DIVERSIFIED energy

2022 Annual Report

For the twelve months ended 31 December 2022

Diversified Energy Company PLC (the "Parent" or "Company") and its wholly owned subsidiaries (the "Group," "DEC," or "Diversified") is an independent energy company engaged in the production, marketing and transportation of primarily natural gas.

Our proven business model creates sustainable value in today's natural gas market by investing in producing assets, reducing emissions and improving asset integrity while generating significant, hedge-protected cash flows. We Acquire, Optimise, Produce and Transport natural gas from existing wells then Retire our wells at the end of their life to optimally steward the resource already developed by others within our industry, reducing the environmental footprint, while sustaining important jobs and tax revenues for many local communities. While most companies in our sector are built to explore for and develop new reserves, we fully exploit existing reserves through our focus on safely and efficiently operating existing wells to maximise their productive lives and economic capabilities, which in turn reduces the industry's footprint on our planet.

Strategic Report

6 Chairman's and Chief Executive's Statement
8 Market Review
10 A Differentiated Business Model
12 Geographic Operating Areas
14 Strategy
19 Key Performance Indicators
22 Sustainability Review
45 Financial Review
61 Risk Management Framework
66 Viability and Going Concern

Corporate Governance

70 The Chairman's Governance Statement
75 Board of Directors
78 Directors' Report
84 The Nomination and Governance Committee's Report
86 The Audit and Risk Committee's Report
91 The Remuneration Committee's Report
95 Remuneration at a Glance
113 The Sustainability and Safety Committee's Report

Group Financial Statements

118 Independent Auditors' Report to the Members of Diversified Energy Company PLC
128 Consolidated Statement of Comprehensive Income
129 Consolidated Statement of Financial Position
130 Consolidated Statement of Changes in Equity
131 Consolidated Statement of Cash Flows
132 Notes to the Group Financial Statements

Company Financial Statements

173 Company Statement of Financial Position
174 Company Statement of Changes in Equity
175 Notes to the Company Financial Statements

Additional Information

180 Payments to Governments Report 2022 (Unaudited)
182 Alternative Performance Measures (Unaudited)
186 Officers and Professional Advisors
187 Glossary of Terms

We have prepared our financial statements and the notes thereto in accordance with UK-adopted International Accounting Standards. To provide metrics that we believe enhance the comparability of our results to similar companies, throughout this Annual Report, we refer to Alternative Performance Measures ("APMs"). APMs are intended to be used in addition to, and not as an alternative for the financial information contained within the Group Financial Statements, nor as a substitute for IFRS. Within the **APMs** section located in the **Additional Information** section within this Annual Report, we define, provide calculations and reconcile each APM to its nearest IFRS measure. These APMs include "Average Quarterly Dividend per Share," "Adjusted EBITDA," "Net Debt," "Net Debt-to-Adjusted EBITDA," "Total Revenue, Inclusive of Hedges," "Adjusted EBITDA Margin," "Free Cash Flow," "Adjusted Operating Cost per Boe," "Employees, administrative costs and professional services," and "PV-10."

Key Achievements

ACQUISITIVE GROWTH

Imitated our success in Appalachia by expanding our footprint in the Central Region with practical bolt-on upstream, midstream, and processing facility acquisitions, providing systematic synergistic growth in the region.

Our investment in Central Region acquisitions in 2022 totalled $307 million and bolstered our 2022 average daily production by 7%.

REWARDING SHAREHOLDERS

Continued our track record of returning capital to our investors by increasing our paid dividend per share by 6%, reflecting the accretive growth we experienced in 2022.

Provided additional value to shareholders through share repurchases. Together, our share buybacks and distributed dividends represent $178 million in shareholder rewards, the highest in company history, and resulted in a 2022 Total Shareholder Return ("TSR") of 25%.

ENVIRONMENTAL, SOCIAL & GOVERNANCE "ESG" ACCOMPLISHMENTS

Advanced our 2040 net zero greenhouse gas ("GHG") target as we recognised 20% year-over-year reduction in Scope 1 methane intensity, driven by our fugitive emissions work in Appalachia (with 100% of surveys completed in advance of stated goal) and natural gas pneumatic device conversions to compressed air.

Recognised significant improvements in multiple safety metrics as a result of an expanded effort to create a focused, intentional safety culture across operating teams.

Increased both short and long-term ESG-linked incentive compensation for Executive Directors and senior leadership, reflecting the Group's emphasis on ESG goals and metrics.

SUSTAINABLE FINANCING

Completed four sustainability-linked, ABS transactions totalling $1.2 billion and amended our Credit Facility to include sustainability-linked features.

With these transactions 70% of our borrowings are now sustainability-linked, aligning our financing with our ESG and emissions initiatives.

OPERATIONAL ACCOMPLISHMENTS

Achieved record levels of production with a December 2022 exit rate of 141 MBoepd[a] after adjusting for service interruptions due to weather.

Utilised our Smarter Asset Management ("SAM") programme to help maintain our portfolio's 8.5% average decline rate, pro forma or 2022 acquisitions, which remains the lowest in our sector.

ASSET RETIREMENT PROGRAMME GROWTH

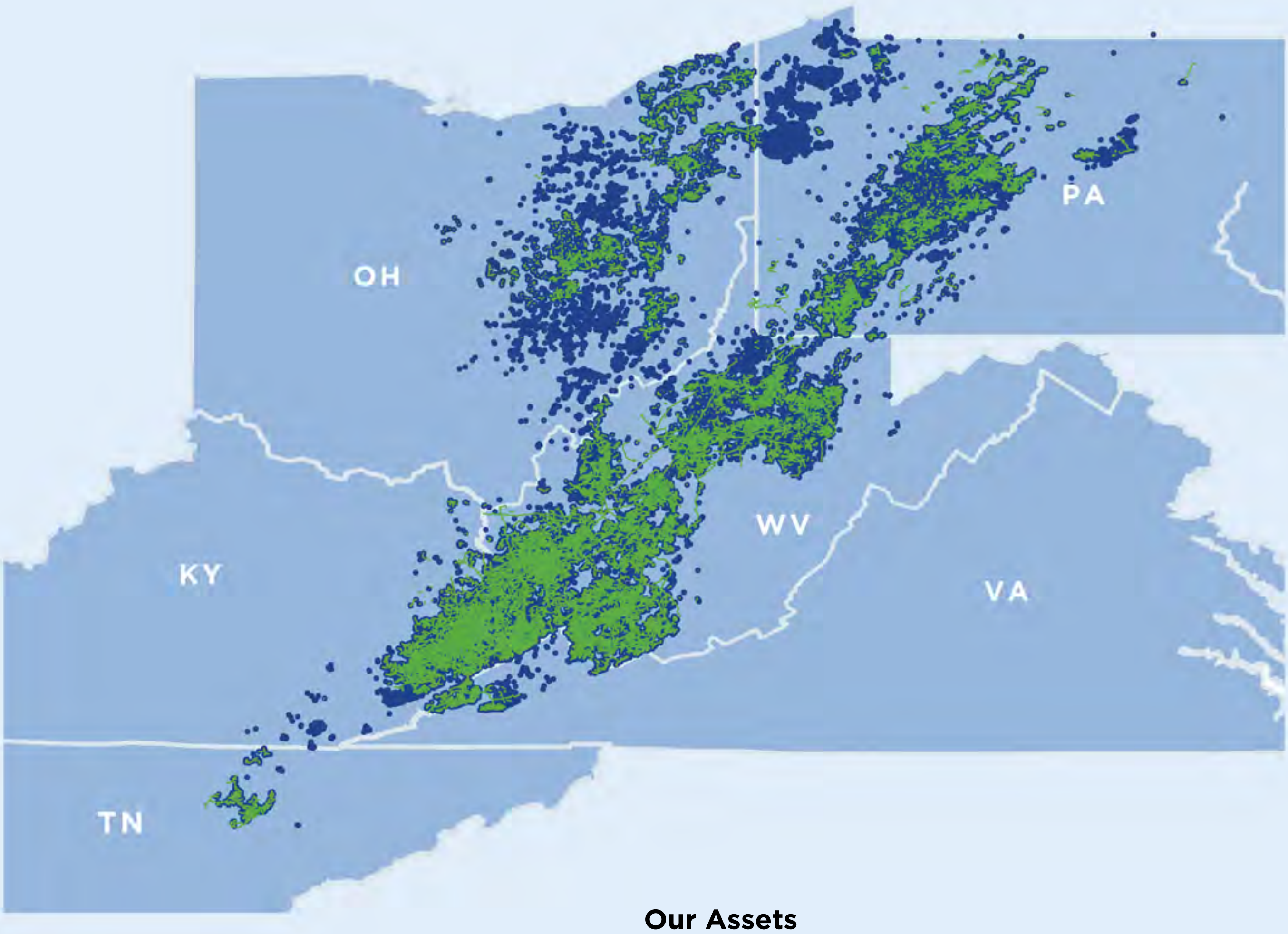
Meaningfully expanded our asset retirement programme with three strategic acquisitions that elevated our position to one of the most active asset retirement operators in Appalachia.

This growth provides a multitude of benefits including reduced asset retirement costs, generation of third-party revenues, and the ability to better control our stewardship of the environment.

[a] Excludes ~10 MBoepd of weather-related production downtime in December 2022 due to Winter Storm Elliot.

DEC at a Glance

Appalachia Assets

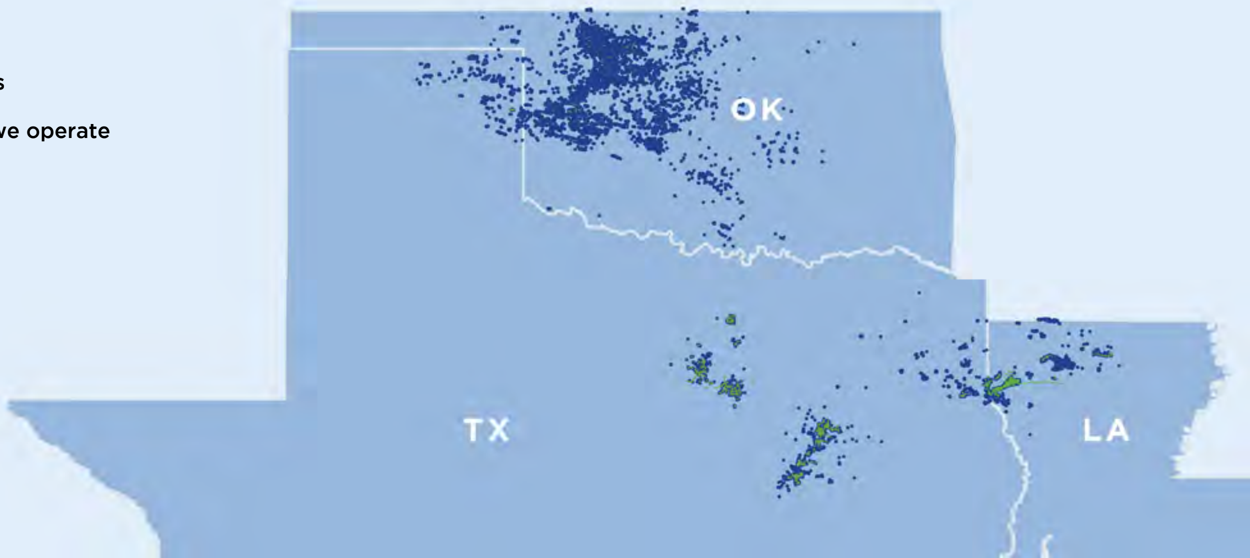


Our Assets

Our assets primarily consist of long-life, low-decline natural gas wells and gathering systems exclusively located within the Appalachian Basin and Central Region of the U.S., providing opportunistic synergies in our operations. Our headquarters are located in Birmingham, Alabama with operational and field offices located throughout the states in which we operate.

