

11 September 2017

Diversified Gas & Oil PLC
("DGO", the "Company" or the "Group")

Interim Results for the six-month period ended 30 June 2017

Diversified Gas & Oil PLC (AIM: DGOC), the US based gas and oil producer, is pleased to announce the publication of its interim results for the six-month period ended 30 June 2017.

Highlights:

- Successful float on AIM in February 2017 raising \$50m
- First post-IPO acquisition in April of a package of 1,300 producing wells which added approximately 743 barrels of oil equivalent per day ("boepd") to the DGO portfolio.
- \$84.2m reverse takeover and readmission to AIM through the acquisition of additional assets from Titan Energy LLC ("Titan Energy") in June 2017, increasing production by 6,800 boepd, an increase of 161% over legacy production. The acquisition was financed through an oversubscribed \$35m secondary share placing and with a \$64m draw on our \$110m debt facility
- Increased Proved Developed Producing reserves to approximately 59.4mboe
- Operating costs reduced 6.4% to \$7.73 per barrel of oil equivalent ("boe") in 1H17 vs \$8.26 per boe in our readmission document for the last three months of 2016
- Adjusted EBITDA (a) increase of 209% to \$4.1m (2016: \$1.3m); Pro forma for the Titan acquisition, Adjusted EBITDA increased nearly 900% to \$12.9m
- Adjusted EBITDA (a) per share increase of 33% to \$0.04 (2016: \$0.03)
- Proforma Adjusted EBITDA (c) increase of 878% to \$12.9m (2016: \$1.3m)
- Reduced net debt by 17.3% with a leverage ratio of Net debt / Pro forma adjusted EBITDA of just 1.4x, a significant improvement over the 16.2x as at 30 June 2016
- Paid a dividend to shareholders of \$0.0199 per ordinary share or \$2.9m on 31 July 2017
- Declared a dividend of \$0.0199 per ordinary share to be paid on 20 December 2017
- Strong balance sheet with \$4.6m cash, \$24.9m in our AIM offering equity placing receivable and \$64m debt with \$46m undrawn on the \$110m credit facility (d)
- Enhanced liquidity position totaling \$75.4m including \$29.5m cash and near cash equivalent (\$4.6m cash plus the \$24.9m in our AIM offering equity placing receivable) and \$46m undrawn on our \$110m credit facility

These objectives have been delivered with the assistance of a strengthened management team as the Company continues to progress its acquisitive growth strategy.

Financial Summary:

Explanation	H1 2017	H1 2016	Change	
			\$'000	%
	\$'000	\$'000		
Financial highlights continuing operations results:				
Revenue	11,541	7,653	3,888	50.8 %
Adjusted EBITDA	a	4,065	1,314	209.4 %
Adjusted EBITDA margin	b	35.2%	17.2%	18.0 points
Adjusted EBITDA per share - Diluted (\$)		0.04	0.03	0.01
				33.3 %

Refer to the Outlook Section of this document for pro forma results

Statutory results for continuing operations:

Operating profit	9,738	23,936	(14,198)	(59.3)%
Profit before tax	3,940	36,491	(32,551)	(89.2)%
Diluted earnings per share (\$)	0.04	0.91	(0.87)	(95.6)%

- a) Adjusted EBITDA is derived from the reported Operating Profit adjusted for depreciation and depletion, non-cash gains on bargain purchase and on disposal of property and equipment, losses on derivative financial instruments and non-recurring costs associated with acquisitions and certain other administrative expenses
- b) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total revenue.
- c) The calculation of proforma Adjusted EBITDA is based on the Adjusted EBITDA for DGO together with the actual operating results for the assets acquired from Titan Energy for the period from 1 January 2017 to 30 June 2017 as reported to DGO by Titan Energy and as were included in the transaction's closing statement. These figures are for illustrative purposes only and have not been reported upon by the Company's auditors.
- d) DGO drew \$64m on the \$110m credit facility to close the Titan asset acquisition on 30 June 2017. Of the \$46m undrawn, \$11m is reserved to close on the Titan assets held in public partnership structures. The remaining \$35m availability can be used within the first twelve months of the facility's life to finance additional acquisitions, of which \$25m, would require an additional underwriting process by the lender.

Commenting on the results, CEO Rusty Hutson said:

"The DGO team has been incredibly active and highly focused in 1H17, delivering on a number of important corporate and strategic objectives for the benefit of our shareholders. Following our successful listing on AIM at the beginning of the year, we continue to concentrate on delivering the stated objectives included within our IPO admission document. Importantly, we returned nearly \$3m through our inaugural dividend paid in July, which is strong evidence of our successful business model and a major differentiating factor of our investment proposition. DGO is now one of only two AIM companies amongst the 90 constituent companies in the Oil & Gas Production sector that pays a dividend to its shareholders.

In April, we closed on the acquisition of nearly 1,300 additional oil and natural gas wells, and after quickly and successfully integrating these assets into our continuing operations, we maintained the momentum by closing on a much larger, transformational acquisition of nearly 8,240 producing natural gas and oil wells. Collectively, these 1H17 acquisitions more than doubled our high-quality, long-life and low-decline asset base, while significantly enhancing DGO's production base and operating cash flows. DGO enters 2H17 owning a portfolio capable of producing a net 11,000 boepd of highly predictable and profitable volumes of gas and oil, which places DGO amongst the largest producers on AIM, and underpins our stable business model. The integration of the Titan assets is progressing well and 2H17 will see a material step-change in revenue and Adjusted EBITDA as we reap the full benefit of that acquisition, the cost of which has largely been taken in the first half of the year."

Strategic Report

Delivering on our strategic objectives

These 1H17 results reflect DGO's solid performance, delivering on our stated objectives and builds upon our already strong platform for additional growth. When we came to market in February 2017, we communicated a clear strategic vision for DGO: leverage our established position in the Appalachian Basin to capitalise on unique market conditions and acquire complementary producing assets on attractive valuation metrics to in turn grow production and cash flow, which DGO will use to fund a bi-annual dividend to shareholders. We are proud to say that we have already delivered on these objectives and have rapidly transformed the business to become what we believe to be a unique investment proposition on AIM: a low-risk, cash flow positive, dividend paying Exploration and Production Company ("E&P").

Results summary

DGO's first financial results since becoming a listed company reflect solid growth in numerous key financial metrics. Revenues are up more than 50% to \$11.5m (2016: \$7.7m) while adjusted EBITDA was up more than 200% to \$4.1m (2016: \$1.3m). Similarly, Adjusted EBITDA margin is significantly improved at 35.2% (2016: 17.2%), up 18 points over the corresponding period in 2016.

