DIVERSIFIED energy

2023 Interim Report

For the six months ended 30 June 2023

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

Our proven business model creates sustainable value in today's natural gas market by investing in producing assets, reducing emissions and improving asset integrity while generating significant, hedge-protected cash flows. We Acquire, Optimise, Produce and Transport natural gas from existing wells then Retire our wells at the end of their life to optimally steward the resource already developed by others within our industry, reducing the environmental footprint, while sustaining important jobs and tax revenues for many local communities. While most companies in our sector are built to explore for and develop new reserves, we fully exploit existing reserves through our focus on safely and efficiently operating existing wells to maximise their productive lives and economic capabilities, which in turn reduces the industry’s footprint on our planet.

STRATEGIC REPORT

3 Results Overview
4 Key Performance Indicators
5 Environmental, Social & Governance and Corporate Responsibility
5 Principal Risks & Uncertainties
7 Results of Operations

INTERIM FINANCIAL STATEMENTS

21 Independent Review Report to Diversified Energy Company PLC
22 Condensed Consolidated Statement of Comprehensive Income
23 Condensed Consolidated Statement of Financial Position
24 Condensed Consolidated Statement of Changes in Equity
25 Condensed Consolidated Statement of Cash Flows
26 Notes to the Interim Condensed Consolidated Financial Statements

ADDITIONAL INFORMATION

47 Alternative Performance Measures
51 Glossary of Terms

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

RESULTS OVERVIEW

We are pleased to provide an overview of our successes thus far in 2023, which delivered on several key strategic initiatives aligned with our long-term growth strategy and provided value to shareholders.

While the first half of 2023 has seen lower natural gas pricing compared to 2022, our model of de-risking commodity revenues through the disciplined approach to natural gas hedging provides a high percentage of our production with protection, most recently at prices above current market levels. The resulting impact has allowed us to maintain robust operating margins and reliable cash flows through the commodity price cycles. Notably, this strategy has benefited our net income with a $812 million gain in our hedge book for the first half of 2023.

We have continued to optimise our existing assets and integrate those we acquired within the Central Region while delivering accretive growth through new acquisitions. The M&A market remains active, with opportunities nicely aligned with our strategy of being the consolidator of mature natural gas-producing assets in North America. Although market volatility can complicate the ability to agree on commercial terms, including price, before commodity pricing meaningfully changes, thereby resetting portions of the negotiations, we believe we can achieve our goals to scale our business.

As evidence of our success, in March 2023 we acquired the Tanos II assets, adding additional scale within the Central Region. In conjunction with the acquisition, we successfully raised $157 million in equity capital to more appropriately balance our capital structure and remain committed to prudent financing principles to maintain our balance sheet strength.

Additionally, we have strategically extracted unrecognised value within our broader asset portfolio through the recent monetisation of a total of $60 million in undeveloped acreage and non-core assets, including the sale of $16 million of undeveloped acreage in Oklahoma in July 2023, the sale of $38 million of non-operated assets in the Central Region in June 2023, and a collective $6 million in sales of non-core undeveloped acreage across our operating footprint executed during the first half of 2023. We continue to believe substantial upside value remains in our undeveloped acreage inventory, with the ability to be monetised or opportunistically developed through joint venture development.

FIRST-HALF 2023 HIGHLIGHTS

- Completed the accretive acquisition of Tanos II assets in the Central Region for a purchase consideration of $262 million;
- Successful equity capital raise of $157 million to fund the Tanos II acquisition;
- Realised $38 million of cash proceeds from the sale of non-operated assets in the Central Region; and
- Executed a collective $6 million in non-core undeveloped acreage sales.

POST-PERIOD HIGHLIGHTS

- Announced on 17 July 2023 the sale of certain undeveloped acreage in Oklahoma, within the Company’s Central Region, for net consideration of approximately $16 million.

FINANCIAL & OPERATIONAL

Over the first half of 2023, our financial results displayed strong cash flow growth underpinned by our operations and the benefit of hedging. During the six months ended 30 June 2023, we reported net income of $631 million representing an increase of 167% when compared to the six months ended 30 June 2022. Diluted earnings per share for the six months ended 30 June 2023 was $0.67, compared to $(1.10) for the six months ended 30 June 2022. When excluding the non-cash charge for the valuation adjustment of our multi-year derivative portfolio and other customary adjustments, we reported an increase of 26% in Adjusted EBITDA to $283 million, or $0.30 per diluted share, compared to the six months ended 30 June 2022. This growth is underscored by our prudent 2.4x pro forma Leverage Ratio. We continue to scale our presence within the Central Region, most recently with the closing of the Tanos II acquisition. The Central Region presents a significant avenue for continued infill growth, and we expect to continue our success there in the future.

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

Inflationary pressures in the U.S. have seemed to moderate into 2023. While our low capital expenditure model and vertical integration have shielded us from the impacts, we have seen our fuel cost, wages, and other related costs remain steady. Our Adjusted EBITDA Margin has remained strong at 52% and our cash flow growth is once again significant period-over-period.

With regard to production, Appalachia remains solid and consistent with limited declines. At the same time, the Central Region acquisitions have meaningfully increased total production to 25,697 MBoe for the six months ended 30 June 2023, with an exit rate of 144 MBoepd representing growth of 4% and 4%, respectively, compared to the six months ended 30 June 2022. Strong production, along with healthy margins, has translated to robust operating cash flows of $173 million and Free Cash Flow of $81 million.

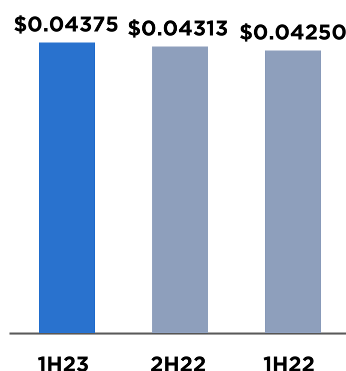
With this backdrop of growth and solid financial performance, we enter the third quarter with operational momentum and a track record of success in navigating volatile markets.

KEY PERFORMANCE INDICATORS

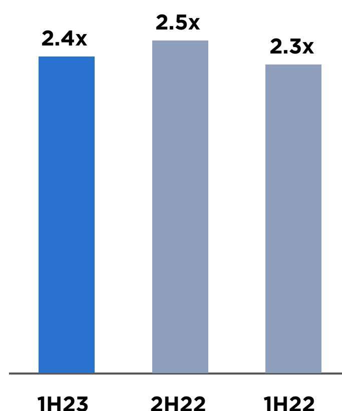
In assessing our performance, the Directors use the following key performance indicators ("KPIs") to track our success against our stated strategy. These KPIs focus on corporate and environmental responsibility, consistent per share returns underpinned by prudent cost management, low Leverage and sufficient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

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

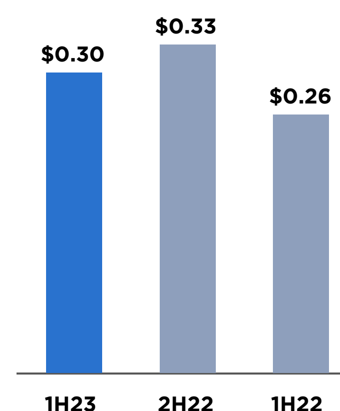
TTM AVERAGE QUARTERLY DIVIDEND PER SHARE



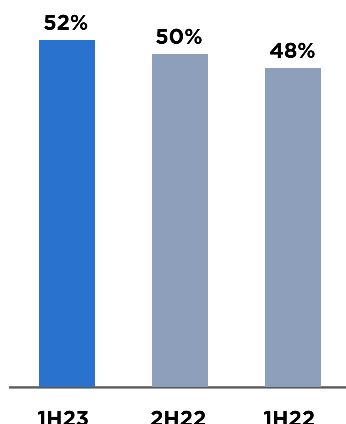
NET DEBT-TO-PRO FORMA TTM ADJUSTED EBITDA



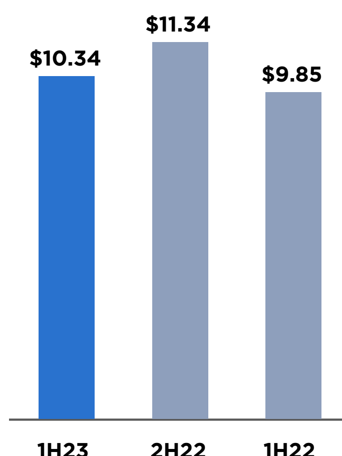
ADJUSTED EBITDA PER SHARE



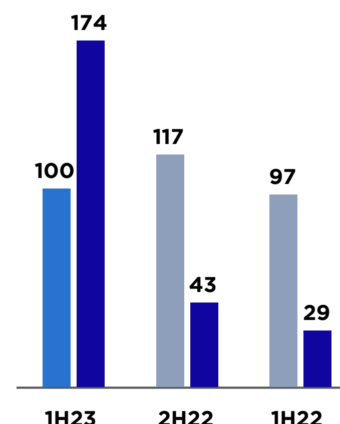
ADJUSTED EBITDA MARGIN



ADJUSTED OPERATING COST PER BOE



ACTUAL WELLS RETIRED



DEC Wells Retired[a]
Wells Retired by Next LVL

(a) Inclusive of 13, 7 and 7 Central Region wells retired during 1H23, 2H22 and 1H22, respectively.

Our Emissions Intensity, State Asset Retirement Goals and Total Recordable Incident Rate ("TRIR") are reported on an annual basis. For the years ended 31 December 2022 and 2021, our Emissions Intensity was 1.2 MT CO_2e/MMcfe and 1.5 MT CO_2e/MMcfe, respectively. For the years ended 31 December 2022 and 2021, our State Asset Retirement Goal was 80 wells. For the years ended 31 December 2022 and 2021, our TRIR was 0.73 and 1.55, respectively. Refer to our 2022 Annual Report for additional information on Emissions Intensity, State Asset Retirement Goals and TRIR.

ESG & CORPORATE RESPONSIBILITY

FOCUSED ON EXECUTION, TRANSPARENCY

We entered 2023 with the same drive and commitment that in the prior year helped us deliver significant performance improvements on material ESG issues which are important to us and our stakeholders. We outlined those accomplishments in our 2022 Sustainability Report, our fourth and most robust and transparent sustainability report to date. Published in April 2023, this report outlined significant improvements in our methane intensity reduction efforts on our path toward a targeted 30% intensity reduction by 2026 and included, in part, discussion of our commitments to both asset retirement through the creation of a wholly-owned, vertically integrated retirement subsidiary, Next LVL Energy, and to the communities in which we operate through a state economic impact analysis.

Using our 2022 sustainability-focused successes as a baseline, in our 2022 Sustainability Report we set a number of new objectives for 2023 that will allow us to continue our progress across a broad spectrum of ESG initiatives. We remain committed to driving and delivering continued results from these objectives through stewardship-focused, responsible operations and actions.

Keeping sustainability at the forefront of our decision-making and programmes, we have included sustainability-related KPIs within our ABS and Credit Facility financings that, if not met, could result in an increase in the interest rate for those financings. We are pleased to report that as of 30 June 2023, we have measured all such KPIs and determined no increase in the interest rates for the relevant financings is required.

ENVIRONMENTAL UPDATE

For the six months ended 30 June 2023, we have completed voluntary handheld fugitive emissions surveys on more than 5,600 wells, or approximately 75% of our Central Region wells and are well on the way to achieving our 2023 goal to survey 100% of Central Region wells by year end. Inclusive of immediate repair actions, as applicable, follow-up repeat well surveys demonstrate that 92% of our Central Region wells have no fugitive emissions.

After voluntarily surveying 100% of our Appalachian wells last year, the Appalachian emission detection programme continues on course with approximately 59,000 repeat well surveys completed in each quarter of this year, where 97% have no fugitive emissions.

As part of our aerial emissions detection programme, we have surveyed approximately 6,300 miles of our Appalachian midstream system during the period. This year's programme is focused on surveying specific pipeline systems, rather than contiguous geographic routes as with last year's programme, in order to more efficiently identify and repair any fugitive emissions along those systems.

Our pilot programme to convert natural gas-driven pneumatics to compressed air continues with great success, as we have already exceeded our goal to convert 50 well pads by year-end 2023. With the 40 conversions online by month-end July 2023, we now have converted some 95 well pads in the last year and a half, representing more than 63% of our five-year target for conversions.

Following the Tanos II acquisition, we increased the total number of continuously monitored Cotton Valley well pads to 16 pads. Our centralised Integrated Operations Center is now monitoring our Project Canary and Qube technology dashboards continuously, affording prompt operational adjustments based on observed conditions. Certified by Trustwell with a gold rating, these assets gave us the opportunity to access differentiated natural gas markets.

During the first half of 2023, Next LVL Energy safely retired 174 wells in the Appalachian region, of which 87 were operated by Diversified and 87 were owned or operated by third-party companies or state plugging programmes.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have reconsidered our principal risks and uncertainties and determined that the principal risks and uncertainties published in the Annual Report for the year ended 31 December 2022 remain appropriate. The risks and associated risk management processes can be found in our 2022 Annual Report, which is available in the Investor Resources section of our website at www.div.energy.

The risks referred to and which could have a material impact on performance relate to:

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

GOING CONCERN

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

RESPONSIBILITY STATEMENT

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

- The Interim Condensed Consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting', and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by DTR 4.2.4R; and
- The interim report includes a fair review of the information required by:
    - (a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2023, and their impact on the interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
    - (b) DTR 4.2.8R, being material related party transactions that have taken place in the first six months of the financial year ending 31 December 2023, and any material changes in the related party transactions described in the 2022 annual report.

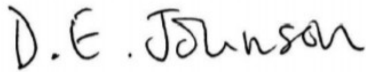
A list of the current Directors is maintained on the Diversified Energy Company Plc website: www.div.energy.

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

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

CONCLUSION

We have enjoyed a successful 2023 thus far, and look forward to continued progress throughout the second half of the year. I would like to thank the growing Diversified family for its commitment to safe and efficient operations, the Board for its diligent oversight and guidance, and our shareholders and stakeholders who entrust us with their capital to fuel our growth. I look forward to reporting back to you with our full-year results.



David E. Johnson

Chairman of the Board

1 September 2023

RESULTS OF OPERATIONS

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

	Six Months Ended			
	30 June 2023	30 June 2022	Change	% Change
Net production				
Natural gas (MMcf)	131,868	127,398	4,470	4 %
NGLs (MBbls)	2,981	2,601	380	15 %
Oil (MBbls)	738	786	(48)	(6)%
Total production (MBoe)	**25,697**	**24,620**	**1,077**	**4 %**
Average daily production (Boepd)	141,972	136,022	5,950	4 %
% Natural gas (Boe basis)	86 %	86 %		
Average realised sales price				
(excluding impact of derivatives settled in cash)				
Natural gas (Mcf)	$ 2.54	$ 5.71	$ (3.17)	(56)%
NGLs (Bbls)	22.53	41.46	(18.93)	(46)%
Oil (Bbls)	73.57	100.28	(26.71)	(27)%
Total (Boe)	**$ 17.75**	**$ 37.12**	**$ (19.37)**	**(52)%**
Average realised sales price				
(including impact of derivatives settled in cash)				
Natural gas (Mcf)	$ 2.96	$ 2.68	$ 0.28	10 %
NGLs (Bbls)	23.39	16.61	6.78	41 %
Oil (Bbls)	68.44	76.24	(7.80)	(10)%
Total (Boe)	**$ 19.87**	**$ 18.08**	**$ 1.79**	**10 %**
Revenue *(in thousands)*				
Natural gas	$ 334,588	$ 727,152	$ (392,564)	(54)%
NGLs	67,159	107,846	(40,687)	(38)%
Oil	54,294	78,817	(24,523)	(31)%
Total commodity revenue	**$ 456,041**	**$ 913,815**	**$ (457,774)**	**(50)%**
Midstream revenue	16,662	16,602	60	— %
Other revenue	14,602	3,111	11,491	369 %
Total revenue	**$ 487,305**	**$ 933,528**	**$ (446,223)**	**(48)%**
Gain (loss) on derivative settlements				
(in thousands)				
Natural gas	$ 55,741	$ (385,186)	$ 440,927	(114)%
NGLs	2,569	(64,654)	67,223	(104)%
Oil	(3,785)	(18,891)	15,106	(80)%
Net gain (loss) on derivative settlements[a]	**$ 54,525**	**$ (468,731)**	**$ 523,256**	**(112)%**
Total Revenue, Inclusive of Settled Hedges	**$ 541,830**	**$ 464,797**	**$ 77,033**	**17 %**

(a) Net gain (loss) on commodity derivative settlements represents cash (paid) or received on commodity derivative contracts. This excludes settlements on foreign currency and interest rate derivatives as well as the gain (loss) on fair value adjustments for unsettled financial instruments for each of the periods presented.

	Six Months Ended			
	30 June 2023	**30 June 2022**	**Change**	**% Change**
Per Boe Metrics				
Average realised sales price				
(including impact of derivatives settled in cash)	$ 19.87	$ 18.08	$ 1.79	10 %
Other revenue	1.22	0.80	0.42	53 %
LOE	(4.34)	(3.32)	(1.02)	31 %
Midstream operating expense	(1.34)	(1.35)	0.01	(1)%
Employees, administrative costs and professional services	(1.50)	(1.47)	(0.03)	2 %
Production taxes	(1.22)	(1.37)	0.15	(11)%
Transportation expense	(1.94)	(2.34)	0.40	(17)%
Proceeds received for leasehold sales	0.27	0.06	0.21	350 %
Adjusted EBITDA per Boe	**$ 11.02**	**$ 9.09**	**$ 1.93**	**21 %**
Adjusted EBITDA Margin	**52 %**	**48 %**		
Other financial metrics				
(in thousands)				
Adjusted EBITDA	**$ 282,864**	**$ 223,760**	**$ 59,104**	**26 %**
Operating profit (loss)	**$ 909,656**	**$ (1,177,133)**	**$ 2,086,789**	**(177)%**
Net income (loss)	**$ 630,932**	**$ (935,250)**	**$ 1,566,182**	**(167)%**

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements that involve substantial risks and uncertainties, and actual results and developments may differ materially from those expressed or implied by these statements. These forward-looking statements are statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, prospects, growth, strategies and the industry in which we operate. These forward-looking statements may be identified by the use of forward-looking terminology, or the negative thereof, such as “outlook”, "plans", "expects" or "does not expect", "is expected", "continues", "assumes", "is subject to", "budget", "scheduled", "estimates", "aims", "forecasts", "risks", "intends", "positioned", "predicts", "anticipates" or "does not anticipate", or "believes", or variations of such words or comparable terminology and phrases or statements that certain actions, events or results "may", "could", "should", “shall”, "would", "might" or "will" be taken, occur or be achieved. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements speak only as of the date of this report and we do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report.