Central Assets

KEY
- Upstream assets
- Midstream assets
- States in which we operate



Key Facts

Asset Facts

Production Mix

86% Natural Gas
11% NGLs
3% OIL

PV-10 Value of Reserves

$6.1 Billion
830 MMBoe

Midstream System

~17,700 Miles

ESG Facts

Methane Emissions Intensity

1.2
MT CO_2e/MMcfe

Total Recordable Incident Rate ("TRIR")

0.73
Per 200,000 work hours

Reportable Spill Intensity

0.23
Oil & Water Combined
Per MBbl

Financial Highlights

Dividends paid

$143 Million

Total Revenue

$1.9 Billion

Adjusted EBITDA Margin

49%

Adjusted EBITDA

$503 Million

Strategic Report

Chairman's Statement and Chief Executive's Statement
6

Market Review
8

A Differentiated Business Model
10

Geographic Operating Areas
12

Strategy
14

Key Performance Indicators
19

Sustainability Review
22

Financial Review
45

Risk Management Framework
61

Viability and Going Concern
66

Chairman's Statement

"Stakeholders expectations for energy companies continue to evolve. Grounded in principles that preserve and protect our environment, they also expect producers to strengthen energy security and affordability. Diversified's stewardship-focused model is uniquely aligned with each of these priorities."

On behalf of the Board of Directors (the "Board"), I am pleased to share financial and operational results that reflect the hard work, dedication, and focus of the entire Diversified team. Their consistent execution of our strategy and focused initiatives has driven another year of strong environmental, financial, and operational performance.

For the eleventh time since our IPO and reflective of the Group's commitment to tangible shareholder returns underpinned by strong growth in operating cash flows, we raised our quarterly dividend to $0.04375 or $0.1725 annualised. In addition, the Board authorised a share repurchase programme for 10% of the Group's outstanding shares, effectively increasing total shareholder returns further. During 2022, when Sterling fell to historic lows versus the U.S. Dollar, the Group repurchased 7,995,376 of its shares.

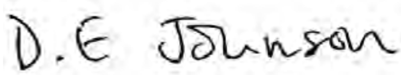
The Board has recommended a final quarterly dividend of $0.04375 per share, bringing the 2022 total dividend to $0.1725 per share, an increase of 5% against 2021. If approved, the final dividend will be paid on 30 June 2023 to shareholders on the register on 26 May 2023.

We focus on strong Environmental stewardship, Sustainability and Governance in everything we do, and in 2022 we delivered on our stated commitments, including successfully completing our planned initiatives related to methane emission reductions and expanding our asset retirement work. Having invested significantly in Next LVL Energy, Diversified's asset retirement subsidiary, I am excited to see this business grow and contribute significantly to safe and efficient well retirements in Appalachia, both for our own assets and on behalf of third parties. Independent parties have recognised our progress, including the United Nations' Oil & Gas Methane Partnership ("OGMP") 2.0, which awarded the Group its Gold Standard Pathway, and multiple ESG rating agencies where we have achieved improved year-over-year ESG scores. Our initiatives improve the environmental profile of the Group's assets by lowering methane emissions, reducing the need for additional drilling and stimulation of new wells while supporting predictable, low-decline product that supports lower energy costs. We advanced our progress towards our initial targets for reducing our Scope 1 methane emissions intensity by 30% by 2026 and by 50% by 2030, and are on a path to achieving our goal of net zero Scope 1 and 2 GHG emissions by 2040.

I would like to express my gratitude for Melanie A. Little's contribution to the Board as she leaves to pursue other opportunities. We are committed to maintaining strong independence and diversity on the Board, and after a comprehensive search, we announced our appointment of Kathryn Z. Klaber as an Independent Non-Executive Director. Kathryn launched and led the Marcellus Shale Coalition and has deep industry knowledge as well as significant Environmental, Health, and Safety ("EHS") experience. As we begin 2023, the Board remains eight members strong, comprising of the Group's CEO, the Executive Vice President and COO, the Non-Executive Chairman and five other independent Non-Executive Directors. Three of our Board members are women, putting us in full compliance with the recommendations of the FTSE Women Leaders Review. We will continue to review our Board diversity, experience, and knowledge base as appropriate.

During 2022, we again engaged an independent party to assess the Board and its Committee's effectiveness with an emphasis on our strategy, performance, and environmental stewardship. I'm pleased to report good progress from our prior independent assessment and affirmation that the Board and its Committees continue to operate effectively and cohesively. Each member of the Board remains engaged, supportive, and committed to continuous improvement in the Board's objectives. We reaffirm our commitment to separate the Chairman and CEO roles to better clarify their responsibilities and to facilitate better decision-making and accountability amongst all Non-Executive and Executive Board members.

As we begin a new year, I would like to thank the more than 1,500 members of Diversified for their hard work in 2022, with particular recognition for CEO Rusty Hutson, Jr., whose leadership provides the foundation for the Group's progress. I also wish to express gratitude to our shareholders, lenders, and other stakeholders for their trust in our commitment to remain vigilant in our endeavour to deliver sustainable value to our shareholders, and support energy security and affordability in ways aligned with our commitments to care for our environment.



David E. Johnson
Chairman of the Board
21 March 2023

Chief Executive's Statement

"Consistent focus on operating excellence underpins our success. Fostering a culture where employees are empowered and encouraged to serve others within our local communities reflects our commitment to steward assets entrusted to us throughout their economic lives to responsible retirement."

This year is one marked by turning the challenge of volatility into opportunities. Natural gas pricing recovered from multi-year lows amidst an ever changing macroeconomic and geopolitical backdrop. Diversified once again exhibited remarkable stability and consistency while growing its production base by ~14%. Our strategy to prudently hedge a significant portion of near-term production has provided a track record of delivering approximately 50% Adjusted EBITDA Margins regardless of the commodity price cycle while enhancing our ability to fund accretive acquisitions. As we celebrated our fifth anniversary of being publicly listed with an entrepreneurial spirit at our core, I am proud that we have built a company that focuses on delivering safe, reliable, and responsibly produced energy.

In 2022, we continued our vertical integration strategy to capture margins, harvest synergies, and increase our competitive advantage for the differentiated business model we operate. We established the Next LVL asset retirement business, which scales our asset retirement operation to drive further efficiencies while providing additional opportunities for third-party revenues from other operators and state agencies. Our investment in expertise and equipment has positioned us as one of the most active full-service asset retirement providers in the region, not only highlighting our long-standing commitment as responsible assets stewards and operators from acquisition to retirement but also our dedication to doing so in a manner that is beneficial to all of our stakeholders and the environment.

We remain committed to upholding a highly disciplined approach to the capital allocation of the Free Cash Flow we generate. In the fall of 2022, we saw the Great British Pound drop to historically low levels and took the opportunity to use our strong U.S. Dollar to repurchase shares. That said, we are committed to long-term value creation, and our priority is to deploy our Free Cash Flow to accretive acquisitions and dividends to shareholders.

We also believe that a steadfast, relentless focus on Environmental, Social, and Governance ("ESG") issues increases efficiencies, reduces costs, and improves margins – all essential drivers of long-term value per share. Diversified has remained ahead of the curve within the ever-changing regulatory environment. Our investments in emissions measurement technology, allowing for actual measurement and tracking, resulted in being awarded the Gold Standard Pathway from the United Nations' OGMP 2.0 – one of only five U.S.-based companies to receive that achievement.

We have built a culture where employees feel safe and where we are active participants in the communities in which we operate. Sustaining our local communities through environmental stewardship, social responsibility, and strong corporate governance is a direct extension of our mission. It reflects our goal to make a lasting and meaningful impact in our local communities and beyond. Again this year, I had the benefit of considerable engagement with Diversified shareholders, discussing with them the progress we have made on environmental initiatives, our business strategy, and our ability to continue providing attractive returns in volatile economic environments. I am pleased with the reception we continue to receive, demonstrated by Diversified being one of the top 20 performers in the FTSE 250 for 2022 and meaningfully outperforming the average. The valuable feedback and insights from these meetings will make us a stronger business and ensure we are driving towards goals aligned with those of all our key stakeholders.

Overall, we achieved strong financial and operational results thanks to the hard work of our approximately 1,500 employees, and we are well-positioned for 2023 and beyond. Our accomplishments in 2022 would not have been possible without their dedication, along with the guidance of our Board, and I wish to thank them all for their continued support.

On behalf of the Board and management, we express our appreciation to our shareholders for your investment in Diversified.

Robert R. ("Rusty") Hutson, Jr.
Chief Executive Officer
21 March 2023

Market Review

U.S. shale natural gas and LNG have tremendous potential as a global energy solution given their abundance of supply and low cost structure. They just need to be unleashed.

MARKET VOLATILITY

Markets in 2022 were volatile and increasingly fluid for the energy sector. While commodity prices opened and closed the year at nearly $4.00 per MMBtu, prices increased to nearly $10.00 on several occasions during the year.

While much of the volatility was rooted in a post-COVID economic recovery, the onset of the conflict in Ukraine, the resulting sanctions, and the push for Europe to decouple from its dependency on Russian energy intensified already sensitive markets. These events created the perception of energy scarcity for many and as a result natural gas prices steadily rose over the first half of the year until they hit levels we haven't seen in ~14 years when Henry Hub reached $9.32 per MMBtu at the start of June 2022.

The potential of cold weather induced demand against the backdrop of a tightening worldwide supply further exasperated energy market sensitivity and price volatility. As a result energy prices moved rapidly with changes in production levels and weather events. This move was perhaps most evident during the latter part of June 2022, when prices rapidly fell 42% during the month as markets reacted to the news of the Freeport LNG processing facility fire that resulted in the 17% loss of the U.S. LNG process capacity. This loss in processing led to forecasts of temporary builds in U.S. storage levels lowering prices to $5.42 per MMBtu by the close of June.

These forecasts were quickly called into question, however, as summer arrived and a heatwave swept the U.S. Once again markets reacted and concerns over storage levels pushed prices back up to $9.68 per MMBtu by the end of August. In the following months the warm temperatures persisted and, despite a few record setting winter storms resulting in considerable draws on storage, the Freeport facility largely remained offline causing prices to deteriorate on higher than anticipated winter storage levels resulting in prices closing the year at $4.48 per MMBtu.

Until the imbalance in production and supply stabilises, we expect prices to continue to be sensitive to weather forecast changes and inventory levels with the ability to push markets rapidly in either direction. Shareholders and stakeholders alike benefited from the elevated price environment of 2022 that drove strong revenues for energy sector participants. In terms of capital market performance, the energy sector was the highest performing sector for the second year in a row and is one of the few sectors firmly in the green against a broader down year for equities. During 2022, like DEC, many industry players restructured debt, paid down borrowings, increased dividends, repurchased stock, and experienced share price appreciation driving TSR. While this type of pricing typically also drives increases in M&A, as developers look to divest non-core assets in their portfolio to generate capital for new development, the pace of dealmaking actually slowed in 2022 compared to prior years. As an active deal maker in the space, this has unquestionably been a result of the commodity market volatility, making it difficult for parties to come to terms before the next shift in pricing.

While producers have taken advantage of recent upswings in pricing to fortify their balance sheets, the cost of future development is beginning to move up considerably with both inflation and increases in borrowing costs influencing capital allocation decisions. While these impacts have not yet fully cycled through the industry, the implications are likely to materialise in the coming quarters, particularly if commodity prices continue to retreat.

HENRY HUB NATURAL GAS (per MMBtu)

With a continued focus on innovation and clean energy from producers, we believe natural gas will continue to gain support in the geopolitical community and will play a significant role in accomplishing the world's net zero ambitions.

GEOPOLITICAL PRESSURES

The invasion of Ukraine by Russia placed severe pressure on global climate change aspirations and caused many countries to revisit their near-term energy transition plans in the face of an imminent energy insecurity risk. While investments in renewables have continued, we have also witnessed a renewed investment in fossil fuels, perhaps most surprising among them are the coal investments made by countries who have been rapidly transitioning. These types of investments to secure domestic energy needs certainly contrast the reliability and relative low cost of fossil fuels against the current state of renewables, seemingly signalling that, until the technology of renewables becomes more mature, it will likely be some time before a complete transition to renewables is realistically achievable. Meanwhile, natural gas continues to gain broader acceptance as a practical solution for clean energy ambitions given its cost, efficiency, and clean nature. This favourable position is particularly true as producers continue to increase their focus and investment in emissions reduction. We ourselves continue to report compelling and noticeable near-term methane emission intensity reductions. With a continued focus on innovation and clean energy from producers, we believe natural gas will continue to gain support in the geopolitical community and will play a significant role in accomplishing the world's net zero ambitions. U.S. shale natural gas and LNG have tremendous potential as a global energy solution given their abundance of supply and low cost structure. They just need to be unleashed to the world demand markets.

A Differentiated Business Model

Vertical Integration

1 ACQUIRE

We maintain a disciplined approach to evaluating opportunities to ensure that we only pursue those that possess a consistent asset profile. We target existing long-life, stable assets with synergistic opportunities that are value accretive, margin enhancing and strategically complementary.

