January 6, 2025

Diversified Energy Announces Strategic Bolt-on Acquisition of Complementary Producing & Midstream Assets in the Appalachian Basin

Production Economics Expected to Benefit from Diversified's Regional Presence and Scale

Acquisition Grows Coal Mine Methane Revenue Generation Potential

BIRMINGHAM, AL / ACCESSWIRE / January 6, 2025 / Diversified Energy Company PLC (LSE:DEC)(NYSE:DEC) ("Diversified" or the "Company") is pleased to announce the acquisition of operated natural gas properties and related facilities located within Virginia, West Virginia, and Alabama (the "Assets") from Summit Natural Resources (the "Seller") (together with the assets, the "Acquisition").

Transaction Highlights

- Purchase price of ~$45 million, to be fully funded through cash on hand and current liquidity
- Current net production of ~12 MMcfepd (2 Mboepd)[(a)]
- PDP Reserves of 65 Bcfe (11 MMBoe) with PV-10 of ~$55 million[(b)]
    - Purchase price equivalent of ~PV-16[(b)]
- Estimated 2025 Adj. EBITDA of ~$12 million[(b)]
- Existing Coal Mine Methane ("CMM") volumes with opportunities to extend future production
- Appalachian assets overlap existing operations providing synergies for increased cash margins
- Strategic midstream pipeline growth facilitating capability to route additional produced volumes to premium sales points
- Expected closing of the Acquisition during the first quarter of 2025

Commenting on the Acquisition, CEO Rusty Hutson, Jr. said:

"This asset package is strategically located within our existing southern Appalachia operations and is uniquely positioned to benefit from the operational expertise of our field teams. Additionally, with this strategic acquisition, we anticipate capturing additional revenue from the sale of incremental environmental credits with our growth in the production of coal mine methane. The acquisition is anchored with stable production and strategic midstream assets, which provide optionality for existing production volumes to move to premium-priced markets. This bolt-on package will provide additional opportunities for us to drive improved margins through our Smarter Asset Management programs that continue to be a foundation and support for our consistent cash flows.

We continue to believe there is a sizeable backlog of organic Coal Mine Methane cash flow growth within our current Appalachian portfolio, and this acquisition highlights our ability to leverage existing capabilities, assets, and intellectual capital to grow this segment of our revenue stream inorganically. As we kick-start 2025, we are committed to our strategic imperative of "Energy-Optimized" and our unique solutions-based approach to improving operational and emissions performance of acquired assets while expanding margins and continuing to create long-term value for our shareholders."

Upside Potential for Coal Mine Methane Revenues

The Acquisition includes wells that qualify for Alternative Energy Credit ("Environmental Credit") generation through the production of Coal Mine Methane ("CMM", together with the credit "CMM Revenues") and expands Diversified's ability to generate CMM Revenues. Additional CMM Revenue potential will be assessed following the close of the Acquisition.

Bolt-On Assets Expected to Benefit from Considerable Scale and Consolidation Experience

The Acquisition includes 300 net producing wells that are located within Diversified's operational footprint in the Appalachian states of Virginia and West Virginia (~60% of Acquisition production), where personnel will quickly evaluate and deploy Diversified's Smarter Asset Management practices as the Assets are integrated into existing operations.

Additionally, the Acquisition includes 265 net producing Coal Mine Methane wells located within Alabama (~40% of Acquisition production) that are highly proximate to Diversified's corporate headquarters in Birmingham, Alabama. The Company looks forward to establishing an operating presence in the region and implementing processes and field operations that build on Diversified's significant platform of best practices, field expertise, and technology.

Footnotes:

(a) Current production based on estimated average daily production for January 2025; Estimate based on historical performance and engineered type curves for the Assets

(b) Based on engineering reserves assumptions using historical cost assumptions and NYMEX strip as of October 28, 2024 for the twelve months ended December 31, 2025. NTM Adjusted EBITDA and PV10 are Non-IFRS measure. See "Use of Non-IFRS Measures"

For Company-specific items, refer also to the Glossary of Terms and/or Alternative

Performance Measures found in the Company's 2024 Interim Report dated June 30, 2024 and Form 20-F for the year ended December 31, 2023 filed with the United States Securities and Exchange Commission.

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About Diversified Energy Company PLC

Diversified is a leading publicly traded energy company focused on natural gas and liquids production, transport, marketing, and well retirement. Through our unique and differentiated strategy, we acquire existing, long-life assets and invest in them to improve environmental and operational performance until retiring those assets in a safe and environmentally secure manner. Recognized by ratings agencies and organizations for our sustainability leadership, this solutions-oriented, stewardship approach makes Diversified the Right Company at the Right Time to responsibly produce energy, deliver reliable free cash flow, and generate shareholder value.

Forward-Looking Statements

This announcement contains forward-looking statements (within the meaning of the U.S. Private Securities Litigation Reform Act of 1995). These forward-looking statements, which contain the words "anticipate", "believe", "intend", "estimate", "expect", "may", "will", "seek", "continue", "aim", "target", "projected", "plan", "goal", "achieve", "opportunity" and words of similar meaning, reflect the Company's beliefs and expectations and are based on numerous assumptions regarding the Company's present and future business strategies and the environment the Company will operate in and are subject to risks and uncertainties that may cause actual results to differ materially. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Expected benefits of the Acquisition may not be realized and the Acquisition may not close on the terms described in this release at all. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely, including the risk factors described in the "Risk Factors" section in the Company's Annual Report and Form 20-F for the year ended December 31, 2023, filed with the United States Securities and Exchange Commission. Forward-looking statements speak only as of their date and neither the Company nor any of its directors, officers, employees, agents, affiliates or advisers expressly disclaim any obligation to supplement, amend, update or revise any of the forward-looking statements made herein, except where it would be required to do so under applicable law. As a result, you are cautioned not to place undue reliance on such forward-looking statements.

Use of Non-IFRS Measures

Certain key operating metrics that are not defined under IFRS (alternative performance measures) are included in this announcement. These non-IFRS measures are used by us to monitor the underlying business performance of the Company from period to period and to facilitate comparison with our peers. Since not all companies calculate these or other non-IFRS metrics in the same way, the manner in which we have chosen to calculate the non-IFRS metrics presented herein may not be compatible with similarly defined terms used by other companies. The non-IFRS metrics should not be considered in isolation of, or viewed as substitutes for, the financial information prepared in accordance with IFRS. Certain of the key operating metrics are based on information derived from our regularly maintained records and accounting and operating systems.

<u>Adjusted EBITDA</u>

As used herein, EBITDA represents earnings before interest, taxes, depletion, depreciation and amortization. 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 a 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. We are unable to provide a quantitative reconciliation of forward-looking Adjusted EBITDA to the most directly comparable forward-looking IFRS measure because the items necessary to estimate such forward-looking IFRS measure are not accessible or estimable at this time without unreasonable efforts. The reconciling items in future periods could be significant.

<u>PV-10</u>

PV-10 is a non-IFRS financial measure and generally differs from Standardized Measure, the most directly comparable IFRS measure, because it does not include the effects of income taxes on future net cash flows. While the Standardized Measure is free cash dependent on the unique tax situation of each company, PV-10 is based on a pricing methodology and discount factors that are consistent for all companies. In this announcement, PV-10 is calculated using NYMEX pricing. It is not practicable to reconcile PV-10 using NYMEX pricing to standardized measure in accordance with IFRS at this time. Investors should be cautioned that neither PV-10 nor the Standardized Measure represents an estimate of the fair market value of proved reserves.

SOURCE: Diversified Energy Company PLC