Accordingly, no assurance can be given that the forward-looking statements will prove to be accurate, and you are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty therein. Our past performance cannot be relied on as a guide to future performance. Nothing in this report should be construed as a profit forecast.

PRODUCTION, REVENUE AND HEDGING

Total revenue in the six months ended 30 June 2023 of $487 million decreased 48% from $934 million reported for the six months ended 30 June 2022, primarily due to a 52% decrease in the average realised sales price, slightly offset by 4% higher production. Including commodity hedge settlement gains of $55 million and losses of $469 million in the six months ended 30 June 2023 and 2022, respectively, Total Revenue, Inclusive of Settled Hedges increased by 17% to $542 million in 2023 from $465 million in 2022.

During the current year’s low commodity price environment we have benefited from our ability to opportunistically elevate our hedge floor during last year’s elevated commodity market cycle. This enhancement in our weighted-average hedged floor helped drive a $29 million increase in Total Revenue, Inclusive of Settled Hedges. In addition to our pricing uplift, we also generated an additional $36 million in Total Revenue, Inclusive of Settled Hedges, through increases in production. We sold approximately 25,697 MBoe in 2023 versus approximately 24,620 MBoe in 2022. This increase in volumes sold was due to the March 2023 Tanos II acquisition as well as the integration of production from the East Texas and ConocoPhillips acquisitions which occurred in April and September 2022, respectively.

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

	Six Months Ended			
	30 June 2023	**30 June 2022**	**$ Change**	**% Change**
Henry Hub	$ 2.76	$ 6.06	$ (3.30)	(54)%
Mont Belvieu	34.28	59.43	(25.15)	(42)%
WTI	74.96	99.00	(24.04)	(24)%

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

COMMODITY REVENUE

The following table reconciles the change in commodity revenue (excluding the impact of hedges settled in cash) for the six months ended 30 June 2023 by reflecting the effect of changes in volume and in the underlying prices:

(In thousands)	**Natural Gas**	**NGLs**	**Oil**	**Total**
Commodity revenue for the six months ended 30 June 2022	**$ 727,152**	**$ 107,846**	**$ 78,817**	**$ 913,815**
Volume increase (decrease)	25,524	15,755	(4,813)	36,466
Price increase (decrease)	(418,088)	(56,442)	(19,710)	(494,240)
Net increase (decrease)	**(392,564)**	**(40,687)**	**(24,523)**	**(457,774)**
Commodity revenue for the six months ended 30 June 2023	**$ 334,588**	**$ 67,159**	**$ 54,294**	**$ 456,041**

To manage our cash flows in a volatile commodity price environment, we utilise derivative contracts that allow us to fix the per unit sales prices for approximately 80% of our production over the next twelve months. The tables below set forth the commodity hedge impact on commodity revenue, excluding and including cash received for commodity hedge settlements with natural gas on a per Mcf basis and NGLs and oil on a per Bbl basis:

	Six Months Ended 30 June 2023							
(In thousands, except per unit data)	**Natural Gas**		**NGLs**		**Oil**		**Total Commodity**	
	Revenue	**Realised $**	**Revenue**	**Realised $**	**Revenue**	**Realised $**	**Revenue**	**Realised $**
Excluding hedge impact	**$ 334,588**	**$ 2.54**	**$ 67,159**	**$ 22.53**	**$ 54,294**	**$ 73.57**	**$ 456,041**	**$ 17.75**
Commodity hedge impact	55,741	0.42	2,569	0.86	(3,785)	(5.13)	54,525	2.12
Including hedge impact	**$ 390,329**	**$ 2.96**	**$ 69,728**	**$ 23.39**	**$ 50,509**	**$ 68.44**	**$ 510,566**	**$ 19.87**

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

Refer to Note 8 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding derivative financial instruments.

EXPENSES

	Six Months Ended							
		Per		Per	Total Change		Per Boe Change	
(In thousands, except per unit data)	30 June 2023	Boe	30 June 2022	Boe	$	%	$	%
LOE[a]	$ 111,637	$ 4.34	$ 81,776	$ 3.32	$ 29,861	37 %	$ 1.02	31 %
Production taxes[b]	31,307	1.22	33,878	1.37	(2,571)	(8)%	(0.15)	(11)%
Midstream operating expense[c]	34,391	1.34	33,156	1.35	1,235	4 %	(0.01)	(1)%
Transportation expense [d]	49,964	1.94	57,547	2.34	(7,583)	(13)%	(0.40)	(17)%
Total operating expense	**$ 227,299**	**$ 8.84**	**$ 206,357**	**$ 8.38**	**$ 20,942**	**10 %**	**$ 0.46**	**5 %**
Employees, administrative costs and professional services[e]	38,497	1.50	36,245	1.47	2,252	6 %	0.03	2 %
Costs associated with acquisitions[f]	8,866	0.35	6,935	0.28	1,931	28 %	0.07	25 %
Other adjusting costs[g]	3,376	0.13	67,033	2.72	(63,657)	(95)%	(2.59)	(95)%
Non-cash equity compensation[h]	4,417	0.17	4,069	0.17	348	9 %	—	— %
Total operating and G&A expense	**$ 282,455**	**$ 10.99**	**$ 320,639**	**$ 13.02**	**$ (38,184)**	**(12)%**	**$ (2.03)**	**(16)%**
Depreciation, depletion and amortisation	115,036	4.48	118,480	4.81	(3,444)	(3)%	(0.33)	(7)%
Total expenses	**$ 397,491**	**$ 15.47**	**$ 439,119**	**$ 17.83**	**$ (41,628)**	**(9)%**	**$ (2.36)**	**(13)%**

(a) LOE includes costs incurred to maintain producing properties. Such costs include direct and contract labour, repairs and maintenance, water hauling, compression, automobile, insurance, and materials and supplies expenses.

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

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

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

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

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

(g) Other adjusting costs for the six months ended 30 June 2023 primarily consisted of expenses associated with an unused firm transportation agreement and legal and professional fees related to contemplated transactions. Other adjusting costs for the six months ended 30 June 2022 primarily consisted of $28,345 in contract terminations which will allow us to obtain more favourable pricing in the future and $31,099 in costs associated with deal breakage and/or sourcing costs for acquisitions.

(h) Non-cash equity compensation reflects the expense recognition related to share-based compensation provided to certain key members of the management team.

OPERATING EXPENSE

We experienced an increase in per unit operating expense of 5%, or $0.46 per Boe, resulting from:

- Higher per Boe LOE that rose 31%, or $1.02 per Boe, resulting from increases in costs from the assets acquired in the Central Region, which carry a higher unit cost and revenue per unit of production profile, assets from plugging acquisitions and inflationary pressures;

Partially offsetting the per unit increase were decreases due to:

- Lower per Boe production taxes that declined 11%, or $0.15 per Boe, primarily attributable to a decrease in severance taxes as a result of a decrease in unhedged revenue due to lower commodity prices; and
- Lower per Boe transportation expense that declined 17%, or $0.40 per Boe, primarily related to decreases in commodity price linked components of third-party midstream rates and costs.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSE

G&A expense decreased due to:

- A decrease in other adjusting costs due to the comparatively limited transactional activity during 2023 when compared to 30 June 2022. From time to time we incur costs associated with potential acquisitions. These costs include deposits, rights of first refusal, option agreement costs and other acquisition related payments which can include hedging costs incurred in connection with the potential acquisitions. At times, due to changing macro-economic conditions, commodity price volatility and/or findings observed during our deal diligence efforts, we incur expenses such as breakage and/or deal sourcing fees. In 2021, we paid $25 million in

costs associated with a potential acquisition and, due to decisions we made in the first quarter of 2022, we terminated the transaction and wrote off this $25 million in certain acquisition related costs related to these items. During 2022, we also incurred an additional $6 million in costs of this nature. These transactions were classified as other adjusting costs.

- In February 2022, we paid $28 million to terminate a fixed-price purchase contract associated with certain Barnett volumes acquired during the Blackbeard acquisition. The contract extended through March 2024 and, as a result of the termination, we realised more favourable pricing over this period. This transaction also positioned us to refinance these assets as part of the ABS IV financing arrangement and allowed us to enhance our Liquidity by eliminating the need for a $20 million letter of credit on our Credit Facility. This transaction was classified in other adjusting costs.

Partially offsetting the decrease were increases due to:

- Employees, administrative costs and professional services increased due to investments made in staff and systems to support our enlarged operation. On a per Boe basis, these costs increased 2%, or $0.03 per Boe.
- An increase in costs associated with acquisitions during 2023 when compared to 30 June 2022 was primarily due to costs related to the integration of the Tanos II acquisition, completion of non-core asset sales and the related diligence for each of these transactions.

OTHER EXPENSES

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

- Lower depletion expense due to an increase in our reserve estimates driven primarily by changes in commodity prices year-over-year;

Partially offset by:

- Higher depreciation expense attributable to an increase of property, plant & equipment resulting from acquisitions and maintenance capital expenditures.

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

	Six Months Ended			
(In thousands)	**30 June 2023**	**30 June 2022**	**$ Change**	**% Change**
Net gain (loss) on commodity derivatives settlements[(a)]	$ 54,525	$ (468,731)	$ 523,256	(112)%
Net gain (loss) on interest rate swap[(a)]	(2,824)	828	(3,652)	(441)%
Gain (loss) on foreign currency hedges[(a)]	(521)	—	(521)	(100)%
Total gain (loss) on settled derivative instruments	**$ 51,180**	**$ (467,903)**	**$ 519,083**	**(111)%**
Gain (loss) on fair value adjustments of unsettled financial instruments[(b)]	760,933	(1,205,938)	1,966,871	(163)%
Total gain (loss) on derivative financial instruments	**$ 812,113**	**$ (1,673,841)**	**$ 2,485,954**	**(149)%**

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

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

For the six months ended 30 June 2023, the total gain on derivative financial instruments of $812 million increased by $2,486 million compared to a loss of $1,674 million in 2022. Adjusting our unsettled derivative contracts to their fair values drove a gain of $761 million in 2023, an increase of $1,967 million, as compared to a loss of $1,206 million in 2022. While this gain certainly reflects the decrease in commodity markets in relation to our hedge floor, the magnitude of the loss is amplified due to the increase in the size of our long-dated hedge portfolio, which has increased meaningfully with the addition of ABS IV in October 2022. The percentage of our long-term future production hedged increases with each additional ABS transaction and can extend through the life of the note. While the change in fair value is significant and reflective of lower prices on the forward price curve, we use derivative contracts to insulate our cash flow from commodity price volatility.

For the six months ended 30 June 2023, the total cash gain on settled derivative instruments was $51 million, an increase of $519 million when compared to 2022. The gain on settled derivative instruments relates to lower commodity market prices than those we secured through our derivative contracts. With consistent reliable cash flows central to our strategy, we routinely hedge at levels that, based on our operating and overhead costs, provide a significant Adjusted EBITDA Margin even if it means forgoing potential price upside.

Refer to Note 8 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding derivative financial instruments.

FINANCE COSTS

	Six Months Ended			
(In thousands)	30 June 2023	30 June 2022	$ Change	% Change
Interest expense, net of capitalised and income amounts[(a)]	$ 58,768	$ 33,322	$ 25,446	76 %
Amortisation of discount and deferred finance costs	8,968	5,797	3,171	55 %
Other	—	43	(43)	(100)%
Total finance costs	**$ 67,736**	**$ 39,162**	**$ 28,574**	**73 %**

(a) Includes payments related to borrowings and leases.

For the six months ended 30 June 2023, interest expense of $59 million increased $25 million compared to $33 million in 2022, primarily due to the increase in borrowings to fund our 2023 acquisition as well as the incurrence of a full year of interest on borrowings associated with the 2022 acquisitions. Offsetting these borrowing related increases was a decrease in interest expense for repaid principal of $153 million on the ABS Notes and Term Loan I as these borrowings are repaid monthly due to their amortising structures.

As of 30 June 2023 and 2022, total borrowings were $1,555 million and $1,381 million, respectively. For the period ended 30 June 2023, the weighted average interest rate on our borrowings was 6.19% as compared to 5.38% as of 30 June 2022. This increase resulted from a change in the mix of our financing year-over-year as well as the rising interest rate environment. As of 30 June 2023, 82% of our borrowings were in fixed-rate, hedge-protected, amortising ABS structures as compared to 30 June 2022 when 99% of our borrowings were in fixed-rate structures.

Refer to Notes 4 and 12 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding acquisitions and borrowings, respectively.

TAXATION

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

	Six Months Ended			
(In thousands)	30 June 2023	30 June 2022	$ Change	% Change
Income (loss) before taxation	**$ 828,256**	**$ (1,230,127)**	**$ 2,058,383**	**(167)%**
Income tax benefit (expense)	(197,324)	294,877	(492,201)	(167)%
Effective tax rate	**23.8 %**	**24.0 %**		

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

	Six Months Ended	
	30 June 2023	30 June 2022
Expected tax at statutory US federal income tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	3.0 %	3.0 %
Other, net	(0.2)%	— %
Effective tax rate	**23.8 %**	**24.0 %**

Income tax benefit (expense) is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2023 was 23.8%, compared to 24.0% for the six months ended June 30, 2022. For the six months ended 30 June 2023, we reported a tax expense of $197 million, a change of $492 million, compared to a benefit of $295 million in 2022, which was a result of the change in the income before taxation. The resulting effective tax rates for the six months ended 30 June 2023 and 2022 were 23.8% and 24.0%, respectively. Refer to the following section for additional information regarding period-over-period changes in income (loss) before taxation.

OPERATING PROFIT, NET INCOME, EPS AND ADJUSTED EBITDA

	Six Months Ended			
(In thousands, except per unit data)	30 June 2023	30 June 2022	$ Change	% Change
Operating profit (loss)	$ 909,656	$ (1,177,133)	$ 2,086,789	(177)%
Net income (loss)	630,932	(935,250)	1,566,182	(167)%
Adjusted EBITDA	282,864	223,760	59,104	26 %
Earnings (loss) per share - basic	$ 0.68	$ (1.10)	$ 1.78	(162)%
Earnings (loss) per share - diluted	0.67	(1.10)	1.77	(161)%

For the six months ended 30 June 2023, we reported net income of $631 million and diluted earnings per share of $0.67 compared to a net loss of $935 million and loss per share of $1.10 in 2022, a decrease of 167% and 162%, respectively. We also reported an operating profit of $910 million compared with an operating loss of $1,177 million for the six months ended 30 June 2023 and 2022, respectively. This year-over-year increase in net income was primarily attributable to an increase of $1,967 million in the mark-to-market gain to $761 million in 2023 from a $1,206 million loss in 2022 as discussed above.

Additional adjustments for DD&A, interest, and taxes resulted in Adjusted EBITDA of $283 million compared to $224 million in 2022, representing an increase of 26%. The increase in this metric is primarily a result of our accretive growth through acquisitions year-over-year.

Refer to Note 7 in the Notes to the Interim Condensed Consolidated Financial Statements for information regarding Adjusted EBITDA. Refer to the APMs section within this Interim Report for information on how these metrics are calculated and reconciled to IFRS measures.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Our principal sources of Liquidity are cash generated from operations and available borrowings under our Credit Facility. To minimise interest expense, we use our excess cash flow to reduce borrowings on our Credit Facility and as a result have historically carried little cash on our Consolidated Statement of Financial Position as evidenced by our $4 million in cash and cash equivalents as of 30 June 2023.

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

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

Capital expenditures were $32 million for the six months ended 30 June 2023 compared to $45 million for the six months ended 30 June 2022. This decrease in capital expenditures was primarily driven by the completion of wells in 2022 that were under development by Tapstone at the time we closed that acquisition in 2021. While our March 2023 Tanos II acquisition also contained wells under development at the time of acquisition, the capital expenditures needed for their development during the six months ended 30 June 2023 was less significant than that required during the six months ended 30 June 2022. We expect to meet our capital expenditure needs for the foreseeable future utilising operating cash flow and our existing Liquidity. Our future capital requirements will depend on several factors, including our growth rate and future acquisitions, among other things.

With respect to our other known current obligations, we believe that our sources of Liquidity and capital resources will be sufficient to meet our existing business needs for at least the next 12 months. Our ability to satisfy our working capital requirements, debt service obligations and planned capital expenditures will depend upon our future operating performance, which will be affected by prevailing economic conditions in the natural gas and oil industry and other financial and business factors, some of which are beyond our control.

Refer to Notes 8 and 11 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding our hedging programme to mitigate the risk associated with future cash flow generation and current debt obligations.

LIQUIDITY

The table below represents our Liquidity position as of 30 June 2023 and 31 December 2022.

	Six Months Ended	
(In thousands)	**30 June 2023**	**31 December 2022**
Cash	$ 4,208	$ 7,329
Available borrowings under the Credit Facility [(a)]	98,640	183,332
Liquidity	**$ 102,848**	**$ 190,661**

(a) Represents available borrowings under the Credit Facility less outstanding letters of credit of $11 million and $11 million as of 30 June 2023 and 31 December 2022, respectively.

From time to time the Group enters into financing arrangements which maximise the lending value of its collateral to bolster liquidity. In August 2023, the Group entered into a credit agreement providing it the ability to borrow up to $135,000 in loans and extensions of credit from the lender upon meeting conditions considered customary for agreements of this nature. The borrowing base is primarily a function of the value of the natural gas and oil properties that will collateralise the lending arrangement. The Credit Facility has an interest rate of SOFR plus an additional spread that ranges from 4.00% to 5.00% based on the period drawn. The legal maturity for the credit agreement is 24 August 2026.