2 OPTIMISE

The primarily mature nature of the assets we acquire provides us with a portfolio of low-cost optimisation opportunities. These optimisation activities, applied through our internally developed SAM programme, are strategically important as they aid in offsetting natural production declines and reducing our emissions.

3 PRODUCE

Our culture makes the difference as our team of industry veterans strive to efficiently produce as many units as possible in a safe and environmentally responsible manner, aligning both environmental and financial best interests.

4 TRANSPORT

We seek to acquire midstream systems into which we are a large producer and more fully integrate those assets into our upstream portfolio to provide immediate and long-term synergies.

5 RETIRE

We embrace our responsibilities to the United States, our local communities and our environment. With safety and environmental stewardship as top priorities, we design our asset retirement programme to permanently retire wells that have reached the end of their economic lives. During 2022, we made investments that allowed us to meaningfully expand our asset retirement capabilities through a series of acquisitions that we believe have provided us with the operational capacity to be a leader in asset retirement.

Focused Execution

DAILY OPERATING PRIORITIES

Safety

No compromises. Ensuring the care and well-being of our employees, our families and communities are our top priority.

Production

Every unit counts. Ensuring that every unit we safely produce provides affordable and reliable energy to our communities and generates value for our shareholders.

Efficiency

Every dollar counts. Ensuring every dollar we spend protects our employees and communities and grows the investment of our shareholders.

Enjoyment

Have fun delivering great results. Ensuring our company is an attractive place to work, encouraging innovation and celebrating our employees' accomplishments.

STRATEGY

Acquire long-life stable assets

Operate our assets in a safe, efficient and responsible manner

Generate reliable Free Cash Flow

Retire assets safely and responsibly

Why We Are Different

Priorities (see page 10▶)
Strategy (see page 14▶)
ESG (see page 22▶)
Risk (see page 61▶)

Our business model and the corporate culture we cultivate is unique among the natural gas and oil industry in that we do not engage in capital-intensive drilling and development. Rather, our stewardship model focuses on acquiring existing long-life, low-decline producing wells and, at times, their associated midstream assets, and then efficiently managing the assets to improve or restore production, reduce unit operating costs, reduce emissions and generate consistent Free Cash Flow before safely and permanently retiring those assets at the end of their useful lives.

Value Creation

HEDGE TO SECURE HEALTHY MARGINS
Protect our ability to provide reliable shareholder returns

GENERATE RELIABLE FREE CASH FLOW
Maintain Adjusted EBITDA Margins and low LOE per unit

PAY DIVIDENDS
Provide strong and reliable dividends to our shareholders

MAINTAIN A HEALTHY BALANCE SHEET
Maintain low Leverage, ample Liquidity and access to additional capital for opportunistic growth

Geographic Operating Areas

U.S. NATURAL GAS PLAYS

Our Operating Areas

CENTRAL REGION

The Central Region includes parts of Texas, Louisiana, Oklahoma and Arkansas, and is home to a number of asset rich natural gas and oil formations. We currently operate within Texas, Louisiana and Oklahoma in the following plays:

Haynesville, Bossier and Cotton Valley

While in a relatively similar geographic region of East Texas and West Louisiana, the Bossier shale lies directly above the Haynesville shale but beneath the Cotton Valley sandstones. A key benefit to operations in this region is the ability to access consistent natural gas pipeline transportation from the wellhead to the Gulf Coast, an area of strong demand and advantageous pricing. This access to strong pricing and takeaway capacity has made it a desirable area for developers and one of rapid growth, particularly in the Haynesville, with Cotton Valley and Bossier viewed as more mature. As the wells in this region continue to mature and decline rates continue to shallow and become more predictable, it will be a fertile ground for our continued expansion.

Barnett

An original shale play in the U.S., the Barnett shale is located in North Texas and is a geological formation rich in natural gas. The Barnett is home to some of the first horizontal drilling and hydraulic stimulation that occurred in the early 1990s, unlocking the U.S. shale revolution. For a time during the early 2000s, the Barnett was the largest natural gas producing shale play in the U.S. Though drilling in this area has largely subsided, the maturity of the play with its now vast portfolio of low decline rate wells makes this area rich in opportunities to complement our existing mature portfolio through future acquisitions.

Mid Continent

The Mid Continent region stretches across Oklahoma, Kansas and the Texas panhandle and is generally understood to reference the Fayetteville, Woodford, Granite Wash, Springer, Sycamore and Cana Woodford shale natural gas plays along with numerous other conventional and unconventional natural gas reservoirs in the Arkoma Basin, Ardmore Basin and Anadarko Basin. This mature and developed region has undergone a redevelopment renaissance over the last 5 to 10 years through the use of hydraulic stimulation and horizontal drilling. It is an asset rich environment with an abundance of mature wells and developed transportation infrastructure making it a valuable complement to our current portfolio.

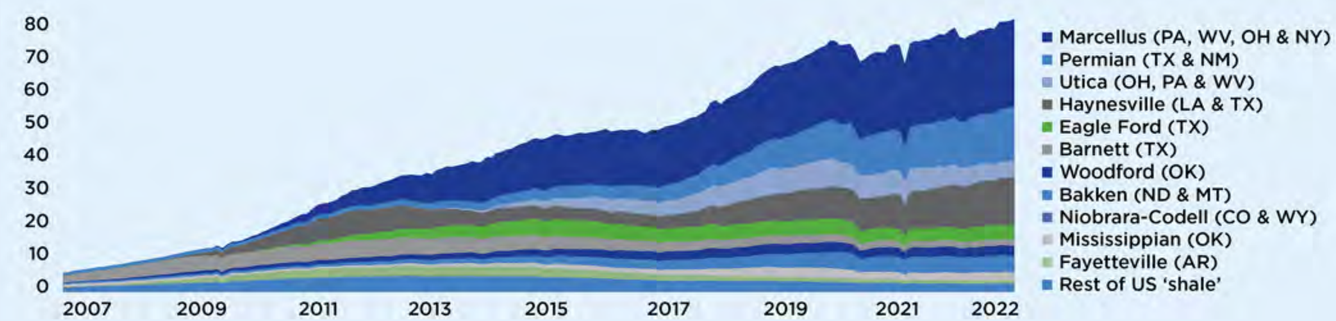
APPALACHIA

The Appalachian Basin spans Pennsylvania, Virginia, West Virginia, Kentucky, Tennessee and Ohio and consists of two productive unconventional shale formations, the Marcellus Shale and the slightly deeper Utica Shale. Together they accounted for 39% of all U.S. dry natural gas production in 2022. Diversified began operating here in 2001, more than twenty years ago, firmly establishing the Group as a consolidator of assets and exceptional operator. Appalachia is home to many mature, low-decline conventional and unconventional wells matching our target asset profile.

Current play - oldest stacked play
Current play - intermedia depth/age stacked play
Current play - shallowest/youngest stacked play
Prospective play
Basin

* Mixed shale & chalk play
** Mixed shale & limestone play
*** Mixed shale & dolomite-stiltstone-sandstone play
*** Mixed shale & limestone-stiltstone-sandstone play

U.S. DRY SHALE GAS PRODUCTION
billion cubic feet per day

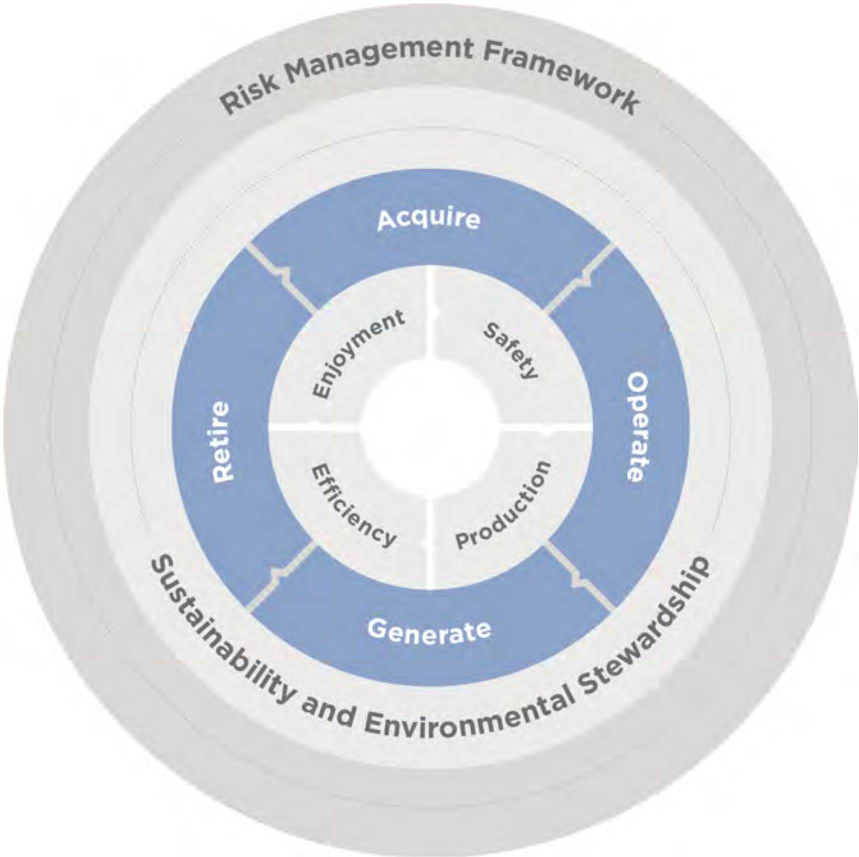


Sources: Graph by the U.S. Energy Information Administration ("EIA") based on state administrative data collected by Enverus. Data is through December 2022 and represent EIA's official tight gas estimates, but are not survey data. State abbreviations indicate primary state(s).

Note: Improvements to play identification methods have altered production volumes between various plays.

Strategy

Our rapid growth and attractive dividend stems from our unique business model and successful execution of straight-forward, low-risk and proven operating techniques.



ACQUIRE

Acquire long-life stable assets

We practice a disciplined approach to acquire long-life stable assets by targeting low-decline producing assets that are value accretive, high margin and strategically complementary, while also applying extensive environmental, social, land and legal due diligence.

OPERATE

Operate our assets in a safe, efficient and responsible manner

Our operational strategy and success is closely aligned with the culture we created through our four guiding operational priorities: Safety, Production, Efficiency and Enjoyment. These four daily priorities are brought to life as part of our SAM programme which our team lives and breathes every day as they work to deliver clean, affordable and reliable energy.

GENERATE

Generate reliable Free Cash Flow

Our unique business model, coupled with the successful execution of the Acquire and Operate pillars of our corporate strategy, naturally lends itself to generating Free Cash Flow. We aspire to make cash flows predictable and reliable so we can consistently return dividends to our shareholders, pay down debt, fund acquisitive growth, and accomplish our ESG goals and ambitions.

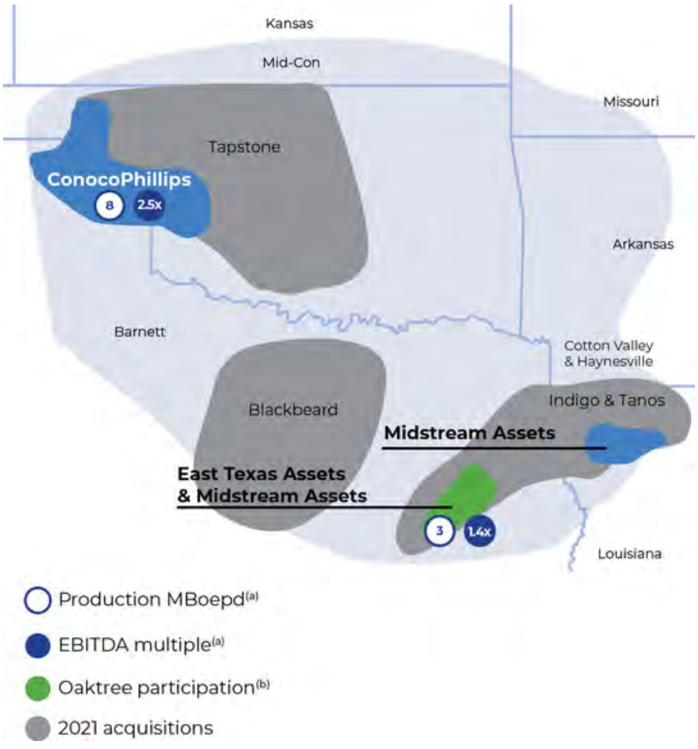
RETIRE

Retire assets safely and responsibly

At the appropriate time, through our safe and systematic asset retirement programme, we safely and permanently retire wells and responsibly restore the well sites as close as possible to their original and natural condition. Our asset retirement programme reflects our solid commitment to a healthy environment, the surrounding community and its citizens and state regulatory authorities.

