Registered number: 09156132

DIVERSIFIED GAS & OIL PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 JULY 2015

CONTENTS

COMPANY INFORMATION

DIRECTORS	Robert Marshall Post (Chairman) Robert Russell Hutson, Jr. (Chief Executive Officer) Martin Keith Thomas (Non-Executive Director)
REGISTERED NUMBER	09294394
REGISTERED OFFICE	15 Appold Street London EC2A 2HB United Kingdom
INDEPENDENT AUDITOR	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH

STRATEGIC REPORT
FOR THE PERIOD ENDED 31 JULY 2015

INTRODUCTION
The Company was incorporated in England and Wales on 31 July 2014 as a public limited company under the Companies Act 2006 and is traded on the ISDX Growth Market under "DOIL". The company's principal activity is to engage in investments of natural gas and crude oil production in the Appalachian Basin of the USA.

BUSINESS REVIEW
The Company incurred a loss for the period of £424,000. During the first period of trade the business acquired subsidiary undertakings as disclosed in note 8 and admitted bonds to trading on the ISDX growth market.

The company was set up for the purpose of obtaining a listing on a public market and then to achieve an acquisition of an established business. Having identified an appropriate target the acquisition completed on 1 June 2015. The acquired business had an accounting reference date of 31 December.

The intention was the accounting reference date of Diversified Gas & Oil Plc would be changed to 31 December and the first financial statements would cover the 18 month period to from 1 July 2014 to 31 December 2015.

Unfortunately due to an administrative oversight the change in accounting reference date was not effected within the required timescale. Accordingly the company is required to prepare financial statements for the period ending 31 July 2015.

On filing of these financial statements the company will change its accounting reference date to 31 December, and the next financial statements will be made up to 31 December 2015.

Those financial statements will present the results of the group for the year then ending together with comparatives using the principles of a merger.

In view of the above the Directors consider that to prepare consolidated financial statements made up to 31 July 2015 would involve undue time and expense as per section 405 (3b) of the Companies Act 2006. For this reason the Directors have not prepared group financial statements and these financial statements present only the results of the company.

PRINCIPAL RISKS AND UNCERTAINTIES
The principal risks and uncertainties facing the business are as follows:

The key risks and uncertainties facing the business are as follows:

Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates between the Great British Pound and U.S. Dollar.

Financing risk

The Company's principal activity is obtaining financing to invest in natural gas and crude oil producing assets in the Appalachian Basin of the USA. The Company has bonds listed on the ISDX Growth Market and all further issuances are subject to market approval.

FINANCIAL KEY PERFORMANCE INDICATORS
The Company's key financial performance indicator is the earnings per share. An analysis of the key performance indicators for earnings per share is disclosed within the financial statements.

At this stage in the Company's development management have not identified any non-financial key performance indicators.

STRATEGIC REPORT
FOR THE PERIOD ENDED 31 JULY 2015

This report was approved by the board on 23 May 2016 and signed on its behalf.

Robert Marshall Post
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 JULY 2015

The directors present their report and the financial statements for the period ended 31 July 2015.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The operating loss for the period amounted to £424k.

No dividends were paid during the period and no dividends were proposed.

DIRECTORS

The directors who served during the period are set out on page 1. The directors' beneficial interests in the share capital of the company were as follows:

	31 July 2015	
	Ordinary shares of 1p	% of issued share capital
Robert Marshall Post (appointed 31/07/2014)	17,500,000	50%
Robert Russell Hutson, Jr. (appointed 31/07/2014)	17,500,000	50%
Martin Keith Thomas (appointed 01/01/2015)	-	-

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 JULY 2015

FUTURE DEVELOPMENTS

As of the date of this report, the directors are not aware of any likely major changes in the company's activities in the next period. The Company continues to raise funding to acquire natural gas and crude oil investments.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

POST BALANCE SHEET EVENTS

Since 31 July 2015, the Company's has issued additional unsecured 8.5% bonds to the ISDX Growth market so that the total bonds in issue is £9.0m.

AUDITORS

The auditor, Crowe Clark Whitehill LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 May 2016 and signed on its behalf.

Robert Marshall Post
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DIVERSIFIED GAS & OIL PLC

We have audited the financial statements of DIVERSIFIED GAS & OIL PLC for the period ended 31 July 2015, set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

BASIS FOR QUALIFIED OPINION ON FINANCIAL STATEMENTS

As explained in note 1.1, the company has not prepared group accounts as required by section 405 of the Companies Act 2006 on the grounds that these could not be obtained without undue expense or delay. This is not however, a permitted reason for not producing group accounts under FRS 102 and, as a result, the financial statements do not give all the information required about the economic activities of the group of which the company is a parent. It is not practicable to quantify the effect of the departure from this requirement.

