

8 August 2019

DIVERSIFIED GAS & OIL PLC
("Diversified", "DGO" or the "Company")

Interim Results

Diversified Gas & Oil PLC (AIM: DGO), the US based owner and operator of natural gas, natural gas liquids and oil wells as well as midstream assets, announces its Interim Results for the six months ended 30 June 2019.

Highlights

Operational Highlights

- 1H19 net production averaged 76 MBoepd including ~2 months of production from the HG Energy assets, up ~292% compared to 1H18 (19 MBoepd) and up ~22% compared to 2H18 (62 MBoepd)
- June 2019 exit rate net production exceeded 90.2 MBoepd including 69.7 MBoepd from wells owned prior to the HG Energy II Appalachia, LLC ("HG-Energy") transaction, further documenting the effectiveness of the Company's "Smarter Well Management" programme
- The Company's Smarter Well Management ("SWM") Programme continued to offset natural production declines with ~430 previously non-producing wells placed back into production since 1 January 2019
- Completed the \$400 million acquisition of certain gas producing assets from HG Energy adding c.20Mboepd (18 April 2019)
- Long-term asset retirement agreements signed with Pennsylvania and Kentucky that combined with the existing agreements with the states of Ohio and West Virginia cover 98% of the Company's owned and operated wells

Financial Highlights

- 1H19 adjusted EBITDA*, hedged, of \$131 million (1H18: \$22.8 million), including ~2 months of contribution from the HG Energy acquisition; month-ended June 2019 adjusted EBITDA*, hedged of \$24 million
- Declared 2Q19 interim dividend of \$0.035 per share (2Q18: \$0.028 per share)
- Since 1 January 2019, paid \$52 million in credit facility principal payments, with net debt of ~\$613 million at 30 June 2019 and net debt-to-adjusted EBITDA*, hedged at 2.0x
- Cash margins in 1H19 and June 2019 remain consistent with 1Q19 at approximately 54%, hedged, despite a period of lower natural gas and natural gas liquids prices
- Lease operating expense ("LOE") of \$5.44/BOE for 1H19 was ~35% lower compared to 1H18 (\$8.42/BOE); base LOE was ~46% lower compared to the same period
- General and Administrative expense of \$1.35/BOE in 1H19 was ~11% lower compared to 1H18 (\$1.51/BOE)
- Borrowing base increased to \$950 million from a syndicate of fourteen banks following the acquisition of assets from HG Energy providing strong liquidity of ~\$335 million including cash and availability under the Company's revolving credit facility

Governance Highlights

- Appointment of David Johnson as Non-Executive Chairman and David Turner, Jr. as an independent Non-Executive Director and Chairman of the Audit Committee reflecting the Company's commitment to further strengthen its governance structure

Rusty Hutson, Jr., CEO of Diversified, commented:

"This was yet another highly active period for Diversified in which we delivered on a number of key corporate and operational milestones that progressed our long-term growth objectives. The acquisition of the HG Energy assets in April delivered another step-change in production volumes and cash flow generation, which took us into the top tier of London quoted independent producers.

"The Company's strategy to build scale within the Appalachia continues to prove successful, with positive trends on cost metrics demonstrating the economies of scale and efficiencies afforded by our business model. Our Smarter Well Management programme continues to yield positive results and our ability to hold production steady is a testament to our operating capabilities. Since 1 January 2019 approximately 430 previously non-producing wells were placed back into production. Similarly, our safe and systematic retirement programme also enjoyed excellent progress and completed approximately 55 well pluggings for less than \$25,000 on average, in line with our budget and previously shared estimates for these projects.

"We continue to implement initiatives to ensure we have an appropriate framework in place to support our future growth ambitions, including strengthening our governance structure and policies.

"In summary, our first half 2019 results reflect another period of strategic progress as the Company remains exceptionally well positioned to generate consistent and sustainable value for our shareholders."

* Adjusted EBITDA, presented hedged and unaudited, represents earnings before interest, taxes, depletion, depreciation and amortisation and adjustments for non-recurring items such as gain on the sale of assets, acquisition related expenses and integration costs, mark-to-market adjustments related to the Company's hedge portfolio, non-cash equity compensation charges and items of a similar nature.

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DIVERSIFIED GAS & OIL PLC

Strategic Review

Continued Operational Excellence

I am pleased to be providing the first report in my capacity as Chairman since assuming the role during this period ended 30 June. Consistent with Diversified Gas & Oil's performance since its admission to AIM in February 2017, the first half of 2019 has been another eventful and progressive six-month period during which we have delivered a number of key strategic and operational milestones, all of which support our long-term growth objectives. Our results are in line with market expectations and position us to maintain our commitment to leverage and utilise the exceptionally strong cash flow of the business to return cash to shareholders through dividends and share buybacks, whilst in parallel maintaining a healthy financial footing by reducing debt. Importantly, we achieved all of this despite the wider macro backdrop of commodity volatility in our market, which only serves to emphasise the strength and resilience of our business model and effective hedging policy.

Corporate milestones

In March 2019, we identified the opportunity to acquire a complementary package of unconventional assets from HG Energy for a total cash consideration of approximately \$400 million funded through a combination of debt and equity, with \$225 million raised via a placing with new and existing investors. This material and accretive acquisition added c.20Mboepd to our production and elevated us further into the top tier of independent producers quoted in London. Whilst the assets are unconventional and generate their production from considerably fewer wells than our previous acquisitions, the profile of the wells is consistent with the wider portfolio in terms of being mostly post hyperbolic decline wells that are synergistically compatible with the existing producing wells.

Following the acquisition of the HG Energy assets, we were pleased to announce our expanded and fully underwritten borrowing base of \$950 million under its \$1.5 billion revolving credit facility (the "Facility"), led by KeyBank National Association. We also negotiated a reduction to each tier of our Facility's pricing grid resulting in a lowering of the spread by 10%. We retain current liquidity of ~\$335 million while ensuring we maintain comfortable leverage of ~2.0x, below our stated net debt-to-EBITDA ratio of less than 2.5x to evaluate potential complementary and accretive acquisition opportunities.