Whilst these half-year results demonstrate the Company's steady progress through to 30 June, they do not reflect the significantly enhanced financial and operational capabilities that we expect to report in 2H17, following the completion of our transformational acquisition of certain Titan Energy Appalachian Basin assets. The acquisition closed on the final day of the period and as such no contribution is reflected in our reported results although the costs associated with that transaction are included. To illustrate the significance of this acquisition, we have included below within the Outlook discussion a pro-forma table which illustrates what DGO's financial results would have been had the Titan Energy acquisition occurred at the start of the period.

The Company's balance sheet and liquidity position have been transformed following the recent acquisitions together with the new \$110m debt facility (\$64m drawn at 30 June) and two share placings which raised gross proceeds of \$85m. As at 30 June DGO had cash, and near cash equivalents, of \$29.4m (2016: \$0.02m) while total net assets stood at \$87.1m (2016: \$9.2m).

Consistent with the Board's stated policy, DGO paid a maiden dividend of 1.55 pence per ordinary share (1.99 cents) on 31 July, and the Board is pleased to announce that the Company will pay an interim dividend of 1.99 cents per ordinary share on 20 December 2017.

The Appalachian Basin opportunity

The prevailing market conditions in our regional focus on the Appalachian Basin, both before and increasingly more so following our IPO, have created a compelling buyer's market for well-capitalised, credible, local operators wishing to expand their portfolio of mature, producing assets. The Appalachian Basin, the oldest producing basin in the US with an abundance of existing infrastructure, has seen a rapid expansion of unconventional activity as large players focus their operations on the prolific Utica and Marcellus shale reservoirs located throughout the basin. This industry shift towards unconventional assets, the rights to which are held by production ("HBP"), means the mature, often conventional producing assets which routinely retain the rights to the unconventional assets, have become non-core to the larger industry players. As such, these parties are keen to offload these assets to buyers who can maintain the production while allowing them to retaining the rights to the unconventional reservoirs. With the maintenance of production and rights to the undeveloped, unconventional reservoirs being the main priority for the seller, this market dynamic creates particularly attractive valuation metrics for the appropriate buyers as price consideration is not always the seller's principal factor in completing transactions.

Having operated in the Appalachian Basin since 2001, DGO has developed a strong network and regional reputation as a proven and credible operator, providing it with a first-mover advantage in a small band of appropriate companies competing to capitalise on these unique buying opportunities. Furthermore, our proven ability to raise capital through the equity and debt markets puts us in an even smaller peer group capable of executing the material transactions of larger packages being offloaded.

Reducing operating costs

The conventional producing assets that represent the focus of DGO's operations are characterised as low-cost and long-life, capable of producing steady volumes of natural gas and oil for decades with minimal pressure decline and requiring limited operational management. The assets DGO seeks to acquire have often been managed inefficiently by larger operators, and present a unique opportunity for DGO to utilise its operational skillset and complementary regional footprint to reduce operating costs and improve the asset's profitability. DGO has a proven track record for driving down its unit operating costs as the Company expands its scale in the region, which enhances its resilience and profitability in a low-cost commodity environment. Accordingly, DGO's operating expenses in 1H17 were 6.4% lower at \$7.73 per boe compared with \$8.26 per boe reported in our readmission document for the last three months of 2016. We estimate that these costs will fall further as we begin to realize the benefit from various operational synergies and increased production from the Titan assets acquired on the last day of the 1H17 reporting period.

Growing through acquisition

Our successful share placing to raise gross proceeds of \$50m and admission to AIM in February 2017 enabled us to significantly strengthen our balance sheet and liquidity and positioned us to transact on the opportunities stated above. We were pleased to complete our first post-IPO transaction only weeks after coming to market, as we acquired a package of 1,300 producing wells for \$1.75m. The acquisition added production of 3,800 mcf/d and 110bopd. We completed field operation integration for these wells in May, and more fully completed the integration of accounting operations in June.

In March 2017, DGO identified the opportunity to acquire certain Appalachian Basin gas and oil assets from Titan Energy that were consistent with our acquisition criteria and that had the potential to significantly enhance the Company's scale and profile in the region. DGO successfully raised an additional \$35m through a further share placing and negotiated a new \$110m senior secured credit facility to fund the \$84.2m Titan Energy asset acquisition. The Company closed on \$72.8m of the related assets on 30 June 2017 and continues to anticipate closing on the remaining \$11.4m of assets by 30 September 2017 that are held within public partnership structures and that require regulatory approval within the US to close.

Inclusive of all Titan Energy assets, the Company's gross oil and gas production increases to approximately 18,300 boepd (11,000 BEOPD net) with total gross gas production increasing more than 260% to approximately 104,200 mcfpd and gross oil production increasing by 69% to approximately 931 bopd. These production levels position DGO as one of the largest producers on AIM. At these production levels, and even with the existing cost structure that Management is actively working to lower, the acquired wells are immediately accretive to Adjusted EBITDA. Importantly, the acquisition also increased PDP reserves to approximately 59.4mmboe.

Management continues to screen a pipeline of complementary and value accretive opportunities in the Appalachian Basin and DGO is well funded to execute on additional transactions should they be compelling and in the best interest of the Company and its shareholders.

Integration process

On the day of closing the Titan acquisition, we added 104 field operation employees from Titan Energy to our team. Led by newly appointed Senior Vice President of Operations, Bob Cayton, we restructured our field operations management team to reflect our scale and geographical size. Our legacy employees combined with these new additions to our team are unified in their focus to ensure a smooth and effective integration of the new assets into our operations processes. As part of this process, the now larger team is working to enhance production and strive to generate cost savings. The addition of many talented, experienced employees from Titan Energy was an important rationale in our strategy to acquire these assets, and we are very pleased to report that we are already seeing tangible benefits from their expertise.

As a part of the acquisition, we entered into a six-month transitional services agreement ("TSA") for accounting and other administrative services from Titan Energy. The TSA is operating as we anticipated and has proven to be an effective strategy to integrate the operations. In addition to the TSA, we engaged an energy consulting firm based in Houston, Texas to work with our teams on further integration strategies including accounting and technology needs. Our engagement with the consulting firm is producing favourable results and is helping prepare us for a post-TSA operating model.