QUALIFIED OPINION ON THE FINANCIAL STATEMENTS – FAILURE TO PREPARE GROUP ACCOUNTS

In our opinion, the financial statements:

- give a true and fair view of the state of the affairs of the company as at 31 July 2015 and of its loss for the period then ended; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Except for the failure to prepare group account, in our opinion, the financial statements have been properly prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DIVERSIFIED GAS & OIL PLC

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Leo Malkin

Leo Malkin (Senior statutory auditor)

for and on behalf of
Crowe Clark Whitehill LLP

Statutory Auditor

St Bride's House
10 Salisbury Square
London
EC4Y 8EH

23 May 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JULY 2015

	Note	Period Ended 31 July 2015 £'000
Administrative expenses	5	(410)
Operating loss		**(410)**
Interest payable and similar charges		(14)
Loss on ordinary activities before taxation		(424)
Taxation on loss on ordinary activities	10	-
Loss on ordinary activities for the financial period		**(424)**
Total comprehensive loss for the period		**(424)**
Basic and diluted loss per share attributable to the ordinary equity holders of the company:		
Basic	3	(0.04)
Diluted	3	(0.04)

The notes on pages 13 to 18 form part of these financial statements.

BALANCE SHEET
AS AT 31 JULY 2015

	Note	As at 31 July 2015 £'000
ASSETS		
Fixed assets		
Investments	8	350
		350
Current assets		
Other current assets	11	613
Cash and cash equivalents		-
		613
Total assets		**963**
EQUITY AND LIABILITIES		
Equity		
Share capital	4	400
Retained deficit		(424)
		(24)
Non-current liabilities		
Borrowings	6	829
		829
Current liabilities		
Trade and other payables	12	158
		158
Total equity and liabilities		**963**

The notes on pages 11 to 16 form part of these financial statements.

The financial statements were authorised for issue for the board on 23 May 2016 and signed on its behalf by:

Robb M. Post

Robert Marshall Post
Director

STATEMENT OF CHANGES IN EQUITY
AS AT 31 JULY 2015

	Share capital £'000	Retained earnings £'000	Total equity £'000
On incorporation	50	-	50
Issuance of share capital	350	-	350
Comprehensive loss for the period	-	(424)	(424)
At 31 July 2015	**400**	**(424)**	**(24)**

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JULY 2015

	£'000
Cash flows from operating activities	
Operating loss	(410)
Increase in trade and other payables	(5)
Increase in trade and other receivables	44
Cash used in operations	**(371)**
Cash flows from financing activities	
Proceeds from intercompany borrowings	371
Net cash provided by financing activities	**371**
Net increase in cash and cash equivalents	**-**
Cash and cash equivalents at the beginning of the period	**-**
Cash and cash equivalents at the end of the period	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2015

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Diversified Gas & Oil Plc is a public limited company incorporated in England on 1 July 2014. The registered office is 15 Appold Street, London, EC2A 2HB. The financial statements have been prepared in accordance with Financial Reporting Standard 102 and the Companies Act 2006 under the historical cost basis.

The entity has early adopted FRS102 (before 1 January 2015) for its first accounting period ending 31 July 2015.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The financial information of the Company is presented in Pound Sterling ("£") and rounded to the nearest thousand, unless otherwise stated.

These are the first individual financial statements of Diversified Gas & Oil Plc at 31 July 2015. At the balance sheet date it was a parent undertaking as it acquired 100% of the issued share capital of Diversified Gas & Oil Corporation, a company incorporated in Delaware. The group reporting to the market has been to 31 December and full consolidated financial statements to 31 December 2015 will be presented.

The company was set up for the purpose of obtaining a listing on a public market and then to achieve an acquisition of an established business. Having identified an appropriate target the acquisition completed on 1 June 2015. The acquired business had an accounting reference date of 31 December.

The intention was the accounting reference date of Diversified Gas & Oil Plc would be changed to 31 December and the first financial statements would cover the 18 month period to from 1 July 2014 to 31 December 2015.

Unfortunately due to an administrative oversight the change in accounting reference date was not effected within the required timescale. Accordingly the company is required to prepare financial statements for the period ending 31 July 2015.

On filing of these financial statements the company will change its accounting reference date to 31 December, and the next financial statements will be made up to 31 December 2015.

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In view of the above the Directors consider that to prepare consolidated financial statements made up to 31 July 2015 would involve undue time and expense as per section 405 (3b) of the Companies Act 2006. For this reason the Directors have not prepared group financial statements and these financial statements present only the results of the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2015

The following principal accounting policies have been applied:

Standards and interpretations issued but not yet applied
At the date of authorisation of this Financial Information, the Directors have reviewed the standards in issue by the International Accounting Standards Board ("IASB") and IFRIC, which are effective for annual accounting periods ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial reporting of the company.

Comparative figures
No comparative figures have been presented as the Financial Information covers the period from incorporation on 31 July 2014 to 31 July 2015.

1.2 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.3 LOAN NOTES

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method.

1.4 FINANCE COSTS

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.5 INVESTMENTS

Investment in a subsidiary company is held at cost less accumulated impairment losses.