Early in the period we finalised long-term agreements with oil and gas regulatory entities for Kentucky and Pennsylvania setting out our asset retirement obligations in these respective states. These long-term agreements sit alongside those already in place with the states of Ohio and West Virginia, with 98% of the portfolio now covered by multi-year agreements. The agreements set out our undertakings to return certain wells to production under our Smarter Well Management Programme ("SWM") programme while safely and systematically retiring those wells that have reached the end of their productive life. Execution of the agreements followed lengthy discussions during which we were able to demonstrate our proven ability to successfully return to production wells acquired from previous operators and catalyse a positive socioeconomic impact in terms of job creation and contribution to the local economies in which we operate. Critically, the agreements provide long term visibility for all stakeholders, including the states and our shareholders, on the clear asset retirement parameters within which we can budget for and execute these obligations. These agreements complement our efforts in late 2018 to evaluate the remaining life of our well portfolio and the costs expected to retire these wells, supported by independent expert consultants.

Strong Cashflow

Our business model is defined by our ability to generate exceptionally strong free cash flow, even in an environment of lower commodity pricing. This period was no exception, and the addition of improved margin wells from the HG Energy acquisition will significantly increase cash flow, as demonstrated by the adjusted EBITDA of \$24 million generated in the month of June 2019 despite lower natural gas and natural gas liquids prices. As we continue to grow in scale, we are able to better demonstrate the fundamentals of our business model and equity proposition; namely to drive cash flow generation and shareholder returns.

The combination of significant free cash flow generated from long-life, low-decline assets, and low capex intensity required to maintain that cash flow, results in our ability to distribute free cash flow for the benefit of shareholders. Our stated dividend policy is to target 40% of free cash flow to be returned to shareholders in reliable quarterly dividends, with another 40% used to pay down debt and maintain low leverage.

In April 2019, the Board approved the implementation of a share buyback programme which it deemed to be a value accretive use of our remaining free cash flow given the perceived value proposition resulting from our share price at the time. Since June 2019, we have repurchased \$32 million of shares. The Board will keep the form and quantum of the programme under review while allowing us to maintain the current dividend policy.

Dividend

In June 2019, we announced a dividend payment for 1Q19 of 3.42 cents per share, totalling almost double the amount paid out in the corresponding period in 2018, demonstrating the step change in free cash flow and benefit to shareholders of recent acquisitive growth. I am also pleased to declare our 2019 dividend of 3.5 cents per share (2Q18: 2.8 cents per share), which will be paid on 18 December 2019 to those shareholders on the register as at 29 November 2019. Since our Admission to AIM, we have returned almost \$100 million to shareholders in dividends declared and paid, \$59 million of which has been returned since the start of this year, and paid \$117 million towards reducing debt, of which \$52 million was paid year to date.

I am pleased to announce that we are making available the ability for our shareholders to receive our dividend paid in sterling. This will commence with the Q1 dividend of which is due to be paid 27 September 2019. An announcement will be made shortly and election forms will be sent to shareholders in the coming days.

Commodity Volatility

The period was characterised by continued volatility in natural gas prices. Our hedging policy largely mitigated our exposure to the volatility with \$7.4 million of commodity hedge cash settlements and highlighted the strategic rationale for having this policy in place. In line with our stated policy to use a mixture of physical and financial contracts to protect cash flow, and specifically those associated with the acquisition of HG Energy Assets, we successfully executed financial NYMEX gas hedges for the period of May 2019 through April 2020. At the period end, our net hedge portfolio was valued at \$60.6 million, of which \$47.1 million was current. Our philosophy with regards to hedging is that we are willing to forgo potential upside, protect the downside and provide visibility and security on cash flow.

Operating efficiencies

Another fundamental aspect of the business model is our ability to achieve operating efficiencies by leveraging economies of scale and maintaining a strict focus on cost discipline and operational excellence. Each material acquisition completed by us has resulted in a positive impact on costs. The completion of the HG Energy acquisition allowed us to reduce Base LOE, Total LOE and per unit G&A expenses, all key cost metrics for our business, by ~14%, ~6% and ~15% respectively compared with 4Q18. This reduction of costs enabled us to maintain a robust cash margin of 54% through the first half of the year, despite the lower natural gas and natural gas liquids prices that prevailed throughout the period.

One of the key operating highlights in the first half of the year was our ability to maintain flat organic production through the effective SWM programme. By optimising existing wells and bringing ~430 previously non-producing wells back into production since the start of 2019, we were able to offset the natural decline of the portfolio, representing a considerable achievement and testament to the quality of our field managers.

Another area of focus in terms of operational efficiency and cost control is our asset retirement obligations. In the first half of the year, we successfully plugged 55 wells, representing over 62% of our 2019 required plugging obligations per the long-term agreements with the four primary states in which almost all of our wells are located. These wells have been plugged at an average cost of \$25 thousand per well, in line with our estimates. As we progress with our asset retirement programme, we benefit from the knowledge and data obtained in terms of cost and process which in turn help support our long term asset retirement obligation estimates. Since the beginning of 2018 through to 30 June 2019, we have plugged 90 wells at an average cost of \$23 thousand per well, approximately 5% below our estimates.

Governance

To reflect the growth and maturing of the business, the Board continues to enhance its governance structures and policies. In this regard, I was pleased to assume the role of Non-Executive Chairman during the period, replacing Robert Post who assumed the role of Non-Executive Director. We also strengthened the Board with the appointment of another Independent Non-Executive Director, David J Turner, Jr, who brings a wealth of experience and skill to our Board. These changes reflect a wholesale strengthening of our internal policies, structures and protocols and we will continue to focus on improved governance structures in the second half of the year, including a strong focus on ensuring ESG best-practices.

Positive Outlook

At the half year stage, we are performing in line with market expectations. The near-term priorities for the remainder of the year will be the continued success of the SWM programme and value extraction from the HG Energy acquisition earlier this year. We will also continue to be opportunistic and agile in our approach to business development and remain well capitalised to move swiftly on opportunities that we deem to be value accretive and complementary. As an example, on 25 July 2019, we announced that we entered a Conditional Asset Purchase Agreement to acquire for \$50 million certain oil and natural gas development, production and exploration assets located in Ohio from EdgeMarc Energy Holdings LLC ("EdgeMarc") and certain of its subsidiaries. Because EdgeMarc is undergoing liquidation under Chapter 11 of the US Bankruptcy code, we presently are unable to offer certainty that we will complete the transaction. However, if we are successful in acquiring these assets, consistent with our other acquisitions, we believe the assets will create long-term value for our shareholders. We expect to make a further announcement on or before 29 August 2019.

In summary, it has been another period of focused execution of our strategy and remarkable growth for the business. We continue to build a bigger, better and stronger business that is capable of delivering continued long-term, sustainable value for our shareholders.