Acquire Long-Life Stable Assets

CENTRAL REGION EXPANSION



ACQUISITIONS

Five complementary Central Region acquisitions in 2022, including two upstream and three midstream

2022: $307 million
Central Region acquisitions to date: $994 million

MAINTAINING LEVERAGE

Hedge-protected margins and low-decline assets create a differentiated and sustainable leverage profile

Consolidated upstream acquisition EBITDA multiple: 2.2x[c]
Leverage target (at or below): 2.5x

GROWING PRODUCTION

Investment in Central Region acquisitions in 2022 increased our exit rate production by ~7%

2022 exit rate: 141 MBoepd[d]
2021 exit rate: 139 MBoepd

2022 ACHIEVEMENTS

- Completed two synergistic upstream acquisitions in the Central Region for $290 million, contributing approximately 10 MBoepd to December 2022 production, while maintaining Leverage at or below 2.5x.
- Initial build-out of Central Region midstream capacity with the vertical integration of three midstream acquisitions in the Central Region for $17 million, reducing transportation costs and enhancing margins.
- Completed our fourth successful acquisition with Oaktree Capital Management, L.P. ("Oaktree") through our strategic partnership.
- Remained disciplined in a volatile M&A market.
- Utilised environmental and climate screening of target assets to inform acquisition considerations.

TARGETS FOR 2023

- Continue disciplined acquisition approach in the pursuit of producing assets that meet our strict investment criteria.
- Maintain Liquidity discipline and continue to be well positioned in the market to capitalise on opportunities when they become available.
- Continue complementary and synergistic growth in the Appalachian and Central regions through healthy relationships with development-oriented producers in our operating areas.
- Continue to screen and execute on new basin opportunities.

PRINCIPAL RISKS

- Corporate Strategy and Acquisition Risk
- Financial Strength and Flexibility Risk
- Climate Risk

KEY PERFORMANCE INDICATORS

- Adjusted EBITDA per Share
- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Emissions Intensity
- Adjusted Operating Cost per Boe

(a) Previously reported.
(b) East Texas Assets only.
(c) Pro forma for the Tanos II transaction completed in March 2023.
(d) Excludes ~10 MBoepd of weather-related production downtime in December 2022 due to Winter Storm Elliot.

Indicates ESG achievements and targets.

Operate our Assets in a Safe, Efficient and Responsible Manner

GOAL

Improve safety, optimise production, increase expense efficiency and improve emissions profile

PROCESS

"Data + Human Interaction" coupled with production technology systems, drive well activities, process enhancements, refine best practice techniques

RESULT

Practical, profit-focused **SOLUTIONS** developed by our experienced teams

ONGOING INITIATIVES

PRINCIPAL RISKS

- Corporate Strategy and Acquisition Risk
- Climate Risk
- Cybersecurity Risk
- Health and Safety Risk
- Regulatory and Political Risk
- Financial Strength and Flexibility Risk

Indicates ESG achievements and targets.

2022 ACHIEVEMENTS

- Record annual production of 49,354 MBoe
- Our safety-no compromises culture contributed to TRIR declining 53% year-over year to 0.73 (per 200,000 work hours) and preventable motor vehicle accident rate ("MVA") declining 4% year-over-year to 0.69 (accidents to million miles driven).
- Continued to leverage the abilities of our ~1,200 experienced production employees on their ~131,000 site visits every month to maintain our zero tolerance policy for fugitive emissions.
- Continued deployment of SAM and its associated production optimisation techniques which contributed to 148 wells being returned to production helping us achieve industry leading declines of approximately 8.5%, pro forma for 2022 acquisitions.
- Completed fugitive emissions detection surveys on 100% of our Appalachian portfolio and aerial light detection and ranging ("LiDAR") surveys covering ~11,000 miles of midstream systems which also included ~10,500 wells and compressor stations. These surveys have allowed us to take meaningful steps towards identifying and reducing our emissions profile.
- Zero non-compliance issues cited after participating in 14 state and federal regulatory agency audits of our operational assets and compliance programmes which were completed as part of routine monitoring programmes.

TARGETS FOR 2023

- Continue to execute our guiding priorities: Safety, Production, Efficiency, and Enjoyment.
- Continue commitment to responsible stewardship through an intense focus on continuous improvement of all aspects of ESG seeking to exceed our stakeholders' expectations.
- Continue focus on the SAM programme to maintain margins, offset natural declines and realise the expense efficiency opportunities we acquire.
- Maintain operational excellence and extract additional value from our existing asset base to drive efficiencies.

KEY PERFORMANCE INDICATORS

- Total Recordable Incident Rate ("TRIR")
- Emissions Intensity
- Adjusted Operating Cost per Boe
- Adjusted EBITDA per Share

Generate Reliable Free Cash Flow

PRUDENT ALLOCATION OF CASH FLOW

Allocating Cash Flow

Dividend Distributions
Pay meaningful dividends

Debt Repayment
Reduce outstanding debt & create Liquidity

Share Buyback Programme
Reduce outstanding shares & increase shareholder value

Reinvestment
Reinvest for organic growth & reduce reliance on equity and debt markets

ESG
Invest in broad spectrum of sustainability initiatives

PRINCIPAL RISKS

- Corporate Strategy and Acquisition Risk
- Commodity Price Volatility Risk
- Financial Strength and Flexibility Risk

KEY PERFORMANCE INDICATORS

- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Consistent Dividend per Share
- Adjusted EBITDA per Share
- Consistent Adjusted EBITDA Margin
- Emissions Intensity
- Adjusted Operating Cost per Boe

2022 ACHIEVEMENTS

- Issued four ESG-aligned asset-backed securitisations for an aggregate $1.2 billion, in an elevated price environment allowing us to maximise collateral value and secure an optimal long-term hedge portfolio for these assets.
- Raised our weighted average hedge floor on natural gas production to $3.63 per Mcf at 31 December 2022 from $2.97 per Mcf at 31 December 2021 further emphasising our ability to take advantage of an elevated price environment. Subsequent to 31 December 2022, we continued to elevate our hedge floor on natural gas production and presently maintain a 2023 hedge floor of $3.83 per Mcf.
- Generated the highest dividend yield among upstream E&P companies on the LSE, and 8x the S&P 500 average.
- Repaid $232 million in borrowings illustrating the substantial cash flow generated by our assets.
- Repurchased 24 million shares through our EBT and Share Buyback Programme, representing $35 million in shareholder value above and beyond the $143 million in dividend distributions.
- Delivered on our ESG investment commitment to convert more natural gas pneumatic devices to compressed air than originally planned (57 facilities, exceeding our goal to convert 30 well pads). We also had huge success with our Appalachian upstream emissions detection surveys, completed our first year of aerial surveillance activities for our midstream assets, and contributed to tree planting and land preservation initiatives with the National Wild Turkey Federation and West Virginia State University.

TARGETS FOR 2023

- Continue to protect the reliability of our Dividend per Share and reward shareholders.
- Maintain our effective hedging strategy to further insulate cash flows while also taking advantage of accretive market opportunities to raise our hedge book floor.
- Continue to secure low-cost sustainability-linked financing that supports our acquisitive growth while maintaining low Leverage and ample Liquidity.
- Continue to invest in sustainability initiatives.

Indicates ESG achievements and targets.

Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

CONSOLIDATING REGIONAL EXPERTISE

Acquisition of established service providers de-risks operations and enhances knowledge base

DIFFERENTIATED OUTLOOK ON ASSET RETIREMENT

Stewardship from acquisition to retirement

UNIQUELY SITUATED FOR PROGRAMME MANAGEMENT

Full-scope services from permitting to retirement enhance ability to provide services to states, other operators

ENHANCING CONSOLIDATED CASH FLOWS

Creates efficiencies in well retirement costs and introduces cost offset opportunities

GRAND OPENING - NEXT LVL FACILITY

2022 ACHIEVEMENTS

- Expanded our asset retirement operations from three to 15 rigs and one to 12 teams, exceeding our goal of expanding our asset retirement operations to six teams by mid-year 2022.
- Added valuable internal asset retirement capacity in Appalachia with three asset retirement company acquisitions. These acquisitions allowed us to reduce reliance on third-party providers and protect expenses, and provided us with better control of our environmental footprint.
- This growth has been a welcomed addition by state leaders and as a result we have been engaged by the states of West Virginia, Ohio, Pennsylvania and Kentucky to use our excess capacity to help retire their inventory of abandoned and orphan wells.
- Retired 214 wells, including Central Region operations, exceeding our collective state commitments in Appalachia to retire 80 wells in our primary states of operation. We hold 10-year asset retirement plans with the states of Kentucky and Ohio and 15-year asset retirement plans with the states of Pennsylvania and West Virginia.
- Published our fourth **asset retirement supplement** to our website providing market leading transparency in this area.

TARGETS FOR 2023

- Continue to safely retire wells and aim to exceed state safe and systematic asset retirement programme commitments by identifying and retiring wells at the end of their useful lives.
- Continue to optimise the vertical integration benefits we can realise with our expanded internal asset retirement capacity.
- Continue constructive and collaborative dialogue with states and industry associations to innovate and ensure best practices in the well retirement arena.

PRINCIPAL RISKS

- Health and Safety Risk
- Regulatory and Political Risk
- Climate Risk
- Financial Strength and Flexibility Risk

KEY PERFORMANCE INDICATORS

- Meet or Exceed State Asset Retirement Goals
- Emissions Intensity

Indicates ESG achievements and targets.

Key Performance Indicators

In assessing our performance, the Directors use the following key performance indicators ("KPIs") to track our success against our stated strategy. These KPIs focus on corporate and environmental responsibility, consistent per share returns underpinned by prudent cost management, low Leverage and adequate Liquidity to protect the sustainability of the business.

Please refer to the **APMs** section in **Additional Information** within this Annual Report for information on how these metrics are calculated and reconciled to IFRS measures.

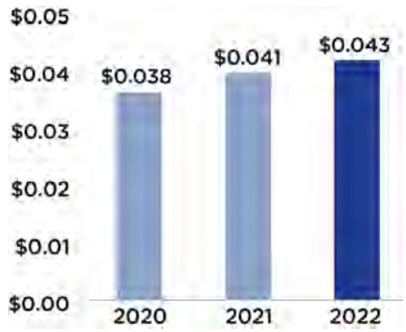
CONSISTENT DIVIDEND PER SHARE

We strive to provide a reliable and consistent dividend to our shareholders while maintaining Leverage and Liquidity within our targets. We evaluate our success by monitoring the consistency of Dividend per Share alongside other KPIs discussed within this Annual Report. Our growth and enhanced hedge position enabled us to increase our dividend per share by 3% in 2022 and meet our dividend commitment by returning $143 million to shareholders at an Average Quarterly Dividend per Share of $0.043 for a total of $0.17 per share for the year.

LINK TO STRATEGY

— Generate Reliable Free Cash Flow

AVERAGE QUARTERLY DIVIDEND PER SHARE



MAINTAIN NET DEBT-TO-ADJUSTED EBITDA AT OR BELOW 2.5x

We believe our long-life, low-decline, and low forward capital intensity asset portfolio is well matched with an appropriate level of stable, low-cost debt. Responsible Leverage maximises our assets' total return potential, and we view Net Debt-to-Adjusted EBITDA as an indicator of our financial health and flexibility. Accordingly, we have maintained a ratio at 2.0x to 2.5x, consistent with our stated target. This consistent Leverage profile is reflective of our discipline and sustained commitment to responsibly fund our growth.

