at par through a BBB rated bond.

The ABS IV Notes are secured by a portion of the upstream producing Blackbeard acquisition assets.

The ABS IV Notes accrue interest at a stated 4.95% rate per annum and have a final maturity date of February 2037 with an amortising maturity of September 2030. Interest and principal payments on the ABS IV Notes are payable on a monthly basis. During the six months ended 30 June 2022, the Group incurred \$3 million in interest related to the ABS IV Notes, which is recognised under the effective interest rate method. In the event that ABS IV has cash flow in excess of the required payments, the Group is required to pay between 25% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. Additionally, ABS IV is subject to a contingent interest provision, whereas the Group must meet certain sustainability-linked performance targets. If those targets are not met, the interest rate will increase by five basis points above the initial stated interest rate.

**ABS V Notes**

In May 2022, the Group formed Diversified ABS V LLC ("ABS V"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to enter into a securitised financing agreement for \$445 million which was issued at par through a BBB rated bond.

The ABS V Notes are secured by a majority of the Group's remaining upstream assets in Appalachia that are not securitised by previous ABS transactions.

The ABS V Notes accrue interest at a stated 5.78% rate per annum and have a final maturity date of May 2039 with an amortising maturity of December 2030. Interest and principal payments on the ABS V Notes are payable on a monthly basis. During the six months ended 30 June 2022, the Group incurred \$2 million in interest related to the ABS V Notes, which is recognised under the effective interest rate method. Based on whether certain performance metrics are achieved, the Group could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. Additionally, ABS V is subject to a contingent interest provision, whereas the Group must meet certain sustainability-linked performance targets. If those targets are not met, the interest rate will increase by five basis points above the initial stated interest rate.

**Asset Retirement Obligations**

We continue to be proactive and innovative with respect to asset retirement. In 2017, after our LSE IPO, we began to meet with state officials to develop a long-term plan to retire our growing portfolio of long-life wells. Collaborating with the appropriate regulators, we designed our retirement activities to be equitable for all stakeholders with an emphasis on the environment.

During the six months ended 30 June 2022, we continued to engage in an active dialogue with our states' legislative and regulatory bodies to collaborate on best practices for the natural gas and oil industry. In doing so we accomplished the following:

- Expanded plugging operations to nine rigs through the successful acquisitions of two plugging companies. These acquisitions enhance our ability to comfortably achieve our goal of plugging 200 wells per year by 2023;

- Retired 90 wells at an average cost of approximately \$21 thousand per well as compared to the calendar year 2021 average annual cost of \$23 thousand per well; and
- Subsequent to 30 June 2022, we further enhanced our plugging operations through the successful acquisition of an additional plugging company, increasing our rig count to 15.

This growth in our plugging operations provides us with the ability to further integrate our plugging operations and generate cost efficiencies across a broader footprint. It will also provide us with the ability to generate additional third-party revenues by providing a suite of services to other production companies which can be utilised to help fund the cost associated with our asset retirement programme. As a result, we aim to obtain a prudent mix of both cost reduction and third-party revenues to maximise the benefits of our internal plugging programme.

Our asset retirement programme reflects our solid commitment to a healthy environment, the surrounding community and its citizens and state regulatory authorities and we anticipate continued investment in this area as evidenced by the recent expansion to our plugging operations. During the second half of 2022, we continue our work to realise the vertical integration benefits of having expanded internal asset retirement capacity to reduce reliance on third-party contractors, reduce outsource risk, improve process quality and responsiveness and increase control over environmental remediation and cost.

The composition of the provision for asset retirement obligations at the reporting date was as follows for the periods presented:

(In thousands)	Six Months Ended		Year Ended	
	30 June 2022		31 December 2021	
<b>Balance at beginning of period</b>	<b>\$</b>	<b>525,589</b>	<b>\$</b>	<b>346,124</b>
Additions <sup>(a)</sup>		7,015		96,292
Accretion		14,003		24,396
Plugging costs		(1,582)		(2,879)
Divestitures <sup>(b)</sup>		(16,890)		(16,500)
Revisions to estimate <sup>(c)</sup>		(62,819)		78,156
<b>Balance at end of period</b>		<b>465,316</b>		<b>525,589</b>
LESS: Current asset retirement obligations		3,151		3,399
<b>Non-current asset retirement obligations</b>	<b>\$</b>	<b>462,165</b>	<b>\$</b>	<b>522,190</b>

(a) Refer to Note 4 to the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding acquisitions and divestitures.

(b) Associated with the divestiture of natural gas and oil properties in the normal course of business. Refer to Notes 4 and 10 to the Notes to the Interim Condensed Consolidated Financial Statements for additional information.

(c) As of 30 June 2022, the Group performed normal revisions to its asset retirement obligations, which resulted in a \$63 million decrease in the liability. This decrease was comprised of a \$74 million decrease attributable to a higher discount rate and \$10 million in cost revisions for efficiencies gained. The higher discount rate was a result of macroeconomic factors spurred by the increase in bond yields which have elevated with US treasuries to combat the current inflationary environment. Partially offsetting this decrease was a \$21 million timing revision for the acceleration in our plugging efforts made possible by the recent plugging acquisitions that improve our plugging capacity and help extend our operational capabilities.

As of 31 December 2021, we performed normal revisions to our asset retirement obligations, which resulted in a \$78 million increase in the liability. This increase was comprised of a \$109 million increase attributable to the lower discount rate which was then offset by a \$27 million reduction in anticipated ARO cost. The remaining change was attributable to timing. The lower discount rate was a result of macroeconomic factors spurred by the COVID-19 recovery, which reduced bond yields and increased inflation. Cost reductions are a result of the expansion of the Company's internal plugging programme and efficiencies gained.

The anticipated future cash outflows for our asset retirement obligations on an undiscounted and discounted basis was as set forth in the table below as of 30 June 2022. We apply a contingency allowance for annual inflationary cost increases to our current cost expectations and then discount the resulting cash flows using a credit adjusted risk free discount rate resulting in a net discount rate of 3.2%. While the rate is comparatively small to the commonly utilised PV-10 metric in our industry, the impact is significant due to the long-life low-decline nature of our portfolio. Although productive life varies within our well portfolio, presently we expect all of our existing wells to have reached the end of their economic lives and be retired by approximately 2095 consistent with our reserve calculations which were independently evaluated by our independent engineers.

(In thousands)	Later Than One Year and Not Later Than Five Years			Total
	Not Later Than One Year	Later Than One Year and Not Later Than Five Years	Later Than Five Years	
Asset retirement obligations (undiscounted)	3,151	15,898	1,543,032	1,562,081
Asset retirement obligations (discounted)	3,151	14,123	448,042	465,316

**Cash Flows**

The components of our cash flows were as follows during the periods presented:

(In thousands)	Six Months Ended			
	30 June 2022	30 June 2021	\$ Change	% Change
Net cash provided by operating activities	\$ 204,987	\$ 108,121	\$ 96,866	90 %
Net cash used in investing activities	(147,221)	(143,971)	(3,250)	2 %
Net cash provided by financing activities	117,018	38,145	78,873	207 %
<b>Net change in cash and cash equivalents</b>	<b>\$ 174,784</b>	<b>\$ 2,295</b>	<b>\$ 172,489</b>	<b>7516 %</b>

**Net Cash Provided by Operating Activities**

For the six months ended 30 June 2022, net cash provided by operating activities of \$205 million increased \$97 million, or 90%, when compared to \$108 million in 2021. The increase in net cash provided by operating activities was predominantly attributable to the following:

- An increase in Hedged Total Revenue, which was marginally offset by the increases in expenses described above. This net increase in Adjusted EBITDA was then offset by the increases in costs associated with acquisitions and other adjusting costs described above; and
- An increase in working capital inflows, driven by the increasing accounts payable, accrued liability, and distribution in suspense balances. These increases are a function of our period-over-period growth through acquisitions and an increase in hedge settlement payments, discussed above.

Production, realised prices, operating expenses, and G&A are discussed above.

**Net Cash Used in Investing Activities**

For the six months ended 30 June 2022, net cash used in investing activities of \$147 million increased \$3 million, or 2%, from outflows of \$144 million in 2021. The change in net cash used in investing activities was primarily attributable to the following:

- A decrease in cash outflows of \$65 million for acquisition and divestiture activity resulted in cash outflows associated with acquisitions and divestitures of \$64 million during the six months ended 30 June 2022, compared to \$129 million for six months ended 30 June 2021. Refer to Note 4 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding acquisitions;
- An increase in capital expenditures period-over-period. Capital expenditures were \$45 million for the six months ended 30 June 2022 compared to \$16 million for the six months ended 30 June 2021. This increase in capital expenditures was primarily driven by our growth through acquisitions year-over-year and the additional capital expenditures for the development of the Tapstone wells in progress at the time of the acquisition;
- An increase in restricted cash outflows of \$26 million year-over-year as a result of the establishment of the interest expense reserve required by the ABS Notes. These reserves naturally decline over time with the amortising nature of the financing structure; and
- An increase in contingent consideration outflows of \$19 million year-over-year, primarily associated with the Carbon acquisition contingent payment which was settled in the current period.

**Net Cash Provided by Financing Activities**

For the six months ended 30 June 2022, net cash provided by financing activities of \$117 million increased \$79 million, or 207%, as compared to \$38 million in 2021. This change in net cash provided by financing activities was primarily attributable to the following:

- Our Credit Facility activity resulted in net repayments of \$571 million in 2022 versus net repayments of \$57 million in 2021, with much of the decrease in our Credit Facility borrowings being attributable to the proceeds generated by the ABS Notes;
- Our other borrowing structures generated net proceeds of \$908 million in 2022, as compared to net repayments of \$34 million in 2021. This is primarily a result of the ABS III, IV, and V issuance in 2022 with no corresponding debt issuance in 2021. These proceeds were offset, in part, by increases in interest, debt issuance costs and hedge modification payments of \$98 million;
- A decrease of \$214 million in proceeds from equity issuances as there were no issuances in 2022 compared to \$214 million raised in 2021;
- An increase of \$10 million in dividends paid in 2022 as compared to 2021; and
- In 2022, we utilised our EBT to repurchase \$9.7 million of the Company's outstanding shares for use in non-cash compensation programmes for certain key managers.

Refer to Notes 16, 17 and 20 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding share capital, dividends and borrowings, respectively.

**Off-Balance Sheet Arrangements**

We may enter into off-balance sheet arrangements and transactions that give rise to material off-balance sheet obligations. As of 30 June 2022, our material off-balance sheet arrangements and transactions include operating service arrangements and \$18 million in letters of credit outstanding against our Credit Facility. There are no other transactions, arrangements or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect our Liquidity or availability of capital resources.

**Contractual Obligations and Contingent Liabilities and Commitments**

We have various contractual obligations in the normal course of our operations and financing activities. Significant contractual obligations as of 30 June 2022 were as follows:

(In thousands)	Not Later Than One Year	Later Than One Year and Not Later Than Five Years	Later Than Five Years	Total
<b>Recorded contractual obligations</b>				
Trade and other payables	\$ 36,931	\$ –	\$ –	\$ 36,931
Borrowings	263,942	642,421	475,054	1,381,417
Leases	10,039	18,893	–	28,932
Asset retirement obligation <sup>(a)</sup>	3,151	15,898	1,543,032	1,562,081
Other liabilities <sup>(b)</sup>	432,332	3,329	–	435,661
<b>Off-Balance Sheet contractual obligations</b>				
Firm Transportation	39,730	65,941	178,147	283,818
<b>Total</b>	<b>\$ 786,125</b>	<b>\$ 746,482</b>	<b>\$ 2,196,233</b>	<b>\$ 3,728,840</b>

(a) Represents our asset retirement obligation on an undiscounted basis. On a discounted basis the liability is \$465 million as of 30 June 2022 as presented on the Consolidated Statement of Financial Position.

(b) Excludes taxes payable, asset retirement obligations, revenue to be distributed and the long-term portion of the value associated with the upfront promote received from Oaktree. Refer to Note 22 in the Notes to the Interim Condensed Consolidated Financial Statements for information.

We believe that our cash flows from operations will be sufficient to meet our existing contractual obligations and commitments for at least the next 12 months. Cash flows from operations were \$205 million for the six months ended 30 June 2022, which includes only a partial year of contributions from our acquisitions in 2022. As of 30 June 2022, we had current assets of \$617 million and available borrowings on our Credit Facility of \$282 million which could also be used to service our contractual obligations and commitments over the next 12 months.

*Litigation and Regulatory Proceedings*

From time to time, we may be involved in legal proceedings in the ordinary course of business. We are not currently a party to any material litigation proceedings, the outcome of which, if determined adversely to us, would, individually or in the aggregate, be reasonably expected to have a material and adverse effect on our business, financial position or results of operations. In addition, we are not aware of any material legal or administrative proceedings contemplated to be brought against us.

We have no other contingent liabilities that would have a material impact on our financial position, results of operations or cash flows.

*Environmental Matters*

Our operations are subject to environmental regulation in all the jurisdictions in which we operate. We are unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would adversely affect our operations. We can offer no assurance regarding the significance or cost of compliance associated with any such new environmental legislation once implemented.



INTERIM  
CONDENSED  
CONSOLIDATED  
FINANCIAL  
STATEMENTS

# Independent review report to Diversified Energy Company PLC

## Report on the condensed consolidated interim financial statements

### Our conclusion

We have reviewed Diversified Energy Company PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Report of Diversified Energy Company PLC for the 6 month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 June 2022;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report of Diversified Energy Company PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

### Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the Directors

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Report, including the interim financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
8 August 2022



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands, except per share and per unit data)

	Notes	Unaudited		Audited
		Six Months Ended		Year Ended
		30 June 2022	30 June 2021	31 December 2021
Revenue	5	\$ 933,528	\$ 323,316	\$ 1,007,561
Operating expense	6	(206,357)	(119,555)	(291,213)
Depreciation, depletion and amortisation	6	(118,480)	(71,843)	(167,644)
<b>Gross profit</b>		<b>608,691</b>	<b>131,918</b>	<b>548,704</b>
General and administrative expense	6	(114,282)	(42,333)	(102,326)
Allowance for expected credit losses	14	–	(602)	4,265
Gain (loss) on natural gas and oil property and equipment	10,11	1,050	234	(901)
Gain (loss) on derivative financial instruments	13	(1,673,841)	(394,885)	(974,878)
Gains on bargain purchases	4	1,249	–	58,072
<b>Operating profit (loss)</b>		<b>(1,177,133)</b>	<b>(305,668)</b>	<b>(467,064)</b>
Finance costs	20	(39,162)	(22,512)	(50,628)
Accretion of asset retirement obligation	18	(14,003)	(10,216)	(24,396)
Other income (expense)	23	171	(5,582)	(8,812)
<b>Income (loss) before taxation</b>		<b>(1,230,127)</b>	<b>(343,978)</b>	<b>(550,900)</b>
Income tax benefit (expense)	7	294,877	260,021	225,694
<b>Net income (loss)</b>		<b>(935,250)</b>	<b>(83,957)</b>	<b>(325,206)</b>
Other comprehensive income (loss)		132	51	51
<b>Total comprehensive income (loss)</b>		<b>\$ (935,118)</b>	<b>\$ (83,906)</b>	<b>\$ (325,155)</b>
<b>Net income (loss) attributable to:</b>				
Diversified Energy Company PLC		\$ (937,412)	\$ (83,957)	\$ (325,509)
Non-controlling interest		2,162	–	303
<b>Net income (loss)</b>		<b>\$ (935,250)</b>	<b>\$ (83,957)</b>	<b>\$ (325,206)</b>
<b>Earnings (loss) per share - basic and diluted</b>	9	<b>\$ (1.10)</b>	<b>\$ (0.11)</b>	<b>\$ (0.41)</b>
Weighted average shares outstanding - basic and diluted	9	849,621	736,559	793,542

The notes on pages 29 to 57 are an integral part of the Interim Condensed Consolidated Financial Statements.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in thousands, except per share and per unit data)

	Notes	Unaudited		Audited	
		30 June 2022		31 December 2021	
<b>ASSETS</b>					
<b>Non-current assets:</b>					
Natural gas and oil properties, net	10	\$	2,428,848	\$	2,530,078
Property, plant and equipment, net	11		440,258		413,980
Intangible assets	12		14,746		14,134
Restricted cash			42,972		18,069
Derivative financial instruments	13		3,069		219
Deferred tax asset	7		481,431		176,955
Other non-current assets	15		5,521		3,635
<b>Total non-current assets</b>			<b>3,416,845</b>		<b>3,157,070</b>
<b>Current assets:</b>					
Trade receivables, net	14		383,636		282,922
Cash and cash equivalents			187,342		12,558
Restricted cash			1,234		1,033
Derivative financial instruments	13		28,361		1,052
Other current assets	15		15,963		39,574
<b>Total current assets</b>			<b>616,536</b>		<b>337,139</b>
<b>Total assets</b>		\$	<b>4,033,381</b>	\$	<b>3,494,209</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity:</b>					
Share capital	16	\$	11,580	\$	11,571
Share premium	16		1,052,959		1,052,959
Share-based payment and other reserves			7,799		14,156
Retained earnings (accumulated deficit)			(1,442,349)		(431,277)
<b>Equity attributable to owners of the parent</b>			<b>(370,011)</b>		<b>647,409</b>
Non-controlling interest			15,927		16,541
<b>Total equity</b>			<b>(354,084)</b>		<b>663,950</b>
<b>Non-current liabilities:</b>					
Asset retirement obligations	18		462,165		522,190
Leases	19		18,893		18,177
Borrowings	20		1,067,384		951,535
Derivative financial instruments	13		1,265,018		556,982
Other non-current liabilities	22		8,990		7,775
<b>Total non-current liabilities</b>			<b>2,822,450</b>		<b>2,056,659</b>
<b>Current liabilities:</b>					
Trade and other payables	21		36,931		62,418
Leases	19		10,039		9,627
Borrowings	20		263,942		58,820
Derivative financial instruments	13		699,842		251,687
Other current liabilities	22		554,261		391,048
<b>Total current liabilities</b>			<b>1,565,015</b>		<b>773,600</b>
<b>Total liabilities</b>			<b>4,387,465</b>		<b>2,830,259</b>
<b>Total equity and liabilities</b>		\$	<b>4,033,381</b>	\$	<b>3,494,209</b>

The notes on pages 29 to 57 are an integral part of the Interim Condensed Consolidated Financial Statements.

