SNOWCAP

Diversified Energy Company

LSE:DEC / NYSE:DEC

SHORT

January 2024

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Executive Summary

- Diversified Energy Company PLC ("DEC" or "the Company") has grown rapidly by acquiring mature, low-productivity oil & gas wells. Today, DEC is the single largest owner of gas wells in the US and a significant contributor to US methane emissions.
- We are <u>short</u> DEC's equity. In our report we outline the following key findings:

1. DEC's own reported production rates appear to indicate decline rates well in excess of the headline decline rates claimed by the Company.
2. DEC's self-reported "Discretionary Cash Flows" are calculated using - what we believe to be - a flawed and misleading methodology. By our adjusted calculation, Discretionary Cash Flows in the last 12 months were just $3m (vs dividends of $162m). A dividend cut looks imminent.
3. Based on our own modelling using marginally more conservative assumptions than the Company, we estimate that DEC's retirement costs may exceed the cash flows from its business as early as 2036, and that even with <u>no future dividend payments</u> to shareholders, DEC's cumulative cash flows may be insufficient to cover its ARO costs.
4. A recent study using satellite measurements to estimate the methane emissions intensity of 25 oil & gas companies found that DEC's methane emission intensity was as much as 16x higher than the Company reports; and substantially above the threshold for methane fees under new IRA rules due to start in 2024.

- *Disclaimer: We have a short position in DEC's shares and stand to realise gains in the event DEC's share price falls. As such, we have a vested interest in the price of DEC's shares declining over time.*

Short Thesis Highlights

1 Decline Rates Understated	▪ In the most recent quarter, we calculate that DEC's production rate declined at an annualized rate of 18% (adjusting for divestments) vs 10% reported. ▪ We observe the same when we look at the long term trend; after adjusting for acquisitions, we estimate that DEC's organic production has declined at an annualized rate of circa 12% since 2019; which is substantially higher than the 7% decline rate reported by the Company in 2019.
2 Unsustainable Dividends	▪ In its latest investor presentation, DEC provides a "Discretionary Cash Flows" metric as a proxy for the underlying, sustainable cash flows of its business. This appears to imply ample dividend coverage of 1.7x. ▪ We believe DEC's methodology is flawed and aggressive because it uses Adjusted EBITDA rather than Cash from Operations and adds back debt issued for new acquisitions. ▪ Based on our adjusted methodology, we calculate Discretionary Cash Flows in the last 12 months were just \$3m (vs total dividends of \$162m).
3 ARO Funding Concerns	▪ DEC has marked down its Asset Retirement Liabilities ("AROs") by delaying well retirement as far out as 2095. The Company says it can fund these long-dated costs based on its own 50-year cash flow projections. But these projections are highly sensitive to changes in DEC's long term assumptions, which appear to be overly optimistic. ▪ Using a set of marginally more conservative assumptions around decline rate and long term gas prices (in line with the EIA forecast), we model that DEC may struggle to fund its ARO costs as early as 2036, and that even with <u>no future dividend payments</u>, DEC's cumulative cash flows may be insufficient to cover its ARO costs.
4 Methane Emissions Higher than Reported	▪ A recent study based on independent satellite measurements found that DEC's methane emission intensity may be as much as 16x higher than the Company reports. ▪ Based on the independently measured emission numbers, DEC could be exposed methane charges as high as \$300m per annum under new IRA rules.

Introduction to DEC

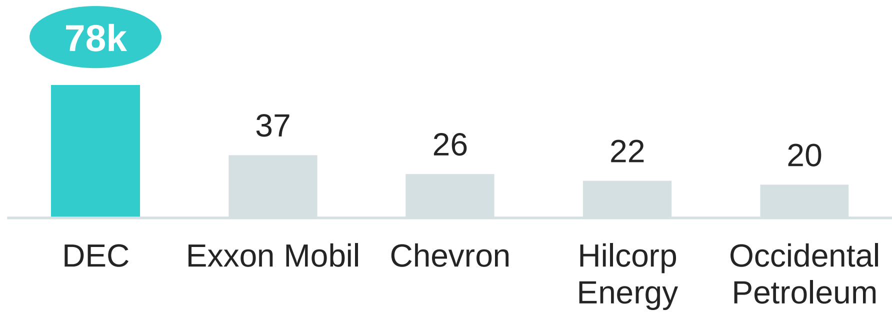
A highly-levered rollup of old oil and gas wells

- Since IPO in 2017, DEC has spent $2.7bn on **20+ acquisitions**

Acquisition Timeline[1]

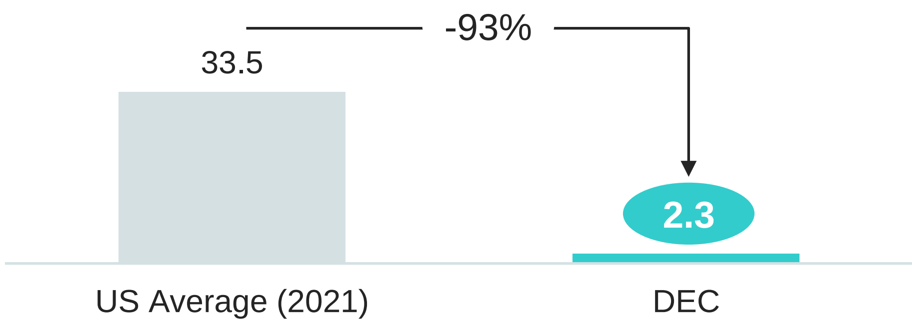
- DEC is the single **largest owner of oil & gas wells in the US**, with c. 10% of the US total[2]

Well Count[3] (Thousands)



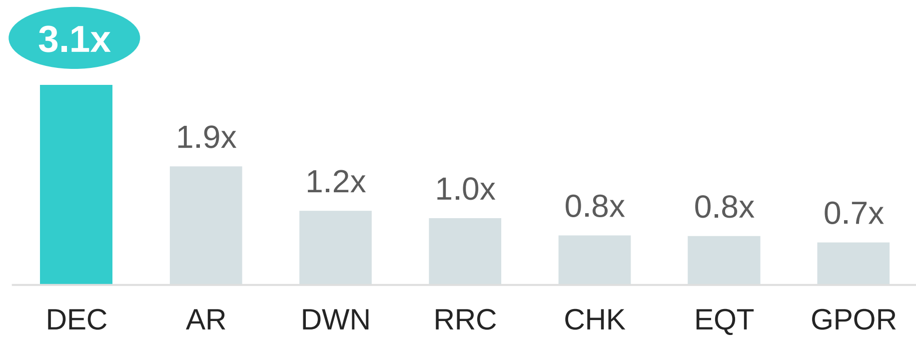
- DEC's wells are on average **93% less productive than the US average**[4]

Production Rate per Well (boe/d)



- DEC has **$1.6 billion of gross debt**, most of which is ABS loans

Net Debt / NTM EBITDA[5]



(1) DEC Presentation
(2) EIA total US well count circa 700k.
(3) Gross Producing Wells as of December 2022 (Registration Doc). Peer well count as of 2021 as per Bloomberg.
(4) US average as per EIA. DEC average calculated as December 2022 Exit Rate / Net Producing Wells as of December 2022.
(5) Capital IQ as of 18/01/24. Peers as used in DEC's investor presentations.

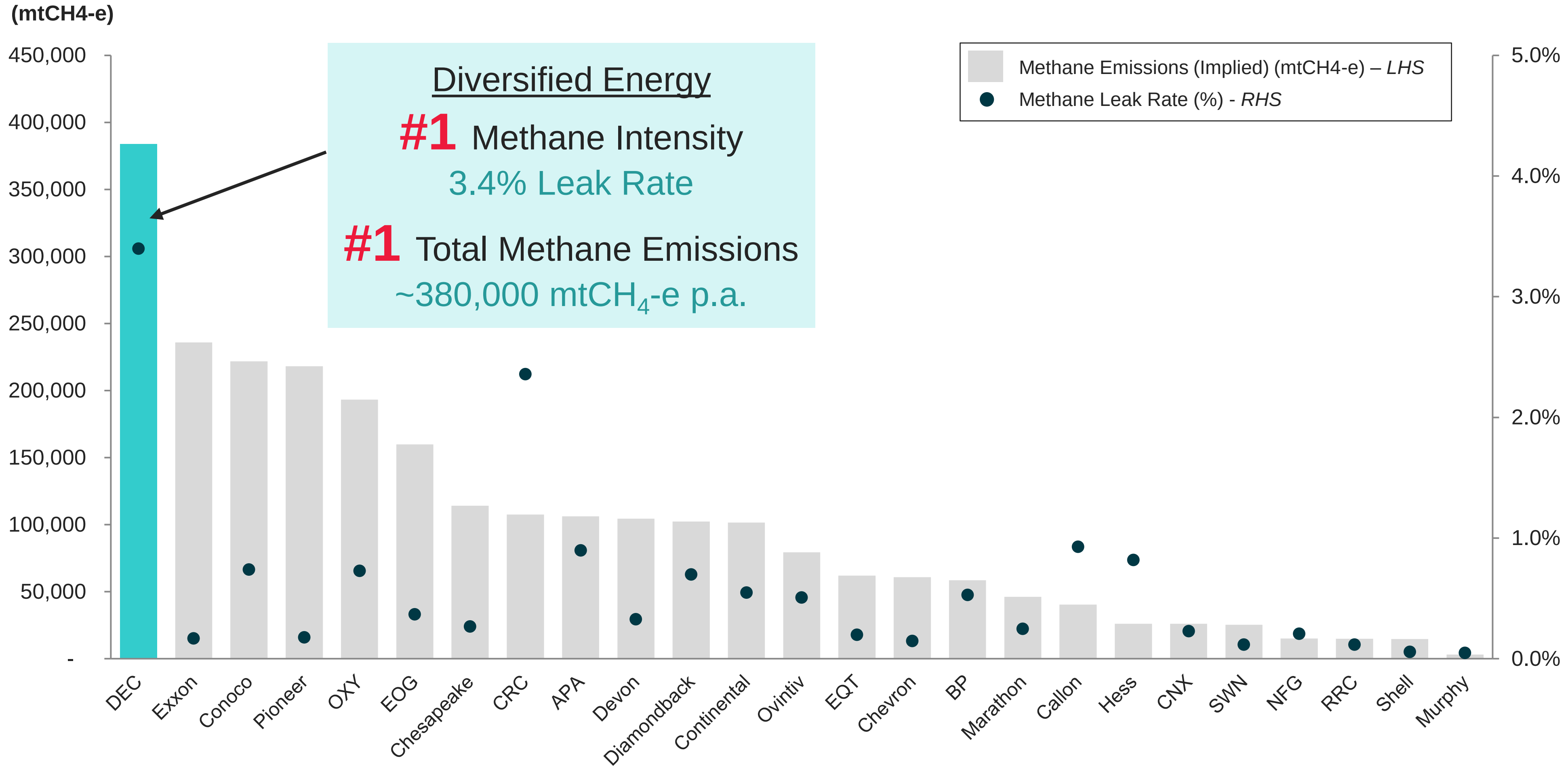
DEC's unique business model

1. Acquires **mature, low-productivity oil & gas wells**
2. **Claims to extend the operating lives** of wells via "*smarter asset management*"
3. **Delays well retirement** and associated plugging costs
4. Does not engage in drilling or exploration. Instead, must **replenish declining production with new acquisitions**
5. Securitises wells with amortising debt to support **higher leverage**

DEC’s delayed well retirement risks significant excess methane emissions

Satellite Observed US Methane Emissions – Top 25 Listed US E&Ps

Source: Geofinancial Analytics November 2023 (Wayback Machine). Reflects observed emissions for 12-month period ending Mar-23



(1) Observed methane emissions calculated as US Production (CH4 equivalent) x Observed Leak Rate. Source: Geofinancial Analytics report
Note: Continental Resources has been delisted since data was collected but we have included for completeness.

i. Production Decline Rates Understated

Low production decline rates are key to DEC's investment case

- DEC claims to achieve an industry-leading production decline rate of 10%[1] (vs 28% for peers), underpinning the Company's purported business model and dividend payments.
- Substantial acquisition activity has historically made it difficult for investors to discern DEC's decline rate for themselves.

DEC Decline Rate Disclosures

Source: Company Presentations

Low Production Declines Create Distinct Competitive Advantages

Superior Capital Intensity | Enhanced Free Cash Flows | Greater Value Creation & Return

10% Production Declines

Industry-leading

Peer Average

28%

Peer-leading ~9% consolidated corporate annual decline rate[(b)] underpins durable dividends

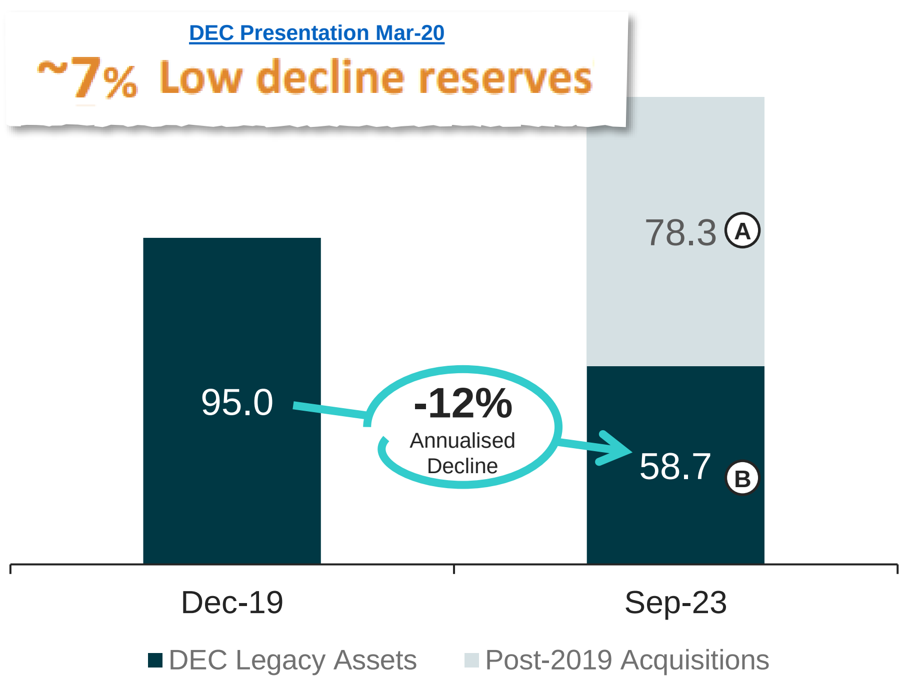
(1) DEC Corporate Presentation (Nov-23), (Consolidated decline rate).