Financial Review

	Six months to		\$ Change	% Change
	30 June 2019	30 June 2018		
Net production				
Natural gas (MMcf)	73,196	19,982	53,214	266.3 %
NGL (MBbls)	1,313	53	1,260	2,377.4 %
Oil (MBbls)	189	116	73	62.9 %
Total (MBOE)	13,701	3,499	10,202	291.5 %
Average daily production (BOE/d)	75,696	19,333	56,363	291.5 %
% gas (BOE basis)	89%	95%		
Average realised sales price (excluding impact of cash settled derivatives)				
Natural gas (Mcf)	\$ 2.66	\$ 2.40	\$ 0.26	10.8 %
NGL (Bbl)	14.04	21.77	(7.73)	(35.5)%
Oil (Bbl)	53.16	64.59	(11.43)	(17.7)%
Total (BOE)	\$ 16.30	\$ 16.20	\$ 0.10	0.6 %
Average realised sales price (including impact of cash settled derivatives)				
Natural gas (Mcf)	\$ 2.64	\$ 2.44	\$ 0.20	8.2 %
NGL (Bbl)	21.08	21.77	(0.69)	(3.2)%
Oil (Bbl)	52.96	53.83	(0.87)	(1.6)%
Total (BOE)	\$ 16.84	\$ 16.08	\$ 0.76	4.73 %
Natural gas, NGL and oil revenue (Financial amounts reported in thousands except per unit and per share amounts)				

Natural gas	\$ 194,810	\$ 48,027	\$ 146,783	305.6 %
NGL	18,439	1,154	\$ 17,285	1497.8 %
Oil	10,048	7,492	\$ 2,556	34.1 %
Total natural gas, NGL and oil revenue	\$ 223,297	\$ 56,673	\$ 166,624	294.0 %
Other revenue	1,396	1,360	36	2.6 %
Midstream revenue	12,765	-	12,765	100.0 %
Total revenue	\$ 237,458	\$ 58,033	\$ 179,425	309.2 %
Gains (losses) on derivative settlements				
Natural gas	(1,780)	825	\$ (2,605)	(315.8)%
NGL	9,241	-	\$ 9,241	100.0 %
Oil	(39)	(1248)	\$ 1,209	96.9 %
Net gains (losses) on derivative settlements	\$ 7,422	\$ (423)	\$ 7,845	1,854.6 %
Per BOE metrics				
Realised price (including impact of cash settled derivatives)	\$ 16.84	\$ 16.08	\$ 0.76	4.7 %
Other revenue	1.03	0.39	0.64	164.1 %
Base lease operating expense	3.78	7.01	(3.23)	(46.1)%
Gathering and compression, owned	1.50	-	1.50	100.0 %
Recurring administrative expenses	1.35	1.51	(0.16)	(10.6)%
Production taxes	0.53	0.20	0.33	165.0 %
Gathering and transportation, third party	1.13	1.21	(0.08)	(6.6)%
Operating margin	\$ 9.58	\$ 6.54	\$ 3.04	46.5 %
% Operating margin	53.6%	39.7%		

Production, Revenue and Hedging

Total revenue in 1H19 of \$237.5 million increased 309.2% from the \$58.0 million reported for 1H18 primarily due to 291.5% higher production and an increase in midstream revenue, both of which were positively impacted by our acquisitive growth strategy. DGO ended 1H19 with net MBOE sales of approximately 13,701 vs. the prior year sales of approximately 3,499. The increase in production was driven by the full integration of the previously acquired EQT and Core assets in 2H18 and the HG Energy assets in 1H19. See Note 3 for additional information regarding DGO's acquisitions.

The following table is intended to reconcile the change in natural gas, NGL and oil revenue (excluding the impact of cash settled hedges) for 1H19 by reflecting the effect of changes in volume and in the underlying prices.

	Natural gas	NGL	Oil	Total
Revenue for the six months ended 30 June 2018	\$ 48,027	\$ 1,154	\$ 7,492	\$ 56,673
Volume increase	127,901	27,430	4,716	160,047
Price increase (decrease)	18,882	(10,145)	(2,160)	6,577
Net increase	146,783	17,285	2,556	166,624
Revenue for the six months ended 30 June 2019	\$ 194,810	\$ 18,439	\$ 10,048	\$ 223,297

To manage its cash flows in a volatile commodity price environment, DGO uses a combination of physical and financial derivative instruments. See the table below for our hedging impact on revenue and average realised prices:

For the six months ended 30 June 2019

	Natural Gas		NGL		Oil	
	Revenue	Realised Price	Revenue	Realised Price	Revenue	Realised Price
Excluding hedge impact	\$ 194,810	\$ 2.66	\$ 18,439	\$ 14.04	\$ 10,048	\$ 53.16
Hedge impact	(1,780)	(0.02)	9,241	7.04	(39)	(0.21)
Including hedge impact	<u>\$ 193,030</u>	<u>\$ 2.64</u>	<u>\$ 27,680</u>	<u>\$ 21.08</u>	<u>\$ 10,009</u>	<u>\$ 52.96</u>

Refer to Note 15 for additional information regarding DGO's hedge portfolio.

Expenses

	Six months to				Total Change		BOE Change	
	30 June 2019	Per BOE	30 June 2018	Per BOE	\$	%	\$	%
Base lease operating expense (a)	\$ 51,777	\$ 3.78	\$ 24,520	\$ 7.01	\$ 27,257	111%	\$ (3.23)	(46)%
Production taxes	7,277	0.53	700	0.20	6,577	940%	0.33	165 %
G & C (b)	20,552	1.50	-		20,552	100%	1.50	100 %
G & T (c)	15,523	1.13	4,225	1.21	11,298	267%	(0.08)	(7)%
Total operating expense	\$ 95,129	\$ 6.94	\$ 29,445	\$ 8.41	\$ 65,684	223%	\$ (1.47)	(17)%
G & A (d)	21,682	1.59	7,494	2.14	14,188	189%	(0.56)	(26)%
Total cash operating expense	\$ 116,811	\$ 8.53	\$ 36,939	\$ 10.56	\$ 79,872	216%	\$ (2.03)	(19)%
Depreciation and depletion (non-cash)	45,342	3.31	8,354	2.39	36,988	443%	0.92	38 %
Total expenses	\$ 162,153	\$ 11.84	\$ 45,293	\$ 12.94	\$ 116,860	258%	\$ (1.10)	(9)%

- Lease operating expenses are daily costs incurred to extract oil and natural gas and maintain our producing properties. Such costs generally include maintenance, repairs, insurance, employee and benefits and automobile expenses.
- G & C expenses are daily costs incurred to operate the Company's owned midstream assets.
- G & T expenses are daily costs incurred to gather, process and transport the Company's natural gas, natural gas liquids and oil.
- G & A expenses are daily costs incurred for general and administrative activities.