The Interim Condensed Consolidated Financial Statements were approved and authorised for issue by the Board on 8 August 2022 and were signed on its behalf by:

*D. E. Johnson*

**David E. Johnson**  
Chairman of the Board  
8 August 2022

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands, except per share and per unit data)

	Notes	Share Capital	Share Premium	Share-Based Payment and Other Reserves	Retained Earnings (Accumulated Deficit)	Equity Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
<b>Balance as of 31 December 2021</b>		\$ 11,571	\$ 1,052,959	\$ 14,156	\$ (431,277)	\$ 647,409	\$ 16,541	\$ 663,950
Net income (loss)		–	–	–	(937,412)	(937,412)	2,162	(935,250)
Other comprehensive income (loss)		–	–	–	132	132	–	132
<b>Total comprehensive income (loss)</b>		–	–	–	<b>(937,280)</b>	<b>(937,280)</b>	<b>2,162</b>	<b>(935,118)</b>
Equity compensation		9	–	3,375	(1,517)	1,867	–	1,867
Repurchase of shares by the Employee Benefit Trust	16	–	–	(9,718)	–	(9,718)	–	(9,718)
Dividends	17	–	–	–	(72,275)	(72,275)	–	(72,275)
Distributions to non-controlling interest owners		–	–	–	–	–	(2,776)	(2,776)
Cancellation of warrants	16	–	–	(14)	–	(14)	–	(14)
<b>Transactions with shareholders</b>		<b>9</b>	<b>–</b>	<b>(6,357)</b>	<b>(73,792)</b>	<b>(80,140)</b>	<b>(2,776)</b>	<b>(82,916)</b>
<b>Balance as of 30 June 2022</b>		<b>\$ 11,580</b>	<b>\$ 1,052,959</b>	<b>\$ 7,799</b>	<b>\$ (1,442,349)</b>	<b>\$ (370,011)</b>	<b>\$ 15,927</b>	<b>\$ (354,084)</b>

	Notes	Share Capital	Share Premium	Share-Based Payment and Other Reserves	Retained Earnings (Accumulated Deficit)	Equity Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
<b>Balance as of 31 December 2020</b>		\$ 9,520	\$ 841,159	\$ 8,797	\$ 27,182	\$ 886,658	\$ –	\$ 886,658
Net income (loss)		–	–	–	(83,957)	(83,957)	–	(83,957)
Other comprehensive income (loss)		–	–	–	51	51	–	51
<b>Total comprehensive income (loss)</b>		–	–	–	<b>(83,906)</b>	<b>(83,906)</b>	–	<b>(83,906)</b>
Issuance of share capital	16	2,044	211,800	–	–	213,844	–	213,844
Equity compensation		4	–	3,270	(1,859)	1,415	–	1,415
Dividends	17	–	–	–	(62,271)	(62,271)	–	(62,271)
Cancellation of warrants	17	–	–	(1,429)	–	(1,429)	–	(1,429)
<b>Transactions with shareholders</b>		<b>2,048</b>	<b>211,800</b>	<b>1,841</b>	<b>(64,130)</b>	<b>151,559</b>	–	<b>151,559</b>
<b>Balance as of 30 June 2021</b>		<b>\$ 11,568</b>	<b>\$ 1,052,959</b>	<b>\$ 10,638</b>	<b>\$ (120,854)</b>	<b>\$ 954,311</b>	<b>\$ –</b>	<b>\$ 954,311</b>

	Notes	Share Capital	Share Premium	Share-Based Payment and Other Reserves	Retained Earnings (Accumulated Deficit)	Equity Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
<b>Balance as of 31 December 2020</b>		\$ 9,520	\$ 841,159	\$ 8,797	\$ 27,182	\$ 886,658	\$ –	\$ 886,658
Net income (loss)		–	–	–	(325,509)	(325,509)	303	(325,206)
Other comprehensive income (loss)		–	–	–	51	51	–	51
<b>Total comprehensive income (loss)</b>		–	–	–	<b>(325,458)</b>	<b>(325,458)</b>	<b>303</b>	<b>(325,155)</b>
Non-controlling interest	4	–	–	–	–	–	16,238	16,238
Issuance of share capital	16	2,044	211,800	–	–	213,844	–	213,844
Equity compensation		7	–	6,788	(2,762)	4,033	–	4,033
Dividends	17	–	–	–	(130,239)	(130,239)	–	(130,239)
Cancellation of warrants	17	–	–	(1,429)	–	(1,429)	–	(1,429)
<b>Transactions with shareholders</b>		<b>2,051</b>	<b>211,800</b>	<b>5,359</b>	<b>(133,001)</b>	<b>86,209</b>	<b>16,238</b>	<b>102,447</b>
<b>Balance as of 31 December 2021</b>		<b>\$ 11,571</b>	<b>\$ 1,052,959</b>	<b>\$ 14,156</b>	<b>\$ (431,277)</b>	<b>\$ 647,409</b>	<b>\$ 16,541</b>	<b>\$ 663,950</b>

The notes on pages 29 to 57 are an integral part of the Interim Condensed Consolidated Financial Statements.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands, except per share and per unit data)

	Notes	Unaudited		Audited
		Six Months Ended		Year Ended
		30 June 2022	30 June 2021	31 December 2021
<b>Cash flows from operating activities:</b>				
Net income (loss)		\$ (935,250)	\$ (83,957)	\$ (325,206)
<b>Cash flows from operations reconciliation:</b>				
Depreciation, depletion and amortisation	6	118,480	71,843	167,644
Accretion of asset retirement obligations	18	14,003	10,216	24,396
Income tax (benefit) expense	7	(294,877)	(260,021)	(225,694)
(Gain) loss on fair value adjustments of unsettled financial instruments	13	1,205,938	371,458	652,465
Plugging costs of asset retirement obligations	18	(1,582)	(1,180)	(2,879)
(Gain) loss on natural gas and oil properties and equipment	10,11	515	(234)	901
(Gains) on bargain purchases	4	(1,249)	–	(58,072)
Finance costs	20	39,162	22,512	50,628
Revaluation of contingent consideration	4	–	5,597	8,963
Hedge modifications	13	(6,833)	(6,797)	(10,164)
Non-cash equity compensation	6	4,069	3,588	7,400
<b>Working capital adjustments:</b>				
Change in trade receivables	14	(98,771)	(18,881)	(122,724)
Change in other current assets	15	24,099	(3,105)	(4,233)
Change in other assets	15	(1,632)	204	(556)
Change in trade and other payables	21	(27,907)	(270)	9,307
Change in other current and non-current liabilities	22	196,677	4,755	158,886
<b>Cash generated from operations</b>		<b>234,842</b>	<b>115,728</b>	<b>331,062</b>
Cash paid for income taxes		(29,855)	(7,607)	(10,880)
<b>Net cash provided by operating activities</b>		<b>204,987</b>	<b>108,121</b>	<b>320,182</b>
<b>Cash flows from investing activities:</b>				
Consideration for business acquisitions, net of cash acquired	4	(12,274)	–	(286,804)
Consideration for asset acquisitions	4	(51,550)	(128,715)	(287,330)
Proceeds from divestitures	4	–	–	86,224
Payments associated with potential acquisitions	15	–	–	(25,002)
Acquisition related debt and hedge extinguishments	4, 14	–	–	(56,466)
Expenditures on natural gas and oil properties and equipment	10,11	(44,539)	(16,458)	(50,175)
(Increase) decrease in restricted cash		(25,103)	1,301	1,838
Proceeds on disposals of natural gas and oil properties and equipment	10,11	6,052	722	2,663
Contingent consideration payments	23	(19,807)	(821)	(10,822)
<b>Net cash used in investing activities</b>		<b>(147,221)</b>	<b>(143,971)</b>	<b>(625,874)</b>
<b>Cash flows from financing activities:</b>				
Repayment of borrowings	20	(1,392,883)	(416,521)	(1,432,566)
Proceeds from borrowings	20	1,730,200	325,500	1,727,745
Cash paid for interest	20	(32,605)	(18,217)	(41,623)
Debt issuance cost	20	(24,579)	(204)	(10,255)
Hedge modifications associated with ABS Notes	13	(73,073)	–	–
Proceeds from equity issuance, net	16	–	213,844	213,844
Principal element of lease payments	19	(5,273)	(2,557)	(8,606)
Cancellation of warrants	16	–	(1,429)	(1,429)
Dividends to shareholders	17	(72,275)	(62,271)	(130,239)
Distributions to non-controlling interest owners		(2,776)	–	–
Repurchase of shares by the Employee Benefit Trust	16	(9,718)	–	–
<b>Net cash provided by financing activities</b>		<b>117,018</b>	<b>38,145</b>	<b>316,871</b>
Net change in cash and cash equivalents		174,784	2,295	11,179
Cash and cash equivalents, beginning of period		12,558	1,379	1,379
<b>Cash and cash equivalents, end of period</b>		<b>\$ 187,342</b>	<b>\$ 3,674</b>	<b>\$ 12,558</b>

The notes on pages 29 to 57 are an integral part of the Interim Condensed Consolidated Financial Statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share and per unit data)

## INDEX TO THE NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Page		Page
Note 1 - General Information	29	Note 14 - Trade and Other Receivables	46
Note 2 - Basis of Preparation	29	Note 15 - Other Assets	46
Note 3 - Significant Accounting Policies	31	Note 16 - Share Capital	46
Note 4 - Acquisitions	32	Note 17 - Dividends	48
Note 5 - Revenue	34	Note 18 - Asset Retirement Obligations	49
Note 6 - Expenses by Nature	35	Note 19 - Leases	50
Note 7 - Taxation	36	Note 20 - Borrowings	51
Note 8 - Adjusted EBITDA	36	Note 21 - Trade and Other Payables	54
Note 9 - Earnings (Loss) Per Share	37	Note 22 - Other Liabilities	54
Note 10 - Natural Gas and Oil Properties	38	Note 23 - Fair Value and Financial Instruments	55
Note 11 - Property, Plant and Equipment	39	Note 24 - Contingencies	56
Note 12 - Intangible Assets	40	Note 25 - Related Party Transactions	57
Note 13 - Derivative Financial Instruments	41	Note 26 - Subsequent Events	57

## NOTE 1 - GENERAL INFORMATION

(Amounts in thousands, except per share and per unit data)

Diversified Energy Company PLC (the "Parent"), formerly Diversified Gas & Oil PLC, and its wholly owned subsidiaries (the "Company" or "Group") is an independent energy company engaged in the production, marketing and transportation of primarily natural gas related to its synergistic US onshore upstream and midstream assets. The Group's assets are located within the Central Region and Appalachian Basin of the US.

The Parent was incorporated on 31 July 2014 in the United Kingdom and is registered in England and Wales under the Companies Act 2006 as a public limited company under company number 09156132. The Group's registered office is located at 4th floor Reading Bridge House, George Street, Reading, Berkshire, RG1 8LS, UK.

In February 2017, the Group's shares were admitted to trading on AIM under the ticker "DGOC." In May 2020, the Group's shares were admitted to trading on the LSE's Main Market for listed securities. The shares trading on AIM were cancelled concurrent to their admittance on the LSE. With the change in corporate name in 2021, the Group's shares listed on the LSE began trading as Diversified Energy Company PLC on 7 May 2021 under the new ticker "DEC".

## NOTE 2 - BASIS OF PREPARATION

(Amounts in thousands, except per share and per unit data)

### Basis of Preparation

The Group's interim condensed consolidated financial statements for the six months ended 30 June 2022 (the "Interim Condensed Consolidated Financial Statements") have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34").

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021, which were prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The principal accounting policies set out below have been applied consistently throughout the year and are consistent with prior year unless otherwise stated. The annual financial statements for the year ending 31 December 2022 will be prepared in accordance with UK-adopted International Accounting Standards.

The Group Interim 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 2021 is based on the statutory accounts for the year ended 31 December 2021. 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.

Unless otherwise stated, the Interim Condensed Consolidated Financial Statements are presented in US Dollars, which is the Group's subsidiaries' functional currency and the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest thousand dollars except per share and 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 rate at the date of the Consolidated Statement of Financial Position. Where the Company has a different functional currency, its results and financial position are translated into the presentation currency as follows:

- Assets and liabilities in the Consolidated Statement of Financial Position are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
- Income and expenses in the Consolidated Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are reflected within other comprehensive income in the Consolidated Statement of Comprehensive Income.

The Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) held at fair value through profit and loss or through other comprehensive income.

### Segment Reporting

The Group is an independent owner and operator of producing natural gas and oil wells with properties located in the states of Tennessee, Kentucky, Virginia, West Virginia, Ohio, Pennsylvania, Oklahoma, Texas and Louisiana. The Group's strategy is to acquire long-life producing assets, efficiently operate those assets to generate Free Cash Flow for shareholders and then to retire assets safely and responsibly at the end of their useful life. The Group's assets consist of natural gas and oil wells, pipelines and a network of gathering lines and compression facilities which are complementary to the Group's assets. The Directors acquire and manage these assets in a complementary fashion to vertically integrate and improve margins rather than as separate operations. Accordingly, when determining operating segments under IFRS 8, the Group has identified one reportable segment that produces and transports natural gas, NGLs and oil in the US.

### Going Concern

The Interim Condensed Consolidated Financial Statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of this Interim Report.

The Directors closely monitor and carefully manage the Group's Liquidity risk. Our financial outlook is assessed primarily through the annual business planning process, however, it is also carefully monitored on a monthly basis. This process includes regular Board discussions, led by Senior Leadership, at which the current performance of, and outlook for, the Group are assessed. The outputs from the business planning process include a set of key performance objectives, an assessment of the Group's primary risks, the anticipated operational outlook and a set of financial forecasts that consider the sources of funding available to the Group (the "Base Plan").

The Base Plan incorporates key assumptions which underpin the business planning process. These assumptions are as follows:

- Projected operating cash flows are calculated using a production profile which is consistent with current operating results and decline rates;
- Assumes commodity prices are in line with the current forward curve which considers basis differentials;
- Operating cost levels stay consistent with historical trends;
- The financial impact of our current hedging contracts in place for the three-year assessment period, which represents approximately 90%, 70%, and 55% of total production volumes hedged for the years ending 31 December 2022, 2023 and 2024 respectively;
  - The scenario also includes the scheduled principal and interest payments on our current debt arrangements and the funding of a dividend utilising approximately 40% of Free Cash Flow; and
  - The continuation of \$15,000 a year in emissions reductions initiatives.

The Directors and Senior Leadership also consider further scenarios around the Base Plan that primarily reflect a more severe, but plausible, downside impact of the principal risks, both individually and in the aggregate, as well as the additional capital requirements that downside scenarios could place on us.

**Scenario 1:** A sharp and sustained decline in pricing resulting in a 10% reduction to net realised prices.

**Scenario 2:** An operational stoppage or regulatory event occurs which results in reduced production by approximately 5%.

**Scenario 3:** A market or regulatory event triggers an increase in operating and midstream expenses by approximately 5%.

Under these downside sensitivity scenarios, the Group remains cash flow positive. The Group meets its working capital requirements, which presently primarily consist of derivative liabilities that, when settled, will be funded utilising the higher commodity revenues from which the derivative liability was derived. The Group will also continue to meet the covenant requirements under its Credit Facility as well as its other existing borrowing instruments and continue to return cash flows to shareholders.

The Directors and Senior Leadership consider the impact that these principal risks could, in certain circumstances, have on the Group's prospects within the assessment period, and accordingly appraise the opportunities to actively mitigate the risk of these severe, but plausible, downside scenarios. In addition to its modelled downside going concern scenarios, the Board has stress tested the model to determine the extent of downturn which would result in a breach of covenants. Assuming similar levels of cash conversion as seen in 2021, a decline in production volume and pricing well in excess of that historically experienced by the Group would need to persist throughout the going concern period for a covenant breach to occur, which is considered very unlikely. This stress test also does not incorporate certain mitigating actions or cash preservation responses, which the Group would implement in the event of a severe and extended revenue decline.

In addition to the scenarios above, the Directors also considered the current geopolitical environment and the inflationary pressures that are currently impacting the US, which are being closely monitored by the Group. Notwithstanding the modelling of specific hypothetical scenarios, the Group believes that the impact associated with these events will largely continue to be reflected in commodity markets and will extend the volatility experienced in recent months. The Group considers commodity price risk a principal risk and will continue to actively monitor and mitigate this risk.

Based on the above the Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of the Interim Condensed Consolidated Financial Statements.