We estimate **DEC's organic decline rate since 2019 has been 12%** (vs 7% projected at the time)

- We estimated DEC's organic decline rate since 2019 by backing out the contribution from acquisitions made since then (estimated using production rate and decline rates[1] reported at the time of acquisition).
- By our estimate, DEC's organic production rate since 2019 has declined at an annualized rate of 12% (vs 7% reported in 2019[2]).

DEC Production Exit Rate (Mboe/d)

Source: Snowcap Analysis of Company Filings



Acquisition	Acquisition Date	Prod. Rate at Acq. *Mboe/d*	Decline Rate at Acq. *%*	Est. Total Decline Acq. to Sep-23 *%*	**Est. Sep-23 Prod. Rate[2]** *Mboe/d*
EQT	May-20	9.0	9.0%	27.2%	**6.6**
Carbon	May-20	9.1	4.0%	12.8%	**7.9**
Indigo	May-21	8.0	14.0%	30.0%	**5.6**
Blackbeard	Jul-21	16.0	8.0%	17.0%	**13.3**
Tanos[1]	Aug-21	14.0	10.0%	20.0%	**11.2**
Tapstone	Dec-21	12.0	17.0%	28.7%	**8.6**
East Texas	Apr-22	3.7	7.0%	9.9%	**3.3**
Conoco	Sep-22	9.0	8.0%	8.1%	**8.3**
Tanos 2	Mar-23	17.0	32.0%	20.1%	**13.6**
Post-2019 Acquisitions as of Sep-23 (Estimate)				A	**78.3 Mboe/d**

DEC Consolidated as of Sep-23 (Reported)	134.0
(-) **Post-2019 Acquisitions** as of Sep-23 (Estimate)	(78.3)
(+) Adjustment for Divestments[3]	3.0
(=) 2019 Assets as of Sep-23 (Estimate) B	**58.7 Mboe/d**

2019 Assets as of **Dec-19** (Reported)	95.0
2019 Assets as of **Sep-23** (Estimate)	58.7
Organic Annualized Decline Rate (Dec-19 to Sep-23) (Estimate)	**12.1%**

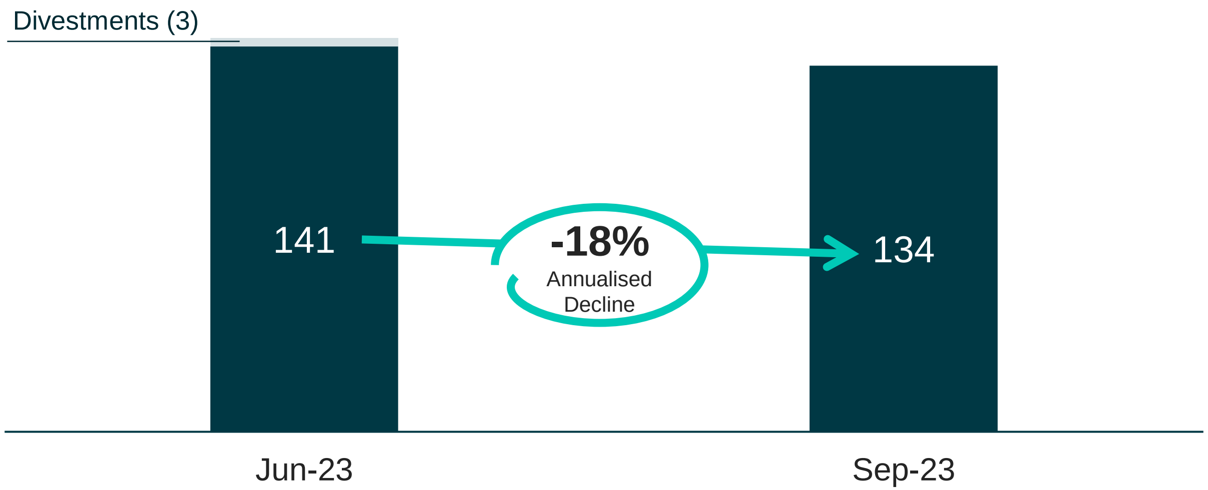
(1) Sep-23 production rates of acquisitions are estimated using production data and expected decline rates reported by the Company at the time of acquisition. In our calculation we conservatively assume that the decline rates for acquisitions have been constant. In reality, decline rates get smaller over time. DEC did not provide guidance on the expected decline rate for its Tanos acquisition, here we have assumed a 10% decline rate for the Tanos assets based on the reported post-acquisition consolidated decline rate of 8.5%.
(2) DEC's March 2020 Presentation (Pg. 34) stated that corporate decline for its existing portfolio as of December 2019 was 6-8%.
(3) Adjustment for divestments reflects 3Mboe/d of production sold by the Company in June 2023.

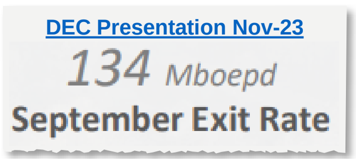
Production numbers in the latest quarter indicate a decline rate of 18% (vs 10% reported)

- In the 3 months from June 2023 to September 2023, DEC's reported exit production rate[1] declined 7% from 144mm Mboe/d to 134 Mboe/d.
- After adjusting for announced divestments made at the end of June (3 Mboe/d), we calculate that DEC's "like-for-like" production decline in the period was 5%; implying an annualized decline rate of 18%.

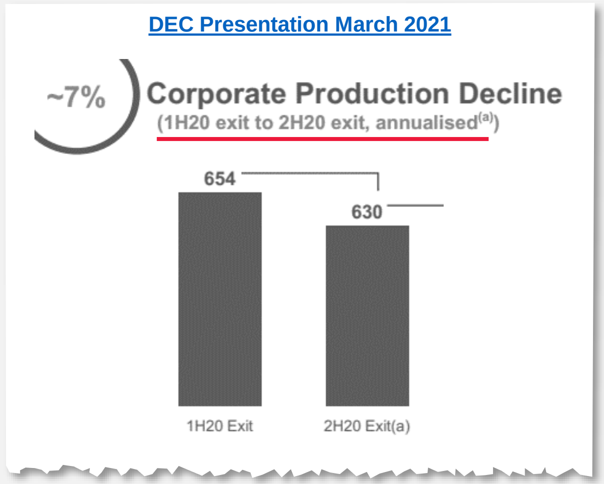
DEC Production Exit Rate (Mboe/d)

Source: Company Filings





- DEC used this same methodology for reporting its decline rate[2] in prior periods.



(1) DEC historically defined exit rate as the average daily production for the last month of the financial period. In our calculation we assume DEC's June 2023 reported exit rate includes a full month of production for the assets divested in June 2023 (announced 28 June 2023). We do not make any adjustment for the $16m sale of "undeveloped acreage" in July 2023.

(2) In its Interim 2022 presentation, DEC defined consolidated decline rate as "the change in exit rate" adjusted for the impact of acquired assets and increases to production from projects previously in progress.

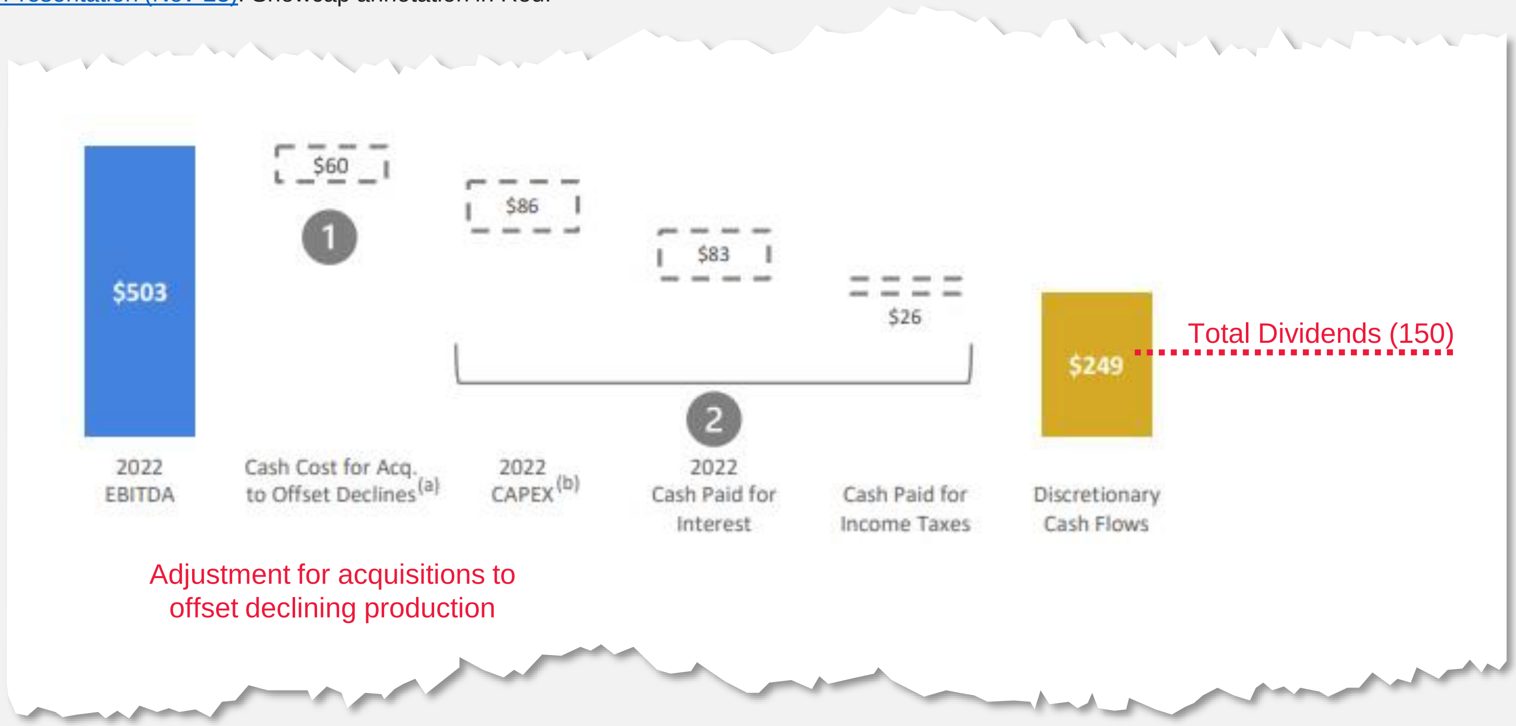
ii. Unsustainable Dividends

DEC reports healthy "Discretionary Cash Flows" which appear to support its dividends

- DEC is both highly acquisitive and a serial capital raiser, obscuring the underlying cash flows of its business.
- In its most recent investor presentation, DEC reports a "Discretionary Cash Flows" metric as a proxy for the sustainable, underlying cash flows of its business. This includes an adjustment for acquisition costs to "offset" declining production.
- DEC's reported Discretionary Cash Flows of $249m imply healthy dividend coverage of 1.7x in FY22[1].

DEC Reported Discretionary Cash Flows (FY22)

Source: DEC Corporate Presentation (Nov-23). Snowcap annotation in Red.



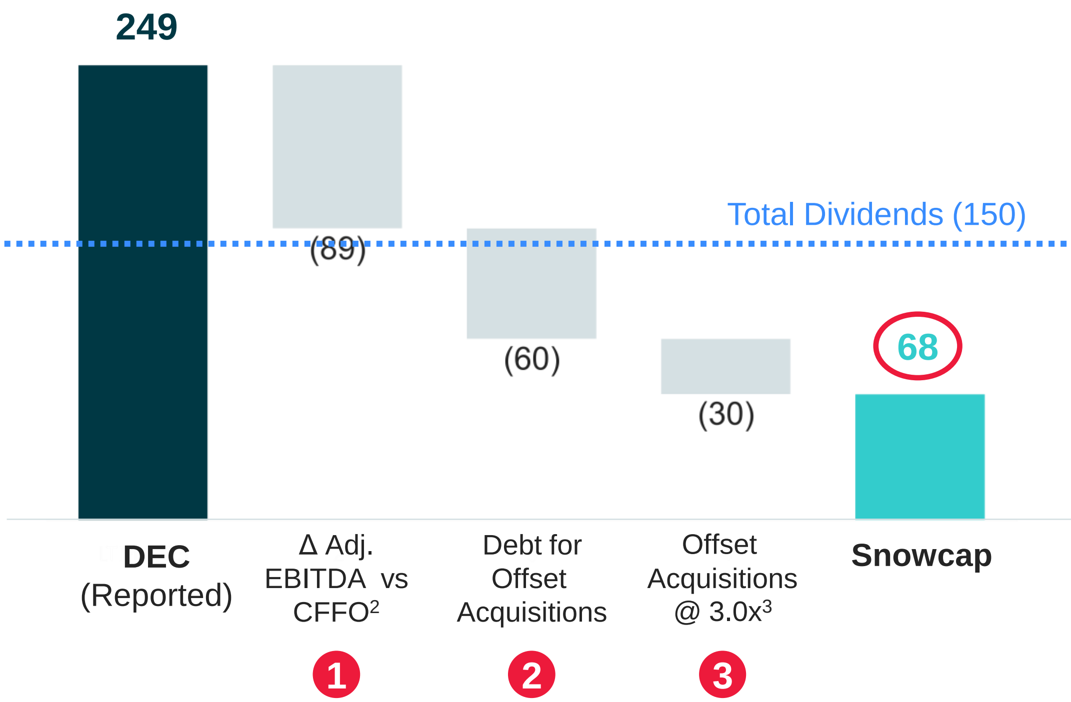
(1) Calculated as Discretionary Cash Flows / Total Dividends. See appendix for full calculation.