DEBT

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

(In thousands)	**30 June 2023**	**31 December 2022**
Credit Facility	(265,000)	(56,000)
ABS I Notes	(111,007)	(125,864)
ABS II Notes	(136,550)	(147,458)
ABS III Notes	(295,151)	(319,856)
ABS IV Notes	(113,609)	(130,144)
ABS V Notes	(329,381)	(378,796)
ABS VI Notes	(183,758)	(212,446)
Term Loan I	(112,433)	(120,518)
Other	(8,319)	(7,084)
Total Debt	**$ (1,555,208)**	**$ (1,498,166)**
Cash	$ 4,208	$ 7,329
Restricted cash	41,188	55,388
Net Debt	**$ (1,509,812)**	**$ (1,435,449)**

CREDIT FACILITY

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

In August 2022, we amended and restated the credit agreement governing its Credit Facility. The amendment enhanced the alignment with our stated ESG initiatives by including sustainability performance targets ("SPTs") similar to those included in the ABS III, IV, V and VI notes, extended the maturity of the Credit Facility to August 2026, In March 2023, we performed a semi-annual redetermination and the borrowing base was resized to $375 million reflective of the Tanos II collateral and changes in commodity pricing.

The Credit Facility has an interest rate of SOFR plus an additional spread that ranges from 2.75% to 3.75% based on utilisation. Interest payments on the Credit Facility are paid on a quarterly basis. Available borrowings under the Credit Facility were $99 million as of 30 June 2023 which considers the impact of $11 million in letters of credit issued to certain vendors.

The Credit Facility contains certain customary representations and warranties and affirmative and negative covenants, including covenants relating to: maintenance of books and records; financial reporting and notification; compliance with laws; maintenance of properties and insurance; and limitations on incurrence of indebtedness, liens, fundamental changes, international operations, asset sales, making certain debt payments and amendments, restrictive agreements, investments, restricted payments and hedging. The restricted payment provision governs our ability to make discretionary payments such as dividends, share repurchases, or other discretionary payments. DP RBL Co LLC must comply with the following restricted payments test in order to make discretionary payments (i) leverage is less than 1.5x and borrowing base availability is >25% (ii) leverage is between 1.5x and 2.0x, free cash flow must be positive and borrowing base availability must be >15% (iii) leverage is between 2.0x and 2.5x, free cash flow must be positive and borrowing base availability must be >20% (iv) our restricted payments are restricted when leverage exceeds 2.5x for DP RBL Co LLC.

Additional covenants require DP RBL Co LLC to maintain a ratio of total debt to EBITDAX of not more than 3.25 to 1.00 and a ratio of current assets (with certain adjustments) to current liabilities of not less than 1.00 to 1.00 as of the last day of each fiscal quarter. The fair value of the Credit Facility approximates the carrying value as of 30 June 2023.

The Credit Facility contains three SPTs which, depending on our performance thereof, may result in adjustments to the applicable margin with respect to borrowings thereunder:

- GHG Emissions Intensity: Our consolidated Scope 1 emissions and Scope 2 emissions, each measured as MT CO_2e per MMcfe;
- Asset Retirement Performance: The number of wells we successfully retire during any fiscal year; and
- TRIR Performance: The arithmetic average of the two preceding fiscal years and current period total recordable injury rate computed as the Total Number of Recordable Cases (as defined by the Occupational Safety and Health Administration) multiplied by 200,000 and then divided by total hours worked by all employees during any fiscal year.

The goals set by the Credit Facility for each of these categories are aspirational and represent higher thresholds than we have publicly set for ourself. The economic repercussions of achieving or failing to achieve these thresholds, however, are relatively minor, ranging from subtracting five basis points to adding five basis points to the applicable margin level in any given fiscal year.

An independent third-party assurance provider will be required to certify our performance of the SPTs.

TERM LOAN I

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

The Term Loan I accrues interest at a stated 6.50% annual rate and has a maturity date of May 2030. Interest and principal payments on the Term Loan I are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, we incurred $4 million, $4 million and $9 million in interest related to the Term Loan I, respectively. The fair value of the Term Loan I approximates the carrying value as of 30 June 2023.

ABS I NOTES

In November 2019, we formed Diversified ABS LLC (“ABS I”), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB- rated asset-backed securities in an aggregate principal amount of $200 million at par. The ABS I Notes are secured by certain of our upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

Interest and principal payments on the ABS I Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, we incurred $3 million, $4 million and $7 million of interest related to the ABS I Notes, respectively. The legal final maturity date is January 2037 with an amortising maturity of December 2029. The ABS I Notes accrue interest at a stated 5% rate per annum. The fair value of the ABS I Notes approximates the carrying value as of 30 June 2023. In the event that ABS I has cash flow in excess of the required payments, ABS I is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with DEC. In particular, (a) with respect to any payment date prior to March 1, 2030, (i) if the debt service coverage ratio (the “DSCR”) as of such payment date is greater than or equal to 1.25 to 1.00, then 25%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such payment date is less than 1.15 to 1.00, the production tracking rate for ABS I is less than 80%, or the loan to value ratio is greater than 85%, then 100%, and (b) with respect to any payment date on or after March 1, 2030, 100%.

ABS II NOTES

In April 2020, we formed Diversified ABS Phase II LLC (“ABS II”), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to issue BBB- rated asset-backed securities in an aggregate principal amount of $200 million. The ABS II Notes were issued at a 2.775% discount. We used the proceeds of $184 million, net of discount, capital reserve requirement, and debt issuance costs, to pay down its Credit Facility. The ABS II Notes are secured by certain of our upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

The ABS II Notes accrue interest at a stated 5.25% rate per annum and have a maturity date of July 2037 with an amortising maturity of September 2028. Interest and principal payments on the ABS II Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, we incurred $4 million, $5 million and $9 million in interest related to the ABS II Notes, respectively. The fair value of the ABS II Notes approximates the carrying value as of 30 June 2023.

In the event that ABS II has cash flow in excess of the required payments, ABS II is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with DEC. In particular, (a) (i) if the DSCR as of any payment date is less than 1.15 to 1.00, then 100%, (ii) if the DSCR as of such payment date is greater than or equal to 1.15 to 1.00 and less than 1.25 to 1.00, then 50%, or (iii) if the DSCR as of such payment date is greater than or equal to 1.25 to 1.00, then 0%; (b) if the production tracking rate for ABS II is less than 80.0%, then 100%, else 0%; (c) if the loan-to-value ratio (“LTV”) as of such payment date is greater than 65.0%, then 100%, else 0%; (d) with respect to any payment date after July 1, 2024 and prior to July 1, 2025, if LTV is greater than 40.0% and ABS II has executed hedging agreements for a minimum period of 30 months starting July 2026 covering production volumes of at least 85% but no more than 95% (the “Extended Hedging Condition”), then 50%, else 0%; (e) with respect to any payment date after July 1, 2025 and prior to October 1, 2025, if LTV is greater than 40.0% or ABS II has not satisfied the Extended Hedging Condition, then 50%, else 0%; and (f) with respect to any payment date after October 1, 2025, if LTV is greater than 40.0% or ABS II has not satisfied the Extended Hedging Condition, then 100%, else 0%.

ABS III NOTES

In February 2022, we formed Diversified ABS III LLC ("ABS III"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $365 million at par. The ABS III Notes are secured by certain of our upstream producing, as well as certain midstream, Appalachian assets.

The ABS III Notes accrue interest at a stated 4.875% rate per annum and have a final maturity date of April 2039 with an amortising maturity of November 2030. Interest and principal payments on the ABS III Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, we incurred $8 million, $7 million and $15 million in interest related to the ABS III Notes, respectively. The fair value of the ABS III Notes approximates the carrying value as of 30 June 2023.

In the event that ABS III has cash flow in excess of the required payments, ABS III is required to pay between 50% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with DEC. In particular, (a) (i) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such Payment Date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS III (as described in the ABS III Indenture) is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS III is greater than 65%, then 100%, else 0%.

In connection with the issuance of the ABS III Notes, we retained an independent international provider of ESG research and services to provide and maintain a "sustainability score" with respect to Diversified Energy Company PLC and to the extent such score is below a minimum threshold established at the time of issue of the ABS III Notes, the interest payable with respect to the subsequent interest accrual period will increase by five basis points. This score is not dependent on DEC meeting or exceeding any sustainability performance metrics but rather an overall assessment of our corporate ESG profile. Further, this score is not dependent on the use of proceeds of the ABS III Notes and there were no such restrictions on the use of proceeds other than pursuant to the terms of our Credit Facility. We inform the ABS III note holders in monthly note holder statements as to any change in interest rate payable on the ABS III Notes as a result of the change in this sustainability score.

ABS IV NOTES

In February 2022, we formed Diversified ABS IV LLC ("ABS IV"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $160 million at par. The ABS IV Notes are secured by a portion of the upstream producing assets acquired in connection with the Blackbeard Acquisition.

The ABS IV Notes accrue interest at a stated 4.95% rate per annum and have a final maturity date of February 2037 with an amortising maturity of September 2030. Interest and principal payments on the ABS IV Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, we incurred $3 million, $3 million and $6 million in interest related to the ABS IV Notes, respectively. The fair value of the ABS IV Notes approximates the carrying value as of 30 June 2023.

In the event that ABS IV has cash flow in excess of the required payments, ABS IV is required to pay between 50% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with DEC. In particular, (a) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such Payment Date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS IV is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS IV is greater than 65%, then 100%, else 0%.

In connection with the issuance of the ABS IV Notes, we retained an independent international provider of ESG research and services to provide and maintain a "sustainability score" with respect to Diversified Energy Company PLC and to the extent such score is below a minimum threshold established at the time of issue of the ABS IV Notes, the interest payable with respect to the subsequent interest accrual period will increase by five basis points. This score is not dependent on DEC meeting or exceeding any sustainability performance metrics but rather an overall assessment of our corporate ESG profile. Further, this score is not dependent on the use of proceeds of the ABS IV Notes and there were no such restrictions on the use of proceeds other than pursuant to the terms of our Credit Facility. We inform the ABS IV note holders in monthly note holder statements as to any change in interest rate payable on the ABS IV Notes as a result of the change in this sustainability score.

ABS V NOTES

In May 2022, we formed Diversified ABS V LLC ("ABS V"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $445 million at par. The ABS V Notes are secured by a majority of our remaining upstream assets in Appalachia that were not securitised by previous ABS transactions.

The ABS V Notes accrue interest at a stated 5.78% rate per annum and have a final maturity date of May 2039 with an amortising maturity of December 2030. Interest and principal payments on the ABS V Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, we incurred $10 million, $2 million and $14 million in interest related to the ABS V Notes, respectively. The fair value of the ABS V Notes approximates the carrying value as of 30 June 2023.

Based on whether certain performance metrics are achieved, ABS V could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. In particular, (a) (i) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such payment date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS V is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS V is greater than 65%, then 100%, else 0%.

In addition, a "second party opinion provider" certified the terms of the ABS V Notes as being aligned with the framework for sustainability-linked bonds of the International Capital Markets Association ("ICMA"), applicable to bond instruments for which the financial and/or structural characteristics vary depending on whether predefined ESG objectives, or SPTs, are achieved. The framework

has five key components (1) the selection of key performance indicators ("KPIs"), (2) the calibration of SPTs, (3) variation of bond characteristics depending on whether the KPIs meet the SPTs, (4) regular reporting of the status of the KPIs and whether SPTs have been met and (5) independent verification of SPT performance by an external reviewer such as an auditor or environmental consultant. Unlike the ICMA's framework for green bonds, its framework for sustainability-linked bonds do not require a specific use of proceeds.

The ABS V Notes contain two SPTs. We must achieve, and have certified by 28 April 2027 (1) a reduction in Scope 1 and Scope 2 GHG emissions intensity to 2.85 MT CO_2e/MMcfe, and/or (2) a reduction in Scope 1 methane emissions intensity to 1.12 MT CO_2e/MMcfe. For each of these SPTs that we fail to meet, or have certified by an external verifier that we have met, by 28 April 2027, the interest rate payable with respect to the ABS V Notes will be increased by 25 basis points. In each case, an independent third-party assurance provider will be required to certify our performance of the above SPTs by the applicable deadlines.

ABS VI NOTES

In October 2022, we formed Diversified ABS VI LLC ("ABS VI"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue, jointly with Oaktree, BBB+ rated asset-backed securities in an aggregate principal amount of $460 million ($236 million to DEC, before fees, representative of our 51.25% ownership interest in the collateral assets). The ABS VI Notes were issued at a 2.63% discount and are secured primarily by the upstream assets that were jointly acquired with Oaktree in the 2021 Tapstone acquisition. We recorded our proportionate share of the note in the Consolidated Statement of Financial Position.

The ABS VI Notes accrue interest at a stated 7.50% rate per annum and have a final maturity date of November 2039 with an amortising maturity of October 2031. Interest and principal payments on the ABS VI Notes are payable on a monthly basis. During the six months ended 30 June 2023 and the year ended 31 December 2022, we incurred $8 million and $3 million in interest related to the ABS VI Notes, respectively. The fair value of the ABS VI Notes approximates the carrying value as of 30 June 2023.

Based on whether certain performance metrics are achieved, ABS VI could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. In particular, (a) (i) If the DSCR as of the applicable Payment Date is less than 1.15 to 1.00, then 100%, (ii) if the DSCR as of such Payment Date is greater than or equal to 1.15 to 1.00 and less than 1.25 to 1.00, then 50%, or (iii) if the DSCR as of such Payment Date is greater than or equal to 1.25 to 1.00, then 0%; (b) if the production tracking rate for ABS VI is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS VI is greater than 75%, then 100%, else 0%.

In addition, a "second party opinion provider" certified the terms of the ABS VI Notes as being aligned with the framework for sustainability-linked bonds of the International Capital Markets Association ("ICMA"), applicable to bond instruments for which the financial and/or structural characteristics vary depending on whether predefined ESG objectives, or SPTs, are achieved. The framework has five key components (1) the selection of key performance indicators ("KPIs"), (2) the calibration of SPTs, (3) variation of bond characteristics depending on whether the KPIs meet the SPTs, (4) regular reporting of the status of the KPIs and whether SPTs have been met and (5) independent verification of SPT performance by an external reviewer such as an auditor or environmental consultant. Unlike the ICMA's framework for green bonds, its framework for sustainability-linked bonds do not require a specific use of proceeds.

The ABS VI Notes contain two SPTs. We must achieve, and have certified by 28 May 2027 (1) a reduction in Scope 1 and Scope 2 GHG emissions intensity to 2.85 MT CO_2e/MMcfe, and/or (2) a reduction in Scope 1 methane emissions intensity to 1.12 MT CO_2e/MMcfe. For each of these SPTs that we fail to meet, or have certified by an external verifier that we have met, by 28 May 2027, the interest rate payable with respect to the ABS VI Notes will be increased by 25 basis points. In each case, an independent third-party assurance provider will be required to certify our performance of the above SPTs by the applicable deadlines.

COMPLIANCE

As of 30 June 2023, we met or were in compliance with all debt covenants and sustainability-linked debt metrics.

ASSET RETIREMENT OBLIGATIONS

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

During 2021 and 2022 we illustrated our continued emphasis in this area and began acquiring plugging companies in Appalachia giving us greater operational control of our retirement programme. We currently have 16 teams operating 17 rigs which represents a significant portion of the total asset retirement capacity in the region. This allows us to now not only plug our own wells but also to generate additional third-party revenues by providing a suite of services to other production companies which can be utilised to help fund the cost associated with our own asset retirement programme. As a result, we aim to obtain a prudent mix of both cost reduction and third-party revenues to maximise the benefits of our internal asset retirement programme.

During the six months ended 30 June 2023 we retired 100 Diversified wells, inclusive of the Central Region, at an average cost of $20 to $25 thousand per well. Our asset retirement programme reflects our solid commitment to a healthy environment and the surrounding communities, and we anticipate continued investment and innovation in this area. During the second half of 2023, we will continue our work to realise the vertical integration benefits of expanded internal asset retirement capacity to reduce reliance on third-party contractors, reduce outsource risk, improve process quality and responsiveness, and increase control over environmental remediation and costs.

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

	Six Months Ended	Year Ended
(In thousands)	30 June 2023	31 December 2022
Balance at beginning of period	**$ 457,083**	**$ 525,589**
Additions[(a)]	3,241	24,395
Accretion	13,991	27,569
Plugging costs	(2,077)	(4,889)
Divestitures[(b)]	(6,314)	(16,779)
Revisions to estimate[(c)]	(12,942)	(98,802)
Balance at end of period	**452,982**	**457,083**
LESS: Current asset retirement obligations	4,517	4,529
Non-current asset retirement obligations	**$ 448,465**	**$ 452,554**

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

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

(c) As of 30 June 2023, we performed normal revisions to our asset retirement obligations, which resulted in a $13 million decrease in the liability. This decrease was comprised of a $16 million decrease attributable to a marginally higher net discount rate which was offset by an increase of $3 million in cost revisions for our recent experiences. The marginal changes in the discount rate are a result of a decline in bond yield volatility over the first half of the year. As of 31 December 2022, we performed normal revisions to our asset retirement obligations, which resulted in a $99 million decrease in the liability. This decrease was comprised of a $145 million decrease attributable to the higher discount rate. The higher discount rate was a result of macroeconomic factors spurred by the increase in bond yields which were elevated with U.S. treasuries to combat the inflationary environment. Partially offsetting this decrease was $29 million in cost revisions based on our asset retirement experiences at the time that improved our asset retirement capacity through the growth of our operational capabilities.

We apply a contingency allowance for annual inflationary cost increases to our current cost expectations and then discount the resulting cash flows using a credit adjusted risk free discount rate resulting in a net discount rate of 3.6%. While the rate is comparatively small to the commonly utilised PV-10 metric in our industry, the impact is significant due to the long-life low-decline nature of our portfolio. Although productive life varies within our well portfolio, presently we expect all of our existing wells to have reached the end of their economic lives and be retired by approximately 2095 consistent with our reserve calculations which were independently evaluated by third-party engineers as of 31 December 2022. The anticipated future cash outflows for our asset retirement obligations on an undiscounted and discounted basis was as set forth in the tables below for the periods presented.