As a result of DGO's significant, value-focused growth, unit operating expenses decreased 9% or \$1.10 per BOE. These reductions are a result of:

- Lower per BOE lease operating expenses, which declined 46% or \$3.23 per BOE through a mixture of disciplined cost reductions and economies of scale whereby fixed operating costs were spread across a larger base of producing assets.
- Lower per BOE gathering, processing and transportation expenses, which declined 7% or \$0.08 per BOE.
- Lower per BOE administrative expenses, which decreased 26% or \$0.56 per BOE due to the significant growth in our production base.

Partially offsetting these significant per BOE declines were increases to production taxes and depreciation and depletion caused by the increase in production associated with the EQT, Core and HG Energy acquisitions.

Refer to Note 3 for additional information regarding DGO's acquisitions.

Finance costs, loss on early retirement of debt

	Six months to		\$ Change	% Change
	30 June 2019	30 June 2018		
Interest	\$ 15,676	\$ 3,415	\$ 12,261	359.0 %
Finance charge	1,930	5	1,925	38,500.0 %
Bond financing costs	2	613	(611)	(99.7)%
Loan standby fee	-	204	(204)	(100.0)%
Loan management fee	-	38	(38)	(100.0)%
Total finance costs	\$ 17,608	\$ 4,275	\$ 13,333	311.9 %
Loss on early retirement of debt	\$ -	\$ 8,359	\$ (8,359)	(100.0)%

DGO's finance costs include interest expense on borrowings and non-cash amortisation of deferred financing costs. Interest expense on borrowings of \$15.7 million in 2019 increased \$12.3 million compared to \$3.4 million in 2018 primarily due to the increase in borrowings used to fund the Company's previously mentioned acquisitions.

In March 2018, the Company closed a new \$500 million five year credit facility, initially subject to a borrowing limit of \$140 million that stepped up within the same month to \$200 million following the closing of the acquisition of certain assets of CNX. The new credit facility resulted in a non-recurring loss on early extinguishment of debt of \$8.4 million, which included a \$2.6 million charge for the accelerated amortisation of the remaining deferred financing costs and \$5.8 million relating to an early payment fee.

In July 2018 and in conjunction with the acquisition of certain assets of EQT, the Company closed on an enlarged \$1 billion, five-year secured revolving credit facility with an initial borrowing base of \$600 million, which replaced the existing \$500 million facility.

In December 2018 and following the October 2018 acquisition of Core, the Company closed on a further-enlarged \$1.5 billion, five-year senior secured credit facility with an initial borrowing base of \$725 million, and which replaced the \$1 billion facility and fully extinguished Core's facility assumed as part of that acquisition. The facility maintains the July 2023 maturity date of the prior facility, and had an interest rate of 2.75% plus one-month LIBOR and is subject to a grid that fluctuates from 2.25% to 3.25% plus LIBOR based on utilisation.

In April 2019, the Company increased its borrowing base on the \$1.5 billion, five-year senior secured credit facility from \$725 million to \$950 million. The April 2019 acquisition of certain producing assets of HG Energy, discussed in Note 3, was funded partially by a \$152 million draw on the upsized credit facility. The facility has an initial interest rate of 2.50% plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00% to 3.00% plus LIBOR based on utilisation.

For more information on DGO's acquisitions and borrowings refer to Notes 3 and 13, respectively.

Income before taxation, EPS and Adjusted EBITDA

DGO reported income before taxation of \$84.0 million in 1H19 compared to \$21.4 million in 1H18, an increase of 293%, and reported statutory earnings for 1H19 per diluted ordinary share of \$0.10 compared to \$0.09 per diluted ordinary share in 1H18. 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 \$0.22, a 152% increase over the prior year's \$0.09. DGO's adjusted EBITDA for 1H19 was \$131.3 million, a 474% increase over \$22.87 million in 1H18. Refer to Note 6 for additional information regarding DGO's adjusted EBITDA.

Conclusion

We have already enjoyed an eventful and successful 2019, and we look forward to continued progress as we focus our attention towards the second half of 2019. I would like to thank the growing Diversified family for its commitment to safe and efficient operations, the Board for its diligent oversight and guidance, and our shareholders and stakeholders who entrust to us the capital to fuel our growth. I look forward to reporting back to you with our full-year results.

David Johnson
Chairman

Independent Auditor's Report

INDEPENDENT REVIEW REPORT

Introduction

We have been engaged by the company to review the condensed financial statements in the interim financial report for the 6 months ended 30 June 2019 which comprise the Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Condensed Statement of Financial Position, the Consolidated Condensed Statement of Changes in Equity, the Consolidated Condensed Statement of Cash Flow and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company, in accordance with our instructions. Our review has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the opinions we have reached.

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom. 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements in the interim financial report for the 6 months ended 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

/s/Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor

Consolidated Condensed Statements of Profit or Loss and Other Comprehensive Income (Amounts in thousands, except per-share amounts)

	Note	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
Revenue	4	\$ 237,458	\$ 58,033	\$ 289,769
Operating expense	5	(95,129)	(29,445)	(107,793)
Depreciation and depletion	5,9	(45,342)	(8,354)	(41,988)
Gross profit		\$ 96,987	\$ 20,234	\$ 139,988
Administrative expenses	5	\$ (21,682)	\$ (7,494)	\$ (40,524)
Gain (loss) on oil and gas programme and equipment		(336)	4,063	4,079
Gain (loss) on derivative financial instruments	15	32,794	(18,447)	17,981
Gain on bargain purchase		-	37,823	173,473
Operating profit		\$ 107,763	\$ 36,179	\$ 294,997

Finance costs		\$ (17,608)	\$ (4,275)	\$ (17,743)
Loss on early retirement of debt		-	(8,359)	(8,358)
Accretion of asset retirement obligation	12	(6,108)	(2,158)	(7,101)
Income before taxation		\$ 84,047	\$ 21,387	\$ 261,795
Taxation on income		(21,881)	2,159	(60,676)
Income after taxation available to ordinary shareholders		\$ 62,166	\$ 23,546	\$ 201,119
Other comprehensive income - gain on foreign currency conversion		-	6	1
Total comprehensive income for the year		\$ 62,166	\$ 23,552	\$ 201,120
Earnings per ordinary share - basic & diluted	7	\$ 0.10	\$ 0.09	\$ 0.52
Weighted average ordinary shares outstanding - basic	7	603,807	265,509	386,559
Weighted average ordinary shares outstanding - diluted	7	604,996	266,483	387,925