But these are calculated **using an aggressive and conceptually flawed methodology**

- DEC's methodology uses Adjusted EBITDA rather than Cash from Operations and adds back new debt issued for acquisitions (despite excluding debt repayments in line with declining EBITDA). It also assumes an aggressive offset acquisition multiple of 2.4x EV/EBITDA (vs 3.0 - 4.0x historically).
- Adjusting for the above, we calculate that Discretionary Cash Flows in FY22 were 73% lower than reported.

Discretionary Cash Flows ($m) – FY22[1]

Source: Company Presentation November 2023, Snowcap Calculation



Flawed Methodology

1. **Uses Adjusted EBITDA rather than CFFO**
2. **Includes debt financing for new offset acquisitions but not debt amortised in line with declining EBITDA**
   This is conceptually wrong because it ***results in increased leverage****.*
3. **Shrinking acquisition multiple**
   Assumes an offset acquisition multiple of 2.4x EV/EBITDA (vs 3.0x in FY21, and 4.0x in FY20).

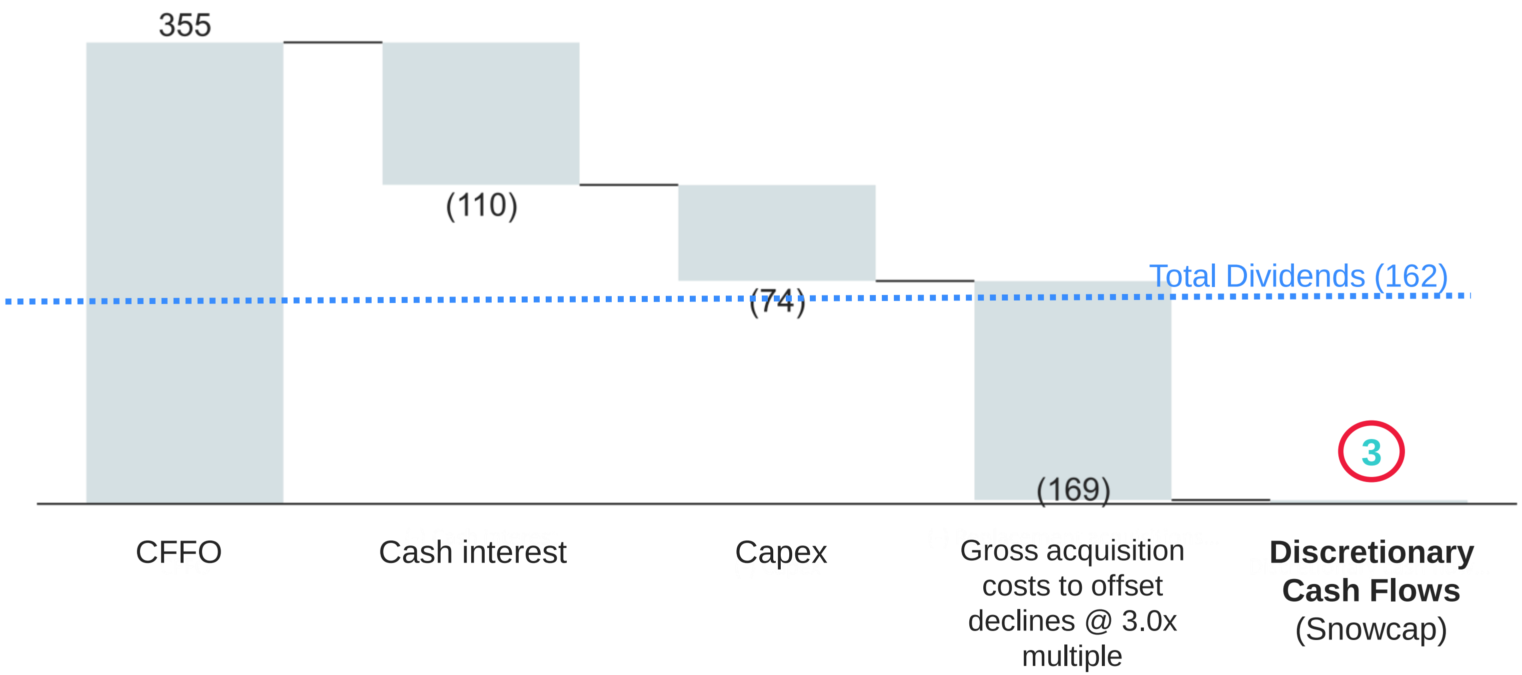
(1) DEC Corporate Presentation November 2023 (Pg 11).
(2) Cash Flow from Operations ex. Cash Taxes.
(3) See appendix for calculation.

We calculate Discretionary Cash Flows were just $3m LTM to June (vs dividends of $162m)

- In our methodology, we use DEC's Cash from Operations, exclude debt financing for new acquisitions, and assume a more conservative acquisition multiple of 3.0x. By our calculation, DEC's Discretionary Cash Flows LTM to June were just $3m (vs total dividends paid of $162m).

Discretionary Cash Flows LTM – Snowcap Calculation ($m)[1]

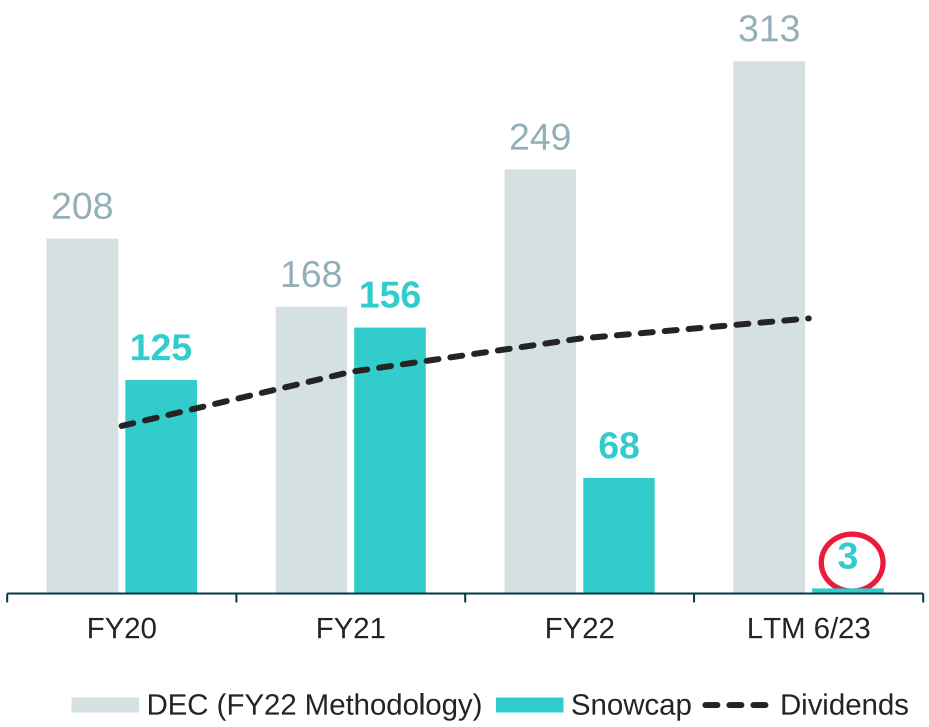
Source: Company Filings, Snowcap Calculation



DEC's dividend coverage has deteriorated substantially in recent periods

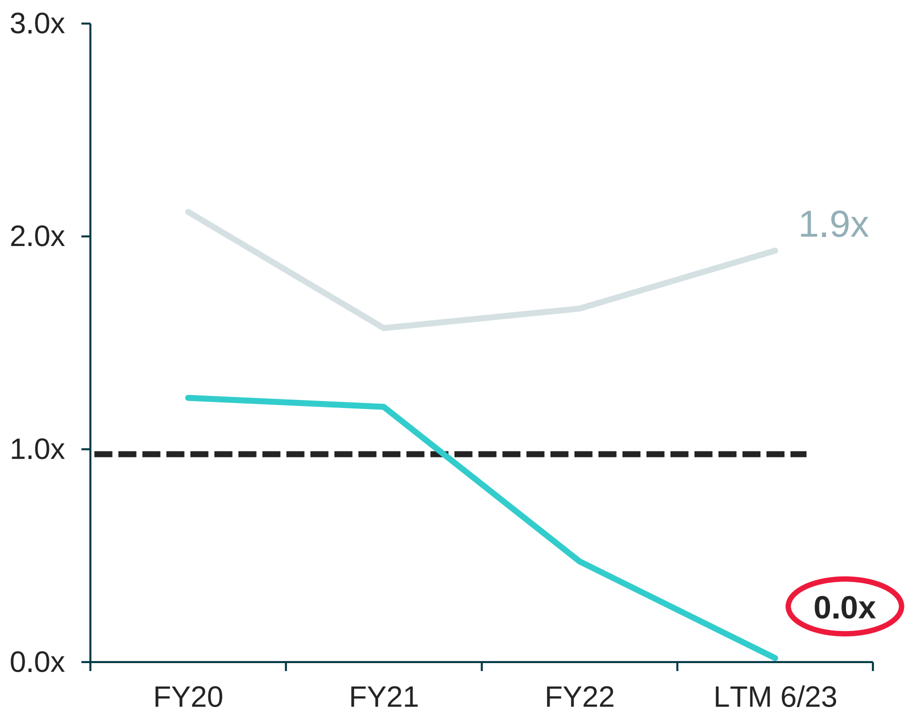
Illustrative Discretionary Cash Flows ($m)[1]

Source: Company Filings, Snowcap Calculation. See Appendix



Illustrative Dividend Coverage[2]

Source: Company Filings, Snowcap Calculation



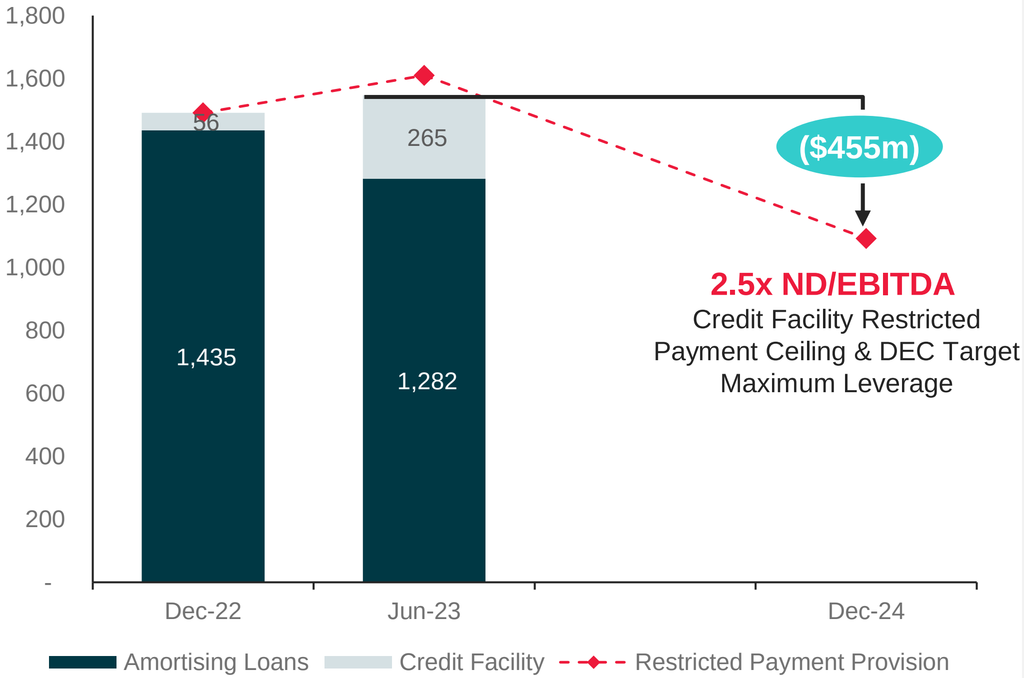
(1) DEC's Discretionary Cash Flows are illustrative based on the Company's FY22 methodology. Offset acquisition multiple and leverage as per historical DEC investor materials. See appendix
(2) Dividend Coverage calculated as Discretionary Cash Flows / Total Dividends.

Furthermore, we estimate **DEC may need to cut leverage by as much as $450m** by December

- DEC's credit facility contains a restricted payment provision, which limits the Company's ability to pay dividends in the event that its total leverage ratio exceeds 2.5x Net Debt / EBITDA[1].
- Based on consensus EBITDA estimates for FY24 – this implies a net debt ceiling of $1.06 billion in December 2024 – or $450 million less than the Company's latest net debt balance. We suspect that this may put substantial additional pressure on DEC's ability to pay dividends in the next 12 months[2].