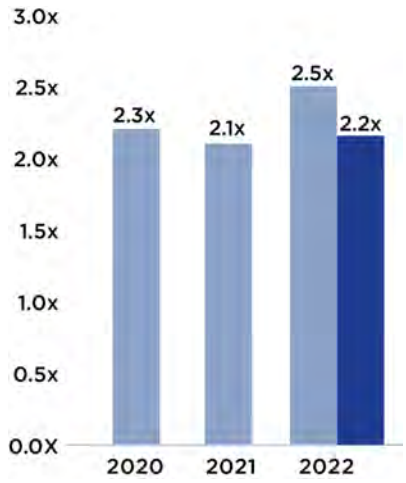
During 2022 we financed our growth exclusively through borrowings utilising the high commodity price environment as an opportunistic time to issue ABS financing structures along with executing corresponding long-term hedge structures that support systematic debt repayment and natural de-levering over time. As a result our Leverage ratio remained consistent throughout 2022 within our preferred range. In March 2023 we completed our most recent value accretive acquisition, the Tanos II transaction, which was primarily funded with equity. When evaluating the pro forma impact of this transaction along with our 2022 acquisitions funded with debt, our Leverage Ratio remained healthy at 2.2x.

LINK TO STRATEGY

— Acquire Long-Life Stable Assets

— Generate Reliable Free Cash Flow

NET DEBT-TO-PRO FORMA ADJUSTED EBITDA



[a] Pro forma for the Tanos II transaction completed in March 2023.

ADJUSTED EBITDA PER SHARE

Recognising that acquisitions can require equity capital, we use Adjusted EBITDA per Share as a means of evaluating the accretive nature of our successful acquisitions. Adjusted EBITDA is an effective metric as it quantifies our ability to repay debt and interest, internally fund future growth and distribute dividends. This metric is particularly meaningful when considered in connection with the Leverage Ratio, evidencing that we are growing cash flows at the per share level without overextending our balance sheet.

When compared to the prior reporting period our Adjusted EBITDA per Share increased significantly. The change is due to our notable increase in Adjusted EBITDA year-over-year driven by a 14% increase in average daily production reflecting the inclusion of a full year of 2021 acquisitions and a partial year of our 2022 acquisitions. We also opportunistically elevated our hedged floor prices for the commodities that we produce in order to increase the stability and resiliency of our cash flows in volatile commodity price environments like 2022.

LINK TO STRATEGY

— Acquire Long-Life Stable Assets

— Operate Our Assets in a Safe, Efficient and Responsible Manner

— Generate Reliable Free Cash Flow

CONSISTENT ADJUSTED EBITDA MARGIN

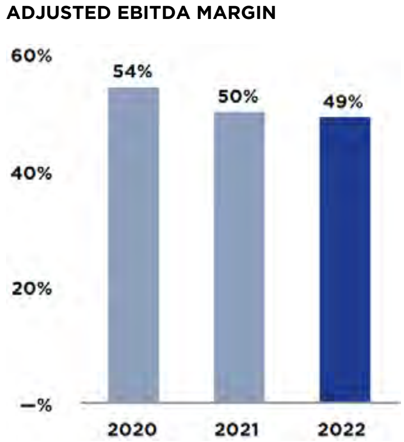
We believe that our Adjusted EBITDA Margin is an appropriate measure of our profitability. We protect our Adjusted EBITDA Margin and Free Cash Flow generation through our proactive hedging programme and SAM-backed efficient operations. Our track record of strong margins is a testament to the successful execution of our strategy and ability to generate strong reliable cash flows even against the backdrop of the inflationary environment experienced in 2022.

We grew both Total Revenue, Inclusive of Hedges, by 49% to $1,024 million and Adjusted EBITDA by 47% to $503 million benefiting from our growth in the Central Region and an improved commodity environment.

LINK TO STRATEGY

— Generate Reliable Free Cash Flow

— Operate Our Assets in a Safe, Efficient and Responsible Manner



ADJUSTED OPERATING COST PER BOE

We believe Adjusted Operating Cost per Boe demonstrates the efficiency of our asset management. This metric includes all operating expenses and the portion of G&A cost it takes to produce each Boe, both of which include fixed and variable cost components. Adjusted Operating Cost per Boe for 2022 was $10.60, an increase of 33% compared with 2021 reflective of changes in our portfolio mix due to the higher cost structure of the Central Region and our growing presence there. This metric was also impacted by inflationary pressures, importantly however, even with an increase in unit cost, margins remained near 50% and reflect the higher revenues per unit of production we generated in the Central region.

LINK TO STRATEGY

— Generate Reliable Free Cash Flow

— Operate Our Assets in a Safe, Efficient and Responsible Manner

EMISSIONS INTENSITY

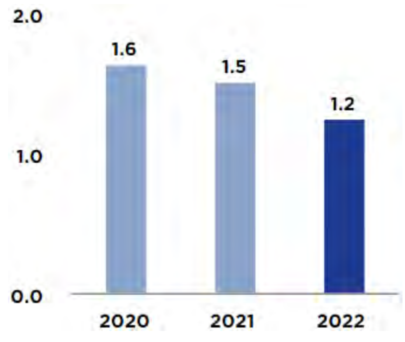
Our ability to lower methane emissions will play a key role in our progress towards our net zero ambitions. Methane emissions intensity is calculated as Scope 1 methane emissions divided by MMcfe of production. Scope 1 emissions represent direct emissions from sources owned or controlled by us, and they include fugitive emissions, fleet or vehicle use and natural gas field compressor use.

Our continued improvement in this metric is a result of our team's emphasis in this area and illustrates some of the initial remediation results after surveying 100% of our Appalachian assets. As our path to net zero continues we will continue to make strides in reducing our emissions.

LINK TO STRATEGY

- Acquire Long-Life Stable Assets
- Operate Our Assets in a Safe, Efficient and Responsible Manner
- Generate Reliable Free Cash Flow
- Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

METHANE EMISSIONS INTENSITY (MT CO_2e/MMcfe)



MEET OR EXCEED STATE ASSET RETIREMENT GOALS

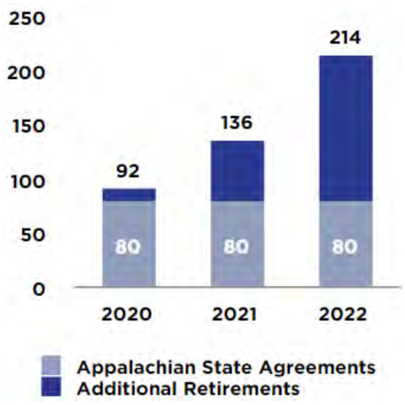
Consistent with our business strategy, we are an established, leading operator with an unwavering commitment to environmental stewardship. We partner our highly skilled personnel with the necessary financial resources to responsibly manage our assets throughout their productive lives and eventual retirement. In 2017 we started to proactively meet regularly with state officials to develop a long-term plan to retire our growing portfolio of long-life wells establishing annual retirement commitments. We strive to meet or exceed our asset retirement obligations under these state agreements, and have a growing track record of demonstrating our ability to succeed and innovate in our asset retirement operations.

During 2022, we meaningfully expanded our asset retirement operations and permanently retired 214 wells, inclusive of our Central Regions operations. This achievement allowed us to more than double our Appalachian state requirements of 80 wells and achieve our goal to retire 200 wells by 2023.

LINK TO STRATEGY

- Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

WELLS RETIRED BY YEAR



TOTAL RECORDABLE INCIDENT RATE

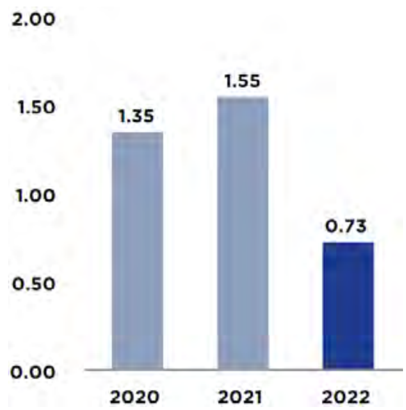
We are committed to fostering a safe workplace as we believe that with proper measures and attention to detail, work-related incidents, illness and injuries are preventable. To that end, we believe TRIR is an appropriate measure of our progress in this important area. TRIR is the sum of lost time injuries, restricted work injuries and medical treatment injuries per 200,000 work hours, and represents all injuries that require medical treatment in excess of simple first aid. While we aspire to achieve a zero-harm working environment and remain steadfast in our commitment to improving safety performance, in 2022, we were pleased that our TRIR decreased to 0.73, primarily impacted by a lower frequency of minor incidents throughout the year.

Our senior operations and Environmental, Healthy and Safety ("EHS") leadership teams review results with a specific emphasis on root causes and changes to mitigate future incidences in order to create solutions and education programmes that incorporate the lessons we learn from our reviews. We are committed to removing the risk of complacency from the daily routines of our employees to reinforce the fact that we will not accept compromises in our efforts to achieve safe operational practices. For more details on our safety programmes please see the **Our Employees** section within this Annual Report.

LINK TO STRATEGY

- Operate Our Assets in a Safe, Efficient and Responsible Manner

TRIR (Per 200,000 work hours)



SUSTAINABILITY REVIEW

A Letter from Our VP of ESG & Sustainability

"As we seek to continually demonstrate our commitments through actions, we also remain committed to incorporating the needs of our stakeholders through transparently reporting our plans and performance with timely and decision-useful communications."

I am pleased to provide you this annual update on Diversified's progress during 2022 across our ESG initiatives. Our more than 1,500 employees remain committed to driving and delivering meaningful progress through responsible stewardship, focused operations and community engagement. As we seek to continually demonstrate our commitments through actions, we also remain committed to incorporating the needs of our stakeholders through transparently reporting our plans and performance with timely and decision-useful communications.

With this context, we are excited to share the significant progress Diversified made in 2022:

Driving significant climate, environmental and safety improvements
In our upstream segment, and nine months sooner than our original target date, our employees completed initial emissions detection surveys on 100% of our operated Appalachian wells, immediately repairing any unintended emissions, where practicable, and thereby attaining a documented no-leak rate on approximately 90% of total initial asset surveys. Meanwhile, our midstream segment supported aerial emissions survey efforts on ~60% of our ~17,700 mile midstream system, where our efforts also covered ~10,500 of our own wells and compressor stations and further benefited our industry partners and offset operators in identifying potential leaks on their midstream systems. In both our upstream and midstream emissions detection and repair initiatives, we are working our processes to repair the remaining prioritised leaks. We also made significant progress in 2022 against our stated five year target to replace natural gas-driven pneumatic devices with compressed air systems, further driving significant environmental benefit.

At the same time, we continue to focus on our OneDEC safety culture through expanding awareness, reporting and training programmes, as evidenced by a more than 500% increase in Good Catch/Near Miss reporting during the year and a more than 53% improvement in our year-over-year TRIR to 0.73. Additionally, our annual motor vehicle accident rate improved 4% to 0.69 even with new acquisitions contributing to increases of 18% and 35% in the number of employees operating company vehicles and total miles driven, respectively, during the period.

Identifying and supporting community needs
Diversified seeks to support and improve its surrounding communities through targeted social development, economic improvement, and engagement efforts by empowering our large workforce living and working in these communities to make a difference where, when, and how it matters most.

During 2022, we formalised our Community Giving and Engagement Programme to identify and support the physical and economic needs of the communities we serve across our growing 10-state footprint. In response to our 2022 stated goal to distribute $2 million in grant funding and community/stakeholder engagement, we enhanced our volunteer efforts and provided monetary funds of approximately $2.5 million to some 140 organisations. Through these investments, we've expanded access to youth fine arts development along with secondary and higher education programmes and initiatives, supported vital health and well-being initiatives for both adults and children, provided first responders with much needed funding and/or equipment to meet emergency needs in their communities, and joined the front lines of relief efforts in the wake of devastating floods. Separately, we also expanded both our internship and scholarship programmes.

Remaining committed to transparency
In 2022, we were pleased to receive the United Nations' OGMP 2.0 Gold Standard Pathway designation, validating our endeavours to accurately measure and report our emissions footprint, particularly methane, and to deliver a differentiated energy product. While the designation was a significant achievement and one of which we are very proud, we remain committed to continuously improving our measurement and reporting. As such, we have again engaged ISOS Group to provide Level 2 assurance of our reporting of Scope 1 and 2 GHG emissions.