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

Consolidated Condensed Statements of Financial Position (Amounts in thousands)

	Note	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
Revenue	4	\$ 237,458	\$ 58,033	\$ 289,769
Operating expense	5	(95,129)	(29,445)	(107,793)
Depreciation and depletion	5,9	(45,342)	(8,354)	(41,988)
Gross profit		\$ 96,987	\$ 20,234	\$ 139,988
Administrative expenses	5	\$ (21,682)	\$ (7,494)	\$ (40,524)
Gain (loss) on oil and gas programme and equipment		(336)	4,063	4,079
Gain (loss) on derivative financial instruments	15	32,794	(18,447)	17,981
Gain on bargain purchase		-	37,823	173,473
Operating profit		\$ 107,763	\$ 36,179	\$ 294,997

Finance costs		\$	(17,608)	\$	(4,275)	\$	(17,743)
Loss on early retirement of debt			-		(8,359)		(8,358)
Accretion of asset retirement obligation	12		(6,108)		(2,158)		(7,101)
Income before taxation		\$	84,047	\$	21,387	\$	261,795
Taxation on income			(21,881)		2,159		(60,676)
Income after taxation available to ordinary shareholders		\$	62,166	\$	23,546	\$	201,119
Other comprehensive income - gain on foreign currency conversion			-		6		1
Total comprehensive income for the year		\$	62,166	\$	23,552	\$	201,120
Earnings per ordinary share - basic & diluted	7	\$	0.10	\$	0.09	\$	0.52
Weighted average ordinary shares outstanding - basic	7		603,807		265,509		386,559
Weighted average ordinary shares outstanding - diluted	7		604,996		266,483		387,925

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

	Note	Unaudited 30 June 2019	Unaudited June 30, 2018	Audited 31 December 2018
ASSETS				
Non-current assets				
Oil and gas properties, net	9	\$ 1,449,962	\$ 483,530	\$ 1,092,951
Property and equipment, net	10	332,536	10,090	327,749
Other non-current assets	14	14,000	57,769	22,543
Indemnification receivable		2,133	2,133	2,133
Total non-current assets		\$ 1,798,631	\$ 553,522	\$ 1,445,376
Current assets				
Trade receivables		\$ 75,145	\$ 34,967	\$ 78,451
Other current assets	14	57,481	2,530	30,043
Cash and cash equivalents		-	9,537	1,372
Restricted cash		1,681	2,672	1,730
Total current assets		\$ 134,307	\$ 49,706	\$ 111,596
Total Assets		\$ 1,932,938	\$ 603,228	\$ 1,556,972

EQUITY AND LIABILITIES

Shareholders' equity

Share capital	11	\$	9,318	\$	4,299	\$	7,346
Share premium	11		760,543		254,327		540,655
Merger reserve			(478)		(478)		(478)
Share based payment reserve			1,250		-		842
Retained earnings			207,125		43,497		200,498
Total Equity		\$	977,758	\$	301,645	\$	748,863
Non-current liabilities							
Asset retirement obligation	12	\$	145,167	\$	72,390	\$	140,190
Capital lease			1,816		1,465		2,694
Borrowings	13		610,231		139,688		482,528
Deferred tax liability			114,091		35,092		95,033
Other non-current liabilities	14		22,892		20,925		21,219
Uncertain tax position			2,133		2,133		2,133
Total non-current liabilities		\$	896,330	\$	271,693	\$	743,797
Current liabilities							
Trade and other payables		\$	7,568	\$	6,323	\$	9,383
Borrowings	13		122		107		286
Capital lease			796		579		842
Other current liabilities	14		50,364		22,881		53,801
Total current liabilities		\$	58,850	\$	29,890	\$	64,312
Total Liabilities		\$	955,180	\$	301,583	\$	808,109
Total Equity and Liabilities		\$	1,932,938	\$	603,228	\$	1,556,972

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

The consolidated financial statements were approved by the Board of Directors on 8 August, 2019 and were signed on its behalf by:

David Johnson
Chairman

Consolidated Condensed Statements of Changes in Equity (Amounts in thousands)

	Note	Share Capital	Share Premium	Merger Reserve	Share Based Payment Reserve	Retained Earnings	Total Equity
Balance at 1 January 2019		\$ 7,346	\$ 540,655	\$ (478)	\$ 842	\$ 200,498	\$ 748,863

Income after taxation	-	-	-	-	62,166	62,166
Gain on foreign currency conversion	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	62,166	62,166
Issuance of share capital	11	1,972	219,888	-	-	221,860
Equity compensation	-	-	-	408	-	408
Repurchase of shares	11	-	-	-	(19,181)	(19,181)
Dividends authorized and declared	8	-	-	-	(36,358)	(36,358)
Transactions with shareholders		1,972	219,888	-	408	(55,539)
Balance at 30 June 2019		\$ 9,318	\$ 760,543	\$ (478)	\$ 1,250	\$ 207,125

	Share Capital	Share Premium	Merger Reserve	Share Based Payment Reserve	Retained Earnings	Total Equity
Balance at 1 January 2018	\$ 1,940	\$ 76,026	\$ (478)	\$ 59	\$ 30,691	\$ 108,238
Income after taxation	-	-	-	-	23,546	23,546
Gain on foreign currency conversion	-	-	-	-	6	6
Total comprehensive income	-	-	-	-	23,552	23,552
Issuance of share capital	2,359	178,301	-	-	-	180,660
Equity compensation	-	-	-	(59)	-	(59)
Repurchase of shares	-	-	-	-	-	-
Dividends authorized and declared	-	-	-	-	(10,746)	(10,746)
Transactions with shareholders	2,359	178,301	-	(59)	(10,746)	169,855
Balance at 30 June 2018	\$ 4,299	\$ 254,327	\$ (478)	\$ -	\$ 43,497	\$ 301,645

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

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

Consolidated Condensed Statements of Cash Flow
(Amounts in thousands)