DEC Debt vs 2.5x Leverage Ratio Ceiling

Source: Snowcap Analysis of Company Filings



Headroom Calculation on Net Debt	$m
FY24 Consensus EBITDA	457
(-) FY24 EBITDA from Appalachian Assets Sold	(35)
PF FY24 EBITDA	422
(x) Credit Facility Restricted Payment Provision	2.5x
Lock-up Ceiling on Net Debt (Dec-24)	1,055
(-) Net Debt (Jun-23)	(1,510)
Headroom / (Reduction)	**(455)**

Note: DEC could theoretically increase its debt ceiling via new acquisitions, but this would only reduce the Company's funding requirement if they were made at an EV/EBITDA multiple of less than 2.5x

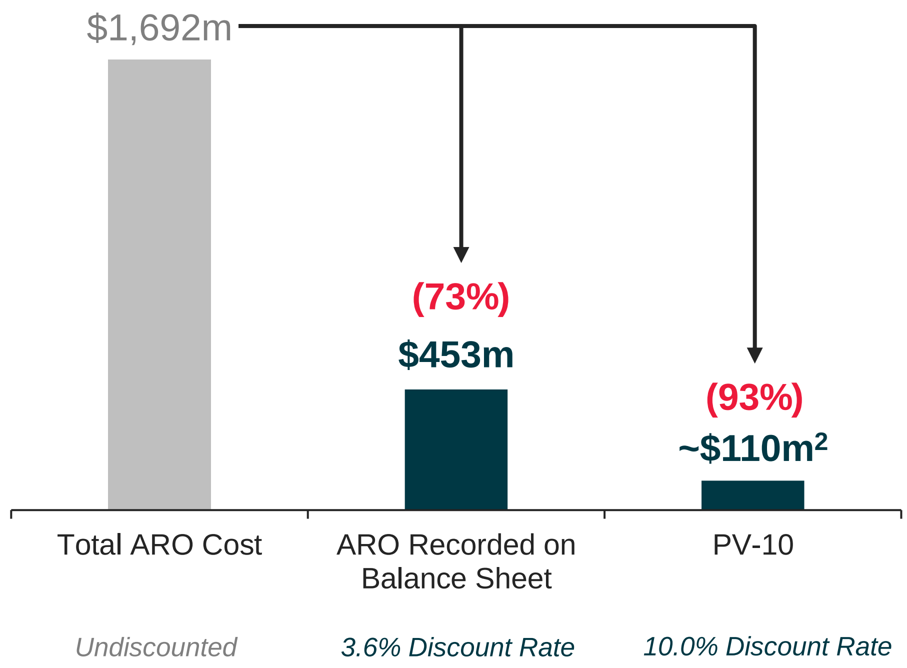
(1) DEC Registration Document (2023): *"Our subsidiaries subject to such restrictions under our Credit Facility, **from whom we derive significant cash flow, are restricted from making certain dividends or distributions** based on financial tests, giving pro forma effect to any such payment, relating to (a) Available Free Cash Flow (as defined in the Credit Facility) of greater than zero, (b) a **total net leverage ratio of 2.5 to 1.0 for the trailing four quarter period**, and (c) available Liquidity of at least 25% of the Borrowing Base thereunder."*
(2) See appendix.
(3) Consensus Estimates from Capital IQ as of 01/01/24 (pre Appalachian Asset sale). Jan-24 announced sale of Appalachian Assets.

iii. ARO Funding Concerns

DEC has pushed back well retirement as far as 2095, substantially reducing its ARO liabilities

- In its ARO Supplement, DEC projects that it will retire its portfolio of 70,000+ wells across 75 years, with an average retirement date of 50 years.
- By delaying the timing of well retirement, DEC has significantly reduced the NPV of its ARO liabilities. As of Jun-22, the Company's reported PV-10 (NPV w/ 10% discount rate) for its ARO liabilities was just $103m, or $1.4k/well.

DEC's Asset Retirement Obligation Liability (Jun-23)
Source: DEC Registration Document



- DEC assumes a 50 year weighted average retirement date for its wells.

ACCOUNTING FOR ASSET RETIREMENT

Timing of Cash Outlay	Range: Wtd Avg:	1-75 years 50 years
Amount of Cash Outlay	Gross Cost: Wtd Avg net Cost:	$20-$30K ~$23K(b)

ARO Supplement (Nov-22)

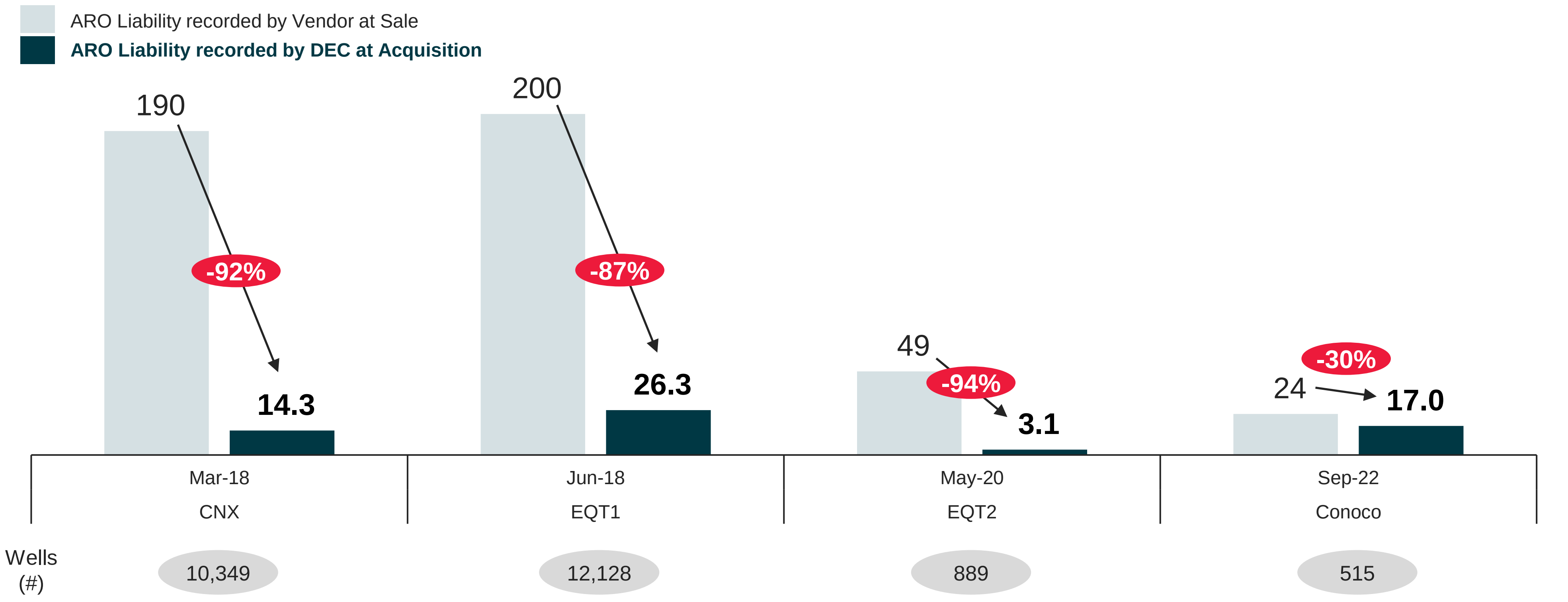
Note: Undiscounted ARO Cost ~72,000 wells (x) $23k/well avg. plugging cost. Average 50-year retirement rate.
(1) ARO Supplement (Nov-22)
(2) PV-10 for Jun-23 ARO estimated by adjusting the Company's reported PV-10 of its Jun-22 ARO ($103m) by the relative increase in its reported undiscounted ARO ($1,692m / $1,600m).

Previous owners of DEC's wells valued the ARO liabilities significantly higher

- In instances where DEC acquired wells from publicly listed vendors, filings reveal that these prior owners historically marked the associated ARO liabilities at substantially higher values.
- In multiple instances, DEC marked down the ARO liabilities by as much as 90%+ on acquiring the assets, resulting in a substantial paper gain.

Asset Retirement Obligations ($m) **- DEC Carrying Value vs Prior Owners**

Source: Company Filings. DEC acquisitions from publicly listed vendors.



DEC's ARO liabilities recently prompted questions from Congress

- In December last year, members of congress wrote to DEC describing the Company's liability accounting as "unusual", requesting DEC to provide more information on its treatment of ARO liabilities.

Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE

"We are concerned that your company may be vastly underestimating well cleanup costs. Such an underestimation would threaten Diversified Energy's ability to cover environmental liabilities associated with cleaning up its oil and gas wells, which could create thousands of orphaned, methane-leaking wells and undermine efforts to respond to the worsening climate crisis."

December 18, 2023

Note: Emphasis added by Snowcap.

DEC claims it can fund long-dated retirement costs **based on its own 50-year cash flow modelling**

- DEC presents an illustrative 50-year complete retirement scenario, projecting that - over the course of 50 years - it will generate sufficient cash flow to retire all of its wells, pay down its debt, and fund dividends.

"

We also provide a detailed, voluntary Asset Retirement Supplement presentation on our website to aid stakeholders' understanding…

…We project the cash flow from our assets over their remaining lives without additional purchases, demonstrating that the assets calculated **cash flow is sufficient to**

(i) **retire the assets** at current values plus inflation,

(ii) **repay 100% of the Company's debt**,

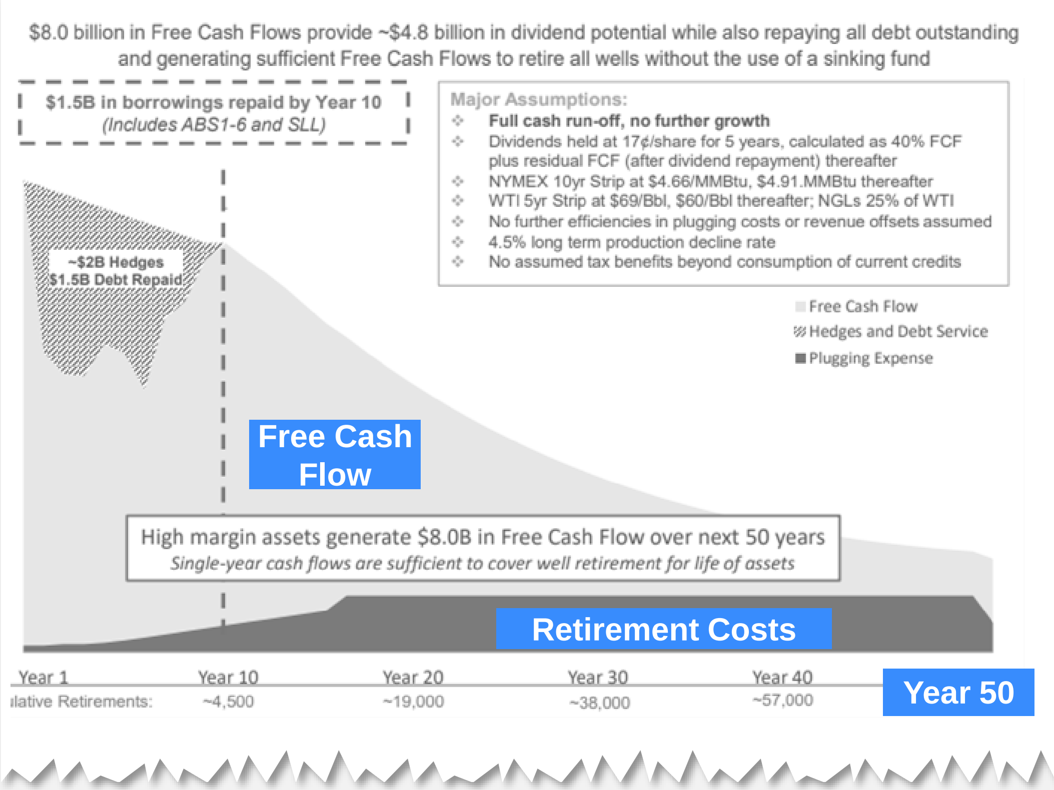
(iii) pay taxes and administrative costs,

(iv) **pay distributions to our investors.**

[DEC Response to Congress (Jan-24)]

DEC Illustrative 50 Year Retirement Scenario

Source: DEC ARO Supplement (Nov-22).



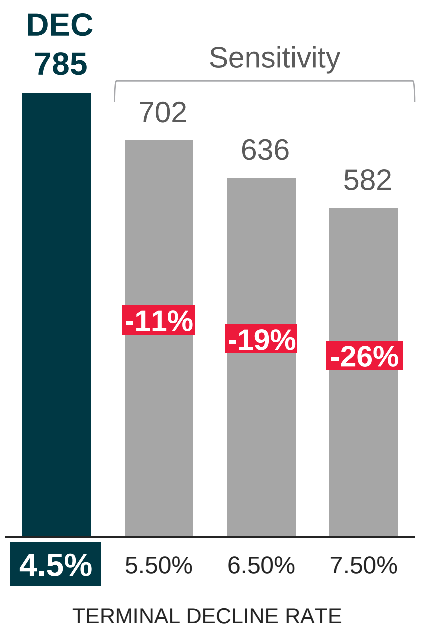
Note: Emphasis added by Snowcap.

DEC's own projections appear to rely on **multiple overly optimistic assumptions**

- DEC's 50-year projections are predicated on long-term assumptions on gas prices, decline rate, cost structure, and well plugging costs.

1
Decline Rate

50yr Production (MMboe)

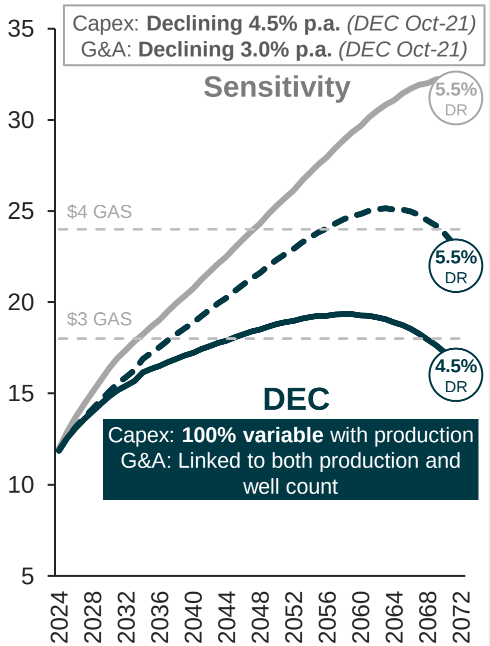


2
Gas Price

HH Gas Price ($/mmbtu)

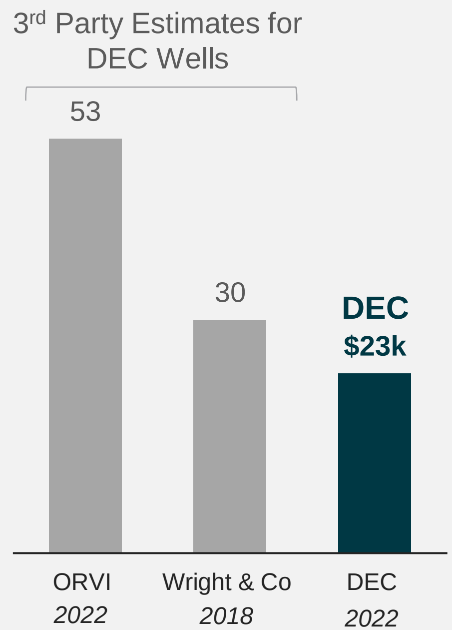
3
Cost Structure

All-in Production Cost ($/boe)



4
ARO Cost

ARO Cost / Well ($k)



(1) Illustrative production figures based on DEC's adjusted Jun-23 exit production rate of 141mboe/d. Assumes 10% initial decline rate with terminal decline achieved after in year 10 onwards.
(2) EIA Annual Energy Outlook 2023. $3.8 reflects average from price from 2034-50.
(3) Sensitivity case reflects assumptions previously used by DEC in its illustrative ARO modelling from Oct-21.
(4) ORVI (2022). Wright & Co (2018).