Organic opportunity

Whilst DGO's growth strategy this year has focused on successfully achieving scale through acquisition, the Company's portfolio provides significant organic growth opportunities. As we complete the full integration of the newly acquired assets, our field management team will focus on maximising production by enhancing operational techniques. Our extensive leasehold, which now covers approximately 1.6m surface acres, has been sparsely drilled to date and therefore provides material running room for infill drilling to increase the production throughout the portfolio. Development wells are both low-risk and low-cost, ranging from \$250k - \$350k per well drill and placed on production. Management intends to initiate a development programme when drilling economics become more favourable and offer the Company higher rates of return than are currently provided through the compelling acquisition opportunities available at present valuations from which we have recently benefitted.

Enhancing the DGO team

An important aspect of successfully executing our strategy is ensuring we have leadership and management teams with the skills and experience necessary to oversee our rapid expansion. As such, we have placed a significant focus on adding depth to our team in the past six months through the hire of several highly quality professionals. With the acquisition of the Titan Energy assets, we added Bob Cayton as our Senior Vice President of Operations and John "Jack" Crook as our Senior Vice President of Environmental, Health & Safety. Both Bob and Jack each have over 30 years of experience operating in the Appalachian Basin and we have entrusted them with the responsibility of managing our entire Appalachian operations. We also extended our capital markets, accounting and financial reporting capabilities with the addition of Eric Williams as our new Chief Financial Officer. Eric's experience includes working with numerous SEC companies in the US, and was most recently the head of the investor relations function for a Permian based SEC oil and gas company. Eric will lead our investor relations, financial reporting and accounting operations. We were also pleased to enhance our middle management teams in both field operations and administrative functions.

Outlook

The second half of 2017 promises to represent a step-change in DGO's financial and operational profile as we reap the benefits from the transactions that we closed out in the first half of the year. Our growth trajectory has been rapid as we have grown the Company's gross production by nearly 240% over the past year. Near term, Management will remain highly focused on the successful integration of the acquired Titan Energy assets with a particular emphasis on the work required to ensure we maximise production whilst lowering our operating expenses.

After assuming control on 30 June 2017 of the Titan Energy assets, we have been working diligently to deliver improved operating results through initiatives to enhance asset performance while simultaneously reducing costs. The Company is pleased to report that in just the first month following the integration of Titan Energy's assets, operating margins have meaningfully improved and we believe we will continue to drive additional improvement.

For example, immediately upon closing, we lowered operating costs with a more than 22% reduction in the number of Titan Energy employees servicing the assets. To accomplish this reduction without a detrimental effect on operations, we leveraged our existing employees in the region resulting in more efficient allocation of responsibilities in the region to lower non-productive time. Additionally, we took steps to reduce chart expenses by implementing a better process for taking readings, and we reduced workover expense by utilizing a recently acquired service rig. Recognizing that costs are only half of the equation to improve margins, we also took steps to improve asset performance. For example, with de minimis investments, we returned wells to production that were previously left shut-in and non-producing. Additionally, we've enhanced production by properly sizing compressors to the wells they support.

The following table illustrates DGO's pro forma results assuming that the Titan Energy acquisition occurred at the beginning of the period on 1 January 2017. The pro forma results reflect Titan Energy's actual operating results for the acquired assets, and therefore reflect none of the synergies DGO expected upon the integration of the assets. Further, the pro forma results include substantially no contribution from our EnerVest Energy Acquisition.

	As Reported		Unadjusted		Pro forma vs H1 2016		Unaudited Consolidated July 2017 \$'000
	DGO H1 2017 \$'000	Titan Energy H1 2017 \$'000	Pro Forma H1 2017 \$'000	H1 2016 \$'000	Change		
					\$'000	%	
See Note 9 for details regarding the Titan Energy acquisition							
Revenue	11,541	24,548	36,089	7,653	28,436	371.6%	5,186
Gross Profit	3,090	7,681	10,771	919	9,852	1,072.0%	1,567
Adjusted EBITDA	4,065	8,787	12,852	1,314	11,538	878.1%	2,087
Adjusted EBITDA margin	35.2%	35.8%	35.6%	17.2%	18.4 points	107.0%	40.2%
Adjusted EBITDA per share - Diluted	0.04	0.10	0.14	0.03	0.11	366.7%	n/a
Interim dividend per share			0.0199	-	0.0199	100%	
Adjusted net debt			35,177	42,539	(7,362)	(17.3)%	
Net Debt (Cash + Equity Receivable - Debt) / Pro forma Annualized Adjusted EBITDA			1.4x	16.2x	(14.8)x	(91.4)%	

The sector backdrop continues to be challenging and we are in a highly fortunate position to be operating in a safe jurisdiction, benefit from a strong balance sheet and have an effective business model that provides significant downside protection against the variables of commodity prices. Our low-cost operations ensure we are profitable in the current environment, and able to withstand a further decrease in commodity prices. We also take a prudent approach to the way the business is run in terms of cash management and hedging out our production to ensure visibility on predictable earnings. Ironically, we are uniquely positioned to benefit from the challenging sector backdrop as it creates very compelling acquisition opportunities as distressed companies seek to rationalise their portfolio.

Over the longer-term, we continue to work on our existing portfolio to seek in-fill opportunities and maximise the efficiency, production and longevity of our assets, activities that are a key aspect of company reputation and expertise. Further, we continue to seek attractive acquisition opportunities arising out of current market conditions that have already resulted in a number of strategic purchases for DGO in the past 18 months. As our acquisitive momentum has increased over the years, we seek to

continue to deliver valuable additions to our portfolio in the Appalachian Basin and other suitable mature, hydrocarbon basins in the US.

Conclusion

In summary, the first six months of 2017 has been truly transformational for the Company. We have delivered on the strategic, corporate and operational objectives that we defined at the time of obtaining our admission to AIM in February 2017. We enter the second half of the year in a strong position. I wish to extend my gratitude to our shareholders who have demonstrated confidence in our defined strategy, management team and our focus on additional growth. I would also like to thank my colleagues for their hard work and commitment, without which we would not have been able to deliver such impressive growth. We are wholly focused on delivering value for all our stakeholders as we leverage the strong platform that we have created.

Rusty Hutson Jr
Chief Executive Officer

Financial Review

Revenue

Total revenues from natural gas and oil sales in 1H17 were \$10.2m, a 48.9% increase over \$6.8m for 1H16. The increase in this revenue was primarily attributable to a 45.6% increase in barrel of oil equivalent sales. DGO ended the first six months of 2017 with net boe sales of approximately 581,000 vs. the prior year sales of approximately 399,000. The increase in boe sales was driven by the successful acquisitions of the assets from Seneca Resources and Eclipse Resources.

