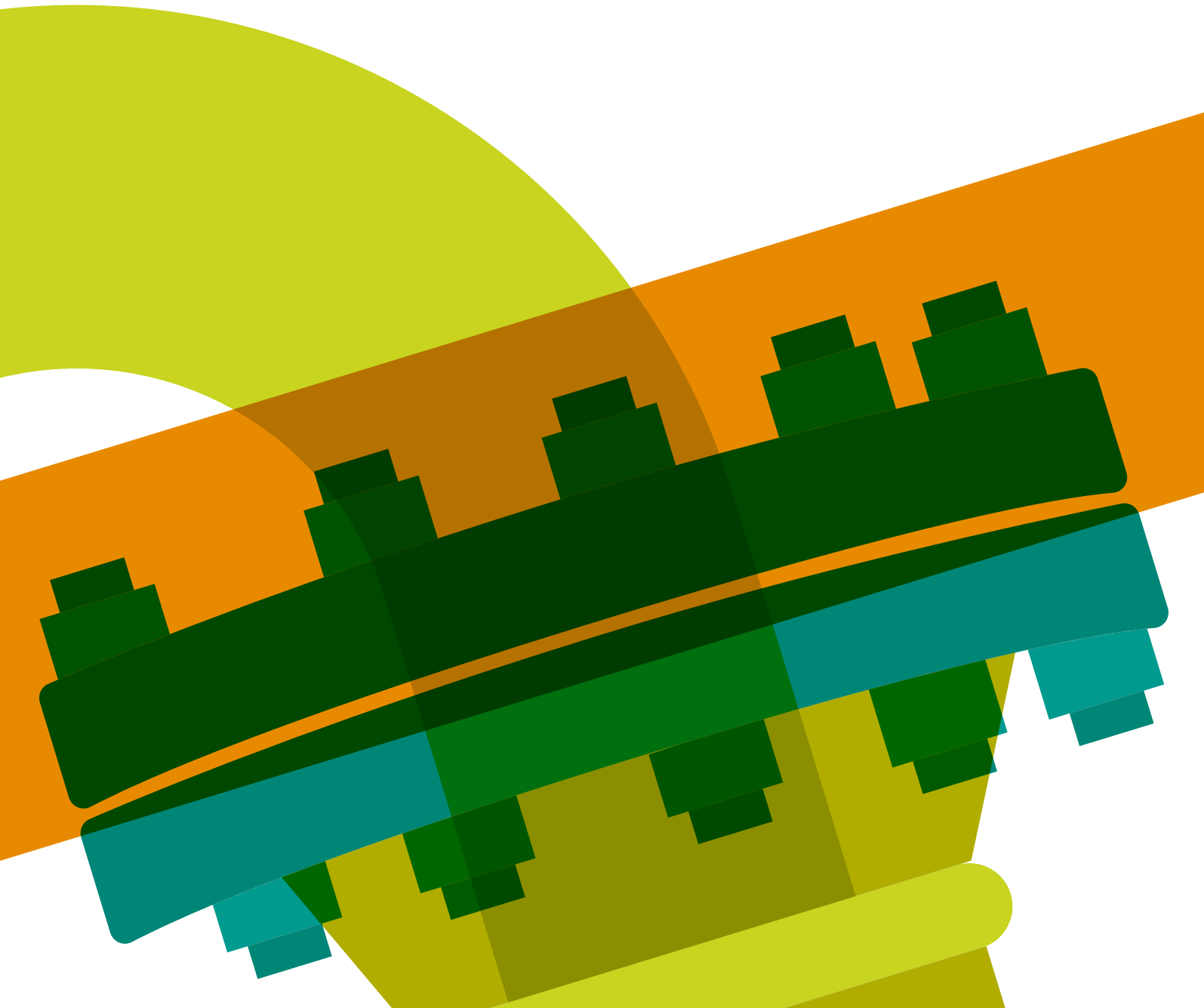
DIVERSIFIED GAS & OIL

PLC

ANNUAL REPORT **2019**

Sustainable assets create long-term value



Contents

About DGO 2

STRATEGIC REPORT

Chairman's statement 6

Chief Executive's statement 8

Financial review 22

CORPORATE GOVERNANCE

Board of Directors 28

Directors' report 30

The Chair's Governance statement 36

The Nomination Committee's report 48

The Audit and Risk Committee's report 50

The Remuneration Committee's report 58

Remuneration at a glance 62

The Sustainability and Safety Committee's report 72

FINANCIAL STATEMENTS

INdependent Auditor's report to the Members 86

Consolidated statements of profit or loss and other comprehensive income 92

Consolidated statements of financial position 92

Consolidated statements of changes in equity 94

Consolidated statements of cash flows 95

Notes to the consolidated financial statements 96

DIVERSIFIED GAS & OIL PLC

Statements of financial position 127

Statements of changes in equity 128

Notes to the financial statements 129

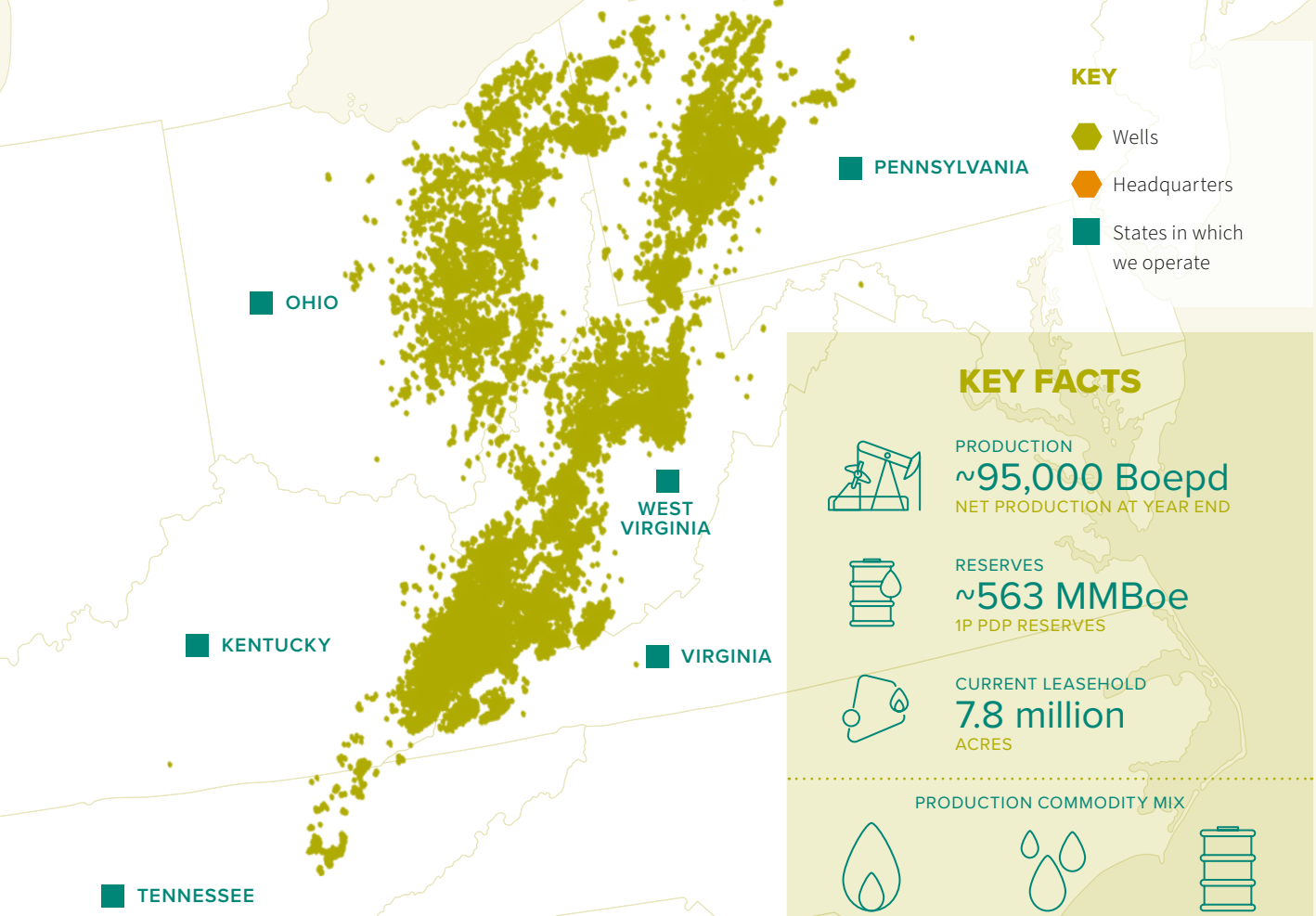
Officers and professional advisors 132

Diversified Gas & Oil PLC ("DGO") is a top natural gas producer and operator of midstream assets within the Appalachian Basin. The Company's strategic business model applies a disciplined approach to accretive acquisitions of low-cost, low-risk, synergistic upstream and midstream assets strengthened by an unwavering focus on operating efficiencies to drive free cash-flow generation, create long-term shareholder value and provide returns in the form of dividends.

ANNUAL REPORT **2019**

DGO investment case

DISCIPLINED GROWTH



KEY FACTS

PRODUCTION
~95,000 Boepd
NET PRODUCTION AT YEAR END

RESERVES
~563 MMBoe
1P PDP RESERVES

CURRENT LEASEHOLD
7.8 million
ACRES

PRODUCTION COMMODITY MIX

90%	9%	1%
GAS	NGL	OIL

ALABAMA HQ

INVESTMENT HIGHLIGHTS

STABLE, LONG-LIFE ASSET BASE

Long-life, low-decline assets create a stable, predictable production profile that will produce steadily for decades to come

SYNERGISTICALLY DIVERSIFIED

Strategic midstream acquisitions across multiple states complement upstream assets to reduce operating costs and drive higher cash margins

LOW-RISK OPERATIONS

Stable onshore U.S. operator with low political risk, a healthy Corporate governance Policy and an experienced operations team

DIFFERENTIATED BUSINESS MODEL

Unique exposure to U.S. natural gas, supported by a dynamic hedge strategy and stable dividend policy, which sets DGO apart from its peers

DISCIPLINED CONSOLIDATOR

Adheres to strict criteria to opportunistically acquire at attractive valuation multiples for immediate and accretive impact in operating metrics

FOCUSSED EXECUTION

ACQUIRE

Acquiring low-cost, long-life, low-decline natural gas-producing assets

Acquiring complementary and synergistic midstream assets

OPTIMISE

Deploying rigorous field management programmes to optimise production and improve cost efficiencies whilst extending the economic life of the assets

PRODUCE

Enhancing the operational safety of our assets, protecting the environment where we operate and striving to lower unnecessary emissions by investing in the integrity of our assets and pipeline network

RETIRE

Safely and responsibly retiring wells and assets at the end of their useful lives

PROVEN AND REPUTABLE OPERATOR

History of proven growth and value creation, using economies of scale and our Smarter Well Management programme to lower unit costs and maintain healthy operating margins

RIGHT ASSETS, RIGHT HANDS PHILOSOPHY

The maintenance and operation of mature upstream assets until their natural end of producing life reflects a core commitment to both capital and environmental stewardship

VALUE CREATION

STRATEGIC

DISCIPLINED GROWTH:
Completion of four accretive acquisitions totalling $430m whilst maintaining year end Net Debt/Adjusted EBITDA at 2.3x

SIGNATURE OF ASSET RETIREMENT AGREEMENTS:
- Initiated agreement in Pennsylvania (15 years)
- Initiated and extended agreement in Kentucky (10 years)

FINANCIAL

TOTAL REVENUE (HEDGED)
▲ $511.7m
UP ~87%

MIDSTREAM REVENUE
▲ $22.2m
UP ~205%

CASH OPERATING COSTS
▼ $7.71/Boe
DOWN ~10%

MARGINS (HEDGED)
▶ 53%
UNCHANGED

ADJUSTED EBITDA (HEDGED)
▲ $273.3m
UP ~87%

DIVIDENDS
▲ 13.92¢/share
UP ~24%

OPERATIONAL

INCREASED PRODUCTION AND RESERVES THROUGH ACQUISITION AND SMARTER WELL MANAGEMENT:
- Average daily production of 84.8 MBoepd up ~2x (2018: 41.0 MBoepd)
- Production from legacy assets (assets owned prior to 2019 acquisitions) ~70.0 MBoepd, 0% decline for six consecutive quarters

SUCCESSFUL INTEGRATION OF ACQUIRED ASSETS DELIVERING OPERATING SYNERGIES:
- Base lease operating unit costs reduced 30% $3.31 per Boe (2018: $4.73 per Boe)
- Total cash unit operating costs reduced 10% $7.71 per Boe (2018: $8.55 per Boe)

STRONG BALANCE SHEET

Dependable asset base and preferential leverage position of less than 2.5x provide a stable foundation for current operations and potential future growth

MARGIN-PROTECTING HEDGE PROGRAMME

Dynamic and long-dated hedge portfolio protects cash flows from market fluctuations and supports strong EBITDA margins

SUSTAINABLE DIVIDEND

Predictable production and substantial margins underpin commitment to produce shareholder returns in the form of reliable quarterly dividends

About DGO

OUR MISSION

Is to generate returns for shareholders by delivering on our well-defined growth strategy. We strive to adhere to quality operating standards, with a strong focus on health, safety and environment to ensure the safety of our people, local communities and the environment in which we operate.

OUR STRATEGY

Is to acquire and manage long-life, high-quality, producing natural gas and oil assets in a manner that enables us to generate strong cash flows, sustain our long-standing dividend policy and create maximum shareholder value. We accomplish this strategy primarily by enhancing existing production from the wells whilst reducing operational and administrative costs. Further, we utilise the Company's expanding portfolio of acquired midstream assets to generate additional third-party revenue, provide market optionality, and improve operational efficiencies and margins across our operating footprint.

OUR VISION

Is to leverage our reputation as a proven and credible acquirer to continue the execution of our acquisition strategy, driving further accretive and margin-enhancing growth. With a strict adherence to fiscal discipline, we aim to acquire and operate assets within our desired framework of low-cost, efficient and responsible operations, environmental compliance and stewardship, and long-term value creation.

OPERATIONAL OVERVIEW

On admission to AIM in February 2017, Diversified Gas & Oil PLC ("DGO") clearly laid out its strategic vision for the Company – to leverage its established position in the Appalachian Basin to acquire complementary long-life, high-quality, producing assets on attractive valuation metrics to grow production and cash flow, which DGO would use to fund a consistent dividend to shareholders.

The Company used its $50 million IPO to strengthen its balance sheet and liquidity position, opening the door to a three-year journey of significant growth through approximately $1.5 billion of accretive acquisitions of both producing gas and oil assets and midstream gathering systems.

During 2019, DGO acquired unconventional upstream assets in separate transactions from HG Energy and EdgeMarc Energy, enlarging DGO's producing portfolio and making it a top Appalachian gas producer, with December 2019 daily net production of nearly 95 thousand barrels of oil equivalent. The Company also acquired two additional gas gathering systems to expand its midstream infrastructure to nearly 12,000 miles, which extends DGO's access to multiple end markets and contributes to margin enhancement across the portfolio.

Whilst the Company focussed on acquisition integration, operational efficiency and balance sheet fortitude during the year, it simultaneously made significant strides toward strengthening its foundation of business systems and corporate governance.

The Company launched and completed an enterprise resource-planning initiative that brought its operational, accounting and data management systems into a single integrated platform to streamline data analysis and reporting for improved strategic decision-making. The Company also strengthened the independence, composition and diversity of its Board of Directors and worked towards the 2020 launch of its inaugural Sustainability Report which highlights its intentional daily focus on sustainable business practices and environmental stewardship.

The AIM listing was a critical and important first step for the Company in gaining access to funds for its growth and long-term sustainability. The result of that growth now brings DGO to the next natural and strategic step in its evolution – a move to a Premium Listing on the Main Market of the London Stock Exchange – and the Company is committed to meeting the UK's highest standards of regulation and corporate governance.

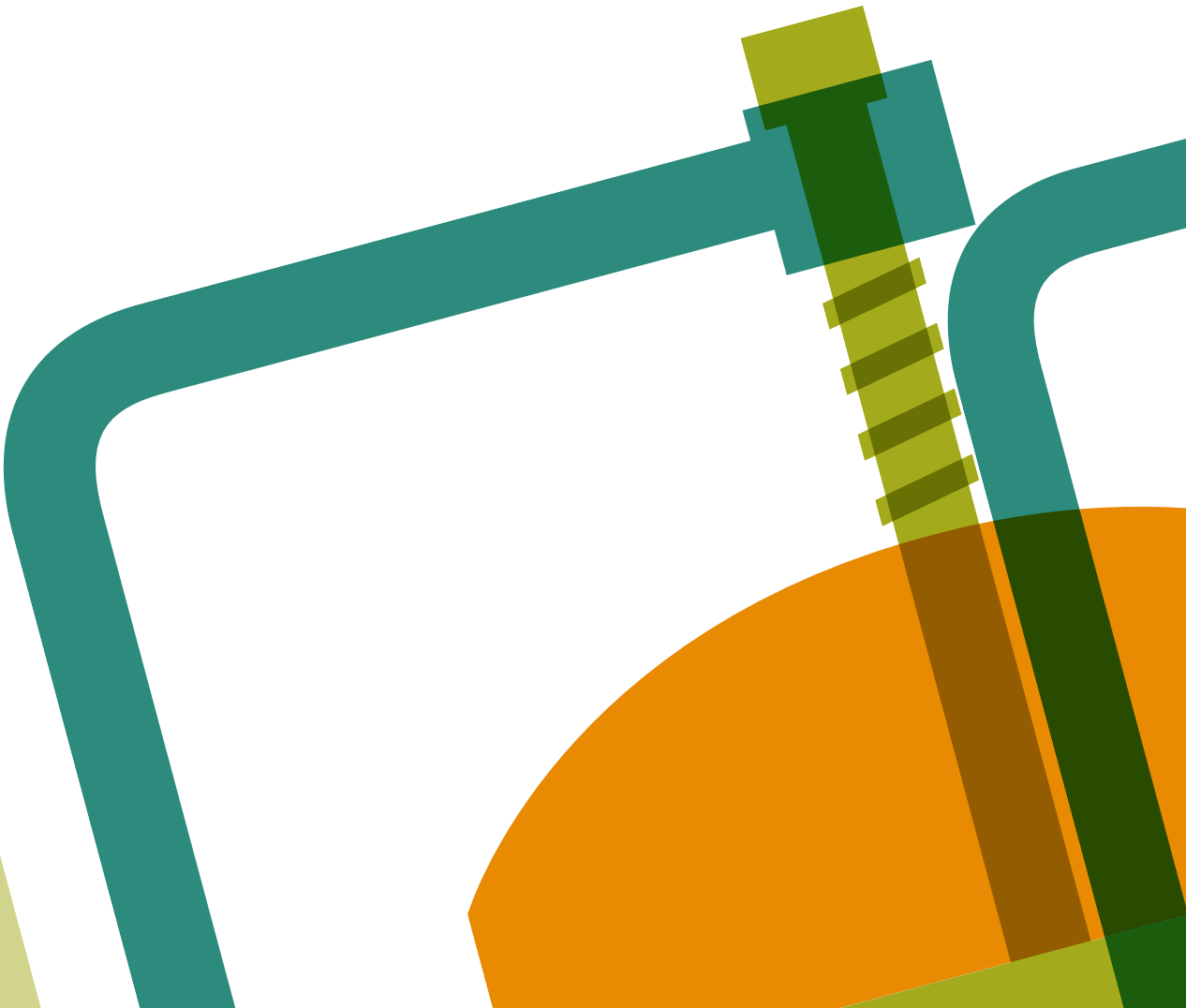
Investors in the gas and oil industry have expressed their clear desire to see the industry generate cash flow, live within its means and return a portion of cash to shareholders. This value creation and return concept has been at the strategic core of DGO since the Company's inception in 2001. As we enter into the next phase of our corporate evolution, our commitment to fiscal discipline, operational efficiency and focussed execution, underpinned by a strengthened foundation and a strong hedge book, has positioned us for further transformative growth and meaningful value creation within the Appalachian Basin and even beyond its borders.

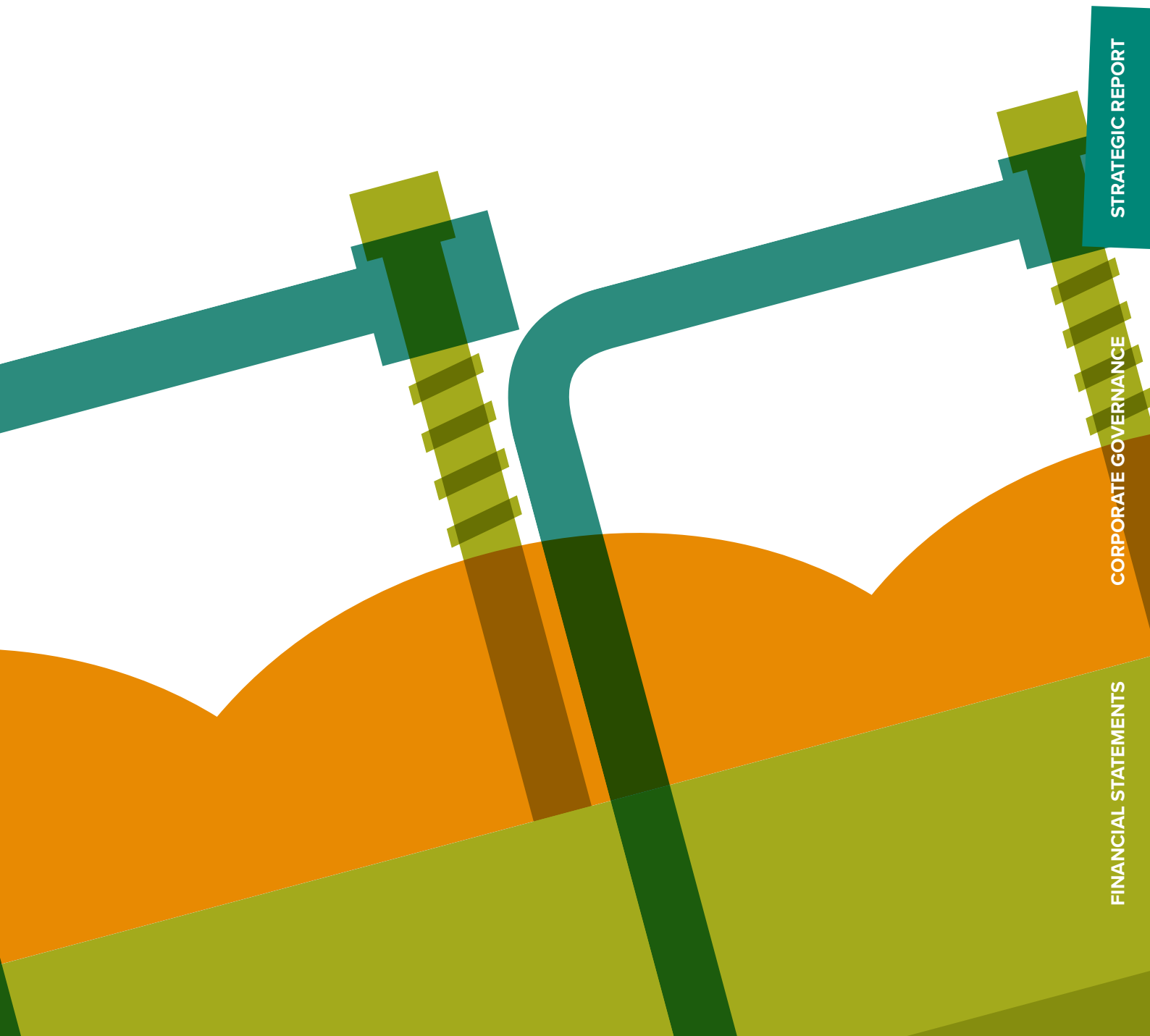
Strategic report

CHAIRMAN'S STATEMENT PAGE 6

CHIEF EXECUTIVE'S STATEMENT PAGE 8

FINANCIAL REVIEW PAGE 22





Chairman's statement

"We have undergone a process of transformational and structural change, and the Company is firmly positioned for the continued execution of our disciplined strategy."

DAVID E. JOHNSON
Chairman of the Board

As my first statement to shareholders as Chairman, I am delighted to report the business's continued progress and development. Against a challenging industry backdrop, the resilience of our business model is evident, and I am very proud of the way we maintain our focus on our strategy to deliver a consistent, profitable cash flow from our low-cost asset base. The primary objective this year was to build on the foundations of transformational growth delivered in the prior year by ensuring the Company is well structured to realise maximum value for the future.

During the year, we made various acquisitions that further diversified and strengthened our portfolio, and demonstrated our ability to identify low-cost, accretive assets that unlock further value from the existing portfolio by delivering synergies and optionality. Our Smarter Well Management programme remains effective in terms of maintaining steady production that offsets the natural declines and highlights the organic opportunities that remain within our large portfolio of assets.

In line with our ambition to continue to grow DGO by executing on, and staying disciplined to, our strategy, we set in motion the plan to obtain an admission of our ordinary shares for listing on the Premium Segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange. To that end, the Company has undertaken a thorough review of all aspects of the business to ensure the appropriate framework will be in place to support this goal. As part of this review, and desiring to align our accounting and legal oversight with the demands of the larger and more complex organisation that DGO has become, we appointed PricewaterhouseCoopers LLP as our new registered public accounting firm, and Latham & Watkins LLP as our new lead legal counsel.

Alongside the continued focus on our strategy, we achieved significant milestones in strengthening core areas of the business. Our stakeholders continue to place increasing focus on corporate governance, and we responded to these changes with rigour, engaging external consultants to advise on best practices, including Board independence, composition and diversity, and the effective rollout of our Environmental, Social and Governance ("ESG") programme. We made good headway on this during the year, with the

"Maintaining a healthy capital structure is fundamental to the success of any business, especially one that is committed to returning cash to shareholders through regular dividends.

appointment of three new Independent Non-Executive Directors to the Board as well as my new role as Independent Non-Executive Chairman. David Turner now chairs the Audit and Risk Committee, and Sandy Stash and Melanie Little bring significant operational knowledge to the Board with their appointments. All three new Directors have been excellent additions, strengthening and diversifying our governance structures and taking the Board to eight members, with four being independent.

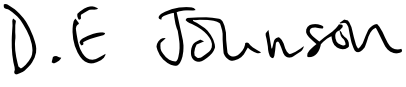
The appointments also bring essential experience in terms of sustainability and meeting the requirements and expectations of the ESG community. We will soon launch our inaugural 2019 Sustainability Report which provides insight into the economic, environmental and social impacts of our activities, as well as plans to mitigate any impacts and risks. Our Sustainability Report will also show that our business model results in environmental stewardship as we invest in improving the operational integrity and safety of mature, producing wells. These investments generate positive returns for the communities in which we operate and for our shareholders. Climate change is a complex global issue and a concern of many of our stakeholders, thus we want to ensure we conduct our business with transparency and responsibility. The exploration and production ("E&P") landscape is broad, and whilst as an operator of mostly mature, existing natural gas wells we are not faced with the same risks associated with development companies or explorers, we wholly recognise the importance of transparent communication regarding our activities and the correlation with overall performance. We strive to adhere to quality operating standards, with a strong focus on health, safety and environment to provide for the safety of our people, local communities and the environments where we operate. You can read more about our ESG efforts in the Sustainability Report included in our 2019 Annual Report.

Robert Post has decided to step down from the Board at the time of the Annual General Meeting in April this year. Mr Post was instrumental in founding the Company, together with Rusty Hutson, and was my predecessor as Chairman. His knowledge of the industry and wise guidance has been invaluable as the Company has grown, and I would like to thank him, on behalf of the Board, for his outstanding contribution to the success of the Company. Mr Post remains a sizeable shareholder, and we welcome him continuing to take a keen interest in the Company.

Maintaining a healthy capital structure is fundamental to the success of any business, especially one that is committed to returning cash to shareholders through regular dividends. This year signified the introduction of our innovative first asset-backed securitisation, a unique financial instrument in the gas and oil market, and an additional stepping stone towards an optimal capital structure that reinforces the longevity and financial well-being of the Company. We already stand out in the market due to our unique business model, and this financial instrument further demonstrates our pioneering approach within the sector.

The Board is recommending a final dividend of 3.50 cents per share, making the total dividend attributable to the full year 13.92 cents per share (2018: 11.225 cents per share). If approved, the final dividend will be paid on 26 June 2020 to those shareholders on the register on 29 May 2020.

This year was another successful one for DGO, and I would like to thank our employees for the hard work and dedication that continues to drive our performance. I also wish to thank our shareholders, debt holders and other stakeholders for their support, which underpins our strategy and objectives. Looking ahead, we will continue to do what we do best as we work towards moving to the Main Market of the London Stock Exchange, a milestone we believe reflects the progress and ambition of the business, and explore more ways in which to deliver sustainable value to our shareholders.



DAVID E. JOHNSON
Chairman of the Board

8 March 2020

Chief Executive's statement

"DGO has demonstrated that it is a top-tier producer with a sustainable strategy that continues to deliver results for shareholders."

ROBERT R. (RUSTY) HUTSON JR.
Chief Executive Officer

The year ended 31 December 2019 was defined as one in which the Company continued its strategic development and enhanced its overall structure to ensure its ability to deliver sustainable, long-term growth and returns for our shareholders.

The prior year had been truly transformational, with a series of material acquisitions that delivered a step-change in production and the financial profile of the Company. During 2019, the Company's focus was on optimisation and value realisation from the enlarged portfolio, whilst also delivering further material value-accretive and strategically synergistic acquisitions in line with our growth strategy.

The Company continued its unwavering strategic focus on operating efficiencies and financial discipline, ensuring DGO delivered growth and value for shareholders, despite the challenging environment that affected the U.S. natural gas market in the second half of the year. It is the Company's unique business model that sets DGO apart from its regional and quoted peers and provides the resilience to deliver these robust operational and financial results set out within this Annual Report. Consistent with the message delivered since coming to the market in 2017, DGO is not a traditional E&P, and it is the "DGO difference", defined as its focus on low-risk cash flow and shareholder returns, that underpins its investment proposition.

As alluded to in the Chairman's statement, the Company also delivered considerable progress in enhancing our governance structures and responding to the requirement for more transparent communications with regard to the sustainability of our operations. The Company's long-term growth ambitions will be better supported by the initiatives delivered in the year, and DGO remains well positioned to mark the next notable milestone in its development by moving onto the Premium Segment of the Main Market in the months ahead.

$135m Shareholder distributions ~50% of Adjusted EBITDA

$273m Adjusted EBITDA

A TOP-TIER PRODUCER WITH A SUSTAINABLE STRATEGY

The Company's exit rate for 2019 was 94.8 MBoepd, representing an increase of 35% from the prior year. At these volumes, DGO has established itself as a prominent independent producer on the London market. Such has been the rate of growth since our admission to AIM in 2017 that the original portfolio of assets with which we came to the market now represents just 3% of the current portfolio.

The Company's focus has been, and will continue to be, on natural gas, whether it is from conventional or unconventional wells. Our business model is based on a portfolio of assets with a consistent profile, being producing gas wells that have either reached or are nearing a production plateau, thereby providing long-term visibility on production and associated cash flow. Currently, all of DGO's production comes from an asset base spanning the Appalachian Basin, where the geographic proximity of the wells, supported by a sizeable midstream operation, helps protect and enhance margins, even in the low-price environment currently being experienced in our market. This unique model is proven, supported through consistent profitability and significant shareholder returns, and the effectiveness of the model improves with scale. Whilst the current focus is solely on Appalachia, a region that continues to provide running room for further inorganic growth, we believe the model can be replicated in similar producing basins in the U.S. and we regularly screen opportunities outside of Appalachia.

This acquisition strategy is effective in any pricing environment. In a high-price environment, vendors may divest of non-core assets as they seek to accelerate drilling. In the low commodity price environment, as we are currently experiencing, opportunities arise as sellers seek to divest in order to provide an essential source of capital in an otherwise capital-constrained market. Having completed some $1.5 billion of acquisitions since 2017, DGO has proven its ability to identify, execute and integrate corporate and asset type transactions that fit with our growth strategy, and has subsequently established itself as one of the leading consolidators in this market. The Company will continue to adopt this disciplined approach to inorganic growth, acquiring assets that meet the strict criteria of being value-accretive, margin-enhancing and strategically complementary. Furthermore, the Company is committed to maintaining balance sheet leverage below 2.5x Net Debt/Adjusted EBITDA and will continue to fund inorganic growth through a prudent mix of debt and equity.

DELIVERING ON OUR STRATEGIC OBJECTIVES

The Company has demonstrated that it is a top-tier producer with a sustainable strategy that continues to deliver results for shareholders through its clearly stated objectives, underpinned by its exceptional assets. It has long been a part of DGO's business model to return to shareholders approximately 40% of its free cash flow in the form of dividends. During 2019, we paid some $82 million in dividends to our shareholders. These dividends totalled 13.62 cents/share, an increase of more than 70% as compared to the dividends paid in 2018 of 7.98 cents/share. In addition, as a complement to our dividend policy, our one-year share buy-back programme which commenced in April 2019 represented another $53 million in funds directed back to shareholders in 2019. Together, the dividend and share repurchase programmes returned approximately $135 million to shareholders, representing nearly 50% of our 2019 hedged Adjusted EBITDA of $273 million.

Our proactive approach to hedging also provided indirect tangible benefits for our shareholders, as hedge gains during the year added nearly $50 million in revenues. Our hedge strategy of opportunistically layering on appropriately structured hedge contracts at advantageous prices and tenors allows DGO to capitalise on beneficial price movements in a constantly changing, forward gas-price market. Heading into 2020, for example, approximately 90% of our gas production is hedged at a NYMEX floor price of $2.70/MMBtu, a strong premium to the current gas price curve.

The table overleaf highlights a summary of the financial metrics for the Group:

Chief Executive's statement continued

STRATEGIC OBJECTIVE	UNIT	FY2019	FY2018	% CHANGE
Grow through accretive acquisitions	$m	430	938	(54)
Increase production	MBOEPD	84.8	41.0	107
Increase proved-developed-producing reserves	MMBOE	563	474	19
Increase PV-10 reserves	$b	1.9	1.6	19
Increase revenue (Hedged)[1]	$m	511.7	274.0	87
Increase revenue (Unhedged)	$m	462.3	289.8	60
Reduce operating costs[2]	$ per BOE	6.54	7.21	9
Reduce unit recurring G&A	$ per BOE	1.17	1.34	13
Adjusted EBITDA (Hedged)	$m	273.3	146.2	87
Adjusted EBITDA margin (Hedged)	%	53	53	0 points
Adjusted EBITDA (Unhedged)	$m	223.8	161.9	38
Adjusted EBITDA Margin (Unhedged)	%	48	56	-8 points
Dividends paid	¢/share	0.1362	0.0798	71

[1] Includes the impact of settled hedges
[2] Includes base lease operating expenses (such as maintenance, repairs, insurance, employee benefits and automobile expenses), owned gathering and compression expense, third-party gathering and transportation expenses and production taxes
[3] See Note 6 in the Notes to the Consolidated Financial Statements for more information regarding recurring G&A

CLIMATE CONSCIOUSNESS

The theme of climate change is generating more momentum globally, and DGO is wholly committed to environmental stewardship. At DGO, we have a robust approach to sustainability, underpinned by our commitment to high standards of corporate behaviour, social responsibility and environmental stewardship. Consistent with our growth strategy, one of our fundamental operational objectives and differentiating factors is our disciplined emphasis on managing later-life, producing wells fully to their natural end-of-life potential before safely and responsibly retiring those wells.

With approximately 99% of total production being from existing natural gas and natural gas liquids ("NGLs"), DGO is supporting the U.S.'s drive to reduce carbon dioxide emissions. Approximately 37% of the total U.S. natural gas supply comes from Appalachia, and that production continues to be a major contributor to the consistent and substantial reductions in U.S. carbon dioxide emissions.

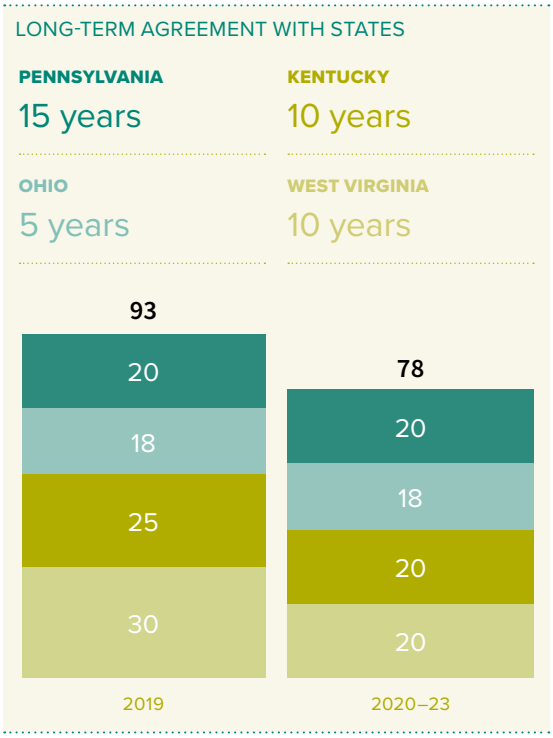
ENVIRONMENTAL STEWARDSHIP

Our commitment to environmental stewardship is unwavering and is a foundational aspect of our business model. We recognise and embrace our responsibility as an operator of approximately 60,000 producing wells across the Appalachian Basin. We have always made provision for our well asset retirement obligations, and we continue to enhance – and in some cases, extend – our multi-year arrangements with the various state environmental regulatory agencies to strengthen our commitments.