	Note	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
Cash flows from operating activities				
Income after taxation		\$ 62,166	\$ 23,546	\$ 201,119
Cash flow from operations reconciliation:				
Depreciation and depletion		45,342	8,354	41,988
Accretion of asset retirement obligation	12	6,108	2,158	7,101
Income tax charge (credit)		21,881	(2,159)	60,676
(Gain)/loss on derivative financial instruments	15	(21,252)	18,447	(32,768)
Gain on oil and gas program and equipment		-	(4,200)	(4,079)
Gain on bargain purchase	3	-	(37,823)	(173,473)
Finance costs	13	17,608	195	17,743
Loss on early retirement of debt		-	8,164	8,358
Non-cash equity compensation	11	408	137	783
Working capital adjustments:				
Change in trade receivables		3,384	(9,269)	(41,225)
Change in other current assets		2,138	(1,743)	(6,286)
Change in other assets		220	767	(1,732)
Change in trade and other payables		(1,849)	4,191	1,134
Change in other current and non-current liabilities		(4,376)	(2,817)	8,396
Net cash provided by operating activities		\$ 131,778	\$ 7,948	\$ 87,735
Cash flows from investing activities				
Acquisitions	3	\$ (388,064)	\$ (162,498)	\$ (750,256)
Acquisition deposit		-	(57,500)	-
Expenditures on oil and gas properties and equipment		(19,178)	(1,927)	(18,515)
Asset retirement (plugging)		(1,237)	(128)	(1,171)
Decrease (increase) in restricted cash		49	(1,928)	(986)
Proceeds on disposals of oil and gas properties		-	4,219	4,079
Net cash used in investing activities		\$ (408,430)	\$ (219,762)	\$ (766,849)

Cash flows from financing activities

Repayment of borrowings	13	\$	(189,993)	\$	(104,016)	\$	(280,890)
Proceeds from borrowings	13		317,267		145,600		581,221
Financing expense			(16,024)		(6,140)		(15,433)
Cost incurred to secure financing			(1,581)		-		(17,176)
Proceeds from equity issuance, net			221,860		180,601		425,601
Proceeds from capital lease			-		884		4,401
Repayment of capital lease			(710)		-		(1,093)
Dividends to shareholders	8		(36,358)		(10,746)		(31,313)
Repurchase of shares			(19,181)		-		-
Net cash provided by financing activities		\$	275,280	\$	206,183	\$	665,318
Net decrease in cash and cash equivalents			(1,372)		(5,631)		(13,796)
Cash and cash equivalents - beginning of the period			1,372		15,168		15,168
Cash and cash equivalents - end of the period		\$	-	\$	9,537	\$	1,372

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

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Amounts in thousands, except per share and per unit data)

Note 1 - General Information

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

Note 2 - Accounting Policies**Basis of Preparation and Measurement**

The 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 ended 31 December 2018 is based on the statutory accounts for the year ended 31 December 2018. 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.

The interim consolidated financial information has been prepared on the basis of the accounting policies set out in the Company's 2018 statutory accounts in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. The interim consolidated financial statements do not include all of the information required for a full annual financial report and should be read in conjunction with the Company's financial statements for the year ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

Unless otherwise stated, the interim consolidated 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. 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 Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income within Other comprehensive income - gain on foreign currency conversion.

To conform with current presentation, \$2,983 has been reclassified from other long term assets to property and equipment for the year ended 31 December 2018. To conform with current presentation \$11,145 has been reclassified from other current liabilities to other non-current liabilities.

Basis of Consolidation

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

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

New Standards and Interpretations

Adopted

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard requires all lease transactions (with terms in excess of 12 months) to be recognized on the balance sheet as lease assets and lease liabilities, and to depreciate lease assets separately from interest on lease liabilities in the income statement. IFRS 16 replaces the previous lease standard, IAS 17 *Leases*, and related

interpretations. This standard was effective on 1 January 2019. Early adoption is permitted only if the Company also applies IFRS 15 *Revenue from Contracts with Customers*. The standard can be applied using either the full retrospective approach or a modified retrospective approach at the date of adoption.

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

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

The Company does not consider IFRS 16 to have a material impact on its consolidated financial statements.

Significant Accounting Policies

The preparation of the interim condensed consolidated financial information requires Management to exercise judgment in applying DGO's accounting policies.

Note 3 - Acquisitions

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

2019 Acquisitions

Acquisition of HG Energy Appalachia II, LLC

In April 2019, DGO acquired 107 non-conventional wells in the states of Pennsylvania and West Virginia from HG Energy. The Company paid purchase consideration of \$388,064, excluding customary purchase price adjustments. The Company funded the cash consideration for the purchase with the proceeds from its equity placing of stock in April 2019, discussed in Note 11, and a draw from the credit facility discussed in Note 13. The Company is currently evaluating the purchase price accounting.

Note 4 - Revenue

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

Unaudited	Unaudited	Audited
Six months to	Six months to	Year ended
30 June 2019	30 June 2018	31 December 2018
<hr/>	<hr/>	<hr/>

Natural gas	\$	194,810	\$	48,027	\$	219,189
NGL		18,439		1,154		41,854
Oil		10,048		7,492		19,117
Total natural gas, NGL and oil	\$	223,297	\$	56,673	\$	280,160
Midstream revenue		12,765		-		7,315
Other		1,396		1,360		2,294
Total revenue	\$	237,458	\$	58,033	\$	289,769

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

Note 5 - Expenses by Nature

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

<u>Explanation</u>	<u>Unaudited Six months to 30 June 2019</u>	<u>Unaudited Six months to 30 June 2018</u>	<u>Audited Year ended 31 December 2018</u>
Employees and benefits (operations)	\$ 34,124	\$ 8,209	\$ 35,061
Well operating expenses, net	28,636	12,741	31,080
Automobile	4,871	1,475	5,569
Insurance	4,698	2,095	4,698
Production taxes (severance, property and other)	7,277	700	10,221
Gathering, compression and transportation	15,523	4,225	21,164
Total operating expense	\$ 95,129	\$ 29,445	\$ 107,793
Depreciation	\$ 11,290	1,091	\$ 10,272
Depletion	34,052	7,263	31,716
Total depreciation and depletion	\$ 45,342	\$ 8,354	\$ 41,988
Employees and benefits (administrative)	\$ 8,952	\$ 3,921	\$ 12,653
Other administrative	3,554	213	1,834
Professional fees	5,261	302	5,070
Auditors' remuneration			
Fees payable to the Company's auditor for the audit of the group and Company's annual accounts	70	73	95
Fees payable to the Company's auditor and its associates for other services:			

Audit of the accounts of subsidiaries	42	238	310
Corporate finance services	591	116	142
Total auditors' remuneration	\$ 703	\$ 427	\$ 547
Rent	-	430	-
Recurring administrative expenses	\$ 18,470	\$ 5,293	\$ 20,104
Non-recurring costs associated with acquisitions	2,803	2,059	19,637
Non-cash equity compensation (a)	409	142	783
Non-recurring administrative expenses	\$ 3,212	\$ 2,201	\$ 20,420
Total administrative expenses	\$ 21,682	\$ 7,494	\$ 40,524
Total expenses	\$ 162,153	\$ 45,293	\$ 190,305

- a) Non-cash equity issuances in 2019 and 2018 reflect the expense recognition related to stock compensation provided to certain key managers.