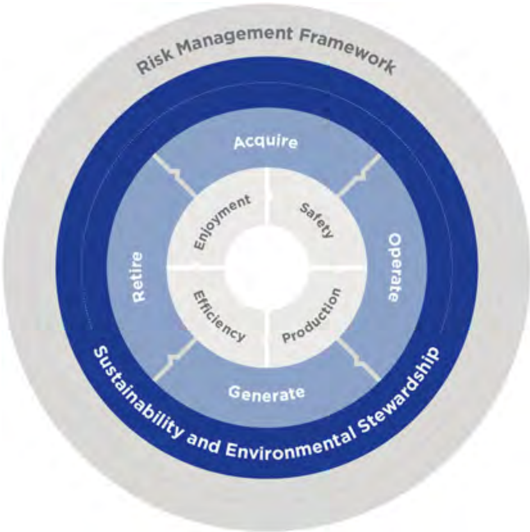
2022 was a year of great progress for our stewardship and ESG initiatives. I am proud of our teams for their support and for their commitment to deliver on our stated goals. We perpetually strive to differentiate our company and operations by focusing on continuous asset enhancement, environmental stewardship, and effective community action across our footprint. We look forward to driving additional improvement and to providing ongoing updates on our progress.

Teresa B. Odom

Teresa B. Odom
Vice President-ESG & Sustainability
21 March 2023

*Additional information on our climate, environmental, safety and social performance will be available in our separate sustainability communications on our **website**.*

Our Strategy Supports Sustainability



ACQUIRE

ESG Concepts Are Embedded In Our Acquisition Philosophy

Our diligence in reviewing target acquisitions includes not only an understanding of the target's financial effect but also the potential environmental and social impacts associated with ownership and operation of the target assets. We seek acquisitions that will grow our business while contributing positively to our emissions profile and environmental goals.

2022 ACTIVITY

- Expanded Central Region presence with upstream and midstream acquisitions;
- Evaluated the carbon footprint of acquired assets through detailed screening tools;
- Welcomed 105 new team members through our 2022 acquisitions; and
- Expanded our acquisition pipeline with opportunities accretive to our business model and environmental goals.

OPERATE

Stewardship Drives Our Operations Focus

We leverage our SAM programme to optimise the efficiency and productivity of our assets. Simultaneously, our diligent approach to inspect and maintain our assets is central to detecting, measuring and repairing the sources of fugitive emissions in order to reduce our environmental footprint and to increase asset integrity alongside keeping employee safety at the forefront of our daily operations.

2022 ACTIVITY

- Produced 135 MBoepd;
- Returned 148 wells to production in lieu of retiring;
- Surveyed 100% of operated Appalachian wells as part of our dedicated emissions detection programme; and
- Removed 16 compressors, or 6,062 horsepower and 11,823 MT CO_2e reported emissions, from our operations.

GENERATE

Investing in Long-Term ESG and Sustainability

We continue to establish low-cost solutions and effective strategies that increase our responsible operations and generate significant and reliable Free Cash Flow. As such, we are able to reinvest in ESG and sustainability initiatives which increase the amount of clean, affordable natural gas routed to our customers and to create further value through our differentiated, responsible operating model.

2022 ACTIVITY

- Funded $307 million in acquisitions where we will steward reliable natural gas production, transportation and retirement;
- Funded numerous upstream and midstream workovers, repairs and enhancements to route more natural gas to our pipelines and end users;
- Funded $14 million in asset retirement capacities and capabilities for our activities; and
- Funded the acquisition of leading edge, innovative emissions reduction technologies.

RETIRE

Sustainable Asset Retirement, Supporting the Industry

Through the strategic growth of our asset retirement business, we have outperformed our retirement goals both as they relate to our annual state retirement obligations and to our ambitious internal goals to increase our retirement resources. With the expansion of our internal expertise and capacity to retire wells, we now possess the resources to support our ongoing annual obligations as well as the retirement goals of our fellow operators and the states' respective orphan well programmes.

2022 ACTIVITY

- Created single, large capacity asset retirement business through strategic acquisitions;
- Increased dedicated well retirement capabilities to 12 teams and capacity to 15 rigs;
- Retired 214 wells, inclusive of our Central Region operations, (150% beyond our 2022 Appalachia requirement) and also retired other non-Diversified operated wells; and
- Updated our **asset retirement supplement** inclusive of acquisitions through 2022 with confirmation of our commitment and ability to meet long-term retirement obligations.

Our Approach to ESG

We remain keenly aware of the balance between climate, energy security and sustainability. We know that natural gas can and must play a key role in the global economic transition to a lower-carbon economy so we remain committed to our role as a responsible steward of the natural resources we manage, working to lower our operational carbon footprint. Further, our natural gas production and systems play an important role in ensuring a stable energy supply as we are positioned to help meet the demand for clean, reliable energy safely and efficiently for decades to come.

Our approach to ESG management encompasses consideration of our climate, environmental and social impacts as well as our responsibility to conduct business in accordance with the highest standards of governance. Through robust stakeholder engagement and regular consideration of internal and external feedback, we proactively manage the material topics most important to our business and corporate strategy. Objectives to improve and address these key areas have served as the foundation of our ESG efforts and strategy, informing where progress should be tracked and new forward-looking targets set.

REMAINING ON TASK: NET ZERO AMBITIONS

Our climate ambitions are bolstered by a unique business model focused on two key environmental stewardship approaches which keep our net zero ambitions at the forefront of our decision-making. First, our operational approach to owned assets centres on investments in improving or restoring production, optimising the integrity and efficiency of our assets and reducing emissions before safely and permanently retiring those assets at the end of their productive life. Additionally, our acquisition approach to stewardship utilises intentional consideration of the emissions profile and geographic location of target assets in determining their compatibility to our portfolio and our climate goals for emissions reduction. In doing so, we are able to recognise the immediate accretive benefit of the acquisitions to our emissions profile or to develop a near-term plan to achieve those benefits.

Throughout 2022, we remained diligently focused on our previously stated near-term commitments to reduce Scope 1 methane intensity by 30% by 2026 and by 50% by 2030 (assuming a 2020 baseline). Our dedicated human capital and financial investments aimed largely at leak detection and repair efforts in our Appalachian upstream assets and conversion of natural gas-driven pneumatic devices to compressed air across our portfolio contributed to a 20% reduction in reported methane emissions intensity for year-end 2022.

While our current environmental focus is on methane reductions, we also continued work on our marginal abatement cost curve ("MACC") to help broaden and formalise our stated goal of Scope 1 and 2 net zero greenhouse gas ("GHG") emissions by 2040. Further, we are endeavouring to partner our MACC efforts with a new process aimed at building and maintaining real-time emissions intelligence through the Iconic Air platform in order to enhance the accuracy and power of predictive analytics related to our emissions, thus offering management better data and more tools for more informed decision-making.

FOSTERING A UNIFIED, FOCUSED CULTURE

Though our upstream, midstream and asset retirement business units encompass distinct activities, we view our corporate and individual employee actions through the lens of a single, unified OneDEC approach that drives a culture of operational excellence fostered through the integration of people and the standardisation of processes and systems. Our OneDEC approach is an effort centred around supporting and encouraging company-wide initiatives by ensuring alignment of our corporate and ESG goals with departmental action supported by financial investment and boots on the ground. Thus, we embed our strategic frameworks, values and stewardship business model in our OneDEC culture to align our organisation, our goals and our priorities around continued progress.

SUPPORTING LONG-TERM SUSTAINABILITY

We view sustainability through the dual lens of creating long-term sustainable value for our stakeholders and ensuring our daily actions contribute to a sustainable environment and planet for society at large. When we align our stewardship-focused business model and OneDEC culture with our commitment to continuously Identify, Improve and Monitor our ESG actions, as reflected in our ESG logo and evidenced through our setting and tracking of relevant and measurable targets, we are doing so with this dual lens in mind.

In addition to our guiding values for ESG management, we also utilise the United Nations' Sustainable Development Goals ("SDG"), which calls on individuals, corporations and governments to work together towards the ultimate, unified goal of creating a better and more sustainable future for all citizens globally. At Diversified, we challenge ourselves to consider these topics and more when we effectuate our business model, corporate strategy, ESG commitments, daily operations and risk management practices. We believe our OneDEC approach supports important contributions to the SDGs illustrated below, and we've identified several other SDGs to which our business model aligns yet also provides added opportunities for us to make continuous improvement and contribution.

Governance

a) Board oversight of climate-related risks and opportunities

b) Management's role in climate-related risk assessment and management

Strategy

a) Risks and opportunities with time horizon

b) Impact on business, strategy, and planning

c) Resilience of strategy to climate scenarios, including a 2°C or lower scenario.

Risk Management

a) Process for identifying and assessing climate-related risks

b) Process for managing climate-related risks

c) Integration with overall risk management

Metrics and Targets

a) Metrics for climate-related risk assessment

b) Scope 1, 2, and (if needed) 3 emissions and related risks

c) Targets for risks and opportunities and related performance

Task Force on Climate-Related Financial Disclosures ("TCFD")

Climate related disclosures are of utmost importance to Diversified. As a result we publish a stand alone Climate Risk and Resilience Report (found on our **website**) which addresses this issue and TCFD in a comprehensive manner so investors can be well informed of our actions in this critical area. Accordingly we recommend that report be read in connection with this Annual Report as it provides valuable additional detail and insights.

In this year's Annual Report we have summarised some key components of our 2022 Climate Risk and Resilience Report. In doing so we have prepared this section consistent with the recommendations of the TCFD, with the exception of Scope 3 disclosures. Cognisant of pending regulations in this area and given the lack of current consensus on the best way to measure and report Scope 3 emissions, we are in the early stages of developing a Scope 3 inventory in line with existing protocols and evolving market expectations and aim to have advanced our position on Scope 3 reporting by year-end 2024.

While we remain focused on emissions reductions where we have the most control, and thus are making good progress in decarbonising our own operations, we recognise that the GHG emissions associated with our value chain are proportionately greater than non-energy producing companies as our Scope 3 emissions are associated mostly with the end-use of our products. Therefore, we seek to identify GHG reduction opportunities from our upstream and downstream supply chains. We also evaluate initiatives, including renewable natural gas and carbon capture and storage projects which, in the longer-term, would allow us to mitigate or offset some or all of our Scope 1 and 2 GHG emissions.

GOVERNANCE

Engaged Leadership Focused on Decarbonisation

Our Board takes a hands-on approach to assessing and managing climate-related risks and seeking new commercial opportunities to support the energy transition. The processes by which the Board does this are fully integrated into our Board calendar and our governance procedures. In 2022, elements of our strategic and operational approach to climate change and the energy transition were on the agenda and considered at each of the Board's 11 meetings with discussions and decision-making informed by the work of our four Board Committees.

The Board receives briefings at every meeting on climate matters from the Chair of the Sustainability & Safety Committee and more detailed briefings on specific topics, as applicable, from the COO, the Senior Vice President-EHS, the Vice President-ESG & Sustainability and from the Chairs of the other Board Committees. From time to time the Board also receives training or briefings from external third-party experts on topics such as GHG emissions reporting, peer benchmarking, and internal carbon pricing.

Board and Board Committee Oversight

Our Board oversees the development of our climate change strategy, which aims to position Diversified at the heart of the energy transition based on responsible stewardship of existing assets, and is highly experienced and continuously educated in this important area. The Sustainability & Safety Committee evaluates issues relating to climate change on behalf of the Board, including changes in regulation and policy and other external, macro-level developments relating to climate change. The Audit & Risk Committee oversees the Enterprise Risk Management ("ERM") process, including assessing and managing climate risk, while the Remuneration Committee is responsible for developing a compensation structure for executives and senior management linked, in part, to ESG and climate performance metrics. Overseeing the size and composition of the Board and monitoring governance trends and best practices, the Nomination & Governance Committee is responsible for ensuring the Board's collective skill set is positioned to adequately understand and shepherd climate-related decisions and opportunities for Diversified. The Nomination & Governance Committee keeps climate-related goals top of mind when interviewing prospective Directors, onboarding new Directors and formulating succession plans.

In 2022, through the work of the Sustainability & Safety Committee, the Board focused on a number of climate topics, some of which include:

- The status of our methane leak detection and repair projects for both our upstream handheld and midstream aerial surveillance programmes;
- A review of our well retirement programme;
- Progress updates on the implementation of budgeted annual and longer-term capital expenditure programme for emissions reductions;
- Actual GHG emissions reductions achieved and progress against our Scope 1 methane emissions intensity reduction targets of 30% by 2026 and 50% by 2030 versus a 2020 baseline;
- Progress with the plan to achieve net zero Scope 1 and 2 GHG emissions by 2040 being developed with independent global consultants Montrose Environmental using our MACC tool to evaluate emission reduction projects;
- Lessons learned on adaptation and emergency response to extreme weather events such as the flooding experienced in central Appalachia in 2022;
- The process to achieve OGMP 2.0 Gold Standard Pathway certification and the remaining actions and projects required to achieve full Gold Standard Compliance; and
- Plans and progress on decarbonisation and energy transition-related feasibility studies and pilot projects such as waste heat recovery, biogas and carbon capture and storage.