We recreated DEC's retirement case using **marginally more conservative assumptions**

- We attempted to recreate DEC's Illustrative 50 Year Retirement Scenario using a set of marginally more conservative assumptions ("Sensitivity Case").
- Our assumptions include a terminal decline rate of 5.5% (vs 4.5%), long term gas prices in line with the EIA's forecast, capex assumptions consistent with those used by DEC in previous scenario modelling, and ARO costs of $35k per well – based on a third-party estimate carried from 2018 adjusted for inflation.

Retirement Modelling Key Assumptions – DEC 50yr Case vs Sensitivity Case

Source: DEC's "Illustrative 50 Year Complete Portfolio Retirement Scenario" as shown in ARO Supplement (Nov-22)[1]

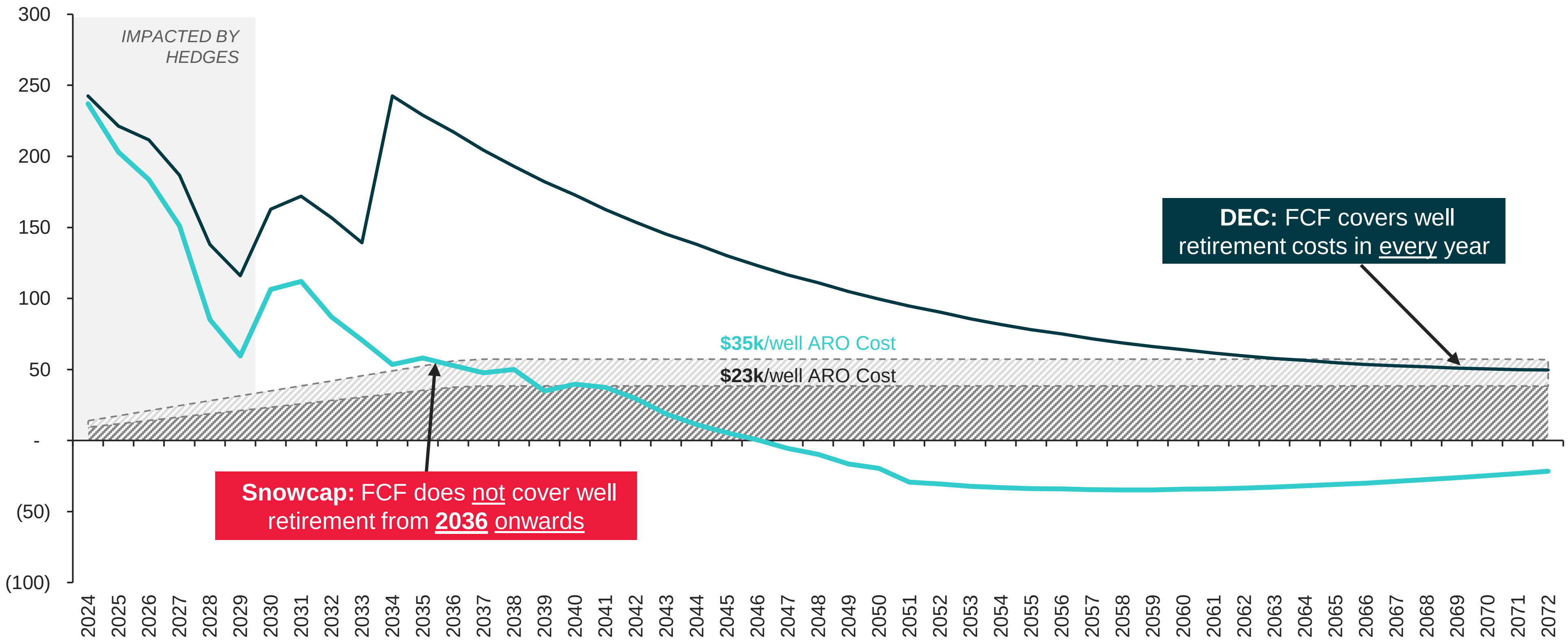
		DEC 50yr Case	Sensitivity	
Decline Rate	Initial	10.0%	**11.0%**	DEC 50yr Case +1.0%
	Yr 11+	4.5%	**5.5%**	DEC 50yr Case +1.0%
Gas Price	Yr 1-10	NYMEX strip (inc. impact of DEC hedges)	NYMEX strip (inc. impact of DEC hedges)	
	Yr 11+	$4.91/mmbtu	**EIA Forecast**	Natural Gas Spot Price at Henry Hub as per EIA's Annual Energy Outlook 2023
Capex		Variable with production	**Fixed** (declining 4.5% p.a.)	DEC Oct-21 ARO Modelling (page 102)
ARO		$23k/well	**$35k/well**	Wright & Co (2018) $30k/well 2018 estimate for DEC wells, adjusted for inflation

Under our modelling, **DEC may struggle to fund well plugging costs from 2036 onwards....**

- Our modelling shows that DEC's future cash flows are highly sensitive to changes in decline rate and long term gas prices. Under our alternative assumptions, DEC's cash flows may struggle to cover its well plugging costs from 2036 onwards.

Free Cash Flow before ARO Costs (Projection) – DEC 50yr Case vs Sensitivity Case

Source: Snowcap proprietary modelling of DEC's "Illustrative 50 Year Complete Portfolio Retirement Scenario" as shown in ARO Supplement (Nov-22)[1]



Note: Chart shows Snowcap modelling of an illustrative "roll-off" scenario (where no further acquisitions are assumed) and is not meant as a financial forecast for DEC.

(1) Updated for LTM Financials, Production figures and current NYMEX HH Strip pricing as of 18/01/24. Full assumptions of both cases detailed in appendix.

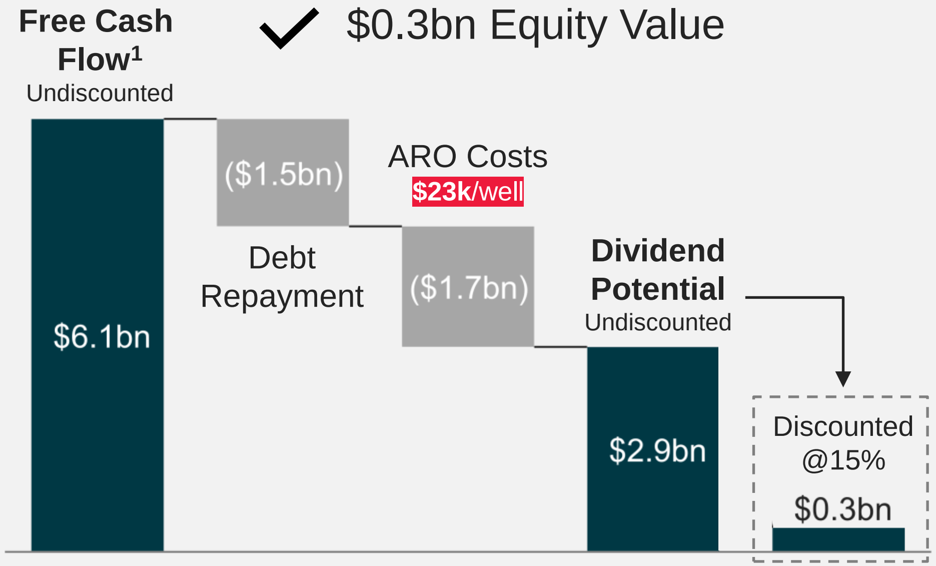
Even without future dividends, **DEC's cumulative cash flows may not cover its ARO costs**

- In our "Sensitivity Case", DEC's cumulative free cash flows after debt repayment are not sufficient to cover its ARO costs - even if we assume no further dividends are paid to shareholders.
- We believe our modelling demonstrates the need for DEC to provision for its ARO costs before paying dividends.

DEC 50yr Case[1]

✓ 100% Wells Retired

✓ $0.3bn Equity Value

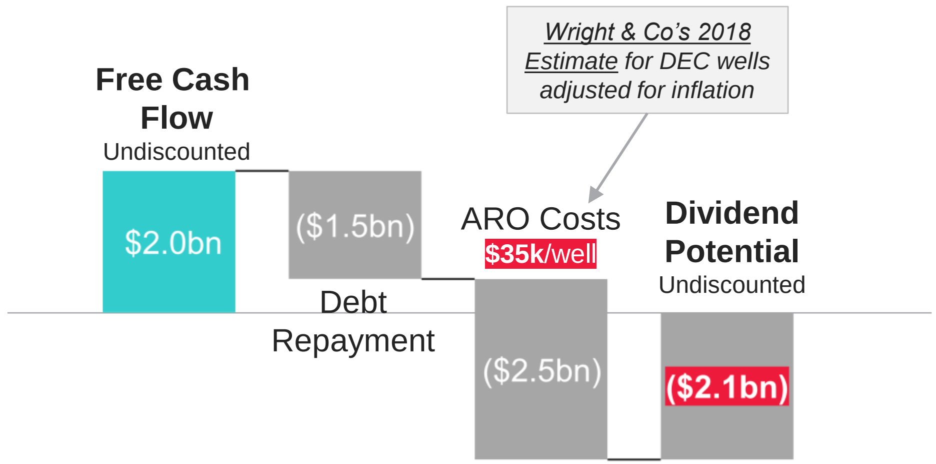


Sensitivity Case

✗ ~$2bn Unfunded ARO Liability

✗ <20% Wells Retired

✗ Negative Equity Value



Note: Figures reflect Snowcap modelling of an illustrative "roll-off" scenario (where no further acquisitions are assumed) and are not meant as a financial forecast for DEC.

(1) Snowcap reproduction of DEC's *Illustrative 50-year Complete Portfolio Retirement Scenario* from ARO Supplement (Nov-22). "Sensitivity Case" reflects Snowcap modelling of DEC 50yr Case with alternative assumptions applied. Full assumptions and cases detailed in appendix.

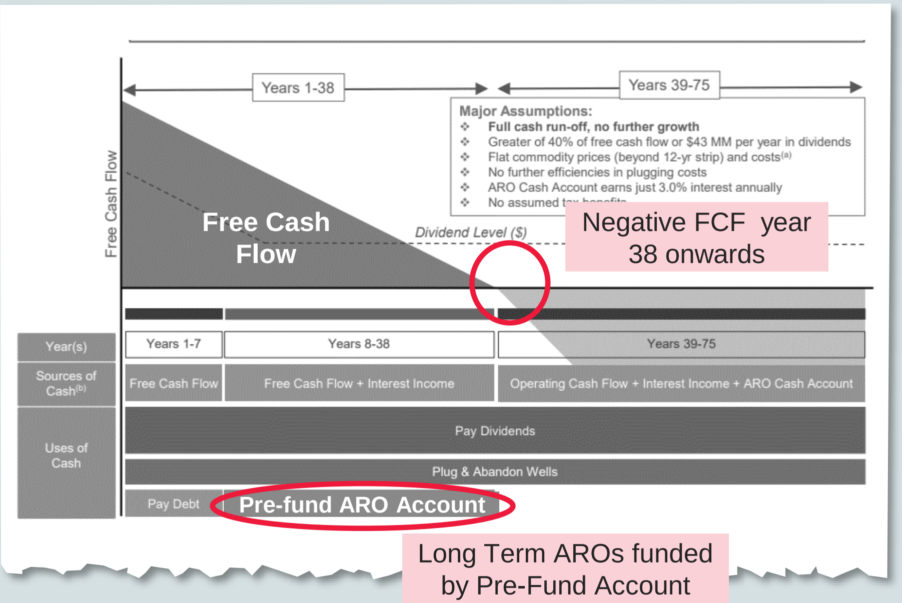
(2) Free Cash Flow defined as Operating Cash Flow less Tax, Maintenance Capex and Interest Expense. Reflects sum of Total Undiscounted Free Cash Flow projected from Jun-23 to Dec-72. In Snowcap's "Sensitivity Case" operations are assumed to cease after 2045, when Free Cash Flow becomes negative. See appendix for bridge between cases.