As of 30 June 2023:

(In thousands)	**Not Later Than One Year**	**Later Than One Year and Not Later Than Five Years**	**Later Than Five Years**	**Total**
Asset retirement obligations (undiscounted)	4,517	17,360	1,670,290	1,692,167
Asset retirement obligations (discounted)	4,517	15,080	433,385	452,982

As of 31 December 2022:

(In thousands)	**Not Later Than One Year**	**Later Than One Year and Not Later Than Five Years**	**Later Than Five Years**	**Total**
Asset retirement obligations (undiscounted)	4,529	19,671	1,673,905	1,698,105
Asset retirement obligations (discounted)	4,529	17,314	435,240	457,083

CASH FLOWS

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

	Six Months Ended			
(In thousands)	30 June 2023	30 June 2022	$ Change	% Change
Net cash provided by operating activities	$ 172,566	$ 204,987	$ (32,421)	(16)%
Net cash used in investing activities	(250,017)	(122,118)	(127,899)	105 %
Net cash provided by financing activities	74,330	91,915	(17,585)	(19)%
Net change in cash and cash equivalents	**$ (3,121)**	**$ 174,784**	**$ (177,905)**	**(102)%**

NET CASH PROVIDED BY OPERATING ACTIVITIES

For the six months ended 30 June 2023, net cash provided by operating activities of $173 million decreased $32 million, or 16%, when compared to $205 million in 2022. The decrease in net cash provided by operating activities was predominantly attributable to the following:

- A turnover in our working capital position of $194 million. reflecting the impact of the rapid changes in commodity markets during the post-pandemic era. During the six months ended 30 June 2022 commodity pricing was rapidly accelerating allowing us to build a working capital benefit of $92 million. When prices cycled back down in 2023 the build up in working capital began to unwind generating cash outflows of $102 million;
- These outflows from working capital turnover were offset in part by a $59 million increase in Adjusted EBITDA as well as declines of $64 million in other adjusting costs during the six months ended 30 June 2023 when compared to the six months ended 30 June 2022. Additionally, our hedge modifications transitioned from an outflow of $7 million to an inflow of $17 million offsetting an additional $24 million in year-over-year working capital turnover.

Commodity pricing is discussed above. Refer to the APMs section or Note 7 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information and a reconciliation of Adjusted EBITDA to its nearest IFRS measure.

NET CASH USED IN INVESTING ACTIVITIES

For the six months ended 30 June 2023, net cash used in investing activities of $250 million increased $128 million, or 105%, from outflows of $122 million in 2022. The change in net cash used in investing activities was primarily attributable to the following:

- An increase in cash outflows of $161 million for acquisition and divestiture activity resulted in cash outflows associated with acquisitions, net of proceeds from divestitures, of $225 million during the during the six months ended 30 June 2023, compared to $64 million for the six months ended 30 June 2022. Refer to Note 4 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding acquisitions;
- The increase in cash outflows for acquisition and divestiture activity was offset in part by a $13 million decrease in capital expenditures. Capital expenditures were $32 million for the six months ended 30 June 2023 compared to $45 million for the six months ended 30 June 2022. This decrease in capital expenditures was primarily driven by a decline in development costs year-over-year due to the timing of completion activities.

NET CASH PROVIDED BY FINANCING ACTIVITIES

For the six months ended 30 June 2023, net cash provided by financing activities of $74 million decreased $18 million, or 19%, as compared to $92 million in 2022. This change in net cash provided by financing activities was primarily attributable to the following:

- Our Credit Facility activity resulted in net proceeds of $209 million in 2023 versus net repayments of $571 million in 2022, with much of the decrease in our Credit Facility borrowings being attributable to the proceeds generated by the ABS notes;
- Our other borrowing structures generated net repayments of $152 million in 2023, as compared to net proceeds of $908 million in 2022. This is primarily a result of the ABS III, IV, V, and VI issuances in 2022 not being held for a full reporting cycle when compared to 2023.
- An increase of $157 million in proceeds from equity issuances as there were no issuances in 2022;
- An increase of $12 million in dividends paid in 2023 as compared to 2022; and
- An increase of $73 million in hedge modifications as there were no financing-related hedge modifications in 2023 as compared to 2022.

Refer to Notes 9, 10 and 12 in the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding share capital, dividends and borrowings, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We may enter into off-balance sheet arrangements and transactions that give rise to material off-balance sheet obligations. As of 30 June 2023, our material off-balance sheet arrangements and transactions include operating service arrangements and $11 million in letters of credit outstanding against our Credit Facility. There are no other transactions, arrangements or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect our Liquidity or availability of capital resources.

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES AND COMMITMENTS

We have various contractual obligations in the normal course of our operations and financing activities. Significant contractual obligations as of 30 June 2023 were as follows:

(In thousands)	Not Later Than One Year	Later Than One Year and Not Later Than Five Years	Later Than Five Years	Total
Recorded contractual obligations				
Trade and other payables	$ 69,744	$ —	$ —	$ 69,744
Borrowings	231,819	972,846	350,543	1,555,208
Leases	10,645	22,663	—	33,308
Asset retirement obligation[(a)]	4,517	17,360	1,670,290	1,692,167
Other liabilities[(b)]	158,045	936	—	158,981
Off-Balance Sheet contractual obligations				
Firm Transportation	31,599	36,025	176,464	244,088
Total	**$ 506,369**	**$ 1,049,830**	**$ 2,197,297**	**$ 3,753,496**

(a) Represents our asset retirement obligation on an undiscounted basis. On a discounted basis the liability is $453 million as of 30 June 2023 as presented on the Consolidated Statement of Financial Position.

(b) Represents accrued expenses and net revenue clearing. Excludes taxes payable, asset retirement obligations, revenue to be distributed and the long-term portion of the value associated with the upfront promote received from Oaktree.

We believe that our cash flows from operations and existing Liquidity will be sufficient to meet our existing contractual obligations and commitments for at least the next 12 months. Cash flows from operations were $173 million for the six months ended 30 June 2023, which includes only partial-year contributions from our Tanos II acquisition in 2023. As of 30 June 2023, we had current assets of $339 million and available borrowings on our Credit Facility of $99 million (excluding $11 million in outstanding letters of credit) which could also be used to service our contractual obligations and commitments over the next 12 months.

LITIGATION AND REGULATORY PROCEEDINGS

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

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

ENVIRONMENTAL MATTERS

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

Independent review report to Diversified Energy Company PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Diversified Energy Company PLC's condensed consolidated interim financial statements (the "interim financial statements") in the 2023 Interim Report of Diversified Energy Company PLC for the six month period ended 30 June 2023 (the "period").

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

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 June 2023;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the 2023 Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The 2023 Interim Report, including the interim financial statements, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the 2023 Interim Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the 2023 Interim Report, including the interim financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the 2023 Interim Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
1 September 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

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

		Unaudited		Audited
		Six Months Ended		Year Ended
	Notes	30 June 2023	30 June 2022	31 December 2022
Revenue	5	$ 487,305	$ 933,528	$ 1,919,349
Operating expense	6	(227,299)	(206,357)	(445,893)
Depreciation, depletion and amortisation	6	(115,036)	(118,480)	(222,257)
Gross profit		**144,970**	**608,691**	**1,251,199**
General and administrative expense	6	(55,156)	(114,282)	(170,735)
Gain (loss) on natural gas and oil property and equipment		7,729	1,050	2,379
Gain (loss) on derivative financial instruments	8	812,113	(1,673,841)	(1,758,693)
Gain on bargain purchases	4	—	1,249	4,447
Operating profit (loss)		**909,656**	**(1,177,133)**	**(671,403)**
Finance costs	12	(67,736)	(39,162)	(100,799)
Accretion of asset retirement obligation	11	(13,991)	(14,003)	(27,569)
Other income (expense)		327	171	269
Income (loss) before taxation		**828,256**	**(1,230,127)**	**(799,502)**
Income tax benefit (expense)		(197,324)	294,877	178,904
Net income (loss)		**630,932**	**(935,250)**	**(620,598)**
Other comprehensive income (loss)		(88)	132	940
Total comprehensive income (loss)		**$ 630,844**	**$ (935,118)**	**$ (619,658)**
Net income (loss) attributable to:				
Diversified Energy Company PLC		$ 629,985	$ (937,412)	$ (625,410)
Non-controlling interest		947	2,162	4,812
Net income (loss)		**$ 630,932**	**$ (935,250)**	**$ (620,598)**
Earnings (loss) per share attributable to Diversified Energy Company PLC				
Earnings (loss) per share - basic		$ 0.68	$ (1.10)	$ (0.74)
Earnings (loss) per share - diluted		$ 0.67	$ (1.10)	$ (0.74)
Weighted average shares outstanding - basic		926,066	849,621	844,080
Weighted average shares outstanding - diluted		937,838	849,621	844,080

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

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

	Notes	Unaudited 30 June 2023	Audited 31 December 2022
ASSETS			
Non-current assets:			
Natural gas and oil properties, net		$ 2,690,050	$ 2,555,808
Property, plant and equipment, net		465,118	462,860
Intangible assets		20,798	21,098
Restricted cash		32,402	47,497
Derivative financial instruments	8	35,541	13,936
Deferred tax asset		176,709	371,156
Other non-current assets		3,678	4,351
Total non-current assets		**3,424,296**	**3,476,706**
Current assets:			
Trade receivables, net		195,038	296,781
Cash and cash equivalents		4,208	7,329
Restricted cash		8,786	7,891
Derivative financial instruments	8	114,695	27,739
Other current assets		15,982	14,482
Total current assets		**338,709**	**354,222**
Total assets		**$ 3,763,005**	**$ 3,830,928**
EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	9	$ 13,056	$ 11,503
Share premium	9	1,208,192	1,052,959
Treasury reserve		(92,811)	(100,828)
Share-based payment and other reserves		9,620	17,650
Retained earnings (accumulated deficit)		(590,109)	(1,133,972)
Equity attributable to owners of the parent		**547,948**	**(152,688)**
Non-controlling interest		13,050	14,964
Total equity		**560,998**	**(137,724)**
Non-current liabilities:			
Asset retirement obligations	11	448,465	452,554
Leases		22,663	19,569
Borrowings	12	1,272,790	1,169,233
Deferred tax liability		11,228	12,490
Derivative financial instruments	8	731,093	1,177,801
Other non-current liabilities		2,687	5,375
Total non-current liabilities		**2,488,926**	**2,837,022**
Current liabilities:			
Trade and other payables		69,744	93,764
Leases		10,645	9,293
Borrowings	12	231,819	271,096
Derivative financial instruments	8	98,172	293,840
Other current liabilities		302,701	463,637
Total current liabilities		**713,081**	**1,131,630**
Total liabilities		**3,202,007**	**3,968,652**
Total equity and liabilities		**$ 3,763,005**	**$ 3,830,928**

The Interim Condensed Consolidated Financial Statements were approved and authorised for issue by the Board on 1 September 2023 and were signed on its behalf by:

D.E. Johnson

David E. Johnson
Chairman of the Board
1 September 2023

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

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

	Notes	Share Capital	Share Premium	Treasury Reserve	Share-Based Payment and Other Reserves	Retained Earnings (Accumulated Deficit)	Equity Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
Balance as of 1 January 2023		**$ 11,503**	**$1,052,959**	**$ (100,828)**	**$ 17,650**	**$ (1,133,972)**	**$ (152,688)**	**$ 14,964**	**$ (137,724)**
Net income (loss)		—	—	—	—	629,985	629,985	947	630,932
Other comprehensive income (loss)		—	—	—	—	(88)	(88)	—	(88)
Total comprehensive income (loss)		**—**	**—**	**—**	**—**	**629,897**	**629,897**	**947**	**630,844**
Issuance of share capital (equity placement)	9	1,555	155,233	—	—	—	156,788	—	156,788
Issuance of share capital (equity compensation)		—	—	—	198	(2,005)	(1,807)	—	(1,807)
Issuance of EBT shares (equity compensation)	9	—	—	8,230	(8,230)	—	—	—	—
Repurchase of shares (share buyback programme)	9	(2)	—	(213)	2	—	(213)	—	(213)
Dividends	10	—	—	—	—	(84,029)	(84,029)	—	(84,029)
Distributions to non-controlling interest owners		—	—	—	—	—	—	(2,861)	(2,861)
Transactions with shareholders		**1,553**	**155,233**	**8,017**	**(8,030)**	**(86,034)**	**70,739**	**(2,861)**	**67,878**
Balance as of 30 June 2023		**$ 13,056**	**$1,208,192**	**$ (92,811)**	**$ 9,620**	**$ (590,109)**	**$ 547,948**	**$ 13,050**	**$ 560,998**
Balance as of 1 January 2022		**$ 11,571**	**$1,052,959**	**$ (68,537)**	**$ 14,156**	**$ (362,740)**	**$ 647,409**	**$ 16,541**	**$ 663,950**
Net income (loss)		—	—	—	—	(937,412)	(937,412)	2,162	(935,250)
Other comprehensive income (loss)		—	—	—	—	132	132	—	132
Total comprehensive income (loss)		**—**	**—**	**—**	**—**	**(937,280)**	**(937,280)**	**2,162**	**(935,118)**
Issuance of share capital (settlement of warrants)	9	2	—	—	—	—	2	—	2
Issuance of share capital (equity compensation)		7	—	—	3,375	(1,517)	1,865	—	1,865
Repurchase of shares (EBT)	9	—	—	(9,718)	—	—	(9,718)	—	(9,718)
Dividends	10	—	—	—	—	(72,275)	(72,275)	—	(72,275)
Distributions to non-controlling interest owners		—	—	—	—	—	—	(2,776)	(2,776)
Cancellation of warrants	9	—	—	—	(14)	—	(14)	—	(14)
Transactions with shareholders		**9**	**—**	**(9,718)**	**3,361**	**(73,792)**	**(80,140)**	**(2,776)**	**(82,916)**
Balance as of 30 June 2022		**$ 11,580**	**$1,052,959**	**$ (78,255)**	**$ 17,517**	**$ (1,373,812)**	**$ (370,011)**	**$ 15,927**	**$ (354,084)**
Balance as of 1 January 2022		**$ 11,571**	**$1,052,959**	**$ (68,537)**	**$ 14,156**	**$ (362,740)**	**$ 647,409**	**$ 16,541**	**$ 663,950**
Net income (loss)		—	—	—	—	(625,410)	(625,410)	4,812	(620,598)
Other comprehensive income (loss)		—	—	—	—	940	940	—	940
Total comprehensive income (loss)		**—**	**—**	**—**	**—**	**(624,470)**	**(624,470)**	**4,812**	**(619,658)**
Issuance of share capital (settlement of warrants)	9	5	—	—	452	—	457	—	457
Issuance of share capital (equity compensation)		7	—	—	5,682	(3,307)	2,382	—	2,382
Issuance of EBT shares (equity compensation)	9	—	—	2,400	(2,400)	—	—	—	—
Repurchase of shares (EBT)	9	—	—	(22,931)	—	—	(22,931)	—	(22,931)
Repurchase of shares (share buyback programme)	9	(80)	—	(11,760)	80	—	(11,760)	—	(11,760)
Dividends	10	—	—	—	—	(143,455)	(143,455)	—	(143,455)
Distributions to non-controlling interest owners		—	—	—	—	—	—	(6,389)	(6,389)
Cancellation of warrants	9	—	—	—	(320)	—	(320)	—	(320)
Transactions with shareholders		**(68)**	**—**	**(32,291)**	**3,494**	**(146,762)**	**(175,627)**	**(6,389)**	**(182,016)**
Balance as of 31 December 2022		**$ 11,503**	**$1,052,959**	**$ (100,828)**	**$ 17,650**	**$ (1,133,972)**	**$ (152,688)**	**$ 14,964**	**$ (137,724)**

The notes on pages 26 to 46 are an integral part of the Interim Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

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

	Notes	Unaudited Six Months Ended 30 June 2023	Six Months Ended 30 June 2022	Audited Year Ended 31 December 2022
Cash flows from operating activities:				
Net income (loss)		$ 630,932	$ (935,250)	$ (620,598)
Cash flows from operations reconciliation:				
Depreciation, depletion and amortisation	6	115,036	118,480	222,257
Accretion of asset retirement obligations	11	13,991	14,003	27,569
Income tax (benefit) expense		197,324	(294,877)	(178,904)
(Gain) loss on fair value adjustments of unsettled financial instruments	8	(760,933)	1,205,938	861,457
Asset retirement obligations	11	(2,077)	(1,582)	(4,889)
(Gain) loss on natural gas and oil properties and equipment		(7,729)	515	(2,379)
Gain on bargain purchases	4	—	(1,249)	(4,447)
Finance costs	12	67,736	39,162	100,799
Hedge modifications	8	17,446	(6,833)	(133,573)
Non-cash equity compensation	6	4,417	4,069	8,051
Working capital adjustments:				
Change in trade receivables and other current assets		93,968	(74,672)	13,760
Change in other non-current assets		(259)	(1,632)	(580)
Change in trade and other payables and other current liabilities		(189,636)	177,382	132,349
Change in other non-current liabilities		(5,733)	(8,612)	(6,794)
Cash generated from operations		**174,483**	**234,842**	**414,078**
Cash paid for income taxes		(1,917)	(29,855)	(26,314)
Net cash provided by operating activities		**172,566**	**204,987**	**387,764**
Cash flows from investing activities:				
Consideration for business acquisitions, net of cash acquired	4	—	(12,274)	(24,088)
Consideration for asset acquisitions	4	(262,329)	(51,550)	(264,672)
Proceeds from divestitures	4	37,503	—	—
Expenditures on natural gas and oil properties and equipment		(32,332)	(44,539)	(86,079)
Proceeds on disposals of natural gas and oil properties and equipment		8,661	6,052	12,189
Contingent consideration payments	13	(1,520)	(19,807)	(23,807)
Net cash used in investing activities		**(250,017)**	**(122,118)**	**(386,457)**
Cash flows from financing activities:				
Repayment of borrowings	12	(782,990)	(1,392,883)	(2,139,686)
Proceeds from borrowings	12	840,230	1,730,200	2,587,554
Cash paid for interest	12	(59,415)	(32,605)	(82,936)
Debt issuance cost	12	(1,730)	(24,579)	(34,234)
(Increase) decrease in restricted cash[(a)]		14,200	(25,103)	(36,287)
Hedge modifications associated with ABS Notes	8,12	—	(73,073)	(105,316)
Proceeds from equity issuance, net	9	156,788	—	—
Principal element of lease payments		(5,757)	(5,273)	(11,233)
Cancellation (settlement) of warrants	9	—	—	137
Dividends to shareholders	10	(84,029)	(72,275)	(143,455)
Distributions to non-controlling interest owners		(2,861)	(2,776)	(6,389)
Repurchase of shares by the EBT	9	—	(9,718)	(22,931)
Repurchase of shares	9	(106)	—	(11,760)
Net cash provided by financing activities		**74,330**	**91,915**	**(6,536)**
Net change in cash and cash equivalents		(3,121)	174,784	(5,229)
Cash and cash equivalents, beginning of period		7,329	12,558	12,558
Cash and cash equivalents, end of period		**$ 4,208**	**$ 187,342**	**$ 7,329**

(a) Refer to Note 2 for information regarding prior period reclassifications.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

INDEX TO THE NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - General Information Page 26
Note 2 - Basis of Preparation Page 26
Note 3 - Significant Accounting Policies Page 28
Note 4 - Acquisitions and Divestitures Page 28
Note 5 - Revenue Page 30
Note 6 - Expenses by Nature Page 30
Note 7 - Adjusted EBITDA Page 31
Note 8 - Derivative Financial Instruments Page 32
Note 9 - Share Capital Page 37
Note 10 - Dividends Page 38
Note 11 - Asset Retirement Obligations Page 39
Note 12 - Borrowings Page 40
Note 13 - Fair Value and Financial Instruments Page 44
Note 14 - Contingencies Page 46
Note 15 - Related Party Transactions Page 46
Note 16 - Subsequent Events Page 46

NOTE 1 - GENERAL INFORMATION

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

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

The Company was incorporated on 31 July 2014 in the United Kingdom and is registered in England and Wales under the Companies Act 2006 as a public limited company under company number 09156132. The Group‘s registered office is located at 4th floor Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB, UK.