Management's Role

Climate-related responsibilities are assigned to management-level positions according to each individual's area of responsibility and contribution to our overall corporate strategy. While our CEO takes ultimate responsibility for developing and delivering our climate change strategy, he is actively supported in this effort by our COO, CFO and the Chair of our Sustainability & Safety Committee.

At a strategic level, the COO has direct responsibility for operationally delivering on our stated emissions and emissions intensity reduction targets and goal, including ensuring appropriate financial and human capital is allocated to reduction-related activities such as our methane leak detection and repair programme and conversion of natural gas-driven pneumatic devices to compressed air. This role also includes (i) identifying and implementing new operational investments in emissions reduction technologies, (ii) identifying, assessing and pursuing new capital investments in carbon capture or other alternative uses of operational assets within our portfolio, (iii) developing commercial opportunities such as our growing well retirement business, and (iv) ensuring that climate-related factors and metrics are considered for company growth plans, including acquisitions.

Working alongside the CEO and COO, our CFO is responsible for (i) ensuring climate-related expenditure is incorporated into annual operational and capital budgets, (ii) assessing the financial impact of climate-related risks and opportunities and carrying out associated financial modelling using scenario analysis and (iii) communicating details of our ESG and climate strategy and performance to investors and other stakeholders.

STRATEGY

A Resilient Portfolio - Decarbonising While Delivering

The potential impacts of climate change present a number of risks and opportunities to our business, and accordingly, we have made sustainability a central focus of our **Strategy** and **Business Model** as shown on pages 14 and 10, respectively. While climate change presents a range of risks for our business, it is also acting as a catalyst for increased operational efficiency and presenting us with opportunities to utilise our asset portfolio and teams in ways beyond our current business model. Consistent with TCFD recommendations, we consider climate-related risks and opportunities that could have a material financial impact on our business on a short-, medium- and long-term basis. For the purposes of this analysis, our considered timeframes are as follows: short-term 2023 to 2026, medium-term 2027 to 2039, and long-term 2040 and beyond. We chose these time horizons after considering the useful life of our assets and the time frames to which our stated emissions reduction targets and goals are aligned.

The climate-related risks and opportunities presented below were initially determined through workshops with executive management, senior leaders and third-party advisors and through peer comparisons. The identified risks and opportunities were then shared with the Board's Sustainability & Safety Committee for consideration and discussion.

Climate-related risks have been grouped according to the risk types suggested by the TCFD: Transition Risk (including Market, Policy & Legal, Technology, and Reputation) and Physical Risk (acute and chronic), while climate-related opportunities are categorised as Resource Efficiency, Energy Source, Products & Services and Markets. The specific climate-related risks and opportunities we have identified are set out in the following tables together with the potential impacts they could have on our business, the timeframes associated with each, and the progress being made to either mitigate or exploit them.

CLIMATE-RELATED OPPORTUNITIES

Opportunity	Potential Impact	Timeframe[a] S	M	L	Steps and Progress
RESOURCE EFFICIENCY					
Emissions monitoring and replacement of inefficient equipment	— Early detection of methane leaks reduces loss of sales gas and associated revenues across portfolio — Improved operational efficiency to reduce emissions can also reduce operational costs through fuel savings	✓	✓	✓	— We continue to invest in remote leak detection, aerial surveillance, replacement of pneumatic devices and inefficient compressors, to reduce our GHG footprint. — We actively track advances in emissions monitoring technologies and plan to take advantage of any suitable applications and technology cost reductions that evolve. We are currently working with several technology providers to advance detection and measurement projects e.g., acoustic imaging and direct methane loss measurement (SEMTECH® HI-FLOW 2 and Opgal EyeCSite® suite). — We will carry out further development of our internal MACC in 2023 to ascribe value and benefit of specific reduction projects and to optimise the prioritisation of emissions reduction projects.
Lowering vehicle-derived carbon emissions through optimisation and more efficient vehicles	— Fuel and operating cost savings by using vehicles that are more efficient and have lower carbon emissions		✓	✓	— We utilise lighter weight, more fuel-efficient vehicles in our fleet replacement programme, which could further expand in the future to include the use of longer-range electric vehicles. — We are exploring new technology to allow remote operations at well sites thus reducing vehicle use and associated emissions. — We utilise optimised route mapping to create the most efficient well tender routes thereby reducing vehicle run time, maintenance, fuel consumption and vehicle emissions.
ENERGY SOURCE					
Increase use of renewable energy sources	— Replace natural gas with renewable energy sources to support operational power needs		✓	✓	— We already use solar equipment and small wind turbines to provide auxiliary power at some smaller or remote well sites. — Our sources for Scope 2 electrical usage in 2022 represented 13% renewables and 38% low carbon (including nuclear). — We are exploring new technologies to further expand the use of renewable energy in operations, including waste heat recovery and solid oxide fuel cells.
PRODUCTS & SERVICES					
Asset retirement capabilities for third parties	— Providing third-party asset retirement services as an additional revenue stream and advancing states' resolution of orphan wells — Support regional well retirement compliance — Build internal asset retirement capabilities	✓	✓	✓	— Our expanded well retirement capability supports our regional leadership position in responsible asset retirement. — We see an opportunity to grow our retirement capacity further via our subsidiary Next LVL Energy, positioning Diversified to further support states' efforts to eliminate orphan wells. — Expanded well retirement commitments increase return of well pads to original, natural conditions thus supporting natural reforestation and biodiversity initiatives in those areas.
Biogas, fuel cells and hydrogen applications	— Explore potential long-term revenue opportunities in blue hydrogen and/or emissions reductions using biofuels and fuel cells			✓	— We are exploring new opportunities in these rapidly evolving technologies. — We are currently in the early stages of pursuing partnerships to evaluate potential of using existing midstream infrastructure for future hydrogen applications.
Carbon capture utilisation and storage ("CCUS")	— Provide carbon storage services to neighbouring emitters for income stream — Potential to offset our Scope 1 & 2 emissions			✓	— We are exploring the potential of using our natural gas storage capacity for CCUS.
MARKETS					
OGMP 2.0 Gold Standard Pathway Recognition	— Recognition of our commitment to deliver responsibly produced natural gas to the market — Enables further differentiation of our produced natural gas versus competitors	✓	✓	✓	— Achieving Gold Standard Pathway positions us to offer responsibly produced gas in the marketplace to differentiate it from other natural gas production. — As a member of OGMP, we are committed to disclose actual methane emissions data aligned with the OGMP 2.0 framework, thus further increasing our level of transparency for the market's consideration when seeking differentiated natural gas.

[a] Timeframes are defined as S - short (2023 to 2026), M - medium (2027 to 2039), and L - long (2040 and beyond).

CLIMATE-RELATED RISKS

Risk	Potential Impact	Timeframe[a] S	M	L	Risk Management Actions
MARKET					
Reduced natural gas & oil demand and price outlook	— Negative impact on revenues and portfolio value — Reduced opportunities for acquiring commercially-viable assets		✓	✓	— We conduct scenario analysis of portfolio impacts under a range of commodity price and demand outlooks and apply the results in operating or capital expense allocation decisions. — Our existing portfolio is heavily weighted towards natural gas, which is expected to remain more resilient than oil in a carbon-constrained future. — Our low-cost production provides considerable resilience to lower commodity price environments. — Our robust hedging strategy provides financial assurance and protection against commodity price volatility in the short- to medium-term. — Our marketing department is focused on maximising sales value from our achievement of OGMP 2.0 Gold Standard Pathway to differentiate our responsibly produced natural gas in the market as we further work towards Gold Standard Compliance.
Increased cost of and more challenging or conditional access to capital	— Investors/lenders look to decrease their portfolio exposure to hydrocarbon assets — Capital available to Diversified may become more difficult to access, more costly or come with additional climate-specific obligations	✓	✓	✓	— Our existing levels of fixed-rate debt and amortising payments provide significant protection in the short/medium term. — We are increasingly utilising ESG-aligned ABS financing structures. — Our achievement or out-performance of commitments to ambitious ESG KPIs attached to these ABS financing structures can improve borrowing rates and future financing bids. — To date, we have set certain interim targets for Scope 1 methane intensity reductions on our path to net zero, and transparently and frequently communicate progress against targets to stakeholder groups. — Our hedging strategy provides short- to medium-term certainty and protection for cash flows. — Our strategy of incremental M&A enables adaptation to changing market or financing conditions.
POLICY & LEGAL					
Cost of carbon	— Implementation of some form of carbon cost or regulation in states where we operate could increase operating costs and make our natural gas less competitive versus other forms of energy — Such policies could also accelerate pressure from investors and stakeholders to reduce emissions, increasing our decarbonisation costs		✓	✓	— We engage in proactive, voluntary measurement of our Scope 1 emissions to ensure we fully understand potential portfolio liability. — We engage in cost-efficient operations and employ our SAM programme across our portfolio. — We perform emissions reduction projects across our portfolio, such as leak detection and repair, compressor optimisation and pneumatics replacements. — We are engaging with third-party consultants to more fully develop our internal price of carbon metrics and strategy. — We include the evaluation of acquisition targets' carbon footprints in our M&A process and final investment decisions. — Our evolving internal MACC analysis allows us to optimise prioritisation of emissions reductions projects.
Well retirement policy	— Acceleration of existing state well retirement commitments could significantly increase annual capital and operating costs		✓	✓	— We actively engage with regulators regarding well retirement policies. — We are committed to retiring wells ahead of state requirements. — We have accumulated excess, low-cost asset retirement capacity (currently 15 rigs) through Next LVL Energy and two other 2022 acquisitions, allowing us to increase our own retirement targets, participate in state orphan well programmes and carry out asset retirement for third parties. — New revenue stream from third-party asset retirement helps to offset the cost of retiring our own wells.
Litigation	— Potential litigation tied specifically to our climate-related reporting (e.g. for misrepresentation) or actions could bring additional legal and reputational costs — Potential litigation around leaks or other sources of emissions (now or historical)	✓	✓	✓	— We have firm targets to achieve Scope 1 methane intensity reductions by 2026 and 2030 and a goal of net zero Scope 1 and 2 GHG emissions by 2040. — We expect continued development, funding and execution of formal plans and projects will enable achievement of emissions targets. — Our transparent reporting and communication of emissions and climate risks was recognised by ESG Investing's "Best Sustainability Reporting" award for our 2021 Sustainability Report. — We actively engage with federal and U.S. state regulators, and consistently demonstrate our commitment to meet or exceed their requirements. — We maintain strong community support in our operating areas.

Risk	Potential Impact	Timeframe[a] S	M	L	Risk Management Actions
Current & emerging climate-related regulation and policy	— Increasing costs of doing business as a fossil fuel-focused company; regulatory fines for emission levels; regulatory constraints on hydrocarbon commerce	✓	✓	✓	— We actively monitor U.S. and international regulatory developments and engage as applicable. — We have multiple emissions reduction activities in place aimed at achieving our 2026 and 2030 targets and 2040 net zero goal. — We continue to invest in leading edge emissions reduction technologies and monitor new technology developments. — We engage an independent, third-party consultant to provide moderate Level II assurance for Scope 1 & 2 GHG emissions. — We actively engage with industry associations to ensure we are using best practices in operating procedures and emissions reductions — As a direct result of our many voluntary efforts made to date to reduce methane emissions, we are optimistic that the impact of pending regulations under proposed U.S. EPA Quad Ob and Oc and U.S. Inflation Reduction Act's Methane Emissions Reduction Programme will not be significant to our business.
TECHNOLOGY					
Cost of GHG emissions detection and reduction technology	— Increased costs of required technology; possible cost increase if more mitigation than expected is required		✓	✓	— Our emissions detection and reduction plans are already well-advanced with short- and medium-term costs factored into budgets. — We continue to benefit from the successful use of aerial and handheld leak detection equipment and from continuous investment in our low-cost SAM programme to repair and eliminate fugitive emissions. — To date, we've experienced lower than expected costs of compressed air applications for pneumatic devices. — We continue to demonstrate innovative actions to reduce emissions, including retrofitting/elimination of existing equipment.
Substitution of natural gas and oil with lower-carbon forms of energy	— Faster acceleration and adoption/substitution of alternative energy/lower carbon solutions (i.e., electric vehicles, more efficient appliances) drives lower demand for natural gas and oil		✓	✓	— Our scenario analysis shows that even under low-carbon scenarios our portfolio is relatively resilient. Due to our low cost of production, we are able to maintain profitable operations across our portfolio even under low commodity price environments. — Our business model does not include actively developing new natural gas and oil resources but rather focuses on managing existing sources with an emphasis on reducing carbon emissions. — We are continuing to explore longer term opportunities to lower our carbon footprint e.g. biogas, waste heat recovery and CCUS projects.
REPUTATION					
Overall perception of fossil fuels/ energy sector	— Increased stakeholder pressure to accelerate emissions reduction projects could increase short-term costs and challenge profit margins — Potential impact on company valuation or brand driven by changes in stakeholder/society expectations of our role in the energy transition — Increase challenge to attract and/or retain talent	✓	✓	✓	— We are committed to transparency in emissions and climate risk reporting, and of our plan to achieve our climate-related targets. — We engage regularly with shareholders, regulators and other key stakeholders to ensure understanding of our climate strategy and external perspectives. — We include climate metrics in short- and longer-term remuneration policies to incentivise ongoing improvement in climate actions. — Broad leadership engagement keeps our current employees abreast of business strategy and emissions reductions actions and results. — Our community engagement initiatives and talent acquisition programmes, including scholarship and internship programmes, facilitate broader awareness of Diversified and our climate-related actions among potential employee candidates.