### Basis of Consolidation

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2022 reflect the following corporate structure of the Group, and its 100% wholly owned subsidiaries:

- Diversified Energy Company PLC ("DEC") as well as its wholly owned subsidiaries
- Diversified Gas & Oil Corporation
  - > Diversified Production, LLC
    - Diversified ABS Holdings LLC
      - > Diversified ABS LLC
    - Diversified ABS Phase II Holdings LLC
      - > Diversified ABS Phase II LLC
    - Diversified ABS Phase III Holdings LLC
      - > Diversified ABS Phase III LLC
        - Diversified ABS Phase III Upstream LLC
        - Diversified ABS Phase III Midstream LLC
    - Diversified ABS Phase IV Holdings LLC
      - > Diversified ABS Phase IV LLC
    - Diversified ABS Phase V Holdings LLC
      - > Diversified ABS Phase V LLC
- Diversified ABS Phase V Upstream LLC
- DP Bluegrass Holdings LLC
  - > DP Bluegrass LLC
- BlueStone Natural Resources II LLC
- Chesapeake Granite Wash Trust<sup>(a)</sup>
- Tapstone Energy Holdings, LLC
  - > Tapstone Energy Holdings II, LLC
  - > Tapstone Energy Holdings III, LLC
  - > Tapstone Energy, LLC
    - Tapstone Manager, LLC
    - Tapstone Management Company LLC<sup>(b)</sup>
    - Tapstone Midstream, LLC
    - Giant Land, LLC<sup>(c)</sup>
    - Beehive Land LLC<sup>(c)</sup>
    - Castle Land, LLC<sup>(c)</sup>
    - Daisy Land LLC<sup>(c)</sup>
- Eureka Land LLC<sup>(c)</sup>
- Link Land LLC<sup>(c)</sup>
- Old Faithful Land LLC<sup>(c)</sup>
- Rift Land LLC<sup>(c)</sup>
- Riverside Land LLC<sup>(c)</sup>
- Splendid Land LLC<sup>(c)</sup>
- Next LVL Energy, LLC
- > Diversified Midstream LLC
  - Cranberry Pipeline Corporation
  - Coalfield Pipeline Company
  - DM Bluebonnet LLC
  - Black Bear Midstream Holdings LLC
    - > Black Bear Midstream LLC
    - > Black Bear Liquids LLC
    - > Black Bear Liquids Marketing LLC
  - > Diversified Energy Marketing, LLC
  - > DGOC Holdings LLC
    - DGOC Holdings Sub III LLC
  - > Whitehawk Digital Services LLC

(a) Diversified Production, LLC holds 50.8% of the issued and outstanding common shares of Chesapeake Granite Wash Trust.

(b) Owned 99.9% by Tapstone Energy LLC and 0.1% by Tapstone Manager LLC.

(c) Owned 55% by Tapstone Energy LLC.

## NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

(Amounts in thousands, except per share and per unit data)

The preparation of the Interim Condensed Consolidated Financial Statements in compliance with IFRS requires management to make estimates and exercise judgment in applying the Group's accounting policies. In preparing the Interim Condensed Consolidated Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group Financial Statements for the year ended 31 December 2021.

### New Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations are expected to have a material impact on the Interim Condensed Consolidated Financial Statements of the Group.

## NOTE 4 - ACQUISITIONS

(Amounts in thousands, except per share and per unit data)

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 operation of pipelines. The Group determines the accounting treatment of acquisitions using IFRS 3.

As part of the Group's corporate strategy, it actively seeks to acquire assets that strategically complement the Group's existing portfolio when they meet the acquisition criteria stated in the Acquire Long-Life Stable Assets pillar of the corporate strategy discussed in the Strategy section of the Strategic Report within the Group's 2021 Annual Report.

### 2022 Acquisitions

#### East Texas Asset Acquisition

On 25 April 2022, the Group acquired a proportionate 52.5% working interest in certain upstream assets and related facilities within the Central Region from a private seller in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. Given the concentration of assets, this transaction was considered an asset acquisition rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of \$51,550, including customary purchase price adjustments. Transaction costs associated with the acquisition were \$1,550. The Group funded the purchase with available cash on hand and a draw on the Credit Facility. In the period from its acquisition to 30 June 2022 the acquisition of the East Texas assets increased the Group's natural gas production by 1,338 MMcfe.

The provisional assets and liabilities assumed were as follows:

<b>Consideration paid</b>	
Cash consideration	\$ 51,550
<b>Total consideration</b>	<b>\$ 51,550</b>
<b>Net assets acquired</b>	
Natural gas and oil properties	\$ 53,776
Natural gas and oil properties (asset retirement obligation, asset portion)	7,015
Property, plant and equipment	1,049
Trade receivables, net	23
Asset retirement obligation, liability portion	(7,015)
Other non-current liabilities	(1,667)
Other current liabilities	(1,631)
<b>Net assets acquired</b>	<b>\$ 51,550</b>

#### Other Acquisitions

During the period ended 30 June 2022 the Group acquired certain plugging infrastructure for an aggregate consideration of \$2,449, inclusive of customary purchase price adjustments. The Group will also pay an additional \$3,150 in deferred consideration through November 2024. This expansion in the Group's internal plugging operations brings the total plugging rigs owned and operated by the Group to nine as of 30 June 2022.

On 1 April 2022 the Group acquired certain midstream assets, inclusive of a processing facility, in the Central Region that was contiguous to its existing East Texas assets. The Group paid purchase consideration of \$10,139, inclusive of customary purchase price adjustments and transaction costs. The transaction was considered a business combination given it had an identifiable set of inputs. The provisional fair value of the net assets acquired was \$11,074 generating a bargain purchase gain of \$935.

Transaction costs associated with the other acquisitions noted above were insignificant and the Group funded the aggregate cash consideration with existing cash on hand.

#### Subsequent Events

On 27 July 2022 it was announced that the Group acquired the well services and plugging assets and operations of Contractor Services Inc. of West Virginia ("ConServ") for a purchase price of \$13,000 before customary purchase price adjustments.

On 28 July 2022 it was announced that the Group entered into a purchase and sale agreement to acquire certain upstream assets in the Central Region from ConocoPhillips for a purchase price of \$240,000 before customary purchase price adjustments.



## 2021 Acquisitions

### Tapstone Energy Holdings LLC (“Tapstone”) Business Combination

On 7 December 2021, the Group acquired a proportionate 51.25% working interest in certain upstream assets, field infrastructure, equipment, and facilities within the Central Region from Tapstone in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. The acquisition also included 6 wells which were under development at the time of close which will be completed by the Group. DEC will serve as the sole operator of the assets. When evaluating the transaction, DEC determined it did not have significant asset concentration and as a result it had acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The Group paid purchase consideration of \$177,496, including customary purchase price adjustments. Transaction costs associated with the acquisition were \$4,039 and have been expensed. The Group funded the purchase with proceeds from the Credit Facility.

In connection with the acquisition the Group also acquired the beneficial ownership in the Chesapeake Granite Wash Trust (“the GWT”). The Group consolidates the GWT as it has determined that it controls the GWT because it (1) possesses power over the GWT, (2) has exposure to variable returns from its involvement with the GWT, and (3) has the ability to use its power over the GWT to affect its returns. The elements of control are achieved through the Group operating a majority of the natural gas and oil properties that are subject to the conveyed royalty interests, marketing of the associated production, and through its ownership of 50.8% of the outstanding common units of the GWT. The common units of the GWT owned by third parties have been reflected as a non-controlling interest in the consolidated financial statements. Common units outstanding as of 7 December 2021 were 46,750,000 with the Group’s beneficial interests in the GWT representing 50.8%. The GWT is publicly traded and the GWT’s market capitalisation was utilised when determining the value of the non-controlling interests.

The GWT’s non-controlling interest is heavily concentrated in the acquired Tapstone natural gas and oil properties and, as a result, the Group consolidated \$16,087 into its natural gas and oil properties associated with this non-controlling interest as of 31 December 2021. The remaining amounts in the Group’s Consolidated Statement of Financial Position associated with the non-controlling interests are immaterial and working capital in nature.

The provisional fair value of the assets and liabilities acquired exceeded the consideration transferred and resulted in a bargain purchase gain of \$25,589. The gain is a function of Tapstone recently undergoing a troubled debt restructuring with its bank group and having sufficient motivation to sell.

### Tanos Energy Holdings III, LLC (“Tanos”) Business Combination

On 18 August 2021, the Group acquired a 51.25% working interest in certain upstream assets, field infrastructure, equipment and facilities within the Central Region from Tanos, in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. The Group will serve as the sole operator of the assets. When evaluating the transaction, DEC determined it did not have significant asset concentration and as a result it had acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The Group paid purchase consideration of \$116,061, including customary purchase price adjustments. Transaction costs associated with the acquisition were \$2,384 and have been expensed. DEC funded the purchase with proceeds from a drawdown on the Credit Facility.

As part of the acquisition, the Group obtained the option to novate or extinguish the Tanos hedge book. In conjunction with the closing settlement, DEC elected to extinguish their share of the Tanos hedge book. The cost to terminate was \$52,666. This payment relieved the termination liability established on the Group’s Consolidated Statement of Financial Position in purchase accounting and has been presented as an investing activity on the Consolidated Statement of Cash Flows given its connection to the Tanos acquisition. New contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets.

The provisional fair value of the assets and liabilities acquired exceeded the consideration transferred and resulted in a bargain purchase gain of \$32,482. The gain is a function of Tanos being in a forbearance position with its bank group and having sufficient motivation to sell.

### Blackbeard Operating LLC (“Blackbeard”) Asset Acquisition

On 5 July 2021, the Group acquired certain upstream assets and related gathering infrastructure in the Central Region from Blackbeard. Given the concentration of assets this transaction was considered an asset acquisition rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of \$170,523, including customary purchase price adjustments and transaction costs. Transaction costs associated with the acquisition were \$3,644 and have been capitalised to natural gas and oil properties. The Group funded the purchase with proceeds from the May 2021 equity placement and a draw on the Credit Facility, discussed in Notes 16 and 20, respectively.

### Indigo Minerals LLC (“Indigo”) Asset Acquisition

On 19 May 2021, the Group acquired certain upstream assets and related gathering infrastructure in the Central Region from Indigo. Given the concentration of assets this transaction was considered an acquisition of assets rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of \$117,352, including customary purchase price adjustments and transaction costs. Transaction costs associated with the acquisition were \$473 and have been capitalised to natural gas and oil properties. The Group funded the purchase with proceeds from the May 2021 equity placement and a draw on the Credit Facility, discussed in Notes 16 and 20, respectively.

## 2021 Divestitures

### Indigo Divestiture

On 9 July 2021, the Group divested to Oaktree a non-operating 48.75% proportionate working interest in the Indigo assets that were previously acquired (as disclosed above) by the Group on 19 May 2021. The initial consideration received was \$52,314, or 50% of the Group's net purchase price on the Indigo assets which is consistent with the terms of the previously disclosed participation agreement between the Group and Oaktree. The Group will continue to serve as the sole operator of the assets. The Group used the proceeds to reduce outstanding balances on the Credit Facility.

In connection with the divestiture, the Group entered into a swap contract with Oaktree where the Group receives a market price and pays a fixed weighted average swap price of \$2.86 per Mcfe. When considering the fair value of the swap arrangement as well as the value of the upfront promote received from Oaktree at the date of close the Group realised a loss of \$1,461 on the divestiture.

### Other Divestitures

On 23 December 2021, the Group divested certain predominantly undeveloped Haynesville Shale acreage in Texas, acquired as part of the Tanos acquisition. The total consideration received was \$66,168 with DEC's 51.25% interest through joint ownership with Oaktree generating net proceeds of \$33,911 to DEC inclusive of customary purchase price adjustments.

## NOTE 5 - REVENUE

(Amounts in thousands, except per share and per unit data)

The Group extracts and sells natural gas, NGLs and oil to various customers in addition to operating a majority of these natural gas and oil wells for customers and other working interest owners. In addition, the Group provides gathering and transportation services to third parties. All revenue was generated in the US. The following table reconciles the Group's revenue for the periods presented:

	Six Months Ended		Year Ended
	30 June 2022	30 June 2021	31 December 2021
Natural gas	\$ 727,152	\$ 258,453	\$ 818,726
NGLs	107,846	35,050	115,747
Oil	78,817	13,523	38,634
<b>Total commodity revenue</b>	<b>913,815</b>	<b>307,026</b>	<b>973,107</b>
Midstream	16,602	15,089	31,988
Other	3,111	1,201	2,466
<b>Total revenue</b>	<b>\$ 933,528</b>	<b>\$ 323,316</b>	<b>\$ 1,007,561</b>

A significant portion of the Group's trade receivables represent receivables related to either sales of natural gas, NGLs and oil or operational services, all of which are uncollateralised, and are collected within 30 - 60 days.

During the six months ended 30 June 2022, no customers individually comprised more than 10% of total revenues, while during the six months ended 30 June 2021, two customers individually comprised more than 10% of total revenues, representing 22% of consolidated revenues.

## NOTE 6 - EXPENSES BY NATURE

(Amounts in thousands, except per share and per unit data)

The following table provides a detail of the Group's expenses for the periods presented:

	Six Months Ended		Year Ended
	30 June 2022	30 June 2021	31 December 2021
LOE <sup>(a)</sup>	\$ 81,776	\$ 52,836	\$ 119,594
Production taxes <sup>(b)</sup>	33,878	9,215	30,518
Midstream operating expense <sup>(c)</sup>	33,156	29,172	60,481
Transportation expense <sup>(d)</sup>	57,547	28,332	80,620
<b>Total operating expense<sup>(e)</sup></b>	<b>206,357</b>	<b>119,555</b>	<b>291,213</b>
Depreciation and amortisation	25,251	21,197	44,841
Depletion	93,229	50,646	122,803
<b>Total depreciation, depletion and amortisation</b>	<b>118,480</b>	<b>71,843</b>	<b>167,644</b>
Employees and benefits (administrative)	23,116	17,985	32,038
Other administrative <sup>(f)</sup>	5,353	6,896	13,885
Professional fees <sup>(g)</sup>	7,776	5,015	10,889
Costs associated with acquisitions <sup>(h)</sup>	6,935	6,221	31,335
Other adjusting costs <sup>(i)</sup>	67,033	2,628	6,779
Non-cash equity compensation <sup>(j)</sup>	4,069	3,588	7,400
<b>Total G&amp;A</b>	<b>114,282</b>	<b>42,333</b>	<b>102,326</b>
Recurring allowance for credit losses <sup>(k)</sup>	–	602	(4,265)
<b>Total expense</b>	<b>\$ 439,119</b>	<b>\$ 234,333</b>	<b>\$ 556,918</b>
Aggregate remuneration (including Directors):			
Wages and salaries	\$ 53,561	\$ 32,803	\$ 83,790
Payroll taxes	4,881	3,712	7,137
Benefits	11,715	9,252	19,083
<b>Total employees and benefits expense</b>	<b>\$ 70,157</b>	<b>\$ 45,767</b>	<b>\$ 110,010</b>

(a) LOE is defined as the sum of employee and benefit expenses, well operating expense (net), automobile expense and insurance cost.

(b) Production taxes include severance and property taxes. Severance taxes are generally paid on produced natural gas, NGLs and oil production at fixed rates established by federal, state, or local taxing authorities. Property taxes are generally based on the taxing jurisdictions' valuation of our natural gas and oil properties and midstream assets.

(c) Midstream operating expenses are daily costs incurred to operate our owned midstream assets inclusive of employee and benefit expenses.

(d) Transportation expenses are daily costs incurred from third-party systems to gather, process and transport our natural gas, NGLs and oil.

(e) Total operating expense increased due to additional operating expense related to the East Texas Assets and other acquisitions in 2022 and the Tapstone, Tanos, Blackbeard and Indigo acquisitions in 2021. Refer to Note 4 for additional information regarding acquisitions.

(f) Other administrative expense includes general liability insurance, IT services, rent, other office expenses and travel.

(g) Professional fees include legal, marketing, payroll, auditor remuneration and consultation fees and costs associated with being a public company.

(h) The Group generally incurs costs related to the integration of acquisitions, which will vary for each acquisition. For acquisitions considered to be a business combination, these costs include transaction costs directly associated with a successful acquisition transaction. These costs also include costs associated with transition service arrangements where we pay the seller of the acquired entity a fee to handle various G&A functions until the Group has fully integrated the assets onto its systems. In addition, these costs include costs related to integrating IT systems and consulting and internal workforce costs directly related to integrating acquisitions into the Group's systems.

(i) Other adjusting costs for the six months ended 30 June 2022 primarily consist of \$28,345 in contract terminations which will allow the Company to obtain more favourable pricing in the future and \$32,561 in costs associated with deal breakage and/or sourcing costs for acquisitions. For the six months ended 30 June 2021, other adjusting costs are primarily associated with one-time projects and contemplated financing arrangements. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon Acquisition.

(j) Non-cash equity compensation for the six months ended 30 June 2022 and 30 June 2021 reflect the expense recognition related to share-based compensation provided to certain key members of the management team.

(k) Allowance for credit losses consists of the recognition and reversal of credit losses. Refer to Note 14 for additional information regarding credit losses.

## NOTE 7 - TAXATION

(Amounts in thousands, except per share and per unit data)

The Group files a consolidated US federal tax return, multiple state tax returns, and a separate UK tax return for the Parent entity. The consolidated taxable income includes an allocatable portion of income from the Group's co-investments with Oaktree and its investment in the Chesapeake Granite Wash Trust. Income taxes are provided for the tax effects of transactions reported in the Interim Condensed Consolidated Financial Statements and consist of taxes currently due plus deferred taxes related to differences between the basis of assets and liabilities for financial and income tax reporting. For the six months ended 30 June 2022 and 2021, Income tax expense was recognised based on management's estimate of the annual effective tax rate expected for the full financial year.