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

NOTE 2 - BASIS OF PREPARATION

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

BASIS OF PREPARATION

The Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 (the "Interim Condensed Consolidated Financial Statements") have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority and with UK-adopted International Accounting Standard 34, ‘Interim Financial Reporting’ (“IAS 34”) as issued by the International Accounting Standards Board (the “IASB”).

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB and with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The principal accounting policies set out below have been applied consistently throughout the year and are consistent with prior year unless otherwise stated. The annual financial statements for the year ending 31 December 2023 will be prepared in accordance with UK-adopted International Accounting Standards.

The Group’s Interim Condensed Consolidated Financial Statements are unaudited and do not represent statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2022 is based on the statutory accounts for the year ended 31 December 2022. Those accounts, upon which the auditors issued an unqualified opinion that did not contain an emphasis of matter, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or (3) of the Companies Act.

Unless otherwise stated, the Interim Condensed Consolidated Financial Statements are presented in U.S. dollars, which is the Group’s subsidiaries’ functional currency and the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest thousand dollars except per share and per unit amounts and where otherwise indicated.

Transactions in foreign currencies are translated into U.S. dollars at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the date of the Consolidated Statement of Financial Position. Where the Group’s subsidiary has a different functional currency, its results and financial position are translated into the presentation currency as follows:

- Assets and liabilities in the Consolidated Statement of Financial Position are translated at the closing rate at the date of that

Consolidated Statement of Financial Position;

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

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

SEGMENT REPORTING

The Group is an independent owner and operator of producing natural gas and oil wells with properties located in the states of Tennessee, Kentucky, Virginia, West Virginia, Ohio, Pennsylvania, Oklahoma, Texas and Louisiana. The Group's strategy is to acquire long-life producing assets, efficiently operate those assets to generate Free Cash Flow for shareholders and then to retire assets safely and responsibly at the end of their useful life. The Group's assets consist of natural gas and oil wells, pipelines and a network of gathering lines and compression facilities which are complementary to the Group's assets.

In accordance with IFRS and UK-adopted IFRS the Group establishes segments on the basis by which those components of the Group are evaluated regularly by the chief executive officer, the Group's chief operating decision maker, when deciding how to allocate resources and in assessing performance. When evaluating performance as well as when acquiring and managing assets the chief operating decision maker does so in a consolidated and complementary fashion to vertically integrate and improve margins. Accordingly, when determining operating segments under IFRS 8, the Group has identified one reportable segment that produces and transports natural gas, NGLs and oil in the U.S.

GOING CONCERN

The Interim Condensed Consolidated Financial Statements have been prepared on the going concern basis of accounting. The Directors closely monitor and carefully manage the Group's Liquidity risk. The Group's financial outlook is assessed primarily through the annual business planning process, however, it is also carefully monitored on a monthly basis. This process includes regular Board discussions, led by Senior Leadership, at which the current performance of, and outlook for, the Group are assessed.In assessing the appropriateness of the going concern assumption over the next twelve months, management have stress tested the Group's most recent financial projections to incorporate a range of potential future outcomes by considering the Group's principal risks, potential downside pressures on commodity prices, long-term demand and availability of loan facility; management has also considered cash preservation measures, including reduced capital expenditure and shareholder distributions. This assessment confirmed that the Group has adequate cash and other liquid resources to enable it to meet its obligations as they fall due in order to continue its operations over the twelve months from the issuance date of these Interim Condensed Consolidated Financial Statements. Therefore, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing these unaudited Interim Condensed Consolidated Financial Statements.

PRIOR PERIOD RECLASSIFICATIONS

Reclassifications in the Consolidated Statement of Changes in Equity

To provide additional transparency into equity activity, the Group has reclassified certain amounts in its prior year Consolidated Statement of Changes in Equity to conform to its current period presentation. These changes in reclassification do not affect total comprehensive income previously reported in the Consolidated Statement of Changes in Equity.

The Group reclassified $68,537 in "Repurchases of shares" from "Retained Earnings (Accumulated Deficit)" to "Treasury Reserve" in the accompanying Consolidated Statement of Changes in Equity as of 30 June 2022.

Reclassifications in the Consolidated Statement of Cash Flows

The Group has reclassified certain amounts in its prior year Consolidated Statement of Cash Flows to conform to its current period presentation. These changes in classification do not affect net cash provided by operating activities previously reported in the Consolidated Statement of Cash Flows.

The Group reclassified $24,099 in "Change in other current assets" to "Change in trade receivables and other current assets" and $205,289 in "Change in other current and non-current liabilities" to "Change in trade and other payables and other current liabilities" in the accompanying Consolidated Statement of Cash Flows for the six months ended 30 June 2022. The Group also reclassified $25,103 in "(Increase) decrease in restricted cash" from "Cash flows from investing activities" to "Cash flows from financing activities" in the accompanying Consolidated Statement of Cash Flows for the six months ended 30 June 2022.

BASIS OF CONSOLIDATION

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2023 reflect the following corporate structure of the Group, and its 100% wholly owned subsidiaries:

- Diversified Energy Company PLC ("DEC") as well as its wholly owned subsidiaries
  - Diversified Gas & Oil Corporation
    - Diversified Production LLC
      - Diversified ABS Holdings LLC
        - Diversified ABS LLC
      - Diversified ABS Phase II Holdings LLC
        - Diversified ABS Phase II LLC
      - Diversified ABS Phase III Holdings LLC
        - Diversified ABS Phase III LLC
          - Diversified ABS III Upstream LLC
          - Diversified ABS Phase III Midstream LLC
      - Diversified ABS Phase IV Holdings LLC
        - Diversified ABS Phase IV LLC
      - Diversified ABS Phase V Holdings LLC
        - Diversified ABS Phase V LLC
          - Diversified ABS Phase V Upstream LLC
      - DP Bluegrass Holdings LLC
        - DP Bluegrass LLC
      - Sooner State Joint ABS Holdings LLC
        - Diversified ABS Phase VI Holdings LLC
          - Diversified ABS Phase VI LLC
            - Diversified ABS VI Upstream LLC
            - Oaktree ABS VI Upstream LLC
      - DP RBL Co LLC
        - BlueStone Natural Resources II, LLC
        - DP Legacy Central LLC
        - Diversified Energy Marketing LLC
      - DP Tapstone Energy Holdings LLC
        - DP Legacy Tapstone LLC
        - Giant Land, LLC[a]
        - Link Land LLC[a]
        - Old Faithful Land LLC[a]
        - Riverside Land LLC[a]
        - Splendid Land LLC[a]
        - Chesapeake Granite Wash Trust[b]
        - TGG Cotton Valley Assets, LLC
      - Diversified Midstream LLC
        - Cranberry Pipeline Corporation
        - Coalfield Pipeline Company
        - DM Bluebonnet LLC
        - Black Bear Midstream Holdings LLC
          - Black Bear Midstream LLC
          - Black Bear Liquids LLC
          - Black Bear Liquids Marketing LLC
      - DGOC Holdings Sub III LLC
      - Diversified Energy Group LLC
      - Diversified Energy Company LLC
      - Next LVL Energy, LLC

(a) Owned 55% by Diversified Energy Company PLC.

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of the Interim Condensed Consolidated Financial Statements in compliance with IAS 34 requires management to make estimates and exercise judgment in applying the Group's accounting policies. In preparing the Interim Condensed Consolidated Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group Financial Statements for the year ended 31 December 2022.

When determining the income tax benefit (expense) recognised during interim periods management estimates the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2023 was 23.8%, compared to 24.0% for the six months ended June 30, 2022.

NEW STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations are expected to have a material impact on the Interim Condensed Consolidated Financial Statements of the Group.

NOTE 4 - ACQUISITIONS AND DIVESTITURES

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

The assets acquired in all acquisitions include the necessary permits, rights to production, royalties, assignments, contracts and agreements that support the production from wells and operation of pipelines. The Group determines the accounting treatment of acquisitions using IFRS 3.

As part of the Group's corporate strategy, it actively seeks to acquire assets that complement the Group's existing asset base when the assets meet the acquisition criteria stated in the Acquire Long-Life Stable Assets pillar of the corporate strategy discussed in the Strategy section of the Strategic Report within the Group's 2022 Annual Report.

2023 ACQUISITIONS

TANOS ENERGY HOLDINGS II LLC ("TANOS II") ASSET ACQUISITION

On 1 March 2023 the Group acquired certain upstream assets and related infrastructure in the Central Region from Tanos II. Given the concentration of assets, this transaction was considered an asset acquisition rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of $262,329, inclusive of transaction costs of $936 and customary purchase price adjustments. The Group funded the purchase with proceeds from the February 2023 equity raise, cash on hand and existing availability on the Credit Facility for which the borrowing base was upsized concurrent to the closing of the Tanos II transaction. Refer to Notes 8 and 11 for additional information regarding the Group's share capital and borrowings. In the period from its acquisition to 30 June 2023 the Tanos II assets increased the Group's revenue by $24,741.

The provisional assets and liabilities assumed were as follows:

Consideration paid		
Cash consideration	$	262,329
Total consideration	**$**	**262,329**
Net assets acquired		
Natural gas and oil properties	$	263,056
Asset retirement obligation, asset portion		3,250
Property, plant and equipment		234
Trade receivables, net		1,729
Derivative financial instruments, net		7,449
Asset retirement obligation, liability portion		(3,250)
Other current liabilities		(10,139)
Net assets acquired	**$**	**262,329**

2023 DIVESTITURES

On 27 June 2023, the Group announced the sale of certain non-core, non-operated assets within its Central Region for gross consideration of approximately $37,503. The divested assets were located in Texas and Oklahoma and consisted of non-operated wells and the associated leasehold acreage that was acquired as part of the ConocoPhillips Asset Acquisition, in September 2022. This sale of non-operated and non-core assets aligns with the Group's application of the Smarter Asset Management strategy and our strategic focus on operated proved developed producing assets. During the six months ended 30 June 2023, the Group divested certain other non-core undeveloped acreage across its operating footprint for consideration of approximately $6,000.

2022 ACQUISITIONS

EAST TEXAS ASSET ACQUISITION

On 25 April 2022, the Group acquired a proportionate 52.5% working interest in certain upstream assets and related facilities within the Central Region from a private seller in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. Given the concentration of assets, this transaction was considered an asset acquisition rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of $47,468, including customary purchase price adjustments. Transaction costs associated with the acquisition were $1,550. The Group funded the purchase with available cash on hand and a draw on the Credit Facility. During 2022 purchase accounting was finalised and no measurement period adjustments were recorded.

OTHER ACQUISITIONS

During the period ended 31 December 2022, the Group acquired three asset retirement companies for an aggregate consideration of $13,949, inclusive of customary purchase price adjustments. The Group will also pay an additional $3,150 in deferred consideration through November 2024. As of 30 June 2023, the Group has paid $1,000 of the deferred consideration. When evaluating these transactions, the Group determined they did not have significant asset concentrations and, as a result, it had acquired identifiable sets of inputs, processes and outputs, and concluded the transactions were business combinations. The expansion in the Group's internal asset retirement operations brought the total plugging rigs owned and operated by the Group to 15 as of 31 December 2022.

On 1 April 2022 the Group acquired certain midstream assets, inclusive of a processing facility, in the Central Region that was contiguous to its existing East Texas assets. The Group paid purchase consideration of $10,139, inclusive of customary purchase price adjustments and transaction costs. When evaluating the transaction, the Group determined it did not have significant asset concentration and as a result it had acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The fair value of the net assets acquired was $10,742 generating a bargain purchase gain of $603.

On 21 November 2022 the Group acquired certain midstream assets in the Central Region that are contiguous to its existing East Texas assets. The Group paid purchase consideration of $7,438, inclusive of customary purchase price adjustments and transaction costs. Given the concentration of assets, this transaction was considered an asset acquisition rather than a business combination.

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

SUBSEQUENT EVENTS

On 17 July 2023, the Group announced the sale of certain undeveloped, non-core, net acres within its Central Region for net consideration of approximately $16,060. This sale of undeveloped, non-core assets continues to align with the Group's strategic initiatives and focus on operated proved developed producing assets.

NOTE 5 - REVENUE

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

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

	Six Months Ended		Year Ended
	30 June 2023	30 June 2022	31 December 2022
Natural gas	$ 334,588	$ 727,152	$ 1,544,658
NGLs	67,159	107,846	188,733
Oil	54,294	78,817	139,620
Total commodity revenue	**456,041**	**913,815**	**1,873,011**
Midstream	16,662	16,602	32,798
Other[(a)]	14,602	3,111	13,540
Total revenue	**$ 487,305**	**$ 933,528**	**$ 1,919,349**

(a) Includes asset retirement and other revenue.

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

During the six months ended 30 June 2023 and 2022, no customers individually comprised more than 10% of total revenues.

NOTE 6 - EXPENSES BY NATURE

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

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

	Six Months Ended		Year Ended
	30 June 2023	30 June 2022	31 December 2022
LOE[(a)]	$ 111,637	$ 81,776	$ 182,817
Production taxes[(b)]	31,307	33,878	73,849
Midstream operating expense[(c)]	34,391	33,156	71,154
Transportation expense[(d)]	49,964	57,547	118,073
Total operating expense	**$ 227,299**	**$ 206,357**	**$ 445,893**
Depreciation and amortisation	27,503	25,251	51,877
Depletion	87,533	93,229	170,380
Total depreciation, depletion and amortisation	**$ 115,036**	**$ 118,480**	**$ 222,257**
Employees administrative costs and professional services[(e)]	38,497	36,245	77,172
Costs associated with acquisitions[(f)]	8,866	6,935	15,545
Other adjusting costs[(g)]	3,376	67,033	69,967
Non-cash equity compensation[(h)]	4,417	4,069	8,051
Total G&A	**$ 55,156**	**$ 114,282**	**$ 170,735**
Total expense	**$ 397,491**	**$ 439,119**	**$ 838,885**
Aggregate remuneration (including Directors):			
Wages and salaries	$ 61,135	$ 53,561	$ 113,267
Payroll taxes	5,238	4,881	9,516
Benefits	12,560	11,715	23,828
Total employees and benefits expense	**$ 78,933**	**$ 70,157**	**$ 146,611**

(a) LOE includes costs incurred to maintain producing properties. Such costs include direct and contract labour, repairs and maintenance, water hauling, compression, automobile, insurance, and materials and supplies expenses.

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

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

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

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

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

(g) Other adjusting costs for the six months ended 30 June 2023 primarily consisted of expenses associated with an unused firm transportation agreement and legal and professional fees related to contemplated transactions. Other adjusting costs for the six months ended 30 June 2022 primarily consisted of $28,345 in contract terminations which will allow the Group to obtain more favourable pricing in the future and $31,099 in costs associated with deal breakage and/or sourcing costs for acquisitions.

(h) Non-cash equity compensation reflects the expense recognition related to share-based compensation provided to certain key members of the management team.

NOTE 7 - ADJUSTED EBITDA

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

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

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

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

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

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

Certain amounts are non-cash such as:

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

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

	Six Months Ended		Year Ended
	30 June 2023	30 June 2022	31 December 2022
Net income (loss)	**$ 630,932**	**$ (935,250)**	**$ (620,598)**
Finance costs	67,736	39,162	100,799
Accretion of asset retirement obligations	13,991	14,003	27,569
Other (income) expense	(327)	(171)	(269)
Income tax (benefit) expense	197,324	(294,877)	(178,904)
Depreciation, depletion and amortisation	115,036	118,480	222,257
Gain on bargain purchases	—	(1,249)	(4,447)
(Gain) loss on fair value adjustments of unsettled financial instruments	(760,933)	1,205,938	861,457
(Gain) loss on natural gas and oil property and equipment[(a)]	(899)	515	93
Costs associated with acquisitions	8,866	6,935	15,545
Other adjusting costs	3,376	67,033	69,967
Non-cash equity compensation	4,417	4,069	8,051
(Gain) loss on foreign currency hedge	521	—	—
(Gain) loss on interest rate swap	2,824	(828)	1,434
Adjusted EBITDA	**$ 282,864**	**$ 223,760**	**$ 502,954**
Weighted average shares outstanding - basic	**926,066**	**849,621**	**844,080**
Weighted average shares outstanding - diluted	**937,838**	**849,621**	**844,080**
Adjusted EBITDA per Share - basic	**$ 0.31**	**$ 0.26**	**$ 0.60**
Adjusted EBITDA per Share - diluted	**$ 0.30**	**$ 0.26**	**$ 0.60**

(a) Excludes $6,830 in proceeds received for leasehold sales during the six months ended 30 June 2023.