In March 2019, we were pleased to complete a 15-year agreement with the Pennsylvania Department of Environmental Protection ("DEP"), setting out the Company's asset retirement obligations. This agreement was a significant event for DGO, given that the Company operates approximately 23,000 wells in Pennsylvania. The visibility afforded by this agreement was further supplemented by a five-year agreement in Kentucky, announced in February 2019, which was subsequently extended in October 2019 by an additional five years.

These new agreements followed DGO's demonstration of its ability, and commitment, to successfully return to production wells acquired from previous operators, thereby having a positive environmental and economic impact in these states through job creation, taxation and other economic stimuli related to these wells.

The Company now has agreements of 10 years or longer with Kentucky (10 years), Pennsylvania (15 years, extendable to 20 years) and West Virginia (15 years), covering more than 75% of our total gas and oil wells with related bonding arrangements in these states



approximating $12.5 million in aggregate. Including the Company's existing five-year agreement with Ohio, DGO has agreements in place that cover more than 98% of our total gas and oil wells.

These agreements provide certainty for each of the states of our commitment to fulfil our obligations as an operator of gas and oil wells, whilst providing all parties with clear long-term and transparent visibility into our asset retirement activities, the related liabilities and our ability to fund retirement from free cash flow. During 2019, DGO plugged ~100 wells at an average cost of approximately $24,200 per well in Kentucky, Pennsylvania, Ohio and West Virginia, meeting our obligation for each state and demonstrating our commitment to environmental stewardship. Furthermore, we continue to look for innovative ways to reduce the impact on the environment during our retirement activities.

MORE STRATEGIC GROWTH

The Company's rapid growth trajectory has been predicated on M&A, as we took advantage of a compelling divestment window in the Appalachian Basin to achieve scale through a targeted acquisition strategy. Whilst the scale of acquisitions in 2019 did not match the transformational growth achieved in the prior year, DGO delivered a number of material and bolt-on transactions with the same strategic focus and entrepreneurial spirit. The acquisitions of assets from HG Energy and EdgeMarc Energy enhanced and diversified production whist two natural gas gathering system bolt-ons helped to expand our midstream capabilities and enhance the financial synergies and operational efficiencies of the overall portfolio. The successful integration of these assets is largely complete, and the producing wells are performing in line with our expectations.

The $400 million (gross) acquisition of assets from HG Energy in April 2019 added a combined net daily production of over 20 MBoepd from 107 unconventional producing wells. These unconventional assets represented the first wholly unconventional asset package DGO has acquired, and further demonstrated our stated objective of acquiring producing assets which offer synergistic opportunities for operational efficiencies due to their similar productive profile and geographic proximity. The proximity of the HG assets in Pennsylvania and West Virginia did exactly that and took net production to over 90 MBoepd. The acquisition was funded through a combination of placing new shares with existing and new shareholders, which raised $234 million (gross), and a drawdown from the Company's existing credit facility.

In July 2019, we announced that DGO had entered into a "stalking horse" Asset Purchase Agreement with EdgeMarc Energy Holdings, debtors-in-possession under title 11 of the U.S. Code and pursuant to voluntary petitions for relief filed under chapter 11 of the U.S. Bankruptcy Code.

$1.5bn

ACQUISITIONS SINCE 2017

"The Company's rapid growth trajectory has been predicated on M&A, as we took advantage of a compelling divestment window in the Appalachian Basin to achieve scale through a targeted acquisition strategy."

Chief Executive's statement continued

750

NON-PRODUCING WELLS PLACED BACK INTO PRODUCTION IN 2019

In August 2019, we confirmed that our bid of $50 million (or approximately $48 million in cash after customary purchase price adjustments) had been successful and the transaction was funded through existing debt. The assets acquired included 12 producing unconventional Utica natural gas wells with associated production (~99% gas) of approximately 46 MMcfe per day (~7.7 MBoepd) and related facilities in the Monroe and Washington counties in the State of Ohio; three drilled but uncompleted wells ("DUCs"); and undeveloped land containing deep Utica rights. We also paid approximately $1.6 million (net of hedge cash settlements from the 1 August 2019 effective date) for EdgeMarc's natural gas financial hedge portfolio. This highly accretive acquisition exemplified DGO's entrepreneurial nature and agility to identify unique opportunities and execute transactions on compelling valuation multiples that are in line with our stated strategy. This point was further supported by the update in November 2019, when we announced the sale of the non-producing assets – including the three DUCs – for a total of $10 million. This transaction successfully monetised assets that were not in line with our core strategy and reduced the net cost of the 12 producing wells by some 20% to only $38 million. Furthermore, it demonstrated a commitment to efficiently operate producing assets, reduce debt and enhance liquidity in order to consider other assets that fit our stated strategy.

In addition to expanding upstream production to approximately 94.8 MBoepd, DGO also completed the purchase of two separate natural gas gathering systems in Pennsylvania and West Virginia in September. The assets, purchased from Dominion Gathering and Processing, Inc. and Equitrans, LP for a total cash consideration of $7.7 million (including purchase price adjustments), comprise approximately 1,700 miles of low-pressure wet and dry gas gathering pipelines together with compressors, measurement stations and related facilities and equipment. Combined with our existing southern midstream system, the Company now owns and operates approximately 12,000 miles of natural gas gathering and transporting pipelines across the Appalachian Basin.

The ability to control the flow of our gas whilst simultaneously increasing our market optionality and net cash margins is a core aspect of DGO's strategy and business model.

Our expanding midstream provides multiple operating and financial efficiencies including:

- increasing third-party midstream revenues from tariffs charged and production volumes retained and sold that together partially offset costs to operate the systems;
- allowing control of gas production flow through these systems, thereby increasing optionality to reroute gas to sales points with higher realised prices that would expand cash margins;
- eliminating the risk of future rate increases to move gas on the systems, which further insulates DGO's low operating cost structure;
- advancing synergies with our existing midstream network, allowing for operating and staffing optimisation to reduce the assets' operating costs; and
- providing visible opportunities to deploy DGO's expertise to enhance the systems' efficiency with incremental, low-cost and short pay-back maintenance initiatives.

THE DGO DIFFERENCE

A core aspect of DGO's business model is our ability to extract maximum value from acquired assets by deploying rigorous field management programmes that optimise production, extend well life and create efficiencies that reduce unit operating costs and improve margins. We refer to this as the "DGO difference", and it is our disciplined growth and focussed execution based on operating efficiencies that create value.

Our Smarter Well Management programme is the principal component of our operating mantra, as we offset natural declines by improving production on active, producing wells and return to production previously inactive wells. In 2019, the Company returned

approximately 750 non-producing wells back into production. This programme continues to yield results and highlights the efficiency of our operations and the low-risk organic opportunity within the portfolio. To put this important factor into context, we have managed to arrest an otherwise average 5% annual declining production from our legacy assets (those wells owned prior to the acquisition of HG Energy and EdgeMarc assets) and instead maintain production from the legacy portfolio at a steady rate of 70 MBoepd for six consecutive quarters through year end 2019.

The remaining production of 24 MBoepd is generated from our high-quality, unconventional Marcellus and Utica wells acquired from HG Energy and EdgeMarc Energy. Whilst these wells are currently displaying higher natural decline rates, due to the type and age of the wells compared with the legacy portfolio, the decline curve will normalise to a steady, exponential decline over an anticipated well life exceeding 50 years. The management of the wells is similar, and in some cases more efficient, to the conventional wells and they therefore represent a consistent asset profile to the conventional assets.

OPERATING EFFICIENCIES

As previously referenced, DGO's ability to drive operating efficiencies is a fundamental aspect of its business model and investment thesis. The management team maintains a relentless focus on enhancing margins and driving down costs.

Through 2019, the Company enacted several operational initiatives that delivered an annual cost savings and positive EBITDA impacts of circa $8 million, including payroll synergies ($3.5 million); water initiatives to eliminate third-party costs ($1 million); marketing and transportation initiatives to leverage the expanded midstream system, and optimise resource flow and firm transportation costs ($2.2 million); and early termination of two firm transportation contracts ($1 million).

Further initiatives that are currently underway include a rerouting opportunity through our expanded gas gathering system to realise price arbitrage opportunities in the basin and electricity initiatives to reduce the electricity expenses of compression stations by converting to natural gas. Collectively, these initiatives are expected to result in annual savings in the range of $3 to $5 million, the impact of which will be realised through 2020 and beyond.

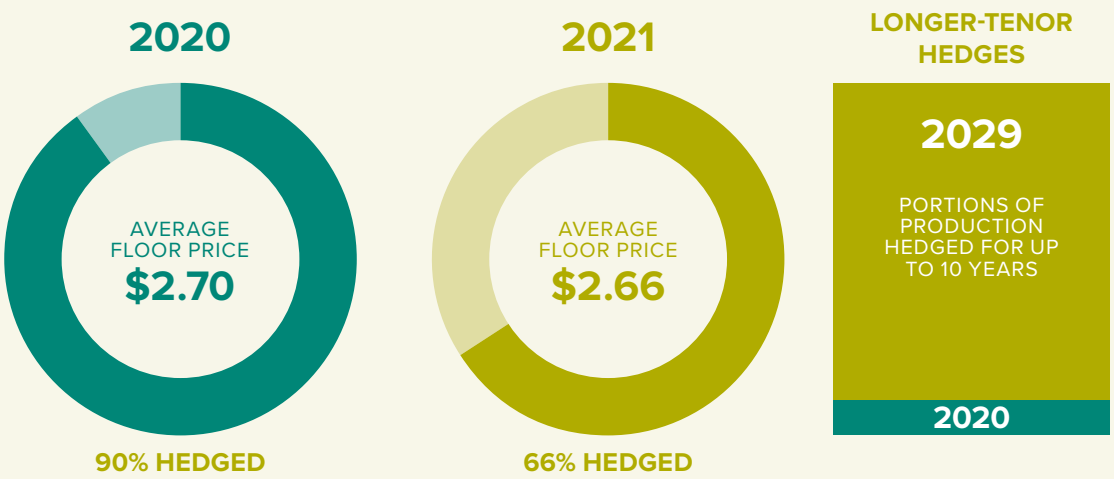
DIGITALISATION AND DATA MANAGEMENT

With the scale of our operations, DGO has become a "big data" company, necessitating us to have the proper systems in place to effectively manage diverse and expansive data. During 2019, DGO successfully planned, designed, tested, and implemented a network of accounting, production, land and measurement systems into a single data platform. With these systems in place, we will have streamlined data analysis and reporting for improved business intelligence and strategic decision-making; improved data consistency, accuracy and integrity; and standardised workflow processes – all in an enhanced, secure environment.

MARKET CONDITIONS

Currently, DGO has a pure focus on the Appalachian Basin, a region transformed over the last decade by the technological revolution in horizontal drilling, which has unlocked vast shale resources with E&Ps achieving robust well-level returns resulting from significant production levels. This revolution created the divestment opportunity that DGO has capitalised on by acquiring non-core assets from vendors whose primary focus is on unconventional drilling and development. It has also led to a huge increase in supply in the U.S.,

MAJORITY OF NEXT 12–24-MONTH NATURAL GAS PRODUCTION HEDGED ($/MMBTU)



Chief Executive's statement continued

outpacing demand, and has helped to establish the U.S. as the world's largest producer of natural gas.

The resulting low-commodity price environment highlights the importance of DGO's focus on operating efficiencies, low-cost assets and prudent risk mitigation, specifically with regards to responsible hedging.

Consistent with past performance, but with a renewed focus on tenors and structures that best align with DGO's producing assets, the Company is executing hedges when NYMEX prices rise, or adding basis protection when NYMEX prices decline, which often leads to basis compression. Longer-tenor hedges add durability to the Company's cash flows, insulating them from commodity price volatility. To that end, longer-tenor hedges enhance near-term cash flow by normalising a price curve in contango, effectively pulling value from the back end of the price curve into the current periods.

Through DGO's hedging strategy, the Company has locked in its cash flow for a significant portion of its production over the next 12–24 months, ensuring the Company maintains strong visibility on cash flows. Due to the unpredictable nature and volatility of natural gas pricing, representing circa 99% of DGO's revenue, it is not possible to accurately predict short-term pricing; however, the Company remains quite confident of the long-term demand for natural gas and is well positioned to upside pricing, whilst simultaneously mitigating the downside through hedging.

INTERACTIONS WITH THE FINANCIAL REPORTING COUNCIL ("FRC")

In August 2019, the Company engaged in a comment letter-review process with the Conduct Committee of the Financial Reporting Council. As a part of its regular review of periodic reports produced by UK reporting companies, the Company received a letter requesting further information in relation to the Company's 2018 Annual Report and Accounts.[1] The letter primarily focussed on:

- accounting for business combinations in respect of gains on bargain purchases and valuation of property, plant and equipment;
- asset retirement obligations in respect of the discount rate applied; and
- reconciliation of derivative movements in the balance of derivatives.

Link to Sustainability Report

We responded to the FRC's questions, providing clarifying information and proposing additional disclosures to DGO's 2019 Annual Report and Accounts. On this basis, the FRC subsequently confirmed it had closed its enquiries with a satisfactory conclusion. All disclosures that we proposed to the FRC are reflected in the 2019 Annual Report and Accounts. The FRC noted that their review did not provide assurance that the 2018 Annual Report and Accounts are materially correct, as their role is not to verify the information included therein but rather to consider compliance with reporting requirements and to stimulate improvements in the quality of corporate reporting.

GOVERNANCE OVERVIEW

Following a period of transformational growth since its admission to AIM in 2017, the Company has made significant progress in building a more rigid, fit-for-purpose governance framework that is appropriately suited to support our sustainable growth aspirations.

During the period, the Board was enhanced and strengthened through the appointment of three additional experienced Independent Non-Executive Directors who bring a wealth of industry and financial experience and broaden the range of skill sets from which the Company can benefit going forward. We were pleased to have David Turner, Sandy Stash and Melanie Little join our Board in 2019. Our Board also created a new Sustainability and Safety Committee and realigned all Board committees to strengthen DGO's oversight and to position the Company in order to execute our long-term, sustainable growth objectives.

[1] When reviewing the Company's 2018 Annual Report and Accounts, the FRC noted the limitations of its review as follows:
- Its review is based on the 2018 Annual Report and Accounts only and does not benefit from a detailed knowledge of the Company's business or an understanding of the underlying transactions entered into.
- Communication from the FRC provides no assurance that the Company's 2018 Annual Report and Accounts is correct in all material respects and are made on the basis that the FRC (and its officers, employees and agents) accept no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.
- The FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Outlook

This 2019 year marked another period of significant progress as we continued to grow, integrate and optimise the business. The US gas market continues to be a challenging environment based on the exceptionally low gas prices and abundant supply. Fortunately, DGO is built to ensure resilience in this kind of environment, and due to our low-cost operations and approach to risk mitigation through an opportunistic hedging strategy, we remain well placed to consider new opportunities that arise as a result of the market backdrop. Our continued focus on operating efficiencies will remain the key priority this year as we seek to protect and enhance margins across the business.

The Company's Smarter Well Management programme will continue to yield positive results as we work hard to continue our success in maintaining stable legacy production levels, whilst seeking to minimise the declines from the unconventional assets that make up the difference in our overall portfolio.

The Company will maintain its commitment to returning value to shareholders whilst maintaining a comfortable gearing ratio. In that regard, the business's focus on low-risk, long-visibility cash flow and unwavering financial discipline provide confidence in our ability to deliver on both of these fronts.

We look forward to completing our move to the Main Market in the first half of 2020, a symbolic move that reflects our proven business model and future growth aspirations. The Company has established itself as a top-tier producer on the London Market, and we believe the move enhances the visibility of our investment case and showcases the strength of our governance framework.

In summary, despite the challenging market backdrop, we remain well positioned to maintain our steady growth, with an exceptionally robust business underpinned by a diverse and low-cost asset base, a strong cash flow, a healthy balance sheet, a proven business model and an entrepreneurial leadership team whose primary considerations are value creation and operational excellence.

SECTION 172 STATEMENT

The Company adheres to best-in-class operating standards, with a strong focus on health, safety and environment to ensure the safety of its employees, local communities and the environment in which the Company operates. To help with this we have mapped out our key stakeholders and their topics of concern as demonstrated in the table below.

OUR STATEMENT OF PRINCIPLES AND OPERATING GUIDELINES

These are outlined in the Sustainability and Safety Committee's Report on pages 72 to 85.

SUBSIDIARIES

There are no qualifying UK subsidiary companies to report on in their own right.

ENGAGEMENT WITH UK EMPLOYEES

There are no UK employees, but we engage extensively with our U.S.-based employees. Ms Stash has been designated as the Non-Executive Director (the "Board Employee Representative Director") who will engage with the workforce and is working with the management team on engagement efforts.

STAKEHOLDER ENGAGEMENT

We have the opportunity to build relationships with various stakeholder groups each and every day. We understand that relationships matter in our business, and thus we strive to maintain positive and productive relationships with all our stakeholders. Therefore, we actively and consistently engage our stakeholder groups in order to maintain a successful sustainability programme.

We strive to provide our stakeholders with timely and effective information and responses. Further, we endeavour to treat all our stakeholders with fairness and respect as well as to ensure that we uphold the highest level of integrity in our relationships. We have identified the following stakeholders as being important to our success:

- Employees
- Local communities
- Landowners and mineral owners
- Shareholders
- Joint venture partners
- Industry associations
- Suppliers
- Capital market partners
- Financial institutions and rating agencies
- Government and regulatory agencies
- Media

SHAREHOLDERS

The Company aims to maintain its committed approach to long-term sustainability, which, alongside its strict fiscal discipline and stewardship, maximises returns to its shareholders.

Chief Executive's statement continued

STAKEHOLDER MAPPING AND ENGAGEMENT

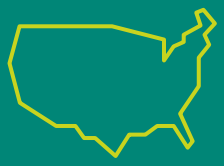
STAKEHOLDER	INTERNAL RESPONSIBILITY	TOPICS OF INTEREST	COMMUNICATION METHODS
Employees	Sr. VP – Human Resources	Employee benefits Corporate culture Equality Major accident prevention Workplace safety Workplace health and well-being Training and development Regulatory compliance	
Local communities	Chief Operating Officer	Community health Social investment Environmental management	
Land and mineral owners	General Counsel	Royalty payments Environmental compliance Surface conditions	
Shareholders	Chief Executive Officer	Return on investment Risk management Governance Funding Asset retirement Remuneration Regulatory compliance Climate change policies Equality	
Joint venture partners	General Counsel	Joint interest payments Governance Risk management	
Industry associations	General Counsel	Advocacy and lobbying Tax and payments to governments Climate change policies Regulatory requirements Environmental compliance	
Suppliers	Chief Operating Officer	Funding Governance	
Capital markets partners	Chief Financial Officer	Regulatory compliance Governance Risk management Going concern	
Financial institutions and rating agencies	Chief Financial Officer	Risk management Governance Funding Asset retirement Investment Regulatory compliance Climate change policies Remuneration Going concern	
Government and regulatory agencies	General Counsel	Advocacy and lobbying Tax and payments to governments Climate change policies Regulatory requirements Environmental compliance	
Media	VP – Investor Relations	Environmental compliance Asset retirement Funding and investment Governance Climate change policies	

Email · Telephone and conference calls · Conferences · Announcements · Meetings · Reports

Employees

Headquartered in Alabama, the Group conducts operations in the states of Pennsylvania, West Virginia, Ohio, Kentucky, Virginia and Tennessee. As of 24 February 2020, the Group had 924 full-time employees, with 768 Production employees and 156 Production Support employees located in seven states in the U.S. The Production employees operate the natural gas and oil wells as well as the Group's midstream assets, consisting of pipelines and compressor stations. An important aspect of the success of the Group's acquisition strategy is the hiring of the employees who are experienced with the acquired assets, and generally have worked with the assets for many years. By maintaining the experienced employees, the Group is able to mitigate integration risk that is inherent with acquisitions. Employee participation in "townhall meetings" provides a forum for feedback to management and an opportunity for direct engagement with the nominated Board Employee Representative Director. The Group has no UK employees at this present time.

924
FULL-TIME STAFF



7
U.S. STATES

LOCAL COMMUNITIES

We work with state and local government to support the communities in the areas where we operate, and support community programmes. The communities are often located in rural areas with limited employment opportunities, which means we can make a real difference. Not only do we provide jobs at competitive salaries to over 900 families in our areas of operation, but we also offer comprehensive healthcare benefits that can significantly improve the quality of life for employees and their families.

Our assets are located throughout the Appalachian Basin in remote forests, on working farms, near homes, schools, churches, golf courses, businesses, state parks and, in some cases, on federal lands. Simply put, it is where our employees live and work, so we strive to safely operate our producing assets and midstream systems in a manner that is respectful to our surrounding communities.

We are not an active driller of new wells since our core strategy is to acquire and operate existing gas and oil wells. Therefore, our operations are typically limited to the access and maintenance of existing assets, as opposed to the development of new, deeper wells. A key component in maintaining good community relations is our Safe and Systematic Asset Retirement programme, where we safely and permanently retire uneconomic wells and responsibly restore those well sites to their original and natural condition.

Chief Executive's statement continued

LANDOWNER AND MINERAL OWNER ENGAGEMENT

Landowners and mineral owners are very important stakeholder groups for our Company and are quite unique to the U.S. operating environment. Depending on the circumstances, each landowner may own everything on and under the surface of the property's defined boundary or may only own the surface of the property, whilst another party could own the subsurface minerals on that property. Mineral interest owners, whether also landowners or strictly subsurface interest owners, are entitled to receive royalties for their ownership share of produced gas, oil and other mineral resources within their defined ownership lease.

Effective engagement with landowners forms an important aspect of our everyday business activities. We take pride in building strong relationships with our landowners and royalty owners. We seek to work closely with them and are committed to being a transparent and trusted partner.

A key mechanism for effective engagement with the community is face-to-face interaction. We are acutely aware of the need to inform and educate the local communities where we operate. We consistently engage our various landowners to help shape their understanding of the work that we do, why we do it and the benefits that it can have across the region.

We believe that timely and accurate communication is critical. Through our ties in the communities, we are proactive in promptly resolving issues that may arise. We deal with issues and grievances as they arise and are constantly interacting and communicating with landowners and royalty owners.

JOINT VENTURE (JV) PARTNER ENGAGEMENT

Across our portfolio, we work alongside other industry partners on the production of our gas and oil reserves. As the operator, or majority interest owner, in a JV arrangement we are responsible for managing the well, paying the associated expenses to maintain the well, billing the remaining JV working interest owners their share of expenses, and distributing the revenues and royalties from the well's commodity sales. We also participate in JV agreements where we are the non-operator, or non-majority interest owner, and simply receive our working interest share of the revenues net of expenses. In all JV relationships, we seek to engage with our JV partners on a regular basis.

INDUSTRY ASSOCIATIONS

We encourage our employees to become actively involved in industry associations in their respective operating areas. By leading, participating in and championing a variety of these organisations, we believe that our support of the energy industry's associations adds value to our business through the sharing of operating best practices, technical knowledge and legislation updates, ultimately to the benefit all our stakeholders. With our active participation, we are able to encourage and support our industry in a way that protects the best interests of our stakeholders.

As an example, our employees are actively involved in the leadership of the Independent Oil and Gas Association of West Virginia and have worked with this association and other stakeholders (including state regulators and surface owners' advocacy groups) to support legislation that will create a robust fund to assist the regulators in remediating legacy, old facilities that were abandoned by their owners.

"We believe that timely and accurate communication is critical. Through our ties in the communities, we are proactive in promptly resolving issues that may arise."

GOVERNMENT AND REGULATORS

The Group's operations in the U.S. are subject to various federal, state and local (including county and municipal-level) laws and regulations. These laws and regulations cover virtually every aspect of the Group's operations. Various governmental permits, authorisations and approvals under these laws and regulations are required for exploration and production as well as midstream operations. These laws and regulations, and the permits, authorisations and approvals issued pursuant to those laws and regulations, are intended to protect, among other things, air quality; ground water and surface water resources, including drinking water supplies; wetlands; waterways; endangered plants and wildlife; natural resources; and the health and safety of the Group's employees and the communities where the Group operates.

The Company endeavours to conduct its operations in compliance with all applicable U.S. federal, state and local laws and regulations. Many of the U.S. laws and regulations referred to above are local environmental laws and regulations, which vary according to the jurisdiction in which the Group conducts its operations.

IMPACT OF SIGNIFICANT SHAREHOLDER DISSENT

The voting results of the 2019 Annual General Meeting of 17 April 2019 highlighted the fact that two resolutions received over 20% opposition from shareholders. These were resolution 4 (the election of Martin Thomas as a Director, which received 29.31% of the votes cast against it), and resolution 6 (to Authorise Issue of Equity without Pre-emptive Rights, which received 24.13% against).

The action we have taken to understand and respond to this dissent is that both had received against vote recommendations from ISS, the leading proxy-voting agency, and we became aware that a sizeable number of our investors follow their guidance.

Resolution 4: The issue that these investors and their proxy agent had concerns about was that they viewed Martin Thomas as potentially having independence issues as he sat on the Audit and Risk Committee, and Remuneration Committee, and they did not consider him to be independent. This situation has been resolved after consultation with interested parties, the appointment of new Non-Executive Directors and the fact that the Audit and Risk Committee and the Remuneration Committee now consist of only Independent Non-Executive Directors.

Resolution 6: One of the main issues seems to be that shareholders were not given the opportunity to vote on the incentive scheme directly, and this should be resolved with votes for both the Remuneration Report and the Remuneration Policy being put to shareholders at the 2020 Annual General Meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company may not successfully manage its growth

An expansion of the business of DGO may place additional demands on the management, administrative and technological resources, and may require additional capital expenditure. If DGO is unable to manage any such expansion effectively, this may adversely affect the business, future development, financial condition, results of operations, prospects, profits, cash flow, and the reputation of DGO. The Company's growth and future success will be dependent to some extent on the successful completion of such expansion strategies proposed to be undertaken. The execution of DGO's expansion strategies may also place a strain on its managerial, operational and financial reserves. Should the Company fail to implement such expansion strategies, our business operations, financial performance and prospects may be adversely affected.

Chief Executive's statement continued

Changes in the pricing environment of natural gas and crude oil commodities

Changes in commodity pricing may affect the value of DGO's natural gas and oil reserves, operating cash flow and Adjusted EBITDA, regardless of operating performance. The Company could be affected by unforeseen events outside of its control, including economic and political events and trends, inflation and deflation, terrorist attacks or currency exchange fluctuation. The combined effect of these factors is difficult to predict and DGO could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which DGO may operate. A deterioration in the economic climate could result in a delay or cancellation of the organisation's plans and strategies. The Company's management can mitigate several of these risks and streamline cash flows with adequate derivatives in place.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk and other price risk, for example, commodity price risk. The objective of market risk management is to manage and control market price exposures within acceptable limits, whilst maximising returns.

Liquidity risk

Liquidity risk arises from DGO's ability to generate cash flows from operations to fund its business requirements or to create access to non-operational sources of funding. This risk can result in DGO's difficulty in meeting its financial obligations as they become due. The Directors continually review the cash available to the Company and seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Environmental and regulatory risk

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

Financial review

Amounts in thousands except as otherwise noted

	31 DEC 2019	31 DEC 2018	$ CHANGE	% CHANGE
Net production				
Natural gas (MMcf)	166,377	79,051	87,326	110.5
NGL (MBbls)	2,807	1,467	1,340	91.3
Oil (MBbls)	407	308	99	32.1
Total (MBOE)	**30,944**	**14,950**	**15,993**	**107.0**
Average daily production (Boepd)	84,778	40,959	43,819	107.0
% gas (BOE basis)	89.6	88.1	–	–
Average realised sales price (excluding impact of cash settled derivatives)				
Natural gas (Mcf)	2.31	2.77	(0.46)	(16.6)
NGL (Bbl)	12.00	28.53	(16.53)	(57.9)
Oil (Bbl)	50.30	62.07	(11.77)	(19.0)
Total (BOE)	**14.16**	**18.74**	**(4.58)**	**(24.4)**
Average realised sales price (including impact of cash settled derivatives)				
Natural gas (Mcf)	2.47	2.62	(0.15)	(5.7)
NGL (Bbl)	19.91	27.53	(7.62)	(27.7)
Oil (Bbl)	49.74	54.88	(5.14)	(9.4)
Total (BOE)	**15.76**	**17.69**	**(1.93)**	**(10.9)**
Natural gas, NGL and oil revenue				
Natural gas	384,121	219,189	164,932	75.2
NGL	33,685	41,854	(8,169)	(19.5)
Oil	20,474	19,117	1,357	7.1
Total natural gas, NGL and oil revenue	438,280	280,160	158,120	56.4
Other revenue	1,810	2,294	(484)	(21.1)
Gathering and compression revenue	22,166	7,315	14,851	203.0
Total revenue	**462,256**	**289,769**	**172,487**	**59.5**
Gains (losses) on derivative settlements				
Natural gas	27,483	(11,979)	39,462	(329.4)
NGL	22,214	(1,462)	23,676	(1,619.4)
Oil	(230)	(2,214)	1,984	(89.6)
Net gains (losses) on derivative settlements	**49,467**	**(15,655)**	**65,122**	**(416.0)**
Per BOE metrics				
Realised price (including impact of cash settled derivatives)	15.76	17.69	(1.93)	(10.9)
Other revenue	0.77	0.64	0.13	20.3
Base lease operating expense	3.31	4.73	(1.42)	(30.0)
Gathering and compression, owned	1.42	1.00	0.42	42.0
Recurring administrative expenses	1.17	1.34	(0.17)	(12.7)
Production taxes	0.53	0.80	(0.27)	(33.8)
Gathering and transportation, third party	1.28	0.68	0.60	88.2
Operating margin	8.82	9.78	(0.96)	(9.8)
% operating margin	53.4	53.4	–	–

PRODUCTION, REVENUE AND HEDGING

Total revenue in 2019 of $462.3 million increased 59.5% from the $289.8 million reported for the year ended 31 December 2018, primarily due to 107.0% higher production and an increase in midstream revenue, both of which were positively affected by our acquisitive growth strategy. The Company ended 2019 with net MBoe sales of approximately 30,944 vs 14,950 of prior year sales. The increase in production was driven by the full integration of the previously acquired EQT and Core assets in 2H18 and the HG Energy and EdgeMarc assets in 2019. See Note 4 below for additional information regarding DGO's acquisitions.

The following table is intended to reconcile the change in natural gas, NGL and oil revenue (excluding the impact of cash settled hedges) for 2019 by reflecting the effect of changes in volume and in the underlying prices. All numbers are presented in $000s.

TOTAL REVENUE (UNHEDGED)

▲$462.3m

59.5% INCREASE

PRODUCTION

▲84.8 MBoepd

107% INCREASE

NATURAL GAS, NGL AND OIL REVENUE (UNHEDGED)

	NATURAL GAS	NGL	OIL	TOTAL
Revenue for the year ended 31 December 2018	**219,189**	**41,854**	**19,117**	**280,160**
Volume increase	242,134	38,231	6,143	286,508
Price increase (decrease)	(77,202)	(46,400)	(4,786)	(128,388)
Net increase	164,932	(8,169)	1,357	158,120
Revenue for the year ended 31 December 2019	**384,121**	**33,685**	**20,474**	**438,280**

EXPENSES

	YEAR ENDED				TOTAL CHANGE		BOE CHANGE	
	31 DEC 2019	PER BOE	31 DEC 2018	PER BOE	$	%	$	%
Base Lease Operating Expense[1]	102,302	3.31	70,643	4.73	31,659	45	(1.42)	(30)
Production Taxes[2]	16,427	0.53	11,978	0.80	4,449	37	(0.27)	(34)
Gathering and Compression[3]	44,060	1.42	14,951	1.00	29,109	195	0.42	42
Gathering and Transportation[4]	39,596	1.28	10,221	0.68	29,375	287	0.60	88
Total operating expense	202,385	6.54	107,793	7.21	94,592	88	(0.67)	(9)
General and Administrative[5]	56,619	1.83	40,524	2.71	16,095	40	(0.88)	(32)
Total cash operating expense	259,004	8.37	148,317	9.92	110,687	75	(1.55)	(16)
Depreciation and depletion (non-cash)	98,139	3.17	41,988	2.81	56,151	134	0.36	13
Total expenses	**357,143**	**11.54**	**190,305**	**12.73**	**166,838**	**88**	**(1.19)**	**(9)**

[1] Lease operating expenses are daily costs incurred to extract oil and natural gas and to maintain our producing properties. Such costs generally include maintenance, repairs, insurance, employee and benefits and automobile expenses

[2] Production taxes include severance and property taxes. Severance taxes are paid generally on produced natural gas, natural gas liquids 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 oil and gas properties and midstream assets

[3] Gathering and compression expenses are daily costs incurred to operate the Company's owned midstream assets

[4] Gathering and transportation expenses are daily costs incurred to gather, process and transport the Company's natural gas, natural gas liquids and oil

[5] General and administrative expenses include payroll and benefits for our corporate staff, costs of maintaining corporate offices, costs of managing our production operations, franchise taxes, public company costs, non-cash equity issuance, fees for audit and other professional services, legal compliance, and non-recurring costs related to acquisitions or one-time projects

Financial review continued

"The Company enjoyed a successful 2019, and we look forward to continued progress as we focus our attention on 2020.

As a result of DGO's significant, value-focussed growth, unit operating expenses decreased 9% or $1.19 per BOE. These reductions are a result of:

- lower per BOE lease operating expenses, which declined 30% or $1.42 per BOE through a mixture of disciplined cost reductions and economies of scale whereby fixed operating costs were spread across a larger base of producing assets;
- lower per BOE production taxes, which decreased 34% or $0.27 per BOE primarily due to taxes on our midstream assets that are generally fixed and are spread across a larger base of producing assets; and
- lower per BOE administrative expenses, which decreased 32% or $0.88 per BOE primarily due to the significant growth in our production base.

Administrative expenses increased by $16.1 million due to costs related to the Company's acquisition efforts and the investment made in staff and systems to support the Company's growth.

Partially offsetting these significant per BOE declines were increases to depreciation and depletion caused by the increase in production associated with the EQT, Core and HG Energy acquisitions and an increase in gathering, compression and transportation expense as result of a full year of expense related to its midstream assets, a full year of transportation expense for its EQT and Core assets and a partial year of transportation expense for its HG assets.

Refer to Note 4 for additional information regarding DGO's acquisitions.

FINANCE COSTS
Presented in $000s

	YEAR ENDED			
	31 DEC 2019	31 DEC 2018	$ CHANGE	% CHANGE
Interest	32,662	15,433	17,229	111.6
Amortisation of deferred finance cost	3,875	2,230	1,645	73.8
Other	130	80	50	62.5
Total finance costs	**36,667**	**17,743**	**18,924**	**106.7**
Loss on early retirement of debt	**—**	**8,358**	**(8,358)**	**(100.0)**

The Company's finance costs include interest expense on borrowings and non-cash amortisation of deferred financing costs. Interest expense on borrowings of $32.7 million in 2019 increased $17.2 million compared to $15.4 million in 2018, primarily due to the increase in borrowings used to fund DGO's previously mentioned acquisitions.

In April 2019, the Company increased its borrowing base on the $1,500,000, five-year senior secured credit facility from $725,000 to $950,000. The April 2019 acquisition of certain producing assets of HG Energy, discussed in Note 4, was funded partially by a $152,000 draw on the upsized credit facility. The facility has an initial interest rate of 2.50% plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00% to 3.00% plus LIBOR based on utilisation.

On 13 November 2019, the Company formed Diversified ABS LLC ("ABS"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary of the Company to enter into a securitised financing agreement for $200 million, which was issued through a BBB- rated bond (the "Securitised Note"). The Company used the net proceeds of $191 million to pay down its revolving credit facility.

The Securitised Note is secured by 21.6% of the Company's producing upstream assets, excluding the acquired EdgeMarc assets discussed in Note 4. Natural gas production associated with the 21.6% working interest was hedged at 85% at the close of the agreement using a 10-year swap and rolling two-year basis hedge.

Interest and principal payments on the Securitised Note are payable on a monthly basis, beginning 28 February 2020. During 2019, the Company accrued $1.6 million of interest related to the Securitised Notes. The legal final maturity date is January 2037, with an amortising maturity of December 2029. The Securitised Note accrues interest at a stated 5% rate. In the event that ABS has cash flow in excess of the required payments, 25% to 100% of the excess cash, contingent on certain performance metrics, is required to pay down additional principal, with the remaining proceeds remaining with the Company.

EPS AND ADJUSTED EBITDA

The Company reported statutory earnings for 2019 per diluted ordinary share of $0.15, compared to $0.52 per diluted ordinary share in 2018. However, when adjusted for certain non-cash items, DGO reported Adjusted EBITDA (hedged) per diluted ordinary share of $0.42, a 10.5% increase over the prior year's $0.38. Our Adjusted EBITDA (hedged) for 2019 was $273.3 million, an 86.9% increase over $146.2 million in 2018. Refer to Note 7 for additional information regarding DGO's Adjusted EBITDA.