For the taxable six months ended 30 June 2022 and 2021, the Group had a tax income tax benefit of \$294,877 and of \$260,021, respectively. The effective tax rate used for the six months ended 30 June 2022 was 24.0%, compared to 75.6% for the six months ended 30 June 2021. The 30 June 2021 effective tax rate was primarily impacted by the Group's recognition of the federal well tax credit available to qualified producers in 2021 who operate lower-volume wells during a low commodity pricing environment. The federal government provides these credits to encourage companies to continue operating lower-volume wells during periods of low prices to maintain the underlying jobs they create and the state and local tax revenues they generate for communities to support schools, social programmes, law enforcement and other similar public services. The US marginal well tax credit is prescribed by Internal Revenue Code Section 45I and is available for certain natural gas production from qualifying wells. In May 2022, the US Internal Revenue Service released Notice 2022-18 which quantified the amount of credit per Mcf of qualified natural gas production for tax years beginning in 2021 and also detailed the calculation methodology for future years. The federal tax credit is intended to provide a benefit for wells producing less than 90 Mcfe per day when market prices for natural gas are relatively low. The Group benefits from this credit given its portfolio of long-life, low-decline conventional wells. The tax credit is not available for tax year 2022 due to improved commodity prices. Other impacts to the effective rate include changes in state tax rates as a result of acquisitions and recurring permanent differences, such as meals and entertainment.

The Group had a net deferred tax asset of \$481,431 at 30 June 2022 compared to a net deferred tax asset of \$176,955 at 31 December 2021. The change was primarily due to an improving commodity price environment generating unrealised losses for unsettled derivatives not recognised for tax purposes. While subject to the volatility associated with commodity markets, if commodity prices were to settle in line with the forward strip as of 30 June 2022, we anticipate many of these deferred tax assets to become realised in the second half of the year as the current portion of unsettled derivatives becomes settled. The presentation of deferred taxes in the balance sheet takes into consideration the offsetting of deferred tax assets and deferred tax liabilities within the same tax jurisdiction, where permitted. The overall deferred tax position in a particular tax jurisdiction determines if a deferred tax balance related to that jurisdiction is presented within deferred tax assets or deferred tax liabilities.

The effective tax rates and differences between the statutory US federal income tax rate and the effective tax rates are summarised as follows:

	Six Months Ended		Year Ended
	30 June 2022	30 June 2021	31 December 2021
<b>Income (loss) before taxation</b>	\$ (1,230,127)	\$ (343,978)	\$ (550,900)
Income tax benefit (expense)	294,877	260,021	225,694
<b>Effective tax rate</b>	<b>24.0 %</b>	<b>75.6 %</b>	<b>41.0 %</b>

	Six Months Ended		Year Ended
	30 June 2022	30 June 2021	31 December 2021
Expected tax at statutory US federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax benefit	3.0 %	5.3 %	4.4 %
Federal credits	– %	50.3 %	15.4 %
Other, net	– %	(1.0)%	0.2 %
<b>Effective tax rate</b>	<b>24.0 %</b>	<b>75.6 %</b>	<b>41.0 %</b>

## NOTE 8 - ADJUSTED EBITDA

(Amounts in thousands, except per share and per unit data)

Adjusted EBITDA is an Alternative Performance Metric defined as net income (loss) plus or minus the items detailed in the table below. These metrics are of particular interest to the industry and the Group.

Adjusted EBITDA is essentially the cash generated from operations that the Group has free for principal and interest payments, capital investments and dividend payments. This metric is of particular interest to the Group's bank syndicate as well as many investors. Adjusted EBITDA should not be considered as an alternative to net income (loss), comprehensive income, cash flow from operating activities or any other financial performance or Liquidity measure presented in accordance with UK-adopted international accounting standards.

The Directors believe Adjusted EBITDA is a useful measure because it enables a more effective way to evaluate the Group's financial performance and compare results of operations from period-to-period and against their peers without regard to the Group's financing methods or capital structure. The Directors exclude the items listed in the table below from net income (loss) in arriving at Adjusted EBITDA for the following reasons:

Certain amounts are not comparable period-over-period given their transaction specific nature or are not considered to be part of the core operation of the business. Examples include:

- Gains or losses on foreign currency hedges;
- Costs associated with acquisitions or other one-time events; or
- Gains or losses on natural gas and oil property and equipment

Certain amounts are non-cash such as:

- Amortisation, depreciation and depletion;
- Gains or losses on the valuation of unsettled financial instruments; or
- Equity compensation costs included in G&A.

The following table reconciles Net income (loss) to Adjusted EBITDA for the periods presented:

	Six Months Ended		Year Ended
	30 June 2022	30 June 2021	31 December 2021
<b>Net income (loss)</b>	<b>\$ (935,250)</b>	<b>\$ (83,957)</b>	<b>\$ (325,206)</b>
Finance costs	39,162	22,512	50,628
Accretion of asset retirement obligations	14,003	10,216	24,396
Other (income) expense	(171)	5,582	8,812
Loss on debt cancellation	–	–	–
Income tax (benefit) expense	(294,877)	(260,021)	(225,694)
Depreciation, depletion and amortisation	118,480	71,843	167,644
Gains on bargain purchases	(1,249)	–	(58,072)
(Gain) loss on fair value adjustments of unsettled financial instruments	1,205,938	371,458	652,465
(Gain) loss on natural gas and oil property and equipment <sup>(a)</sup>	515	(234)	901
Costs associated with acquisitions	6,935	6,221	31,335
Other adjusting costs	67,033	2,628	6,779
Non-cash equity compensation	4,069	3,588	7,400
(Gain) loss on foreign currency hedge	–	1,227	1,227
Net (gain) loss on interest rate swap	(828)	251	530
<b>Adjusted EBITDA</b>	<b>\$ 223,760</b>	<b>\$ 151,314</b>	<b>\$ 343,145</b>
Weighted average shares outstanding - basic and diluted	849,621	736,559	793,542
<b>Adjusted EBITDA per Share - basic and diluted</b>	<b>\$ 0.26</b>	<b>\$ 0.20</b>	<b>\$ 0.43</b>

(a) Excludes proceeds received for leasehold sales.

## NOTE 9 - EARNINGS (LOSS) PER SHARE

(Amounts in thousands, except per share and per unit data)

The calculation of basic earnings (loss) per share is based on Net income (loss) and on the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is based on Net income (loss) and the weighted average number of shares outstanding plus the weighted average number of shares that would be issued if dilutive options and warrants were converted into shares on the last day of the reporting period. The weighted average number of shares outstanding for the computation of both basic and diluted earnings (loss) per share excludes shares held as treasury shares in the Employee Benefit Trust ("EBT"), which for accounting purposes are treated in the same manner as shares held in the treasury reserve. Refer to Note 16 for additional information regarding the EBT. Basic and diluted earnings (loss) per share are calculated as follows for the periods presented:

	Calculation	Six Months Ended		Year Ended
		30 June 2022	30 June 2021	31 December 2021
<b>Net income (loss)</b>	A	\$ (935,250)	\$ (83,957)	\$ (325,206)
Weighted average shares outstanding - basic and diluted	B	849,621	736,559	793,542
<b>Earnings (loss) per share - basic and diluted</b>	= A/B	\$ (1.10)	\$ (0.11)	\$ (0.41)

Due to the Group's net loss position for the six months ended 30 June 2022 and 2021 and the year ended 31 December 2021, 13,540, 5,812 and 6,493 potential shares were not included in the computation of diluted EPS because their effect would have been anti-dilutive.

## NOTE 10 - NATURAL GAS AND OIL PROPERTIES

(Amounts in thousands, except per share and per unit data)

The following table summarises the Group's natural gas and oil properties for the periods presented:

	Six Months Ended		Year Ended
	30 June 2022	30 June 2021	31 December 2021
<b>Costs</b>			
Beginning balance	\$ 2,866,353	\$ 1,968,557	
Additions <sup>(a)</sup>	11,847	1,012,691	
Disposals <sup>(b)</sup>	(19,848)	(114,895)	
Ending balance	\$ 2,858,352	\$ 2,866,353	
<b>Depletion and impairment</b>			
Beginning balance	\$ (336,275)	\$ (213,472)	
Period changes	(93,229)	(122,803)	
Disposals	–	–	
Ending balance	\$ (429,504)	\$ (336,275)	
<b>Net book value</b>	<b>\$ 2,428,848</b>	<b>\$ 2,530,078</b>	

(a) For the six months ended 30 June 2022, the Group added \$60,791 related to acquisitions, offset by \$62,819 resulting from normal revisions to the Group's asset retirement obligations. The remaining additions are primarily attributable to capital expenditures associated with the completion of the Tapstone wells that were under development at the time of acquisition. For the year ended 31 December 2021, the Group added \$907,383 related to acquisitions and \$78,156 resulting from normal revisions to the Group's asset retirement obligations. The remaining change is primarily attributable to recurring capital expenditures and the revaluation of the EQT contingent consideration. Refer to Notes 4 and 18 for additional information regarding acquisitions and asset retirement obligations, respectively.

(b) During the six months ended 30 June 2022, the Group divested various well packages in Appalachia generating proceeds of \$3,280. For the year ended 31 December 2021, the Group divested \$113,752 in natural gas and oil properties related to Indigo and the Tanos undeveloped acreage transaction. Refer to Notes 4 and 18 for additional information regarding divestitures.

### Impairment of Natural Gas and Oil Properties

For the period ended 30 June 2022, the Directors assessed the indicators of impairment, noting strong pricing along the forward curve and an improving economic outlook for the Group. This assessment also included a comparison of the carrying value of the Group's natural gas and oil properties to their fair values and an assessment of the projected impact of climate change on the Group. As a result of their assessments no impairment indicators were identified.

## NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

(Amounts in thousands, except per share and per unit data)

The following tables summarise the Group's property, plant and equipment for the periods presented:

Six Months Ended 30 June 2022						
	Buildings and Leasehold Improvements	Equipment	Motor Vehicles	Midstream Assets	Other Property and Equipment	Total
<b>Costs</b>						
Beginning balance	\$ 41,684	\$ 9,492	\$ 45,562	\$ 398,663	\$ 16,039	\$ 511,440
Additions <sup>(a)(b)</sup>	4,247	5,369	8,195	10,617	22,508	50,936
Disposals	(3,423)	(9)	(932)	(14)	–	(4,378)
<b>Ending balance <sup>(c)</sup></b>	<b>\$ 42,508</b>	<b>\$ 14,852</b>	<b>\$ 52,825</b>	<b>\$ 409,266</b>	<b>\$ 38,547</b>	<b>\$ 557,998</b>
<b>Accumulated depreciation</b>						
Beginning balance	\$ (2,078)	\$ (4,089)	\$ (20,186)	\$ (69,501)	\$ (1,606)	\$ (97,460)
Period changes	(934)	(2,523)	(4,106)	(13,376)	(433)	(21,372)
Disposals	290	9	788	5	–	1,092
<b>Ending balance</b>	<b>\$ (2,722)</b>	<b>\$ (6,603)</b>	<b>\$ (23,504)</b>	<b>\$ (82,872)</b>	<b>\$ (2,039)</b>	<b>\$ (117,740)</b>
<b>Net book value</b>	<b>\$ 39,786</b>	<b>\$ 8,249</b>	<b>\$ 29,321</b>	<b>\$ 326,394</b>	<b>\$ 36,508</b>	<b>\$ 440,258</b>

Year Ended 31 December 2021						
	Buildings and Leasehold Improvements	Equipment	Motor Vehicles	Midstream Assets	Other Property and Equipment	Total
<b>Costs</b>						
Beginning balance	\$ 28,190	\$ 6,768	\$ 35,129	\$ 367,331	\$ 5,600	\$ 443,018
Additions <sup>(a)(b)</sup>	13,494	2,737	12,700	31,485	10,439	70,855
Disposals	–	(13)	(2,267)	(153)	–	(2,433)
<b>Ending balance <sup>(c)</sup></b>	<b>\$ 41,684</b>	<b>\$ 9,492</b>	<b>\$ 45,562</b>	<b>\$ 398,663</b>	<b>\$ 16,039</b>	<b>\$ 511,440</b>
<b>Accumulated depreciation</b>						
Beginning balance	\$ (1,007)	\$ (2,860)	\$ (12,409)	\$ (43,597)	\$ (1,042)	\$ (60,915)
Period changes	(1,071)	(1,231)	(9,259)	(25,928)	(564)	(38,053)
Disposals	–	2	1,482	24	–	1,508
<b>Ending balance</b>	<b>\$ (2,078)</b>	<b>\$ (4,089)</b>	<b>\$ (20,186)</b>	<b>\$ (69,501)</b>	<b>\$ (1,606)</b>	<b>\$ (97,460)</b>
<b>Net book value</b>	<b>\$ 39,606</b>	<b>\$ 5,403</b>	<b>\$ 25,376</b>	<b>\$ 329,162</b>	<b>\$ 14,433</b>	<b>\$ 413,980</b>

(a) Of the \$50,936 in 2022 additions, \$17,225 was related to acquisitions and \$5,655 was associated with right-of-use asset additions for new leases, the remaining capital expenditures are a result of our recurring capital needs and enhanced ESG efforts. Of the \$70,855 in 2021 additions, \$25,961 was related to acquisitions and \$16,554 was associated with right-of-use asset additions for new and acquired leases. Refer to Note 4 for additional information regarding acquisitions.

(b) Remaining additions are related to routine capital projects on the Group's compressor and gathering systems, as well as routine vehicle and equipment additions.

(c) Buildings and leasehold improvements and motor vehicles are inclusive of right-of-use assets associated with the Group's leases. Refer to Note 19 for additional information regarding leases.

The Group continued to utilise certain fully depreciated assets during the six months ended 30 June 2022 and year ended 31 December 2021 with an original cost basis of \$6,953 and \$5,597, respectively.

**NOTE 12 - INTANGIBLE ASSETS**

(Amounts in thousands, except per share and per unit data)

Intangible assets consisted of the following for the periods presented:

	Six Months Ended 30 June 2022		
	Software	Other Acquired Intangibles	Total
<b>Costs</b>			
Beginning balance	\$ 28,095	\$ 2,900	\$ 30,995
Additions <sup>(a)</sup>	3,133	1,613	4,746
Disposals	–	–	–
Ending balance	\$ 31,228	\$ 4,513	\$ 35,741
<b>Accumulated amortisation</b>			
Beginning balance	\$ (15,192)	\$ (1,669)	\$ (16,861)
Period changes	(3,659)	(475)	(4,134)
Disposals	–	–	–
Ending balance	\$ (18,851)	\$ (2,144)	\$ (20,995)
<b>Net book value</b>	<b>\$ 12,377</b>	<b>\$ 2,369</b>	<b>\$ 14,746</b>
	Year Ended 31 December 2021		
	Software	Other Acquired Intangibles	Total
<b>Costs</b>			
Beginning balance	\$ 24,271	\$ 2,900	\$ 27,171
Additions <sup>(a)</sup>	3,824	–	3,824
Disposals	–	–	–
Ending balance	\$ 28,095	\$ 2,900	\$ 30,995
<b>Accumulated amortisation</b>			
Beginning balance	\$ (7,246)	\$ (712)	\$ (7,958)
Period changes	(7,946)	(957)	(8,903)
Disposals	–	–	–
Ending balance	\$ (15,192)	\$ (1,669)	\$ (16,861)
<b>Net book value</b>	<b>\$ 12,903</b>	<b>\$ 1,231</b>	<b>\$ 14,134</b>

(a) For the six months ended 30 June 2022 and for the year ended 31 December 2021 additions were related to software enhancements and other acquired intangibles.



## NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS

(Amounts in thousands, except per share and per unit data)

The Group is exposed to volatility in market prices and basis differentials for natural gas, NGLs and oil, which impacts the predictability of its cash flows related to the sale of those commodities. The Group can also have exposure to volatility in interest rate markets, depending on the makeup of its debt structure, which impacts the predictability of its cash flows related to interest payments on the Group's variable rate debt obligations. These risks are managed by the Group's use of certain derivative financial instruments. As of 30 June 2022, the Group's derivative financial instruments consisted of swaps, collars, basis swaps, stand-alone put and call options, and swaptions. A description of the Group's derivative financial instruments is provided below:

**Swaps:** If the Group sells a swap, it receives a fixed price for the contract and pays a floating market price to the counterparty;

**Collars:** Arrangements that contain a fixed floor price (purchased put option) and a fixed ceiling price (sold call option) based on an index price which, in aggregate, have no net costs. At the contract settlement date, (1) if the index price is higher than the ceiling price, the Group pays the counterparty the difference between the index price and ceiling price, (2) if the index price is between the floor and ceiling prices, no payments are due from either party, and (3) if the index price is below the floor price, the Group will receive the difference between the floor price and the index price.

Certain collar arrangements may also include a sold put option with a strike price below the purchased put option. Referred to as a three-way collar, the structure works similar to the above description, except that when the index price settles below the sold put option, the Group pays the counterparty the difference between the index price and sold put option, effectively enhancing realised pricing by the difference between the price of the sold and purchased put option.