Note 6 - Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure, that is defined as operating profit plus or minus items detailed in the table below, which is of particular interest to the industry and Management, as it is essentially the cash generated from operations that DGO has free for interest payments 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.

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 its peers without regard to DGO's financing methods or capital structure. The Company excludes the items listed in the table below from operating profit in arriving at Adjusted EBITDA 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 operating profit to Adjusted EBITDA:

	Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
Operating profit	\$ 107,763	\$ 36,179	\$ 294,997

Depreciation and depletion	45,342	8,354	41,988
Gain on bargain purchase	-	(37,823)	(173,473)
Loss (gain) on oil and gas programme and equipment	336	(4,063)	(4,079)
Loss (gain) on derivative financial instruments	(21,252)	18,024	(33,636)
Non-recurring costs associated with acquisitions	2,802	2,059	19,637
Non-cash equity issuance included in administrative expense	408	142	738
Gain on foreign currency hedge	(4,120)	-	-
Total adjustments	<u>23,516</u>	<u>(13,307)</u>	<u>(148,825)</u>
Adjusted EBITDA	\$ <u>131,279</u>	\$ <u>22,872</u>	\$ <u>146,172</u>
Weighted average ordinary shares outstanding - basic	603,807	265,509	386,559
Weighted average ordinary shares outstanding - diluted	604,996	266,483	387,925
Adjusted EBITDA per share - basic and diluted	\$ <u>0.22</u>	\$ <u>0.09</u>	\$ <u>0.38</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 ordinary shares on the first day of the reporting period. Basic and diluted income/(loss) per ordinary share is calculated as follows:

Calculation		Unaudited Six months to 30 June 2019	Unaudited Six months to 30 June 2018	Audited Year ended 31 December 2018
Income after taxation available to ordinary shareholders	A	\$ 62,166	\$ 23,546	\$ 201,119
Weighted average ordinary shares outstanding - basic	B	603,807	265,509	386,559
Weighted average ordinary shares outstanding - diluted	C	604,996	266,483	387,925
Earnings per ordinary share - basic	= A/B	\$ <u>0.10</u>	\$ <u>0.09</u>	\$ <u>0.52</u>
Earnings per ordinary share - diluted	= A/C	\$ <u>0.10</u>	\$ <u>0.09</u>	\$ <u>0.52</u>
Adjusted EBITDA per ordinary share - basic & diluted	Note 6	\$ <u>0.22</u>	\$ <u>0.09</u>	\$ <u>0.38</u>

Note 8 - Dividends

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 \$'000
	USD	GBP				
Dividend declared 30 April 2018	0.0345	0.0251	11 May 2018	25 May 2018	311,476	\$ 10,746
Dividends paid during the period ended 30 June 2018						10,746
Dividend declared 29 June 2018	0.0173	0.013	13 July 2018	24 September 2018	311,476	5,373
Dividend declared 11 September 2018	0.0280	0.022	30 November 2018	19 December 2018	542,633	15,194
Dividends paid during the year ended 31 December 2018						31,313
Dividend declared 14 December 2018	0.0330	0.0434	8 March 2019	29 March 2019	542,654	17,908
Dividend declared 28 February 2019	0.0340	0.0432	12 April 2019	28 June 2019	542,654	18,450
Dividends paid during the period ended 30 June 2019						\$ 36,358

On 13 June 2019 the Company announced a dividend of \$0.0342 per share. The dividend will be paid on 27 September 2019 to shareholders on the register on 6 September 2019. On 8 August 2019 the Company announced a dividend of \$0.035 per share that will be paid in December 2019.

Note 9 - Oil and Gas Properties

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

Period	Costs				Depletion and Impairment				Net Book Value
	Beginning Balance	Additions (a)	Disposals	Ending Balance	Beginning Balance	Period Charges	Disposals	Ending Balance	
As at and for the six months to 30 June 2019	\$ 1,148,235	391,063	-	\$ 1,539,298	\$ (55,284)	(34,052)	-	\$ (89,336)	\$ 1,449,962

As at and for the six months to 30 June 2018	\$ 239,814	275,716	(19)	\$ 515,511	\$ (24,489)	(7,492)	-	\$ (31,981)	\$ 483,530
As at and for the year ended December 31 2018	\$ 239,814	908,514	(93)	\$ 1,148,235	\$ (24,489)	(30,795)	-	\$ (55,284)	\$ 1,092,951

a) See Note 3 for more information about the Company's acquisitions.

Note 10 - Property and Equipment

The following table summarises 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 six months to 30 June 2019	\$ 340,393	16,077		\$ 356,470	\$ (12,644)	(11,290)	-	\$ (23,934)	\$ 332,536
As at and for the six months to 30 June 2018	\$ 9,676	8,608	(465)	\$ 17,819	\$ (2,729)	(5,000)	-	\$ (7,729)	\$ 10,090
As at and for the year ended 31 December 2018	\$ 9,676	330,859	(142)	\$ 340,393	\$ (2,729)	(11,193)	1,278	\$ (12,644)	\$ 327,749

Certain prior period amounts of property and equipment have been reclassified to conform with current presentation. See Note 2 for additional information.

Note 11 - Share Capital

In April 2019 DGO placed 151,515 new ordinary shares at \$1.52 per share (£1.17) to raise gross proceeds of \$230,676 (approximately £177,278). DGO used the proceeds to fund the HG Energy acquisition discussed in Note 3.

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

	Number of shares	Total Share Capital \$'000	Total Share Premium \$'000
Balance at 1 January 2019	542,654	\$ 7,346	\$ 540,655
Issuance of share capital	151,515	1,972	219,888
Repurchase of shares	(13,732) ^(a)	-	-
Balance at 30 June 2019	680,437	\$ 9,318	\$ 760,543

(a) In April 2019 the Company announced the terms of a share buyback programme. For the period ended 30 June 2019, the Company repurchased 13,732 shares at an average price of \$1.40, totaling \$19,181. The Company has accounted for the repurchase of these shares a direct reduction to retained earnings. All repurchased shares will be canceled.