Operating profit

DGO's operating profit in 1H17 was \$9.7m compared to \$23.9m in 1H16. The decrease of \$14.2m reflects the decrease in non-recurring bargain purchase gains of \$13.8m between the two periods. The Company recorded gains on bargain purchases of \$24.2m in 1H16 as a result of the acquisitions of Seneca Resources and Eclipse Resources while recording gains on bargain purchases of \$10.4m in 1H17 resulting from the Titan Energy and EnerVest Energy acquisitions.

The operating expenses incurred of \$3.17m were significantly higher than the \$0.89m for same period last year, due to the various costs of acquisition and corporate transactions in the period, but also reflecting the investment made in staff and systems to support the Company's growth.

Finance costs

DGO's finance costs include interest expense on borrowings, non-cash amortization of deferred financing costs and gains/losses on the early retirement of debt. In 1H17 and using the proceeds from our successful AIM IPO, DGO repaid its publicly traded bonds and the then other outstanding debt. Accordingly, DGO incurred a non-recurring loss on the early extinguishment of debt, which primarily included a \$3.8m charge for the accelerated amortization of the remaining deferred financing costs and \$0.6m in premiums paid to redeem convertible bonds prior to DGO's admission to AIM.

Hedging

To manage its cash flows in a volatile commodity price environment, DGO uses a combination of physical and financial derivative instruments. As required by its Senior Secured Credit Facility, DGO executed a combination of fixed price physical contracts, price swap financial contracts and two-way collar financial contracts equal to approximately 75% of the Company's forecasted production volumes for a 36-month rolling period. Please refer to note 13 to our interim financial statements for additional information regarding DGO's hedge portfolio.

EPS and Adjusted EBITDA

DGO reported 1H17 statutory earnings per diluted ordinary share of \$0.04 compared to \$0.91 per diluted ordinary share in 1H16. However, when adjusted for certain non-cash items such as gains on bargain purchases and similar items, DGO reported Adjusted EBITDA per diluted ordinary share of \$0.04 per diluted ordinary share, a 33% increase over the prior year's \$0.03 Adjusted EBITDA per diluted ordinary share.

Dividend

The Board has announced an interim dividend of 1.99 cents per ordinary share to be paid on 20 December 2017 to those shareholders in the register on 17 November 2017, and follows the dividend of 1.99 cents per ordinary share paid to shareholders on 31 July 2017.

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IMPORTANT NOTE REGARDING THE BASIS OF PRESENTATION --

The Company is pleased to present its interim consolidated financial statements. As discussed below in note 3, "Basis of Presentation," please be aware that unless otherwise stated, the all information included within the financial statements, including the notes to the financial statements, is presented in US Dollars, which is the currency of the primary economic environment in which the Company operates, and all values, including those in sentences, are rounded to the nearest thousand dollars except per unit amounts and where otherwise indicated.

Interim Consolidated Statements of Comprehensive Income (Amounts in thousands, except per-share amounts)

	Note	Unaudited Six months to 30 June 2017	Unaudited Six months to 30 June 2016	Audited Year ended 31 December 2016
Revenue	4	\$ 11,541	\$ 7,653	\$ 18,279
Cost of sales	5	(6,225)	(6,227)	(12,767)
Depreciation and depletion	5	(2,226)	(507)	(4,039)
Gross profit		\$ 3,090	\$ 919	\$ 1,473

Administrative expenses	5	(3,167)	(887)	(2,540)
Gain on disposal of property and equipment		4	-	34
Loss on derivative financial instruments		(540)	(308)	(810)
Gain on bargain purchase	9	10,351	24,212	24,293
Operating profit		\$ 9,738	\$ 23,936	\$ 22,450
Finance costs		(745)	(1,371)	(3,291)
Accretion of decommissioning provision		(585)	(223)	(797)
(Loss)/Gain on early retirement of debt		(4,468)	14,149	14,149
Income before taxation		\$ 3,940	\$ 36,491	\$ 32,511
Taxation on income		(262)	-	(14,829)
Income after taxation available to ordinary shareholders		\$ 3,678	\$ 36,491	\$ 17,682
Other comprehensive income - gain on foreign currency conversion		202	603	901
Total comprehensive income for the year		\$ 3,880	\$ 37,094	\$ 18,583
Earnings per ordinary share - basic & diluted	7	\$ 0.04	\$ 0.91	\$ 0.42
Weighted average ordinary shares outstanding - Basic & Diluted	7	94,971	40,100	42,011

Interim Consolidated Statements of Financial Position
(Amounts in thousands)

	Note	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
ASSETS				
Non-current assets				
Oil and gas properties, net	11	\$ 176,536	\$ 79,864	\$ 76,793
Property and equipment, net	12	5,668	2,798	3,348
Other non-current assets		1,011	817	998
Restricted cash		117	117	117
Total non-current assets		\$ 183,332	\$ 83,596	\$ 81,256
Current assets				

Trade receivables	5,085	2,519	3,084
Other current assets	417	118	1,311
Equity placing receivable	24,864	-	-
Cash and cash equivalents	4,574	20	224
Total current assets	\$ 34,940	\$ 2,657	\$ 4,619

Total Assets	\$ 218,272	\$ 86,253	\$ 85,875
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EQUITY AND LIABILITIES

Shareholders' equity

Share capital	14	\$ 1,940	\$ 630	\$ 669
Share premium		76,015	-	313
Merger reserve		(478)	(478)	(478)
Dividends declared		(2,887)	-	-
Retained earnings		12,538	27,587	8,658
Total Equity		\$ 87,128	\$ 27,739	\$ 9,162

Non-current liabilities

Decommissioning liability	15	\$ 31,630	\$ 14,798	\$ 12,265
Capital lease		440	115	274
Borrowings	16	61,316	9,592	10,113
Deferred tax liability		15,408	-	15,148
Other non-current liabilities	10	5,038	457	414
Total non-current liabilities		\$ 113,832	\$ 24,962	\$ 38,214

Current liabilities

Trade and other payables		\$ 3,032	\$ 3,537	\$ 4,627
Borrowings	16	305	29,194	27,181
Capital lease		250	113	169
Dividends payable		2,887	-	-
Other current liabilities	10	10,838	708	6,522
Total current-liabilities		\$ 17,312	\$ 33,552	\$ 38,499

Total Liabilities		\$ 131,144	\$ 58,514	\$ 76,713
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Total Liabilities and Equity		\$ 218,272	\$ 86,253	\$ 85,875
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Interim Consolidated Statements of Changes in Equity (Amounts in thousands)