**Basis swaps:** Arrangements that guarantee a price differential for commodities from a specified delivery point. If the Group sells a basis swap, it receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract;

**Put options:** The Group purchases and sells put options in exchange for a premium. If the Group purchases a put option, it receives from the counterparty the excess (if any) of the market price below the strike price of the put option at the time of settlement, but if the market price is above the put's strike price, no payment is due from either party;

**Call options:** The Group purchases and sells call options in exchange for a premium. If the Group purchases a call option, it receives from the counterparty the excess (if any) of the market price over the strike price of the call option at the time of settlement, but if the market price is below the call's strike price, no payment is due from either party. If the Group sells a call option, it pays the counterparty the excess (if any) of the market price over the strike price of the call option at the time of settlement, but if the market price is below the call's strike price, no payment is due from either party; and

**Swaptions:** If the Group sells a swaption, the counterparty will receive the option to enter into a swap contract at a specified date and receives a fixed price for the contract and pays a floating market price to the counterparty.

The Group may elect to enter into offsetting transactions for the above instruments for the purpose of cancelling or terminating certain positions.

The following tables summarise the Group's calculated net fair value of derivative financial instruments as of the reporting date as follows:

NATURAL GAS CONTRACTS	Volume (MMcf)	Weighted Average Price per Mcfe <sup>(a)</sup>						Basis Differential	Fair Value at 30 June 2022
		Swaps	Sold Puts	Purchased Puts	Sold Calls	Purchased Calls			
<b>For the remainder of 2022</b>									
Swaps	104,252	\$ 3.15	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(281,677)
Collars	3,680	–	–	4.56	5.30	–	–	–	(3,326)
Sold Calls	14,020	–	–	–	2.10	–	–	–	(50,334)
Basis Swap	92,045	–	–	–	–	–	(0.55)	–	24,373
<b>Total 2022 contracts</b>	<b>213,997</b>								<b>\$ (310,964)</b>
<b>2023</b>									
Swaps	196,000	\$ 3.29	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(307,936)
Three-Way Collars	5,400	–	2.14	2.82	3.59	–	–	–	(11,626)
Stand-Alone Calls	47,067	–	–	–	2.93	–	–	–	(133,792)
Basis Swap	99,574	–	–	–	–	–	(0.75)	–	24,072
<b>Total 2023 contracts</b>	<b>348,041</b>								<b>\$ (429,282)</b>
<b>2024</b>									
Swaps	158,186	\$ 3.02	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(234,564)
Stand-Alone Calls	37,698	–	–	–	2.91	–	–	–	(61,046)
Basis Swap	35,904	–	–	–	–	–	(0.75)	–	4,011
<b>Total 2024 contracts</b>	<b>231,788</b>								<b>\$ (291,599)</b>
<b>2025</b>									
Swaps	133,461	\$ 2.99	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(184,253)
Stand-Alone Calls	21,900	–	–	–	3.00	–	–	–	(31,508)
<b>Total 2025 contracts</b>	<b>155,361</b>								<b>\$ (215,761)</b>
<b>2026</b>									
Swaps	102,715	\$ 3.02	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(130,776)
<b>2027</b>									
Swaps	50,679	\$ 2.86	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(65,112)
Purchased puts	40,218	–	–	3.10	–	–	–	–	14,438
Sold puts	16,414	–	1.93	–	–	–	–	–	(1,497)
<b>2028</b>									
Swaps	32,190	\$ 2.50	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(49,625)
Purchased puts	54,203	–	–	3.04	–	–	–	–	18,025
Sold puts	31,585	–	1.93	–	–	–	–	–	(2,698)
<b>2029</b>									
Swaps	29,190	\$ 2.49	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(45,557)
Purchased puts	30,066	–	–	2.93	–	–	–	–	9,144
Sold puts	30,066	–	1.93	–	–	–	–	–	(2,692)
<b>2030</b>									
Swaps	5,450	\$ 2.43	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(9,364)
Purchased puts	14,492	–	–	2.94	–	–	–	–	3,675
Sold puts	14,492	–	1.93	–	–	–	–	–	(1,008)
<b>Swaptions</b>									
1/10/2024-30/9/2028 <sup>(b)</sup>	14,610	\$ 2.92	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(19,059)
1/1/2025-31/12/2029 <sup>(c)</sup>	36,520	2.78	–	–	–	–	–	–	(49,447)
1/4/2026-31/3/2030 <sup>(d)</sup>	97,277	2.57	–	–	–	–	–	–	(139,018)
1/4/2030-31/3/2032 <sup>(e)</sup>	42,627	2.57	–	–	–	–	–	–	(66,775)
<b>Total 2026-2032 contracts</b>	<b>642,794</b>								<b>\$ (537,346)</b>
<b>Total natural gas contracts</b>	<b>1,591,981</b>								<b>\$ (1,784,952)</b>

(a) Rates have been converted from Btu to Mcfe using a Btu conversion factor of 1.07.

(b) Option expires on 6 September 2024.

(c) Option expires on 23 December 2024.

(d) Option expires on 23 March 2026.

(e) Option expires on 22 March 2030.

**NGLs CONTRACTS**

	Volume (MBbls)	Weighted Average Price per Bbl						Basis Differential	Fair Value at 30 June 2022
		Swaps	Sold Puts	Purchased Puts	Sold Calls	Purchased Calls			
<b>For the Remainder of 2022</b>									
Swaps <sup>(a)</sup>	2,037	\$ 29.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(55,870)
<b>2023</b>									
Swaps <sup>(a)</sup>	3,367	\$ 36.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(37,627)
Stand-Alone Calls	365	-	-	-	24.78	-	-	-	(6,991)
<b>2024</b>									
Swaps <sup>(a)</sup>	1,573	\$ 35.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(6,468)
<b>2025</b>									
Swaps <sup>(a)</sup>	1,501	\$ 30.69	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(5,100)
<b>2026</b>									
Swaps <sup>(a)</sup>	730	\$ 28.35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	610
<b>Total NGLs contracts</b>	<b>9,573</b>								<b>\$ (111,446)</b>

(a) Certain portions of NGL swaps include effects of purchased oil swaps intended to provide a final NGL price as a percentage of WTI.

**OIL CONTRACTS**

	Volume (MBbls)	Weighted Average Price per Bbl						Basis Differential	Fair Value at 30 June 2022
		Swaps	Sold Puts	Purchased Puts	Sold Calls	Purchased Calls			
<b>For the Remainder of 2022</b>									
Swaps	452	\$ 67.46	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(14,474)
Sold Calls	16	-	-	-	98.00	-	-	-	(143)
<b>2023</b>									
Swaps	428	\$ 60.75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(10,751)
Sold Calls	117	-	-	-	53.20	-	-	-	(4,081)
<b>2024</b>									
Swaps	64	\$ 37.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(2,515)
<b>2025</b>									
Swaps	56	37.00	-	-	\$ -	-	-	-	(1,861)
<b>2026</b>									
Swaps	13	37.00	-	-	\$ -	-	-	-	(407)
<b>Total oil contracts</b>	<b>1,146</b>								<b>\$ (34,232)</b>

				Fair Value at 30 June 2022
		Principal Hedged	Fixed Rate	
<b>INTEREST</b>				
<b>2022</b>				
SOFR Interest Rate Swap	\$	400,000	1.73 %	\$ (2,800)
<b>Net fair value of derivative financial instruments as of 30 June 2022</b>				<b>\$ (1,933,430)</b>

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. The Directors have elected to present derivative assets and liabilities net when these conditions are met. The following table outlines the Group's net derivatives as of the reporting date as follows:

Derivative Financial Instruments	Consolidated Statement of Financial Position	30 June 2022	31 December 2021
<b>Assets:</b>			
Non-current assets	Derivative financial instruments	\$ 3,069	\$ 219
Current assets	Derivative financial instruments	28,361	1,052
<b>Total assets</b>		<b>\$ 31,430</b>	<b>\$ 1,271</b>
<b>Liabilities</b>			
Non-current liabilities	Derivative financial instruments	\$ (1,265,018)	\$ (556,982)
Current liabilities	Derivative financial instruments	(699,842)	(251,687)
<b>Total liabilities</b>		<b>\$ (1,964,860)</b>	<b>\$ (808,669)</b>
<b>Net assets (liabilities):</b>			
Net assets (liabilities) - non-current	Other non-current assets (liabilities)	\$ (1,261,949)	\$ (556,763)
Net assets (liabilities) - current	Other current assets (liabilities)	(671,481)	(250,635)
<b>Total net assets (liabilities)</b>		<b>\$ (1,933,430)</b>	<b>\$ (807,398)</b>

The Group presents the fair value of derivative contracts on a net basis in the consolidated balance sheet. The following presents the impact of this presentation to the Group's recognised assets and liabilities for the periods indicated:

	As of 30 June 2022		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	\$ 120,685	\$ (117,616)	\$ 3,069
Current assets	129,727	(101,366)	28,361
<b>Total assets</b>	<b>\$ 250,412</b>	<b>\$ (218,982)</b>	<b>\$ 31,430</b>
Non-current liabilities	\$ (1,382,928)	\$ 117,910	\$ (1,265,018)
Current liabilities	(800,914)	101,072	(699,842)
<b>Total liabilities</b>	<b>\$ (2,183,842)</b>	<b>\$ 218,982</b>	<b>\$ (1,964,860)</b>
<b>Total net assets (liabilities)</b>	<b>\$ (1,933,430)</b>	<b>\$ -</b>	<b>\$ (1,933,430)</b>
	As of 31 December 2021		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	\$ 29,767	\$ (29,548)	\$ 219
Current assets	62,144	(61,092)	1,052
<b>Total assets</b>	<b>\$ 91,911</b>	<b>\$ (90,640)</b>	<b>\$ 1,271</b>
Non-current liabilities	\$ (586,584)	\$ 29,602	\$ (556,982)
Current liabilities	(312,725)	61,038	(251,687)
<b>Total liabilities</b>	<b>\$ (899,309)</b>	<b>\$ 90,640</b>	<b>\$ (808,669)</b>
<b>Total net assets (liabilities)</b>	<b>\$ (807,398)</b>	<b>\$ -</b>	<b>\$ (807,398)</b>

The Group recorded the following gain (loss) on derivative financial instruments in the Consolidated Statement of Comprehensive Income for the periods presented:

	Six Months Ended		Year Ended
	30 June 2022	30 June 2021	31 December 2021
Net gain (loss) on commodity derivatives <sup>(a)</sup>	\$ (468,731)	\$ (21,949)	\$ (320,656)
Net gain (loss) on interest rate swap <sup>(a)</sup>	828	(251)	(530)
Gain (loss) on foreign currency hedge <sup>(a)</sup>	–	(1,227)	(1,227)
<b>Total gain (loss) on settled derivative instruments</b>	<b>\$ (467,903)</b>	<b>\$ (23,427)</b>	<b>\$ (322,413)</b>
Gain (loss) on fair value adjustments of unsettled financial instruments <sup>(b)</sup>	(1,205,938)	(371,458)	(652,465)
<b>Total gain (loss) on derivative financial instruments</b>	<b>\$ (1,673,841)</b>	<b>\$ (394,885)</b>	<b>\$ (974,878)</b>

(a) Represents the cash settlement of hedges that settled during the period.

(b) Represents the change in fair value of financial instruments net of removing the carrying value of hedges that settled during the period.

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.

### Commodity Derivative Contract Modifications and Extinguishments

From time to time, such as when acquiring producing assets, completing ABS financings or navigating changing price environments, the Group will opportunistically modify, offset, extinguish or add to certain existing hedge positions. Modifications include the volume of production subject to contracts, the swap or strike price of certain derivative contracts and similar elements of the derivative contract.

#### 2022 Modifications and Extinguishments

The Group maintains distinct, long-dated derivative contract portfolios for its ABS financings and Term Loan I. The Group also maintains a separate derivative contract portfolio related to its assets collateralised by the Credit Facility. In February 2022, the Group adjusted portions of its derivative contract portfolio across these legal entities to ensure that it maintains the appropriate level and composition at both the legal entity and full-Company level for the completion of the ABS III and ABS IV financing arrangements. The Group completed these portfolio adjustments by entering into new derivative commodity contracts and novating certain derivative contracts to the legal entities holding the ABS III and ABS IV notes. The Group paid \$41,823 for these portfolio adjustments including long dated puts purchased for ABS III and ABS IV that collectively increased the value of the Group's derivative position by an equal amount. The Group recorded payments for offsetting positions as new derivative financial instruments and applied extinguishment payments against the existing commodity contracts on its Consolidated Statement of Financial Position.

In May 2022, the Group completed the ABS V financing arrangement and made similar derivative portfolio adjustments to maintain the appropriate level and composition of derivatives at both the legal entity and full-Group level. The Group paid \$31,250 for the purchase of puts that increased the value of the Group's derivative position. The Group recorded the payments as new derivative financial instruments on its Consolidated Statement of Financial Position.

Other commodity derivative contract modifications made during the normal course of business for the six months ended 30 June 2022 totalled \$6,833 which the Group recorded on its Consolidated Statement of Financial Position. As these modifications were made in the normal course, the Group has presented these as an operating activity in the Consolidated Statement of Cash Flows.

#### Subsequent Events

Subsequent to 30 June 2022, and largely related to its three completed securitisation financings for an aggregate of \$970 million, the Group made additional derivative contract modifications totalling \$87,600 to align the Group's portfolio with its financing entities. The Group recorded payments for offsetting positions as new derivative financial instruments and applied extinguishment payments against the existing commodity contracts on its Consolidated Statement of Financial Position.

#### 2021 Modifications and Extinguishments

In August 2021, as part of the Tanos acquisition, the Group obtained the option to novate or extinguish the Tanos hedge book. In conjunction with the closing settlement, DEC elected to extinguish their share of the Tanos hedge book. The cost to terminate was \$52,666. This payment relieved the termination liability established on the Group's Consolidated Statement of Financial Position in purchase accounting and has been presented as an investing activity in the Consolidated Statement of Cash Flows given its connection to the Tanos acquisition. New derivative contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets in an elevated price environment.

In May 2021, subsequent to the close of the Indigo acquisition, market dynamics began shifting to a more favourable commodity price environment. Given the favourable forward curve, the Group elected to early terminate certain legacy Indigo derivative positions resulting in a cash payment of \$6,797 which the Group recorded on its Consolidated Statement of Financial Position. Since this extinguishment occurred subsequent to the acquisition date the Group has presented this payment as an operating activity on the Consolidated Statement of Cash Flows. New derivative contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets in an elevated price environment.

Other commodity derivative contract modifications made during the normal course of business for the year ended 31 December 2021 totalled \$3,367 which the Group recorded on its Consolidated Statement of Financial Position. As these modifications were made in the normal course, the Group has presented these as an operating activity in the Consolidated Statement of Cash Flows.

## NOTE 14 - TRADE AND OTHER RECEIVABLES

(Amounts in thousands, except per share and per unit data)

Trade receivables include amounts due from customers, entities that purchase the Group's natural gas, NGLs and oil production, and also include amounts due from joint interest owners, entities that own a working interest in the properties operated by the Group. The majority of trade receivables are current, and the Group believes these receivables are collectible. The following table summarises the Group's trade receivables. The fair value approximates the carrying value as of the periods presented:

	30 June 2022	31 December 2021
Commodity receivables <sup>(a)</sup>	\$ 371,954	\$ 275,295
Other receivables	19,603	13,768
<b>Total trade receivables</b>	<b>\$ 391,557</b>	<b>\$ 289,063</b>
Allowance for credit losses <sup>(b)</sup>	(7,921)	(6,141)
<b>Total trade receivables, net</b>	<b>\$ 383,636</b>	<b>\$ 282,922</b>

(a) The increase in commodity receivables reflects the increase in commodity pricing over the course of 2021 and the first half of 2022 as well as our growth through acquisitions.

(b) The allowance for credit losses was primarily related to amounts due from joint interest owners. Year-over-year increases were primarily associated with acquisitions activity.

## NOTE 15 - OTHER ASSETS

(Amounts in thousands, except per share and per unit data)

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

	30 June 2022	31 December 2021
<b>Other non-current assets</b>		
Other non-current assets	\$ 5,521	\$ 3,635
<b>Total other non-current assets</b>	<b>\$ 5,521</b>	<b>\$ 3,635</b>
<b>Other current assets</b>		
Prepaid expenses	\$ 7,544	\$ 5,126
Other assets <sup>(a)(b)</sup>	–	25,004
Inventory	8,419	9,444
<b>Total other current assets</b>	<b>\$ 15,963</b>	<b>\$ 39,574</b>

(a) Primarily consists of payments associated with potential acquisitions. These costs include deposits, right of first refusal or option agreement costs, and other acquisition related payments.

(b) Acquiring long-life stable assets is central to the Group's strategy. At times, due to changing macroeconomic conditions, commodity price volatility and/or findings observed during the Group's deal diligence efforts, the Group incurs breakage and/or deal sourcing fees. Due to decisions made during the six months ended 30 June 2022, the Group wrote off \$25,000 in certain acquisition related costs related to these items. Refer to Note 6 for additional information regarding costs associated with acquisitions.

## NOTE 16 - SHARE CAPITAL

(Amounts in thousands, except per share and per unit data)

Share capital represents the nominal (par) value of shares (£0.01) that have been issued. Share premium includes any premiums received on issue of share capital above par. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related income tax benefits. The components of share capital include:

### Issuance of Share Capital

In 2022, there were no issuances of share capital for purposes other than share-based compensation awards issued at par which was insignificant for the period.