Note 12 - Asset Retirement Obligation

The Company records a liability for future cost of decommissioning production facilities and pipelines. The decommissioning liability represents the present value of decommissioning costs relating to oil and gas properties, which the Company expects to incur over the long producing life of its wells, presently estimated through to 2093 when the Company expects its producing oil and gas properties to reach the end of their economic lives.

The discount rate and the cost inflation rate used in the calculation of the decommissioning liability was 8.0% and 2.2%, respectively, as at each of the periods presented. The table below summarises the activity for the Company's decommissioning liability:

	Six months to 30 June 2019	Six months to 30 June 2018	Year ended 31 December 2018
Balance at 1 January	\$ 142,725	\$ 35,448	\$ 35,448
Additions (a)	221	34,784	96,508
Accretion	6,108	2,158	7,101
Disposals	(1,237)	-	(1,161)
Revisions to estimate	-	-	4,829
Balance	\$ 147,817	\$ 72,390	\$ 142,725
Less: Current decommissioning provision	2,650	-	2,535
Long-term decommissioning liability	\$ 145,167	\$ 72,390	\$ 140,190

a) See Note 3 for more information about the Company's acquisitions.

Note 13 - Borrowings

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

	30 June 2019	30 June 2018	31 December 2018
Individuals and institutional investor bonds, interest rate of 8.50%, maturing June 2020, unsecured	\$ 123	89	\$ 86
Financial institution, interest rate of 2.00% plus LIBOR (2019) and 2.25% plus LIBOR (2018), secured by oil and gas properties	615,200	145,600	495,284
Miscellaneous, primarily for real estate, vehicles and equipment	9,859 (a)	301	2,537
Total borrowings	\$ 625,182	\$ 145,990	\$ 497,907
Less: Current portion of long-term debt	(122)	(107)	(286)
Less: Deferred financing costs	(14,829)	(6,195)	(15,093)
Total non-current borrowings, net	\$ 610,231	\$ 139,688	\$ 482,527

(a) In June 2019 the Company entered into a fleet financing agreement for \$7.7 million with an implied interest of 2%

In April 2019, the Company increased its borrowing base on the \$1,500,000, five-year senior secured credit facility from \$725,000 to \$950,000. The April 2019 acquisition of certain producing assets of HG Energy, discussed in Note 3, were funded partially by a \$152,000 draw on the upsized credit facility. The facility has an initial interest rate of 2.50% plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00% to 3.00% plus LIBOR based on utilisation.

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

	<u>30 June 2019</u>	<u>30 June 2018</u>	<u>31 December 2018</u>
Not later than one year	\$ 122	\$ 107	\$ 286
Later than one year and not later than five years	625,060	145,883	497,621
Total borrowings	\$ 625,182	\$ 145,990	\$ 497,907

Note 14 - Other Assets & Liabilities

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

	<u>30 June 2019</u>	<u>30 June 2018</u>	<u>31 December 2018</u>
Other non-current assets			
Derivative financial instruments	\$ 13,423	\$ -	\$ 21,745
Other non-current assets	577	57,769	798
Total other non-current assets	\$ 14,000	\$ 57,769	\$ 22,543
Other current assets			
Prepaid expenses	\$ 3,240	\$ 2,158	\$ 2,996
Derivative financial instruments	47,148	-	17,573
Other receivables	1,930	372	4,171
Inventory	5,163	-	5,303
Total other current assets	\$ 57,481	\$ 2,530	\$ 30,043
Other non-current liabilities			
Derivative financial instruments	\$ -	\$ 5,971	\$ -
Revenue to be distributed	21,198	11,145	20,159
Other	1,694	3,809	1,060
Total other non-current liabilities	\$ 22,892	\$ 20,925	\$ 21,219
Other current liabilities			
Accrued expenses	\$ 22,198	\$ 4,339	\$ 21,852
Taxes payable	12,865	509	13,854
Net revenue clearing	10,729	3,642	9,299
Asset retirement obligation - current	2,650	-	2,535
Derivative financial instruments	-	12,921	-
Other	1,922	1,470	6,261
Total other current liabilities	\$ 50,364	\$ 22,881	\$ 53,801

Note 15 - Derivatives

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

Assets/(Liabilities)	30 June 2019	30 June 2018	31 December 2018
Natural gas			
Swaps	\$ 25,301	\$ (1,020)	\$ 4,053
Collars	11,526	(2,288)	131
Basis swaps	(2,073)	(872)	(1,720)
Put options	3,486	-	7,292
Total natural gas financial derivative contracts	\$ 38,240	\$ (4,180)	\$ 9,756
Natural gas liquids			
Swaps	21,793	(9,371)	26,208
Total natural gas financial derivative contracts	\$ 21,793	\$ (9,371)	\$ 26,208
Oil			
Swaps	\$ 41	\$ (992)	\$ 676
Collars	497	(4,349)	2,929
Total oil financial derivative contracts	\$ 538	\$ (5,341)	\$ 3,605
Total financial derivative contracts	\$ 60,571	\$ (18,892)	\$ 39,569

The Company reports 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	Statement of Financial Position line item	30 June 2019	30 June 2018	31 December 2018
Non-current assets		\$ 34,274	\$ 13,791	\$ 49,854
Current assets		59,249	1,646	29,068
Total assets		\$ 93,523	\$ 15,437	\$ 78,922
Non-current liability		\$ (20,851)	\$ (19,762)	(28,109)
Current liabilities		(12,101)	(14,567)	(11,495)
Total liabilities		\$ (32,952)	\$ (34,329)	(39,604)
Net assets - non-current	Other non-current assets/(liabilities)	\$ 13,423	\$ (5,971)	21,746
Net assets - current	Other current assets/(liabilities)	47,148	(12,921)	17,573
Net assets/(liabilities)		\$ 60,571	\$ (18,892)	\$ 39,319

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

	Unaudited	Unaudited	Audited
	Six months to	Six Months to	Year ended
	30 June 2019	30 June 2018	31 December 2018
Net gain (loss) on settlements	\$ 7,422	\$ (423)	\$ (15,655)
Gain on foreign currency hedge	4,120	-	-
Total gain (loss) on settled derivative instruments	\$ 11,542	\$ (423)	\$ (15,655)
Net gain (loss) on fair value adjustments on unsettled financial instruments	21,252	(18,024)	33,636
Total gain (loss) on derivative financial instruments	\$ 32,794	\$ (18,447)	\$ 17,981

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

Note 16 - Subsequent Events

The Company determined the need to disclose the following material transactions that occurred subsequent to 30 June 2019, which have been described within each relevant footnote as follows:

Description	Footnote
Dividends	Note 8

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