	Note	Share Capital	Share Premium	Merger Reserve	Dividends	Retained Earnings	Total Equity
Balance as of 1 January 2017		\$ 669	\$ 313	\$ (478)	\$ -	\$ 8,658	\$ 9,162

Income after taxation	-	-	-	-	3,678	3,678
Gain on foreign currency conversion	-	-	-	-	202	202
Total comprehensive income	-	-	-	-	3,880	3,880
Issuance of share capital, initial offering	14	768	43,550	-	-	44,318
Issuance of share capital, secondary offering	9	503	32,152	-	-	32,655
Dividends authorized and declared	8	-	-	(2,887)	-	(2,887)
Transactions with shareholders	-	1,271	75,702	(2,887)	-	74,086
Balance as of 30 June 2017	\$ 1,940	\$ 76,015	\$ (478)	\$ (2,887)	\$ 12,538	\$ 87,128

	Share Capital	Share Premium	Merger Reserve	Dividends	Retained Earnings	Total Equity
Balance as of 1 January 2016	\$ 630	\$ -	\$ (478)	\$ -	\$ (8,969)	\$ (8,817)
Income after taxation	-	-	-	-	36,491	36,491
Gain on foreign currency conversion	-	-	-	-	603	603
Total comprehensive income	-	-	-	-	37,094	37,094
Stockholder distributions pre-group reconstruction	-	-	-	-	(538)	(538)
Transactions with shareholders	-	-	-	-	(538)	(538)
Balance as of 30 June 2016	\$ 630	\$ -	\$ (478)	\$ -	\$ 27,587	\$ 27,739

	Share Capital	Share Premium	Merger Reserve	Dividends	Retained Earnings	Total Equity
Balance as of 1 January 2016	\$ 630	\$ -	\$ (478)	\$ -	\$ (8,969)	\$ (8,817)
Income after taxation	-	-	-	-	17,682	17,682
Gain on foreign currency conversion	-	-	-	-	901	901
Total comprehensive income	-	-	-	-	18,583	18,583
Stockholder distributions pre-group reconstruction	-	-	-	-	(956)	(956)
Issuance of share capital	39	313	-	-	-	352
Transactions with shareholders	39	313	-	-	(956)	(604)
Balance as of 31 December 2016	\$ 669	\$ 313	\$ (478)	\$ -	\$ 8,658	\$ 9,162

Interim Consolidated Statements of Cash Flow
(Amounts in thousands)

		Unaudited		Unaudited		Audited
		Six months to		Six months to		Year ended
	Note	30 June 2017		30 June 2016		31 December 2016
Cash flows from operating activities						
Income after taxation		\$ 3,678	\$	36,491	\$	17,682
Cash flow from operations reconciliation:						
Depreciation and depletion		2,226		507		4,039
Finance costs		4,045		1,371		3,291
Accretion of decommissioning provision	15	585		223		797
Loss on derivative financial instruments	13	687		699		957
Gain on oil and gas program		(396)		(84)		(84)
Deferred income taxes		260		-		14,829
Gain on bargain purchase	9	(10,351)		(24,212)		(24,293)
Gain on disposal of property and equipment		(4)		-		(34)
Gain on debt cancellation		-		(14,149)		(14,149)
Non-cash equity grant		-		-		340
Working capital adjustments:						
Change in trade receivables		(2,002)		(1,145)		(907)
Change in other current assets		138		(71)		(269)
Change in other assets		(13)		-		(652)
Change in trade and other payables		(1,595)		543		2,662
Change in other liabilities		9,733		129		920
Net cash provided by operating activities		\$ 6,991	\$	302	\$	5,129
Cash flows from investing activities						
Expenditures on oil and gas properties		\$ (73,585)	\$	(8,642)	\$	(7,838)
Expenditures on property and equipment		(2,652)		(155)		(1,462)
Increase in restricted cash		-		(2)		(2)
Proceeds on disposal of oil and gas properties		-		93		93
Net cash used in investing activities		\$ (76,237)	\$	(8,706)	\$	(9,209)
Cash flows from financing activities						
Proceeds from borrowings	16	\$ 64,000	\$	13,200	\$	14,915
Repayment of borrowings		(40,521)		(3,138)		(6,794)
Financing expense		(2,994)		(1,244)		(3,222)
Proceeds from equity issuance, net		52,864		-		-
Proceeds from capital lease		319		133		435
Repayment of capital lease		(72)		(79)		(164)
Dividends to shareholders pre-group reconstruction		-		(538)		(956)
Net cash provided by financing activities		\$ 73,596	\$	8,334	\$	4,214
Net increase(decrease) in cash and cash equivalents		4,350		(70)		134
Cash and cash equivalents - beginning of the period		224		90		90

Cash and cash equivalents - end of the period

\$	4,574	\$	20	\$	224

Note 1 - General Information

Diversified Gas & Oil PLC ("DGO" or the "Company") is a natural gas and crude oil producer that is focused on acquiring and operating mature producing wells with long lives and slow decline profiles. Presently, our assets are exclusively located within the Appalachian Basin. The Company is headquartered in Birmingham, Alabama, USA with field offices located in Pennsylvania, Ohio, West Virginia and Tennessee. DGO was incorporated on 31 July 2014 in England and Wales as a private limited company under company number 09156132. DGO's registered office is located at 27/28 Eastcastle Street, London W1W 8DH, United Kingdom.

Note 2 - Business Consolidation

The interim consolidated financial statements reflect the following corporate structure of DGO:

- Diversified Gas & Oil PLC ("PLC"), and its wholly owned subsidiary,
 - Diversified Gas & Oil Corporation ("DGOC"), as well as its wholly owned subsidiaries,
 - Diversified Resources, Inc.
 - M & R Investments, LLC;
 - M & R Investments Ohio, LLC;
 - Marshall Gas and Oil Corporation;
 - R&K Oil and Gas, Inc.;
 - Fund 1 DR, LLC
 - Diversified Oil & Gas, LLC;
 - Diversified Appalachian Group, LLC
 - Diversified Energy, LLC (see note 9)

Note 3 - Basis of Preparation

The interim consolidated financial statements do not represent statutory accounts within the meaning of section 435 of the Companies Act 2016. The financial information for the period ended 30 June 2017 is based on the statutory accounts for the year ended 31 December 2016. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim consolidated financial information is unaudited and has been prepared on the basis of the accounting policies set out in the Group's 2016 statutory accounts in accordance with IAS 34 Interim Financial Reporting.