DEC has scrapped a previously planned ARO Pre-fund Account

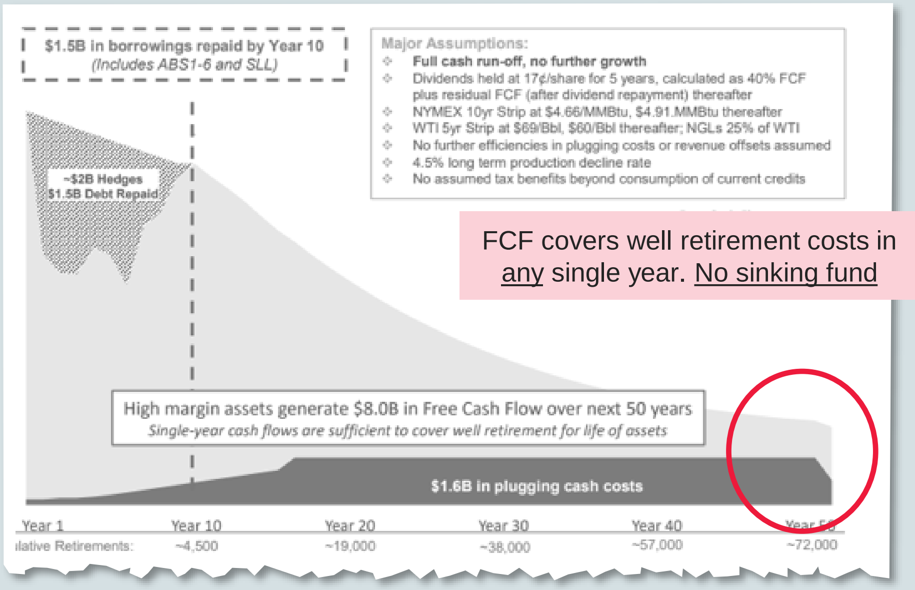
- DEC claims that it does not need to provision for its ARO liabilities via a sinking fund because its projected cash flows will supposedly exceed its ARO costs in <u>any</u> single year.
- Yet prior to 2022; DEC's own retirement modelling showed free cash flow turning negative post year 38, with ARO costs in these later years funded via an ARO pre-fund account.

DEC ARO Modelling

2021 Sinking Fund



2022 No Sinking Fund



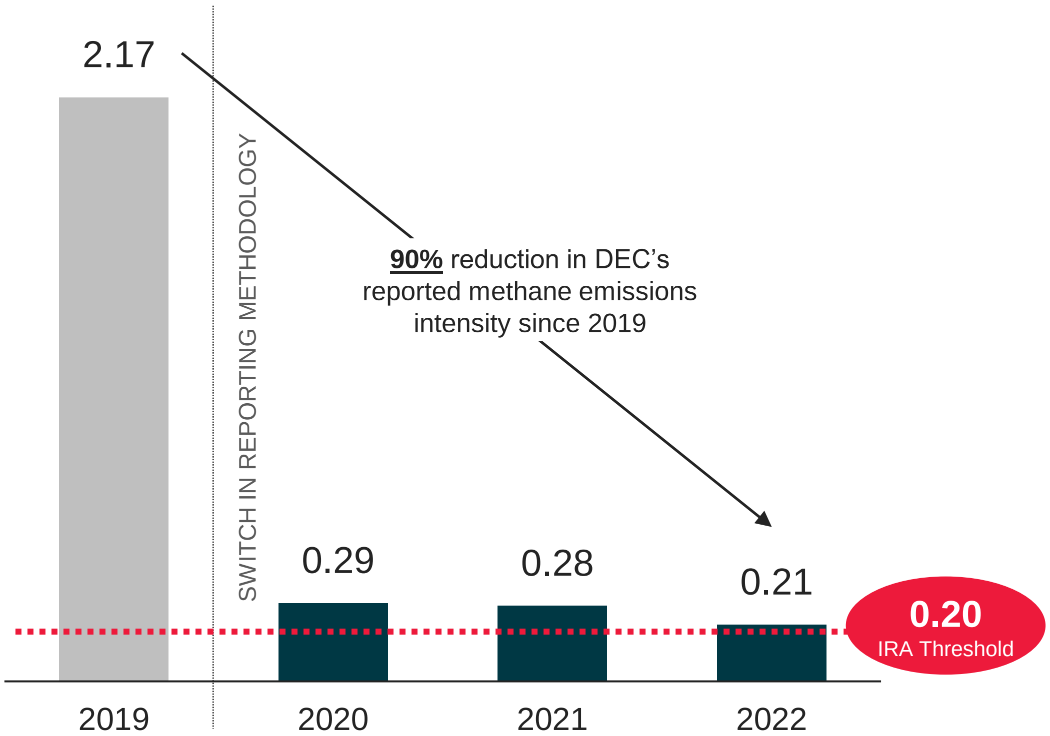
Source: Company Filings. Snowcap's annotation in Red.

iv. Observed Methane Emissions Higher than Reported

DEC tells investors that its methane emissions will be below the 2024 IRA fee threshold...

- Effective in 2024, the Methane Emissions Reduction Program ("MERP") under the Inflation Reduction Act will charge companies for methane emissions above a certain intensity threshold.
- DEC claims that its methane intensity is "fractionally" above this threshold and that it will be able to reduce its intensity to below the 0.20% threshold in future periods.

DEC Reported Methane Leak Rate %, NGSI
Source: Company Filings



- DEC tells investors that its emissions will fall below the IRA threshold:

> *"Diversified's 2022 NGSI intensity of 0.21% is fractionally above the proposed threshold of 0.20% for production assets. However,* ***our GHG emissions reduction initiatives should bring us below the threshold, thus avoiding any financial penalties***.*"*
>
> DEC 2022 Sustainability Report

Following a **recent change in methodology, DEC's reported methane intensity fell 60%**

- In 2021, DEC switched from using the EPA methodology for reporting its methane emissions to the IPCC. This resulted in the Company's 2020 methane emissions being restated, with a 60% reduction[1].
- Critically, the IPCC method allows companies to estimate their emissions **via self-measurement** as opposed to the EPA, which stipulates the use of standardised theoretical emission factors in estimates.

Methane Emissions from Venting Methodology – EPA vs IPCC

Annual Methane Emissions from Venting

=

Pneumatic Device Count

X

Emission Factor for Pneumatic Devices

X

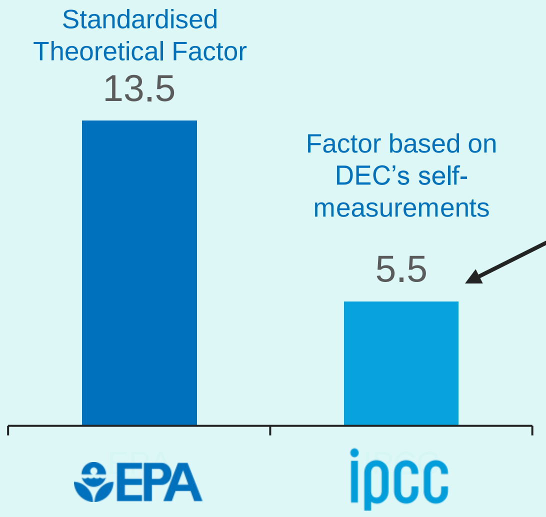
Methane Content

X

Estimated Operating Hours

Emission Factors for Pneumatic Devices (scf/h)[2]

EPA vs IPCC Methodologies



- IPCC rules allow the use of "best engineering estimates" for emission factors whereas the EPA rules stipulate use of standardised theoretical factors:

> *"As we anticipated from the Project Fresh work,* ***our 2021 Appalachia emissions were significantly lower when we applied actual measurements as permitted under IPCC European reporting standards versus the application of the US EPA's dated, theoretical factor methodology****."*
>
> DEC 2021 Sustainability Report

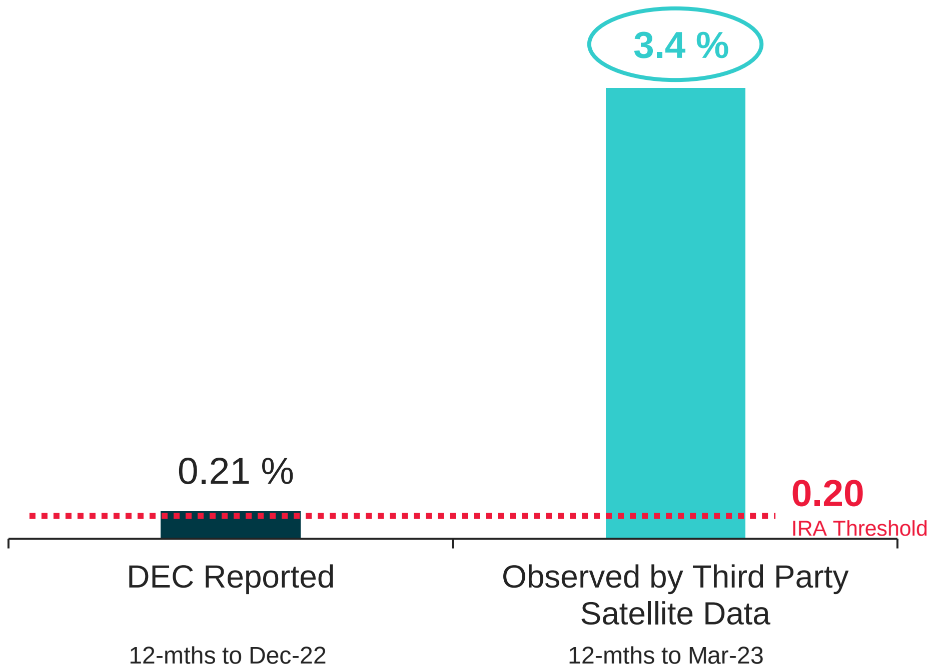
Source: EPA, IPCC.
(1) DEC 2021 Sustainability Report.
(2) DEC Capital Markets Day 2021 Presentation.

Recent satellite measurements found **DEC's methane emissions were higher than reported**

- Between March 2022 and March 2023, *Geofinancial Analytics* used satellite data to measure methane concentration at over 150,000 active wells operated by the top 25 listed US O&G producers. Each well was observed on average 53 times over the 12-month period.
- Based on the observed data, Geofinancial Analytics estimated that DEC's methane emissions intensity was 3.4%; substantially higher than the methane intensity reported by the Company in 2022.

DEC Methane Leak Rate, %

Source: Geofinancial Analytics November 2023 (Wayback Machine)



- Independent satellite data observed a methane leak rate of 3.4% across DEC's wells

PARENT/OPERATING COMPANY	TICKER	OBSERVED INTENSITY
ConocoPhillips	COP	0.74
Hess	HES	0.82
APA	APA	0.9
California Resources	CRC	2.36
Diversified Energy	DEC	3.4

GEOFINANCIAL ANALYTICS

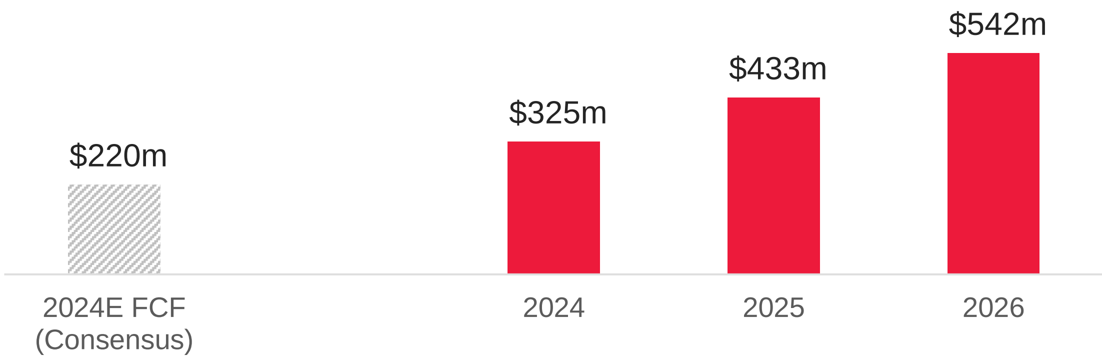
Note: DEC's numbers are consistent with Morningstar's reporting on the data updated as of Jan 8 2024 to "reflect accurate data".

DEC could be exposed to substantial methane fees under new IRA rules

- The EPA is currently finalising changes to its reporting methodology with the intention of significantly increasing the accuracy of reported emissions.
- Based on the independently measured estimates by *Geofinancial Analytics*, DEC could be liable for annual IRA fees as high as $325m per annum; well in excess of its current consensus free cash flow forecast.

DEC Estimated IRA Fees Payable on Methane Emissions

Source: Morningstar



- In August 2023, the EPA proposed changes to its methodology with the aim of increasing the accuracy of reported emissions. These changes include the **proposed use of satellite data to help improve emissions measurement accuracy.**

"This rule **proposes to use these top-down methods** [measurement approaches that utilize information from satellite, aerial, and continuous monitoring] **to supplement the other requirements for periodic measurement and calculation of annual emissions.**" EPA, August 2023

Consensus Free Cash Flow from Capital IQ as of 18/01/24.

Appendix

Cash Flow Forecast – DEC 50yr Retirement Case

Source: Snowcap Analysis. Illustrative 50-year roll-off scenario. Assumptions as detailed on slide 37.