(b) Other adjusting costs for the six months ended 30 June 2023 primarily consisted of expenses associated with an unused firm transportation agreement and legal and professional fees related to internal audit and financial reporting. Other adjusting costs for the six months ended 30 June 2022 primarily consisted of $28,345 in contract terminations which allowed the Group to obtain more favourable pricing in the future and $31,099 in costs associated with deal breakage and/or sourcing costs for acquisitions.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group is exposed to volatility in market prices and basis differentials for natural gas, NGLs and oil, which impacts the predictability of its cash flows related to the sale of those commodities. The Group can also have exposure to volatility in interest rate markets, depending on the makeup of its debt structure, which impacts the predictability of its cash flows related to interest payments on the Group's variable rate debt obligations. These risks are managed by the Group's use of certain derivative financial instruments. As of 30 June 2023, the Group's derivative financial instruments consisted of swaps, collars, basis swaps, stand-alone put and call options, and swaptions. A description of the Group's derivative financial instruments is provided below:

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

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

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

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

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

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

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

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

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

NATURAL GAS CONTRACTS	Volume	Weighted Average Price per Mcfe[a]					Fair Value at
	(MMBtu)	Swaps	Sold Puts	Purchased Puts	Sold Calls	Basis Differential	30 June 2023
For the remainder of 2023							
Swaps	105,417	$ 3.78	$ —	$ —	$ —	$ —	$ 57,677
Two-Way Collars	1,377	—	—	4.15	6.51	—	1,002
Stand-Alone Calls, net[b]	10,755	—	—	—	2.94	—	(26,276)
Basis Swaps	101,595	—	—	—	—	(0.65)	33,044
Total 2023 contracts	**219,144**						**$ 65,447**
2024							
Swaps	204,997	$ 3.30	$ —	$ —	$ —	$ —	$ (85,061)
Two-Way Collars	2,560	—	—	4.03	6.25	—	1,034
Deferred Premium[c]	—	—	—	—	—	—	(47,470)
Basis Swap	145,297	—	—	—	—	(0.70)	(8,021)
Total 2024 contracts	**352,854**						**$ (139,518)**
2025							
Swaps	166,055	$ 3.26	$ —	$ —	$ —	$ —	$ (135,636)
Deferred Premium[c]	—	—	—	—	—	—	(32,108)
Basis Swap	25,550	—	—	—	—	(0.21)	(424)
Total 2025 contracts	**191,605**						**$ (168,168)**
2026							
Swaps	111,471	$ 3.18	$ —	$ —	$ —	$ —	$ (96,168)
Stand-Alone Calls	21,900	—	—	—	4.28	—	(15,348)
Basis Swap	10,950	—	—	—	—	(0.21)	(948)
Total 2026 contracts	**144,321**						**$ (112,464)**
2027							
Swaps	91,004	$ 3.22	$ —	$ —	$ —	$ —	$ (60,470)
Collars	1,414	—	—	4.28	7.17	—	673
Purchased puts	4,906	—	—	2.25	—	—	782

NATURAL GAS CONTRACTS

	Volume (MMBtu)	Weighted Average Price per Mcfe[a] Swaps	Sold Puts	Purchased Puts	Sold Calls	Basis Differential	Fair Value at 30 June 2023
Sold puts	4,906	—	1.93	—	—	—	(486)
2028							
Swaps	32,190	$ 2.11	$ —	$ —	$ —	$ —	$ (44,369)
Collars	5,382	—	—	4.28	6.90	—	2,795
Purchased puts	54,203	—	—	3.04	—	—	21,917
Sold puts	31,585	—	1.93	—	—	—	(3,592)
2029							
Swaps	29,190	$ 2.11	$ —	$ —	$ —	$ —	$ (38,153)
Collars	3,726	—	—	4.28	7.51	—	2,068
Purchased puts	30,066	—	—	2.92	—	—	11,721
Sold puts	30,066	—	1.93	—	—	—	(3,955)
2030							
Swaps	5,450	$ 2.03	$ —	$ —	$ —	$ —	$ (7,965)
Purchased puts	14,492	—	—	2.93	—	—	5,710
Sold puts	14,492	—	1.93	—	—	—	(2,037)
Swaptions							
1/10/2024-30/9/2028[d]	14,610	$ 2.91	$ —	$ —	$ —	$ —	$ (14,072)
1/1/2025-31/12/2029[e]	36,520	2.77	—	—	—	—	(38,400)
1/4/2026-31/3/2030[f]	97,277	2.57	—	—	—	—	(138,652)
1/4/2030-31/3/2032[g]	42,627	2.57	—	—	—	—	(48,743)
Total 2027-2032 contracts	**544,106**						**$ (355,228)**
Total natural gas contracts	**1,452,030**						**$ (709,931)**

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

(b) Inclusive of $21,095 in future cash settlements for deferred premiums.

(c) Future cash settlements for deferred premiums.

(d) Option expires on 6 September 2024.

(e) Option expires on 23 December 2024.

(f) Option expires on 23 March 2026.

(g) Option expires on 22 March 2030.

NGLs CONTRACTS

	Volume (MBbls)	Weighted Average Price per Bbl Swaps	Sold Calls	Fair Value at 30 June 2023
For the Remainder of 2023				
Swaps	2,273	$ 37.49	$ —	$ 20,885
Stand-Alone Calls	184	—	24.78	(427)
2024				
Swaps	3,301	$ 37.74	$ —	$ 20,317
Stand-Alone Calls	915	—	31.29	(2,658)
2025				
Swaps	2,143	$ 30.22	$ —	$ 1,619
2026				
Swaps	1,097	$ 27.68	$ —	$ (621)
Total NGLs contracts	**9,913**			**$ 39,115**

OIL CONTRACTS

	Volume (MBbls)	Weighted Average Price per Bbl: Swaps	Weighted Average Price per Bbl: Sold Calls	Fair Value at 30 June 2023
For the Remainder of 2023				
Swaps	448	$ 69.12	$ —	$ (448)
Sold Calls	59	—	53.20	(1,018)
2024				
Swaps	431	$ 62.54	$ —	$ (2,441)
Sold Calls	183	—	70.00	(1,327)
2025				
Swaps	366	$ 59.01	$ —	$ (2,165)
2026				
Swaps	283	$ 59.48	$ —	$ (899)
2027				
Swaps	162	$ 58.60	$ —	$ (352)
Total oil contracts	**1,932**			**$ (8,650)**

INTEREST

	Principal Hedged	Fixed Rate	Fair Value at 30 June 2023
2023			
SOFR Interest Rate Swap	$ 5,520	4.15 %	$ 437
Net fair value of derivative financial instruments as of 30 June 2023			**$ (679,029)**

Netting the fair values of derivative assets and liabilities for financial reporting purposes is permitted if such assets and liabilities are with the same counterparty and a legal right of set-off exists, subject to a master netting arrangement. The Directors have elected to present derivative assets and liabilities net when these conditions are met. The following table outlines the Group's net derivatives as of the reporting date as follows:

Derivative Financial Instruments	Consolidated Statement of Financial Position	30 June 2023	31 December 2022
Assets:			
Non-current assets	Derivative financial instruments	$ 35,541	$ 13,936
Current assets	Derivative financial instruments	114,695	27,739
Total assets		**$ 150,236**	**$ 41,675**
Liabilities:			
Non-current liabilities	Derivative financial instruments	$ (731,093)	$ (1,177,801)
Current liabilities	Derivative financial instruments	(98,172)	(293,840)
Total liabilities		**$ (829,265)**	**$ (1,471,641)**
Net assets (liabilities):			
Net assets (liabilities) - non-current	Derivative financial instruments	$ (695,552)	$ (1,163,865)
Net assets (liabilities) - current	Derivative financial instruments	16,523	(266,101)
Total net assets (liabilities)		**$ (679,029)**	**$ (1,429,966)**

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

	As of 30 June 2023		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	$ 123,597	$ (88,056)	$ 35,541
Current assets	177,872	(63,177)	114,695
Total assets	**$ 301,469**	**$ (151,233)**	**$ 150,236**
Non-current liabilities	$ (797,221)	$ 66,128	$ (731,093)
Current liabilities	(183,277)	85,105	(98,172)
Total liabilities	**$ (980,498)**	**$ 151,233**	**$ (829,265)**
Total net assets (liabilities)	**$ (679,029)**	**$ —**	**$ (679,029)**

	As of 31 December 2022		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	$ 101,275	$ (87,339)	$ 13,936
Current assets	92,611	(64,872)	27,739
Total assets	**$ 193,886**	**$ (152,211)**	**$ 41,675**
Non-current liabilities	$ (1,261,369)	$ 83,568	$ (1,177,801)
Current liabilities	(362,483)	68,643	(293,840)
Total liabilities	**$ (1,623,852)**	**$ 152,211**	**$ (1,471,641)**
Total net assets (liabilities)	**$ (1,429,966)**	**$ —**	**$ (1,429,966)**

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

	Six Months Ended		Year Ended
	30 June 2023	30 June 2022	31 December 2022
Net gain (loss) on commodity derivatives settlements[(a)]	$ 54,525	$ (468,731)	$ (895,802)
Net gain (loss) on interest rate swaps[(a)]	(2,824)	828	(1,434)
Gain (loss) on foreign currency hedges[(a)]	(521)	—	—
Total gain (loss) on settled derivative instruments	**$ 51,180**	**$ (467,903)**	**$ (897,236)**
Gain (loss) on fair value adjustments of unsettled financial instruments[(b)]	760,933	(1,205,938)	(861,457)
Total gain (loss) on derivative financial instruments	**$ 812,113**	**$ (1,673,841)**	**$ (1,758,693)**

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

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

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

COMMODITY DERIVATIVE CONTRACT MODIFICATIONS AND EXTINGUISHMENTS

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

2023 MODIFICATIONS AND EXTINGUISHMENTS

In February 2023, the Group sold puts in ABS III for approximately $9,045 and replaced them with swaps to maintain the appropriate level and composition of derivatives at both the legal entity and full-company level. The Group also monetised an additional $8,401 in net modifications, primarily comprised of swap terminations. As these modifications were made in the normal course of business for the six months ended 30 June 2023, they were recorded on the Group's Consolidated Statement of Financial Position and are presented as an operating activity in the Consolidated Statement of Cash Flows.

2022 MODIFICATIONS AND EXTINGUISHMENTS

In February 2022, the Group adjusted portions of its commodity derivative contract portfolio across its legal entities to ensure that it maintained the appropriate level and composition at both the legal entity and full-company level for the completion of the ABS III and ABS IV financing arrangements. The Group completed these adjustments by entering into new commodity derivative contracts and novating certain derivative contracts to the legal entities holding the ABS III and ABS IV notes. The Group paid $41,823 for these portfolio adjustments including long-dated puts for ABS III and ABS IV that collectively increased the value of the Group's derivative position by an equal amount, and were required under the respective ABS III and ABS IV indentures. The Group recorded payments for offsetting positions as new derivative financial instruments and applied extinguishment payments against the existing commodity contracts on its Consolidated Statement of Financial Position.

In May 2022 and in October 2022, the Group completed the ABS V and ABS VI financing arrangements, respectively, and made similar commodity derivative portfolio adjustments to maintain the appropriate level and composition of derivatives at both the legal entity and full-company level. The Group paid $31,250, driven primarily by the purchase of long-dated puts that increased the value of the Group's derivative position by an equal amount, and were required under the ABS V indenture. Under the ABS VI financing, the Group paid $32,242 from the proceeds of the financing to increase the value of certain pre-existing derivative contracts that were novated to the ABS VI legal entity at closing. The Group recorded the payments as new derivative financial instruments on its Consolidated Statement of Financial Position.

Other commodity derivative contract modifications made during the normal course of business in 2022 totalled $133,573 which the Group recorded on its Consolidated Statement of Financial Position. As these modifications were made in the normal course of business, the Group has presented these as an operating activity in the Consolidated Statement of Cash Flows. These modifications were primarily associated with elevating the Group's weighted-average hedge floor to take advantage of the high price environment experienced in 2022 over a longer term. The trades were primarily comprised of swap enhancements and the extinguishment of standalone call options.

SUBSEQUENT EVENTS

Subsequent to 30 June 2023, the Group monetised an additional $9,240 in purchased puts associated with its ABS hedge books and transitioned the monetised positions into long-dated swap agreements.

NOTE 9 - SHARE CAPITAL

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

The Group has one class of common shares which carry the right to one vote at annual general meetings of the Group. As of 30 June 2023, the Group had no limit on the amount of authorised share capital and all shares in issue were fully paid.

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

ISSUANCE OF SHARE CAPITAL

In February 2023, the Group placed 128,444 new shares at $1.27 per share (£1.05) to raise gross proceeds of $162,757 (approximately £134,866). Associated costs of the placing were $5,969. The Group used the proceeds to fund the Tanos II transaction, discussed in Note 4.

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

TREASURY SHARES

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

EMPLOYEE BENEFIT TRUST ("EBT")

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

During the six months ended 30 June 2023, the EBT reissued 5,914 shares to settle vested share-based awards and ESPP purchases. No shares were purchased by the EBT during the six months ended 30 June 2023. No shares were reissued from the EBT during the six months ended 30 June 2022. During the six months ended 30 June 2022, the EBT purchased 6,790 shares at an average price per share of $1.43 (approximately £1.14) for a total consideration of $9,718 (approximately £7,708). As of 30 June 2023, the EBT held 14,906 shares.

REPURCHASE OF SHARES

During the six months ended 30 June 2023, the Group repurchased 200 treasury shares at an average price per share of $1.05 totalling $213. No treasury shares were repurchased during the six months ended 30 June 2022.

SETTLEMENT OF WARRANTS

In July 2022, the Company entered into an agreement to cancel 132 warrants (the “Warrants”) held by certain former Mirabaud Securities Limited (“Mirabaud”) employees for an aggregate principal amount of approximately $56 (approximately £46). The former employees surrendered the Warrants to the Company for cancellation. Concurrently, the Company entered into an agreement to exercise 224 Warrants held by certain former Mirabaud employees for an aggregate principal amount of approximately $201 (approximately £166). The former employees surrendered the Warrants to the Company for cancellation in exchange for an equivalent number of shares of common stock. Following this purchase and exercise, no warrants remain outstanding.

In February 2022, the Group entered into an agreement to cancel 477 warrants (the "Warrants") held by certain former Mirabaud employees for an aggregate principal amount of approximately $265 (approximately £196). The former employees surrendered the Warrants to the Group for cancellation. Concurrently, the Group entered into an agreement to exercise 290 Warrants held by certain former Mirabaud employees for an aggregate principal amount of approximately $251 (approximately $187). The former employees surrendered the Warrants to the Group for cancellation in exchange for an equivalent number of shares of common stock. Following these transactions, 355 warrants remain outstanding.

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

	Number of Shares	Total Share Capital	Total Share Premium
Balance as of 1 January 2023	**828,935**	**$ 11,503**	**$ 1,052,959**
Issuance of share capital (equity placement)	128,444	1,555	155,233
Issuance of EBT shares (equity compensation)	5,914	—	—
Repurchase of shares (share buyback programme)	(200)	(2)	—
Balance as of 30 June 2023	**963,093**	**$ 13,056**	**$ 1,208,192**

	Number of Shares	Total Share Capital	Total Share Premium
Balance as of 1 January 2022	**849,655**	**$ 11,571**	**$ 1,052,959**
Issuance of share capital (settlement of warrants)	513	5	—
Issuance of share capital (equity compensation)	792	7	—
Issuance of EBT shares (equity compensation)	1,760	—	—
Repurchase of shares (EBT)	(15,790)	—	—
Repurchase of shares (share buyback programme)	(7,995)	(80)	—
Balance as of 31 December 2022	**828,935**	**$ 11,503**	**$ 1,052,959**

NOTE 10 - DIVIDENDS

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

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

	Dividend per Share					
Date Dividends Declared	**USD**	**GBP**	**Record Date**	**Pay Date**	**Shares Outstanding**	**Gross Dividends Paid**
Declared on 14 November 2022	$ 0.0438	£ 0.0361	3 March 2023	28 March 2023	957,379	$ 41,885
Declared on 21 March 2023	$ 0.0438	£ 0.0343	26 May 2023	30 June 2023	963,293	42,144
Paid during the six months ended 30 June 2023						**$ 84,029**

	Dividend per Share					
Date Dividends Declared	**USD**	**GBP**	**Record Date**	**Pay Date**	**Shares Outstanding**	**Gross Dividends Paid**
Declared on 28 October 2021	$ 0.0425	£ 0.0325	4 March 2022	28 March 2022	850,047	$ 36,127
Declared on 22 March 2022	$ 0.0425	£ 0.0343	27 May 2022	30 June 2022	850,548	36,148
Declared on 16 May 2022	$ 0.0425	£ 0.0366	2 September 2022	26 September 2022	845,881	$ 35,950
Declared on 8 August 2022	$ 0.0425	£ 0.0345	25 November 2022	28 December 2022	828,935	35,230
Paid during the year ended 31 December 2022						**$ 143,455**

On 9 May 2023 the Group proposed a dividend of $0.04375 per share. The dividend will be paid on 29 September 2023 to shareholders on the register on 1 September 2023. This dividend was not required to be approved by shareholders, thereby qualifying it as an “interim” dividend. No liability was recorded in the Interim Condensed Consolidated Financial Statements in respect of this interim dividend as of 30 June 2023.

Dividends are waived on shares held in the EBT.

SUBSEQUENT EVENTS

On 1 September 2023 the Directors recommended a dividend of $0.04375 per share. The dividend will be paid on 29 December 2023 to shareholders on the register on 1 December 2023. This dividend was not required to be approved by shareholders, thereby qualifying it as an "interim" dividend. No liability has been recorded in the Interim Condensed Consolidated Financial Statements in respect of this dividend as of 30 June 2023.

NOTE 11 - ASSET RETIREMENT OBLIGATIONS

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

The Group records a liability for the present value of the estimated future decommissioning costs on its natural gas and oil properties, which it expects to incur at the end of the long-producing life of a well. Productive life varies within the Group's well portfolio and presently the Group expects all of its existing wells to have reached the end of their economic lives by approximately 2095 consistent with the Group's reserve calculations which were independently evaluated by the Group's independent engineers for the year ended 31 December 2022. The Group also records a liability for the future cost of decommissioning its production facilities and pipelines when required by contract, statute, or constructive obligation. No such contractual agreements or statutes were in place for the Group's production facilities and pipelines for the six months ended 30 June 2023 and year ended 31 December 2022.