Unless otherwise stated, the financial statements are presented in US Dollars, which is the currency of the primary economic environment in which DGO operates, and all values are rounded to the nearest thousand dollars except per unit amounts and where otherwise indicated. Certain prior period amounts have been reclassified to conform with current presentation. Transactions in foreign currencies are translated into US Dollars at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange ruling at the balance sheet date. The resulting gain or loss is reflected in the income statement within Other comprehensive income - gain on foreign currency conversion.

The financial statements have been prepared under the historical cost convention, except for acquisitions and derivative financial instruments that have been measured at fair value through profit and loss.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the normal course of business. The Directors have reviewed DGO's overall position and outlook and are of the opinion that DGO is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of these financial statements. The Directors believe that the use of the going concern basis is appropriate. Accordingly, the Directors have prepared the financial statements on a going concern basis.

Note 4 - Revenue

DGO extracts and sells natural gas and crude oil to various customers. DGO also operates oil and natural gas wells for customers and other working interest owners. The following table reconciles the Company's revenues for the periods presented:

Unaudited	Unaudited	Audited
Six months to	Six months to	Year ended
30 June 2017	30 June 2016	31 December 2016

Natural gas revenue	\$	7,795	\$	4,996	\$	10,671
Oil revenue		2,399		1,849		4,207
Total natural gas and oil revenues		10,194		6,845		14,878
Operator revenue		662		468		1,209
Oil and gas program revenue		403		84		1,573
Water disposal revenue		282		256		619
Total revenue	\$	11,541	\$	7,653	\$	18,279

Note 5 - Expenses by Nature

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

Explanation	Unaudited		Unaudited		Audited	
	Six months to		Six months to		Year ended	
	30 June 2017		30 June 2016		31 December 2016	
Automobile	\$	526	\$	306	\$	797
Employees and benefits		2,354		2,135		4,117
Insurance		117		53		162
Well operating expenses & taxes		3,228		3,733		7,691
Total cost of sales	\$	6,225	\$	6,227	\$	12,767
Depreciation		516		(567)		756
Depletion		1,710		1,074		3,283
Total depreciation and depletion	\$	2,226	\$	507	\$	4,039
Employees and benefits	a	965		95		373
Other administrative		136		150		301
Professional fees		165		63		272
Auditors' remuneration						
Audit of parent		11		15		34
Audit of group		75		112		247
Total Auditors' remuneration	\$	86	\$	127	\$	281
Other fees payable to auditors		4		24		42
Rent		42		44		93
Recurring administrative expenses	\$	1,398	\$	503	\$	1,362
Non-recurring costs associated with acquisitions & contribution of assets		1,769		384		838
Non-cash equity issuance	b	-		-		340
Non-recurring administrative expenses	\$	1,769	\$	384	\$	1,178
Total administrative expenses	\$	3,167	\$	887	\$	2,540
Total expenses	\$	11,618	\$	7,621	\$	19,346

- a) Prior to admission to AIM, compensation expense for the owners was recorded as an owner distribution. Thus, the expense reported in the prior year is lower by the amount of such distributions. Further, the Company hired additional personnel, including a Finance Director and Chief Operating Officer in October 2016, which increased this expense to support a larger, more dynamic organization.
- b) Non-cash equity issuance is a non-recurring expense related to the initial issuance of stock to a Company senior manager in 2016.

Note 6 - Adjusted EBITDA

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

The Company believes Adjusted EBITDA is a useful measure because it enables a more effective way to evaluate operating performance and compare the results of operations from period-to-period and against our peers without regard to our financing methods or capital structure. The Company excludes the items listed in the table below from operating profit in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired.

The following table reconciles the Company's operating profit to Adjusted EBITDA:

	Unaudited Six months to 30 June 2017	Unaudited Six months to 30 June 2016	Audited Year ended 31 December 2016
Operating profit	\$ 9,738	\$ 23,936	\$ 22,450
Depreciation and depletion	2,226	507	4,039
Gain on bargain purchase	(10,351)	(24,212)	(24,293)
Gain on disposal of property and equipment	(4)	-	(34)
Loss on derivative financial instruments	687	699	957
Non-recurring costs associated with acquisitions & contribution of assets	1,769	384	838
Non-cash equity issuance included in Administrative expense	-	-	340
Total Adjustments	<u>(5,673)</u>	<u>(22,622)</u>	<u>(18,153)</u>
Adjusted EBITDA	<u>\$ 4,065</u>	<u>\$ 1,314</u>	<u>\$ 4,297</u>
Weighted average ordinary shares outstanding - Basic and Diluted	94,971	40,100	42,011
Adjusted EBITDA per share - Basic and Diluted	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ 0.10</u>

Note 7 - Earnings per Share

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

		Unaudited Six months to Calculation	Unaudited Six months to 30 June 2017	Unaudited Six months to 30 June 2016	Audited Year ended 31 December 2016
Income after taxation available to ordinary shareholders	A	\$	3,678	\$	36,491
		\$		\$	17,682
Weighted average ordinary shares outstanding - Basic & Diluted	B		94,971		40,100
					42,011
Earnings per ordinary share - basic & diluted	= A / B	\$	<u>0.04</u>	\$	<u>0.91</u>
		\$		\$	<u>0.42</u>
Adjusted EBITDA per ordinary share - basic & diluted	See Note 6	\$	<u>0.04</u>	\$	<u>0.03</u>
		\$		\$	<u>0.10</u>

Note 8 - Dividends

On 15 June 2017, the Company declared its first dividend subsequent to completing its initial public offering on the AIM in February 2017. Subsequent to 30 June 2017, the Company declared an additional dividend to be paid on 20 December 2017.

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

Date Declared	Dividend per Ordinary Share		Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid
	USD	GBP				
15 June 2017	\$ 0.0199	£ 0.0155	07 July 2017	31 July 2017	145,076	\$ 2,887
11 September 2017	0.0199	Pending	17 November 2017	20 December 2017	Pending	Pending

Note 9 - Acquisitions

The assets acquired in all acquisitions include the necessary permits, rights to production, royalties, contracts and agreements that support the production from the wells. The acquisitions have been accounted for as a business acquisition under IFRS 3. The acquisitions gave rise to bargain purchases due to the prevailing market conditions in the Appalachian Basin, the context of global oil and gas prices, the financial condition of the sellers, and a change in the operational focus of the sellers compelling these sellers to divest of their conventional oil and gas assets.