CONCLUSION

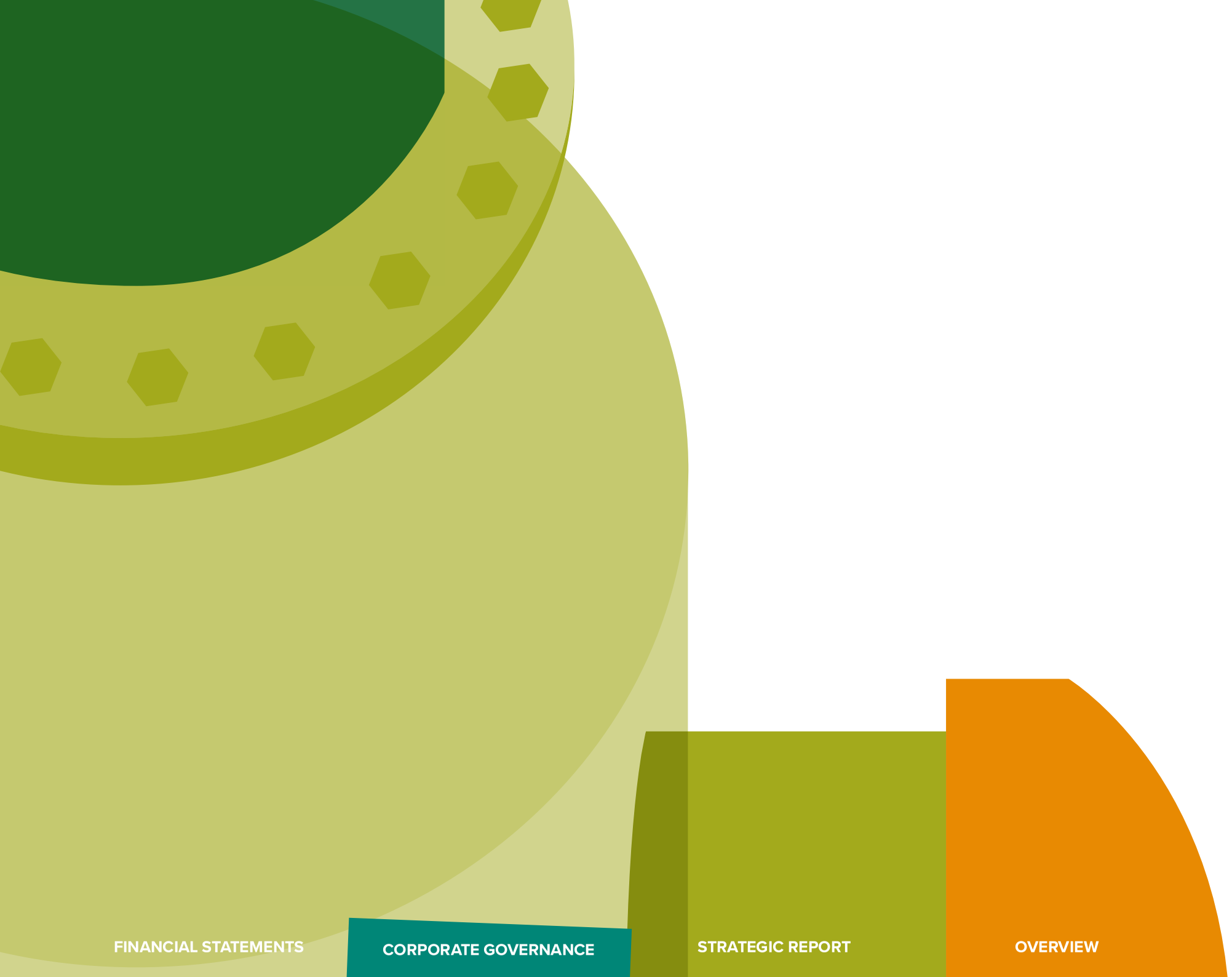
The Company enjoyed a successful 2019, and we look forward to continued progress as we focus our attention on 2020. I would like to thank the growing Diversified family for its commitment to safe and efficient operations, the Board for its diligent oversight and guidance, and our shareholders and stakeholders who entrust to us the capital to fuel our growth.

ROBERT R. (RUSTY) HUTSON JR.
Chief Executive Officer

8 March 2020

Corporate governance

BOARD OF DIRECTORS	PAGE 28
DIRECTORS' REPORT	PAGE 30
THE CHAIR'S GOVERNANCE STATEMENT	PAGE 36
THE NOMINATION COMMITTEE'S REPORT	PAGE 48
THE AUDIT AND RISK COMMITTEE'S REPORT	PAGE 50
THE REMUNERATION COMMITTEE'S REPORT	PAGE 58
REMUNERATION AT A GLANCE	PAGE 62
THE SUSTAINABILITY AND SAFETY COMMITTEE'S REPORT	PAGE 72


FINANCIAL STATEMENTS
CORPORATE GOVERNANCE
STRATEGIC REPORT
OVERVIEW

Board of Directors

During the year there was substantial strengthening of the Board ahead of the proposed move to the Main Market with the appointment of a new Independent Chair and four Independent Non-Executive Directors, as outlined in detail in the Nomination Committee's Report on pages 48 to 49.

The current Board consists of eight Directors: an Independent Non-Executive Chair; two Executive Directors and five Non-Executive Directors, of whom five are Independent.

1. DAVID E. JOHNSON
Independent Non-Executive Chair

Committee membership:

Appointed: 3 February 2017 and as Independent Chair of the Board on 30 April 2019

Experience: Mr Johnson has enjoyed a long and successful career in the investment sector. He has worked at a number of leading City investment houses, as both an Investment Analyst and Investment Manager, and more recently in equity sales and management. During his career he worked for Sun Life Assurance, Henderson Crosthwaite and Investec Securities. At Investec, David served as Head of Sales and was an Executive Director of Investec Investment Bank. He joined Panmure Gordon & Co in 2004 where he worked until 2013, including as Head of Sales from 2006 and then Head of Equities from 2009. He joined Chelverton Asset Management in 2014, where he had responsibility for the Group's private equity investments.

Key strengths: Investment sector knowledge; providing strong leadership of the Board in its role of overseeing strategy and developing stakeholder relations.

Current external roles: Bilby PLD (NED), a holding company providing a platform for strategic acquisitions in the gas heating and general building services industries; and Chelverton Equity Partners, (NED) an AIM-listing holding company.

2.ROBERT R. (RUSTY) HUTSON JR.
Co-Founder and Chief Executive Officer

Committee membership: None

Appointed: 31 July 2014

Experience: Mr Hutson Jr. is the fourth generation in his family to immerse himself in the gas and oil industry, with family roots dating back to the early 1900s. Rusty spent many summers of his youth working with his father and grandfather in the oilfields of West Virginia. He graduated from Fairmont State College (WV) with a degree in accounting. After college, Rusty spent 13 years steadily progressing into multiple leadership roles at well-known banking institutions such as Bank One and Compass Bank. His final years in the banking industry were spent as CFO of Compass Financial Services. Building upon his experiences in the oil and gas industry, as well as the financial sector, Rusty established Diversified Gas & Oil in 2001. After years of refining his strategy, Rusty and his team quietly took DGO public in 2017. He continues to lead his team and expand the Company's footprint throughout the Appalachian Basin. With a rapidly growing portfolio, Rusty remains focussed on operational excellence and creating shareholder value.

Key strengths: Deep understanding and leadership in the gas and oil sector; strong track record in developing and delivering against strategy.

3. BRADLEY G. GRAY
Chief Operating Officer and Finance Director

Committee membership:

Appointed: 24 October 2016

Experience: Prior to joining the Company in October 2016, Mr Gray held the position of Senior Vice President and Chief Financial Officer for Royal Cup, Inc., a U.S.-based commercial coffee roaster and wholesale distributor of tea and other beverage-related products. Prior to Royal Cup, Inc., from 2006 to 2014, Brad worked in the petroleum distribution industry for the McPherson Companies, Inc. and held the position of Executive Vice President and Chief Financial Officer. Before McPherson Companies, he worked for over a decade in various financial and operational roles with the previously listed NYSE retail group Saks Incorporated. Brad received a BSc degree in accounting from the University of Alabama and earned his CPA license (Alabama).

Key strengths: Corporate structure; operational processes and management; acquisition integration; finance; strategic support to the CEO.

4. MELANIE A. LITTLE
Independent Non-Executive Director

Committee membership:

Appointed: 19 December 2019

Experience: Since 2017, Melanie has served as the Senior Vice President of Operations and Environmental Health, Safety and Security at NYSE-listed Magellan Midstream Partners LP ("Magellan"). Between 2004 and 2017, Melanie served in various positions at Magellan, including environmental, health and safety management roles, Director of Transportation Services for Refined Products and Marine, and VP-level positions in Crude Oil Commercial and Operations. At Magellan, Melanie has had the opportunity to work in environmental, health, safety and security leadership positions and commercial (refined, marine and crude) leadership positions as well as to lead the field operations team, which consists of assets in 24 states and ~1,100 team members. Prior to joining Magellan in 2004, Melanie worked for the Williams Companies, Inc. ("Williams") as Manager of Environmental Compliance. Prior to joining Williams, she held project management positions in the areas of civil construction and environmental remediation projects on behalf of the U.S. Army. Melanie holds a BSc in environmental engineering from the United States Military Academy at West Point and an MSc in civil engineering from the Georgia Institute of Technology.

The Corporate governance Code recommends that the chair of the Remuneration Committee should have served on a remuneration committee previously for at least 12 months. While Melanie has not served as a Board member on a remuneration committee for at least 12 months prior to her appointment as Chair of the Remuneration Committee, she has experience in engagement with compensation matters with Board Directors in the U.S. Since January 2018, Melanie has regularly attended meetings of the Compensation Committee of Magellan Midstream Partners LP, a company listed on the New York Stock Exchange, and is responsible for developing and briefing the committee on the annual environmental and safety framework and associated metrics for the annual incentive plan, which applies to all 1850+ employees and compises 25% of the annual payout for all employees (executive and non-executive). She is responsible for providing the recommended annual payout, which is discretionary for this component, to the committee. In addition, she has extensive experience in annual remuneration processes as she is ultimately responsible for working with appropriate internal and external

COMMITTEE MEMBERSHIPS

Audit and Risk · Nomination · Remuneration · Sustainability and Safety · Chair

stakeholders in order to establish all compensation for her team, which consists of ~1,100 team members across a wide range of skills and applicable compensation. This includes remuneration (~$100 million per year), bonus and long-term incentive plan awards. Melanie also serves as Chair of the Management Benefits Committee of Magellan Midstream Partners LP, regularly dealing with matters related to health insurance, pensions, 401Ks, ancillary employee benefits and other related matters. In light of Melanie's extensive experience of remuneration matters and her participation with compensation and benefits of a major public company, the Board believes that she has more than sufficient experience to chair the Remuneration Committee. The Board believes that with the current composition of the Remuneration Committee, including the Chair of the Board, and with Melanie as Chair of the Remuneration Committee, the committee possesses the desirable range of skills and experience necessary for the effective functioning of the Remuneration Committee following admission.

Key strengths: Project management; environmental, health and safety management and compliance.

Current external roles: The Discovery Lab

5. ROBERT M. POST

Co-Founder and Non-Executive Director

Committee membership: None

Appointed: 31 July 2014

Experience: Prior to retiring from Diversified in an executive capacity in 2017, Mr Post held a pivotal role as a Co-Founder with Mr Rusty Hutson Jr. For over 12 years, Robert helped establish Diversified as a proven and established producer throughout the Appalachian region. He has enjoyed a long and successful career as a business leader, and his expertise has been inherent to the growth and success of several companies. Notably, his tenure as Controller for Whiting Corporation led him to the establishment of TramBeam, an overhead crane company that he purchased from the firm. Robert owned and operated TramBeam successfully for 20 years before selling it in 2002 to a London-based corporation, FKI Industries. His additional accolades include a BSC degree in accounting with a minor in finance from Jacksonville State University in Alabama.

Key strengths: Business growth and leadership; entrepreneurship; accounting knowledge.

6.SANDRA (SANDY) M. STASH

Independent Non-Executive Director

Committee membership: ● ● ▲

Appointed: 21 October 2019

Experience: Sandy has over 35 years' experience in the oil, gas and mining industries and has vast, global leadership experience in operations and engineering, risk and crisis management, external affairs and communications, sustainability, health and safety, and litigation. Internationally, Sandy spent many years advising businesses on natural resource, social and sustainability issues with audiences including general stakeholders; local and national media; and local, regional and national governments. A petroleum engineering graduate of the prestigious Colorado School of Mines, Sandy spent her early career as one of the first women to work as a Drilling Engineer and Well-Site Supervisor at ARCO locations across North America. Sandy's subsequent work in managing discontinued businesses for ARCO and then BP broadened her experience to include all financial, operational, legal, strategic planning, and government and media affairs. After a career with ARCO, Anaconda, TNK-BP, BP and Talisman Energy, Sandy joined Tullow Oil in October 2013, serving as Executive Vice President: Safety, Operations and Engineering, and External Affairs until moving into her present role as Executive Vice President and Executive Advisor in July 2019.

She has also served on several boards of directors including the Federal Reserve Bank of Minneapolis, the International Women's Forum (IWF), the Colorado School of Mines and, as Chair, on the Montana Tech Foundation Board of Directors.

Key strengths: Risk management and sustainability; Nominated Employee Representative Director.

Current external roles: Board of Governors at Colorado School of Mines, Institute for Sustainable Communities, International Women's Forum, OJSC Orsknefteorgsin and The Pointe at Georgetown LLC.

7. MARTIN K. THOMAS

Non-Executive Vice Chair

Committee membership: ▲

Appointed: 1 January 2015

Experience: Mr Thomas is a Partner in the corporate team of the law firm Wedlake Bell LLP in London. Martin specialises in advising on IPOs and secondary offerings of equity and debt on the London capital markets, corporate finance and M&A work, including cross-border and domestic acquisitions and disposals, joint ventures and private equity transactions. Previously named one of The Lawyer's "UK Hot 100 Lawyers" and ranked by both Chambers and Partners and Legal 500, Martin advises clients operating in a variety of sectors, including gas and oil, renewable energy, natural resources and mining, climate change, financial services and early stage technology. During his legal career of 30 years, Martin has held senior management positions including seven years as the European Managing Partner of a global law firm headquartered in the U.S.

Key strengths: Corporate law; advising on M&A; IPO work.

Current external roles: Wedlake Bell LLP (Partner), Jasper Consultants Limited (Director) and Blue Ocean Consolidated Holding Limited (Director).

8. DAVID J. TURNER JR.

Senior Independent Non-Executive Director

Committee membership: ● ▲

Appointed: 27 May 2019

Experience: Mr Turner serves as Regions Financial Corporation's Chief Financial Officer and is a member of the Regions Executive Leadership Team. Regions Financial Corporation is an NYSE-listed S&P 500 banking group. David leads all finance operations, including financial systems, investor relations, corporate treasury, corporate tax, management planning and reporting, and accounting. David joined Regions in 2005 and led the Internal Audit Division before being named Chief Financial Officer in 2010. His responsibilities included overseeing various audits of the overall corporation, reporting to the Audit and Risk Committee of the Board of Directors. Prior to joining Regions, David served as an Audit Partner of KPMG LLP and previously served Arthur Andersen LLP in a number of positions, including Audit Partner, Audit Manager, Senior Auditor and Staff Auditor. His primary focus was auditing financial institutions. David earned a BSc degree in accounting from the University of Alabama and attended Tulane University in Louisiana.

Key strengths: Financial expert with recent and relevant experience; capital markets; financial operations; audit experience.

Current external roles: Regions Financial Corporation (CFO) Junior Achievement of Alabama, Inc. (Board and Executive Committee),

Directors' report

The Directors present their report on DGO, together with the audited Consolidated Financial Statements, for the year ended 31 December 2019.

BOARD OF DIRECTORS

Directors who served during the year are:

DAVID E. JOHNSON
(Independent Non-Executive Chair)

ROBERT R. (RUSTY) HUTSON JR.
(Chief Executive Officer)

BRADLEY G. GRAY
(Chief Operating Officer and Finance Director)

MARTIN K. THOMAS
(Non-Executive Vice Chair)

ROBERT M. POST
(Non-Executive Director)

DAVID J. TURNER JR.
(Senior Independent Non-Executive Director)

MELANIE A. LITTLE
(Independent Non-Executive Director)

SANDRA (SANDY) M. STASH
(Independent Non-Executive Director)

Full biographies are set out on pages 29 to 30.

INCORPORATION AND LISTING

The Company was incorporated on 31 July 2014, and was admitted to trading on the AIM market of the London Stock Exchange on 03 Febuary 2017.

REVIEW OF BUSINESS, OUTLOOK AND DIVIDENDS

The Company is a natural gas, natural gas liquids and crude oil producer and midstream operator that is focussed on acquiring and operating mature producing wells with long lives and slow decline profiles. The Company's assets are exclusively located within the Appalachian Basin of the United States. The Company is headquartered in Birmingham, Alabama, USA with field offices located in the states of Pennsylvania, Ohio, West Virginia, Kentucky, Virginia and Tennessee.

Details of DGO's progress during the year and its future prospects, including its intended dividend strategy, are provided in the Chair's Statement and Strategic Report.

RESULTS

The Company's reported statutory earnings for 2019 per diluted ordinary share of $0.15 and when adjusted for certain non-cash items, DGO reported Adjusted EBITDA per diluted ordinary share of $0.42. DGO's Adjusted EBITDA for 2019 was $273.3 million. For more information on Adjusted EBITDA see Note 7 to the Consolidated Financial Statements.

DIVIDEND POLICY

The Board's target is to return not less than 40 per cent. of free cash flow to Shareholders by way of dividend, on a quarterly basis, in line with the strength and consistency of the Group's cash flows.

For the three months ended 31 March 2019, the Company paid a dividend of 3.42 cents per Ordinary Share on 27 September, 2019. For the three months ended 30 June 2019, the Company paid a dividend of 3.50 cents per Ordinary Share on 18 December 2019. For the three months ended 30 September 2019, the Company expects to pay a dividend of 3.50 cents per Ordinary Share on 27 March 2020. For the three months ended 31 December 2019, the Company expects to pay a dividend of 3.50 cents per Ordinary Share on 26 June 2020.

The Directors may further revise the Group's dividend policy from time to time in line with the actual results and financial position of the Group. The Board's dividend policy reflects the Company's current and expected future cash flow generation potential.

DIRECTORS' INTERESTS IN SHARES

DIRECTOR	APPOINTED	ORDINARY SHARES OF 1P	% OF ISSUED SHARE CAPITAL
Robert R. (Rusty) Hutson Jr.	31/07/2014	20,350,000	3.10
Robert M. Post	31/07/2014	20,300,000	3.10
Bradley G. Gray	24/10/2016	2,252,981	0.34
Martin K. Thomas	01/01/2015	2,100,000	0.32
David E. Johnson	03/02/2017	300,000	0.05
David J. Turner Jr.	27/05/2019	70,000	0.01
Sandra (Sandy) M. Stash	21/10/2019	—	—
Melanie A. Little	19/12/2019	—	—
		45,387,981	6.92

DIRECTORS' INTERESTS IN SHARES

The Directors' beneficial interests in DGO's share capital, including family interests, on 31 December 2019 are shown above. These interests are based on the issued share capital at that time.

FUTURE DEVELOPMENTS

The Directors continue to identify acquisition opportunities, which meet the requirements of the Company.

SHARE CAPITAL

Details of shares issued by the Company during the period are set out in Note 14 to the financial statements.

SHARE BUYBACK PROGRAMME

On 30 April 2019 DGC announced the terms of a share buyback programme to buy back the Company's ordinary shares of 1 pence each. The Programme is intended to reduce the share capital of the Company and limits the maximum number of Shares DGO can buyback to 54,265,394 under the shareholder authority granted at the annual general meeting held on 17 April 2019. As at 14 February 2020, the Company had completed the programme, with a total purchase of 51,620,015 shares for a total purchase value of $68.2 million. With regard to the net asset value of the Company, the Board believes that the programme as implemented represented an appropriate use of excess cash resources.

FINANCIAL INSTRUMENTS

Details of DGO's principal risks and uncertainties relating to financial instruments are detailed below and in Note 21 to the Consolidated Financial Statements.

RISK MANAGEMENT

Risk management is integral to all of DGO's activities. Each member of executive management is responsible for continuously monitoring and managing risk within the relevant business areas. Every material decision is preceded by an evaluation of applicable business risks. Reports on DGO's risk exposure and reviews of its risk management are regularly undertaken and presented to the Board of Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks the Board have reviewed are disclosed on pages 19 to 20 of the Strategic Report.

SHARE DEALING CODE AND AIM RULE COMPLIANCE CODE

Diversified Gas & Oil adopted a code for share dealings in Ordinary Shares appropriate for an AIM company, in compliance with Rule 21 of the AIM Rules for Companies and with the Market Abuse Regulation, and has also adopted an AIM Rules compliance code.

SUBSEQUENT EVENTS

Refer to Note 24 of the consolidated financial statements.

Directors' report continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare DGO's Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of DGO at the end of the financial year and of the profit or loss of DGO for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the applicable IFRS's as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that DGO will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain DGO's transactions and disclose with reasonable accuracy the financial position of DGO and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of DGO and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the strategic report and director's report and other information included in the annual report and financial statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the website is the responsibility of the Directors.

The work carried out by the auditors does not involve consideration of information included on DGO's website and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the Financial Statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

CONFLICTS OF INTEREST

There are: no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests and/or other duties; and no arrangements or understandings with any of the shareholders of the Company, customers, suppliers or others pursuant to which any Director or Senior Manager was selected to be a Director or Senior Manager. The Company tests regularly to ensure awareness of any future potential conflicts of interest and related party transactions.

STATEMENT AS TO PROVISION OF INFORMATION TO THE AUDITOR

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps

that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which DGO's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

SUBSTANTIAL SHAREHOLDERS

As at 28 February 2020, the Company has received notification from the following shareholders of interests in excess of 3% of the Company's issued Ordinary Shares with voting rights, being the level at which notification is required to be made to the Company pursuant to the Disclosure Guidance and Transparency Rules:

SHAREHOLDER	NUMBER OF ORDINARY SHARES	% OF ISSUED SHARE CAPITAL
Sand Grove Capital Management LLP	66,448,335	10.34
HSBC Bank PLCPlc	60,433,062	9.40
Caius Capital LLP	40,503,484	6.30
Pelham Capital Ltd.	40,086,732	6.24
AXA Investment Managers	36,467,779	5.67
Premier Miton Group plc	35,379,569	5.50
JO Hambro Capital Management, Ltd	34,858,503	5.42
Standard Life Aberdeen plc	28,126,268	4.38
Robert R. (Rusty) Hutson Jr.	20,510,000	3.19
Robert Post (Director)	20,300,000	3.16

INDEPENDENT AUDITOR

The Directors have provided the auditors with full access to all of the books and records of the Company. After an open and transparent tender process, PricewaterhouseCoopers, LLP, are to be proposed for appointment at the forthcoming Annual General Meeting in accordance with Section 485 of the Companies Act 2006.

CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and their associated report is set out on pages 30 to 35. The Company adopt the Quoted Companies Alliance (QCA) Corporate Governance Code ('QCA Code') in September 2018, and has sought to comply with all Principles as set out on pages 41 to 46. Additionally, with effect from the date of admission to the Main Market of the London Stock Exchange DGC will report against the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council, as amended from time to time, (the "Corporate Governance Code") to the extent appropriate for the size and nature of the Company.

As at 6 March 2020, the Company complies with the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council, as amended from time to time, (the "Corporate Governance Code") and a UK Corporate Governance Code Compliance Statement is provided on page 46.

ENGAGEMENT WITH EMPLOYEES' STATEMENT

The Company is exempted from some reporting requirements, as it has not employed more than 250 employees in the UK during the year under review. At present, as of 6 March 2020, the Group had 924 full-time employees, with 768 operations employees and 156 administrative employees located in seven states in the United States. Employee participation in "townhall meetings" provides a forum for feedback to management and an opportunity for direct engagement with the nominated Board Employee Representative Director.

Modern Slavery Act: As per Section 54(1) of the Modern Slavery Act 2015, our Modern Slavery Statement is reviewed and approved by the Board annually and published on our website. The statement covers the activities of the Company and details policies, processes and actions we have taken to ensure that slavery and human trafficking are not taking place in our supply chains or any part of our business. More information on our Statement can be found on our website.

Directors' report continued

ENGAGEMENT WITH STAKEHOLDERS' STATEMENT

The Company adheres to best-in-class operating standards, with a strong focus on health, safety and the environment to ensure the safety of its employees, local communities and the environment in which the Company operates. This element of reporting is discussed in the Section 172 Statement on pages 15 to 16 and in the Sustainability & Safety Committee Report on pages 80 to 83. Furthermore, the Board has appointed Ms. Stash to serve as its Employee Representative.

RELATIONS WITH SHAREHOLDERS

The Company aims to maintain its committed approach to long-term sustainability, which, alongside its strict fiscal discipline and stewardship, maximises returns to its shareholders. The Directors attach great importance to maintaining good relationships with shareholders. Extensive information about the Company's activities is included in the Annual Report & Accounts and the Interim Report. The Company also issues regular updates to shareholders.

Market sensitive information is notified in accordance with the AIM Rules of the London Stock Exchange and the Market Abuse Regulation. The Group is active in communicating with both its institutional and private shareholders. The AGM provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Company's activities. The Company maintains a corporate website where information on the Company is regularly updated, including Annual and Interim Reports and all announcements.

The Directors are available for communication with shareholders and all shareholders have the opportunity, and are encouraged, to attend and vote at the Annual General Meetings of the Company during which the Board will be available to discuss issues affecting the Company. The Board stays informed of shareholders' views via regular meetings and other communications they may have with shareholders.

ENVIRONMENTAL INFORMATION

The Company adheres to best-in-class operating standards, with a strong focus on health, safety and the environment to ensure the safety of its employees. There is extensive coverage for these issues within the DGO Sustainability Report for 2019 found on our website and in the Sustainability and Safety Committee Report on pages 80 to 83.

POLITICAL DONATIONS

The Company did not make any political donations or incur any political expenditures to candidates or political campaigns during the period.

GOING CONCERN

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements. The validity of the going concern concept is dependent on funding being available for the working capital requirements of the Group in order to finance the continuing development of its existing projects. Sufficient funds are available in the short term to fund the working capital requirements of the Group. The Directors believe that this will enable the Group to continue in operational existence for the foreseeable future and to continue to meet obligations as they fall due.

ANNUAL GENERAL MEETING

The AGM of the Company will be held in London on 15 April 2020. In addition to the usual business to be dealt with at the AGM, the Notice contains special business relating to:

- The renewal of authority for the Board to allot shares;
- The dis-application of statutory pre-emption rights on equity issues for cash;
- The granting of authority to purchase the Company's own ordinary shares;
- The approval of the directors remuneration report and the directors' remuneration policy;
- Authorisation of the appropriation of the Company's distributable profits and the deeds of release;
- The approval of amended articles; and
- The authorisation to hold general meetings (other than AGMs) at a shorter notice but not less than 14 clear days' notice.

Full details of these proposals are set out in a separate Notice of Annual General Meeting sent to all shareholders.

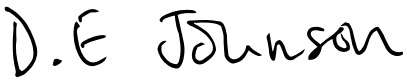
Shareholders should complete the proxy form received either by post or vote electronically in CREST in accordance with the Notes contained in the Notice of Annual General Meeting. The Notice of the Annual General Meeting and Proxy Form are available on the Company's website www.dgoc.com.

ADDITIONAL DISCLOSURES

Supporting information that is relevant to the Directors' report, which is incorporated by reference into this report, can be found on the following pages:

Corporate governance report	**Page 36**
Developments during the year	**Page 6**
Employee engagement	**Page 15**
Financial instruments and financial risk management	**Page 123**
Sustainability and Safety Committee report	**Page 72**
Dividends	**Pages 9 & 114**

By order of the Board,



DAVID E. JOHNSON
Chairman of the Board

8 March 2020

The Chair's Governance statement

DEAR SHAREHOLDER,

As a Board we have been driving our governance standards towards meeting or exceeding best practice, and it has been my privilege to work with this Board which is committed to this journey of maintaining high standards of corporate governance. As Chair of the Company, my part is to provide leadership, ensuring that the Board performs its role effectively and has the capacity, ability, structure, corporate governance systems and support to enable it to continue to do so.

The Board recognises the value and importance of high standards of corporate governance and believes that this provides the most appropriate framework for a company of our size and stage of development.

This Governance section of the Annual Report provides an update on our Board changes and Corporate Governance Policy. It includes our Corporate Governance Code compliance statements and the reports of the Audit and Risk, Nomination, Remuneration, and Sustainability and Safety Committees. In these reports, we set out our governance structures and explain how we have applied the Quoted Companies Alliance Corporate Governance Code ("QCA Code") as an AIM company and how we propose to apply the UK Corporate Governance Code (the "Code") following the completion of the move to the Main Market.

OVERVIEW OF BOARD GOVERNANCE

Whilst currently in compliance with the QCA Code, we have also embarked on a robust programme to bring the Board into compliance with the Code as we progress towards a move to obtain an admission of our ordinary shares for listing on the Premium Segment of the official list of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange ("LSE").

Alongside the continued focus on our business strategy, we achieved significant milestones in 2019 in strengthening core areas of the business. One such area of focus was corporate governance, where we engaged external consultants to advise on Board best practices, including independence, composition and diversity.

We made great progress on Board initiatives during the year, including a change in the role of Chairman and the appointment of three new Independent Non-Executive Directors to the Board. Existing Board member David Johnson was named our new Non-Executive Independent Chairman, moving that critical leadership role to an independent status. New Board appointments included David Turner Jr., who brings extensive capital markets, financial and audit experience to his role as Chair of the Audit and Risk Committee; Sandy Stash, whose years of experience in advising businesses on natural resource, social and sustainability issues will prove invaluable as Chair of the Sustainability and Safety Committee; and Melanie Little, the new Chair of the Remuneration Committee, who brings significant experience in midstream operation; environmental, health and safety management; and compliance to the Board.

These three new appointments are significant additions to our Board, strengthening and diversifying our governance structure whilst enlarging our total Board to eight members. As of the date of this Annual Report, our Board is made up of an Independent Non-Executive Chairman, two Executive Directors and five Non-Executive Directors, of whom four are deemed Independent Non-Executive Directors under the Code. Additional new Board roles include Martin Thomas as Vice Chairman, David Turner Jr. as Senior Independent Director, and Sandy Stash as Employee Representative.

KEY GOVERNANCE IMPROVEMENTS DURING 2019

The Board recognises the benefits of good governance and is seeking to apply this in a meaningful way. The Company finds itself as the parent of a rapidly evolving Group that is in an expansion and transition phase. Accordingly, the Board is acutely aware of the need to rapidly and effectively integrate new businesses into the reporting and governance framework of the Company, as determined by the Board. The Company therefore finds itself on the front line of balancing the three fundamental elements of good governance, namely to:

Deliver
business growth

and

Build
trust

whilst

Maintaining
a dynamic management framework

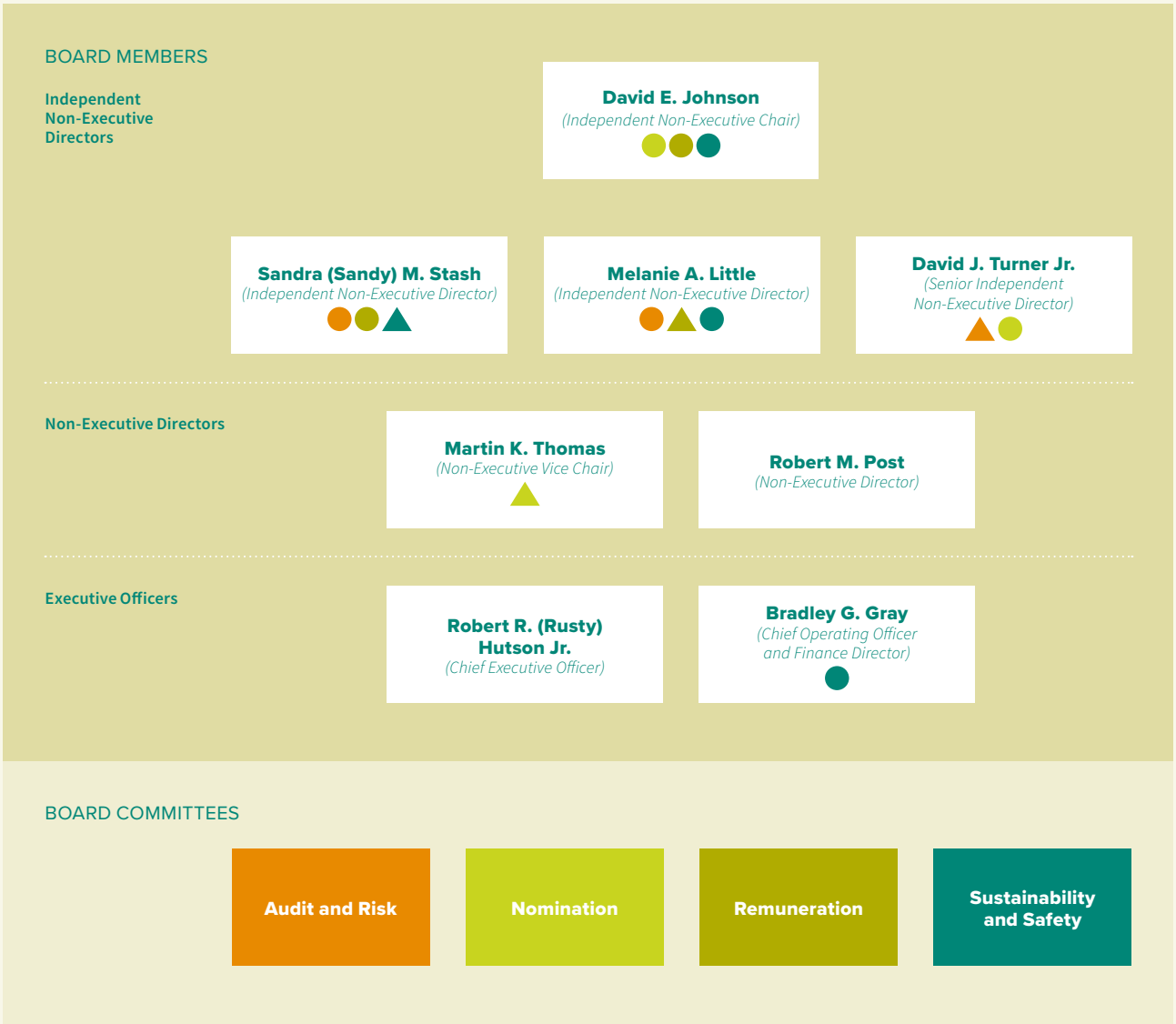
The Company appreciates the importance of good and effective communication and remains in close contact with its shareholders and other stakeholders.

The Company is actively engaged in the process of putting in place a governance framework for its rapidly expanding business. The Board feels that overall compliance with governance best practice has improved during the year under review, with the following having been achieved:

- The Nomination Committee continued the Board refreshment process during the year with an internal Board evaluation having been undertaken, outlining any additional skills from which the Board would benefit. As the result of an extensive and independent search process, three additional Independent Non-Executive Directors were appointed, which has further increased the level of Board independence.
- The Audit and Risk Committee is fully independent and continues to adopt best practice such as the rotation of the auditor by tender of the external audit appointment, and appointing a suitable candidate with relevant financial experience in order to strengthen the Company's Audit and Risk Committee.
- The Remuneration Committee is also fully independent and has a new Chair for this year, who has conducted a thorough review of the remuneration policy and practices with the support of a respected third-party remuneration consultancy. This new policy is being presented to shareholders at this Annual General Meeting for the first time.
- During 2019, the Board reviewed the Group's corporate governance Framework and it was decided to continue to adopt and measure our governance against the QCA Code, as required by AIM Rule 26, whilst concurrently moving towards compliance with the UK Corporate Governance Code 2018 version once admitted to the Premium Segment of the Main Market. Our compliance statements against both of these corporate governance codes are set out in the following sections.

The Chair's Governance statement continued

Governance framework



PARTICIPATION

Audit and Risk · Nomination · Remuneration · Sustainability and Safety · Chair

GOVERNANCE FRAMEWORK

The Company's success is directly linked to sound and effective governance and we remain committed to achieving high standards in all we do. The Directors recognise the importance of sound corporate governance and have developed governance policies appropriate to the size of the Group, with reference to the main provisions of the Corporate Governance Guidelines for Smaller Quoted Companies, published by the QCA.

As DGO grows, the Directors and Executive Management continue to review and adjust our approach and make ongoing improvements to the Company's policies and procedures as part of building a successful and sustainable company. Good governance creates the opportunity for appropriate decisions to be made by the right people at the right time.

BOARD AGENDA AND ACTIVITIES DURING THE YEAR

The Board is responsible for the direction and overall performance of DGO with emphasis on policy and strategy, financial results and major operational issues. During the year, the matters reserved for the Board's decision have been reviewed and formally documented. Specific matters for the Board's consideration include:

- approval of DGO's strategic plan;
- review of performance of DGO's strategy, objectives, business plans and budgets;
- approval of DGO's operating and capital expenditure budgets and any material changes to them;
- material changes to DGO's corporate structure and management and control structure;
- changes to governance and business policies
- ensuring an effective system of internal control and risk management;
- approval of half yearly, Annual Report and Accounts, and preliminary announcements of final-year results; and
- review of the effectiveness of the Board and its committees.

THE BOARD DELEGATES MATTERS NOT RESERVED FOR THE BOARD TO THE EXECUTIVE MANAGEMENT TEAM.

Board effectiveness, composition and independence

The QCA Guidelines recommend that at least one-third of Board members should be Non-Executive Directors. During the year ended 31 December 2019, the Board comprised a Non-Executive Chair, Chief Executive Officer, Finance Director and Chief Operating Officer, and two Non-Executive Directors, with three Independent Non-Executive Directors (NEDs) being appointed during the year. The skills and experience of the Non-Executive Directors are wide and varied and provide constructive challenge in the boardroom.