DEC 50YR Roll-Off		TOTALS		LTM	2H23	2024	2025	2026	2027	2028	2029	2030	2031	2032	2042	2052	2062	2072	50 year life
Illustrative		Undisc.	10% Disc.	Jun-23	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-42	Dec-52	Dec-62	Dec-72	
Production					Stub.														
BoP Daily Production	*Mboe/d*				141.0	133.7	121.1	110.3	101.1	93.2	86.4	80.7	75.7	71.5	44.8	28.3	17.8	11.3	
Decline	*%*				10.0%	9.5%	8.9%	8.4%	7.8%	7.3%	6.7%	6.2%	5.6%	5.1%	4.5%	4.5%	4.5%	4.5%	*10% initial. 4.5% from 2033*
EoP Daily Production	*Mboe/d*			141.0	133.7	121.1	110.3	101.1	93.2	86.4	80.7	75.7	71.5	67.8	42.8	27.0	17.0	10.8	
Average for Period	*Mboe/d*			*138.2*	*137.4*	*127.4*	*115.7*	*105.7*	*97.1*	*89.8*	*83.5*	*78.2*	*73.6*	*69.6*	*43.8*	*27.7*	*17.4*	*11.0*	
Production (BOE)	*MMBoe*			50	25	47	42	39	35	33	30	29	27	25	16	10	6	4	
Production (CFE)	*Bcfe*			303	152	280	253	231	213	197	183	171	161	153	96	61	38	24	
% Hedged	*%*				*81%*	*82%*	*71%*	*52%*	*46%*	*47%*	*34%*	*12%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	
Commodity Pricing					Stub.														
Hedged Price	*$/Mcf*				3.7	3.2	3.4	3.3	3.2	2.8	2.6	2.7							*DEC Hedges as of 30/09/23*
Unhedged Price	*$/Mcf*				2.8	2.9	2.7	3.3	3.4	3.3	3.3	3.5	3.6	3.5	4.6	4.6	4.6	4.6	*10yr NYMEX then $4.9/mmbtu*
Weighted Price	*$/Mcf*			3.4	3.5	3.1	3.2	3.3	3.3	3.1	3.1	3.4	3.6	3.5	4.6	4.6	4.6	4.6	
Cash Flow *(USDm unless otherwise stated)*					Stub.														
Production	*Bcfe*			303	152	280	253	231	213	197	183	171	161	153	96	61	38	24	
(x) Weighted Price (inc. hedges)	*$/Mcf*			3.4	3.5	3.1	3.2	3.3	3.3	3.1	3.1	3.4	3.6	3.5	4.6	4.6	4.6	4.6	
Commodity Revenue				1,043	535	880	816	767	700	607	558	587	574	531	440	278	175	111	
Midstream Revenue				33	15	29	28	27	27	26	25	24	24	23	17	12	9	7	*3% decline p.a.*
Other Income				25															
Total Revenue				1,101	550	909	844	794	727	633	584	611	597	554	457	291	184	118	
LOE				(213)	(106)	(203)	(191)	(181)	(172)	(165)	(158)	(152)	(146)	(142)	(99)	(65)	(36)	(11)	*60% var. / 40% fixed $/well*
Midstream Expense				(72)	(36)	(69)	(67)	(65)	(63)	(61)	(59)	(58)	(56)	(54)	(40)	(29)	(22)	(16)	*3% decline p.a.*
Gathering & Transportation				(110)	(54)	(106)	(102)	(99)	(96)	(93)	(91)	(88)	(85)	(83)	(61)	(45)	(33)	(24)	*3% decline p.a.*
Production Taxes				(71)	(16)	(31)	(35)	(35)	(32)	(29)	(26)	(25)	(23)	(21)	(18)	(11)	(7)	(4)	*4% of revevenue*
G&A				(79)	(40)	(76)	(73)	(69)	(67)	(64)	(62)	(60)	(58)	(56)	(40)	(26)	(14)	(4)	*50% var. / 50% fixed $/well*
Adj. EBITDA		8,239	2,858	554	298	424	376	345	296	220	188	229	229	198	199	114	72	58	
(-) Other Operating Cash Items				(202)															
(-) Adj. Cash Taxes		(629)	(212)	2	(36)	(34)	(27)	(23)	(15)	-	-	(5)	(7)	(1)	(22)	(8)	(3)	(2)	
(-) Maintenance Capex		(1,150)	(442)	(74)	(37)	(68)	(62)	(57)	(52)	(48)	(45)	(42)	(39)	(37)	(23)	(15)	(9)	(6)	*100% variable (production)*
(-) Interest Expense		(380)	(292)	(110)	(44)	(79)	(65)	(53)	(43)	(34)	(27)	(20)	(11)	(3)	-	-	-	-	
Free Cash Flow		6,079	1,911	170	181	243	221	212	187	138	116	163	172	157	154	90	60	50	
(-) ABS Amortisation		(1,285)	(949)		(120)	(200)	(178)	(171)	(174)	(176)	(144)	(110)	(12)	-	-	-	-	-	*DEC schedule*
(-) ARO Expense		(1,692)	(256)		(4)	(9)	(12)	(14)	(16)	(19)	(21)	(24)	(26)	(28)	(38)	(38)	(38)	(38)	*$23k/well*
(+/-) RCF Draw / Repayment		(225)	(113)		-	(33)	(32)	-	4	57	49	(29)	(134)	(106)	-	-	-	-	*3.25x Ceiling. Cash Sweep above 2.5x.*
Cash Flow to Equity		**2,878**	**593**		**57**	**-**	**-**	**27**	**-**	**-**	**-**	**-**	**-**	**22**	**115**	**52**	**21**	**12**	
EoP Net Debt	*$m*			*1,510*	*1,390*	*1,157*	*947*	*776*	*606*	*487*	*392*	*253*	*106*	*-*	*-*	*-*	*-*	*-*	
Leverage	*ND/EBITDA*			*2.7x*	*2.33x*	*2.73x*	*2.52x*	*2.25x*	*2.04x*	*2.21x*	*2.09x*	*1.10x*	*0.46x*	*0.00x*	*0.00x*	*0.00x*	*0.00x*	*0.00x*	
Cost/boe	*$*			*$10.8*	*$11.4*	*$11.9*	*$12.6*	*$13.1*	*$13.6*	*$14.0*	*$14.4*	*$14.8*	*$15.2*	*$15.4*	*$17.6*	*$19.0*	*$19.2*	*$16.3*	
EoP Well Count	*Thousands*			*72.0*	*71.9*	*71.5*	*71.0*	*70.4*	*69.7*	*68.9*	*68.0*	*67.0*	*65.9*	*64.7*	*49.0*	*32.7*	*16.3*	*-*	

Note: Figures reflect Snowcap illustrative modelling of a "roll-off" scenario (where no further acquisitions are assumed) and are not meant to constitute forecast financials for DEC. Does not include impact of announced Jan-24 Appalachian Assets sale.

Cash Flow Forecast – Snowcap Sensitivity Case

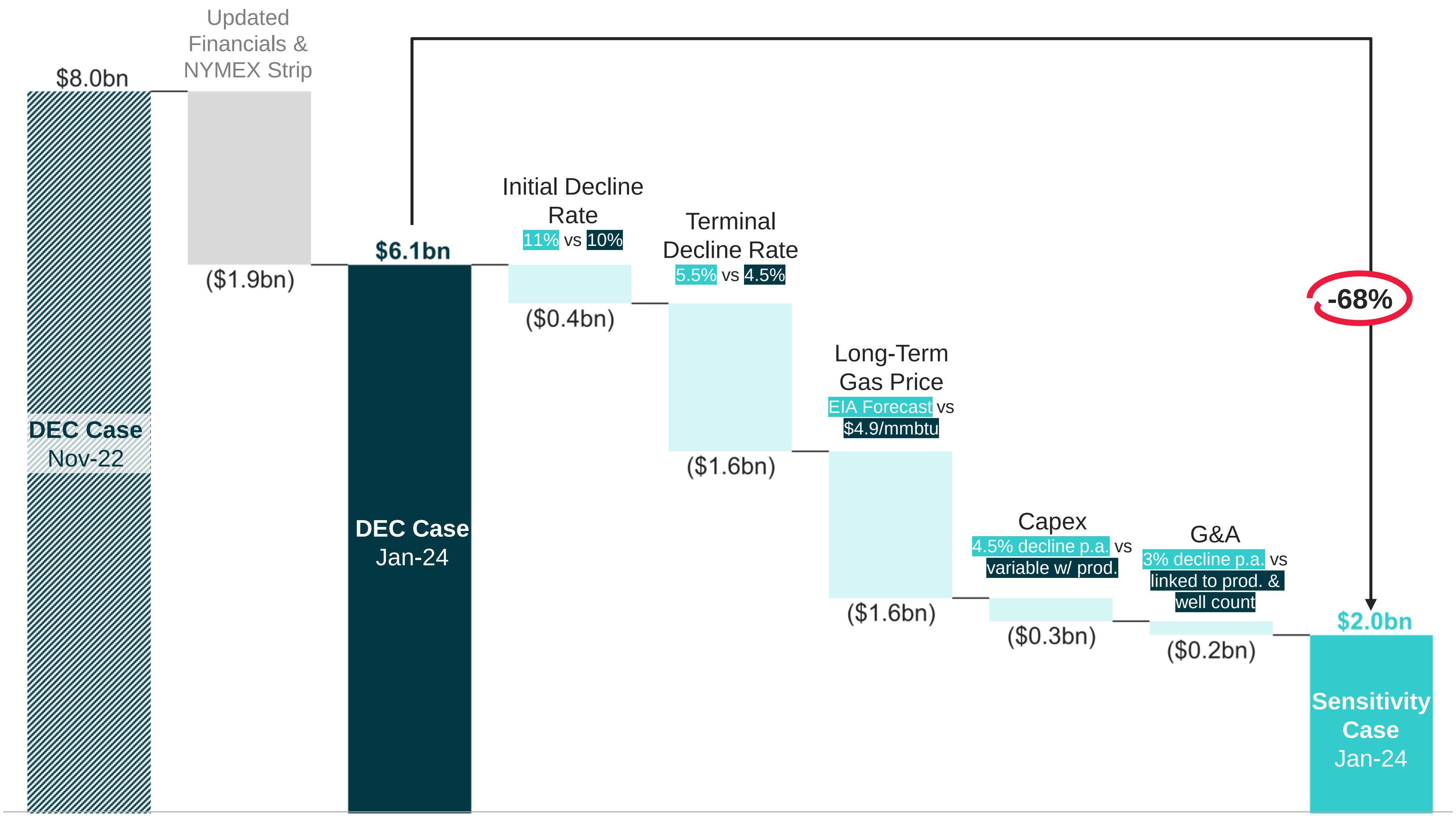
Source: Snowcap Analysis. Illustrative 50-year roll-off scenario. Assumptions as detailed on slide 37.

DEC 50YR Roll-Off		TOTALS		LTM	2H23	2024	2025	2026	2027	2028	2029	2030	2031	2032	2042	2052	2062	2072	No operations after 2045 (FCF negative)
Illustrative		Undisc.	10% Disc.	Jun-23	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-42	Dec-52	Dec-62	Dec-72	
Production					Stub.														
BoP Daily Production	*Mboe/d*				141.0	133.0	119.1	107.3	97.2	88.7	81.4	75.1	69.7	65.1	36.8	-	-	-	
Decline	*%*				11.0%	10.5%	9.9%	9.4%	8.8%	8.3%	7.7%	7.2%	6.6%	6.1%	5.5%	0.0%	0.0%	0.0%	***11% initial. 5.5% from 2033***
EoP Daily Production	*Mboe/d*			141.0	133.0	119.1	107.3	97.2	88.7	81.4	75.1	69.7	65.1	61.2	34.8	-	-	-	
Average for Period	*Mboe/d*			*138.2*	*137.0*	*126.0*	*113.2*	*102.3*	*93.0*	*85.0*	*78.2*	*72.4*	*67.4*	*63.2*	*35.8*	*0.0*	*0.0*	*0.0*	
Production (BOE)	*MMBoe*			50	25	46	41	37	34	31	29	26	25	23	13	-	-	-	
Production (CFE)	*Bcfe*			303	151	277	248	224	204	187	171	159	148	139	78	-	-	-	
% Hedged	*%*				*81%*	*83%*	*73%*	*53%*	*48%*	*49%*	*37%*	*13%*	*0%*	*0%*	*0%*	*n/a*	*n/a*	*n/a*	
Commodity Pricing					Stub.														
Hedged Price	*$/Mcf*				3.7	3.2	3.4	3.3	3.2	2.8	2.6	2.7							*DEC Hedges as of 30/09/23*
Unhedged Price	*$/Mcf*				2.8	2.9	2.6	3.3	3.3	3.3	3.3	3.5	3.6	3.5	3.8	-	-	-	***10yr NYMEX then EIA Forecast***
Weighted Price	*$/Mcf*			3.4	3.5	3.1	3.2	3.3	3.3	3.0	3.0	3.4	3.6	3.5	3.8	-	-	-	
Cash Flow *(USDm unless otherwise stated)*					Stub.														
Production	*Bcfe*			303	151	277	248	224	204	187	171	159	148	139	78	-	-	-	
(x) Weighted Price (inc. hedges)	*$/Mcf*			3.4	3.5	3.1	3.2	3.3	3.3	3.0	3.0	3.4	3.6	3.5	3.8	-	-	-	
Commodity Revenue				1,043	534	871	796	739	666	568	517	541	526	482	295	-	-	-	
Midstream Revenue				33	15	29	28	27	27	26	25	24	24	23	17	-	-	-	*3% decline p.a.*
Other Income				25															
Total Revenue				1,101	549	901	825	766	692	594	542	566	550	505	312	-	-	-	
LOE				(213)	(106)	(201)	(189)	(178)	(169)	(161)	(153)	(147)	(141)	(136)	(92)	-	-	-	*60% var. / 40% fixed $/well*
Midstream Expense				(72)	(36)	(69)	(67)	(65)	(63)	(61)	(59)	(58)	(56)	(54)	(40)	-	-	-	*3% decline p.a.*
Gathering & Transportation				(110)	(54)	(106)	(102)	(99)	(96)	(93)	(91)	(88)	(85)	(83)	(61)	-	-	-	*3% decline p.a.*
Production Taxes				(71)	(16)	(31)	(35)	(33)	(30)	(28)	(24)	(23)	(21)	(19)	(12)	-	-	-	*4% of revevenue*
G&A				(79)	(39)	(76)	(74)	(71)	(69)	(67)	(65)	(63)	(61)	(59)	(44)	-	-	-	***3% decline p.a.***
Adj. EBITDA		3,575	2,109	554	297	418	358	319	265	184	150	188	185	153	63	-	-	-	
(-) Other Operating Cash Items				(202)															
(-) Adj. Cash Taxes		(110)	(98)	2	(35)	(32)	(22)	(16)	(5)	-	-	-	-	-	-	-	-	-	
(-) Maintenance Capex		(1,037)	(493)	(74)	(36)	(69)	(66)	(63)	(60)	(57)	(55)	(52)	(50)	(48)	(30)	-	-	-	***4% decline p.a.***
(-) Interest Expense		(451)	(327)	(110)	(44)	(79)	(67)	(56)	(47)	(40)	(34)	(27)	(21)	(16)	-	-	-	-	
Free Cash Flow		1,977	1,191	170	182	238	204	185	153	87	61	109	114	90	33	-	-	-	
(-) ABS Amortisation		(1,285)	(949)		(120)	(200)	(178)	(171)	(174)	(176)	(144)	(110)	(12)	-	-	-	-	-	*DEC schedule*
(-) ARO Expense		(2,520)	(382)		(5)	(14)	(18)	(21)	(25)	(28)	(32)	(35)	(39)	(42)	(57)	(57)	(57)	(57)	***$35k/well***
(+/-) RCF Draw / Repayment		(225)	(61)		-	(24)	(9)	7	46	86	33	-	(64)	(90)	-	-	-	-	*3.25x Ceiling. Cash Sweep above 2.5x.*
Cash Flow to Equity		**(2,053)**	**(200)**		**57**	**-**	**-**	**-**	**-**	**(31)**	**(81)**	**(37)**	**-**	**(42)**	**(24)**	**(57)**	**(57)**	**(57)**	
EoP Net Debt	*$m*			*1,510*	*1,390*	*1,166*	*980*	*816*	*688*	*598*	*487*	*377*	*301*	*212*	*-*	*-*	*-*	*-*	
Leverage	*ND/EBITDA*			*2.72x*	*2.34x*	*2.79x*	*2.73x*	*2.56x*	*2.60x*	*3.25x*	*3.25x*	*2.01x*	*1.63x*	*1.38x*	*0.00x*	*n/a*	*n/a*	*n/a*	
Cost/boe	*$*			*$10.8*	*$11.4*	*$12.0*	*$12.9*	*$13.7*	*$14.4*	*$15.0*	*$15.7*	*$16.3*	*$16.8*	*$17.3*	*$21.3*	*n/a*	*n/a*	*n/a*	
EoP Well Count	*Thousands*			*72.0*	*71.9*	*71.5*	*71.0*	*70.4*	*69.7*	*68.9*	*68.0*	*67.0*	*65.9*	*64.7*	*49.0*	*32.7*	*16.3*	*-*	

Note: Figures reflect Snowcap illustrative modelling of a "roll-off" scenario (where no further acquisitions are assumed) and are not meant to constitute forecast financials for DEC. Does not include impact of announced Jan-24 Appalachian Assets sale.