In May 2021, the Group placed 141,541 new shares at \$1.59 per share (£1.12) to raise gross proceeds of \$225,050 (approximately £158,526). Associated costs of the placing were \$11,206. The Group used the proceeds to pay down the Credit Facility and partially fund the Indigo and Blackbeard acquisitions, discussed in Notes 20 and 4, respectively.

### Treasury Shares

The Group's holdings in its own equity instruments are classified as treasury shares. The consideration paid, including any directly attributable incremental costs, is deducted from the stockholders' equity of the Group until the shares are cancelled or reissued. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares.

#### Employee Benefit Trust ("EBT")

In March 2022, the Group established the EBT for the benefit of the employees of the Group. The Group funds the EBT to facilitate the acquisition of shares. The shares in the EBT are held to satisfy awards and grants under the Group's 2017 Equity Incentive Plan. Shares held in the EBT are accounted for in the same manner as treasury shares and are therefore included in the Consolidated Financial Statements as Treasury Shares.

During the six months ended 30 June 2022, the EBT purchased 6,790 shares at an average price per share of \$1.43 (approximately £1.14) for a total consideration of \$9,718 (approximately £7,708). No shares were reissued from the EBT during the six months ended 30 June 2022. As of 30 June 2022, the EBT held 6,790 shares.

#### Cancellation of Warrants

In February 2022, the Group entered into an agreement to cancel 477 warrants (the "Warrants") held by certain former Mirabaud employees for an aggregate principal amount of approximately \$265 (approximately £196). The former employees surrendered the Warrants to the Group for cancellation. Concurrently, the Group entered into an agreement to exercise 290 Warrants held by certain former Mirabaud employees for an aggregate principal amount of approximately \$251 (approximately £189). The former employees surrendered the Warrants to the Group for cancellation in exchange for an equivalent number of shares of common stock. Following these transactions, 355 warrants remain outstanding.

In January 2021, the Group entered into an agreement to cancel 2,377 warrants held by Mirabaud Securities Limited ("Mirabaud") and certain former Mirabaud employees for an aggregate principal amount of approximately \$1,429 (approximately £1,040). Mirabaud and its former employees surrendered the Warrants to the Group for cancellation.

The following tables summarise the Group's share capital, net of customary transaction costs, for the periods presented:

	Number of Shares	Total Share Capital	Total Share Premium
<b>Balance at 31 December 2021</b>	<b>849,655</b>	<b>\$ 11,571</b>	<b>\$ 1,052,959</b>
Issuance of share capital	–	\$ –	–
Repurchase of shares by the EBT	(6,790)	–	–
Repurchase of shares	–	–	–
Other issues <sup>(a)</sup>	1,083	9	–
<b>Balance as of 30 June 2022</b>	<b>843,948</b>	<b>\$ 11,580</b>	<b>\$ 1,052,959</b>

	Number of Shares	Total Share Capital	Total Share Premium
<b>Balance at 31 December 2020</b>	<b>707,377</b>	<b>\$ 9,520</b>	<b>\$ 841,159</b>
Issuance of share capital	141,541	\$ 2,044	\$ 211,800
Repurchase of shares	–	–	–
Other issues <sup>(a)</sup>	737	7	–
<b>Balance at 31 December 2021</b>	<b>849,655</b>	<b>\$ 11,571</b>	<b>\$ 1,052,959</b>

(a) During the six months and year ended 30 June 2022 and 31 December 2021, the Group issued 1,083 and 737 RSUs, respectively, to certain key managers. The RSUs had no impact on share premium.

## NOTE 17 - DIVIDENDS

(Amounts in thousands, except per share and per unit data)

The following table summarises the Group's dividends declared and paid on the dates indicated:

Date Dividends Declared	Dividend per Share		Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid
	USD	GBP				
Declared on 28 October 2021	\$ 0.0425	£ 0.0325	4 March 2022	28 March 2022	850,047	\$ 36,127
Declared on 22 March 2022	\$ 0.0425	£ 0.0343	27 May 2022	30 June 2022	850,548	36,148
<b>Paid in the six months ended 30 June 2022</b>						<b>\$ 72,275</b>

Date Dividends Declared	Dividend per Share		Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid
	USD	GBP				
Declared on 29 October 2020	\$ 0.0400	£ 0.0285	5 March 2021	26 March 2021	707,525	\$ 28,301
Declared on 8 March 2021	\$ 0.0400	£ 0.0281	28 May 2021	24 June 2021	849,434	33,970
Declared on 30 April 2021	\$ 0.0400	£ 0.0288	3 September 2021	24 September 2021	849,603	\$ 33,984
Declared on 5 August 2021	\$ 0.0400	£ 0.0299	26 November 2021	17 December 2021	849,603	33,984
<b>Paid in the year ended 31 December 2021</b>						<b>\$ 130,239</b>

On 16 May 2022 the Group proposed a dividend of \$0.0425 per share. The dividend will be paid on 26 September 2022 to shareholders on the register on 2 September 2022. This dividend was not required to be approved by shareholders, thereby qualifying it as an "interim" dividend. No liability was recorded in the Interim Condensed Consolidated Financial Statements in respect of this interim dividend as of 30 June 2022.

### Subsequent Events

On 8 August 2022 the Directors recommended a dividend of \$0.0425 per share. The dividend will be paid on 28 December 2022 to shareholders on the register on 25 November 2022. This dividend was not required to be approved by shareholders, thereby qualifying it as an "interim" dividend. No liability has been recorded in the Interim Condensed Consolidated Financial Statements in respect of this dividend as of 30 June 2022.



## NOTE 18 - ASSET RETIREMENT OBLIGATIONS

(Amounts in thousands, except per share and per unit data)

The Group records a liability for the future cost of decommissioning its natural gas and oil properties, which it expects to incur at the end of the long-producing life of a well. Productive life varies within the Group's well portfolio and presently the Group expects all of its existing wells to have reached the end of their economic lives and be retired by approximately 2095 consistent with our reserve calculations which were independently evaluated by our independent engineers for the year ended 31 December 2021. The Group also records a liability for the future cost of decommissioning its production facilities and pipelines when required by contract, statute, or constructive obligation. The decommissioning liability represents the present value of estimated future decommissioning costs. No such contractual agreements or statutes were in place for the Group for the six months ended 30 June 2022 and year ended 31 December 2021.

In estimating the present value of future decommissioning costs of natural gas and oil properties the Group takes into account the number and state jurisdictions of wells, current costs to decommission by state and the average well life across its portfolio. The Directors' assumptions are based on the current economic environment and represent what the Directors believe is a reasonable basis upon which to estimate the future liability. However, actual decommissioning costs will ultimately depend upon future market prices at the time the decommissioning services are performed. Furthermore, the timing of decommissioning will vary depending on when the fields cease to produce economically, making the determination dependent upon future natural gas and oil prices, which are inherently uncertain.

The Group applies a contingency allowance for annual inflationary cost increases to its current cost expectations then discounts the resulting cash flows using a credit adjusted risk free discount rate. The inflationary adjustment is a US long-term 10-year rate sourced from consensus economics. When determining the discount rate of the liability, the Group evaluates treasury rates as well as the Bloomberg 15-year US Energy BB and BBB bond index which economically aligns with the underlying long-term and unsecured liability. Based on this evaluation the net discount rate used in the calculation of the decommissioning liability in 2022 and 2021 was 3.2% and 2.9%, respectively.

The composition of the provision for asset retirement obligations at the reporting date was as follows for the periods presented:

	Six Months Ended		Year Ended	
	30 June 2022		31 December 2021	
<b>Balance at beginning of period</b>	<b>\$</b>	<b>525,589</b>	<b>\$</b>	<b>346,124</b>
Additions <sup>(a)</sup>		7,015		96,292
Accretion		14,003		24,396
Plugging costs		(1,582)		(2,879)
Divestitures <sup>(b)</sup>		(16,890)		(16,500)
Revisions to estimate <sup>(c)</sup>		(62,819)		78,156
<b>Balance at end of period</b>	<b>\$</b>	<b>465,316</b>	<b>\$</b>	<b>525,589</b>
LESS: Current asset retirement obligations		3,151		3,399
<b>Non-current asset retirement obligations</b>	<b>\$</b>	<b>462,165</b>	<b>\$</b>	<b>522,190</b>

(a) Refer to Note 4 for additional information regarding acquisitions.

(b) Associated with the divestiture of natural gas and oil properties in the normal course of business. Refer to Notes 4 and 10 for additional information.

(c) As of 30 June 2022, the Group performed normal revisions to its asset retirement obligations, which resulted in a \$62,819 decrease in the liability. This decrease was comprised of a \$74,410 decrease attributable to a higher discount rate and \$9,832 in cost revisions for our recent experiences. The higher discount rate was a result of macroeconomic factors spurred by the increase in bond yields which have elevated with US treasuries to combat the current inflationary environment. Partially offsetting this decrease was a \$21,328 timing revision for the acceleration of our retirement plans made possible by the recent plugging acquisitions that improve our plugging capacity through the growth of our operational capabilities.

As of 31 December 2021, the Group performed normal revisions to its asset retirement obligations, which resulted in a \$78,156 increase in the liability. This increase was comprised of a \$109,306 increase attributable to the lower discount rate which was then offset by a \$27,038 reduction in anticipated ARO cost. The remaining change was attributable to timing. The lower discount rate was a result of macroeconomic factors spurred by the COVID-19 recovery, which reduced bond yields and increased inflation. Cost reductions are a result of the expansion of the Group's internal plugging programme and efficiencies gained.

Changes to assumptions for the estimation of the Group's asset retirement obligations could result in a material change in the carrying value of the liability. A reasonably possible 10% change in assumptions could have the following impact on the Group's asset retirement obligations as of 30 June 2022:

<b>ARO Sensitivity</b>	<b>+10%</b>		<b>-10%</b>	
Discount rate	<b>\$</b>	<b>(44,571)</b>	<b>\$</b>	<b>51,072</b>
Timing		26,530		(29,402)
Cost		46,532		(46,532)

## NOTE 19 - LEASES

(Amounts in thousands, except per share and per unit data)

The Group leased automobiles, equipment and real estate for the periods presented below. A reconciliation of leases arising from financing activities and the balance sheet classification of future minimum lease payments as of the reporting periods presented were as follows:

	Present Value of Minimum Lease Payments	
	30 June 2022	31 December 2021
<b>Balance at beginning of period</b>	\$ 27,804	\$ 18,878
Additions <sup>(a)</sup>	5,655	16,482
Interest expense <sup>(b)</sup>	746	1,050
Cash outflows	(5,273)	(8,606)
<b>Balance at end of period</b>	\$ 28,932	\$ 27,804
<b>Classified as:</b>		
Current liability	\$ 10,039	\$ 9,627
Non-current liability	18,893	18,177
<b>Total</b>	\$ 28,932	\$ 27,804

(a) The \$5,655 in lease additions during the six months ended 30 June 2022, was attributable to the expansion of our fleet due to our growth. Of the \$16,482 in lease additions during 2021, \$8,062 were attributable to the Indigo, Blackbeard and Tapstone acquisitions. Refer to Note 4 for additional information regarding acquisitions.

(b) Included as a component of finance cost.

Set out below is the movement in the right-of-use assets:

	Right-of-Use Assets	
	30 June 2022	31 December 2021
<b>Balance at beginning of period</b>	\$ 26,908	\$ 18,026
Additions <sup>(a)</sup>	5,655	16,554
Depreciation	(5,244)	(7,672)
<b>Balance at end of period</b>	\$ 27,319	\$ 26,908
<b>Classified as:</b>		
Motor vehicles	\$ 21,186	\$ 19,149
Midstream	5,356	6,502
Buildings and leasehold improvements	777	1,257
<b>Total</b>	\$ 27,319	\$ 26,908

(a) The \$5,655 in lease additions during the six months ended 30 June 2022, was attributable to the expansion of our fleet due to our growth. Of the \$16,554 in lease additions during the year ended 31 December 2021, \$8,062 were attributable to the Indigo, Blackbeard and Tapstone acquisitions. Refer to Note 4 for additional information regarding acquisitions.

The range of discount rates applied in calculating right-of-use assets and related lease liabilities, depending on the lease term, is presented below:

	30 June 2022	31 December 2021
Discount rates range	1.8% - 4.5%	1.8% - 3.3%

Expenses related to short-term and low-value lease exemptions applied under IFRS 16 are primarily associated with compressor rentals and were \$11,967 and \$5,956 for the six months ended 30 June 2022 and 30 June 2021, respectively. These amounts have been included in the Group's operating expenses and are primarily concentrated in LOE.

The following table reflects the maturity of leases as of the periods presented:

	30 June 2022	31 December 2021
Not Later Than One Year	\$ 10,039	\$ 9,627
Later Than One Year and Not Later Than Five Years	18,893	18,177
Later Than Five Years	–	–
<b>Total</b>	<b>\$ 28,932</b>	<b>\$ 27,804</b>

## NOTE 20 - BORROWINGS

(Amounts in thousands, except per share and per unit data)

The Group's borrowings consist of the following amounts as of the reporting date as follows:

	30 June 2022	31 December 2021
Credit Facility (Interest rate of 4.25% and 3.36%, respectively) <sup>(a)</sup>	\$ –	\$ 570,600
ABS I Notes (Interest rate of 5.00%)	141,347	155,266
ABS II Notes (Interest rate of 5.25%)	158,475	169,320
ABS III Notes (Interest rate of 4.875%)	349,477	–
ABS IV Notes (Interest rate of 4.95%)	149,900	–
ABS V Notes (Interest rate of 5.78%)	445,000	–
Term Loan I (Interest rate of 6.50%)	128,595	137,099
Miscellaneous, primarily for real estate, vehicles and equipment	8,623	9,380
<b>Total borrowings</b>	<b>\$ 1,381,417</b>	<b>\$ 1,041,665</b>
Less: Current portion of long-term debt	(263,942)	(58,820)
Less: Deferred financing costs	(45,789)	(26,413)
Less: Original issue discounts	(4,302)	(4,897)
<b>Total non-current borrowings, net</b>	<b>\$ 1,067,384</b>	<b>\$ 951,535</b>

(a) Represents the variable interest rate as of period end.

### Credit Facility

The Group maintains a revolving loan facility with a lending syndicate, the borrowing base for which is redetermined on a semi-annual, or as needed, basis. The borrowing base is primarily a function of the value of the natural gas and oil properties that collateralise the lending arrangement and will fluctuate with changes in collateral, which may occur as a result of acquisitions or through the establishment of ABS, Term Loan or other lending structures that result in changes to the collateral base.

In May 2022, the Group reaffirmed its borrowing base on the Credit Facility at \$300,000, which retains the maturity date of the previous facility of August 2025. The Credit Facility has an interest rate of SOFR plus an additional spread that ranges from 2.75% to 3.75% based on utilisation. Interest payments on the Credit Facility are paid on a monthly basis. The next redetermination is in October 2022. Available borrowings under the Credit Facility were \$281,982 as of 30 June 2022 which considers the impact of \$18,018 in letters of credit issued to certain counterparties.

The Credit Facility contains certain customary representations and warranties and affirmative and negative covenants, including covenants relating to: maintenance of books and records; financial reporting and notification; compliance with laws; maintenance of properties and insurance; and limitations on incurrence of indebtedness, liens, fundamental changes, international operations, asset sales, making certain debt payments and amendments, restrictive agreements, investments, restricted payments and hedging. It also requires the Group to maintain a ratio of total debt to EBITDAX of not more than 3.25 to 1.00 and a ratio of current assets (with certain adjustments) to current liabilities of not less than 1.00 to 1.00 as of the last day of each fiscal quarter. The fair value of the Credit Facility approximates the carrying value as of 30 June 2022.

### Term Loan I

In May 2020, the Group acquired DP Bluegrass LLC ("Bluegrass"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to enter into a securitised financing agreement for \$160,000, which was structured as a secured term loan. The Group issued the Term Loan I at a 1% discount and used the proceeds of \$158,400 to fund the Carbon and EQT acquisitions.

The Term Loan I is secured by certain producing assets acquired from Carbon and EQT.

The Term Loan I accrues interest at a stated 6.50% annual rate and has a maturity date of May 2030. Interest and principal payments on the Term Loan I are payable on a monthly basis. During the six months ended 30 June 2022 and 2021 and the year ended 31 December 2021, the Group incurred \$4,455, \$5,091 and \$9,860 in interest related to the Term Loan I, respectively, which is

recognised under the effective interest rate method. The fair value of the Term Loan I approximates the carrying value as of 30 June 2022.

#### **ABS I Notes**

In November 2019, the Group formed Diversified ABS LLC ("ABS I"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to enter into a securitised financing agreement for \$200,000 which was issued at par through a BBB- rated bond.

The ABS I Notes are secured by certain of the Group's upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

Interest and principal payments on the ABS I Notes are payable on a monthly basis. The legal final maturity date is January 2037 with an amortising maturity of December 2029. The ABS I Notes accrue interest at a stated 5% rate per annum. During the six months ended 30 June 2022 and 2021 and the year ended 31 December 2021, the Group incurred \$3,734, \$4,383 and \$8,460 of interest related to the ABS I Notes, respectively. In the event that ABS I has cash flow in excess of the required payments, the Group is required to pay between 25% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. The fair value of the ABS I Notes approximates the carrying value as of 30 June 2022.

#### **ABS II Notes**

In April 2020, the Group formed Diversified ABS Phase II LLC ("ABS II"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to enter into a securitised financing agreement for \$200,000. The ABS II Notes are BBB rated and were issued at a 2.775% discount. The Group used the proceeds of \$183,617, net of discount, capital reserve requirement, and debt issuance costs, to pay down its Credit Facility.