With a new Independent Non-Executive Chairman and three additional Independent NEDs being appointed, half of the Board is independent and the Audit and Risk, and Remuneration Committees are fully independent. There has also been a notable increase in gender diversity and a quarter of the Board is now female. The Board is mindful of the Hampton-Alexander recommendations and is moving towards compliance with this. The Board has a wide range of skills and competencies which are set out in the biographies above, with additional skills being added to the Board during the year. The Director designated to engage with the workforce is currently Sandy Stash.

The Board provides effective leadership and overall management of the Group's affairs. It approves the Group's strategy and investment plans and regularly reviews operational and financial performance and risk management matters. A schedule of matters reserved for the Board's decision is maintained. This includes the approval of business plans, the annual budget, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements.

The Board and its committees hold scheduled meetings each year. Additional meetings are held where necessary to consider matters of importance that cannot be held over until the next scheduled meeting.

The Chair's Governance statement continued

All Directors have access to the advice and services of the Company's solicitors and the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Company's expense in the furtherance of their duties.

The Company's Articles of Association requires one-third of the Directors to retire by rotation at each Annual General Meeting of the Company and each may be re-elected. Furthermore, every Director must stand for re-election once every three years. The Company's Articles also require any new Director appointed by the Board during the year to retire at the next Annual General Meeting.

The Board delegates certain of its responsibilities to the Board committees, listed below, which have clearly defined terms of reference.

Board committees

The Directors have established an Audit and Risk Committee, a Remuneration Committee, a Nomination Committee, and a Sustainability and Safety Committee. The members of these committees are principally from among the Independent Directors and all appointments to these committees shall be for a period of three years, but can be replaced at any time. The terms of reference of the committees have been drawn up in line with prevailing best practice, including the provisions of the Code. A summary of the delegated duties and responsibilities, terms of reference of the committees and their activities for the year are presented in their committee reports set out below.

Each committee and each Director has the authority to seek independent professional advice where necessary to discharge their respective duties, in each case at the Company's expense.

DIRECTOR DIVERSITY

75%
MALE

25%
FEMALE

DIRECTOR COMPOSITION

25%
NON-EXECUTIVE DIRECTORS

50%
INDEPENDENT NON-EXECUTIVE DIRECTORS

25%
EXECUTIVE DIRECTORS

DIRECTOR NATIONALITIES

25%
U.K.

75%
U.S.

DGO's QCA Corporate Governance Compliance Statement

As an AIM-traded company, the Board of DGO had determined to adopt the QCA Code, in the form as issued by the Quoted Companies Alliance in April 2018. The QCA Code identifies 10 principles of good governance for companies to apply and against which companies must publish certain specified related disclosure.

We believe we have been in full compliance with the QCA Code for the website and Annual Report, with QCA Code disclosure requirements having conducted a Board evaluation process, as per Principle 7. The sections below set out the ways in which the Group applies the 10 principles of the QCA Code.

PRINCIPLE 1

Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy and business model have been developed by the Chief Executive and his Senior Management team and have been approved by the Board and clearly stated to the market. Amendments to this strategy will similarly be developed by the Senior Management team and approved by the Board.

The management team, led by the Chief Executive, is responsible for implementing the strategy and managing the business at an operational level.

Our business model and strategy is clearly articulated on pages 8 to 13 and states that our strategy is to acquire new, and manage existing, oil and natural gas properties to generate cash flows and return cash to shareholders through our proven dividend policy. To date, the Group has focussed its operation on conventional natural gas and oil assets in the Appalachian Basin in the Northeastern United States. The Board considers this to be a clear and focussed business model that minimises operational, financial and legal risks to shareholders.

The Group's business model focusses on driving value maximisation for shareholders by enhancing production from acquired and existing wells through operational and cost efficiencies, both by reducing unit production and administrative costs. With our primary strategic focus on mature, low-risk, producing wells, whether conventional or unconventional, our assets are characterised as being long-life with shallow year-on-year declines.

PRINCIPLE 2

Seek to understand and meet shareholder needs and expectations

Each of the Directors attaches great importance to maintaining good relationships with the Company's shareholders. The Annual General Meeting provides a formal opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. Extensive information about the Company's activities is included in the Annual Report and the Interim Report. The Company also issues regular updates to shareholders in the form of regulatory announcements, press releases and audiocast presentations. The Company also makes available to all shareholders copies of its investor presentations and other information.

These documents can be found in the "Financial Information" section under the "Investor Resources" tab on the Company's website: https://ir.dgoc.com/financial-info.

DGO's QCA Corporate Governance compliance statement continued

In addition, any shareholder who wishes to raise any issue is invited to do so, either by contacting the Chair, Chief Executive, Chief Financial Officer or any Non-Executive Director. The Senior Independent Non-Executive Director is available to attend meetings with major shareholders without the Executive Directors present, if requested by shareholders.

The Board will use the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. Of particular note this year is that with the potential move to the Main Market, we have been seeking the views of shareholders on this move through outreach campaigns and have undertaken several shareholder engagement and investor relations activities. These have included investor roadshows, the participation of Board members at investor conferences and attendance at other events where investors have the opportunity to meet and talk to Directors.

PRINCIPLE 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, industry partners, suppliers, customers and regulatory authorities involved across the Group's activities. The activities of the Company have the potential to affect local communities, including landowners, where our assets are located and the environment more generally. Accordingly, the Group has in place positive strategies to engage with each stakeholder group, whether individually or collectively, as part of its ongoing operations. Our key policies on our relations with communities, governments and stakeholders are also outlined on pages 15 and 16.

The Group's operations and working methodologies take into account the need to balance the needs of all of these stakeholder groups whilst maintaining a primary focus on the promotion of the success of the Company for the benefit of shareholders as a whole. A broad range of stakeholders, including our supply chain partners, our employees and taxing authorities, benefit when the Group is successful. The Directors attach great importance to maintaining good relationships with shareholders, as set out on page 34 of this Annual Report.

We value the feedback we receive from our stakeholders and we take every opportunity to ensure that, where possible, the wishes of stakeholders are considered. The operations of the Group need to be carefully managed and conducted in order to reduce environmental impacts, enhance rather than impair communities, and protect our employees and others who operate at our assets. We adopt an open-door policy from the Executive team down, where employees are able to voice their opinions and make suggestions. Our strategy is set out on our website at https://www.dgoc.com/sustainability

PRINCIPLE 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

As we have already noted in the narrative setting out the manner in which Principle 3 has been applied, the positive management of risk is integral to all of the Group's activities. Each member of the Executive Management team is responsible for continuously monitoring and managing risk within the relevant business areas. Every material decision is preceded by an evaluation of applicable business risks. Reports on the Group's risk exposure and reviews of its risk management are regularly undertaken and presented to the Board of Directors. The Audit and Risk Committee is responsible for overseeing risk management and it is through this committee that the effectiveness of the Group's internal controls is annually reviewed. There is an extensive report on the Audit and Risk Committee and their activities on pages 50 to 57 of this Annual Report.

The Board has determined what it considers to be the principal risks and uncertainties facing DGO, as well as mitigating actions. These are set out in further detail on pages 19 to 20 of this Annual Report.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group has a system of regular financial and operational reporting which will flag unexpected results almost immediately in order that trends may be observed and/or mitigating actions taken. Actual performance, compared with the budget, is reported to the Board on a monthly basis.

The Company maintains appropriate insurance cover in respect of its activities. The insured values and types of cover are comprehensively reviewed on a periodic basis.

PRINCIPLE 5

Maintain the Board as a well-functioning, balanced team led by the Chairman

Led by the Non-Executive Chair, who was independent upon appointment, DGO's Board currently comprises eight directors, of whom four are considered to be independent. The biography of each Director is set out on pages 29 to 30 and on the Company's website at https://www.dgoc.com/about-us/board-of-directors. The Nomination Committee's report on pages 48 to 49 outlines the activities that have been undertaken to strengthen the Board.

This Board has proven to be a nimble team that works well together, as demonstrated by the growth of the Company since it first came to AIM.

The skills and experience of the Non-Executive Directors are wide and varied, and provide a constructive challenge in the boardroom, bringing together both industry knowledge and objective analysis.

The Board offers effective leadership and overall management of the affairs of the Company. It approves the Group's strategy and investment plans and regularly reviews operational and financial performance and risk management matters. Matters reserved for the Board's decision include the approval of business plans, the annual budget, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements.

The Board holds at least six scheduled meetings each year and additional meetings are held where necessary to consider matters of importance that cannot be held over until the next scheduled meeting.

The Board delegates certain of its responsibilities to the four committees (Audit and Risk, Remuneration, Nomination, and Sustainability and Safety, which have clearly defined Terms of Reference), as well as to the Executive team.

The Board considers each of David E. Johnson (Chair), David J Turner Jr. (Senior Independent NED), Melanie Little and Sandy Stash to be Independent Directors. The Company is delighted that both Martin Thomas and David Johnson have decided to invest personal funds into ordinary shares in the Company. The Company believes that these investments demonstrate an alignment of interests between the Non-Executive Directors and the Company. However, the size of these holdings represent less than 1% of the Company's issued share capital and therefore the Company does not consider the size of the holdings to compromise the independence of David Johnson.

The Directors are expected to allocate sufficient time to prepare for and attend Board meetings, meetings of Board committees of which they are members, Annual General Meetings and any other shareholder meetings convened from time to time.

DGO's QCA Corporate Governance compliance statement continued

PRINCIPLE 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Each of the Directors brings much-needed skills and experience to the Board, as is demonstrated by the biographies set out on pages 29 to 30 and on the Company's website at https://www.dgoc.com/about-us/board-of-directors.

As DGO grows, the Directors and Executive Management continue to review and adjust their approach and make ongoing improvements to the Company's policies and procedures as part of building a successful and sustainable Company. Good governance creates the opportunity for appropriate decisions to be made by the right people at the right time.

The composition of the Board is kept under review to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group and is actively engaged in developing key members of the management team.

All Directors have access to the advice and services of the Company's solicitors and the Company Secretary. It is the responsibility of the Company Secretary to ensure that all Board procedures are followed. Any Director may take independent professional advice at the Company's expense in the furtherance of their duties. There will be training and development funds made available for Directors, where relevant and beneficial.

PRINCIPLE 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

During the year ended 31 December 2019, the Board carried out a structured review and internal evaluation of the Board's mix: of the skills and performance of the Directors as a unit in order to maximise the effective and productive operations of the Board. The Board expects to repeat a form of evaluation exercise each year and anticipates an element of external facilitation within the first two years.

The following areas were covered by the review:

- Assess how well the Board is addressing the key business risks and adhering to internal controls.
- Assess the progress made in realising the assets and returning the net proceeds to shareholders.
- Understand the viewpoint of the Company's shareholders.
- Reduce ongoing operating costs where possible.
- Comply with current and prospective legislation and regulations.
- Ensure sufficient succession planning.
- Oversee the performance of the roles of committees.
- Conduct a self-assessment of Directors of the awareness of current issues facing the Company.
- Conduct personal development requirements and ensuring they are satisfied.
- Ensure the level and quality of information provided by service providers.
- See to additional relevant areas.

By way of example of the outcomes from this exercise, there was an increase in the Board size and skills mix and the addition of a Sustainability and Safety Committee. With effect from admission to the Main Market of the London Stock Exchange, we also propose to adopt the UK Corporate Governance Code as our benchmark for best practice.

PRINCIPLE 8

Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations, seeking to lead by example and to act at all times in the best interests of the Company.

These values are enshrined in the written policies and working practices adopted by all Group employees. An open culture is encouraged across the Company, with regular communications to staff regarding progress. The senior management team regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.

The Group is committed to providing a safe and supportive environment for its staff and all other persons for whom DGO has a legal or moral responsibility. The Company has an Environmental, Health and Safety team (the "EHS team"), which combines the skills of members of the senior management team with an operational specialist who regularly attend our assets. This EHS team is responsible for environmental, health and safety policies and issues and meets regularly to monitor, review and make decisions concerning matters of health and safety. The Group's health and safety policies and procedures are enshrined in the Group's documented quality systems, which encompass all aspects of the Company's day-to-day operations. The EHS team provides information to the Sustainability and Safety Committee and the Board, as appropriate, and contributes to the work of each.

The Company operates in a clear and transparent manner, whether dealing with its employees, its supply chain partners or its investors.

PRINCIPLE 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for promoting the success of the Group. The Executive Directors have day-to-day responsibility for the operational management of DGO's activities. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions.

There is a clear separation of the roles of Chief Executive Officer and Non-Executive Chair. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group.

The Chair is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters. The Chair has overall responsibility for corporate governance matters in the Group, including the preparation of a corporate governance statement to explain the way in which the Company has applied the QCA Code. This is to identify any areas in which the Company's governance structures and practices differ from the expectations set by the QCA Code and to identify key governance-related matters that have occurred during the year.

The Board has established Audit and Risk, Nomination, Remuneration, and Sustainability and Safety Committees with formally delegated duties and responsibilities.

- The Audit and Risk Committee comprises David J. Turner Jr. (Chair), Melanie Little and Sandy Stash. The committee's report is presented on pages 50 to 57.
- The Nomination Committee comprises Martin K. Thomas (Chair), David E. Johnson and David J. Turner Jr. and their report is presented on pages 48 to 49.

DGO's QCA Corporate Governance compliance statement continued

- The Remuneration Committee comprises Melanie A. Little (Chair), David E. Johnson and Sandy Stash. The report of this committee is presented on pages 58 to 71.
- The Sustainability and Safety Committee comprises Sandy Stash (Chair), Bradley G. Gray, David E. Johnson and Melanie A. Little. The committee's report is presented on pages 72 to 83.

PRINCIPLE 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group considers the provision of regular high-quality information to be vital. The Company seeks to engage with each of its various stakeholder groups in a manner that is appropriate to that group, whilst also ensuring that all communications concerning the Group's activities are clear, fair and accurate. Beyond the Annual General Meeting, the Chief Executive and the CFO are available to all significant shareholders after the release of the Company's results. The Chair, Vice Chair and Senior Non-Executive Independent Director ("SID") are available for discussions with major shareholders.

The Group's website is regularly updated and users can register to be alerted when announcements or details of presentations and events are posted on the website. This includes all relevant reports and information required under AIM Rule 26. The Group's financial reports, announcements, presentations and Annual Report and Accounts may be found at https://ir.dgoc.com/financial-info.

The detailed results of voting on all resolutions at general meetings are posted to the Company's RNS Releases website on a timely basis. These RNS Releases may be found at https://www.dgoc.com/news-events/rns-releases.

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

The Directors support high standards of corporate governance, and it is the policy of the Company to comply with current best practice in UK corporate governance, to the extent appropriate for a company of its size.

The Board intends to comply fully with the requirements of the Corporate Governance Code and will report to shareholders on compliance with the Corporate Governance Code in accordance with the Listing Rules.

The Corporate Governance Code also recommends that: (i) the Chair of the Board of Directors should meet the independence criteria set out in the Corporate Governance Code on appointment; and (ii) the Board should appoint one of the Independent Non-Executive Directors to be the Senior Independent Director. On Admission, the Chair of the Company will be David E. Johnson and the Senior Independent Director will be David J. Turner Jr. The Board considers that David E. Johnson,Sandra (Sandy) M. Stash, David J. Turner Jr. and Melanie A. Little meet the independence criteria set out in the Corporate Governance Code.

The Nomination Committee's report

The Nomination Committee assists the Board in discharging its responsibilities relating to reviewing its structure, size and composition and recommending to the Board any changes required for succession planning and for identifying and nominating for approval Board candidates to fill vacancies as and when they arise. The Nomination Committee is responsible for leading the process for appointments, ensuring plans are in place for orderly succession to both the Board and senior management positions, and overseeing the development of a diverse pipeline for succession.

COMMITTEE COMPOSITION

Martin K. Thomas (55)
Non-Executive Director (Chair)

David E. Johnson (59)
Independent Non-Executive Director

David J. Turner Jr. (56)
Independent Non-Executive Director

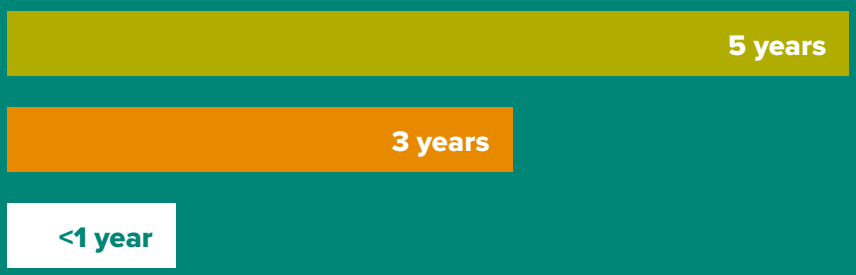
STRENGTH

Legal

Finance

Finance

BOARD TENURE



Martin K. Thomas David E. Johnson David J. Turner Jr.

INDEPENDENCE FROM*

	Management	Other interests
Martin K. Thomas		✓
David E. Johnson	✓	✓
David J. Turner Jr.	✓	✓

* Independence from other interests is intended to indicate that the relevant individual does not possess a Board seat as the result of shareholder participation or nomination and therefore represents the universal and non-partial interest of all shareholders.

The committee is responsible for reviewing the results of the Board's performance evaluation process and for making recommendations to the Board concerning suitable candidates for the role of Senior Independent Director, the membership of the Board's committees and the re-election of Directors at each Annual General Meeting.

The committee consist of three Non-Executive Directors, the majority of whom are independent.

The Nomination Committee will meet formally at least twice a year and otherwise as required. The year under review has seen a lot of positive change, with a greater emphasis on the value of independent governance. During the year there was a substantial strengthening of the Board with a new Independent Chair and three Independent Non-Executive Directors. With Melanie Little's appointment at the end of 2019, this increases the size of DGO's Board to eight whilst further enhancing the Board's independence to half of the Board, and strengthening its governance.

During the year, Robert Post stepped down as Non-Executive Chair of the Company to continue as a Non-Executive Director from 30 April 2019 when David Johnson, the then Senior Independent Non-Executive Director, was appointed as the Independent Non-Executive Chair of the Company from the same date. We are delighted that David has assumed the role of Chair of the Board and we look forward to the continued benefit of the wise guidance that both David and Robert have contributed to the Board since the Company's flotation in February 2017.

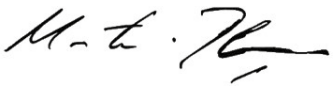
Melanie A. Little joined the Board on 19 December 2019 and we are delighted to welcome her to the Board of DGO, as she brings significant experience in compliance, operations and sustainability which will continue to be a key focus as we further grow the business and service our existing assets. Her addition to the Board undoubtedly strengthens its independent structure, particularly when combined with the recent appointments of both Sandy Stash and David Turner. We are well positioned as a Board ahead of our anticipated move to the Main Market and we look forward to the continued success of DGO.

Sandra (Sandy) M. Stash joined the Board on 21 October 2019 and we are most pleased as she brings a significant amount of industry and strategic experience that will prove to be invaluable to the Company. Sandy's insight, knowledge and skills complement the Board and will enhance DGO's governance structure and practices as it prepares for its intended move to the Main Market of the London Stock Exchange.

David J. Turner Jr. joined the Board on 27 May 2019. Of particular note is David's range of capital markets, financial operations and audit experience, which make him an excellent addition to the Board as we continue to enhance our corporate governance structures and practices. On behalf of the Board, I am delighted to welcome David to Diversified.

ANNUAL REVIEW

The committee feels that the Company has attracted and appointed a very skilled and talented team of executives and managers to support the operations of the Executive and the functions of the Board. The Company believes that it has in place a resilient and effective set of governance structures and processes that are fit for purpose and which support good decision-making throughout the Group.



MARTIN K. THOMAS
Chair of the Nomination Committee

8 March 2020

The Audit and Risk Committee's report

This report covers activities of the Audit and Risk Committee in 2019 and in the period up to the approval of the 2019 Annual Report and Accounts and the period when the discussions and planning for the move to the Main Market have occurred. This has been a busy period for the committee, including the tender and change of external independent auditor and three new independent committee members.

COMMITTEE COMPOSITION

David J. Turner Jr. (56)
Independent Non-Executive Director (Chair)

Sandra (Sandy) M. Stash (60)
Independent Non-Executive Director

Melanie A. Little (49)
Independent Non-Executive Director

STRENGTH

Finance

Industry

Industry

BOARD TENURE

David J. Turner Jr. Sandra (Sandy) M. Stash Melanie A. Little

INDEPENDENCE FROM*

	Management	Other interests
David J. Turner Jr.	✓	✓
Sandra (Sandy) M. Stash	✓	✓
Melanie A. Little	✓	✓

* Independence from other interests is intended to indicate that the relevant individual does not possess a Board seat as the result of shareholder participation or nomination and therefore represents the universal and non-partial interests of all shareholders.

KEY OBJECTIVE

The Audit and Risk Committee acts on behalf of the Board and the shareholders to ensure the integrity of the Group's financial reporting. The committee evaluates its systems of risk management and internal control and oversees the relationship and performance of the external auditor.

MEMBERSHIP, MEETINGS AND ATTENDANCE

The Corporate Governance Code recommends that the Audit and Risk Committee should comprise at least three members, who should all be Independent Non-Executive Directors, and that at least one member should have recent and relevant financial experience. The committee as a whole should have competence that is relevant to the sectors in which the Company operates. All of the members of the Audit and Risk Committee are deemed by the Company to be Independent Non-Executive Directors.

No members of the Audit and Risk Committee have links with the Company's external auditors. The Board recognised that previous members might not have been deemed to have been independent members of the committee. The Board is pleased they have successfully undertaken a process to identify and appoint new Independent Non-Executive Directors to the committee, including a new Independent Chair of the Audit and Risk Committee. The committee has been strengthened by appointing an additional Non-Executive Director who has relevant financial experience and qualifications.

It was announced on 24 May 2019 that David J. Turner Jr. would join the Board as an Independent Non-Executive Director as of 27 May 2019, and that he will be appointed to the Board's Audit and Risk Committee as its Chairman. The additional new Non-Executive Directors who have joined the committee areSandra (Sandy) M. Stash (who joined on 21 October 2019), and Melanie A. Little (who joined on 19 December 2019). David J. Turner Jr. has recent and relevant financial experience and the other members contribute a range of experience in finance, the oil and natural gas industry, investment and risk management. During 2019, Bradley G. Gray, David Johnson and Martin Thomas left the committee, although they are often invited to attend committee meetings and provide insight to the committee on request.

The activities of the committee for the year under review are outlined below.

The Audit and Risk Committee will meet formally at least three times a year and otherwise as required, with all members of the committee in attendance at each meeting. For 2019, the committee met two times and interacted and attended presentations during the audit tender process described below.

The committee regularly meets in private session without management present to ensure that points of common concern are identified and that priorities for future attention by the committee are agreed upon. The Chair of the committee keeps in close contact with the General Counsel, finance team and the external auditor between meetings of the committee.

Responsibilities and terms of reference

The Audit and Risk Committee's main functions include, inter alia, reviewing and monitoring internal financial control systems and risk management systems on which DGO is reliant; considering annual and interim accounts and audit reports; making recommendations to the Board in relation to the appointment and remuneration of DGO's auditor; and monitoring and reviewing annually the auditor's independence, objectivity, effectiveness and qualifications.

The Audit and Risk Committee's report continued

The main responsibilities of the committee are:

- to review accounting policies and the integrity and content of the financial statements, including focus on significant judgements and estimates used in the accounts;
- to monitor disclosure controls and procedures and adequacy and effectiveness of the Group's internal financial controls and risk management systems;
- to monitor the integrity of the financial statements of the Group and to assist the Board in ensuring that the Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable;
- to consider the adequacy and scope of external audits and oversee the relationship with our external auditor, including appraising the effectiveness of their work prior to considering their reappointment and considering whether to put the external audit contracts out to tender;
- to review and approve the statements to be included in the Annual Report on internal control and risk management; and
- to review and report on the significant issues considered in relation to the financial statements and how they are addressed.

The Board has undertaken a formal assessment of the auditor's independence and will continue to do so at least annually. This assessment includes:

- a review of non-audit services provided to DGO and the related fees;
- a review of the auditor's own procedures for ensuring the independence of the audit firm, and parties and staff involved in the audit;

and

- obtaining confirmation from the auditor that, in their professional judgement, it is independent.

The committee's terms of reference are reviewed annually and a summary of these are available under the "Governance" section of our website: www.dgoc.com.

ACTIONS UNDERTAKEN DURING THE YEAR

The key activities for the committee for the period under review are set out below.

Review of the financial statements

The Audit and Risk Committee monitored the integrity of the annual financial statements and reviewed the significant financial reporting matters and accounting policies and disclosures in the financial reports, especially with consideration of the proposed move to the Main Market. The external auditor attended a Audit and Risk Committee meeting as part of the full-year accounts approval process. The process included the consideration of reports from the external auditor in respect of the planned audit approach, independence and subsequent findings in respect of the audit of the financial statements.

Appointment of new accounting and auditing firm

The Company was pleased to announce on 21 October 2019 that its Board approved the appointment of PricewaterhouseCoopers LLP ("PwC") as its new registered public accounting firm to serve as DGO's financial auditor, beginning with the Company's financial statements for the fiscal year ending 31 December 2020. Crowe UK LLP ("Crowe") continued to serve as auditor of the Company's financial statements for the fiscal year ending 31 December 2019.

In light of the change of independent auditor, it was deemed that no formal review of the effectiveness of the retiring auditor was required to be undertaken. The Board and the Chair of the Audit and Risk Committee believe this to be satisfactory.

The audit tender process

The Audit and Risk Committee had responsibility for the conduct of the tender, and the main features of the tender process were as follows:

- Preliminary discussions were held with firms who had the requisite oil and gas experience and presence in North America; the shortlist had substantial oil and gas audit practices.
- Tender documents were sent to the competing firms setting out the information and award criteria.
- The competing firms were given access to and held meetings with the committee's Chair and with senior management prior to making their formal proposals.
- The Audit and Risk Committee reviewed the results of the process, including responses to supplementary questions.
- Following an agreement on contractual formalities, the appointment of the new auditor was announced on 12 September 2019, and PricewaterhouseCoopers LLP was announced as the new registered public accounting firm on 21 October 2019.

Financial statements and presentation of results

The committee reviewed the presentation of the Group's audited results for the year to 31 December 2019 and the unaudited results for the six months to 30 June 2019 to ensure they were fair, balanced and understandable. The results were assessed to ensure they provide sufficient information necessary for shareholders and other users of the accounts to assess the Group's position and performance, business model and strategy. In conducting this review, focus was given to the disclosures included in the basis of preparation in Note 2 to the financial statements in relation to the Group's funding position and the suitability of the going concern assumption.

The committee reviewed the significant judgements associated with the 2019 financial statements, including "key audit matters", and also reviewed the supporting evidence for the Group being a going concern. The overall disclosures in the Annual Report and Accounts confirm they are fair, balanced and understandable.

The committee reviewed papers prepared by the finance team and the findings from the external auditor in relation to the above matters.

Attention continues to be paid to the presentation of the results in the income statement, which uses alternative profit measures as indicators of performance. The Board considers current treatment, which retains reference to "Adjusted EBITDA" and "EBITDA" to remain appropriate. The term "EBITDA" is "earnings before interest, tax, depreciation and amortisation", and "Adjusted EBITDA" is "EBITDA before exceptional items and acquisition and integration-related expenditures". The Board regards these measures as an appropriate way to present the underlying performance and development of the business since it reflects the continuing investment being made by the Group, particularly in relation to recent and future acquisition activity, and this is how the Board monitors the progress of the existing Group businesses.

Management override of internal controls

The committee considered the inherent risk of management override of internal controls as defined by Auditing Standards. In so doing, the committee continues to review the overall robustness of the control environment, including consideration of the Company's whistle-blowing and compliance arrangements.

The Audit and Risk Committee's report continued

Valuation of oil and gas properties and related assets

The committee considered the carrying value of the Company's assets. it reviewed management's recommendations, which were also reviewed by the external auditor, including an evaluation of the appropriateness of the identification of cash-generating units and the assumptions applied in determining asset carrying values. The committee was satisfied with the assumptions and judgements applied by management and concluded that no impairment of carrying values was required.

Statement of going concern

The committee was presented by management with an assessment of the Company's future cash forecasts and profit projections, available facilities, facility headroom, banking covenants and the results of a sensitivity analysis. Detailed discussions were held with management concerning the matters outlined in the basis of preparation in Note 2 to the financial statements, together with the availability of the additional funding agreed subsequent to the year end.

The committee discussed the assessment with management and was satisfied that the going concern basis of preparation continues to be appropriate for the Company and advised the Board accordingly. The financial statements of Diversified Gas & Oil PLC have been prepared on a going concern basis.

Risk management

Effective risk management and control is key to the delivery of the Company's business strategy and objectives. Risk management and control processes are designed to identify, assess, mitigate and monitor significant risks, and can only provide reasonable and not absolute assurance that the Group will be successful in delivering its objectives. The Board is responsible for the oversight of how the Company's strategic, operational, financial, human and personnel, legal and regulatory risks are managed and for assessing the effectiveness of the risk management and internal control framework.

Responsibility for each primary type of risk category is delegated to a member of senior management ("Risk Owner"). Each Risk Owner is responsible for: (i) identifying risks in their risk area; (ii) assessing the likelihood of occurrence and potential impact on our business of each risk; and (iii) implementing mitigating controls and action plans that seek to remove or minimise the likelihood and impact of the risks before they occur. The Board has broken down the primary risk factors that are faced in eight separate categories – operational risks (Risk Owner – Chief Operating Officer), financial risks (Risk Owner – Chief Financial Officer), environmental, health and safety risks (Risk Owner – Chief Operating Officer), legal and compliance risks (Risk Owner – General Counsel), personnel risks (Risk Owner – Chief Operating Officer), investor relations risks (Risk Owner – Chief Financial Officer), government engagement risks (Risk Owner – General Counsel) and landowner matter risks (Risk Owner – General Counsel).

Further detailed work on risk assessment has been conducted during the year to maintain and update the Company's risk register to ensure that all risks are appropriately prioritised and addressed.

A description of the Company's risk management procedures and the work completed in the year is provided in the "Principal Risks and Uncertainties" section on page 19.

Internal audit

The Group currently does not have an internal audit function. The committee continues to monitor the appropriateness of this as the Group evolves and grows.

Safeguards and effectiveness of the external auditor

The committee recognises the importance of safeguarding the objectivity of the auditor. The following safeguards are in place to ensure that the independence of the auditor is not compromised.

- The Audit and Risk Committee carries out an annual review of the external auditor regarding their independence from the Group in all material respects and that they are adequately resourced and technically capable to deliver an objective audit to shareholders. Based on this review, the Audit and Risk Committee recommends to the Board the continuation, or removal and replacement, of the external auditor. A tax adviser separate from the external auditor is engaged to provide tax-related services.
- The external auditor may provide audit-related services such as regulatory and statutory reporting as well as formalities relating to shareholder and other circulars.
- Non-audit services carried out by the external auditor are generally limited to work that is closely related to the annual audit or where the work is of such a nature that a detailed understanding of the business is beneficial.
- The external auditor may undertake due diligence reviews, given their knowledge of the Company's business. Such provision is assessed on a case-by-case basis so that the best adviser is retained. The Audit and Risk Committee monitors the application of policy in this regard and keeps the policy under review.
- The committee reviews all fees paid for audit and consultancy services on a regular basis to assess the reasonableness of fees, value of delivery and any independence issues that may have arisen or may potentially arise in the future.
- The external auditor reports to the Directors and the Audit and Risk Committee regarding their independence in accordance with Auditing Standards. Crowe's policy, in line with the Ethical Standard, is that audit partners are required to be rotated every fifth year.
- Different teams are used on all other assignments undertaken by the auditor.
- The committee monitors these costs in absolute terms and in the context of the audit fee for the year to ensure that the potential to affect the independence and objectivity of the auditor does not arise. The committee does not adopt a formulaic approach to this assessment.
- The split between the audit and non-audit fees for 2019 and information on the nature of the non-audit fees incurred is detailed in Note 6 accompanying the consolidated financial statements. It is worth noting here that the majority of the non-audit fees relate to preparations for the proposed move to the Main Market.

The Audit and Risk Committee monitors the effectiveness of the external audit. To comply with this requirement, the committee reviews and comments on the external audit plans before it approves them. It then considers progress during the year by assessing the major findings of its work, the perceptiveness of observations, the implementation of recommendations and the management of feedback. At the request of the Board, the committee also monitors the integrity of all financial statements in the Annual Report and half-year results statements, and the significant financial reporting judgements contained in them. Further details of the committee's procedures to review the effectiveness of the Company's systems of internal control during the year can be found in the section on effective risk management and internal control below.

The committee recognises that all financial statements include estimates and judgements by management. The key audit areas are agreed upon with management and the external auditor is part of the year-end audit planning process. This includes an assessment by management of the significant areas requiring management judgement. These areas are reviewed with the auditor to ensure that appropriate levels of audit work are completed, and the committee reviews the results of this work.

The Audit and Risk Committee's report continued

Responsibility for the external audit

The committee is responsible for oversight and for managing the relationship with our external auditor. The committee is keen to ensure the independence of our external auditor, which was Crowe for the fiscal year ending 31 December 2019 and will be PwC for the forthcoming reporting period. The objectivity and independence of the external auditor is safeguarded by reviewing the auditor's formal declarations, monitoring relationships between key audit staff and the Company, and reviewing the non-audit fees payable to the auditor.

The Audit and Risk Committee is responsible for approving major items of non-audit work, and receives summaries of non-audit fees to ensure compliance with our policies. See Note 6 for more information regarding the auditor's remuneration. These non-audit services were performed by a team separate from the audit team, and did not involve any subjective judgements influencing the Company's financial reporting. Crowe have formally confirmed their independence to the committee prior to signing their audit opinion.

The committee also reviews the effectiveness of the external audit and receives feedback from management as well as its own direct interaction with Crowe. Following the committee's recommendation, the Company announced that its Board had approved the proposed appointment of PwC as its new registered public accounting firm, which will be proposed for appointment as auditor for 2020 at the forthcoming Annual General Meeting.

Effective risk management and internal control

One of the Board's key responsibilities is to ensure that management maintains a system of internal control, which provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. The Group's systems are designed to identify key financial and other risks to the Company's business and reputation, and to ensure that appropriate controls are in place. Consideration is given to the relative costs and benefits of implementing specific controls.

Assurance measures

On behalf of the Board, the Audit and Risk Committee examines the effectiveness of:

- the systems of internal control, primarily through reviews of the financial controls for financial reporting of the annual, preliminary and half-yearly financial statements and a review of the nature, scope and reports of external audit;
- the management of risk by reviewing evidence of risk assessment and management; and
- any action taken to manage critical risks or to remedy any control failings or weaknesses identified, ensuring these are managed through to closure.

Where appropriate, the Audit and Risk Committee ensures that necessary actions have or are being taken to remedy or mitigate significant failings or weaknesses identified during the year either from internal review or from recommendations raised by the external auditor. The Company's internal controls over the financial reporting and consolidation processes are designed under the supervision of the Company's Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Company's published financial statements for external reporting purposes, in accordance with IFRS.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance and may not prevent or detect all misstatements whether caused by error or fraud. The Company's internal controls over financial reporting and the preparation of consolidated financial information include policies and procedures that provide reasonable assurance that transactions have been recorded and presented accurately.

Management regularly conducts reviews of the internal controls in place in respect of the processes of preparing consolidated financial information and financial reporting. During the year, there has been a significant investment in resource, processes and personnel

relating to the internal controls of these processes to reflect the growth of the Company. This is in order to provide a sufficient level of assurance over the reliability of the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM FEATURES

Risk management control system

In addition to the risks that management identifies through the ongoing processes of reporting and performance analysis, the Audit and Risk Committee has additional risk identification processes, which include:

- a risk and control process for identifying, evaluating and managing major business risks;
- external audit reports, which comment on controls to manage identified risks and identify new ones; and
- a confidential whistle-blowing hotline and a compliance reporting website for employees to contact the Chair of the Audit and Risk Committee, General Counsel and head of Human Resources in confidence.

Internal control systems

The committee is responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the particular risks to which it is exposed. The Board has reviewed the Company's risk management and control systems and believes that the controls are satisfactory, given the nature and size of the Company.

The internal controls, which provide assurance to the Audit and Risk Committee of effective and efficient operations, internal financial controls and compliance with laws and regulations include:

- a formal authorisation process for investments;
- an organisational structure where authorities and responsibilities for financial management and the maintenance of financial controls are clearly defined;
- anti-bribery and corruption policies and procedures and a dedicated telephone and website designed to address the specific areas of corruption risk faced by the Group; and
- a comprehensive financial review cycle where annual budgets and subsequent reforecasts are formally approved by the Board and monthly variances are reviewed against detailed financial and operating plans.

SUMMARY

For the year under review, and beyond, the Audit and Risk Committee will continue its monitoring of financial reporting and of internal controls and risk management, as these evolve in response to the Group's proposed Main Market listing, continuing growth and new opportunities as they arise.

DAVID J. TURNER JR.
Chair of the Audit and Risk Committee

8 March 2020

The Remuneration Committee's report

On behalf of the Board, I am pleased to introduce our 2019 Directors' Remuneration Report (the "Report"). Included within this Report is the Directors' Remuneration Policy (the "Policy"). The Policy, together with our Annual Report on Directors' Remuneration, will be presented to shareholders for approval at the 2020 AGM.