Cumulative Free Cash Flow Bridge – DEC Case vs Sensitivity Case

Source: Snowcap proprietary modelling of DEC's "Illustrative 50 Year Complete Portfolio Retirement Scenario" as shown in ARO Supplement (Nov-22). Free Cash Flow defined as Operating Cash Flow less Capex, Interest and Taxes. All cases assume assets operate for 50 years from 2023 or until forecast Free Cash Flow turns negative.



Note: Figures reflect Snowcap illustrative modelling of a "roll-off" scenario (where no further acquisitions are assumed) and are not meant to constitute forecast financials for DEC. Does not include impact of announced Jan-24 Appalachian Assets sale.

Overview of Modelling Assumptions

			DEC 50yr Case		Sensitivity Case	
Timing	Start Date		30/06/2023	*Latest Balance Sheet date*	30/06/2023	*DEC 50yr Case*
	End Year		2072	*50 years from 2023*	2047	*Final period of positive FCF*
	Initial Production Rate		141 mboe/d	*144mboe/d Jun-23 exit rate adj. for 3mboe/d of divestments*	141 mboe/d	*DEC 50yr Case*
Production	Decline Rate	Initial	10.0%	*DEC Nov-22*	**11.0%**	*DEC 50yr Case +1.0%*
		Yr 11+	4.5%	*DEC Nov-22*	**5.5%**	*DEC 50yr Case +1.0%*
	Commodity Mix		86% NG / 11% NGL / 3% Oil	*LTM production as of Jun-23*	86% NG / 11% NGL / 3% Oil	*DEC 50yr Case*
Pricing	Natural Gas (Henry Hub)	Yr 1-10	NYMEX strip inc. impact of DEC hedges	*DEC Nov-22 Strip pricing as of 18/01/24 Hedges as of 30/09/23*	NYMEX strip inc. impact of DEC hedges	*DEC 50yr Case*
		Yr 11+	$4.91/mmbtu	*DEC Nov-22*	**EIA Forecast until 2050, flat at $3.60/mmbtu thereafter**	*EIA Forecast*
	NG Basis		($0.55)/mmbtu	*DEC Nov-22*	($0.55)/mmbtu	*DEC 50yr Case*
	Oil (WTI)	Yr 1-5 / Yr 6+	$69/bbl / $60/bbl	*DEC Nov-22*	$69/bbl / $60/bbl	*DEC 50yr Case*
	NGL		25% of WTI	*DEC Nov-22*	25% of WTI	*DEC 50yr Case*
	Midstream Revenue		3.0% decline p.a.	*DEC Nov-22*	3.0% decline p.a.	*DEC 50yr Case*
Costs	LOE	LTM (Jun-23) $/boe	60% linked to production / 40% fixed cost/well	*DEC Aug-21 (% not specified in DEC's Nov-22 case)*	60% linked to production / 40% fixed cost/well	*DEC 50yr Case*
	Gathering & Transportation		3.0% decline p.a.	*DEC Aug-21 (not specified in DEC's Nov-22 case)*	3.0% decline p.a.	*DEC 50yr Case*
	Midstream		3.0% decline p.a.	*DEC Nov-22*	3.0% decline p.a.	*DEC 50yr Case*
	G&A		50% variable / 50% fixed	*DEC Nov-22(variable/fixed split not specified so 50/50 assumed)*	**3.0% decline p.a.**	*DEC Oct-21*
	Capex		100% linked to production	*DEC Nov-22*	**4.5% decline p.a.**	*DEC Oct-21*
	Production Taxes		4% of gross commodity rev.	*DEC Nov-22*	4% of gross commodity rev.	*DEC 50yr Case*
	Tax		24%	*Effective Rate as of Jun-23*	24%	*DEC 50yr Case*
Debt	Interest Rate		6.2%	*DEC 1H23 Reported*	6.2%	*DEC 50yr Case*
	ABS		DEC amortisation schedule	*DEC Nov-22*	DEC amortisation schedule	*DEC 50yr Case*
	RCF		3.25x limit. 100% sweep above 2.5x. Repayment after 2030	*Snowcap Assumption*	3.25x limit. 100% sweep above 2.5x. Repayment after 2030	*DEC 50yr Case*
ARO	Plugging Cost		$23k/well	*DEC ARO Supplement*	**$35k/well**	*Wright & Co 2018 estimate adjusted for inflation*
	Schedule		+100 wells/yr ramp up to 2037 then 1,600 wells/yr thereafter	*DEC Nov-22*	+100 wells/yr ramp up to 2037 then 1,600 wells/yr thereafter	*DEC 50yr Case*

Discretionary Cash Flows & Dividend Coverage ($m)

Source: Company Filings.

DEC calculated using FY22 methodology; Adjusted EBITDA (-) Cash taxes (-) Cash interest (-) Capex (-) Cash Costs for Offset Acquisitions (see bottom table).

Snowcap calculated as CFFO (-) Cash interest (-) Capex (-) Gross Costs for Offset Acquisitions at 3.0x multiple (see bottom table).

Offset Acquisition Costs - Blue numbers indicate DEC assumptions where available (LTM assumed in line with FY22). Red numbers indicate Snowcap assumptions.

DEC

$m	FY20	FY21	FY22	LTM 6/23	
Adj. EBITDA	301	343	503	562	
(-) Cash taxes	(6)	(11)	(26)	2	
(-) Cash interest	(34)	(42)	(83)	(110)	
(-) Capex	(22)	(50)	(86)	(74)	
(-) Offset acquisition cost (DEC)	(80)	(72)	(120)	(135)	a
(+) Debt financing for acquisitions	50	-	60	67	b
Discretionary cash flow (DEC)	208	168	249	313	
Implied dividend coverage	*2.1x*	*1.3x*	*1.7x*	*1.9x*	

Snowcap

$m	FY20	FY21	FY22	LTM 6/23	
CFFO ex. cash taxes	248	331	414	354	
(-) Cash taxes	(6)	(11)	(26)	2	
(-) Cash interest	(34)	(42)	(83)	(110)	
(-) Capex	(22)	(50)	(86)	(74)	
(-) Replacement acquisitions @ 3.0x	(60)	(72)	(151)	(169)	c
Discretionary cash flow (Snowcap)	125	156	68	3	
Implied dividend coverage	*1.3x*	*1.2x*	*0.5x*	*0.0x*	

Offset Acquisition Cost

$m	FY20	FY21	FY22	LTM 6/23	
Adj. EBITDA	301	343	503	562	
Decline rate	**7%**	**7%**	**10%**	**10%**	
EBITDA to replace	20	24	50	56	
Acquisition multiple	**4.0x**	**3.0x**	**2.4x**	**2.4x**	
Gross replacement acquisition cost	80	72	120	135	a
Debt multiple assumed by DEC	**2.5x**	**na**	**1.2x**	**1.2x**	
(-) Debt financing	(50)	-	(60)	(67)	b
Cash Replacement Acquisition Cost	30	72	60	67	
Acquisition multiple at 3.0x (Snowcap)	**3.0x**	**3.0x**	**3.0x**	**3.0x**	
Gross Replacement Acquisition Cost	60	72	151	169	c

FY22

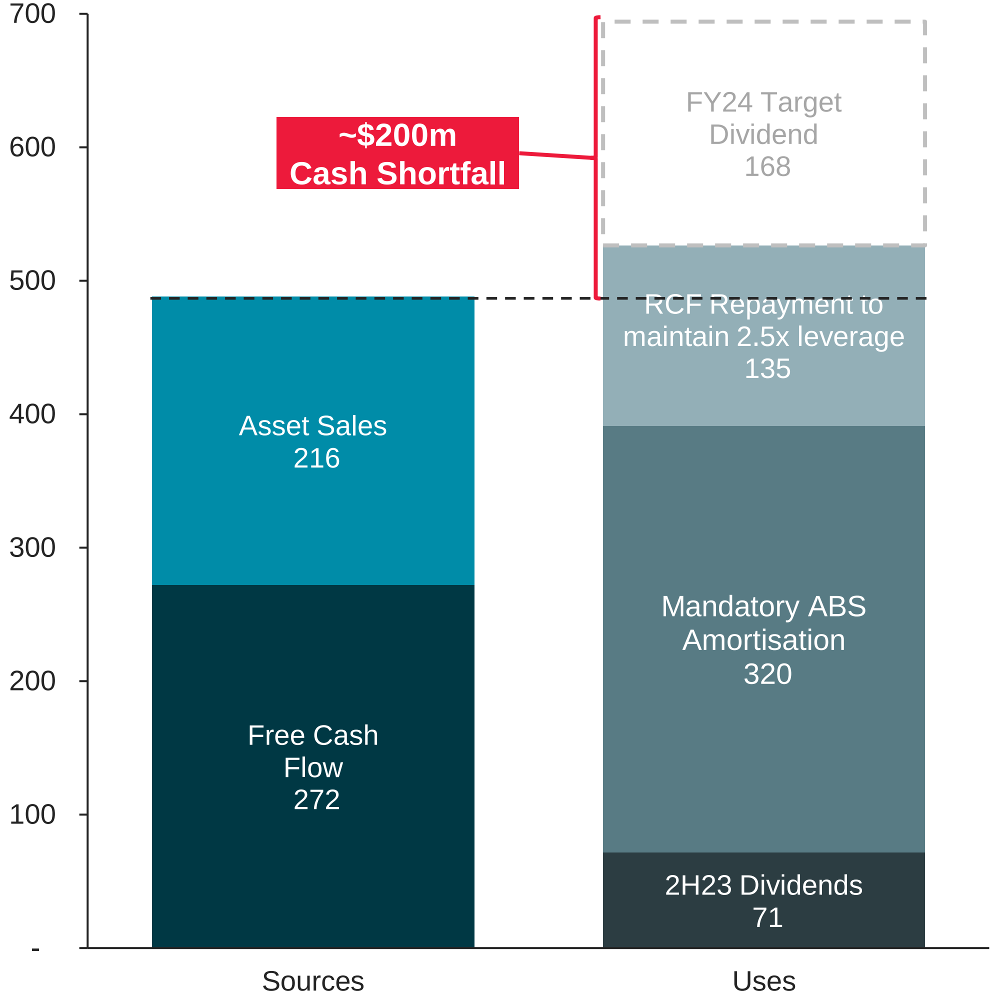
Source: November 2023 Presentation (Pg. 11)

"Cash Cost for Acquisition to Offset Declines calculated assuming a 10% reduction in 2022 reported Hedged Adj. EBITDA resulting from corporate declines (~$50 million), using the 2022-2023 average NTM EBITDA acquisition multiple of 2.4x and assumes historical weighting of approximately 2x leverage for cash costs of ~$60 million"

Note: DEC's Discretionary Cash Flows are calculated as per the Company's FY22 methodology. Offset acquisition costs" as historically disclosed in the Company's investor presentations.
Implied dividend coverage calculated as Discretionary Cash Flows / Total Dividends
Offset Acquisition DEC Assumptions (1) FY20 Presentation (Pg. 24), FY21 Presentation (Pg. 31), November 2023 Presentation (Pg. 11).

Sources & Uses, Next 18 Months (Jun-23 to Dec-24)

Source: Snowcap Analysis. Forecast Free Cash Flow reflects consensus estimates from Capital IQ as of 18/01/24. RCF repayment reflects illustrative repayment necessary to comply with 2.5x leverage target assuming no further acquisitions (as calculated on slide 17). FY24 Target Dividend assumes no increase in dividend per share.



Sources	$m
2H23 Free Cash Flow (Consensus Estimate)	83
FY24 Free Cash Flow (Cons. Estimate adj. for Asset Sale)	189
Proceeds from Central Region Acreage Sale (Jul-23)	16
Proceeds from Appalachian Asset Sale (Jan-24)	200
Total Sources	**488**

Uses	$m
Mandatory ABS Ammortisation	320
RCF Repayment to comply w ith 2.5x Leverage	135
2Q23 & 3Q23 Declared Dividends	71
Total Uses	**526**
Surplus Cash Flow Available for FY24 Dividends	**(39)**