EnerVest Acquisition

In April 2017, DGO acquired approximately 1,300 conventional natural gas and oil wells in Ohio and equipment from EnerVest. The purchase consideration totalling \$1,750 was paid in cash. Management considered the fair value of the reserves held in the assets acquired to be \$5,629, which was the 30% cumulative cash flow discount reserve valuation derived from a third-party engineer at the time of purchase. The provisional estimated fair values of the assets and liabilities assumed were as follows:

Oil and gas properties	\$	5,629
Oil and gas properties (Decommissioning provision, asset portion)		2,406
Decommissioning liability		(2,406)
Gain on bargain purchase		(3,879)
Purchase price	\$	<u>1,750</u>

Titan Energy Acquisition

On 30 June 2017, DGO acquired approximately 8,380 producing conventional natural gas and oil wells in the states of Pennsylvania, Ohio, and Tennessee (including approximately 1,140 non-operated wells) and equipment from Titan Energy. The

As at and for the 6-months ended 30 June 2017 (Unaudited)	\$ 94,608	101,645	(12)	\$ 196,241	\$ (17,815)	(1,890)	-	\$(19,705)	\$ 176,536
As at and for the 6-months ended 30 June 2016 (Unaudited)	56,659	37,809	(28)	94,440	(14,306)	(283)	13	(14,576)	79,864
As at and for the year ended 31 December 2016 (Audited)	56,659	41,077	(3,128)	94,608	(14,306)	(3,553)	44	(17,815)	76,793

Note 12 - Property and Equipment

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

Period	Plant, Property & Equipment				Accumulated Depreciation and Disposals				Net Book Value
	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Balance	Period Charges	Disposals	Ending Balance	
As at and for the 6-months ended 30 June 2017 (Unaudited)	\$ 5,223	2,657	(5)	\$ 7,875	\$ (1,875)	(336)	4	\$ (2,207)	\$ 5,668
As at and for the 6-months ended 30 June 2016 (Unaudited)	3,506	911	(6)	4,411	(1,395)	(224)	6	(1,613)	2,798
As at and for the year ended 31 December 2016 (Audited)	3,506	1,791	(74)	5,223	(1,395)	(486)	6	(1,875)	3,348

Note 13 - Derivative Financial Instruments & Hedging Activities

The following table summarizes DGO Group's calculated fair value of derivative financial instruments:

(Liabilities)/Assets	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
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Natural gas			
Swaps	\$	(747)	\$ (474) \$ (99)
Collars		(57)	- (685)
Basis swaps		(568)	53 -
Put options		-	(140) -
Total natural gas derivative financial instruments	\$	(1,372)	\$ (561) \$ (784)
Oil			
Swaps	\$	-	\$ - \$ -
Collars		(254)	- (155)
Basis swaps		-	- -
Put options		-	(121) -
Total oil derivative financial instruments	\$	(254)	\$ (121) \$ (155)
Total derivative financial instruments	\$	(1,626)	\$ (682) \$ (939)

The Company reports the derivative financial instrument assets and liabilities net in its balance sheet. The following table reconciles the Company's derivative financial instrument gross assets and gross liabilities for the periods presented:

Derivative Financial Instruments	Balance Sheet line item	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Non-current assets		\$ 1,585	\$ 380	\$ -
Current assets		2,012	466	640
Total assets		\$ 3,597	\$ 846	\$ 640
Non-current liability		\$ (3,440)	\$ (479)	\$ -
Current liabilities		(1,783)	(1,049)	(1,579)
Total liabilities		\$ (5,223)	\$ (1,528)	\$ (1,579)
Net (liabilities)/assets - Non-current	Other Non-current (liabilities)/assets	\$ (1,855)	\$ (99)	\$ -
Net assets/(liabilities) - Current	Other Current assets/(liabilities)	229	(583)	(939)
Net (liabilities)/assets		\$ (1,626)	\$ (682)	\$ (939)

For the periods indicated, the Company recorded the following related to its derivative financial instruments in the consolidated statements of comprehensive income as gain (loss) on derivative financial instruments:

	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Net gain on settlements	\$ 147	\$ 391	\$ 147
Net loss on fair value adjustments on unsettled financial instruments	(687)	(699)	(957)
Total loss on derivative financial instruments	\$ (540)	\$ (308)	\$ (810)

Listed in the table below are the outstanding natural gas and oil derivative financial instruments as of 30 June 2017:

Derivative Financial Instrument Type	Remaining Volumes	Ending Month	Swap Price	Floor Price	Short Put Price	Ceiling Price	Mark-to-Market As of 30 June 2017
Natural Gas							
Swap	307,500 MMBTUs	Oct-17	\$ 3.38	\$ -	\$ -	\$ -	\$ 102
Swap	1,500,000 MMBTUs	Oct-17	2.92	-	-	-	(181)
Swap	6,000,000 MMBTUs	Mar-19	2.89	-	-	-	(266)
Swap	6,000,000 MMBTUs	Mar-20	2.81	-	-	-	(191)
Swap	6,000,000 MMBTUs	Mar-21	2.82	-	-	-	(211)
Two-Way Collar	152,500 MMBTUs	Dec-17	-	3.25	-	3.75	31
Two-Way Collar	1,000,000 MMBTUs	Dec-17	-	2.87	-	3.32	(97)
Two-Way Collar	1,500,000 MMBTUs	Mar-18	-	3.00	-	3.55	(145)
Three-Way Collar	688,500 MMBTUs	Dec-17	-	3.00	2.50	3.48	24
Three-Way Collar	688,500 MMBTUs	Dec-17	-	3.30	2.80	3.77	130
Basis Swap: Dominion SP	1,230,000 MMBTUs	Oct-17	(0.67)	-	-	-	493
Basis Swap: Dominion SP	3,600,000 MMBTUs	Dec-18	(0.60)	-	-	-	(420)
Basis Swap: Dominion SP	305,000 MMBTUs	Dec-18	(0.53)	-	-	-	(13)
Basis Swap: Dominion SP	7,668,000 MMBTUs	Sep-20	(0.59)	-	-	-	(567)
Basis Swap: TCO	2,100,000 MMBTUs	Sep-20	(0.39)	-	-	-	(61)
Oil							
Two-Way Collar	30,728 BBLs	Dec-17	-	\$ 50.00	\$ -	\$ 59.00	\$ 133
Two-Way Collar	30,600 BBLs	Dec-17	-	40.00	-	49.00	(35)
Two-Way Collar	146,000 BBLs	Dec-18	-	42.00	-	51.00	(204)
Two-Way Collar	146,000 BBLs	Dec-19	-	44.00	-	52.00	(197)
Three-Way Collar	22,800 BBLs	Dec-17	-	47.00	37.00	59.00	49
Total Derivative Financial Instruments							\$ (1,626)