The ABS II Notes are secured by certain of the Group's upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

The ABS II Notes accrue interest at a stated 5.25% rate per annum and have a maturity date of July 2037. Interest and principal payments on the ABS II Notes are payable on a monthly basis. During the six months ended 30 June 2022 and 2021 and the year ended 31 December 2021, the Group incurred \$4,798, \$5,421 and \$10,530 in interest related to the ABS II Notes, respectively, which is recognised under the effective interest rate method. In the event that ABS II has cash flow in excess of the required payments, the Group is required to pay between 25% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. The fair value of the ABS II Notes approximates the carrying value as of 30 June 2022.

#### **ABS III Notes**

In February 2022, the Group formed Diversified ABS III LLC ("ABS III"), a limited-purpose, bankruptcy-remote, wholly-owned, to enter into a securitised financing agreement for \$365,000 which was issued at par through a BBB rated bond.

The ABS III Notes are secured by certain of the Group's upstream producing, as well as certain midstream, Appalachian assets.

The ABS III Notes accrue interest at a stated 4.875% rate per annum and have a final maturity date of April 2039 with an amortising maturity of November 2030. Interest and principal payments on the ABS III Notes are payable on a monthly basis. During the six months ended 30 June 2022, the Group incurred \$7,099 in interest related to the ABS III Notes, which is recognised under the effective interest rate method. In the event that ABS III has cash flow in excess of the required payments, the Group is required to pay between 25% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. Additionally, ABS III is subject to a contingent interest provision, whereas the Group must meet certain sustainability-linked performance targets. If those targets are not met, the interest rate will increase by five basis points above the initial stated interest rate. The fair value of the ABS III Notes approximates the carrying value as of 30 June 2022.

#### **ABS IV Notes**

In February 2022, the Group formed Diversified ABS IV LLC ("ABS IV"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to enter into a securitised financing agreement for \$160,000 which was issued at par through a BBB rated bond.

The ABS IV Notes are secured by a portion of the upstream producing Blackbeard acquisition assets.

The ABS IV Notes accrue interest at a stated 4.95% rate per annum and have a final maturity date of February 2037 with an amortising maturity of September 2030. Interest and principal payments on the ABS IV Notes are payable on a monthly basis. During the six months ended 30 June 2022, the Group incurred \$2,730 in interest related to the ABS III Notes, which is recognised under the effective interest rate method. In the event that ABS IV has cash flow in excess of the required payments, the Group is required to pay between 25% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. Additionally, ABS IV is subject to a contingent interest provision, whereas the Group must meet certain sustainability-linked performance targets. If those targets are not met, the interest rate will increase by five basis points above the initial stated interest rate. The fair value of the ABS IV Notes approximates the carrying value as of 30 June 2022.

#### **ABS V Notes**

In May 2022, the Group formed Diversified ABS V LLC ("ABS V"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to enter into a securitised financing agreement for \$445,000 which was issued at par through a BBB rated bond.

The ABS V Notes are secured by a majority of the Group's remaining upstream assets in Appalachia that are not securitised by previous ABS transactions.

The ABS V Notes accrue interest at a stated 5.78% rate per annum and have a final maturity date of May 2039 with an amortising maturity of December 2030. Interest and principal payments on the ABS V Notes are payable on a monthly basis. During the six months ended 30 June 2022, the Group incurred \$2,286 in interest related to the ABS III Notes, which is recognised under the effective interest rate method. Based on whether certain performance metrics are achieved, the Group could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. Additionally, ABS V is subject to a contingent interest provision, whereas the Group must meet certain sustainability-linked performance targets. If those targets are not met, the interest rate will increase by five basis points above the initial stated interest rate. The fair value of the ABS V Notes approximates the carrying value as of 30 June 2022.

#### Debt Covenants - ABS I, II, III, IV and V Notes (collectively, the "ABS Notes") and Term Loan I

The ABS Notes and Term Loan I are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Issuer maintains specified reserve accounts to be used to make required interest payments in respect of the ABS Notes and Term Loan I, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the ABS Notes and Term Loan I under certain circumstances, (iii) certain indemnification payments in the event, among other things, that the assets pledged as collateral for the ABS Notes and Term Loan I are used in stated ways defective or ineffective, (iv) covenants related to recordkeeping, access to information and similar matters, and (v) the Issuer will comply with all laws and regulations which it is subject to including ERISA, Environmental Laws, and the USA Patriot Act (ABS III-V only).

The ABS Notes and Term Loan I are also subject to customary accelerated amortisation events provided for in the indenture, including events tied to failure to maintain stated debt service coverage ratios, failure to maintain certain production metrics, certain change of control and management termination events, and event of default and the failure to repay or refinance the ABS Notes and Term Loan I on the applicable scheduled maturity date.

The ABS Notes and Term Loan I are subject to certain customary events of default, including events relating to non-payment of required interest, principal, or other amounts due on or with respect to the ABS Notes and Term Loan I, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective and certain judgments.

As of 30 June 2022, the Group was in compliance with all financial covenants for the ABS Notes, Term Loan I and the Credit Facility.

The following table provides a reconciliation of the Group's future maturities of its total borrowings as of the reporting date as follows:

	30 June 2022	31 December 2021
Not later than one year	\$ 263,942	\$ 58,820
Later than one year and not later than five years	642,421	811,964
Later than five years	475,054	170,881
<b>Total borrowings</b>	<b>\$ 1,381,417</b>	<b>\$ 1,041,665</b>

The following table represents the Group's finance costs for each of the periods presented:

	Six Months Ended		Year Ended	
	30 June 2022	30 June 2021	31 December 2021	
Interest expense, net of capitalised and income amounts <sup>(a)</sup>	\$ 33,322	\$ 18,172	\$ 42,370	
Amortisation of discount and deferred finance costs	5,797	4,304	8,191	
Other	43	36	67	
<b>Total finance costs</b>	<b>\$ 39,162</b>	<b>\$ 22,512</b>	<b>\$ 50,628</b>	
<b>Loss on early retirement of debt</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

(a) Includes payments related to borrowings and leases.

## Reconciliation of borrowings arising from financing activities:

	Six Months Ended		Year Ended
	30 June 2022	30 June 2021	31 December 2021
<b>Balance at beginning of period</b>	\$ 1,010,355	\$ 717,240	\$ 717,240
Acquired as part of a business combination	2,437	–	3,801
Proceeds from borrowings	1,730,200	325,500	1,727,745
Repayments of borrowings	(1,392,883)	(416,521)	(1,436,367)
Costs incurred to secure financing	(24,579)	(204)	(10,255)
Amortisation of discount and deferred financing costs	5,797	4,304	8,191
Cash paid for interest	(32,605)	(18,217)	(41,623)
Finance costs and other	32,604	18,218	41,623
<b>Balance at end of period</b>	<b>\$ 1,331,326</b>	<b>\$ 630,320</b>	<b>\$ 1,010,355</b>

**NOTE 21 - TRADE AND OTHER PAYABLES**

(Amounts in thousands, except per share and per unit data)

The following table includes a detail of trade and other payables. The fair value approximates the carrying value as of the periods presented:

	30 June 2022	31 December 2021
Trade payables	\$ 36,234	\$ 61,612
Other payables	697	806
<b>Total trade and other payables</b>	<b>\$ 36,931</b>	<b>\$ 62,418</b>

Trade and other payables are unsecured, non-interest bearing and paid as they become due.

**NOTE 22 - OTHER LIABILITIES**

(Amounts in thousands, except per share and per unit data)

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

	30 June 2022	31 December 2021
<b>Other non-current liabilities</b>		
Other non-current liabilities <sup>(a)</sup>	\$ 8,990	\$ 7,775
<b>Total other non-current liabilities</b>	<b>\$ 8,990</b>	<b>\$ 7,775</b>
<b>Other current liabilities</b>		
Accrued expenses <sup>(b)</sup>	\$ 179,375	\$ 139,648
Taxes payable <sup>(c)</sup>	36,655	53,629
Net revenue clearing <sup>(d)</sup>	252,957	137,366
Asset retirement obligations - current	3,151	3,399
Revenue to be distributed <sup>(e)</sup>	82,123	57,006
<b>Total other current liabilities</b>	<b>\$ 554,261</b>	<b>\$ 391,048</b>

(a) Other non-current liabilities primarily represent the long-term portion of the value associated with the upfront promote received from Oaktree. The upfront promote allows the Group to obtain a 51.25% interest for tranche 1 deals and 52.5% interest for tranche 2 deals in the net assets associated with the acquisition while only paying 50% of the total consideration. The upfront promote is intended to compensate DEC for the administrative expansion necessary with acquired growth and is amortised to general and administrative expense over the life of the promote.

(b) Accrued expenses primarily consist of \$107,486 for hedge settlements payables and \$4,000 for the remaining portion of the EQT contingent consideration. The remaining balance consists of accrued capital projects and operating expenses which have naturally increased with our growth.

(c) The decrease in taxes payable year-over-year is primarily attributable to a \$33,526 capital gain payable on the Tapstone acquisition in 2021 resulting from this transaction being treated as a stock deal for tax purposes. The Group received a purchase price concession from Oaktree as a result of this tax treatment to share the payable between the parties. Remaining taxes payable are attributable to the Group's customary operations.

(d) Net revenue clearing is estimated revenue that is payable to third-party working interest owners. The year-over-year increase, similar to commodity receivables, is a result of higher commodity prices year-over-year, our growth from acquisitions and Oaktree's participation in a number of our recent acquisitions.

- (e) Revenue to be distributed is revenue that is payable to third-party working interest owners, but has yet to be paid due to title, legal, ownership or other issues. The Group releases the underlying liability as the aforementioned issues become resolved. As the timing of resolution is unknown, the Group records the balance as a current liability. Revenue to be distributed increased \$35,199 year-over-year as a result of our 2022 acquisitions, recurring operating activity and increases in commodity prices.

## NOTE 23 - FAIR VALUE AND FINANCIAL INSTRUMENTS

(Amounts in thousands, except per share and per unit data)

### 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 market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Group utilises 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 ("IFRS 13") 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):

- (1) Observable prices in active markets for similar assets;
- (2) Prices for identical assets in markets that are not active;
- (3) Directly observable market inputs for substantially the full term of the asset; and
- (4) Market inputs that are not directly observable but are derived from or corroborated by observable market data.

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

### Financial Instruments

#### Working Capital

The carrying values of cash and cash equivalents, trade receivables, other current assets, accounts payable and other current liabilities in the Consolidated Statement of Financial Position approximate fair value because of their short-term nature. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, Financial Instruments ("IFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

For borrowings, derivative financial instruments, and leases the following methods and assumptions were used to estimate fair value:

#### Borrowings

The fair values of the Group's ABS I Notes, ABS II Notes and Term Loan I are considered to be a Level 2 measurement on the fair value hierarchy. The carrying values of the borrowings under the Group's Credit Facility (to the extent utilised) approximates fair value because the interest rate is variable and reflective of market rates. The Group considers the fair value of its Credit Facility to be a Level 2 measurement on the fair value hierarchy.

#### Leases

The Group initially measures the lease liability at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease. When this rate cannot be readily determined, the Group uses its incremental borrowing rate.

#### Derivative Financial Instruments

The Group measures the fair value of its derivative financial instruments based upon a pricing model that utilises market-based inputs, including, but not limited to, the contractual price of the underlying position, current market prices, natural gas and liquids forward curves, discount rates such as the SOFR curve, and volatility factors.

The Group has classified its derivative financial instruments into the fair value hierarchy depending upon the data utilised to determine their fair values. The Group's fixed price swaps (Level 2) are estimated using third-party discounted cash flow calculations using the NYMEX futures index for natural gas and oil derivatives and OPIS for NGLs derivatives. The Group utilises discounted cash flow models for valuing its interest rate derivatives (Level 2). The net derivative values attributable to the Group's interest rate derivative contracts as of 30 June 2022 are based on (i) the contracted notional amounts, (ii) active market-quoted SOFR yield curves and (iii) the applicable credit-adjusted risk-free rate yield curve.

The Group's call options, put options, collars and swaptions (Level 2) are valued using the Black-Scholes model, an industry standard option valuation model that takes into account inputs such as contract terms, including maturity, and market parameters, including assumptions of the NYMEX and OPIS futures index, interest rates, volatility and credit worthiness. Inputs to the Black-Scholes model, including the volatility input are obtained from a third-party pricing source, with independent verification of the most significant inputs on a monthly basis. A change in volatility would result in a change in fair value measurement, respectively.

The Group's basis swaps (Level 2) are estimated using third-party calculations based upon forward commodity price curves.

**Contingent consideration**

These liabilities represent the estimated fair value of potential future payments the Group may be required to remit under the terms of historical purchase agreements entered into for asset acquisitions and business combinations. In instances when the contingent consideration relates to the acquisition of a group of assets, the Group records changes in the fair value of the contingent consideration through the basis of the asset acquired rather than through Other income (expense) in the Consolidated Statement of Comprehensive Income as it does for business combinations. During the six months ended 30 June 2022 and 2021 the Group recorded \$1,036 and \$6,348, respectively, in revaluations related to contingent consideration associated with asset acquisitions and \$8 and \$5,597, respectively, associated with business combinations.

The contingent consideration activity in the period is associated with the 2020 Carbon and EQT acquisitions. The maximum contingent consideration payment of \$15,000 associated with the Carbon acquisition was made during the six months ended 30 June 2022 settling the contingency in its entirety. With respect to the EQT acquisition, payments of \$4,547 were made during the six months ending 30 June 2022. The remaining payments under the EQT contingent consideration arrangement will be made during the second half of 2022. The Group has recorded a liability of \$4,000 for these remaining payments as of 30 June 2022, representing the maximum amount of consideration payable under the arrangement.

The Group remeasures the fair value of the contingent consideration at each reporting period. This estimate requires assumptions to be made, including forecasting the NYMEX Henry Hub natural gas settlement prices relative to stated floor and target prices in future periods. In determining the fair value of the contingent consideration liability, the Group used the Monte Carlo simulation model, which considers unobservable input variables, representing a Level 3 measurement. While valued under this technique presently the remaining contingent payments are classified as current, and the fair value approximates the maximum payment under the terms of the consideration agreements.

There were no transfers between fair value levels for the six months ended 30 June 2022.

**Financial Instruments**

The following table includes the Group's financial instruments as of the periods presented:

	30 June 2022	31 December 2021
Cash and cash equivalents	\$ 187,342	\$ 12,558
Trade receivables and accrued income	383,636	282,922
Other non-current assets	5,521	3,635
Other current assets <sup>(a)</sup>	–	25,004
Other non-current liabilities	(3,329)	(7,775)
Other current liabilities <sup>(b)</sup>	(514,455)	(334,020)
Derivative financial instruments at fair value	(1,933,430)	(807,398)
Leases	(28,932)	(27,804)
Borrowings	(1,381,417)	(1,041,665)
<b>Total</b>	<b>\$ (3,285,064)</b>	<b>\$ (1,894,543)</b>

(a) Excludes prepaid expenses, deposits and inventory.

(b) Excludes taxes payable, asset retirement obligations and the long-term portion of the value associated with the upfront promote received from Oaktree.

**NOTE 24 - CONTINGENCIES**

(Amounts in thousands, except per share and per unit data)

**Litigation and Regulatory Proceedings**

The Group is involved in various pending legal proceedings that have arisen in the ordinary course of business. The Group accrues for litigation, claims and proceedings when a liability is both probable and the amount can be reasonably estimated. As of 30 June 2022, the Group did not have any material amounts accrued related to litigation or regulatory matters. For any matters not accrued, it is not possible to estimate the amount of any additional loss, or range of loss that is reasonably possible, but, based on the nature of the claims, management believes that current litigation, claims and proceedings are not, individually or in aggregate, after considering insurance coverage and indemnification, likely to have a material adverse impact on the Group's financial position, results of operations or cash flows.

The Group has no other contingent liabilities that would have a material impact on its financial position, results of operations or cash flows.

**Environmental Matters**

The Group's operations are subject to environmental regulation in all the jurisdictions in which it operates, and it was in compliance as of 30 June 2022. The Group 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 its operations. The Group can offer no assurance regarding the significance or cost of compliance associated with any such new environmental legislation once implemented.



## NOTE 25 - RELATED PARTY TRANSACTIONS

(Amounts in thousands, except per share and per unit data)

The Group had no related party activity in 2021 or 2022.

## NOTE 26 - SUBSEQUENT EVENTS

(Amounts in thousands, except per share and per unit data)

The Group determined the need to disclose the following material transactions that occurred subsequent to 30 June 2022, which have been described within each relevant footnote as follows:

<b>Description</b>	<b>Footnote</b>
Acquisitions	Note 4
Derivative Financial Instruments	Note 13
Dividends	Note 17



ADDITIONAL  
INFORMATION

## ALTERNATIVE PERFORMANCE MEASURES

DEC uses APMs to improve the comparability of information between reporting periods and to more accurately evaluate cash flows, either by adjusting for uncontrollable or transactional factors that are not comparable period-over-period, or by aggregating measures, to aid the users of this Interim Report in understanding the activity taking place across DEC. APMs are used by the Directors for planning and reporting and should not be considered an IFRS replacement. The measures are also used in discussions with the investment analyst community and credit rating agencies.

### Average Quarterly Dividend per Share

Average Quarterly Dividend per Share is reflective of the average of the dividends per share declared throughout the year which gives consideration to changes in dividend rates and changes in the amount of shares outstanding.