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

The Group applies a contingency allowance for annual inflationary cost increases to its current cost expectations then discounts the resulting cash flows using a credit adjusted risk free discount rate. The inflationary adjustment is a U.S. long-term 10-year rate sourced from consensus economics. When determining the discount rate of the liability, the Group evaluates treasury rates as well as the Bloomberg 15-year U.S. Energy BB and BBB bond index which economically aligns with the underlying long-term and unsecured liability. Based on this evaluation the net discount rate used in the calculation of the decommissioning liability in 2023 and 2022 was 3.6% and 3.6%, respectively.

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

	Six Months Ended	Year Ended
	30 June 2023	31 December 2022
Balance at beginning of period	**$ 457,083**	**$ 525,589**
Additions[(a)]	3,241	24,395
Accretion	13,991	27,569
Plugging costs	(2,077)	(4,889)
Divestitures[(b)]	(6,314)	(16,779)
Revisions to estimate[(c)]	(12,942)	(98,802)
Balance at end of period	**$ 452,982**	**$ 457,083**
LESS: Current asset retirement obligations	4,517	4,529
Non-current asset retirement obligations	**$ 448,465**	**$ 452,554**

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

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

(c) As of 30 June 2023, the Group performed normal revisions to its asset retirement obligations, which resulted in a $12,942 decrease in the liability. This decrease was comprised of a $15,695 decrease attributable to a marginally higher net discount rate which was offset by an increase of $2,753 in cost revisions for our recent experiences. The marginal changes in the discount rate are a result of a decline in bond yield volatility over the first half of the year. As of 31 December 2022, the Group performed normal revisions to its asset retirement obligations, which resulted in a $98,802 decrease in the liability. This decrease was comprised of a $144,656 decrease attributable to the higher discount rate. The higher discount rate was a result of macroeconomic factors spurred by the increase in bond yields which have elevated with US treasuries to combat the current inflationary environment. Partially offsetting this decrease was $29,357 in cost revisions based on the Group's recent asset retirement experiences and a $16,497 timing revision for the acceleration of the Group's retirement plans made possible by the recent asset retirement acquisitions that improve the Group's asset retirement capacity through the growth of its operational capabilities.

Changes to assumptions for the estimation of the Group's asset retirement obligations could result in a material change in the carrying value of the liability. A reasonably possible 10% change in assumptions could have the following impact on the Group's asset retirement obligations as of 30 June 2023:

ARO Sensitivity		+10%		-10%
Discount rate	$	(45,986)	$	53,270
Timing		27,910		(30,578)
Cost		45,208		(45,208)

NOTE 12 - BORROWINGS

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

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

		30 June 2023		31 December 2022
Credit Facility (Interest rate of 8.65% and 7.42%, respectively)[(a)]	$	265,000	$	56,000
ABS I Notes (Interest rate of 5.00%)		111,007		125,864
ABS II Notes (Interest rate of 5.25%)		136,550		147,458
ABS III Notes (Interest rate of 4.875%)		295,151		319,856
ABS IV Notes (Interest rate of 4.95%)		113,609		130,144
ABS V Notes (Interest rate of 5.78%)		329,381		378,796
ABS VI Notes (Interest rate of 7.50%)		183,758		212,446
Term Loan I (Interest rate of 6.50%)		112,433		120,518
Miscellaneous, primarily for real estate, vehicles and equipment		8,319		7,084
Total borrowings	**$**	**1,555,208**	**$**	**1,498,166**
Less: Current portion of long-term debt		(231,819)		(271,096)
Less: Deferred financing costs		(42,325)		(48,256)
Less: Original issue discounts		(8,274)		(9,581)
Total non-current borrowings, net	**$**	**1,272,790**	**$**	**1,169,233**

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

CREDIT FACILITY

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

In August 2022, the Group amended and restated the credit agreement governing its Credit Facility. The amendment enhanced the alignment with the Group's stated ESG initiatives by including sustainability performance targets ("SPTs") similar to those included in the ABS III, IV, V and VI notes, extended the maturity of the Credit Facility to August 2026, In March 2023, the Group performed its semi-annual redetermination and the borrowing base was resized to $375,000 reflective of the Tanos II collateral and changes in commodity pricing.

The Credit Facility has an interest rate of SOFR plus an additional spread that ranges from 2.75% to 3.75% based on utilisation. Interest payments on the Credit Facility are paid on a quarterly basis. Available borrowings under the Credit Facility were $98,640 as of 30 June 2023 which considers the impact of $11,360 in letters of credit issued to certain vendors.

The Credit Facility contains certain customary representations and warranties and affirmative and negative covenants, including covenants relating to: maintenance of books and records; financial reporting and notification; compliance with laws; maintenance of properties and insurance; and limitations on incurrence of indebtedness, liens, fundamental changes, international operations, asset sales, making certain debt payments and amendments, restrictive agreements, investments, restricted payments and hedging. The restricted payment provision governs the Group's ability to make discretionary payments such as dividends, share repurchases, or other discretionary payments. DP RBL Co LLC must comply with the following restricted payments test in order to make discretionary payments (i) leverage is less than 1.5x and borrowing base availability is >25% (ii) leverage is between 1.5x and 2.0x, free cash flow must be positive and borrowing base availability must be >15% (iii) leverage is between 2.0x and 2.5x, free cash flow must be positive and borrowing base availability must be >20% (iv) the Group's restricted payments are restricted when leverage exceeds 2.5x for DP RBL Co LLC.

Additional covenants require DP RBL Co LLC to maintain a ratio of total debt to EBITDAX of not more than 3.25 to 1.00 and a ratio of current assets (with certain adjustments) to current liabilities of not less than 1.00 to 1.00 as of the last day of each fiscal quarter. The fair value of the Credit Facility approximates the carrying value as of 30 June 2023.

TERM LOAN I

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

The Term Loan I accrues interest at a stated 6.50% annual rate and has a maturity date of May 2030. Interest and principal payments on the Term Loan I are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, the Group incurred $3,911, $4,455 and $8,643 in interest related to the Term Loan I, respectively. The fair value of the Term Loan I approximates the carrying value as of 30 June 2023.

ABS I NOTES

In November 2019, the Group formed Diversified ABS LLC ("ABS I"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB- rated asset-backed securities in an aggregate principal amount of $200,000 at par. The ABS I Notes are secured by certain of the Group's upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

Interest and principal payments on the ABS I Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, the Group incurred $2,993, $3,734 and $7,110 of interest related to the ABS I Notes, respectively. The legal final maturity date is January 2037 with an amortising maturity of December 2029. The ABS I Notes accrue interest at a stated 5% rate per annum. The fair value of the ABS I Notes approximates the carrying value as of 30 June 2023. In the event that ABS I has cash flow in excess of the required payments, ABS I is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. In particular, (a) with respect to any payment date prior to March 1, 2030, (i) if the debt service coverage ratio (the "DSCR") as of such payment date is greater than or equal to 1.25 to 1.00, then 25%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such payment date is less than 1.15 to 1.00, the production tracking rate for ABS I is less than 80%, or the loan to value ratio is greater than 85%, then 100%, and (b) with respect to any payment date on or after March 1, 2030, 100%.

ABS II NOTES

In April 2020, the Group formed Diversified ABS Phase II LLC ("ABS II"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to issue BBB- rated asset-backed securities in an aggregate principal amount of $200,000. The ABS II Notes were issued at a 2.775% discount. The Group used the proceeds of $183,617, net of discount, capital reserve requirement, and debt issuance costs, to pay down its Credit Facility. The ABS II Notes are secured by certain of the Group's upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

The ABS II Notes accrue interest at a stated 5.25% rate per annum and have a maturity date of July 2037 with an amortising maturity of September 2028. Interest and principal payments on the ABS II Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, the Group incurred $4,174, $4,798 and $9,286 in interest related to the ABS II Notes, respectively. The fair value of the ABS II Notes approximates the carrying value as of 30 June 2023.

In the event that ABS II has cash flow in excess of the required payments, ABS II is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. In particular, (a) (i) if the DSCR as of any payment date is less than 1.15 to 1.00, then 100%, (ii) if the DSCR as of such payment date is greater than or equal to 1.15 to 1.00 and less than 1.25 to 1.00, then 50%, or (iii) if the DSCR as of such payment date is greater than or equal to 1.25 to 1.00, then 0%; (b) if the production tracking rate for ABS II is less than 80.0%, then 100%, else 0%; (c) if the loan-to-value ratio ("LTV") as of such payment date is greater than 65.0%, then 100%, else 0%; (d) with respect to any payment date after July 1, 2024 and prior to July 1, 2025, if LTV is greater than 40.0% and ABS II has executed hedging agreements for a minimum period of 30 months starting July 2026 covering production volumes of at least 85% but no more than 95% (the "Extended Hedging Condition"), then 50%, else 0%; (e) with respect to any payment date after July 1, 2025 and prior to October 1, 2025, if LTV is greater than 40.0% or ABS II has not satisfied the Extended Hedging Condition, then 50%, else 0%; and (f) with respect to any payment date after October 1, 2025, if LTV is greater than 40.0% or ABS II has not satisfied the Extended Hedging Condition, then 100%, else 0%.

ABS III NOTES

In February 2022, the Group formed Diversified ABS III LLC ("ABS III"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $365,000 at par. The ABS III Notes are secured by certain of the Group's upstream producing, as well as certain midstream, Appalachian assets.

The ABS III Notes accrue interest at a stated 4.875% rate per annum and have a final maturity date of April 2039 with an amortising maturity of November 2030. Interest and principal payments on the ABS III Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, the Group incurred $7,509, $7,099 and $15,325 in interest related to the ABS III Notes, respectively. The fair value of the ABS III Notes approximates the carrying value as of 30 June 2023.

In the event that ABS III has cash flow in excess of the required payments, ABS III is required to pay between 50% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. In particular, (a) (i) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such Payment Date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS III (as described in the ABS III Indenture) is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS III is greater than 65%, then 100%, else 0%.

ABS IV NOTES

In February 2022, the Group formed Diversified ABS IV LLC ("ABS IV"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $160,000 at par. The ABS IV Notes are secured by a portion of the upstream producing assets acquired in connection with the Blackbeard Acquisition.

The ABS IV Notes accrue interest at a stated 4.95% rate per annum and have a final maturity date of February 2037 with an amortising maturity of September 2030. Interest and principal payments on the ABS IV Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, the Group incurred $3,033, $2,730 and $6,235 in interest related to the ABS IV Notes, respectively. The fair value of the ABS IV Notes approximates the carrying value as of 30 June 2023.

In the event that ABS IV has cash flow in excess of the required payments, ABS IV is required to pay between 50% and 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. In particular, (a) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such Payment Date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS IV is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS IV is greater than 65%, then 100%, else 0%.

ABS V NOTES

In May 2022, the Group formed Diversified ABS V LLC ("ABS V"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $445,000 at par. The ABS V Notes are secured by a majority of the Group's remaining upstream assets in Appalachia that were not securitised by previous ABS transactions.

The ABS V Notes accrue interest at a stated 5.78% rate per annum and have a final maturity date of May 2039 with an amortising maturity of December 2030. Interest and principal payments on the ABS V Notes are payable on a monthly basis. During the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, the Group incurred $10,273, $2,286 and $14,319 in interest related to the ABS V Notes, respectively. The fair value of the ABS V Notes approximates the carrying value as of 30 June 2023.

Based on whether certain performance metrics are achieved, ABS V could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. In particular, (a) (i) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such payment date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS V is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS V is greater than 65%, then 100%, else 0%.

ABS VI NOTES

In October 2022, the Group formed Diversified ABS VI LLC ("ABS VI"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue, jointly with Oaktree, BBB+ rated asset-backed securities in an aggregate principal amount of $460,000 ($235,750 to the Group, before fees, representative of its 51.25% ownership interest in the collateral assets). The ABS VI Notes were issued at a 2.63% discount and are secured primarily by the upstream assets that were jointly acquired with Oaktree in the 2021 Tapstone acquisition. The Group recorded its proportionate share of the note in its Consolidated Statement of Financial Position.

The ABS VI Notes accrue interest at a stated 7.50% rate per annum and have a final maturity date of November 2039 with an amortising maturity of October 2031. Interest and principal payments on the ABS VI Notes are payable on a monthly basis. During the six months ended 30 June 2023 and the year ended 31 December 2022, the Group incurred $8,257 and $3,300 in interest related to the ABS VI Notes, respectively. The fair value of the ABS VI Notes approximates the carrying value as of 30 June 2023.

Based on whether certain performance metrics are achieved, ABS VI could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. In particular, (a) (i) If the DSCR as of the applicable Payment Date is less than 1.15 to 1.00, then 100%, (ii) if the DSCR as of such Payment Date is greater than or equal to 1.15 to 1.00 and less than 1.25 to 1.00, then 50%, or (iii) if the DSCR as of such Payment Date is greater than or equal to 1.25 to 1.00, then 0%; (b) if the production tracking rate for ABS VI is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS VI is greater than 75%, then 100%, else 0%.

DEBT COVENANTS

ABS I, II III, IV AND V NOTES (COLLECTIVELY, THE "ABS NOTES") AND TERM LOAN I

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

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

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

As of 30 June 2023, the Group was in compliance with all financial covenants for the ABS Notes, Term Loan I and the Credit Facility.

SUSTAINABILITY-LINKED BORROWINGS

CREDIT FACILITY

The Credit Facility contains three SPTs which, depending on the Group's performance thereof, may result in adjustments to the applicable margin with respect to borrowings thereunder:

- GHG Emissions Intensity: The Group's consolidated Scope 1 emissions and Scope 2 emissions, each measured as MT CO_2e per MMcfe;
- Asset Retirement Performance: The number of wells the Group successfully retires during any fiscal year; and
- TRIR Performance: The arithmetic average of the two preceding fiscal years and current period total recordable injury rate computed as the Total Number of Recordable Cases (as defined by the Occupational Safety and Health Administration) multiplied by 200,000 and then divided by total hours worked by all employees during any fiscal year.

The goals set by the Credit Facility for each of these categories are aspirational and represent higher thresholds than the Group has publicly set for itself. The economic repercussions of achieving or failing to achieve these thresholds, however, are relatively minor, ranging from subtracting five basis points to adding five basis points to the applicable margin level in any given fiscal year.

An independent third-party assurance provider will be required to certify the Group's performance of the SPTs.

ABS III & IV

In connection with the issuance of the ABS III & IV notes, the Group retained an independent international provider of ESG research and services to provide and maintain a "sustainability score" with respect to Diversified Energy Company PLC and to the extent such score is below a minimum threshold established at the time of issue of the ABS III & IV notes, the interest payable with respect to the subsequent interest accrual period will increase by five basis points. This score is not dependent on the Group meeting or exceeding any sustainability performance metrics but rather an overall assessment of the Group's corporate ESG profile. Further, this score is not dependent on the use of proceeds of the ABS III & IV notes and there were no such restrictions on the use of proceeds other than pursuant to the terms of the Group's Credit Facility. The Group informs the ABS III & IV note holders in monthly note holder statements as to any change in interest rate payable on the ABS III & IV notes as a result of the change in this sustainability score.

ABS V & VI

In addition, a "second party opinion provider" certified the terms of the ABS V & VI notes as being aligned with the framework for sustainability-linked bonds of the International Capital Markets Association ("ICMA"), applicable to bond instruments for which the financial and/or structural characteristics vary depending on whether predefined ESG objectives, or SPTs, are achieved. The framework has five key components (1) the selection of key performance indicators ("KPIs"), (2) the calibration of SPTs, (3) variation of bond characteristics depending on whether the KPIs meet the SPTs, (4) regular reporting of the status of the KPIs and whether SPTs have been met and (5) independent verification of SPT performance by an external reviewer such as an auditor or environmental consultant. Unlike the ICMA's framework for green bonds, its framework for sustainability-linked bonds do not require a specific use of proceeds.

The ABS V & VI notes contain two SPTs. The Group must achieve, and have certified by 28 April 2027 for ABS V and 28 May 2027 for ABS VI (1) a reduction in Scope 1 and Scope 2 GHG emissions intensity to 2.85 MT CO_2e/MMcfe, and/or (2) a reduction in Scope 1 methane emissions intensity to 1.12 MT CO_2e/MMcfe. For each of these SPTs that the Group fails to meet, or have certified by an external verifier that it has met, by 28 April 2027 for ABS V and 28 May 2027 for ABS VI, the interest rate payable with respect to the ABS V & VI notes will be increased by 25 basis points. In each case, an independent third-party assurance provider will be required to certify the Group's performance of the above SPTs by the applicable deadlines.

COMPLIANCE

As of 30 June 2023, the Group met or was in compliance with all sustainability-linked debt metrics.

FUTURE MATURITIES

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

	30 June 2023	31 December 2022
Not later than one year	$ 231,819	$ 271,096
Later than one year and not later than five years	972,846	778,887
Later than five years	350,543	448,183
Total borrowings	**$ 1,555,208**	**$ 1,498,166**

FINANCE COSTS

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

	Six Months Ended		Year Ended
	30 June 2023	30 June 2022	31 December 2022
Interest expense, net of capitalised and income amounts[(a)]	$ 58,768	$ 33,322	$ 86,840
Amortisation of discount and deferred finance costs	8,968	5,797	13,903
Other	—	43	56
Total finance costs	**$ 67,736**	**$ 39,162**	**$ 100,799**

(a) Includes payments related to borrowings and leases.

FINANCING ACTIVITIES

Reconciliation of borrowings arising from financing activities:

	Six Months Ended		Year Ended
	30 June 2023	30 June 2022	31 December 2022
Balance at beginning of period	**$ 1,440,329**	**$ 1,010,355**	**$ 1,010,355**
Acquired as part of a business combination	—	2,437	2,437
Proceeds from borrowings	840,230	1,730,200	2,587,554
Repayments of borrowings	(782,990)	(1,392,883)	(2,139,686)
Costs incurred to secure financing	(1,730)	(24,579)	(34,234)
Amortisation of discount and deferred financing costs	8,968	5,797	13,903
Cash paid for interest	(59,415)	(32,605)	(82,936)
Finance costs and other	59,217	32,604	82,936
Balance at end of period	**$ 1,504,609**	**$ 1,331,326**	**$ 1,440,329**

SUBSEQUENT EVENTS

From time to time the Group enters into financing arrangements which maximise the lending value of its collateral to bolster liquidity. In August 2023, the Group entered into a credit agreement providing it the ability to borrow up to $135,000 in loans and extensions of credit from the lender upon meeting conditions considered customary for agreements of this nature. The borrowing base is primarily a function of the value of the natural gas and oil properties that will collateralise the lending arrangement. The Credit Facility has an interest rate of SOFR plus an additional spread that ranges from 4.00% to 5.00% based on the period drawn. The legal maturity for the credit agreement is 24 August 2026.