COMMITTEE COMPOSITION

Melanie A. Little (49)
Independent Non-Executive Director (Chair)

David E. Johnson (59)
Independent Non-Executive Director

Sandra (Sandy) M. Stash (60)
Independent Non-Executive Director

STRENGTH

Industry

Finance

Industry

BOARD TENURE

Melanie A. Little David E. Johnson Sandra (Sandy) M. Stash

INDEPENDENCE FROM*

	Management	Other interests
Melanie A. Little	✓	✓
David E. Johnson	✓	✓
Sandra (Sandy) M. Stash	✓	✓

* Independence from other interests is intended to indicate that the relevant individual does not possess a Board seat as the result of shareholder participation or nomination and therefore represents the universal and non-partial interests of all shareholders

DGO'S PERFORMANCE IN 2019

As detailed earlier in the Annual Report, 2019 was a year of continued progress and development with a series of material acquisitions. This resulted in awards of 141% of salary out of a maximum of 150% of salary being awarded to the Executive Directors.

The Committee determined that it would be appropriate for 2019 annual bonus outcomes to payout as described above as these outcomes were valid reflections of overall performance by the Company. There were no other exercises of judgment or discretion by the Committee save as detailed in this report.

WORK OF THE COMMITTEE

During the year, the key activities carried out by the Committee included:

- Conducted a review of all elements of remuneration for the Executive Directors;
- Reviewed feedback received from major shareholders and shareholder advisory services;
- Developed a revised Remuneration Policy for Executive Directors, for approval at our 2020 AGM;
- Determined Executive Bonus Plan outcomes for the Executive Directors;
- Determined base salaries of the Executive Directors for the period starting 1 January 2020;
- Determined the 2020 Executive Bonus Plan and Performance Share Award targets; and
- Preparation of the Directors' Remuneration Report.

All three committee members are deemed to be independent. The Remuneration Committee will meet formally at least twice a year and otherwise as required.

EXTERNAL ADVISORS

As part of the review, preparing the Company for the next stage in its development the Remuneration Committee engaged both US based Frederic W. Cook & Co., Inc. ("FW Cook") and UK based, FIT Remuneration Consultants LLP ("FIT") to provide advice to the Company on all matters relating to remuneration including assisting in the review of Executive Director remuneration. FW Cook and FIT provided no other services to the Group and, accordingly, the Committee was satisfied that the advice provided was objective and independent.

REMUNERATION POLICY FOR 2020

During the course of 2019 the Committee undertook a review of the remuneration structure in anticipation of seeking Shareholder approval for the Directors' Remuneration Policy at the 2020 AGM. The Committee considered evolving good governance practice in other UK listed companies, including changes to the UK Corporate Governance Code. A key objective of this review was to ensure the proposed Remuneration Policy is appropriate for a company listed on the Main Market of the London Stock Exchange in anticipation of DGO's proposed move from AIM to the Main Market of the London Stock Exchange, while also ensuring that it was designed to continue to attract and retain US-based management and employees of the highest calibre. We have consulted with our major shareholders in relation to the proposed Policy who, I am pleased to report, were generally very supportive. The feedback received has been incorporated into the proposed Policy where appropriate.

The Remuneration Committee's report continued

The proposed new policy is believed to meet its main aims, which are to:

- Ensure the continued incentivisation and retention of DGO's management team who are essential to the delivery of DGO's strategy
- Develop a new Remuneration Policy that is reflective of the Company's forthcoming listing on the Main Market of the London Stock Exchange
- Reflect the international nature of the Company
- Reflect shareholder feedback
- Enhance DGO's "pay for performance" culture
- Further strengthen the role played by equity in our remuneration policy and thereby strengthen alignment between executive pay and long-term value creation for our shareholders
- Reflect emerging trends in best practice, protect against inappropriate pay outturns and provide greater transparency.

IMPLEMENTATION OF POLICY FOR 2020

The remuneration of the Executive Directors has been adjusted for 2020 in line with the proposed policy and reflecting the move from AIM to the Main Market. The resulting salaries are broadly in line with the lower quartile positioning of similar sized US comparators in the sector and in line with UK norms. As such, they are not felt to be excessive.

The salary adjustments were made as a one off. While the Committee is aware of the practice of phasing base salary increases, it determined that this was not appropriate in this case given the increased regulatory regime associated with the Main Market listing and the significant increase in size and complexity of the business that the current Executive Directors have overseen. It is envisaged that any future salary increases will be in line with the general workforce.

The committee has ensured that the Directors' remuneration policy and practices are consistent with the six factors set out in Provision 40 of the Corporate Governance Code.

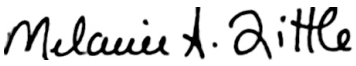
FORMAT OF THE REPORT AND MATTERS TO BE APPROVED AT OUR ANNUAL GENERAL MEETING

At the 2020 AGM, shareholders will be asked to approve two resolutions related to Directors' remuneration matters:

- to approve the Directors' Remuneration Policy as set out in Part A of this Directors' Remuneration Report; and
- to approve the Annual Report on Remuneration as set out in Part B of this Directors' Remuneration Report

The vote on the Annual Report on Remuneration will be our normal annual advisory vote on such matters. As an AIM listed Company at the time of the AGM, the vote on the Directors' Remuneration Policy will also be an advisory vote. In line with the relevant legislation, involving the anticipated timing of the Company's move to the Main Market, it is expected that the Directors' Remuneration Policy will be required to be reapproved at the 2021 AGM by way of a binding shareholder resolution.

I hope that our shareholders will remain supportive of our approach to executive pay at DGO and that you will vote in favour of the resolutions on remuneration matters to be tabled at the 2020 AGM.



MELANIE A. LITTLE
Chair of the Remuneration Committee

8 March 2020

Remuneration at a glance

REMUNERATION POLICY AND IMPLEMENTATION

STATED OBJECTIVE	OVERVIEW OF POLICY	IMPLEMENTATION FOR 2020
Base salary	Reviewed annually. Consideration given to performance of the Company and the individual, responsibilities or scope of the role, and pay practices in relevant comparator companies.	Rusty Hutson Jr.: $675,000[1] Bradley G. Gray: $415,000[1]
Pension and benefits	The current Executive Directors do not receive a pension contribution and any future provision will be aligned to the wider workforce. Benefits consist of standard car and health/insurance related benefits.	The current Executive Directors do not receive a pension contribution.
Annual bonus	Maximum of 150% of salary. Paid in cash up to 100% of base salary; outcomes above this level deferred into a combination of shares or cash for a year. Subject to the achievement of relevant performance conditions. Subject to malus and clawback provisions.	Potential awards for 2020: • Rusty Hutson Jr.: 150% of salary. • Bradley G. Gray: 150% of salary. • Performance conditions: production, EBITDA, acquisitions, funding, cost control and Environmental Health & Safety
Long-term incentives	Performance Share Awards, subject to service and performance over a three-year period. Maximum award of 200% of salary. Subject to malus and clawback provisions.	Potential awards for 2020: • Rusty Hutson Jr.: 200% of salary. • Bradley G. Gray: 200% of salary. • Performance conditions: Return on equity (40%), Absolute TSR (30%) & Relative TSR (30%)
Share ownership requirements	200% for Executive Directors.	200% for Executive Directors.

[1] Effective 01 January 2020.

INTRODUCTION

Part A represents the proposed policy which will take effect, subject to the approval of the shareholders, immediately after the 2020 AGM (the 'Directors' Remuneration Policy').

Part B constitutes the annual report on remuneration sections of the Directors Remuneration Report (the 'Annual Report on Remuneration').

PART A: DIRECTORS' REMUNERATION POLICY

The following table summarises DGO's policies in respect of the key elements of our Executive Directors' remuneration:

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES
Base salary This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.	Base salaries will typically be reviewed annually, with consideration given to the performance of the Company and the individual, any changes in responsibilities or scope of the role and pay practices in relevant U.S. and UK comparator companies of a broadly similar size and complexity, with due account taken of both market capitalisation and turnover. The committee does not strictly follow benchmark pay data, but instead uses it as one of a number of reference points when considering, in its judgement, the appropriate level of salary. Base salary is paid monthly in cash.	It is anticipated that salary increases will generally be in line with those awarded to the general workforce. That said, in certain circumstances (including, but not limited to, changes in role and responsibilities, market levels, individual and Company performance), the committee may make larger salary increases to ensure they are market competitive. The rationale for any such increase will be disclosed in the relevant Annual Report.	n/a
Benefits To provide benefits valued by recipients.	The Executive Directors currently receive standard car and health/ insurance related benefits.. The committee reserves the discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice. Where appropriate, the Company will meet certain costs relating to Executive Director relocations.	It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year to year. Relocation expenses are subject to a maximum limit of 100% of base salary, provided that such expenses may be paid only in the year of appointment and for a further two financial years. The committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than what the committee considers appropriate in all the circumstances.	n/a
Pension To provide retirement benefits.	In line with U.S. market practice, currently no element of the Executive Directors' remuneration is pensionable, and the Company does not operate any pension scheme or other scheme providing retirement or similar benefits. However, in line with the approach taken for all employees, the Company offers a retirement plan in accordance with subsection 401(k) of the Internal Revenue Code in which Executive Directors may make voluntary pre-tax contributions toward their own retirement.	The current Executive Directors do not receive a pension contribution. Any future pension provision will be limited to levels aligned to the contribution levels for the majority of the workforce.	n/a

Remuneration at a glance continued

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES
Annual bonus plan To motivate Executive Directors and incentivise the delivery of performance over a one-year operating cycle, focussing on the short- to medium-term elements of our strategic aims.	Annual bonus plan levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other major transactions where the committee considers it to be necessary in its opinion to make appropriate adjustments. Annual bonus plan outcomes will be paid in cash up to 100% of base salary. Outcomes above this level will be deferred in shares for one year. During the deferral period, the value of any dividends will be credited as reinvested in further deferred shares. Clawback provisions apply to the annual bonus plan, and malus and clawback will apply to deferred shares.	The maximum level of annual bonus plan outcomes is 150% of base salary for the duration of this policy.	The performance measures applied may be financial or non-financial; and corporate, divisional or individual and in such proportions as the committee considers appropriate. Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a payout of more than 25% of the maximum portion of the overall annual bonus attributable to that measure, with a sliding scale to full payout for maximum performance. However, the annual bonus plan remains a discretionary arrangement and the committee retains a standard power to apply its judgement to adjust the outcome of the annual bonus plan for any performance measure (from zero to any cap), should it consider that to be appropriate.
Long-term incentives To motivate and incentivise the delivery of sustained performance over the long-term, and to promote alignment with shareholders' interests, the Company grants Performance Share Awards.	Performance Share Awards vest to the extent that performance conditions are satisfied over a period of at least three years. Vested awards for Executive Directors will be subject to a further two-year holding period during which time awards may not normally be exercised or released but are no longer contingent on performance conditions or future employment. During the vesting period (and the additional holding period), the value of any dividends on performance vested shares will be credited as reinvested in further award shares. Clawback and malus provisions apply to Performance Share Awards.	Performance Share Awards may be granted with a maximum value of 200% of base salary per financial year.	The Committee may set such performance conditions on Performance Share Awards as it considers appropriate, whether financial or non-financial and whether corporate, divisional or individual. Performance periods may be over such periods as the Committee selects at grant, which will not be less than, but may be longer than, three years. No more than 25% of awards vest for attaining the threshold level of performance conditions. The Committee also has a standard power to apply its judgement to adjust the formulaic outcome of all performance measures to take account of any circumstances (including the performance of the Company, any individual or business) should it consider that to be appropriate.
All-staff share plans To encourage share ownership by Executive Directors, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.	Executive Directors would be able to participate in all-employee share plans on the same terms as other Group staff.	The maximum participation levels for all-staff share plans will be the limits for such plans.	Consistent with normal practice, such awards would not be subject to performance conditions.

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES
Share ownership guidelines To further align the interests of Executive Directors with those of shareholders.	Executive Directors are expected to build up a prescribed level of shareholding. Minimum shareholding is 200% of base salary. The committee reserves the power to amend, but not reduce, these levels in future years. To the extent that the prescribed level has not been reached, Executive Directors will be expected to retain a proportion of the shares vesting under the Company's share plans until the guideline is met. Any vested Performance Share Award shares subject to a holding period and any shares awarded in connection with annual bonus deferral will be credited for the purpose of the guidelines (discounted for anticipated tax liabilities).	n/a	n/a
Chairman's and Non-Executive Directors' fees To enable the Company to recruit and retain Company Chairs and Non-Executive Directors of the highest calibre, at the appropriate costs.	The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other U.S.- and UK-listed peers of equivalent size and complexity. The fees payable to the Non-Executive Directors are determined by the Board, with the Chairman's fees determined by the committee. Directors do not participate in decisions regarding their own fees. No benefits are envisaged for the Chairman and Non-Executive Directors, but the Company reserves the right to provide benefits, including travel and office support.	Fees are paid monthly in cash. The aggregate fees and any benefits of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees. Any increases actually made will be appropriately disclosed.	n/a

OUTSTANDING OBLIGATIONS

For the avoidance of doubt, in approving this policy, authority is given to the Company to honour any commitments entered into with current or former Directors prior to the adoption of this policy (including under a prior policy).

Remuneration at a glance continued

SERVICE CONTRACTS

The date of each Executive Director's contract is:

NAME	DATE OF SERVICE CONTRACT	DURATION
Rusty Hutson Jr.	30 January 2017	Each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on six months' notice. The service agreements of all current Executive Directors comply with that policy.
Bradley G. Gray	30 January 2017	

The contracts of all current Executive Directors, which are available for inspection at the Company's registered office, contain a payment in lieu of notice clause which is limited to base salary only. Depending on the circumstances of their severance from service, the Executive Directors may be entitled to certain payments, including previously accrued salary plus 6 months' salary. For each Non-Executive Director, the effective date of their latest letter of appointment is:

NAME	DATE OF APPOINTMENT	TERM
David Johnson	3 February 2017	Initial period of three years, subject to re-election at each Annual General Meeting of the Company and are terminable on three months' notice given by either party.
Robert Post	31 July 2014	
Martin Thomas	1 January 2015	
David Turner Jr.	27 May 2019	
Sandy Stash	21 October 2019	
Melanie A. Little	18 December 2019	

* Note: Mr Post does not have a letter of appointment but a service agreement from 30 January 2017

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee considers shareholder views received during the year and at each Annual General Meeting, as well as guidance from shareholder representative bodies more broadly, when determining the remuneration policy and its implementation. The Committee seeks to build an active and productive dialogue with investors on developments on the remuneration aspects of corporate governance generally and it will consult with major shareholders in advance of any material change to the structure and/or operation of the policy and will seek formal shareholder approval for any such change if required.

EXTERNAL APPOINTMENTS

The Company's policy is to permit an Executive Director to serve as a non-executive director elsewhere when this does not conflict with the individual's duties to the Company, and where an Executive Director takes such a role they may be entitled to retain any fees which they earn from that appointment. Such appointments are subject to approval by the Chairman.

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

The following charts show how the remuneration policy for Executive Directors will be applied in 2020 using the assumptions shown overleaf:

Minimum

- Consists of base salary, benefits and pension.
- Base salary is the salary to be paid in 2020.
- No pension is provided.

$000	BASE SALARY	BENEFITS	TOTAL FIXED
Rusty Hutson Jr.	$675	$10	$685
Bradley G. Gray	$415	$10	$425

Target

Based on what the Director would receive if performance was on-target (excluding share price appreciation and dividends):

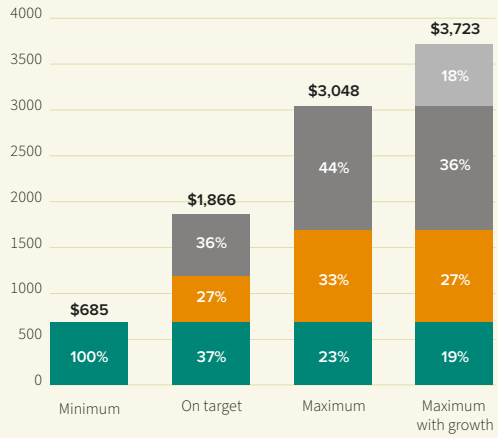
- Annual bonus: consists of the target bonus (50% of maximum opportunity used for illustrative purposes).
- LTI: consists of the target level of vesting (50% vesting) of Performance Share Awards (at 200% of salary for Rusty Hutson Jr. and Bradley G. Gray)

Maximum

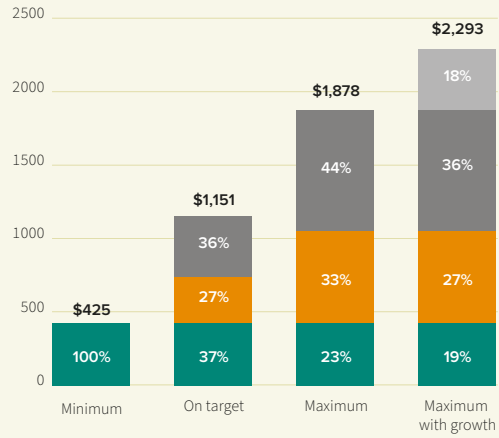
Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- Annual bonus: consists of maximum bonus of 150% of base salary.
- LTI: consists of full vesting of Performance Share Awards (at 200% of salary for Rusty Hutson Jr. and Bradley G. Gray) under the PSP.
- Maximum with growth simply assumes 50% share price growth for Performance Share Awards.

ROBERT R. (RUSTY) HUTSON JR.
$000



BRADLEY G. GRAY
$000



Share price growth
LTI
Annual bonus
Total fixed pay

Remuneration at a glance continued

PART B: ANNUAL REPORT ON REMUNERATION

The remuneration for the Executive and Non-Executive Directors of the Company who performed qualifying services during the year is detailed below. The Non-Executive Directors received no remuneration other than their annual fee.

For the year ended 31 December 2019:

$000	SALARY/ FEES	TAXABLE BENEFITS[1]	BONUS[2]	LONG-TERM INCENTIVES[3]	PENSION[4]	TOTAL REMUNERA-TION
Executive directors						
Rusty Hutson, Jr	425	2	616	—	—	1,043
Bradley G. Gray	350	9	508	—	—	867
Non-Executive Directors						
David Johnson	98	—	—	—	—	98
Robert Post	98	—	—	—	—	98
Martin Thomas	98	—	—	—	—	98
David Turner Jr[5]	56	—	—	—	—	56
Sandy Stash[6]	20	—	—	—	—	20
Melanie A. Little[7]	4	—	—	—	—	4

(1) Taxable benefits comprise of Company paid life insurance premiums and automobile reimbursements. .
(2) Further details of the bonus outturn for 2019 can be found on page 69. The bonus totals for Rusty Hutson, Jr and Bradley G. Gray represent 141% of base salary respectively.
(3) No long-term incentives vested during the year.
(4) The Executive Directors do not receive a pension provision.
(5) Appointed to the Board from 27 May 2019.
(6) Appointed to the Board from 21 October 2019.
(7) Appointed to the Board from 19 December 2019.

For the year ended 31 December 2018:

$000	SALARY/ FEES	TAXABLE BENEFITS	BONUS	LONG-TERM INCENTIVES	PENSION	TOTAL REMUNERA-TION
Executive directors						
Rusty Hutson, Jr	363	—	120	—	—	483
Bradley G. Gray	319	8	85	—	—	412
Non-Executive Directors						
David Johnson	75	—	—	—	—	75
Robert Post	58	—	—	—	—	58
Martin Thomas	75	—	—	—	—	75

FURTHER INFORMATION ON THE 2019 ANNUAL BONUS

For 2019 the overall bonus plan maximum was 150% of base salary.

The targets were as follows:

	THRESHOLD	TARGET (50%)	MAXIMUM (100% PAYOUT)	ACTUAL	% OF TOTAL BONUS	PAYOUT % OF THIS ELEMENT OF BONUS PAYABLE	PAYOUT % OF MAXIMUM
Production (MBOE)	65	67	70	70 (excl. acquisitions)	20%	100%	20%
Revenue	$450m	$460m	$470m	$462m	10%	50%	5%
Adj. EBITDA	$250m	$260m	$270m	$273m	20%	100%	20%
Dividend	¢13	¢13.5	¢14	¢13.92	15%	90%	14%
Acquisitions	Assessment of successful addition of assets and/or companies			Excellent	15%	100%	15%
Funding	Assessment of management of balance sheet and delivery of acquisitions			Excellent	15%	100%	15%
Costs	Assessment of base lease operating expenses and total operating expenses			Excellent	5%	100%	5%
				Total % of Maximum			94%
				Total % of salary			141%

Having considered overall group performance in the year, the Committee determined that it was appropriate to allow payment a total bonus of 94% of maximum payable.

GRANT OF OPTION AWARDS

EXECUTIVE	AWARDS HELD AT 1 JAN 2019	AWARDS GRANTED DURING THE YEAR[1]	AWARDS EXERCISED DURING THE YEAR	AWARDS LAPSED DURING THE YEAR	INTERESTS HELD AT 31 DEC 2019
Rusty Hutson, Jr	6,000,000	2,400,000	—	—	8,400,000
Bradley G. Gray	2,750,000	1,100,000	—	—	3,850,000

[1] Share options granted on 9 May 2019 with an exercise price of 120p per share. A three-year vesting period and additional two-year holding period applies with vesting subject to meeting EPS growth and TSR performance conditions.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

The table below details, for each Director, the total number of Directors' interests in shares at 31 December 2019:

DIRECTOR	RUSTY HUTSON JR.	BRADLEY GRAY	DAVID JOHNSON	ROBERT POST	MARTIN THOMAS	DAVID TURNER JR.	SANDRA STASH	MELANIE A. LITTLE
Ordinary shares	20,350,000	2,252,981	300,000	20,300,000	2,100,000	70,000	—	—

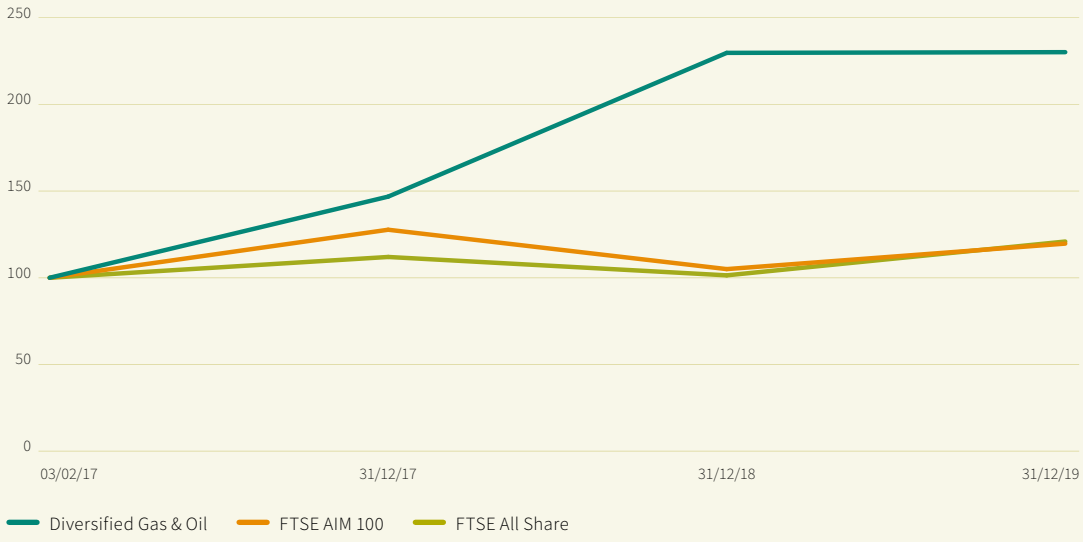
The shareholdings and awards set out above include those held by Directors and their respective connected persons.

Remuneration at a glance continued

PERFORMANCE GRAPH

The graph below shows the total shareholder return ('TSR') performance of an investment of $100 in DGO plc's shares from its listing in February 2017 on the AIM Market to the end of the period, compared with a $100 investment in the FTSE AIM 100 Index and the FTSE All-Share Index over the same period. The FTSE AIM 100 Index was chosen as a comparator because it represents a broad equity market index of which the Company was a constituent during the period and the FTSE All-Share Index because it is expected the Company will join this Index in due course.

TOTAL SHAREHOLDER RETURN
Rebased at 100 on 3 February 2017



Source: Thomson Reuters Datastream

IMPLEMENTATION OF POLICY FOR 2020

BASE SALARY

The Executive Directors' base salaries for 2020 will be as follows:

- Rusty Hutson, Jr: $675,000
- Bradley Gray: $415,000

PENSION

The Executive Directors do not receive a pension provision.

BENEFITS

Details of the benefits received by Executive Directors are set out in note 2 to the single figure table on page 68. There is no current intention to introduce additional benefits in 2020.

ANNUAL BONUS

The overall bonus plan maximum will be 150% of base salary for 2020.

The bonus will be based on a range of targets relating to production (20%), EBITDA per share (30%), acquisitions (15%), funding (15%), cost control (10%) and Environmental, Health & Safety (10%).

Due to issues of commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Committee is committed to adhering to principles of transparency in terms of retrospective annual bonus target disclosure and will, therefore, provide appropriate and relevant levels of disclosure for the bonus targets applied to the 2020 bonus (and performance against these targets) in next year's Directors' Remuneration Report.

Bonuses are payable in cash for outcomes up to 100% of base salary, with any outcomes above this level made as awards of deferred shares which vest after one year.

LONG-TERM INCENTIVES

Performance Share Award will be made in 2020 to Rusty Hutson, Jr and Bradley Gray over shares worth 200% of salary. These awards will vest three years after grant, and performance vested shares will also be subject to a further 2-year holding period after the initial 3-year period to vesting.

The performance conditions will be a mix of Return on Equity (40%), absolute TSR (30%) and relative TSR (30% weighting) targets measured over 3 years as described below. These are measures which encourage the generation of sustainable long-term returns to shareholders. When determining the level of vesting the Committee will also consider that the outcome of the measurement reflects the underlying performance or financial health of the Company.

RETURN ON EQUITY (40% OF TOTAL AWARD)

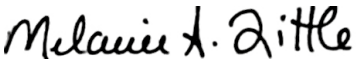
3 YEAR AVERAGE ROE	% OF THAT PART OF THE AWARD THAT VESTS
Below 17% per annum	–
17% per annum	25
27% per annum or above	100
17% to 27% per annum	Pro rata straight-line between 25% and 100%

ABSOLUTE TSR (30% OF TOTAL AWARD)

3 YEAR TSR	% OF THAT PART OF THE AWARD THAT VESTS
Below 10% per annum	–
10% per annum	25
20% per annum or above	100
10% to 20% per annum	Pro rata straight-line between 25% and 100%

RELATIVE TSR (30% OF TOTAL AWARD)

3 YEAR TSR V FTSE 250	% OF THAT PART OF THE AWARD THAT VESTS
Below median	–
Median	25
Upper quartile or above	100
Median to upper quartile	Pro rata straight-line between 25% and 100%



MELANIE A. LITTLE
Chair of the Remuneration Committee

8 March 2020

The Sustainability and Safety Committee's report

The Sustainability and Safety Committee oversees and reports to the Board on the Company's policies and strategies that are related to matters of sustainability and safety. The committee considers and provides perspectives and input to management on social, political, safety, diversity and environmental trends in public debate, public policy, regulation and legislation, and considers additional corporate actions in response to such issues. It receives periodic reports from the Company's management team regarding relationships with key external stakeholders that may have a significant impact on the Company's business activities and performance.

COMMITTEE COMPOSITION

Sandra (Sandy) M. Stash (60)	**David E. Johnson** (59)	**Melanie A. Little** (49)	**Bradley G. Gray** (51)
Independent Non-Executive Director (Chair)	*Independent Non-Executive Director*	*Independent Non-Executive Director*	*Chief Operating Officer and Finance Director*
STRENGTH			
Industry	**Finance**	**Finance**	**Finance**

BOARD TENURE

Sandra (Sandy) M. Stash · David E. Johnson · Melanie A. Little · Bradley G. Gray

INDEPENDENCE FROM*

	Management	Other interests
Sandra (Sandy) M. Stash	✓	✓
David E. Johnson	✓	✓
Melanie A. Little	✓	✓
Bradley G. Gray		✓

* Independence from other interests is intended to indicate that the relevant individual does not possess a Board seat as the result of shareholder participation or nomination and therefore represents the universal and non-partial interests of all shareholders

The Sustainability and Safety Committee oversees and provides input to the Audit and Risk Committee regarding the Company's management of risk associated with DGO's sustainability activities. It also oversees and provides safety performance targets to the Remuneration Committee.

The majority of the committee members are deemed to be independent, with three of the four being Independent Non-Executive Directors.

The Sustainability and Safety Committee will meet formally at least twice a year and otherwise as required.

HOW WE MANAGE OUR BUSINESS

Our Statement of Principles

The following Statement of Principles forms the underlying basis on which our Company was founded and to which each Director, officer and employee of DGO is expected to adhere. We will conduct our business and deliver value to our stakeholders based upon ethical standards and beliefs. We will:

- value the dignity and worth of all individuals;
- act with personal and business integrity;
- commit to excellence in our performance;
- respect environmental stewardship as we make business decisions;
- exhibit courage of convictions, challenge the status quo and strive to create value;
- seek opportunities for continuous learning and improvement; and
- serve and support our teams and communities with passion and enthusiasm.

Our operating guidelines

With our Statement of Principles as a foundation, we further challenge our employees to make the following operating guidelines a priority in their daily work:

Safety: No compromises

Ensuring the care and well-being of our employees, our families and our communities is our top priority

Production: Every unit counts

Ensuring that every unit we safely produce provides affordable, reliable energy to our communities and generates value for our shareholders

Efficiency: Every dollar counts

Ensuring every dollar we spend protects our employees, our communities and the investment of our shareholders

Enjoyment: Have fun delivering great results

Ensuring our Company is a great place to work, encouraging innovation and celebrating our employees' accomplishments

KEY POLICIES

Health, safety and environment

The Group is subject to various health, safety and environmental laws and regulations administered by local, national and other government entities, and similar agencies in the states where the Company operates. The Directors believe that DGO is currently in compliance with all material governmental laws and regulations affecting its business, and maintains all material permits and licences relating to its operations.

The Company is committed to protecting the health and safety of all individuals potentially affected by its activities, including its employees, contractors and the public. The Group strives to provide a safe and healthy working environment and not compromise the health and safety of any individual.

The Sustainability and Safety Committee's report continued

The Group is committed to managing the environmental effects of its business. The organisation seeks to manage its operations in an environmentally sound manner, for the benefit of all stakeholders, taking the necessary precautions to protect the natural environments that surround its gas and oil assets and to prevent incidents. Such activities include, but are not limited to, water, emissions and biodiversity management.

The Company's operational processes focus on reducing risks, maintaining compliance, and seeking best practice and continuous improvement in its activities.

A strong health, safety and environmental performance is a key aspect of the Group's overall business success. In 2019, DGO had a Total Recordable Incident Rate ("TRIR") of 2.06. The Total Recordable Incident Rate is a U.S. mathematical measure of occupational safety and health, defined as the number of work-related injuries per 100 full-time workers during a one-year period.

Environmental stewardship and sustainability

We are committed to acting as good stewards of the environment, as reflected by the establishment of this committee to guide the business's policies and strategy related to sustainability and other stewardship activities.

Evidence of our emphasis on environmental stewardship is our commitment to provide the necessary resources for our asset retirement obligations, as evidenced by the number of wells we retire each year in full compliance with our multi-year plugging agreements with the various states in which we operate. Our approach to proactively engage with the regulatory agencies of the states to establish consistent and long-term retirement agreements, which provide objective and measurable progress indicators, strengthens our commitment of stewardship to our communities and our investors.

We believe that principles of corporate responsibility are a central and commercial priority. Not only do we promote such principles to ensure strong governance, safe working conditions and minimal impacts to the environment, but we also believe that thoughtful Environmental, Social and Governance ("ESG") initiatives significantly reduce risk, create long-term value and represent a competitive advantage.

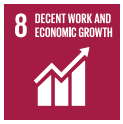
As part of our continued commitment to environmental stewardship, we have recently completed a review of our ESG activities. As we move forward, our committee will be formalising a roadmap that sets out our key sustainability objectives for the next several years and reporting on these objectives accordingly. Using 2019 as our benchmark period, we call this new multi-year initiative "Target 2020", which will include sustainability aims and objectives for emissions management, leak detection and repair, water management, spill prevention, safe operations and conservation efforts – all with the goal of pushing DGO towards achieving improved results for these areas of operations.

Performance against the United Nations' Sustainable Development Goals ("SDGs")

In developing our sustainability focus with these goals, we identified a series of objectives with certain targets that are relevant to our business and to which we can contribute. We identified risks that relate to achieving the specified goals, and we continue to incorporate them into our risk management practices so that we effectively manage them in our daily operations. We also evaluated our impact on these areas and are working to maximise our positive contribution whilst minimising any potential negative effects.

We outline below some of the ways in which we are seeking to achieve the SDGs most applicable to our business.

Access to affordable, clean, reliable and safe energy improves health, education and livelihoods, and enables and enhances economic and social development. We provide the communities where we operate with access to affordable, clean and reliable energy whilst supporting the responsible extraction of gas and oil resources from mature wells across the Appalachian Basin, thereby reducing the need for the development of new wells.



Employment is a critical route out of poverty and towards prosperity. We provide jobs that pay better than a living wage, and provide excellent health and welfare benefits. We strive to provide professional growth and development opportunities for our employees. The Company seeks local businesses to be a part of our supply chain and we encourage our suppliers to meet our high standards. We work with state regulators, education systems and others to offer training to build local skills and expertise. The Company contributes to economic growth by paying taxes to regulatory authorities, and royalties to mineral owners.

Our business model is to acquire mature, producing wells and complementary midstream assets. Thereafter, we strive to operate the wells in a cost-effective, prudent manner whilst returning non-productive wells back into production and safely retiring those wells that have reached the end of their productive lives. We seek to maintain and upgrade the gathering and midstream infrastructures for the continued integrity of these energy systems. In addition, in keeping with the environmental stewardship philosophy of our business strategy, DGO maintains and improves existing infrastructure which reduces the need for additional pipeline networks.

We aim to protect the environment and respect all who come into contact with our operations. We work hard to protect people and fauna and set high environmental standards for our operations, which include a focus on managing our emissions, water and waste, conserving biodiversity, and preventing spills and leaks. The Company meets and strives to exceed environmental regulatory requirements. We set high safety standards for our operations, which include ensuring our employees are properly trained to safely conduct all aspects of our field operations.

We strive to responsibly manage greenhouse gas ("GHG") emissions. Our efforts to reduce GHG emissions include supplying natural gas to replace coal for power generation and implementing energy-efficient measures in our operations where practical to do so. We invest in existing infrastructure and improve the integrity of these operations, thereby producing favourable environmental impacts.

CLIMATE CHANGE

We recognise that climate change is a complex global issue that requires governments, businesses and communities to work together on appropriate, achievable policies.

The Company is committed to playing our part in helping to meet the goal of a lower carbon world and increasing global energy demands in a way that protects the health and safety of our employees, safeguards the environment and contributes to the sustainability of the communities in which we operate whilst also delivering long-term value for our shareholders.

The benefits of natural gas for managing climate-related risks

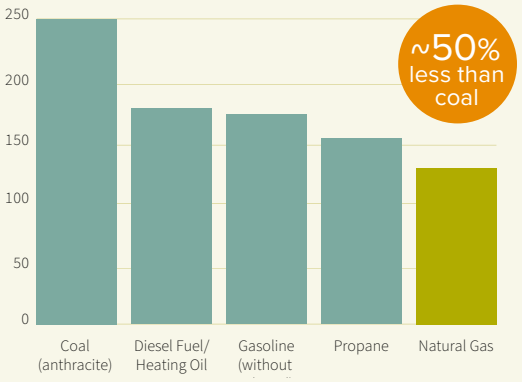
Natural gas must play a key role in the global economic transition to lower-carbon emissions and renewable energy sources. Natural gas has many inherent environmental, economic and energy-creation benefits when compared to other energy sources.

From an environmental perspective, natural gas emits approximately 50% lower carbon dioxide ("CO_2") emissionscompared to coal when burned. The U.S.'s transition to consuming natural gas for energy generation has had a transformational reduction in the nation's CO_2 emissions levels. In fact, thanks in large part to natural gas, the U.S. has led the world in lowering CO_2 emissions. With the clear majority of DGO's production comprised of natural gas, we are proud to play a role in this favourable result. Approximately 99% of our 2019 production was cleaner-burning natural gas and natural gas liquids.