Listed in the table below are the natural gas and oil derivative financial instruments executed subsequent to 30 June 2017:

Derivative Financial Instrument Type	Remaining Volumes	Ending Month	Swap Price	Floor Price	Short Put Price	Ceiling Price
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Natural Gas

Swap	900,000 MMBTUs	Nov-18	\$ 2.84	\$ -	\$ -	\$ -
Basis Swap: TCO	20,000 MMBTUs	Nov-17	(0.24)	-	-	-
Basis Swap: TCO	20,000 MMBTUs	Apr-18	(0.21)	-	-	-
Basis Swap: TCO	320,000 MMBTUs	Oct-18	(0.34)	-	-	-
Basis Swap: TCO	65,000 MMBTUs	Feb-19	(0.32)	-	-	-
Basis Swap: Leidy	320,000 MMBTUs	Oct-18	(0.71)	-	-	-

Oil

Two-Way Collar	23,000 BBLs	Oct-17	\$ -	\$ 38.00	\$ -	\$ 50.90
Two-Way Collar	2,800 BBLs	Feb-18	-	39.00	-	53.35
Two-Way Collar	5,600 BBLs	Feb-19	-	40.00	-	56.05

Note 14 - Share Capital

In February 2017, DGO placed 61,000 new ordinary shares at 65 pence per share to raise gross proceeds of \$49,563 (approximately £39,650). DGO used the funds raised for the repurchase of bonds, repayment of existing debt facilities, costs of admission to AIM and working capital requirements of the Company. Following this initial placing, and as discussed in Note 9, in June 2017, DGO issued an additional 39,300 ordinary shares at 70 pence per share to raise additional gross proceeds of \$34,938 (approximately £27,510) to fund part of the purchase price of an additional acquisition. The following table summarizes the Company's share capital for the periods presented:

	<u>Number of Shares</u>	<u>Total Share Capital</u>
Balance as of 1 January 2017	44,210	\$ 669
Issuance of share capital, primarily initial offering	61,381	768
Issuance of share capital, primarily secondary offering	39,485	503
Balance as of 30 June 2017	145,076	\$ 1,940
	<u>Number of Shares</u>	<u>Total Share Capital</u>
Balance as of 1 January 2016	41,200	\$ 630
No activity during the period	-	-
Balance as of 30 June 2016	41,200	\$ 630
	<u>Number of Shares</u>	<u>Total Share Capital</u>
Balance as of 1 January 2016	41,200	\$ 630
Issuance of share capital, Board Member	800	12
Issuance of share capital, Chief Operating Officer & Finance Director	2,210	27
Balance as of 31 December 2016	44,210	\$ 669

Note 15 - Decommissioning Liability

The Company records a liability for future cost of decommissioning production facilities and pipelines on a discounted basis. The decommissioning liability represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2047, which is when the producing oil and gas properties are expected to cease operations. These liabilities are recorded based on the Directors' internal estimates. Assumptions based on the current economic environment have been made, which the Directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain. The discount rate and the cost inflation rate used in the calculation of the decommissioning liability were 8.0% and 3%, respectively as at each of the periods presented. See Note 9 for a discussion of acquisition activity that drove the increase in the liability since 31 December 2016:

Period	Beginning Liability	Additions	Accretion	Disposals	Change of Estimate	Ending Liability
As at and for the 6 months ended 30 June 2017 (Unaudited)	\$ 12,265	\$ 18,780	\$ 585	\$ -	\$ -	\$ 31,630
As at and for the 6 months ended 30 June 2016 (Unaudited)	8,869	5,706	223	-	-	14,798
As at and for the year ended 31 December 2016 (Audited)	8,869	5,457	797	(4)	(2,854)	12,265

Note 16 - Borrowings

As discussed in Note 14, the Company used part of the equity proceeds raised through its IPO on AIM to repay much of the debt outstanding at 31 December 2016. DGO's borrowings consist of the following amounts for the periods presented:

	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Financial institution, with interest rate of 3.25%, matured December 2016, secured by oil and gas properties	\$ -	\$ 16,118	\$ 15,768
Financial institution, interest rate of 4.00%, matured August 2016, secured by oil and gas properties	-	3,225	3,165
Financial institution, interest rate of WSJ Prime Rate plus 0.50%, maturing July 2017, secured by oil and gas properties	-	2,000	2,000
Financing companies, interest rates of 10%-12%, maturing September 2016 - November 2016, secured by oil and gas properties	-	6,650	4,750
Individuals and institutional investor bonds, interest rate of 8.50%, maturing June 2020, unsecured	118	13,009	13,928
Financial institution, interest rate of 8.25% plus LIBOR, maturing July 2020, secured by oil and gas properties (a)	64,000	-	-
Miscellaneous notes, primarily for equipment, real estate and operational cash flow	497	1,537	1,728
Total borrowings	\$ 64,615	\$ 42,539	\$ 41,339
Less current portion of long-term debt	(305)	(29,194)	(27,181)
Less deferred financing costs (b)	(2,994)	(3,753)	(4,045)
Total non-current borrowings, net	\$ 61,316	\$ 9,592	\$ 10,113

- In June 2017 the Company closed a new \$110,000 Senior Secured Credit Facility, of which \$64,000 was drawn upon closing on 30 June 2017. Of the \$46,000 undrawn, \$11,000 is reserved to close on the remaining oil and gas assets discussed in Note 9. The remaining \$35,000 availability can be used within the first twelve months of the facility's life to finance additional acquisitions, of which \$25,000 would require an additional underwriting process by the lender.
- Subsequent to 31 December 2016, all deferred financing costs were expensed when applicable borrowings were paid in full using IPO proceeds. The deferred financing costs outstanding at 30 June 2017 were incurred with the financing of the Senior Secured Term

Loan.

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

	Unaudited	Unaudited	Audited
	30 June 2017	30 June 2016	31 December 2016
Not later than one year	\$ 305	\$ 29,194	\$ 27,181
Later than one year and not later than five years	64,310	13,345	14,158
Later than five years	-	-	-
Total borrowings	\$ 64,615	\$ 42,539	\$ 41,339

Note 17 - Subsequent Events

Subsequent to 30 June 2017, the Directors determined the need to disclose within the interim financial statements the following material items:

- a. Dividend Paid & Declared:** See Note 8 for a discussion of dividends paid and declared subsequent to 30 June 2017.
- b. Hedging Activities:** See Note 13 for a detail of derivative financial instruments executed subsequent to 30 June 2017.

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