This is a key metric for the Directors as they seek to provide a consistent and reliable dividend to shareholders.

	1H22	1H21	2H21
Declared on first quarter results 2022, 2021 and 2021, respectively	\$ 0.0425	\$ 0.0400	\$ 0.0400
Declared on second quarter results 2022, 2021 and 2021, respectively	0.0425	0.0400	0.0400
Declared on third quarter results 2021, 2020 and 2021, respectively	0.0425	0.0400	0.0425
Declared on fourth quarter results 2021, 2020 and 2021, respectively	0.0425	0.0400	0.0425
<b>TTM Average Quarterly Dividend per Share</b>	<b>\$ 0.0425</b>	<b>\$ 0.0400</b>	<b>\$ 0.0413</b>
<b>TTM Total Dividends per Share</b>	<b>\$ 0.1700</b>	<b>\$ 0.1600</b>	<b>\$ 0.1650</b>

### Adjusted EBITDA

As used herein, EBITDA represents earnings before interest, taxes, depletion, depreciation and amortisation. Adjusted EBITDA includes adjusting items that are comparable period-over-period, non-cash items such as gains on the sale of assets, acquisition related expenses and integration costs, mark-to-market adjustments related to DEC's hedge portfolio, non-cash equity compensation charges and items of a similar nature.

Adjusted EBITDA should not be considered in isolation or as a substitute for operating profit or loss, net income or loss, or cash flows provided by operating, investing and financing activities. However, the Directors believe such a measure is useful to an investor in evaluating DEC's financial performance because it (1) is widely used by investors in the natural gas and oil industry as an indicator of underlying business performance; (2) helps investors to meaningfully evaluate and compare the results of DEC's operations from period to period by removing the often-volatile revenue impact of changes in the fair value of derivative instruments prior to settlement; (3) is used in the calculation of a key metric in one of DEC's Credit Facility financial covenants; and (4) is used by the Directors as a performance measure in determining executive compensation.

	1H22	1H21	2H21
<b>Net income (loss)</b>	<b>\$ (935,250)</b>	<b>\$ (83,957)</b>	<b>\$ (241,249)</b>
Finance costs	39,162	22,512	28,116
Accretion of asset retirement obligations	14,003	10,216	14,180
Other (income) expense	(171)	5,582	3,230
Income tax (benefit) expense	(294,877)	(260,021)	34,327
Depreciation, depletion and amortisation	118,480	71,843	95,801
Gains on bargain purchases	(1,249)	–	(58,072)
(Gain) loss on fair value adjustments of unsettled financial instruments	1,205,938	371,458	281,007
(Gain) loss on natural gas and oil property and equipment <sup>(a)</sup>	515	(234)	1,135
Costs associated with acquisitions	6,935	6,221	25,114
Other adjusting costs <sup>(b)</sup>	67,033	2,628	4,151
Non-cash equity compensation	4,069	3,588	3,812
(Gain) loss on foreign currency hedge	–	1,227	–
(Gain) loss on interest rate swap	(828)	251	279
<b>Total adjustments</b>	<b>\$ 1,159,010</b>	<b>\$ 235,271</b>	<b>\$ 433,080</b>
<b>Adjusted EBITDA</b>	<b>\$ 223,760</b>	<b>\$ 151,314</b>	<b>\$ 191,831</b>

(a) Excludes proceeds received for leasehold sales.

- (b) Other adjusting costs for the six months ended 30 June 2022 primarily consist of \$28 million in contract terminations which will allow the Company to obtain more favourable pricing in the future and \$33 million in costs associated with deal breakage and/or sourcing costs for acquisitions. For the six months ended 30 June 2021, other adjusting costs are primarily associated with one-time projects and contemplated financing arrangements. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon Acquisition.

### Net Debt and Net Debt-to-Adjusted EBITDA

As used herein, Net Debt represents total debt as recognised on the balance sheet less cash and restricted cash. Total debt includes DEC's current portion of debt, Credit Facility borrowings and secured financing borrowings. Net Debt is a useful indicator of DEC's Leverage and capital structure.

As used herein, Net Debt-to-Adjusted EBITDA, or "Leverage" or "Leverage Ratio," is measured as Net Debt divided by Adjusted EBITDA. The Directors believe that this metric is a key measure of DEC's financial Liquidity and flexibility and is used in the calculation of a key metric in one of DEC's Credit Facility financial covenants.

	1H22	1H21	2H21
Credit Facility	\$ –	\$ (156,500)	\$ (570,600)
ABS I Notes	(141,347)	(168,150)	(155,266)
ABS II Notes	(158,475)	(180,177)	(169,320)
ABS III Notes	(349,477)	–	–
ABS IV Notes	(149,900)	–	–
ABS V Notes	(445,000)	–	–
Term Loan I	(128,595)	(146,786)	(137,099)
Other	(8,623)	(3,851)	(9,380)
<b>Total Debt</b>	<b>\$ (1,381,417)</b>	<b>\$ (655,464)</b>	<b>\$ (1,041,665)</b>
Cash	\$ 187,342	\$ 3,674	\$ 12,558
Restricted cash	\$ 44,206	\$ 19,049	\$ 19,102
<b>Net Debt</b>	<b>\$ (1,149,869)</b>	<b>\$ (632,741)</b>	<b>\$ (1,010,005)</b>
<b>Adjusted EBITDA</b>	<b>\$ 223,760</b>	<b>\$ 151,314</b>	<b>\$ 191,831</b>
<b>Pro forma TTM Adjusted EBITDA<sup>(a)</sup></b>	<b>\$ 495,840</b>	<b>\$ 339,214</b>	<b>\$ 457,364</b>
<b>Net Debt-to-Pro forma TTM Adjusted EBITDA</b>	<b>2.3x</b>	<b>1.9x</b>	<b>2.2x</b>

(a) Pro forma TTM Adjusted EBITDA includes adjustments for the trailing twelve months ended 30 June 2022 for the Black Bear, East Texas Assets, Tapstone and Tanos acquisitions to pro forma their results for a full twelve months of operations.

Similar adjustments were made for the trailing twelve months ended 30 June 2021 for the Blackbeard, Indigo, Carbon and EQT acquisitions as well as in the trailing twelve months ended 31 December 2021 for the Tapstone, Tanos, Blackbeard and Indigo acquisitions as well as Oaktree's subsequent participation in the Indigo transaction.

### Adjusted EBITDA per Share

The Directors believe that Adjusted EBITDA per Share provides direct line of sight into DEC's ability to measure the accretive growth we seek to acquire while providing shareholders with a depiction of cash earnings at the share level.

In this calculation we utilise weighted average shares as to not disproportionately weight the calculation for equity issued for acquisitive growth at varying periods throughout the year.

	1H22	1H21	2H21
Weighted average shares outstanding - basic and diluted	849,621	736,559	849,595
Adjusted EBITDA	\$ 223,760	\$ 151,314	\$ 191,831
<b>Adjusted EBITDA per Share</b>	<b>\$ 0.26</b>	<b>\$ 0.20</b>	<b>\$ 0.23</b>

**Hedged Total Revenue** As used herein, Hedged Total Revenue includes the impact of derivatives settled in cash. The Directors believe that Hedged Total Revenue is a useful measure because it enables investors to discern DEC's realised revenue after adjusting for the settlement of derivative contracts.

**Total Cash Operating Income** As used herein, Total Cash Operating Income is measured by excluding operating expenses from DEC's Hedged Total Revenue. The Directors believe that Total Cash Operating Income is a useful indicator of the cash flows available to DEC after the cost incurred directly associated with operating its assets and that Total Cash Operating Income provides investors with an important perspective on the cash available to service administrative costs, debt obligations, make strategic acquisitions and investments and pay dividends.

**Cash Operating Margin** As used herein, Cash Operating Margin is measured by reducing Hedged Total Revenue for operating expenses. The resulting margin on Total Cash Operating Income is considered DEC's Cash Operating Margin. The Directors believe that Cash Operating Margin is a useful measure of DEC's profitability and efficiency as well as its earnings quality.

**Cash Margin** As used herein, Cash Margin is measured as Adjusted EBITDA, as a percentage of Hedged Total Revenue. The key distinction between Cash Operating Margin and Cash Margin is the inclusion of employees, administrative costs and professional services and recurring allowance for credit losses. The Directors believe that Cash Margin is a useful measure of DEC's profitability and efficiency as well as its earnings quality.

	1H22	1H21	2H21
<b>Total revenue</b>	\$ 933,528	\$ 323,316	\$ 684,245
Net gain (loss) on commodity derivative instruments	(468,731)	(21,949)	(298,707)
<b>Hedged Total Revenue</b>	\$ 464,797	\$ 301,367	\$ 385,538
LESS: Operating expense	(206,357)	(119,555)	(171,658)
<b>Total Cash Operating Income</b>	\$ 258,440	\$ 181,812	\$ 213,880
LESS: Employees, administrative costs and professional services	(36,245)	(29,896)	(26,916)
LESS: Recurring allowance for credit losses	–	(602)	4,867
ADD: Proceeds received for leasehold sales	1,565	–	–
<b>Adjusted EBITDA</b>	\$ 223,760	\$ 151,314	\$ 191,831
<b>Cash Margin<sup>(a)</sup></b>	<b>48 %</b>	<b>50 %</b>	<b>50 %</b>
<b>Cash Operating Margin<sup>(b)</sup></b>	<b>56 %</b>	<b>60 %</b>	<b>55 %</b>

(a) Cash Margin represents Adjusted EBITDA divided by Hedged Total Revenue for each of the periods presented.

(b) Cash Operating Margin represents Total Cash Operating Income divided by Hedged Total Revenue for each of the periods presented.

**Free Cash Flow and Free Cash Flow Yield** As used herein, Free Cash Flow represents net cash provided by operating activities less expenditures on natural gas and oil properties and equipment and cash paid for interest. The Directors believe that Free Cash Flow is a useful indicator of DEC's ability to generate cash that is available for activities other than capital expenditures and it provides investors with an important perspective on the cash available to service debt obligations, make strategic acquisitions and investments and pay dividends.

As used herein, Free Cash Flow Yield represents Free Cash Flow as a percentage of DEC's total market capitalisation. The Directors believe that, like Free Cash Flow, Free Cash Flow Yield is an indicator of financial stability and reflects DEC's operating strength relative to its size as measured by market capitalisation.

	1H22	1H21	2H21
<b>Net cash provided by operating activities</b>	\$ 204,987	\$ 108,121	\$ 212,061
LESS: Expenditures on natural gas and oil properties and equipment	(44,539)	(16,458)	(33,717)
LESS: Cash paid for interest	(32,605)	(18,217)	(23,406)
<b>Free Cash Flow</b>	\$ 127,843	\$ 73,446	\$ 154,938
Average share price	\$ 1.50	\$ 1.55	\$ 1.48
Weighted average shares outstanding - basic and diluted	849,621	736,559	849,595
<b>Net Cash Provided by Operating Activities Yield</b>	<b>16 %</b>	<b>9 %</b>	<b>17 %</b>
<b>Free Cash Flow Yield</b>	<b>10 %</b>	<b>6 %</b>	<b>12 %</b>
<b>TTM Free Cash Flow Yield</b>	<b>22 %</b>	<b>19 %</b>	<b>19 %</b>

**Total Cash Cost per Boe** Total Cash Cost per Boe is a metric which allows us to measure the cumulative operating cost it takes to produce each Boe. This metric includes operating expense, employees, administrative costs and professional services and recurring allowance for credit losses, which include fixed and variable cost components.

	1H22	1H21	2H21
<b>Total production (MBoe)</b>	<b>24,620</b>	<b>19,133</b>	<b>24,124</b>
Total operating expense	\$ 206,357	\$ 119,555	\$ 171,658
Employees, administrative costs and professional services	36,245	29,896	26,916
Recurring allowance for credit losses	–	602	(4,867)
<b>Total Cash Cost</b>	<b>\$ 242,602</b>	<b>\$ 150,053</b>	<b>\$ 193,707</b>
<b>Total Cash Cost per Boe</b>	<b>\$ 9.85</b>	<b>\$ 7.84</b>	<b>\$ 8.03</b>

# GLOSSARY OF TERMS

<b>1H21</b>	First-half 2021, or the six months ended 30 June 2021
<b>1H22</b>	First-half 2022, or the six months ended 30 June 2022
<b>2H21</b>	Second-half 2021, or the six months ended 31 December 2021
<b>£</b>	British pound sterling
<b>\$</b>	US dollar
<b>Adjusted EBITDA</b>	Adjusted EBITDA is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Hedged Total Revenue</b>	Hedged Total Revenue is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>AIM</b>	Alternative Investment Market
<b>APM</b>	Alternative Performance Measure
<b>Average Quarterly Dividend per Share</b>	Average Quarterly Dividend per Share is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Bbl</b>	Barrel or barrels of oil or natural gas liquids
<b>Bcfe</b>	Billions of cubic feet equivalent
<b>Board</b>	Board of Directors
<b>Boe</b>	Barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of natural gas. The ratio of one barrel of oil or NGLs to six Mcf of natural gas is commonly used in the industry and represents the approximate energy equivalence of oil or NGLs to natural gas and does not represent the economic equivalency of oil and NGLs to natural gas. The sales price of a barrel of oil or NGLs is considerably higher than the sales price of six Mcf of natural gas.
<b>Boepd</b>	Barrels of oil equivalent per day
<b>Btu</b>	A British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.
<b>Cash Margin</b>	Cash Margin is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Cash Operating Margin</b>	Cash Operating Margin is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>DD&amp;A</b>	Depreciation, depletion and amortisation
<b>E&amp;P</b>	Exploration and production
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EBITDAX</b>	Earnings before interest, tax, depreciation, amortisation and exploration expense
<b>EPS</b>	Earnings per share
<b>ERM</b>	Enterprise Risk Management
<b>EU</b>	European Union
<b>Free Cash Flow</b>	Free Cash Flow is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Free Cash Flow Yield</b>	Free Cash Flow Yield is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>FTSE</b>	Financial Times Stock Exchange
<b>G&amp;A</b>	General and administrative expense
<b>GBP</b>	British pound sterling

<b>Adjusted EBITDA</b>	Adjusted EBITDA is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Adjusted EBITDA Per Share</b>	Adjusted EBITDA per Share is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Henry Hub</b>	A natural gas pipeline delivery point that serves as the benchmark natural gas price underlying NYMEX natural gas futures contracts.
<b>IAS</b>	International Accounting Standard
<b>IASB</b>	International Accounting Standards Board
<b>IFRS</b>	International Financial Reporting Standards as adopted by the EU
<b>LOE</b>	Lease operating expense is defined as the sum of employee and benefit expenses, well operating expense (net), automobile expense and insurance cost.
<b>LSE</b>	London Stock Exchange
<b>M&amp;A</b>	Mergers and acquisitions
<b>MBbls</b>	One thousand barrels of oil, condensate or NGLs
<b>MBoe</b>	One thousand barrels of oil equivalent
<b>Mcf</b>	One thousand cubic feet of natural gas
<b>Mcfe</b>	One thousand cubic feet of natural gas equivalent
<b>Midstream</b>	Midstream activities include the processing, storing, transporting and marketing of natural gas, NGLs and oil.
<b>MMBoe</b>	One million barrels of oil equivalent
<b>MMBtu</b>	One million British thermal units
<b>MMcf</b>	One million cubic feet of natural gas
<b>Mont Belvieu</b>	A mature trading hub with a high level of liquidity and transparency that sets spot and futures prices for NGLs.
<b>MT CO<sub>2</sub>e</b>	Metric ton of carbon dioxide equivalent
<b>Net Debt</b>	Net Debt is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Net Debt-to-Adjusted EBITDA</b>	Net Debt-to-Adjusted EBITDA is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>NGLs</b>	Natural gas liquids, such as ethane, propane, butane and natural gasoline that are extracted from natural gas production streams.
<b>NYMEX</b>	New York Mercantile Exchange
<b>Oil</b>	Includes crude oil and condensate
<b>OPIS</b>	Oil Price Information Service
<b>Pro Forma TTM Adjusted EBITDA</b>	Pro Forma Adjusted EBITDA is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Net Debt-to-Pro Forma TTM Adjusted EBITDA</b>	Net Debt-to-Pro Forma TTM Adjusted EBITDA is an APM. Please refer to the <b>APM</b> section in <b>Additional Information</b> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>PV-10</b>	A calculation of the present value of estimated future natural gas and oil revenues, net of forecasted direct expenses, and discounted at an annual rate of 10%.
<b>Realised price</b>	The cash market price less all expected quality, transportation and demand adjustments.
<b>RSU</b>	Restricted stock unit
<b>SOFR</b>	Secured Overnight Financing Rate
<b>TCFD</b>	Task Force on Climate-Related Financial Disclosures



<b>Total Cash Cost</b>	Total Cash Cost is an APM. Please refer to the <u>APM</u> section in <u>Additional Information</u> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Total Cash Cost per Boe</b>	Total Cash Cost per Boe is an APM. Please refer to the <u>APM</u> section in <u>Additional Information</u> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>Total Cash Operating Income</b>	Total Cash Operating Income is an APM. Please refer to the <u>APM</u> section in <u>Additional Information</u> within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.
<b>TTM</b>	Trailing twelve months
<b>UK</b>	United Kingdom
<b>US</b>	United States
<b>USD</b>	US dollar
<b>WTI</b>	West Texas Intermediate grade crude oil, used as a pricing benchmark for sales contracts and NYMEX oil futures contracts.