The Sustainability and Safety Committee's report continued

CO_2 EMISSIONS BY FUEL SOURCE WHEN BURNED

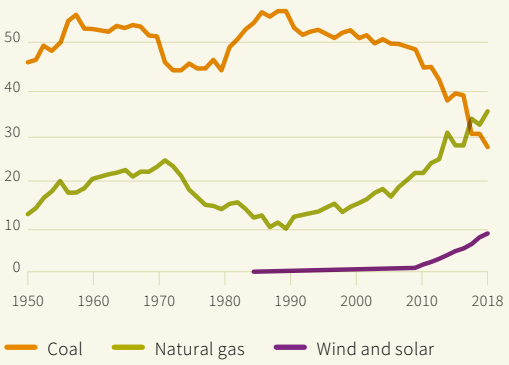
Pounds per CO_2 emitted per MMBtu



Source: Energy Information Administration

NATURAL GAS DISPLACED COAL AS AMERICA'S TOP SOURCE OF ELECTRICITY GENERATION IN 2016

% share of total electricity generation



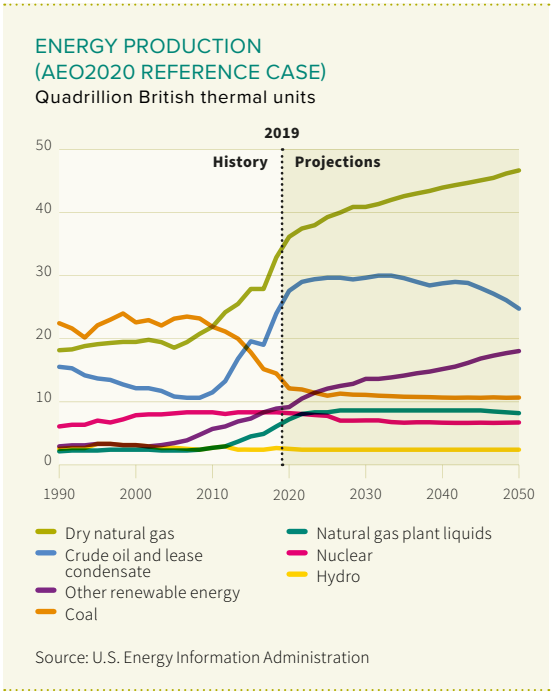
Totals do not add up to 100%. Other sources of generation are not shown.
Source: U.S. Energy Information Administration, by *The New York Times*

In the U.S., natural gas is an abundant, affordable energy source, and it represents the most significant source of non-automobile energy in the country. In addition to its abundance and low cost, natural gas is currently more reliable and predictable in energy generation when compared to other renewable energy sources. It simultaneously complements and enables the adoption of other renewable energy sources. Further, natural gas has had a materially positive impact on the local and national economies, given its low cost to produce and economic benefits for consumers. For example, a recent report issued by Kleinhenz & Associates[1] demonstrated that end users of natural gas in the U.S. saved $1.1 trillion over the past 10 years through reduced prices achieved as a result of higher natural gas production and supply.

Based on the many energy transition scenarios that exist, including those held by the International Energy Agency and the U.S. Energy Information Administration, natural gas will remain a primary resource for future energy demand. Recognising the potential impact that future climate change regulations may have on our business and strategic objectives, DGO strives to responsibly and safely deliver an energy resource that is vital to meet the growing global demand for energy whilst also being a leader in the energy transition.

[1] https://onetrillionsaved.org/assets/files/092919_Kleinhenz__Associates_Natural_Gas_Savings_to_End_Users_2008-2018.pdf

"After decreasing by 2.1% in 2019, EIA forecasts that energy-related carbon dioxide emissions will decrease by 2.0% in 2020 and decrease by 1.5% in 2021.[2]



Source: U.S. Energy Information Administration

Environmental management

We take our commitment to managing the environmental impact of our business very seriously and manage our operations accordingly. We take precautions to protect the surrounding natural resources and environments and to prevent incidents. Our stakeholders expect DGO to protect these resources, and we set ourselves high standards to achieve, and even to exceed, these expectations to the best of our ability.

The organisation focusses on reducing risks, maintaining compliance and seeking best practice and continuous improvement in all our operational processes. Our Company has grown quickly through acquisitions, with each acquisition bringing its own set of environmental policies and practices to review and assimilate into DGO's own Environmental Management programme.

With a portfolio consisting of thousands of wells across multiple states, EHS management remains a top priority as we demonstrate our commitment to be good corporate citizens in the communities in which we live and operate. We frequently review DGO's portfolio of low-decline, mature, producing wells for projects suitable to our internally developed Smarter Well Management programme ("SWM"). This programme is a central component of our overall investment case and reflects our ability to manage assets more efficiently and profitably than the previous owners for whom the assets had become non-core or neglected.

Smarter Well Management

Smarter Well Management encompasses innovative well-management actions intended to both optimise production from active wells and to return inactive wells to production where economically feasible. Simply stated, SWM is aimed at increasing the productivity of our wells whilst simultaneously improving their safety, reducing their environmental footprint and lowering the unit operating costs of all our assets.

This programme is one of our core differentiators among our peers and is a daily focus for DGO's operations employees. The foundation for SWM is our four guiding operational principles:

Safety: No compromises

Production: Every unit counts

Efficiency: Every dollar counts

Enjoyment: Have fun delivering great results

[2] https://www.eia.gov/outlooks/steo/report/renew_co2.php

The Sustainability and Safety Committee's report continued

Every day we use these guiding principles to drive our successful execution of SWM and, in so doing, fully support the principles of sustainability and environmental stewardship. By actively managing our assets with time, focus, innovation, best practice and investment, we drive value for all our stakeholders, which includes the communities where we operate.

Emissions management

The Company acknowledges the concerns surrounding the effects that GHG and other air emissions have on global climate and air quality. We are cognisant of the fact that market changes may occur as climate-related laws and regulations evolve, guided by global agreements and U.S. policy. Through the leadership and oversight of the Board's Sustainability and Safety Committee, we are confident that our plans and actions will be focussed on business practices that will benefit the environment.

For DGO, environmentally friendly business practices begin with our business philosophy and strategy – to take mature, primarily natural gas-producing assets and improve them, making them more sustainable, more productive and safer, until the end of their full economic lives. Our operational SWM programme allows us to enhance the efficiency of our wells whilst simultaneously improving their environmental performance through the implementation of infrastructure upgrades. By focussing our acquisition strategy and portfolio operations on existing, long-life wells, as contrasted to a portfolio developed solely by drilling new wells, we reduce the need for and impact of the development of new fields, thereby reducing the introduction of new sources of emissions into the environment.

The growth of the Company over the last three years has provided us with not only many opportunities to improve the assets acquired from other operators, but also the important task of aggregating and integrating significant amounts of data and operational information. The acquisition information we obtained came to DGO in many forms and in many different digital systems, making it a difficult task to achieve consistency of information across the expanded portfolio. Later in this report, we share information about the transformational technology investments we made during 2019 that created a single integrated data framework: ONE DGO.

Our ONE DGO platform, fully implemented in the fourth quarter of 2019, has created a significantly enhanced asset and operations data set, including information needed for the calculation of CO_2 emissions. The methodology for calculating CO_2 emissions inherently includes varying levels of estimations and assumptions, many of which require a robust set of consistent data inputs. Because of our ONE DGO technology platform, we are positioned to improve the precision of our emissions calculations, and we fully anticipate achieving this objective in our 2020 Sustainability Report at year end.

Our Scope 1 and Scope 2 CO_2 emissions are primarily the result of operating over 60,000 mature wells and several hundred compressor stations located throughout an

SWM KEY OBJECTIVES

Improve

PRODUCTION ON ACTIVE, PRODUCING WELLS

Return

TO PRODUCTION PREVIOUSLY INACTIVE WELLS

SWM RESULTS

~70 MBoepd

LEGACY PRODUCTION HELD FLAT

~750

WELLS RETURNED TO PRODUCTION IN 2019

expansive geographic base. The output of CO_2 emissions at any one well or compressor location is generally not significant and is, in many cases, intermittent.

In addition to the CO_2 emissions generated by our wells and compressor operations, we also generate CO_2 emissions from the operation of our vehicle fleet. Given the geographic expansiveness of our producing-well portfolio and midstream infrastructure throughout the Appalachian Basin, we utilise a large mobile fleet of vehicles to access our assets. However, we have significant opportunities to gain efficiencies in service routes, employee time and vehicle use due to the overlapping nature of our acquisitions in the basin, thus optimising vehicle fuel usage and costs, and reducing emissions as compared to the wells' multiple previous owners.

In a further effort to optimise fuel costs and reduce our carbon footprint, DGO is actively engaged in a fleet replacement programme through which we are purchasing lighter weight, more fuel-efficient vehicles. We provide our field employees with fuel purchasing cards that allow us to monitor miles per gallon, fuel consumption and maintenance costs. We aim to have our field vehicles in a safe operating condition and up to date on maintenance in order to further lower fuel consumption, in addition to providing our employees with a safe mode of transportation.

For inclusion in the 2019 Sustainability Report and also in this Annual Report, we diligently aggregated a significant volume of data from the different systems that we acquired, and provided this information to our emissions consultants. These consultants have decades of experience interacting directly with the U.S. Environmental Protection Agency as well as aggregating and calculating GHG metrics. They have worked closely with us to do the same during our recent years of significant growth. Working with our consultants and being very keen not to understate the potential CO_2 equivalent ("CO2e") emissions produced by our operations, we chose to utilise conservative estimates in our initial reported calculations, which are acceptable accordingto the standards of the Intergovernmental Panel on Climate Change ("IPCC"). Our total Scope 1 and Scope 2 GHG emissions for 2019 were 2.6 million metric tons, resulting in a GHG intensity factor of 0.014 metric tons of CO_2e per million cubic feet equivalent of production.

Air compliance for compressor and pipeline operations – leak detection and repair ("LDAR")

Our adherence to U.S. state and federal air quality standards is a critical component of our compression operations, which are vital in getting our gas to market to serve our customers and bring value to our investors. We conduct LDAR tests on our applicable compressor stations in order to detect methane leaks from the mechanical operations of the facilities. We utilise monitoring equipment and visual inspections to search for any unexpected leaks of natural gas. We repair all detected leaks as they are discovered, thus mitigating methane emissions and thereby delivering more natural gas to our sales points for the benefit of our end users.

Our business strategy, along with our SWM programme, supports our commitment to lower GHG emissions. For example, as we aggregate producing properties, once separately operated, we have multiple opportunities for combining gathering systems. When we connect these gathering systems, fewer compressors are required, resulting in energy savings, reduced emissions and improved efficiency. During 2019, we eliminated 18 compressors and 7,700 horsepower from our midstream operations, which generated tangible and real emissions reductions.

Our second operating principle – "Production: every unit counts" – guides our teams in efficiently producing as many units as possible, in a safe and environmentally responsible manner, for delivery to appropriate sales points. Specifically, with natural gas deliveries, our teams are keenly focussed on reducing and eliminating shrink or loss in the gas stream, which may result from potential pipeline leaks. By reducing product shrink, we deliver more commodity to our end users, increase gas sales, reduce emissions and create value for our stakeholders.

Water management and disposal

The Company recognises that it is important to the communities in which we operate to know that their water sources, for both consumption and recreational use, are protected. The effective management of water is an important aspect of our business operations, and we strive to ensure our water management practices are environmentally sound and cost-effective. For further details, see our Sustainability Report 2019.

The Sustainability and Safety Committee's report continued

Spill prevention and management

Our exposure to significant environmental incidents from spills of liquid products is minimal, given our current production profile of 90% natural gas. Approximately 9% of our total production is natural gas liquids, which are processed at facilities managed by third parties. For the remaining 1% of our production that is subject to crude oil storage and regulation, we implement practices and processes that comply with the applicable regulations. For further details, see our Sustainability Report 2019.

Biodiversity

The Appalachian Basin is the oldest natural gas- and oil-producing region in the U.S. The natural gas and oil assets from which we are producing have been a part of the communities in which we operate for years, decades, and in some cases, nearly a century. Our assets are located in the Appalachian Basin in remote forests, on working farms, near homes, schools, churches, golf courses, businesses, state parks, and in some cases, on federal lands. Simply put, it is where our employees live and work, so we strive to safely operate our producing assets and midstream systems in a manner that is respectful of our surrounding communities and the biodiversity within them.

Land management

With a substantial acreage position of nearly 8 million acres, we recognise the recreational opportunities this acreage provides our surrounding communities as well as the necessity to protect and enhance the ecosystems that exist within it. As we do for all assets across our entire footprint, we maintain our wells within this acreage mindful of the impact our operations have on the ecosystems with which we interact.

Safe and systematic well retirement

Consistent with our business strategy and our reputation as a leading operator in the region, DGO is committed to environmental stewardship as evidenced by the personnel and financial resources dedicated to meet or exceed our asset retirement obligations. During 2019, we worked co-operatively with certain state regulatory agencies to create new or bolster existing asset retirement agreements. These agreements provide certainty to the states regarding our commitment to fulfil our obligations as an operator of mature wells whilst providing all parties, including our shareholders, with long-term visibility to our asset retirement activities, the related liabilities and our ability to fund the retirements.

Anti-bribery and corruption

As reflected in our Statement of Principles, we recognise our responsibility to operate with the highest ethical and moral convictions in all aspects of our business. The Company operates with a zero-tolerance approach to bribery and corruption. Our commitment to responsible and ethical behaviour is outlined within a Company-wide policy that adheres to all relevant laws and regulations, including complying with the UK Bribery Act 2010, as well as such regulations in the states where we operate. As part of our responsibility towards the rights of others, our approach applies across all parts of our business, including our supply chain, and regular training is provided, as necessary, to all employees.

OUR EMPLOYEES

We are committed to our greatest asset – our employees – by providing a stable work environment with opportunities for learning and personal growth, and creating an atmosphere that fosters safety, opportunity, enjoyment and personal well-being. We strive to treat each person with whom we interact with dignity and respect.

We have grown rapidly over the past three years through our successful acquisitions and, in so doing, we've welcomed hundreds of new employees to the DGO family.

During this time, we increased the capacity and capabilities of our internal Human Resources team to enhance our response to personnel issues such as staffing and recruiting, employee compensation and benefits, and performance appraisal. We also conducted a thorough review of our priorities to check that we are meeting the requirements of a growing workforce and that we are strategically enhancing our ability to compete in our industry.

Whilst our operational employees have a deep appreciation of the risks that come with managing gas and oil assets, we maintain compliance with required mandatory training and strive to deliver other relevant training that meets the exacting standards expected at our Company. This training is accompanied by a comprehensive Employee Handbook that covers everything from EHS to our standards for ethical behaviour.

The Company recognises that robust environmental stewardship and financial profitability are not mutually exclusive. Our employees are empowered to bring ideas to the table to help us operate our business as effectively

as possible, responsibly investing in our assets in efficient operations and maximised production, whilst doing so in a safe and environmentally conscious manner.

Many of DGO's employees have years of experience in the industry, and this intellectual capital is critical to meeting our corporate objectives. Our employees' experiences feed our entire operating ecosystem, from our Smarter Well Management programme to our Safe and Systematic Retirement programme, and everything in between.

Diversity and inclusion

Within the DGO family, we aim to create an environment of acceptance and inclusion, where our employees are treated equally and without discrimination. Our first Statement of Principle is to "value the dignity and worth of all individuals", and our Employee Handbook sets out strict guidelines for the professional conduct that we expect all employees to exhibit. Each employee is provided with a handbook on entering employment and is encouraged to revisit it on a regular basis. Our employee base has significantly increased over the last three years as a result of our acquisitive growth, and it is our desire to create a working environment that encourages every one of our employees to achieve their full potential.

We are an Equal Opportunity Employer that does not discriminate on the basis of actual or perceived race, colour, religion, alienage or national origin, ancestry, citizenship status, age, disability, sex, marital status, pregnancy, veteran status, sexual orientation, gender identity, genetic information or any other characteristic protected by applicable law. Our management team is dedicated to this policy with respect to recruitment, hiring, placement, promotion, transfer, training, compensation, benefits, employee activities and general treatment during employment.

Our current workforce consists of 924 employees working across seven states. As our business strategy is based on acquiring and optimising producing gas and oil wells, we place our employees in two categories of function. These categories are Production, which includes our upstream and midstream field employees; and Production Support, which includes all other employees. The gender mix of our Production Support employees consists of 46% female and 54% male, whilst our Production employees consist of 3% female and 97% male.

Employee well-being

The well-being of our employees is important to DGO and critical to our continued success. We provide our employees and their dependants with access to excellent health and welfare benefits at very competitive rates or even zero cost. Through a recognised third-party provider of social assistance, we provide an Employee Assistance programme at no cost to the employee or the employee's dependants, which is available 24 hours per day, seven days a week. These services range from legal advice to academic support and counselling.

We are committed to cultivating a happy and engaged workforce and an environment where all employees feel valued and supported in the work they do. We believe the best way to improve our engagement with employees is to listen to our staff, so we support an "open-door" communication policy between management and staff. We believe this policy helps to foster a unity of purpose, promote idea sharing and transparency, and improve productivity.

The Company also provides employees with access to a third-party reporting and compliance mechanism that facilitates the anonymous reporting of perceived illegal, unethical or improper conduct, should employees prefer to forgo the open-door policy.

Training and development

We recognise that it is in the best interests of our Company to invest in our employees' professional development. Safety training is provided to all field employees on a quarterly basis and is closely monitored to achieve adherence to internal expectations and external requirements. Our employee and contractor training programmes cover accident prevention, protective equipment, safe operating practices, chemical material precautions and workplace hazards. We follow the standards and regulations of the U.S. Occupational Safety and Health Administration ("OSHA"), offering new-hire training and regular courses for employees and contractors. We provide additional desktop and field training on numerous focussed topics to improve safety performance and wellness.

In addition to workplace safety training, we are committed to training our employees on best practice in the different disciplines in our business. We believe in the importance of growing the skills of our employees. For our production-focussed employees, our SWM programme not only drives improved operational results, but also creates educational and development

The Sustainability and Safety Committee's report continued

opportunities to gain additional knowledge and skills. In addition to traditional field operations practices, we are also continuing to invest in technology to drive additional value for our stakeholders. The technology investments we are making provide numerous educational and professional skills opportunities for DGO's many production-focussed employees.

Respect for human rights

We recognise our responsibility to respect human rights and this approach applies to all our employees and contractors as well as within our supply chain. We have a zero-tolerance approach to human rights abuses and modern slavery and seek to operate in accordance with all applicable U.S. human rights rules and labour laws.

Safety

The safety of our employees, our contractors and our communities is at the heart of everything we do. Safety is our number one priority, as reflected in our guiding operational priority – "Safety: no compromises". This concept relates to the physical safety of our employees as well as the safety of local communities. We are committed to ensuring we operate our business safely, and we have focussed safety employees as members of our EHS team that place safety at the forefront of every operating practice.

As an important part of our safety commitment, DGO supplies employees with the necessary safety equipment to protect their well-being. This safety equipment includes fire-retardant clothing, hard hats, eye protection, hearing protection and steel-reinforced footwear. Depending on job requirements, field employees are also issued task-specific safety equipment in addition to the standard-issue equipment. We require all field employees to complete safety and risk mitigation training and continuing education, and they are further trained in first aid and CPR. We have an experienced and professional workforce; however, we will never allow complacency to have an impact on our safe business practices.

Our dedicated safety professionals have regular calls with the operational staff, and each call starts with a discussion on safety hazards that could occur based on current and anticipated weather conditions and the tasks to be performed. During these conversations, participants discuss and analyse any recent incidents with the safety and environmental staff, reviewing root causes and identifying required action or process changes in order to avoid a repeat of the incident in future. Follow-up action of incidents is key as both a training exercise and the further development of best practice.

Given the remote locations of certain of our wells, we are in the process of installing GPS units in all Company vehicles for the primary purpose of safety and the location of our employees.

Driver safety

With more than 60,000 gas and oil wells and over 12,000 miles of natural gas gathering and transporting pipelines across the Appalachian Basin, our well tenders and other field employees can spend a significant portion of their day in their vehicles. In addition, access to some well sites may require the use of all-terrain vehicles ("ATVs") or other heavy equipment. Thus, road safety awareness and safe driving are of paramount importance to us. We spend considerable time ensuring route efficiency for these employees, which reduces not only miles driven, and consequently our emissions footprint, but also time spent behind the wheel. At different times of the year, we offer additional driver safety training for those employees who are required to access wells in remote locations in challenging terrain and weather conditions. Our goal is to achieve ZERO safety incidents.

In addition to our robust training programmes, the Company has an extensive incident reporting and monitoring process. Our senior operations and EHS leadership teams review results with a specific emphasis on root causes and changes to mitigate future incidences. We review the root causes of incidents with our team of experienced professionals and we strive to create solutions and education programmes that incorporate the lessons we learn from our reviews. We are committed to removing the risk of complacency from the daily routines of our employees, thus using the lessons we learn from our reviews to reinforce the fact that we will not accept compromises in our efforts to achieve safe operational practices.

The two primary metrics we track and monitor, as related to safety, are the Total Recordable Incident Rate ("TRIR") and avoidable vehicle incidents. The metric TRIR is a U.S. mathematical measure of occupational safety and health, defined as the number of work-related injuries per 100 full-time workers during a one-year period. For 2019, we are pleased that our TRIR of 2.06 was favourable to our goal of 2.50. In 2019, our field operations employees drove over 12 million miles whilst only incurring 12 avoidable vehicle incidents. Although our goal is ZERO avoidable vehicle incidences, the incidences in 2019 did not result in significant injuries to our employees or third parties.

Process safety

Certain of our facilities are regulated as Process Safety Management facilities as defined by OSHA. As a result, we have rigorous plans to verify safety processes at these facilities. For our non-regulated facilities, we have a comprehensive internal framework for maintaining asset integrity, which focusses on the prevention and control of any event that has the potential to result in a hazardous release.

In order to minimise the number of process safety incidents, we provide our personnel with the best possible training, follow rigorous and disciplined operating procedures, and provide a supportive environment for the reporting of such incidents.

We've invested in technology to help us achieve a safe and productive operating environment, including thousands of measurement points that provide real-time data on the flow of gas throughout our operating systems. We monitor the flow and volumes of produced products through a linked network of radio towers, cellular devices, and well head and storage tank gauges.

Emergency preparedness

Our safety programme is designed to help prevent incidents from happening. However, we also prepare to respond quickly and effectively to any emergency that may occur. Our employees participate in emergency preparedness and response exercises that simulate potential emergency events.

In the event of an incident, our Emergency Preparedness and Response programme is designed to respond to actual or threatened injuries to people, spills and releases to the environment, or damage to our assets or third-party facilities. Our emergency preparedness practices involve our crisis communication teams; engagement with government, regulatory officials and communities; emergency facilities; and response plans. We hold training sessions and exercises to define and clarify roles, responsibilities and resources. Continuous improvement is an essential element of our emergency preparedness and response plans. We incorporate lessons learned from exercises and incidents into our preparedness planning, training and future exercises.

OUR COMMUNITIES

Socio-economic impact

We are one of the largest gas and oil producers in the Appalachian region and make a material contribution to the local economy through the payment of employees' salaries, royalties to landowners and mineral owners, taxes to local governments, and payments to local vendors in our operations.

We work with state and local government to support the communities in the areas where we operate, and support community programmes. The communities are often rural areas with limited employment opportunities, which means we can make a real difference. Not only do we provide jobs at competitive salaries to over 900 families in our areas of operation, but we also offer comprehensive healthcare benefits that can significantly improve the quality of life for employees and their families.

We recognise that the industry needs to develop and attract talented individuals so that it continues to be productive, innovative and successful. As such, the Company monitors the demographic of our own workforce. We are cognisant that we must continue attracting skilled personnel to support the long-term ambitions of the business. To support local families and to encourage students to enter the gas and oil industry, our Company funds college scholarships for students at three secondary educational institutions within our operating footprint: Fairmont State University, Indiana University of Pennsylvania and Marietta College. The Company provides annual scholarship awards of $2,500 each to 12 deserving, rising college seniors who are earning degrees in gas and oil-focussed programmes.

During 2019, through a partnership with West Virginia University, our Company served as the leading corporate sponsor of a safety and emergency response training programme for 400 West Virginia High School seniors interested in pursuing careers in the gas and oil industry. The training was co-ordinated through the West Virginia University Safety and Health Extension service and included topics such as on-the-job safety, health hazards, emergencies, materials handling and protective equipment; ATV safety and certification; first aid and CPR; and job readiness.

Stakeholder engagement

A review of our relationships with industry associations; landowner and mineral owner engagement; joint venture (JV) partner engagement and other key parties are covered in our section 172 Statement on pages 15 to 16.

SANDRA (SANDY) M. STASH
Chair of the Sustainability and Safety Committee

8 March 2020

Financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS	PAGE 86
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	PAGE 92
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	PAGE 93
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	PAGE 94
CONSOLIDATED STATEMENTS OF CASH FLOWS	PAGE 95
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	PAGE 96

Independent Auditor's report to the Members

OPINION

We have audited the financial statements of Diversified Gas & Oil PLC (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019, which comprise:

- the Group statement of profit or loss and other comprehensive income for the year ended 31 December 2019;
- the Group and Parent Company statements of financial position as at 31 December 2019;
- the Group and Parent Company statements of changes in equity for the year then ended;
- the Group statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

IN OUR OPINION:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISA's (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OVERVIEW OF OUR AUDIT APPROACH

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

$6.9m	$6.9m is the Group level of materiality determined for the financial statements as a whole, this has been determined based on approximately 5% of profit before tax. As the Group is committed to returning cash to shareholders we determined that a profit based metric was the most appropriate to use for determining materiality. This is a change from the prior year when a net asset based metric was used given the significant acquisitions that had occurred.
$5.2m	$5.2m is the Group level of performance materiality. Performance materiality is used to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.
$0.3m	$0.3m is the Group level of triviality agreed with the Audit Committee. Errors above this threshold are reported to the Audit Committee, errors below this threshold would also be reported to the Audit Committee if, in our opinion as auditor, disclosure was required on qualitative grounds.

The Parent Company materiality was assessed as £1m based on 0.2% of net assets. As the Parent Company does not trade in its own right we determined that an asset based materiality was considered the most appropriate metric. Parent Company performance materiality was £0.9m and triviality was £0.05m.

Overview of the scope of our audit

There are two components of the Group, Diversified Gas & Oil PLC as an entity and the US operating group as a whole. The US operating group is considered a single component because its business is to consolidate oil and gas assets in a close geographical area, the Appalachian basin, in order to achieve scale in its operations. The audit of Diversified Gas & Oil PLC was conducted from the UK as transactions are limited to administrative and professional fees and transactions involving the Parent Company's equity. We obtained audit evidence for these transactions from management. The audit of the US operating group was carried out by a member of the Crowe Global international network as component auditor. We engaged with the component auditor at all stages during the audit process and directed the audit work on the US operating group. We directed the component auditor regarding the audit approach at the planning stage, issued instructions that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported on. The audit team, including the audit engagement partner, visited the component auditor and the principal finance locations of the US operating group in order to review the component auditors' working papers, discuss key findings directly with the component audit team, specialist team members and component auditor reporting partner and conclude on significant issues.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's report to the Members – continued

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Accounting for acquisitions of oil and gas assets including derivation of appropriate fair values Notes 3 and 4 of the Group financial statements During the year the Group made three acquisitions of oil and gas assets with a combined value of approximately $440 million. The accounting for these has a significant impact on the Group assets and liabilities. We considered the risk the accounting for the acquisitions was materially misstated, that assets and liabilities acquired may be recognised at inappropriate valuations and assumptions are used in making those valuations that are inappropriate or inconsistent with other assessments made. We also considered the appropriateness of the judgement made by management as to whether the acquisitions should be accounted for as a business combination or an asset acquisition under IFRS 3.	The acquisitions were considered business combinations by management and therefore IFRS 3 was applied. For acquisitions of oil and gas properties during the year, we reviewed the acquisition documentation, including agreeing the total consideration. Management engaged an expert to calculate the fair values of assets and liabilities acquired. We challenged the assessment of fair values and assessed whether appropriate fair values has been attributed to the assets and liabilities acquired. Our specialist valuations team undertook a detailed review of the underlying valuation models which included reviewing the mathematical accuracy of key formulae in the models, performing shadow valuations using best practice inputs and investigating material valuation differences. We had discussions with, and challenged the methodology and assumptions of, the third party valuation specialists who had prepared the valuation models. We performed audit procedures on the inputs to the valuation model including: • challenged management regarding the key assumptions in the valuation models and benchmarking to available external data; • tested management's valuation of producing assets by comparing the assumptions used within the valuation models to approved budgets and business plans and other evidence of future intentions for the relevant assets, which we found to be materially consistent; • compared reserves and production profiles and matching capital and operating expenditure forecasts to group approved values, operator estimates or reserves reports; • benchmarked key assumptions including commodity price and inflation against external data and recent public announcements from other oil companies; • compared the discount rates used for oil and gas properties to expected ranges prepared by our valuations team; • performed sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; and • assessed the inclusion of all appropriate assets and liabilities in the valuations and the inclusion or exclusion of certain tax related balances and agreed that all relevant balances had been included. Where there were differences we obtained explanations for these.

Key audit matter	How the scope of our audit addressed the key audit matter
Risk of impairment of producing assets Notes 3 and 11 of the Group financial statements As at the year end the market capitalisation of the Group was less than the Total Equity recorded in the Statement of Financial Position. Given this we considered that there was an indicator of potential impairment.	We obtained management's assessment of impairment and discussed the key inputs into the assessment with management. We performed audit procedures on the inputs into the model as follows: • agreed current gas prices to market data; • reviewed the Competent Person's Report ('CPR') and ensuring assumptions used about well flow rates and well decline were consistent with the model. As part of our review of the CPR we considered the professional qualifications and industry expertise of the expert used and appointed our own expert to assess the technical validity of key underlying assumptions and conclusions reached; • considered a range of sensitivities to assess whether a reasonably likely change to a key input would result in an impairment charge; • tested to ensure the mathematical accuracy of the model presented; and • reviewed the appropriateness of the disclosure made and its consistency with our knowledge of the impairment assessment.
Asset retirement obligations Notes 3 and 15 of the Group financial statements The Group has significant asset retirement obligations in different US jurisdictions. At the reporting date the Group estimated the present value of those obligations to be approximately $200 million. The accounting for these has a significant impact on the Group assets and liabilities. We considered the risk the accounting for asset retirement obligations was materially misstated and that assets and liabilities may be recognised at inappropriate values. We considered the risk that assumptions used in arriving at estimates of retirement obligations may be inappropriate or inconsistent with other assessments made.	We obtained management's estimates of the timing and cost of future obligations and calculations of the present value of those future obligations and discussed the key inputs into the assessment with management. We performed audit procedures on the inputs into the model as follows: • tested to ensure the mathematical accuracy of the model presented; • agreed current levels of plugging costs to supporting data; • considered the appropriateness of trends for future cost increases to market data, where available via published inflation measures; • benchmarked key assumptions against external data; • appointed our own expert to assess the technical validity of key underlying assumptions and conclusions reached; • assessed the inclusion of all appropriate assets and liabilities in the estimates; • considered a range of sensitivities to assess reasonably likely changes to a key inputs; and • reviewed the appropriateness of the disclosure made.

Independent Auditor's report to the Members – continued

For the Parent Company we identified one key audit matter:

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of investments in subsidiaries and intercompany receivables Note 3 of the Parent Company financial statements We considered the risk that the carrying value of investments in subsidiaries and intercompany receivables was impaired. Given the significant increase in this balance during the year and fact that post year end the Group's market capitalisation fell to below the carrying value we considered that there were indicators of potential impairment. Any impairment of investments in subsidiaries or intercompany receivables would reduce distributable profits and potentially impact the ability of the Parent Company to pay dividends.	We obtained management's assessment of the impairment of investments in subsidiaries and intercompany receivables. Our scope specifically considered the following matters: • the appropriateness of the assumptions used by management in assessing the ability of the subsidiary companies to generate cash and remit that to the parent company; and • the mathematical accuracy of the underlying forecasts

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 32 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company'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 the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

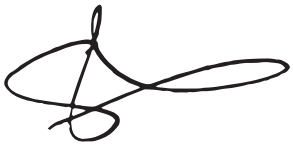
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



STEPHEN BULLOCK
(Senior Statutory Auditor)

for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

8 March 2020

Consolidated statements of profit or loss and other comprehensive income

(Amounts in thousands, except per-share amounts)

	Note	**Audited Year ended 31 December 2019 $**	Audited Year ended 31 December 2018 $
Revenue	5	462,256	289,769
Operating expense	6	(202,385)	(107,793)
Depreciation and depletion	6	(98,139)	(41,988)
Gross profit		**161,732**	**139,988**
Administrative expenses	6	(56,619)	(40,524)
Gain on oil and gas programme and equipment			4,079
Gain on derivative financial instruments	19	73,854	17,981
Gain on bargain purchase	4	1,540	173,473
Operating profit		**180,507**	**294,997**
Finance costs	17	(36,667)	(17,743)
Loss on early retirement of debt		–	(8,358)
Accretion of asset retirement obligation	15	(12,349)	(7,101)
Income before taxation		**131,491**	**261,795**
Taxation on income	8	(32,091)	(60,676)
Income after taxation available to ordinary shareholders		**99,400**	**201,119**
Other comprehensive income – gain on foreign currency conversion		–	1
Total comprehensive income for the year		**99,400**	**201,120**
Earnings per ordinary share – basic & diluted	9	**0.15**	**0.52**
Weighted average ordinary shares outstanding – basic	9	**641,666**	**386,559**
Weighted average ordinary shares outstanding – diluted	9	**644,782**	**387,925**

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

Consolidated statements of financial position

(Amounts in thousands)

	Note	Audited 31 December 2019 $	Audited 31 December 2018 $
ASSETS			
Non-current assets			
Oil and gas properties, net	11	1,490,905	1,092,951
Property and equipment, net	12	341,846	327,749
Restricted cash	2	6,505	–
Other non-current assets	18	4,191	22,543
Indemnification receivable	4	2,133	2,133
Total non-current assets		**1,845,580**	**1,445,376**
Current assets			
Trade receivables	13	73,924	78,451
Other current assets	18	83,568	30,043
Cash and cash equivalents		1,661	1,372
Restricted cash	2	1,207	1,730
Total current assets		**160,360**	**111,596**
Total Assets		**2,005,940**	**1,556,972**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	8,800	7,346
Share premium	14	760,543	540,655
Merger reserve		(478)	(478)
Capital redemption reserve		518	—
Share based payment reserve		3,907	842
Retained earnings		164,845	200,498
Total Equity		**938,135**	**748,863**
Non-current liabilities			
Asset retirement obligation	15	196,871	140,190
Leases	16	1,015	2,694
Borrowings	17	598,778	482,528
Deferred tax liability	8	124,112	95,033
Other non-current liabilities	18	18,041	1,060
Uncertain tax position	4	2,133	2,133
Total non-current liabilities		**940,950**	**723,638**
Current liabilities			
Trade and other payables		17,052	9,383
Borrowings	17	23,723	286
Leases	16	798	842
Other current liabilities	18	85,282	73,960
Total current liabilities		**126,855**	**84,471**
Total Liabilities		**1,067,805**	**808,109**
Total Equity and Liabilities		**2,005,940**	**1,556,972**

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

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 8 March 2020 and were signed on its behalf by:

D. E. Johnson

DAVID E. JOHNSON
Chairman

Consolidated statements of changes in equity

(Amounts in thousands)

	Note	Share Capital $	Share Premium $	Merger Reserve $	Capital redemption reserve $	Share-Based Payment Reserve $	Retained Earnings $	Total Equity $
Balance at 1 January 2019		**7,346**	**540,655**	**(478)**	**–**	**842**	**200,498**	**748,863**
Income after taxation		–	–	–	–	–	99,400	99,400
Gain on foreign currency conversion		–	–	–	–	–	—	—
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**99,400**	**99,400**
Issuance of share capital	14	1,972	219,888	–	–	–	–	221,860
Equity compensation		–	–	–	–	3,065	–	3,065
Repurchase of shares	14	(518)	–	–	518	–	(52,902)	(52,902)
Dividends	10	–	–	–	–	–	(82,151)	(82,151)
Transactions with shareholders		**1,454**	**219,888**	**–**	**518**	**3,065**	**(135,053)**	**89,872**
Balance at 31 December 2019		**8,800**	**760,543**	**(478)**	**518**	**3,907**	**164,845**	**938,135**

	Share Capital $	Share Premium $	Merger Reserve $	Capital redemption reserve $	Share Based Payment Reserve $	Retained Earnings $	Total Equity $
Balance at 1 January 2018	**1,940**	**76,026**	**(478)**	**–**	**59**	**30,691**	**108,238**
Income after taxation	–	–	–	–	–	201,119	201,119
Gain on foreign currency conversion	–	–	–	–	–	1	1
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**201,120**	**201,120**
Issuance of share capital	5,406	464,629	–	–	–	–	470,035
Equity compensation	–	–	–	–	783	–	783
Dividends 10	–	–	–	–	–	(31,313)	(31,313)
Transactions with shareholders	**5,406**	**464,629**	**–**	**–**	**783**	**(31,313)**	**439,505**
Balance at 31 December 2018	**7,346**	**540,655**	**(478)**	**–**	**842**	**200,498**	**748,863**

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

Consolidated statements of cash flow

(Amounts in thousands)

	Note	Audited Year ended 31 December 2019 $	Audited Year ended 31 December 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Income after taxation		99,400	201,119
Cash flow from operations reconciliation:			
Depreciation and depletion		98,139	41,988
Accretion of asset retirement obligation	15	12,349	7,101
Income tax charge (credit)	8	32,091	60,676
(Gain)on derivative financial instruments	19	(20,270)	(32,768)
Asset retirement (plugging)		(2,541)	(1,171)
(Gain) on oil and gas program and equipment		–	(4,079)
(Gain) on bargain purchase	4	(1,540)	(173,473)
Finance costs		36,677	17,743
Loss on early retirement of debt		–	8,358
Non-cash equity compensation	14	3,065	783
Working capital adjustments:			
Change in trade receivables		4,528	(41,225)
Change in other current assets		2,606	(6,286)
Change in other assets		409	(1,732)
Change in trade and other payables		7,669	1,134
Change in other current and non-current liabilities		6,574	8,396
Net cash provided by operating activities		**279,156**	**86,564**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions	4	(439,272)	(750,256)
Expenditures on oil and gas properties and equipment		(32,313)	(18,515)
Decrease (increase) in restricted cash		(5,302)	(986)
Proceeds on disposals of oil and gas properties		10,000	4,079
Net cash used in investing activities		**(466,887)**	**(765,678)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	17	(618,010)	(280,890)
Proceeds from borrowings	17	765,236	581,221
Financing expense		(32,715)	(15,433)
Cost incurred to secure financing		(11,574)	(17,176)
Proceeds from equity issuance, net		221,860	425,601
Proceeds from lease		–	4,401
Repayment of lease		(1,724)	(1,093)
Dividends to shareholders	10	(82,151)	(31,313)
Repurchase of shares	14	(52,902)	–
Net cash provided by financing activities		**188,020**	**665,318**
Net increase (decrease) in cash and cash equivalents		289	(13,796)
Cash and cash equivalents – beginning of the period		1,372	15,168
Cash and cash equivalents – end of the period		**1,661**	**1,372**

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

Notes to the consolidated financial statements

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

NOTE 1 – GENERAL INFORMATION

Diversified Gas & Oil PLC ("DGO" or the "Company") is a natural gas, natural gas liquids and crude oil producer and midstream operator that is focused on acquiring and operating mature producing wells with long lives and slow decline profiles. The Company's assets are exclusively located within the Appalachian Basin of the United States. The Company is headquartered in Birmingham, Alabama, USA with field offices located in the states of Pennsylvania, Ohio, West Virginia, Kentucky, Virginia and Tennessee. DGO was incorporated on 31 July 2014 in England and Wales as a public limited company under company number 09156132. DGO's registered office is located at 27/28 Eastcastle Street, London W1W 8DH, United Kingdom. In February 2017, the Company's ordinary shares were admitted to trading on AIM under the ticker "DGOC."