1.6 GOING CONCERN

The Directors have considered the financial resources, together with their forecast financial information of the entity and the group. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current downturn in global oil and gas prices. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2015

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements the Directors consider that the key judgment is the allocation of costs between the loan balance and the profit or loss account relating to expenses of the bond listing on the ISDX growth market. See note 6 for details.

3. EARNINGS PER SHARE

The calculation for earnings per share (basic and diluted) for the relevant period is based on the loss after income tax attributable to equity holders for the period from incorporation on 31 July 2014 to 31 July 2015 as follows:

Loss attributable to equity holders (£)	(424,000)
Weighted average number of Ordinary Shares	10,849,315
Earnings per Ordinary Share (£)	(0.04)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume at conversion there were no potential dilutive ordinary shares in issue. The effect of potential dilutive shares would be anti-dilutive and therefore are not included in the above calculation of diluted earnings per share.

4. SHARE CAPITAL

On 31 July 2014, the Company was incorporated and had issued share capital of 5,000,000 Ordinary Shares of £0.01 each.

On 1 June 2015, the Company issued additional share capital of 35,000,000 Ordinary Shares of £0.01 each. The total number of Ordinary Shares of £0.01 allotted issued and fully paid at 31 July 2015 was 40,000,000 with an aggregate nominal value of £400,000.

5. OPERATING EXPENSES

The operating expenses are detailed as follows:

	2015 **£'000**
Insurance	5
Other administrative	2
Professional fees	365
Directors fees	23
Auditors remuneration:	
Audit of the financial statements	15
Corporate finance services	112

During the period ended 31 July 2015, the Company explored the potential of an initial public offering (IPO). Costs associated with the potential IPO included professional fees paid to legal counsel, accountants, and financial advisers, totalling £365k and are included in professional fees above. Management concluded that due to a low commodity pricing environment it was more favourable to pursue debt financing through a bond market.

6. BORROWINGS

Borrowings payable at the end of 31 July 2015 consist of the following:

	2015 **£'000**
Notes payable – individual and institutional investors, with an interest rate of 8%, maturing July 2017 through September 2017, unsecured	85
Bonds payable – individual and institutional investors, with an interest rate of 8.5%, maturing June 2020, unsecured	1,206
	1,291
Less deferred financing costs (see below)	(462)
	829

Deferred financing costs as at 31 July 2015 consist of the following:

	£'000
Additions	469
Charge	(7)
Carried forward	462

Future maturities of the long-term notes payable and financing leases as at 31 July 2015 are as follows:

	£'000
Not later than one year	-
Later than one period and not later than five years	1,291
Later than five years	-
	1,291

The above borrowings are recognised as a financial liability measured at amortised cost and the carrying value approximates to their fair value.

7. SUBSEQUENT EVENTS

Since 31 July 2015, the Company's has issued additional unsecured 8.5% bonds to the ISDX Growth market so that the total bonds in issue is £9.0m.

8. INVESTMENTS

On 1 June 2015, the Company issued additional share capital of 35,000,000 Ordinary Shares of £0.01 each being £350,000 as consideration for 100% with of the issued share capital of Diversified Gas & Oil Corporation, a company incorporated in Alabama, United States of America. The carrying value at 31 July 2015 of investments held was £350,000.

Diversified Gas & Oil Corporation owns 100% of the issued share capital of the following entities:
Diversified Resources, Inc (Country of incorporation – United States of America)
Marshall Gas & Oil Corporation (Country of incorporation – United States of America)
R&K Oil and Gas Corporation (Country of incorporation – United States of America)
M&R Investments LLC (Country of incorporation – United States of America)
M&R Investments Ohio LLC (Country of incorporation – United States of America)
Fund 1 DR LLC (Country of incorporation – United States of America)

9. RELATED PARTIES TRANSACTIONS

In the financial period to 31 July 2015 the company had no bank account facilities and therefore all cash transactions were performed by Diversified Gas & Oil Corporation its subsidiary undertaking. At 31 July 2015 £114,000 was owed to Diversified Gas & Oil Corporation. There is no ultimate controlling party.

10. TAXATION

	2015 £'000
Corporation tax	
Current tax on profits for the year	-
Total current tax	-
Taxation on profit on ordinary activities	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 20.3%. The differences are explained below:

	2015 £'000
Profit on ordinary activities before tax	424
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.3%.	86
Effects of:	
Tax losses carried forward	(86)
Total tax charge for the year	-

No deferred tax asset has been recognised on the losses due to the uncertainty of the availability of future profits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2015

11. DEBTORS

	2015 £'000
Due within one year	
Other debtors	608
Prepayments and accrued income	5
	613

The carrying amounts of the above financial assets that are debt instruments measured at amortised cost approximate to their fair values.

12. CREDITORS: Amounts falling due within one year

	2015 £'000
Amounts owed to group undertakings	114
Trade and other creditors	29
Accruals and deferred income	15
	158

The carrying amounts of the above financial liabilities measured at amortised cost approximate to their fair values. The total of financial liabilities measured at amortised cost in the financial statements was £987,000 being the total of the above Creditors and borrowings included in note 6.