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Diversified Gas & Oil Completes $400M Acquisition; Provides Hedging Update

Acquisition Expands Portfolio of Mature Unconventional Marcellus Shale Wells

BIRMINGHAM, AL / ACCESSWIRE / April 23, 2019 /Diversified Gas & Oil PLC (AIM: DGOC, "Diversified" or the "Company"), a U.S.-based owner and operator of natural gas, natural gas liquids, oil wells and midstream assets in the Appalachian Basin, today announced the completed acquisition of certain gas producing assets in Pennsylvania and West Virginia from HG Energy II Appalachia, LLC for total consideration of $400 million before customary adjustments (the "Acquisition").

The Acquisition of the mature, unconventional assets continues Diversified's strategy of acquiring stable, long-life, low-decline producing assets in a focused region and complements the Company's existing conventional and unconventional asset base across the Appalachian Basin. The Acquisition of the 107 gross producing wells and related surface rights increases Diversified's pro-forma net daily production by approximately 30% to over 90,000 barrels of oil equivalent per day. As previously announced, the Acquisition immediately is accretive on a variety of per-share metrics including earnings and free cash flow through significant top-line revenue growth coupled with a further reduction of unit-level operating expenses.

"This Acquisition is yet another transformative transaction consistent with our ambitious and proven growth strategy," commented Rusty Huston, Jr., CEO of Diversified. "The HG Energy Acquisition firmly establishes Diversified as a top-tier London-listed producer, supported by a solid balance sheet, a strong cash flow profile and a healthy dividend yield. We now turn our attention to the seamless integration of these assets into our smarter well management program."

These newly acquired wells, when coupled with presently owned unconventional and conventional wells spanning Appalachia, increase Diversified's operating scale and enable the Company to further optimize operations and solidify its status as the consolidator of choice for mature producing and midstream assets in Appalachia. Moreover, the transaction taps into a robust and scalable inventory of target assets that align with the Company's acquisition strategy that, when combined with the organic development opportunities associated with its more than 7.8 million acres of largely undeveloped leasehold, provides visibility for future growth.

To fund the net $384 million purchase price (including customary adjustments of $16 million), the Company successfully completed a $234 million secondary equity offering underpinned by strong investor demand. Diversified funded the remainder of the purchase price with a draw on its existing credit facility. Inclusive of the additional debt and reflective of the acquired assets' strong earnings profile, the Company's Net Debt-to-EBITDA ratio

remains unchanged at just 1.8x, below the Company's stated target of approximately 2.0x.

Hedging Update

Consistent with its overall policy to mitigate risk and to protect its cash flow from the time Diversified completed the secondary equity raise to its funding following shareholder approval and closing of the Acquisition, Diversified utilized a foreign currency swap on £170 million at $1.3255 per £1.00. The Company realized a $4 million gain upon settlement of this hedge.

Additionally, Diversified has a stated policy to use a mixture of physical and financial contracts to protect its cash flow and minimize commodity price volatility. Accordingly, and to protect the cash flows associated specifically with this Acquisition, Diversified successfully executed financial NYMEX gas hedges for the period of May 2019 through April 2020 for 80,000 MMBtu per day (~13,300 Mboepd; 63% of the ~21,000 Mboepd produced by these wells in 2018) at an average price of $2.73 per MMBtu, which represents a premium to current month pricing of approximately 9%.

For the same time period, the Company also executed gas basis hedges for 70,000 MMBtu per day (~11,700 Mboepd; 56% of the ~21,000 Mboepd produced by these wells in 2018) at an average TETCO M2 price of ($0.40) per MMBtu, which also represents a premium to current month pricing of approximately 9%.

For more information, visit www.dgoc.com.

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About Diversified Gas & Oil

Diversified Gas & Oil (AIM: DGOC) acquires and operates gas- and oil-producing assets in the Appalachian Basin of the United States. Diversified employs a disciplined investment strategy to acquire conventional and unconventional low-risk wells, enhance operations efficiently and maximize profitability for its shareholders. Founded in 2001, Diversified operates a growing portfolio of producing wells with the highest standards of safety, governance and transparency. For more information, visit us online at www.dgoc.com.

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SOURCE: Diversified Gas & Oil PLC