NOTE 2 – ACCOUNTING POLICIES

Basis of Preparation and Measurement

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU.

Unless otherwise stated, the consolidated financial statements are presented in US Dollars, which is the DGO's functional currency and the currency of the primary economic environment in which DGO operates, and all values are rounded to the nearest thousand dollars except per unit amounts and where otherwise indicated.

Transactions in foreign currencies are translated into US Dollars at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange ruling at the balance sheet date. This is most applicable for transactions of the holding company which has a different functional currency where the resulting gain or loss is reflected in the Consolidated Statements of Profit or Loss and Other Comprehensive Income - gain on foreign currency conversation.

The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the normal course of business. Management has reviewed DGO's overall position and outlook and are of the opinion that DGO 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 these consolidated financial statements.

Basis of Consolidation

During 2019, the Company underwent a restructuring in order to simplify its organisation. Under this restructuring all production entities were merged into Diversified Production, LLC and all midstream entities were merged into Diversified Midstream, LLC. Further, Diversified Energy Marketing, LLC was created to sell the commodities produced by Diversified Production, LLC and certain third parties. There is no financial statement impact as a result of the reorganisation. The following represents DGO's corporate structure as of 31 December 2019 and 31 December 2018:

- Diversified Gas & Oil PLC ("PLC"), and its wholly owned subsidiary,
  - Diversified Gas & Oil Corporation ("DGOC") as well as its, direct and indirect, wholly owned subsidiaries,
    - Diversified Production, LLC
      - Diversified ABS Holdings, LLC
        - Diversified ABS, LLC
    - Diversified Midstream, LLC
    - Diversified Energy Marketing, LLC

Note 2 – Accounting Policies – continued

Prior to the restructuring, the Company consolidated the entities included below:

- Diversified Gas & Oil Corporation ("DGOC") as well as its, direct and indirect, wholly owned subsidiaries,
  - Diversified Resources, Inc.;
  - M & R Investments, LLC;
  - M & R Investments Ohio, LLC;
  - Marshall Gas and Oil Corporation;
  - R&K Oil and Gas, Inc.;
  - Fund 1 DR, LLC;
  - Diversified Oil & Gas, LLC;
  - Alliance Petroleum Corporation
  - Diversified Appalachian Group, LLC;
  - Diversified Energy, LLC;
    - Diversified Partnership Holdings, LLC
    - Diversified Partnership Holdings II, LLC
    - Atlas Energy Tennessee, LLC
      - Atlas Pipeline Tennessee, LLC
  - Diversified Southern Production, LLC;
  - Diversified Southern Midstream, LLC;
  - Diversified Energy Marketing, LLC;
  - Core Appalachia Holding Co, LLC;
    - Core Appalachia Compression, LLC
    - Core Appalachia Midstream, LLC
    - Core Appalachia Operating, LLC
    - Core Appalachia Production, LLC

New Standards and Interpretations Adopted

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard requires all lease transactions (with terms in excess of 12 months) to be recognized on the balance sheet as lease assets and lease liabilities, and to depreciate lease assets separately from interest on lease liabilities in the income statement. IFRS 16 replaces the previous lease standard, IAS 17 Leases, and related interpretations. This standard became effective on 1 January 2019. The standard can be applied using either the full retrospective approach or a modified retrospective approach at the date of adoption.

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

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

The Company adopted IFRS 16 on 1 January 2019 which did not have a material impact on its consolidated financial statements.

Notes to the consolidated financial statements – continued

Note 2 – Accounting Policies – continued

Significant Accounting Policies

The preparation of the consolidated financial statements in compliance with IFRS as adopted by the EU requires Management to exercise judgment in applying DGO's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3 to these consolidated financial statements.

Cash and cash equivalents

Cash on the balance sheets comprise cash at banks. Balances held at banks, at times, exceed federally insured amounts. DGO has not experienced any losses in such accounts and Management believes DGO is not exposed to any significant credit risk on its cash. At 31 December 2019 the Company's cash balance was $1,661.

Trade receivables

Trade receivables are stated at the historical carrying amount, net of any provisions required. Trade receivables are due from customers throughout the oil and natural gas industry. Although diversified among several companies, collectability is dependent on the financial condition of each individual company as well as the general economic conditions of the industry. Management reviews the financial condition of customers prior to extending credit and generally do not require collateral to support of DGO's trade receivables. Any changes in Managements' provision for un-collectability of trade receivables during the year is recognized in the Statements of Profit or Loss and Other Comprehensive Income. Trade receivables also include certain receivables from third-party working interest owners. The Company consistently assesses the collectability of these receivables. At 31 December 2019, the Company considered a portion of these working interests receivables uncollectable and recorded a provision in the amount of $3,210. See Note 13.

Derivative financial instruments

Derivatives are used as part of the Company's overall strategy to mitigate risk associated with the unpredictability of cash flows due to volatility in commodity prices. Further details of DGO's exposure to these risks are detailed in Note 21. DGO has entered into financial instruments which are considered derivative contracts, such as swaps and collars which result in net cash settlement each month and do not result in physical deliveries. The derivative contracts are initially recognized at fair value at the date contract is entered into and remeasured to fair value every balance sheet date. The resulting gain or loss is recognized in the Statement of Profit or Loss and Other Comprehensive Income in the year incurred.

Restricted cash

Cash held on deposit for bonding purposes is classified as restricted cash and recorded within current and non-current assets. The cash is restricted in use by state governmental agencies to be utilised and drawn upon if the operator should abandon any wells or is being held as collateral by the Company's surety bond providers. Additionally, DGO is required to maintain certain reserves for interest payments related to its asset backed securitisation discussed in Note 17. At 31 December 2019 and 2018, the Company's restricted cash balance was $7,712 and $1,730, respectively.

Oil and gas properties

Development and acquisition costs

Expenditures related to the construction, installation or completion of infrastructure facilities, such as platforms and pipelines, and the drilling of development wells, including delineation wells, is capitalised within oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the well asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depletion

Oil and gas properties are depleted on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight- line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proven reserves of the relevant area. The unit-of-production rate for the depreciation of field development costs considers expenditures incurred to date, together with sanctioned future development expenditure.

Note 2 – Accounting Policies – continued

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property and equipment initially recognized includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives:

	Years
Buildings and leasehold improvements	7 – 15
Equipment	10 – 39
Motor vehicles	5 – 7
Compression assets	13
Pipeline assets	15
Other property and equipment	3 – 5

Property and equipment held under leases are depreciated over the shorter of lease term and estimated useful life.

Impairment of financial assets

IFRS 9 requires the application of an expected credit loss model in considering the impairment of financial assets. The expected credit loss model requires DGO to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The credit event does not have to occur before credit losses are recognised. IFRS 9 allows for a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets.

DGO applies the expected credit loss model to trade receivables arising from 1) sales of natural gas, NGLs and crude oil 2) sales of gathering and transportation of third party natural gas and 3) the provision of other services.

Impairment of non-financial assets

At each reporting date, Management assesses whether indications exist that an asset may be impaired. If indications do exist, or when annual impairment testing for an asset is required, Management estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, Management considers the asset impaired and writes the subject asset down to its recoverable amount. In assessing value-in-use, Management discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, Management considers recent market transactions, if available. If no such transactions can be identified, Management will utilize an appropriate valuation model.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Asset retirement obligation

Where a material liability for the retirement of a well, removal of production equipment and site restoration at the end of the production life of a well exists, the Company recognizes a liability for well asset retirement. The amount recognized is the present value of estimated future net expenditures determined in accordance with local conditions and requirements. The unwinding of the discount on the decommissioning liability is included as accretion of the decommissioning provision. The cost of the relevant property, plant and equipment asset is increased with an amount equivalent to the liability and depreciated on a unit of production basis. The Company recognizes changes in estimates prospectively, with corresponding adjustments to the liability and the associated non-current asset.

The Company currently has no midstream asset retirement obligations.

Notes to the consolidated financial statements – continued

Note 2 – Accounting Policies – continued

Taxation

Deferred taxation

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realized or the deferred liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilized.

Income taxation

Current income tax assets and liabilities for the year ended 31 December 2019 are measured at the amount to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdictions where DGO operates and generates taxable income.

Revenue recognition

Natural gas, natural gas liquids ("NGLs") and crude oil

Revenue from sales of natural gas, NGLs and crude oil products is recognized when the customer obtains control of the commodity. This transfer generally occurs when product is physically transferred into a vessel, pipe, sales meter or other delivery mechanism. This also represents the point at which DGO fulfils its single performance obligation to its customer under contracts for the sale of natural gas, NGL's and crude oil.

Revenue from the production of oil in which DGO has an interest with other producers is recognized proportionately based on DGO's working interest and the terms of the relevant production sharing contracts. The portion of revenue that is due to minority working interest is included as a liability in Note 18.

Third-party gathering revenue

Revenue from gathering and transportation of third-party natural gas is recognized when the customer transfers its gas to the entry point in DGO's midstream network and becomes entitled to withdraw an equivalent volume of gas from the exit point in DGO's midstream network under contracts for the gathering and transportation of natural gas. This transfer generally occurs when product is physically transferred into DGO's vessel, pipe, or sales meter. The customer's entitlement to withdraw an equivalent volume of gas is broadly coterminous with transfer of gas into DGO's midstream network.

Other revenue

Revenue from the operation of third-party wells is recognized as earned in the month work is performed and consistent with DGO's contractual obligations. DGO's contractual obligations in this respect are considered to be its performance obligations for the purposes of IFRS15.

Revenue from the sale of water disposal services to third-parties into DGO's disposal well is recognized as earned in the month the water was physically disposed. Disposal of the water is considered to be DGO's performance obligation under these contracts.

Revenue is stated after deducting sales taxes, production taxes, excise duties and similar levies.

Functional currency and foreign currency translation

The consolidated financial statements are presented in United States Dollars ("USD"), which is DGO's functional currency.

The standalone parent company financial statements are presented in Pounds Sterling ("£"), which is the currency of the primary economic environment in which it operates.

The results and financial position of all DGO entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Note 2 – Accounting Policies – continued

- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- income and expenses are translated at average exchange rates (unless this average 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 recognized in other comprehensive income.

Share-based payments

DGO accounts for share-based payments under IFRS 2 Share-based payments. All of DGO's share-based awards are equity settled. The fair value of the awards are determined at the date of grant. At 31 December 2019, DGO had two types of share-based payment awards, Restricted Stock Units ("RSUs") and stock options. The fair value of the grant of the Company's RSUs is determined using the stock price at the grant date and uniformly expensed over the vesting period. The fair value of DGO"s stock options are calculated using the Black Scholes model as of the grant date. The inputs to the Black Scholes model included: the share price at the date of grant, exercise price, expected volatility, expected dividends, risk-free rate of interest and patterns of exercise of the plan participants. The grant date fair value of stock options, adjusted for market-based performance conditions, are expensed uniformly over the vesting period.

Segment reporting

DGO complies with IFRS 8 ***Operating Segments***, to determine its operating segments and has identified one reportable segment that produces and transports natural gas, NGL and crude oil in the Appalachian Basin of the United States of America.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimating the fair value of oil and gas properties

The Company determines the fair value of oil and gas assets using the income approach based on expected discounted future cash flows from estimated reserve quantities, costs to produce and develop reserves, and oil and natural gas forward prices. The future net cash flows are discounted using a weighted average cost of capital as well as any additional risk factors. Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Changes in assumptions related to the Company's asset retirement obligation could result in a material change in the carrying value within the next financial year. Sensitivity analysis on the significant inputs to the fair value to the fair value is included in Note 4.

Impairment of oil and gas properties

In preparing the financial statements Management considers that a key judgment is whether there is any evidence that the oil and gas properties are impaired. Having identified an impairment indicator relating to the market capitalization of the Group, management undertook an impairment test in line with its accounting policy. Management engaged an expert to prepare a value in use calculation of the Company's oil and gas properties. Having performed this assessment with no impairment was recognized.

When applicable, DGO recognizes impairment losses of continuing operations in the Statements of Profit or Loss and Other Comprehensive Income in those expense categories consistent with the function of the impaired asset.

Reserve estimates

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

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

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

Notes to the consolidated financial statements – continued

Note 3 – Significant Accounting Judgments, Estimates and Assumptions – continued

Asset retirement obligation costs

The ultimate asset retirement obligation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, significant estimates and assumptions are made in determining the provision for asset retirement. These assumptions include cost to plug the wells, the economic life of the wells and the discount rate. Changes in assumptions related to the Company's asset retirement obligation could result in a material change in the carrying value within the next financial year. See Note 15 for more information and sensitivity analysis.

NOTE 4 – ACQUISITIONS

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

2019 Acquisitions

Acquisition of HG Energy Appalachia II, LLC

In April 2019, DGO acquired 107 non-conventional wells in the states of Pennsylvania and West Virginia from HG Energy. The Company paid purchase consideration of $384,020, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with the proceeds from its equity placing of stock in April 2019, discussed in Note 14, and a draw from the credit facility discussed in Note 17.

The acquisition of HG increased the Group's total well count to 60,285 wells and its total production to 90,940 boepd. In the period from its acquisition to 31 December 2019 the HG assets contributed revenue of approximately $34,400. The properties associated with the acquisition have been co-mingled with our existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

As stated in Note 3, changes in the Company's assumptions used as inputs for acquisitions could result in a material change of the fair value of the acquired reserves. The Company considers the discount rate, commodity pricing, production and operating expense assumptions to be the inputs most sensitive to the fair value and operating expense would have on the fair value of the acquired reserves.

Discount rate	**+100 basis points $**	**-100 basis points $**
Adjusted fair value of oil and gas properties	414,044	358,509

Pricing (a)	**+100 basis points $**	**-100 basis points $**
Adjusted fair value of oil and gas properties	389,477	378,429

Production	**+100 basis points $**	**-100 basis points $**
Adjusted fair value of oil and gas properties	389,352	378,553

Operating expense	**+100 basis points $**	**-100 basis points $**
Adjusted fair value of oil and gas properties	385,637	382,269

(a) The Company used a projected base realized price of $2.34 using Henry Hub strip prices adjusted for differentials.

Note 4 – Acquisitions – continued

As a result of the valuation, the fair value of the reserves held in the assets acquired was $385,651, which was derived using a cumulative discount rate of 8%. The provisional estimated fair values of the assets and liabilities assumed were as follows:

	$
Total consideration	384,020
Oil and gas properties	385,671
Oil and gas properties (asset retirement obligation, asset portion)	236
Suspense[(a)]	(1,651)
Asset retirement obligation	(236)
Net assets acquired	**384,020**

(a) Suspense represents the amounts payable to minority working interest owners.

Acquisition of EdgeMarc Energy Holdings, LLC

In September 2019, DGO acquired 12 non-conventional wells and 3 drilled but uncompleted wells in Ohio from EdgeMarc. The Company paid purchase consideration of $48,107, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase from a draw on the credit facility discussed in Note 17.

The acquisition of the EdgeMarc assets increased the Group's total well count to 60,297 wells and its total production to 95,940 boepd. In the period from its acquisition to 31 December 2019 the EdgeMarc assets contributed revenue of approximately $6.6 million. The properties associated with the acquisition have been comingled with our existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

As stated in Note 3, changes in the Company's assumptions used as inputs for acquisitions could result in a material change of the fair value of the acquired reserves. The Company considers the discount rate, commodity pricing, production and operating expense assumptions to be the inputs most sensitive to the fair value of the acquired reserves. The table below represents the impact a 100 basis point adjustment in the discount rate, commodity price, production and operating expense would have on the fair value of the acquired reserves.

Discount rate	**+100 basis points $**	**-100 basis points $**
Adjusted fair value of oil and gas properties	42,394	38,838

Pricing[(a)]	**+100 basis points $**	**-100 basis points $**
Adjusted fair value of oil and gas properties	41,293	39,720

Production	**+100 basis points $**	**-100 basis points $**
Adjusted fair value of oil and gas properties	41,192	39,822

Operating expense	**+100 basis points $**	**-100 basis points $**
Adjusted fair value of oil and gas properties	40,854	40,159

(a) The Company used a projected base retained price of $2.27 using Henry Hub Strip prices adjusted for differentials.

Notes to the consolidated financial statements – continued

Note 4 – Acquisitions – continued

As a result of the valuation the fair value of the reserves held in the assets acquired was $40,507, which was derived using a cumulative discount rate of 8.5%. The provisional estimated fair values of the assets and liabilities assumed were as follows:

	$
Total consideration	48,107
Oil and gas properties	40,507
Oil and gas properties (asset retirement obligation, asset portion)	15
Drilled but uncompleted	10,000
Fair value of derivatives	2,213
Asset retirement obligation	(15)
Suspense[(a)]	(2,744)
Taxes payable	(329)
Net assets acquired	49,647
Gain on bargain purchase	(1,540)
Purchase price	48,107

(a) Suspense represents the amounts payable to minority working interest owners.

The Company recorded a $1,540 gain on the acquisition which it believes is reasonable given the facts and circumstances of acquisition. The Company entered into a "stalking-horse" Asset Purchase Agreement with EdgeMarc, debtors-in-possession under title 11 of the United States Code, pursuant to voluntary petitions for relief filed under chapter 11 of the United States Bankruptcy Code. Given the circumstances of EdgeMarc, the Company believes that EdgeMarc was in a distressed position to sell the assets under fair market value.

Acquisition of Natural Gas Gathering Systems

In September 2019, DGO acquired certain natural gas gathering systems from Dominion and Equitrans, for total cash consideration of $7.7 million, excluding customary purchase price adjustments. The Company funded the cash consideration of the purchase from a draw on the credit facility discussed in Note 17. DGO accounted for this acquisition as an asset acquisition under IFRS 3.

2018 Acquisitions

Acquisition of the stock of Alliance Petroleum Corporation

In March 2018, DGO acquired the entire share capital of Alliance Petroleum Corporation, including approximately 13,000 conventional natural gas and oil wells in the states of Pennsylvania, West Virginia and Ohio and all other property and equipment. The Company paid consideration of $80,743, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with the net proceeds from its equity placing of DGO's stock in February 2018 discussed further in Note 14.

Note 4 – Acquisitions – continued

Management determined the fair value of the reserves held in the assets acquired to be $129,125, which was approximately 9% cumulative discount reserve valuation derived from a third party engineer at the time of purchase. The fair values of the assets and liabilities assumed were as follows:

	$
Total cash consideration	80,743
Less cash received	(8,638)
Cash consideration, net of cash received	**72,105**
NET ASSETS ACQUIRED:	
Current assets	13,403
Oil and gas properties, net	129,125
Property and equipment, net	2,444
Other assets	2,133
Current liabilities	(7,576)
Deferred tax liability	(19,852)
Uncertain tax position	(2,133)
Debt	(25,000)
Other liabilities	(119)
Decommissioning liability	(20,153)
Net assets acquired	72,272
Gain on bargain purchase	(167)
Purchase price	**72,105**

(a) At the date of acquisition DGO determined the Alliance Petroleum Corporation had taken uncertain tax positions, and as a result, an indemnification agreement was executed. DGO recorded an indemnification receivable in the amount of $2,133. In accordance with IFRS 3, DGO assigned acquisition date fair value to the indemnification asset using the same valuation techniques used to determine the acquisition date fair value of the related liability.
(b) On the date of acquisition DGO repaid the debt in full using proceeds from the February 2018 equity placing.

Acquisition of assets from CNX Resources LLC

In March 2018, DGO acquired approximately 11,000 conventional natural gas and oil wells principally in the states of Pennsylvania and West Virginia and other equipment from CNX Resources LLC ("CNX"). The Company paid purchase consideration of $89,296, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with the proceeds from its equity placing of DGO's stock in February 2018 discussed further in Note 14. Subsequent to the purchase of these assets, CNX agreed to retain a monthly tariff obligation applicable to the Appalachian assets that requires monthly cash payments to a pipeline transmission company through a portion of calendar year 2022. Tariff payments from the effective date of the purchase through their expiration in 2022 totalled $27,000. In exchange for CNX retaining this $27,000 pipeline tariff obligation, the Company paid CNX $17,000. This one-time payment allows DGO to retain complete and uninterrupted access to the applicable pipeline system and eliminates the $27,000 tariffs the Company would have paid over the remaining term.

Notes to the consolidated financial statements – continued

Note 4 – Acquisitions – continued

Management determined the fair value of the reserves held in the assets acquired to be $130,500, which was approximately 9% cumulative cash flow discount reserve derived from a third-party engineer at the time of purchase. The fair values of the assets and liabilities assumed were as follows:

	$
Oil and gas properties	130,500
Oil and gas properties (Decommissioning provision, asset portion)	14,332
Decommissioning liability	(14,332)
Other liabilities	(4,790)
Gain on bargain purchase	(36,414)
Purchase price	**89,296**

Acquisition of assets from EQT Production Company

In July 2018, DGO acquired approximately 11,250 conventional natural gas wells and a wholly-owned midstream gathering and a compression system with approximately 6,400 miles of pipeline and 59 compressor stations in the states of Kentucky, West Virginia and Virginia and other equipment from EQT Production Company ("EQT"). The Company paid purchase consideration of $527,158, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with the proceeds from its equity placing of stock in July 2018, discussed in Note 14, and a draw of $336,200 from the debt facility discussed in Note 17. At the time of acquisition DGO engaged a third party valuation firm to further substantiate management's valuation assumptions. As a result of this valuation, the fair value of the reserves held in the assets acquired was $363,300, which was derived using a cumulative discount rate of 10.5%. The tangible assets acquired were determined to have a fair value of $237,894, which was derived using a cumulative discount rate of 9.5%. The fair values of the assets and liabilities assumed were as follows:

	$
Oil and gas properties	363,300
Oil and gas properties (Decommissioning provision, asset portion)	26,257
Pipelines	205,810
Compressors	46,634
Mobile Equipment	8,562
Rights of Way	3,250
Buildings	620
Land	2,420
Inventory	5,047
Decommissioning liability	(26,257)
Suspense	(4,764)
Other	(3,428)
Gain on bargain purchase	(100,293)
Purchase price	**527,158**

Note 4 – Acquisitions – continued

Acquisition of the stock of Core Appalachia Holding Co, LLC

In October 2018, DGO acquired Core Appalachia Holding Co, LLC ("Core"), which included approximately 5,000 conventional natural gas wells and a wholly-owned midstream gathering and compression system with approximately 4,100 miles of pipeline and 47,000 horsepower of compression in the states of Kentucky, West Virginia and Virginia. The Company funded the acquisition with approximately $40,000 of cash and 35,000 shares of common stock (at an assumed offering price of $1.41 per share (1.07 pence), which was the last reported sale price of our common stock on the acquisition date) discussed further in Note 14. At the time of acquisition DGO engaged a third party valuation firm to further substantiate management's valuation assumptions. As a result of this valuation, the fair value of the reserves held in the assets acquired was $176,860, which was derived using a cumulative discount rate of 10.5%. The tangible assets acquired were determined to have a fair value of $48,812 which was derived using a cumulative discount rate of 9%. The fair values of the assets and liabilities assumed were as follows:

	$
Cash consideration	45,938
Less cash received	(4,454)
Fair value of stock consideration	49,159
Total consideration	**90,643**
Oil and gas properties	176,860
Oil and gas properties (Decommissioning provision, asset portion)	19,214
Pipelines	27,797
Compressors	6,401
Mobile Equipment	4,206
Buildings	3,880
Land	6,440
Other	88
Accounts receivable	11,506
Other current assets	3,754
Other long term assets	6,617
Decommissioning liability	(19,214)
Accounts payable	(5,586)
Taxes payable	(7,020)
Notes payable assumed	(93,246)
Other current liabilities	(12,259)
Other long term liabilities	(1,898)
	127,540
Gain on bargain purchase	(36,897)
Purchase price	**90,643**

Other Acquisitions

In July 2018, DGO purchased for $20,212 additional working interest in certain wells it already operated. These assets were previously held in seven limited partnerships with working interest ranges from 54% to 82% to which the Company served as the managing general partner. The Company funded the cash consideration for the purchase with a draw on its debt facility.

Notes to the consolidated financial statements – continued

NOTE 5 – REVENUE

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

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Natural gas	384,121	219,189
NGL	33,685	41,854
Oil	20,474	19,117
Total natural gas, NGL and oil	438,280	280,160
Gathering and compression	22,166	7,315
Other	1,810	2,294
Total revenue	**462,256**	**289,769**

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

During the year ended 31 December 2019, one customer individually totalled more than 10% of total revenues, totalling 13%. For the year ended 31 December 2018, two customers individually totalled more than 10% of revenues, totalling 24% and 18%, respectively.

NOTE 6 – EXPENSES BY NATURE

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

	Explanation	Audited Year ended 31 December 2019 $	Audited Year ended 31 December 2018 $
Employees and benefits (operations)		55,947	35,061
Well operating expenses, net		29,643	26,915
Automobile		10,504	5,569
Insurance		6,208	4,698
Production taxes (severance, property and other)		16,427	11,978
Gathering, compression and transportation		83,656	23,572
Total operating expense	(a)	**202,385**	**107,793**
Depreciation		23,568	10,272
Depletion		74,571	31,716
Total depreciation and depletion		**98,139**	**41,988**
Employees and benefits (administrative)		20,914	12,653
Other administrative	(b)	7,384	1,834
Professional fees	(c)	5,212	5,070
Auditors' remuneration			
Fees payable to the Company's auditor for the audit of the group and Company's annual accounts		350	95
Fees payable to the Company's auditor and its associates for other services:			
Audit of the accounts of subsidiaries		1,092	310
Other assurance services		225	142
Total auditors' remuneration		**1,667**	**547**
Rent		896	–
Recurring administrative expenses		**36,073**	**20,104**
Non-recurring costs associated with acquisitions	(d)	9,210	19,637
Other non-recurring costs	(e)	7,542	–
Provision for working interest owners receivable	(f)	730	–
Non-cash equity compensation	(g)	3,064	783
Non-recurring administrative expenses		**20,546**	**20,420**
Total administrative expenses		**56,619**	**40,524**
Total expenses		**357,143**	**190,305**
Aggregate remuneration (including Directors):			
Wages and salaries		68,226	30,238
Payroll taxes		2,869	1,972
Benefits		5,766	4,323
Total employees and benefits expense		**76,861**	**36,533**

(a) Total operating expense increased due to a full year of operating expenses related to the EQT and Core acquisitions. In addition, 2019 includes eight months of costs related to the HG assets acquired and three months of costs related to the EdgeMarc assets acquired. See Note 4 for additional information on acquisitions.
(b) Other administrative expense includes general liability insurance, information technology services, other office expenses and travel.
(c) Professional fees include legal fees, marketing fees, payroll fees, consultation fees and costs associated with being a public company.
(d) Non-recurring costs associated with acquisitions primarily relate to legal and consulting costs directly related to the acquisitions.
(e) Other non-recurring costs include costs associated with early buyouts of long-term firm transportation agreements, severance packages, temporary service agreements for onboarding of acquired assets and consolidation of the Company's corporate structure.
(f) Provision for working interest owners receivable reflects a portion of receivables from working interest owners that the Company considers uncollectable.
(g) Non-cash equity issuances in 2019 and 2018 reflect the expense recognition related to stock compensation provided to certain key managers.

Notes to the consolidated financial statements – continued

Note 6 – Expenses by Nature – continued

For the year ended 31 December 2019 and 31 December 2018, DGO's average workforce was comprised of approximately 918 and 600 employees, respectively. For the year ended 31 December 2019, DGO employed an average of 128 employees in administrative, which is inclusive of management, and an average of 790 employees in field operations. For the year ended 31 December 2018, DGO employed an average of 112 employees in administrative, including management, and an average of 488 employees in field operations.

NOTE 7 – ADJUSTED EBITDA

Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged) are a non-IFRS financial measure, that is defined as operating profit plus or minus items detailed in the table below, which is of particular interest to the industry and Management, as it is essentially the cash generated from operations that DGO has free for interest payments capital investments, and dividend payments. Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged) should not be considered as an alternative to operating profit (loss), comprehensive income, cash flow from operating activities or any other financial performance or liquidity measure presented in accordance with IFRS.

The Company believes Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged) are useful measure because it enables a more effective way to evaluate operating performance and compare the results of operations from period-to-period and against its peers without regard to DGO's financing methods or capital structure. The Company excludes the items listed in the table below from operating profit in arriving at Adjusted EBITDA (hedged) and Adjustd EBITDA (unhedged) for the following reasons:

- certain amounts are non-recurring from the operation of the business such as 1) the gain on foreign currency hedge; 2) costs associated with acquisitions or other one time events; or 3) costs associated with gains on oil & gas properties or equipment
- certain amounts are non-cash such as 1) depreciation and depletion; 2) gains or losses on the valuation of derivative instruments and 3) equity issuance cost included in administrative expenses.

The following table reconciles operating profit to Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged):

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Operating profit	**180,507**	**294,997**
Depreciation and depletion	98,139	41,988
Gain on bargain purchase	(1,540)	(173,473)
(Gain) on oil and gas programme and equipment	–	(4,079)
(Gain) on unsettled derivative financial instruments	(20,270)	(33,636)
Non-recurring costs associated with acquisitions	17,482	19,637
Non-cash equity issuance included in administrative expense	3,065	783
Gain on foreign currency hedge	(4,117)	–
Total adjustments	92,759	(148,780)
Adjusted EBITDA (hedged)	**273,266**	**146,217**
Less: cash portion of settled hedges	53,584	(15,655)
Adjusted EBITDA (Unhedged)	**219,682**	**161,872**
Weighted average ordinary shares outstanding – basic	641,666	386,559
Weighted average ordinary shares outstanding – diluted	644,782	387,925
Adjusted EBITDA (hedged) per share – basic	**0.43**	**0.38**
Adjusted EBITDA (hedged) per share – diluted	**0.42**	**0.38**

NOTE 8 – TAXATION

DGO files a consolidated US federal tax return, multiple state tax returns, and a separate UK tax return for the PLC parent entity. Income taxes are provided for the tax effects of transactions reported in the 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 taxable year ending 31 December 2019 and 2018, DGO had tax expense of $32,091 and $60,676, respectively. The Company's effective tax rate was 24.4% and 23.2%, respectively, for the same periods. The effective tax rate is primarily impacted by recognition of federal tax credits, capital loss carryovers for which no deferred tax asset was recognised, state taxes, other deferred tax, and recurring permanent differences, such as meals and entertainment.

The provision for income taxes for the years ended 31 December 2019 and 31 December 2018 in the Statements of Comprehensive Income are summarised below:

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Current income tax expense		
Federal	654	–
State	2,217	2,894
Foreign – UK	142	–
Total current income tax expense	**3,013**	**2,894**
Deferred income tax (benefit) expense		
Federal	22,253	47,554
State	6,825	10,228
Total deferred income tax (benefit) expense	**29,078**	**57,782**
Total income tax (benefit)	**32,091**	**60,676**

The components of the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Expected tax at U.S. statutory income tax rate	27,613	21.0%
Increase (decrease) in tax resulting from:		
State income taxes, net of federal tax benefit	7,946	6.0%
Federal credits	(7,000)	(5.3)%
Other – net	3,532	2.7 %
Total taxation on income	**32,091**	**24.4%**

The Company's effective tax rate was higher for the year ended 31 December 2019 compared to 31 December 2018 primarily due to the Company acquiring assets (through various 2019 asset acquisitions) in higher US state tax rate jurisdictions including Pennsylvania and for capital loss carryovers for which no deferred tax asset was recognised.

The Company had a net deferred tax liability of $124,112 and $95,033 as of 31 December 2019 and 31 December 2018, respectively. The deferred tax liability increased by $29,079, primarily due to 2019 acquisitions whereby immediate expensing of the fair value of oil and gas properties acquired subsequent to purchase for federal tax purposes. Additionally, the net deferred tax liability increased due to unrealised gains for unsettled derivatives and due to an increase of US federal and state net operating losses utilized.

Notes to the consolidated financial statements – continued

Note 8 – Taxation – continued

The components of the net deferred tax liability included in noncurrent liabilities are as follows:

	Audited Year ended 31 December 2019 $	Audited Year ended 31 December 2018 $
Deferred tax assets		
Decommissioning provision asset	52,254	46,893
Allowance for doubtful accounts	841	577
Federal net operating loss	41,199	53,904
State net operating loss	2,063	3,177
Federal tax credits carryover	19,502	14,365
Capital loss carryover	4,610	1,988
Valuation allowance	(4,610)	(1,988)
Other	2,344	1,334
Total deferred tax assets	**118,203**	**120,250**
Deferred tax liabilities		
Premises, equipment and oil and gas properties	(228,004)	(206,795)
Derivative adjustment	(14,311)	(8,488)
Total deferred tax liabilities	**(242,315)**	**(215,283)**
Net deferred tax liability	**(124,112)**	**(95,033)**

The Company reported the effects of deferred tax expense (benefit) as follows for the year ended 31 December 2019:

	Opening Balance $	**Income Statement $**	Closing Balance $
Deferred Tax Assets/(Liabilities)			
Decommissioning provision, liability	46,893	5,361	52,254
Allowance for Doubtful Accounts	577	264	841
Federal Net Operating Loss	53,904	(12,704)	41,200
State Net Operating Loss	3,177	(1,114)	2,063
Federal Tax Credits Carryover	14,365	5,138	19,503
Premises, equipment and O&G properties	(206,795)	(21,210)	(228,005)
Derivative adjustment	(8,488)	(5,823)	(14,311)
Other Items	1,334	1,009	2,343
Total deferred tax assets/(liabilities)	**(95,033)**	**(29,079)**	**(124,112)**

The Company's deferred tax assets and liabilities all arise in the US.

For U.S. federal tax purposes, DGO is taxed as one consolidated entity, which includes its parent company, PLC. PLC is subject to additional taxes in its home jurisdiction of the United Kingdom. For the year ended, 31 December 2018, PLC did not incur any income tax liability in the United Kingdom. For the year ended, 31 December 2019, PLC incurred $100 in income tax liability in the United Kingdom.

On 22 December 2017, the President of the United States signed into law the TCJA tax reform legislation. This legislation makes significant change in U.S. tax law including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate AMT. The legislation reduced the U.S. corporate tax rate from the current rate of 34% to 21% for the year ended 31 December 2018.

Note 8 – Taxation – continued

At 31 December 2019, the Company continued to maintain the $2,100 uncertain tax position liability related to uncertain tax positions that Alliance Petroleum Corporation (APC) had taken in years prior to the Company acquiring APC. The Company recorded an indemnification receivable in the same amount of $2,100 because the purchase agreement between the Company and APC's former owners provided a specific indemnification for these uncertain tax positions.

At 31 December 2019, the Company had US federal net operating loss carryforwards of approximately $196,200. The remaining US federal net operating loss carryforward of $196,200 generated in the year ended 31 December 2018 does not have an expiration date. Additionally, the Company has US state net operating loss carryforwards of approximately $40,600, which expire in the years 2036 through 2038.

At 31 December 2019, the Company had US federal marginal well tax credit carryforwards of approximately $19,500, which expire in the years 2036 through 2039.

At 31 December 2019, the Company had US federal capital loss carryovers of $17,600, which expire in the years 2020 through 2023. The Company does not expect to utilize these carryovers, and therefore, a deferred tax asset for these carryovers has not been recorded.

The Company completed a Section 382 study through 31 December 2019 in accordance with the Internal Revenue Code of 1986, as amended. The study concluded that the Company has experienced ownership changes as defined by Section 382 on 3 February 2017 and on 6 March 2018. This causes the Company's utilization of its US federal and state net operating loss and US federal tax credit carryforwards to be subject to annual limitations. The Company expects its net operating loss carryforwards to be fully available for utilization by 31 December 2019 and tax credit carryforwards to be fully available for utilization by 2024. The Company's ability to utilize its US federal and state net operating loss and US federal tax credit carryforwards may be further limited as a result of subsequent ownership changes. All such limitations could result in the expiration of carryforwards before they are utilized.