NOTE 13 - FAIR VALUE AND FINANCIAL INSTRUMENTS

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

FAIR VALUE

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

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

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

(1) Observable prices in active markets for similar assets;

(2) Prices for identical assets in markets that are not active;

(3) Directly observable market inputs for substantially the full term of the asset; and

(4) Market inputs that are not directly observable but are derived from or corroborated by observable market data.

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

FINANCIAL INSTRUMENTS

Working Capital

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

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

Borrowings

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

Leases

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

Derivative Financial Instruments

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

The Group has classified its derivative financial instruments into the fair value hierarchy depending upon the data utilised to determine their fair values. The Group's fixed price swaps (Level 2) are estimated using third-party discounted cash flow calculations using the NYMEX futures index for natural gas and oil derivatives and OPIS for NGLs derivatives. The Group utilises discounted cash flow models for valuing its interest rate derivatives (Level 2). The net derivative values attributable to the Group's interest rate derivative contracts as of 30 June 2023 are based on (i) the contracted notional amounts, (ii) active market-quoted SOFR yield curves and (iii) the applicable credit-adjusted risk-free rate yield curve.

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

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

There were no transfers between fair value levels for the six months ended 30 June 2023.

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

	30 June 2023	31 December 2022
Cash and cash equivalents	$ 4,208	$ 7,329
Trade receivables and accrued income	195,038	296,781
Other non-current assets	3,678	4,351
Other non-current liabilities[(a)]	(936)	(1,669)
Other current liabilities[(b)]	(256,848)	(417,201)
Derivative financial instruments at fair value	(679,029)	(1,429,966)
Leases	(33,308)	(28,862)
Borrowings	(1,555,208)	(1,498,166)
Total	**$ (2,322,405)**	**$ (3,067,403)**

(a) Excludes the long-term portion of the value associated with the upfront promote received from Oaktree.

(b) Includes accrued expenses, net revenue clearing and revenue to be distributed. Excludes taxes payable and asset retirement obligations.

NOTE 14 - CONTINGENCIES

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

LITIGATION AND REGULATORY PROCEEDINGS

The Group is involved in various pending legal issues that have arisen in the ordinary course of business. The Group accrues for litigation, claims and proceedings when a liability is both probable and the amount can be reasonably estimated. As of 30 June 2023, the Group did not have any material amounts accrued related to litigation or regulatory matters. For any matters where it is not possible to estimate the amount of any additional loss, or range of loss that is reasonably possible, no amounts have been accrued for, but, based on the nature of the claims, management believes that current litigation, claims and proceedings are not, individually or in aggregate, after considering insurance coverage and indemnification, likely to have a material adverse impact on the Group's financial position, results of operations or cash flows.

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

ENVIRONMENTAL MATTERS

The Group's operations are subject to environmental regulation in all the jurisdictions in which it operates, and it was in compliance as of 30 June 2023. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect its operations. The Group can offer no assurance regarding the significance or cost of compliance associated with any such new environmental legislation once implemented.

NOTE 15 - RELATED PARTY TRANSACTIONS

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

The Group had no related party activity in 2023 or 2022.

NOTE 16 - SUBSEQUENT EVENTS

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

The Group determined the need to disclose the following material transactions that occurred subsequent to 30 June 2023, which have been described within each relevant footnote as follows:

Description	**Footnote**
Acquisitions and Divestitures	Note 4
Derivative Financial Instruments	Note 8
Dividends	Note 10
Borrowings	Note 12

ALTERNATIVE PERFORMANCE MEASURES

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

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

AVERAGE QUARTERLY DIVIDEND PER SHARE

Average Quarterly Dividend per Share is reflective of the average of the dividends per share declared throughout the applicable fiscal year which gives consideration to changes in dividend rates and changes in the amount of shares outstanding. We use Average Quarterly Dividend per Share as we seek to pay a consistent and reliable dividend to shareholders.

	Six Months Ended		
	30 June 2023	**30 June 2022**	**31 December 2022**
Declared on first quarter results 2023, 2022 and 2022, respectively	$ 0.04375	$ 0.04250	$ 0.04250
Declared on second quarter results 2023, 2022 and 2022, respectively	0.04375	0.04250	0.04250
Declared on third quarter results 2022, 2021 and 2022, respectively	0.04375	0.04250	0.04375
Declared on fourth quarter results 2022, 2021 and 2022, respectively	0.04375	0.04250	0.04375
TTM Average Quarterly Dividend per Share	**$ 0.04375**	**$ 0.04250**	**$ 0.04313**
TTM Total Dividends per Share	**$ 0.17500**	**$ 0.17000**	**$ 0.17250**

ADJUSTED EBITDA

As used herein, EBITDA represents earnings before interest, taxes, depletion, depreciation and amortisation. Adjusted EBITDA includes adjusting for items that are not comparable period-over-period, namely, accretion of asset retirement obligation, other (income) expense, loss on joint and working interest owners receivable, (gain) loss on bargain purchases, (gain) loss on fair value adjustments of unsettled financial instruments, (gain) loss on natural gas and oil property and equipment, costs associated with acquisitions, other adjusting costs, non-cash equity compensation, (gain) loss on foreign currency hedge, net (gain) loss on interest rate swaps and items of a similar nature.

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

ADJUSTED EBITDA PER SHARE

We believe that Adjusted EBITDA per Share provides direct line of sight into our ability to measure the accretive growth we seek to acquire while providing shareholders with a depiction of cash earnings at the share level. In this calculation we utilise weighted average shares as to not disproportionately weight the calculation for equity issued for acquisitive growth at varying periods throughout the year.

	Six Months Ended		
	30 June 2023	30 June 2022	31 December 2022
Net income (loss)	**$ 630,932**	**$ (935,250)**	**$ 314,652**
Finance costs	67,736	39,162	61,637
Accretion of asset retirement obligations	13,991	14,003	13,566
Other (income) expense	(327)	(171)	(98)
Income tax (benefit) expense	197,324	(294,877)	115,973
Depreciation, depletion and amortisation	115,036	118,480	103,777
Gain on bargain purchases	—	(1,249)	(3,198)
(Gain) loss on fair value adjustments of unsettled financial instruments	(760,933)	1,205,938	(344,481)
(Gain) loss on natural gas and oil property and equipment[(a)]	(899)	515	(422)
Costs associated with acquisitions	8,866	6,935	8,610
Other adjusting costs[(b)]	3,376	67,033	2,934
Non-cash equity compensation	4,417	4,069	3,982
(Gain) loss on foreign currency hedge	521	—	—
(Gain) loss on interest rate swap	2,824	(828)	2,262
Total adjustments	**$ (348,068)**	**$ 1,159,010**	**$ (35,458)**
Adjusted EBITDA	**$ 282,864**	**$ 223,760**	**$ 279,194**
Weighted average shares outstanding - basic	926,066	849,621	838,629
Weighted average shares outstanding - diluted	937,838	849,621	838,629
Adjusted EBITDA per basic share	**$ 0.31**	**$ 0.26**	**$ 0.33**
Adjusted EBITDA per diluted share	**$ 0.30**	**$ 0.26**	**$ 0.33**

(a) Excludes $6.8 million in proceeds received for leasehold sales during the six months ended 30 June 2023.

(b) Other adjusting costs for the six months ended 30 June 2023 primarily consisted of expenses associated with an unused firm transportation agreement and legal and professional fees related to internal audit and financial reporting. Other adjusting costs for the six months ended 30 June 2022 primarily consisted of $28 million in contract terminations which allowed the Group to obtain more favourable pricing in the future and $31 million in costs associated with deal breakage and/or sourcing costs for acquisitions.

NET DEBT

As used herein, Net Debt represents total debt as recognised on the balance sheet less cash and restricted cash. Total debt includes our borrowings under the Credit Facility and borrowings under or issuances of, as applicable, our subsidiaries' securitisation facilities. We believe Net Debt is a useful indicator of our Leverage and capital structure.

NET DEBT-TO-ADJUSTED EBITDA

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

	As of		
	30 June 2023	30 June 2022	31 December 2022
Credit Facility	$ (265,000)	$ —	$ (56,000)
ABS I Notes	(111,007)	(141,347)	(125,864)
ABS II Notes	(136,550)	(158,475)	(147,458)
ABS III Notes	(295,151)	(349,477)	(319,856)
ABS IV Notes	(113,609)	(149,900)	(130,144)
ABS V Notes	(329,381)	(445,000)	(378,796)
ABS VI Notes	(183,758)	—	(212,446)
Term Loan I	(112,433)	(128,595)	(120,518)
Other	(8,319)	(8,623)	(7,084)
Total Debt	**$ (1,555,208)**	**$ (1,381,417)**	**$ (1,498,166)**
Cash	4,208	187,342	7,329
Restricted cash	41,188	44,206	55,388
Net Debt	**$ (1,509,812)**	**$ (1,149,869)**	**$ (1,435,449)**
Adjusted EBITDA	**$ 282,864**	**$ 223,760**	**$ 279,194**
Pro forma TTM Adjusted EBITDA[(a)]	**$ 633,875**	**$ 495,840**	**$ 574,414**
Net Debt-to-Pro forma TTM Adjusted EBITDA[(b)]	**2.4x**	**2.3x**	**2.5x**

(a) Pro forma TTM Adjusted EBITDA includes adjustments for the trailing twelve months ended 30 June 2023 for the Tanos II and ConocoPhillips acquisitions to pro forma their results for a full twelve months of operations. Similar adjustments were made for the trailing twelve months ended 30 June 2022 for the Black Bear, East Texas Assets, Tapstone and Tanos acquisitions as well as in the trailing twelve months ended 31 December 2022 for the East Texas Assets and ConocoPhillips acquisitions.

(b) Does not include adjustments for working capital which are often customary in the market.

TOTAL REVENUE, INCLUSIVE OF SETTLED HEDGES

As used herein, Total Revenue, Inclusive of Settled Hedges, includes the impact of derivatives settled in cash. We believe that Total Revenue, Inclusive of Settled Hedges, is a useful because it enables investors to discern our realised revenue after adjusting for the settlement of derivative contracts.

ADJUSTED EBITDA MARGIN

As used herein, Adjusted EBITDA Margin is measured as Adjusted EBITDA, as a percentage of Total Revenue, Inclusive of Settled Hedges. Adjusted EBITDA Margin includes the direct operating cost and the portion of general and administrative cost it takes to produce each Boe. This metric includes operating expense, employees, administrative costs and professional services and recurring allowance for credit losses, which include fixed and variable costs components. We believe that Adjusted EBITDA Margin is a useful measure of our profitability and efficiency as well as our earnings quality because it measures the Group on a more comparable basis period-over-period, given we are often involved in transactions that are not comparable between periods. The Directors believe that Adjusted EBITDA Margin is a useful measure of DEC's profitability and efficiency as well as its earnings quality.

	Six Months Ended		
	30 June 2023	30 June 2022	31 December 2022
Total revenue	**$ 487,305**	**$ 933,528**	**$ 985,821**
Net gain (loss) on commodity derivative instruments[(a)]	54,525	(468,731)	(427,071)
Total Revenue, Inclusive of Settled Hedges	**$ 541,830**	**$ 464,797**	**$ 558,750**
Adjusted EBITDA	**$ 282,864**	**$ 223,760**	**$ 279,194**
Adjusted EBITDA Margin	**52 %**	**48 %**	**50 %**

(a) Net gain (loss) on commodity derivative settlements represents cash (paid) or received on commodity derivative contracts. This excludes settlements on foreign currency and interest rate derivatives as well as the gain (loss) on fair value adjustments for unsettled financial instruments for each of the periods presented.

FREE CASH FLOW

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

	Six Months Ended		
	30 June 2023	30 June 2022	31 December 2022
Net cash provided by operating activities	**$ 172,566**	**$ 204,987**	**$ 182,777**
LESS: Expenditures on natural gas and oil properties and equipment	(32,332)	(44,539)	(41,540)
LESS: Cash paid for interest	(59,415)	(32,605)	(50,331)
Free Cash Flow	**$ 80,819**	**$ 127,843**	**$ 90,906**

ADJUSTED OPERATING COST PER BOE

Adjusted Operating Cost per Boe is a metric that allows us to measure the direct operating cost and the portion of general and administrative cost it takes to produce each Boe. This metric, similar to Adjusted EBITDA Margin, includes operating expense employees, administrative costs and professional services and recurring allowance for credit losses, which include fixed and variable cost components.

EMPLOYEES, ADMINISTRATIVE COSTS AND PROFESSIONAL SERVICES

As used herein, employees, administrative costs and professional services represents total administrative expenses excluding cost associated with acquisitions, other adjusting costs and non-cash expenses. We use employees, administrative costs and professional services because this measure excludes items that affect the comparability of results or that are not indicative of trends in the ongoing business.

	Six Months Ended		
	30 June 2023	30 June 2022	31 December 2022
Total production (MBoe)	**25,697**	**24,620**	**24,734**
Total operating expense	$ 227,299	$ 206,357	$ 239,536
Employees, administrative costs and professional services	38,497	36,245	40,927
Adjusted Operating Cost	**$ 265,796**	**$ 242,602**	**$ 280,463**
Adjusted Operating Cost per Boe	**$ 10.34**	**$ 9.85**	**$ 11.34**

GLOSSARY OF TERMS

£
British pound sterling

$
U.S. dollar

ABS
Asset-Backed Security

Adjusted EBITDA
Adjusted EBITDA is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

Adjusted EBITDA Margin
Adjusted EBITDA Margin is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

Adjusted EBITDA Per Share
Adjusted EBITDA per Share is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

Adjusted Operating Cost
Adjusted Operating Cost is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

Adjusted Operating Cost per Boe
Adjusted Operating Cost per Boe is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

AIM
Alternative Investment Market

APM
Alternative Performance Measure

Average Quarterly Dividend per Share
Average Quarterly Dividend per Share is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

Bbl
Barrel or barrels of oil or natural gas liquids

Bcfe
Billions of cubic fee equivalent

Board or BOD
Board of Directors

Boe
Barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of natural gas. The ratio of one barrel of oil or NGLs to six Mcf of natural gas is commonly used in the industry and represents the approximate energy equivalence of oil or NGLs to natural gas, and does not represent the economic equivalency of oil and NGLs to natural gas. The sales price of a barrel of oil or NGLs is considerably higher than the sales price of six Mcf of natural gas.

Boepd
Barrels of oil equivalent per day

Btu
A British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.

CO_2
Carbon dioxide

CO_2e
Carbon dioxide equivalent

CEO
Chief Executive Officer

CFO
Chief Financial Officer

COO
Chief Operating Officer

DD&A
Depreciation, depletion and amortisation

E&P
Exploration and production

EBITDA
Earnings before interest, tax, depreciation and amortisation

EBITDAX
Earnings before interest, tax, depreciation, amortisation and exploration expense

Employees, administrative costs and professional services
Employees, administrative costs and professional services is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

EPA
Environmental Protection Agency

EPS
Earnings per share

ERM
Enterprise Risk Management

ESG
Environmental, Social and Governance

EU
European Union

Free Cash Flow
Free Cash Flow is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

FTSE
Financial Times Stock Exchange

G&A
General and administrative expense

GBP
British pound sterling

Henry Hub
A natural gas pipeline delivery point that serves as the benchmark natural gas price underlying NYMEX natural gas futures contracts.

IAS
International Accounting Standard

IASB
International Accounting Standards Board

IPO
Initial public offering

IFRS
International Financial Reporting Standards

KWh
Kilowatt hour

LIBOR
London Inter-bank Offered Rate

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

LSE
London Stock Exchange

M&A
Mergers and acquisitions

MBbls
Thousand barrels

MBoe
Thousand barrels of oil equivalent

MBoepd
Thousand barrels of oil equivalent per day

Mcf
Thousand cubic feet of natural gas

Mcfe
Thousand cubic feet of natural gas equivalent

Midstream
Midstream activities include the processing, storing, transporting and marketing of natural gas, NGLs and oil.

MMBoe
Million barrels of oil equivalent

MMBtu
Million British thermal units

MMcf
Million cubic feet of natural gas

MMcfe
Million cubic feet of natural gas equivalent

Mont Belvieu
A mature trading hub with a high level of liquidity and transparency that sets spot and futures prices for NGLs.

MT CO_2e
Metric ton of carbon dioxide equivalent

Net Debt
Net Debt is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

Net Debt-to-Pro forma TTM Adjusted EBITDA
Net Debt-to-Pro forma TTM Adjusted EBITDA, or “Leverage” or “Leverage Ratio”, is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

Net Zero
Achieving an overall balance between carbon emissions produced and carbon emissions taken out of the atmosphere, which includes making changes to reduce emissions to the lowest amount and offsetting as a last resort. For Diversified net zero means total Scope 1 and 2 GHG emissions.

NGLs
Natural gas liquids, such as ethane, propane, butane and natural gasoline that are extracted from natural gas production streams.

NYMEX
New York Mercantile Exchange

Oil
Includes crude oil and condensate

Pro Forma TTM Adjusted EBITDA
Pro Forma TTM Adjusted EBITDA is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

PSU
Performance stock unit

PV-10
A calculation of the present value of estimated future natural gas and oil revenues, net of forecasted direct expenses, and discounted at an annual rate of 10%. This calculation does not consider income taxes and utilises a pricing assumption consistent with the forward curve as of 31 December 2022.

Realised price
The cash market price less all expected quality, transportation and demand adjustments.

RSU
Restricted stock unit

SAM
Smarter Asset Management

SOFR
Secured Overnight Financing Rate

TCFD
Task Force on Climate-Related Financial Disclosures

Total Revenue, Inclusive of Settled Hedges
Total Revenue, Inclusive of Settled Hedges, is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

TSR
Total Shareholder Return

TTM
Trailing twelve months

TTM Average Quarterly Dividend per Share
TTM Average Quarterly Dividend per Share is an APM. Please refer to the APMs section in Additional Information within this Interim Report for information on how this metric is calculated and reconciled to IFRS measures.

UK
United Kingdom

U.S.
United States

USD
U.S. dollar

WTI
West Texas Intermediate grade crude oil, used as a pricing benchmark for sales contracts and NYMEX oil futures contracts.