NOTE 9 – EARNINGS PER SHARE

The calculation of basic income/(loss) per ordinary share is based on the income/(loss) after taxation available to ordinary shareholders and on the weighted average number of ordinary shares outstanding during the period. The calculation of diluted income/(loss) per ordinary share is based on the income/(loss) after taxation available to ordinary shareholders and the weighted average number of ordinary shares outstanding plus the weighted average number of shares that would be issued if dilutive options and warrants were converted into ordinary shares on the first day of the reporting period. Basic and diluted income/(loss) per ordinary share is calculated as follows:

	Calculation	**Year ended 31 December 2019 $**	Year ended 31 December 2018 $
Income after taxation available to ordinary shareholders	A	**99,400**	**201,119**
Weighted average ordinary shares outstanding – basic	B	641,666	386,559
Weighted average ordinary shares outstanding – diluted	C	644,782	387,925
Earnings per ordinary share – basic	= A/B	**0.15**	**0.52**
Earnings per ordinary share – diluted	= A/C	**0.15**	**0.52**
Adjusted (hedged) EBITDA per share – basic	Note 7	**0.43**	**0.38**
Adjusted (hedged) EBITDA per share – diluted	Note 7	**0.42**	**0.38**

Notes to the consolidated financial statements – continued

NOTE 10 – DIVIDENDS

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

Date Declared	Dividend per Ordinary Share USD $	Dividend per Ordinary Share GBP £	Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid $'000
Dividend declared 30 April 2018	0.0345	0.0251	11 May 2018	25 May 2018	311,476	10,746
Dividend declared 29 June 2018	0.0173	0.0130	13 July 2018	24 September 2018	311,476	5,373
Dividend declared 11 September 2018	0.0280	0.0220	30 November 2018	19 December 2018	542,633	15,194
Dividends paid during the year ended 31 December 2018						**31,313**
Dividend declared 14 December 2018	0.0330	0.0253	8 March, 2019	29 March 2019	542,654	17,908
Dividend declared 28 February 2019	0.0340	0.0239	12 April, 2019	28 June 2019	542,654	18,450
Dividend declared 13 June 2019	0.0342	0.0278	6 September, 2019	27 September 2019	663,636	22,696
Dividend declared 8 August 2019	0.0350	0.0269	29 November, 2019	20 December 2019	659,903	23,097
Dividends paid during the period ended 31 December 2019						**82,151**

On 10 December 2019 the Company announced a dividend of $0.035 per share. The dividend will be paid on 27 March 2020 to shareholders on the register on 6 March 2020. No liability is recorded in the financial statements in respect of this dividend as it was not approved by the shareholders at the balance sheet date.

NOTE 11 – OIL AND GAS PROPERTIES

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

	Costs				Depletion and Impairment				
Period	Beginning Balance $	Additions[a] $	Disposals[b] $	Ending Balance $	Beginning Balance $	Period Charges $	Disposals $	Ending Balance $	Net Book Value $
As at and for the year ended 31 December 2019	1,148,235	482,525	(10,000)	1,620,760	(55,284)	(74,571)	–	(129,855)	**1,490,905**
As at and for the year ended 31 December 2018	239,814	908,514	(93)	1,148,235	(24,489)	(30,795)	–	(55,284)	**1,092,951**

(a) Of the $482,525 in additions, $385,651 and $40,507 were related to the acquisitions of HG and EdgeMarc, respectively. See Note 4 for additional information regarding these acquisitions.
(b) In November 2019, DGO sold the DUCs that were acquired in the EdgeMarc acquisition discussed in Note 4. The carrying value of the DUCs at the time of sale was 10,000.

The Company has reviewed the carrying value of the oil and gas properties for the year ended 31 December 2019. Based on this review, the carrying value of oil and gas properties is not impaired.

NOTE 12 – PROPERTY AND EQUIPMENT

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

	Plant, Property & Equipment				Accumulated Depreciation and Disposals				
Period	Beginning Balance $	Additions[a] $	Disposals $	Ending Balance $	Beginning Balance $	Period Charges $	Disposals $	Ending Balance $	Net Book Value $
As at and for the year ended 31 December 2019	340,393	37,665	–	378,058	(12,644)	(23,568)	–	(36,212)	**341,846**
As at and for the year ended 31 December 2018	9,676	330,859	(142)	340,393	(2,729)	(11,193)	1,278	(12,644)	**327,749**

(a) Of the 37,665 in additions, 7,700 relates to equipment purchased through the Dominion and Equitrans acquisitions discussed further in Note 4.
(b) Additions relate to routine capital projects on our compressor and gathering systems, vehicle and equipment additions, and costs related to the Company's ERP project.

Certain prior period amounts of property and equipment have been reclassified to conform with current presentation.

NOTE 13 – TRADE RECEIVABLES

The majority of trade receivables are current and DGO believes these receivables are collectible. Trade receivables also include certain receivables from third-party working interest owners. The Company consistently assesses the collectability of these receivables. At 31 December 2019 and 2018, the Company recorded a provision for doubtful accounts of $3,210 and $2,200, respectively.

	31 December 2019 $	31 December 2018 $
Trade receivables	73,924	78,451
Total trade receivables	**73,924**	**78,451**

NOTE 14 – SHARE CAPITAL

In February 2018, DGO placed 166,400 new ordinary shares at 1.13 per share (80 pence) to raise gross proceeds of 188,775 (approximately £133,120). DGO used the proceeds to fund the APC and CNX acquisitions discussed in Note 4.

In July 2018, DGO placed 195,330 new ordinary shares at 1.28 per share (97 pence) to raise gross proceeds of 250,005 (approximately £189,470). DGO used the proceeds to partially fund the EQT acquisition discussed in Note 4.

In October 2018, DGO placed 35,000 new ordinary shares at 1 pence at an assumed offering issue price of 1.41 per share (£1.07) (which was the last reported sale price of our common stock on the acquisition date) for an assumed value of 49,159 to partially fund the Core acquisition. See further discussion surrounding the acquisition in Note 4.

In April 2019 DGO placed 151,515 new ordinary shares at 1.52 per share (£1.17) to raise gross proceeds of 230,676 (approximately £177,278). DGO used the proceeds to fund the HG Energy acquisition discussed in Note 4.

In April 2019, the Company announced the terms of a share buyback programme. For the year ended 31 December 2019, the Company repurchased 38,662 shares at an average price of 1.36. totalling 52,902. The Company has accounted for the repurchase of these shares as a direct reduction to retained earnings. All repurchased shares will be cancelled.

Notes to the consolidated financial statements – continued

NOTE 14 – SHARE CAPITAL – continued

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

	Number of shares '000	Total Share Capital $'000	Total Share Premium $'000
Balance at 1 January 2019	**542,654**	**7,346**	**540,655**
Issuance of share capital	151,515	1,972	219,888
Repurchase of shares	(38,662)	(518)	–
Other issues[a]	223	–	–
Balance at 31 December 2019	**655,730**	**8,800**	**760,543**

	Number of shares '000	Total Share Capital $'000	Total Share Premium $'000
Balance at 1 January 2018	**145,076**	**1,940**	**76,026**
Issuance of share capital	166,400	2,359	178,301
Issuance of share capital	195,330	2,575	236,621
Issuance of share capital	35,000	463	49,159
Repurchase of shares	–	–	–
Other issues[b]	848	9	548
Balance at 31 December 2018	**542,654**	**7,346**	**540,655**

(a) During 2019, DGO issued 223,000 restricted stock units to certain members of management. The issuance of these shares had no impact on share capital or share premium for the year ended 31 December 2019. See further information regarding DGO's share based compensation in Note 2.
(b) In November 2018, DGO issued 162,619 restricted stock units to certain members of management and 685,231 shares upon conversion of stock warrants granted to Smith and Williamson related to DGO's 2017 initial public offering. The restricted stock units had no impact on share capital or share premium. The conversion of the warrants resulted in a 9 increase to share capital and a 548 increase to share premium.

NOTE 15 – ASSET RETIREMENT OBLIGATION

The Company records a liability for the future cost of decommissioning its oil and gas properties, which it expects to incur over the long producing life of its wells (the Company presently expects all of its existing wells to have reached the end of their economic lives by 2093). The Company also records a liability for the future cost of decommissioning its production facilities and pipelines if required by contract or statute. The decommissioning liability represents the present value of estimated future decommissioning costs.

In estimating the present value of future decommissioning costs of oil and gas properties the Company takes into account the number and state jurisdictions of wells, current costs to decommission by state and the average well life across its portfolio. Management's assumptions are based on the current economic environment and represent what Management 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 ceases to produce economically, which makes the determination dependent upon future oil and gas prices, which are inherently uncertain.

DGO applies a contingency allowance for annual cost increases and discounts the resulting cash flows using a credit adjusted risk free discount rate. DGO considers the Bloomberg 15-year US Energy BB bond to most closely align with the underlying long-term and unsecured liability and has derived its risk adjusted rate by reference to that. The risk adjusted discount rate used in the calculation of the decommissioning liability in 2019 was 7.3% (2018: 8.0%) and the allowance for annual cost increases 2.3% (2018: 2.2%) resulting in a net rate of 5.0% (2018: 5.8%).

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

Note 15 – Asset Retirement Obligation – continued

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Balance at 1 January	**142,725**	**35,448**
Additions[a]	252	96,508
Accretion	12,349	7,101
Plugging costs	(2,541)	(1,161)
Revisions to estimate[b]	46,736	4,829
Balance	**199,521**	**142,725**
Less: Current decommissioning provision	2,650	2,535
Long-term decommissioning liability	**196,871**	**140,190**

(a) See Note 4 for more information about the Company's acquisitions.
(b) At 31 December 2019, the Company revised its asset retirement obligation to more closely align estimated plugging costs with historical cost incurred to plug and abandon wells which resulted in a $4,086 increase to the liability. Additionally, in 2019, the Company revised its net discount rate from 5.8% at 31 December 2018 to 5.0% at 31 December 2019. This revision resulted in a $46,736 increase to the liability.

Changes in the Company's assumptions used as inputs for the estimation of asset retirement obligation could result in a material change in the carrying value of the liability. A one hundred basis point increase in the gross discount rate could have an approximately $74 million impact on the Company's asset retirement obligation.

NOTE 16 – LEASES

DGO leased automobiles, equipment and real estate under leases at 31 December 2019 and 2018.

The following table presents future minimum lease payments for the periods presented:

	31 December 2019 $	31 December 2018 $
Not later than one year	798	842
Later than one year and not later than five years	1,015	2,694
Later than five years	–	–
Total minimum lease payments	1,813	3,536
Less amount representing interest	–	(351)
Present value of minimum lease payments	**1,813**	**3,185**

Reconciliation of leases arising from financing activities:

	31 December 2018 $	Net Cash Flows $	31 December 2019 $
Total present value of minimum lease payments	3,185	1,372	1,813

Notes to the consolidated financial statements – continued

NOTE 17 – BORROWINGS

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

	31 December 2019 $	31 December 2018 $
Individuals and institutional investor bonds, interest rate of 8.50%, maturing June 2020, unsecured	–	86
Financial institution, interest rate of 2.00% plus LIBOR (2019) and 2.25% plus LIBOR (2018), secured by oil and gas properties	436,700	495,284
Securitised Note, interest rate of 5.00%, secured by 21.60% of Diversified Production LLC's working interest	200,000	–
Miscellaneous, primarily for real estate, vehicles and equipment	8,219[(a)]	2,537
Total borrowings	**644,919**	**497,907**
Less: Current portion of long-term debt	(23,510)	(286)
Less: Deferred financing costs	(22,631)	(15,093)
Total non-current borrowings, net	**598,778**	**482,528**

(a) In June 2019 the Company entered into a fleet financing agreement for 7,700 with an implied interest rate of 2%.

In March 2018, the Company closed a 500,000 five year credit facility, initially subject to a borrowing limit of 140,000. Following the closing of the acquisition of certain assets of CNX Resources in March 2018, as discussed in Note 4, the borrowing limit increased to 200,000. In July 2018, in conjunction with the acquisition of certain assets of EQT, the Company closed on an enlarged 1 billion, five-year secured revolving credit facility with an initial borrowing base of 600,000, which replaced the existing 200,000 facility. In November 2018, following the October 2018 acquisition of Core, the Company closed on a further-enlarged 1.5 billion, five-year senior secured credit facility. The enlarged facility consolidates the Company's previous 1 billion facility with Core Appalachia's facility and has an initial borrowing base of 725,000. The facility maintains the maturity date of the previous 1 billion facility of July 2023. In December 2018, DGO extinguished 93m of debt assumed with the Core acquisition. The facility has an initial interest rate of 2.75% plus the one-month LIBOR and is subject to a grid that fluctuates from 2.25% to 3.25% plus LIBOR based on utilization.

In April 2019, the Company increased its borrowing base on the 1,500,000, five-year senior secured credit facility from 725,000 to 950,000. The April 2019 acquisition of certain producing assets of HG Energy, discussed in Note 4, was funded partially by a 152,000 draw on the upsised credit facility. The facility has an initial interest rate of 2.50% plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00% to 3.00% plus LIBOR based on utilisation.

On November 13, 2019, the Company formed Diversified ABS LLC, a limited-purpose, bankruptcy-remote, wholly-owned subsidiary of the Company to enter into a Securitised financing agreement for $200,000 which was issued through a BBB-rated bond. The Company used the net proceeds of $191,000 to pay down its revolving credit facility.

The Securitised Note is secured by 21.6% of the Company's producing assets excluding the acquired Edgmarc assets discussed in Note 4. Natural gas production associated with the 21.6% working interest was hedged at 85% at the close of the agreement using a 10-year swap and rolling two-year basis hedge.

Interest and principal payments on the Securitised Note are payable on a monthly basis beginning 28 February 2020. During 2019, the Company accrued $1,600 of interest related to the Securitised Note. The legal final maturity date is January 2037 with an amortizing maturity of December 2029. The Securitised Note accrues interest at a stated 5% rate. In the event that ABS has cash flow in excess of the required payments, 25-100% of the excess cash, contingent on certain performance metrics, is required to pay down additional principal with the remaining proceeds remaining with the Company.

Note 17 – Borrowings – continued

The Securitised Note is 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 Securitised Note, (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 Securitised Note under certain circumstances, (iii) certain indemnification payments in the event, among other things, that the assets pledged as collateral for the Securitised Note is used in stated ways defective of ineffective, and (iv) covenants related to record keeping, access to information and similar matters. The Note is also subject to customary rapid amortization 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 manager termination events, and event of default and the failure to repay of refinance the Securitised Note on the applicable scheduled maturity date. The Securitised Note is also 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 Securitised Note, 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 31 December 2019 the Company was in compliance with all financial covenants.

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

	31 December 2019 $	31 December 2018 $
Not later than one year	23,510	286
Later than one year and not later than five years	515,620	497,621
Later than five years	105,789	–
Total borrowings	**644,919**	**497,907**

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

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Interest	32,662	15,433
Amortisation of deferred finance cost	3,875	2,230
Other	130	80
Total finance costs	**36,667**	**17,743**
Loss on early retirement of debt	**–**	**8,358**

Reconciliation of borrowings arising from financing activities:

	31 December 2019 $	31 December 2018 $
At the beginning of the period	482,814	70,992
Acquired as part of business combination	–	118,223
Proceeds from new borrowings	765,236	581,221
Repayments of borrowings	(618,010)	(275,115)
Financing fees paid	(11,574)	(17,176)
Amortisation of financing fees	3,875	4,812
Interest paid in cash	(32,715)	(15,433)
Finance cost	32,662	15,290
At the end of the period	**622,288**	**482,814**

Notes to the consolidated financial statements – continued

NOTE 18 – OTHER ASSETS & LIABILITIES

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

	31 December 2019 $	31 December 2018 $
Other non-current assets		
Derivative financial instruments	3,803	21,745
Other non-current assets	388	798
Total other non-current assets	**4,191**	**22,543**
Other current assets		
Prepaid expenses	4,317	2,996
Derivative financial instruments	73,705	17,573
Other receivables	383	4,171
Inventory	5,163	5,303
Total other current assets	**83,568**	**30,043**
Other non-current liabilities		
Derivative financial instruments	15,706	–
Other	2,335	1,060
Total other non-current liabilities	**18,041**	**1,060**
Other current liabilities		
Accrued expenses	23,645	21,852
Taxes payable	19,379	13,854
Net revenue clearing[(b)]	9,287	9,299
Asset retirement obligation – current	2,650	2,535
Revenue to be distributed[(a)]	30,321	20,159
Other	–	6,261
Total other current liabilities	**85,281**	**73,960**

(a) 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 Company releases the underlying liability as the aforementioned issues become resolved. Because the timing of resolution is unknown, the Company records the balance as a non-current liability. Prior year amounts have been reclassified to conform to current year presentation.
(b) Net revenue clearing is estimated revenue that is a payable to third-party working interest owners.

NOTE 19 – DERIVATIVES

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

Assets/(Liabilities)	31 December 2019 $	31 December 2018 $
Natural gas		
Swaps	69,242	4,053
Collars	3,882	131
Basis swaps	(2,455)	(1,720)
Put options	(24,783)	7,292
Total natural gas financial derivative contracts	**45,886**	**9,756**
Natural gas liquids		
Swaps	15,859	26,208
Total natural gas financial derivative contracts	**15,859**	**26,208**
Oil		
Swaps	(323)	676
Collars	380	2,929
Total oil financial derivative contracts	**57**	**3,605**
Total financial derivative contracts	**61,802**	**39,569**

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. Management has elected to present derivative assets and liabilities net when these conditions are met. The following table outlines the Company's net derivatives.

Derivative Financial Instruments	Statement of Financial Position	31 December 2019 $	31 December 2018 $
Non-current assets		3,803	21,745
Current assets		73,705	17,573
Total assets		**77,508**	**39,318**
Non-current liability		15,706	-
Current liabilities		–	-
Total liabilities		**15,706**	**-**
Net (liabilities) assets – non-current	Other non-current assets/(liabilities)	(11,903)	21,745
Net assets – current	Other current assets/(liabilities)	73,705	17,573
Net assets/(liabilities)		**61,802**	**39,318**

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

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Net gain (loss) on settlements (a)	49,467	(15,655)
Gain on foreign currency hedge	4,117	–
Total gain (loss) on settled derivative instruments	53,584	(15,655)
Net gain (loss) on fair value adjustments on unsettled financial instruments (b)	20,270	33,636
Total gain (loss) on derivative financial instruments	**73,854**	**17,981**

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.

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.

Notes to the consolidated financial statements – continued

NOTE 20 – FAIR VALUE AND FINANCIAL INSTRUMENTS

Fair Value

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

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

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

(a) observable prices in active markets for similar assets;

(b) prices for identical assets in markets that are not active;

(c) directly observable market inputs for substantially the full term of the asset; and

(d) market inputs that are not directly observable but are derived from or corroborated by observable market data.

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

DGO does not hold derivatives for speculative or trading purposes and the derivative contracts held by DGO do not contain any credit-risk related contingent features. Management has elected to not apply hedge accounting to derivative contracts.

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. Management has elected to present derivative assets and liabilities net when these conditions are met. When derivative assets and liabilities are presented net, the fair value of the right to reclaim collateral assets (receivable) or the obligation to return cash collateral (payable) is also offset against the net fair value of the corresponding derivative. At 31 December 2019 and 2018, there were no collateral assets or liabilities associated with derivative assets and liabilities.

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

Possible actions would be to transfer DGO's positions to another counterparty or request a voluntary termination of the derivative contracts, resulting in a cash settlement in the event of non-performance by the counterparty. For the years ended 31 December 2019 and 2018, the counterparties for all DGO's derivative financial instruments were lenders under formal credit agreements.

The derivative instruments consist of non-financial instruments considered normal purchases and normal sales.

For recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (ex: changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it.

Note 20 – Fair Value and Financial Instruments – continued

All financial instruments measured at fair value use Level 2 valuation techniques for the years ended 31 December 2019 and 2018.

Level 2 fair value measurements are those including inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. The fair value of the swap commodity derivatives is calculated using a discounted cashflow model and the fair value of the option commodity derivatives are calculated using a relevant option pricing model, which are calculated from relevant market prices and yield curves at the balance sheet date and are therefore based solely on observable price information. These instruments are not directly quoted in active markets and are accordingly classified as Level 2 in the fair value hierarchy.

There were no transfers between fair value levels during the reporting year.

Financial Instruments

For trade receivables, DGO applies the simplified approach permitted by 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.

DGO is not a financial institution. DGO does not apply hedge accounting and its customers are considered creditworthy and pay consistently within agreed payments terms.

A classification of the Company's financial instruments for the periods presented is included in the table below:

	31 December 2019 $	31 December 2018 $
Cash and cash equivalents held at amortised cost	1,661	1,372
Trade receivables and accrued income held at amortised cost	73,924	78,451
Financial assets at amortised cost	771	7,952
Financial liabilities at amortised cost	(35,267)	(56,328)
Derivative instruments at FVPL	61,802	39,319
Borrowings, net of deferred financing costs	(622,288)	(482,613)
Total	**(519,397)**	**(411,847)**

NOTE 21 – FINANCIAL RISK MANAGEMENT

Financial Risk Management

DGO's financial steering framework is built upon the principles of operational efficiency, capital efficiency, financing efficiency and sustainable portfolio management with a focus on strengthening DGO's balance sheet, delivering positive free cash flow and growing its profitability to create value for shareholders.

DGO manages its capital structure to safeguard its capital base in order to preserve investor, creditor and market confidence, as well as to provide a sustainable financial foundation for the future operational development of the Company. DGO's financing strategy focuses on cash flow and financial stability. Principal targets are positive free cash flow after dividends, a strong leverage ratio and a healthy balance sheet.

DGO's principal financial liabilities comprise of borrowings and trade and other payables, which it uses primarily to finance and financially guarantee its operations.

DGO's principal financial assets include cash and cash equivalents and trade and other receivables derived from its operations.

DGO also enters into derivative transactions, which depending on market dynamics are recorded as assets or liabilities. To assist with its hedging program design and composition, DGO engages a specialist firm with the appropriate skills and experience to manage its risk management derivative-related activities.

Notes to the consolidated financial statements – continued

Note 21 – Financial Risk Management – continued

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of two types of risk: interest rate risk and commodity price risk. Financial instruments affected by market risk include borrowings and derivative financial instruments. Derivative and non-derivative instruments are used to manage market price risks resulting from changes in commodity prices and foreign exchange rates which could have a negative effect on assets, liabilities or future expected cash flows.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. DGO is subject to this risk exposure as it relates to changes in interest rates on its variable rate borrowings. As discussed in Note 17 , DGO had 437 million of total debt outstanding at 31 December 2019 on its senior secured credit facility with interest rate of 2.00% plus LIBOR. In April 2019, the Company increased its borrowing base on the 1,500,000, five-year senior secured credit facility from 725,000 to 950,000. The facility has an initial interest rate of 2.50% plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00% to 3.00% plus LIBOR based on utilisation. The securitised note discussed further in Note 17, has a stated 5% interest rate and is not subject to interest rate risk.

At 31 December 2019, the Company elected not to enter an interest rate swap.

Commodity price risk

The prices for natural gas, natural gas liquids and crude oil can be volatile and sometimes experience fluctuations as a result of relatively small changes in supply, weather condition, economic conditions and government actions. DGO's revenues are primarily derived from the sale of its natural gas and crude oil production, and as such, DGO is subject to this commodity price risk. For 2019 and 2018, DGO's revenue was 438,280 and 280,160 related to the sale of natural gas, NGL and crude oil, respectively.

To help manage natural gas, natural gas liquids and oil price risk, DGO entered into various direct/physical purchase contracts with gas purchasers and entered into various gas and oil financial contracts with BP Energy Company ("BP") and Cargill ("Cargill"). In March 2018 and concurrent with establishing the revolving credit facility with KeyBank (see Note 17), the Company novated its existing financial hedge contracts from BP and Cargill to KeyBank and Huntington Bank. Further, in 2019, DGO worked with other financial institutions to broaden its network of financially stable financial hedge counterparties. See Note 19 for more information on DGO's financial hedge contracts.

DGO's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on petroleum exchanges and keep options and swaps in place for approximately 36 months on approximately 50-75% of its anticipated production volumes to minimize commodity risk and create stabilized and predictable cash flow important to funding its operation and stated dividend for shareholders.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will not meet its obligations under a contract and arises primarily from DGO's cash in banks and trade receivables.

Cash and Cash Equivalents

The credit risk from its cash and cash equivalents is limited because the counter parties are banks with high credit ratings and have not experienced any losses in such accounts.

Trade receivables

Trade receivables are due from customers throughout the oil and natural gas industry and collectability is dependent on the financial condition of each individual company as well as the general economic conditions of the industry. DGO reviews the financial condition of customers prior to extending credit and generally does not require collateral in support of their trade receivables. The majority of trade receivables are current and DGO believes these receivables are collectible. At 31 December 2019, DGO had three customers over 10% that made up 41% of DGO's trade receivables.

Note 21 – Financial Risk Management – continued

Receivables from joint interest owners, classified in other non-current assets, are generally with other oil and natural gas companies that own a working interest in the properties operated by DGO. DGO has the ability to withhold future revenue payments to recover any non-payment of joint interest receivables.

Liquidity risk

Liquidity risk is the risk that DGO will not be able to meet its financial obligations as they are due. DGO manages this risk by 1) maintaining adequate cash reserves through the use of its cash from operations and bank borrowings and 2) continuously monitors its forecast and actual cash flows to ensure it maintains an appropriate amount of liquidity.

	Less than 3 months $	3 to 12 months $	1 to 5 years $	> 5 years $	Total $
31 December 2019					
Trade and other payables	17,052	–	–	–	17,052
Borrowings[(a)]	684	23,039	469,453	105,602	598,778
Lease	226	656	931	–	1,813
Other liabilities	13,078	39,233	18,041	–	70,352
Asset retirement obligation	663	1,988	6,401	190,469	199,521
Total	**31,703**	**64,916**	**494,826**	**296,071**	**887,516**
31 December 2018					
Trade and other payables	9,383	–	–	–	9,383
Borrowings[(a)]	32	254	495,709	1,711	497,706
Lease	123	719	2,694	–	3,536
Other liabilities	21,852	29,646	21,219	–	72,717
Asset retirement obligation	211	2,324	12,675	124,980	140,190
Total	**31,601**	**32,943**	**532,297**	**126,691**	**723,532**

(a) Future borrowings represented in the table above do not include future interest payments.

Capital risk

DGO's objectives when managing capital are to provide returns for shareholders and safeguard the ability to continue as a going concern while pursuing opportunities for growth through identifying and evaluating potential acquisitions and constructing new infrastructure on existing proved leaseholds. DGO's management does not establish a quantitative return on capital criteria, but rather promotes year over year growth. The Company uses its Net Debt/Adjusted EBITDA to monitor it capital risk and maintains a target of below 2.5x. See Note 7 for more information on Adjusted EBITDA.

Collateral risk

DGO has pledged its oil and gas properties to fulfil the collateral requirements for borrowing credit facilities with its senior secured lenders 21.6% of the Company's oil and gas properties, excluding the Edgemarc acquisition discussed in Note 4 are pledged as collateral for the asset backed securitisation discussed in Note 17. The fair value is based on a third-party engineering reserve calculation using a 10% cumulative discount cash flow and a commodities futures price schedule.

NOTE 22 – CONTINGENCIES AND PROVISIONS

DGO is involved in various pending legal issues that have arisen in the normal course of business. The Company may be subject to a withholding tax of a maximum of $8.8 million payable to the US tax authorities in relation to its share buyback programme discussed in Note 14. At the date of approval of the financial statements there is no formal tax assessment or audit from the tax authorities in relation to this and the Company is assessing the interpretation of the relevant tax rule to identify if it is subject to it. Because the share buyback transactions are recognized outside profit or loss, should the outcome of the determination process be that the Company is found to be liable to pay an amount of withholding tax any necessary adjustment would be recognised through equity. The Company has no other contingent liabilities that would have any material impact on the Company's financial position or results of operations.

Notes to the consolidated financial statements – continued

Note 22 – Contingencies and Provisions – continued

DGO's operations are subject to environmental regulation in all jurisdictions in which it operates. The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect DGO's operations. DGO can offer no assurance regarding the significance or cost of compliance associated with any such new environmental legislation once implemented.

NOTE 23 – RELATED PARTY TRANSACTIONS

UK Legal Counsel

Martin K. Thomas is a partner at Wedlake Bell, LLP, the UK legal advisor for DGO.

	Year ended 31 December 2019		Year ended 31 December 2018	
	£	**$**	£	$
Fees paid to related party legal advisor	150	195	324	423

NOTE 24 – SUBSEQUENT EVENTS

The Company determined the need to disclose the following material transactions that occurred subsequent to 31 December 2019, which have been described within each relevant footnote as follows:

Description	**Footnote**
Dividends	Note 10

Company statements of financial position

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

	Note	31 December 2019 £	31 December 2018 £
ASSETS			
Investments	4	350	350
Receivables from subsidiaries		611,393	425,577
Other assets		20	106
Total non-current assets		**611,763**	**426,033**
Current assets			
Other current assets		136	208
Cash and cash equivalents		317	373
Total current assets		**453**	**581**
Total Assets		**612,216**	**426,614**
EQUITY AND LIABILITIES			
Share capital	5	6,556	5,426
Share premium		587,632	418,590
Capital redemption reserve		387	–
Share based payment reserve		1,922	44
Retained earnings		15,419	2,404
Total Equity		**611,916**	**426,464**
Non-current liabilities			
Borrowings	7	–	67
Total non-current liabilities		**–**	**67**
Current liabilities			
Trade and other payables	7	300	83
Borrowings		–	–
Total current liabilities		**300**	**83**
Total Liabilities		**300**	**150**
Total Equity and Liabilities		**612,216**	**426,614**

The profit for the financial year of the Company was £117,994 (2018: £17,778).

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

The financial statements were approved by the Board of Directors on 8 March 2020 and signed on its behalf by:

D. E. Johnson

DAVID E. JOHNSON
Chairman

Company statements of changes in equity

(Amounts in thousands)

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Share Based Payment Reserve £	Retained Earnings £	Total Equity £
Balance at 1 January 2019	**5,426**	**418,590**	**–**	**44**	**2,404**	**426,464**
Total comprehensive income	–	–	–	–	117,994	117,994
Issuance of share capital, initial offering	–	–	–	–	–	–
Issuance of share capital, secondary offering	1,517	169,042	–	–	–	170,559
Equity compensation	–	–	–	1,878	–	1,878
Share repurchase	(387)	–	387	–	(42,049)	(42,049)
Dividends	–	–	–	–	(62,930)	(62,930)
Balance at 31 December 2019	**6,556**	**587,632**	**387**	**1,922**	**15,419**	**611,916**

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Share Based Payment Reserve £	Retained Earnings £	Total Equity £
Balance at 1 January 2018	**1,451**	**60,390**	**–**	**44**	**8,625**	**70,510**
Issuance of share capital, initial offering	–	–	–	–	17,778	17,778
Issuance of share capital	3,975	358,200	–	–	–	362,175
Equity compensation	–	–	–	–	–	–
Dividends	–	–	–	–	(23,999)	(23,999)
Balance at 31 December 2018	**5,426**	**418,590**	**–**	**44**	**2,404**	**426,464**

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

Notes to the Company financial statements

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

NOTE 1 – GENERAL INFORMATION

Diversified Gas & Oil PLC (the Company) is a public limited company incorporated in England and Wales on 31 July 2014. The registered office is 27/28 Eastcastle Street, London W1W 8DH, United Kingdom. In February 2017, the Company's shares were admitted to trading on AIM under the ticker "DGOC."

NOTE 2 – ACCOUNTING POLICIES

Basis of Preparation and Measurement

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and the Companies Act 2006 under the historical cost basis. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see Note 3).

The financial information of the Company is presented in Pound Sterling ("£") and rounded to the nearest thousand, unless otherwise stated.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these financial statements. The Company has also taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland": the requirements of Section 7 – Statement of Cash Flows and the requirements of Section 11 – Financial Instruments.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the normal course of business. Management has reviewed DGO's overall position and outlook and are of the opinion that the Company 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 these financial statements.

New Standards and Interpretations Not Yet Adopted

At the date of authorisation of this financial information, Management has reviewed the standards in issue by the Financial Reporting Council, which are effective for annual accounting years ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial reporting of the Company.

Significant Accounting Policies

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Borrowings

Borrowings which are basic financial instruments are initially recorded at the transaction price. Subsequently, they are measured at amortised cost using the effective interest method.

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Investments

Investment in a subsidiary company is held at cost less accumulated impairment losses.

Notes to the Company financial statements – continued

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements Management considers that the key judgement is the recoverability of subsidiaries' receivables of £610,231 (2018: £425,577). Having identified an impairment indicator relating to the market capitalisation of the Group. Management undertook an impairment test in line with their accounting policy. Management engaged an expert to prepare a value in use calculation of the group oil and gas properties as ultimately the cashflows these generate are linked to the subsidiaries ability to pay. Having perfomed this assessment no impairment was recognised.

NOTE 4 – INVESTMENTS

The Company owns in its entirety the issued share capital of Diversified Gas & Oil Corporation, a company incorporated in Delaware, United States of America. The carrying value at both 31 December 2019 and 2018 of investments held was £350.

A list of the subsidiaries of the Company is set out in Note 2 to the consolidated financial statements. The registered office of Diversified Gas & Oil Corporation and all of the subsidiaries owned by that entity is 1800 Corporate Drive, Birmingham, Alabama, USA.

NOTE 5 – SHARE CAPITAL

The following table summarizes the Company's share capital for the periods presented. DGO used the proceeds to partially fund the acquisitions as discussed in Note 4 to the consolidated financial statements.:

	Number of shares	Total Share Capital £'000
Balance at 1 January 2019	542,654	5,426
Issuance of share capital	151,515	1,517
Repurchase of shares	(38,662)	(387)
Other issues[(a)]	223	–
Balance at 31 December 2019	**655,730**	**6,556**

	Number of shares	Total Share Capital £'000
Balance at 1 January 2018	145,076	1,451
Issuance of share capital	396,730	3,967
Other issues[(a)]	848	8
Balance at 31 December 2018	**542,654**	**5,426**

(a) See Note 14 in the consolidated financial statements for additional information on other issues.

NOTE 6 – DIVIDENDS

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

Date Declared	GBP £	Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid £'000
Dividend declared 14 December 2018	0.0253	8 March 2019	29 March 2019	542,654	13,729
Dividend declared 28 February 2019	0.0239	12 April 2019	28 June 2019	542,654	12,960
Dividend declared 13 June 2019	0.0278	6 September 2019	27 September 2019	663,636	18,481
Dividend declared 8 August 2019	0.0269	29 November 2019	20 December 2019	659,903	17,760
Dividends paid during the period ended 31 December 2019					**62,930**
Dividend declared 30 April 2018	0.0251	11 May 2018	25 May 2018	311,476	7,818
Dividend declared 29 June 2018	0.013	13 July 2018	24 September 2018	311,476	4,080
Dividend declared 11 September 2018	0.022	30 November 2018	19 December 2018	542,633	12,101
Cumulative dividends declared as at for the year ended 31 December 2018					**23,999**

NOTE 7 – BORROWINGS

Borrowings consist of the following amounts for the periods presented:

	31 December 2019 £	31 December 2018 £
Individuals and institutional investor bonds, interest rate of 8.50%, maturing June 2020, unsecured	–	67
Total borrowings	**–**	**67**

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

	31 December 2019 £	31 December 2018 £
Not later than one year	–	–
Later than one year and not later than five years	–	67
Later than five years	–	–
Total borrowings	**–**	**67**

NOTE 8 – OPERATING EXPENSES

Details of the Director's remuneration is included in the Director's Report.

Details of Auditor's remuneration is included in Note 6 to the consolidated financial statements.

NOTE 9 – TAXATION

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%).

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Profit on ordinary activities before tax	**117,994**	**17,778**
Corporate tax in the UK of 19.0% (2018: 19.00%) on profits for the period	22,419	3,378
Non-taxable income	(22,625)	(3,738)
Permanent differences	326	138
Effects of tax losses carried forward	(13)	222
Total tax charge for the year	**107**	**–**

Non-taxable income for 2019 relates to dividend income received from US subsidiaries in the amount £119,080. The Company utilised the previously unrecognised tax losses during 2019 and has no remaining loss carryforwards.

Officers and professional advisors

DIRECTORS	David E. Johnson (Independent Non-Executive Chair) Martin K. Thomas (Non-Executive Vice Chair) Robert R. (Rusty) Hutson Jr. (Chief Executive Officer) Bradley G. Gray (Chief Operating Officer and Finance Director) Robert M. Post (Non-Executive Director) David J. Turner Jr. (Senior Independent Non-Executive Director) Sandra (Sandy) M. Stash (Independent Non-Executive Director) Melanie A. Little (Independent Non-Executive Director)
REGISTERED NUMBER	09156132 (England and Wales)
REGISTERED OFFICE	27/28 Eastcastle Street London W1W 8DH (UK)
HEAD OFFICE	1800 Corporate Drive Birmingham, Alabama 35242 (US)
COMPANY SECRETARY	MSP Secretaries ltd 27/28 Eastcastle Street London W1W 8DH (UK)
INDEPENDENT AUDITOR	Crowe UK LLP St Bride's House, 10 Salisbury Square London EC4Y 8EH (UK)
LEGAL ADVISOR, UK	Latham & Watkins LLP 99 Bishopsgate London ECM2 3XF United Kingdom
LEGAL ADVISOR, U.S.	Benjamin Sullivan 414 Summers Street Charleston, WV 25301 United States
COMPETENT PERSON	Wright & Company, Inc. 12 Cadillac Drive, Suite 260 Brentwood, Tennessee 37027 (US)
SHARE REGISTRAR	ComputerShare Investor Services plc The Pavilions, Bridgewater Road Bristol, BS13 8AE (UK)
NOMINATED ADVISER	Cenkos Securities PLC 6.7.8 Tokenhouse Yard London EC2R 7AS (UK)
BROKERS	Mirabaud Securities Limited 10 Bressenden Place London SW1E 5DH (UK) Stifel Nicolaus Europe Limited 150 Cheapside London, EC2V 6ET (UK)

Diversified Gas & Oil PLC
1800 Corporate Drive
Birmingham,
Alabama, 35242
USA
www.dgoc.com