Risk	Potential Impact	Timeframe[a] S	M	L	Risk Management Actions
PHYSICAL					
Acute – Changing weather patterns, including increased frequency and severity of extreme weather events such as flooding, winter or tropical storms or wildfires	— Increased risk of compromised infrastructure or forced abandonment of operations could cause loss of revenue and decrease portfolio value	✓	✓	✓	— We have robust business continuity and crisis management plans in place, which were tested during the central Appalachia floods of 2022 and resulted in minimal business disruption. — Our business model inherently requires minimal water consumption in our operations. — We maintain appropriate levels of insurance to mitigate losses. — Our physically dispersed asset footprint mitigates any large-scale disruption to production from individual weather events e.g., flooding.
Chronic – Persistent or constantly recurring weather patterns, including hotter temperatures, lower rainfall, rising sea levels, or reduced access to water	— Increasingly challenging and potentially dangerous environmental and climate conditions could increase operating costs and risks		✓	✓	

[a] Timeframes are defined as S - short (2023 to 2026), M - medium (2027 to 2039), and L - long (2040 and beyond).

Portfolio Resilience

We are well-positioned for the future. We have a natural gas-focused portfolio and a robust business model that seeks to extract the maximum production potential of existing natural gas and oil assets by focusing on efficiently managing late in life assets that otherwise may have remained idle or neglected. We strive to be the most environmentally responsible operator in our industry of mature, producing assets.

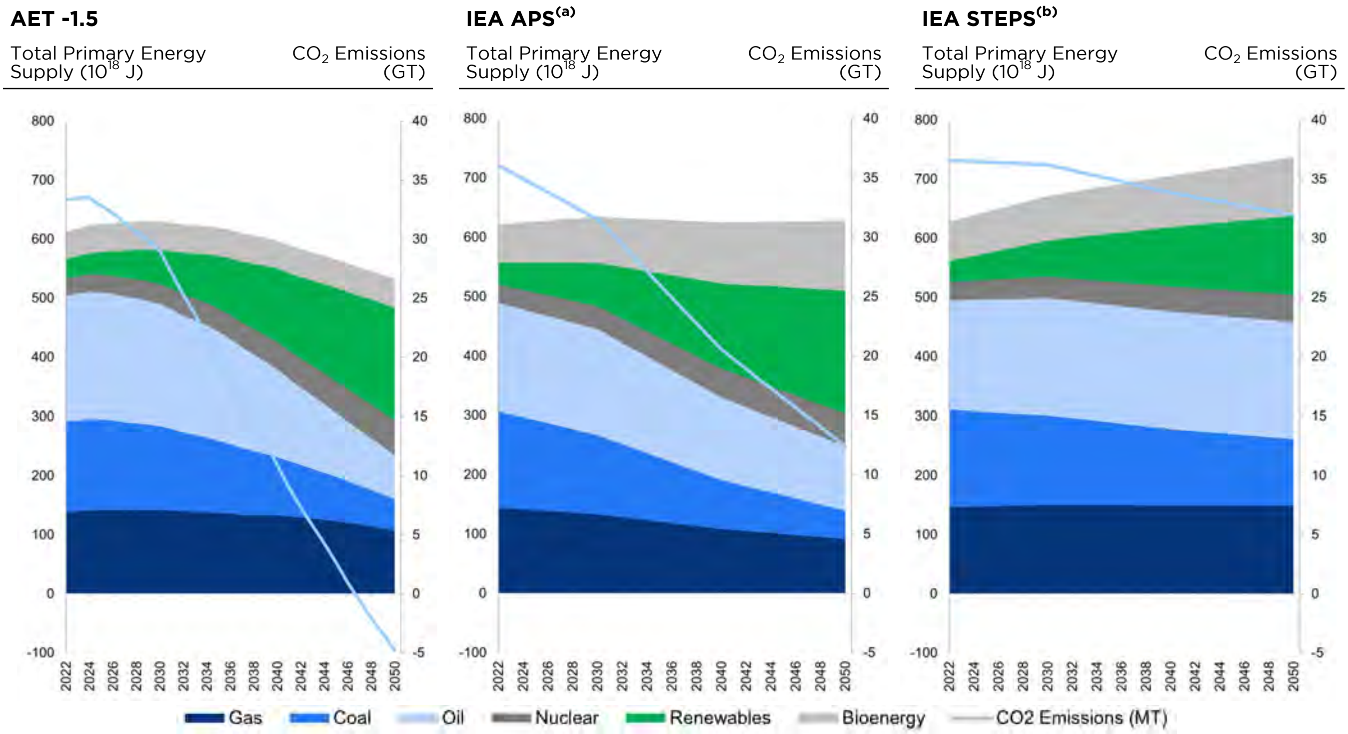
We nevertheless believe it is important to ensure that we understand the impacts of various theoretical, future outcomes and have therefore conducted a scenario analysis to stress-test our portfolio in a potentially more carbon-constrained future. We perform this analysis in accordance with TCFD recommendations and to ensure comprehensive business resilience planning, and therefore, evaluate our portfolio under multiple future climate scenarios. Each scenario includes assumptions about how the energy transition may evolve, with differing commodity prices and demand outcomes and providing a range of outlooks against which our portfolio is tested to evaluate and determine its resilience. To be clear, these scenarios are hypothetical constructs and not forecasts nor predictions about future performance, and no undue reliance should be placed upon them.

Reviewing the results of these theoretical scenarios allow us to model the impact of alternative future demand and supply requirements on our current portfolio and assess possible opportunities to meet those requirements. Accordingly, we have evaluated a Base Case scenario against relevant energy transition scenarios to assess our overall portfolio climate resilience.

We have selected three transition scenarios;

1. Wood Mackenzie's Accelerated Energy Transition 1.5-degree pathway ("AET -1.5"), a global net zero by 2050 scenario
2. International Energy Agency's ("IEA") Announced Pledges Scenario ("APS")
3. IEA's Stated Policies Scenario ("STEPS")

In addition to the impacts of carbon constrained scenarios on commodity prices, the scenarios also incorporate carbon price outlooks required to achieve the projected energy outcomes.



(a) Based on IEA data from the Announced Pledges Scenario of the IEA (2022) World Energy Outlook, **www.iea.org/weo**

(b) Based on IEA data from the Stated Policies Scenario of the IEA (2022) World Energy Outlook, **www.iea.org/weo**

AET -1.5

This scenario represents the most aggressive energy transition scenario we considered, consistent with limiting global warming to 1.5°C, in line with the most ambitious goals of the Paris Agreement. In AET -1.5, global energy supply peaks in 2028 due to more aggressive policy action and accelerated global decarbonisation efforts which result in an increase in electrification and adoption of new-energy technologies. Under this scenario, oil demand peaks in 2024 and then declines from ~97 million barrels per day ("mb/d") to ~33 mb/d in 2050. As a result, near-term oil prices fall rapidly, from current levels to ~$53 per Bbl in 2030 and then continue to decline more gradually reaching ~$29 per Bbl by 2050. AET -1.5 sees global natural gas demand peaking in 2026 and falling below 2022 levels by 2035, with a steeper decline forecast from 2040. U.S. Henry Hub natural gas prices drop steeply in the near-term through 2025, and then average around $3.30 per MMBtu through 2035. Prices are then seen trending upwards to peak at $4.10 per MMBtu in 2043 as the rapid oil price decline results in less availability of cheap associated natural gas and thus more expensive non-associated natural gas is used to fill the supply gap.

IEA APS

This scenario assumes all climate-related policy commitments and net zero targets made by governments, as of September 2022, are fully achieved within their stated timelines. This does not result in a net zero world by 2050 and instead still has global CO_2 emissions at 12.4 gigatonne ("GT") per year in 2050, highlighting what the IEA calls the "ambition gap" between current targets and the goals of the Paris Agreement.

Under APS, global energy supply peaks in 2030 while both natural gas and oil supply are assumed to have peaked in 2021. Implementation of policies aimed at reducing oil consumption results in oil supply declining gradually from ~95 mb/d in 2022 to ~93 mb/d in 2030, before an accelerated decline to ~57 mb/d by 2050. In conjunction, the oil price sees a similar decline to stabilise at around $60 per Bbl from 2030 onward. Global natural gas demand declines steadily, dropping about 40% from its 2021 peak by 2050. In conjunction, U.S. natural gas prices see a two-step decline, plateauing around $3.80 per MMBtu over the 2020s before declining over the 2030s to settle around $2.60 per MMBtu from 2040 onwards.

IEA STEPS

This scenario is the least ambitious energy transition scenario used for our portfolio analysis and projects a rise in global average temperatures of around 2.5°C in 2100. It is based on existing government commitments and climate goals as of September 2022, resulting in an exceedance of the Paris Agreement's 2050 net zero goal by ~32 GT CO_2 per year.

Oil demand grows slowly in the near-term to 2030, and then plateaus at around 102 mb/d. This high supply/demand environment keeps oil prices high, rising to above $80 per Bbl by 2025 and above $90 per Bbl by 2045. Global natural gas supply mirrors the growth pattern of oil, rising steadily to a gentle peak level in 2030 that plateaus through 2050. Maintained supply and demand balance means U.S. natural gas prices increase gradually from $3.90 per MMBtu in 2022 to $4.70 per MMBtu by 2050.

DEC's BASE CASE PRICE SCENARIO

Our Base Case is consistent with the model disclosed in our **Viability Statement**; however, rather than a three-year forecast, this model has been extended to 2050 consistent with the scenarios described above. In this model we utilised commodity pricing based on the NYMEX forward curves from 2023-2032 for Henry Hub and 2023-2029 for WTI as of 31 December 2022. The prices are kept flat in real terms thereafter.

RESULTS

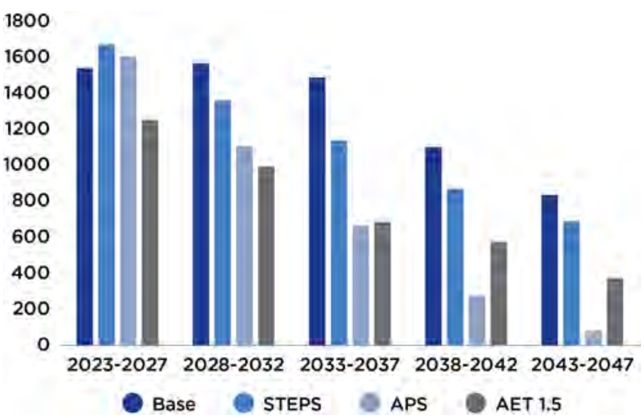
When performing our evaluation we applied the commodity price considerations from each scenario to our Base Case model to evaluate the impact to future cash flows under each scenario. As expected, and in line with the rest of the natural gas and oil industry, our current portfolio of assets is more negatively impacted under the most price-constrained scenarios, however, our assets continue to generate value and positive cash flow under these dramatic scenarios.

Due to the low commodity price outlooks in both the APS and AET -1.5 scenarios and the relatively positive price view presented by our Base Case price forecasts, it is perhaps not surprising that our net present value ("NPV") is more negatively impacted in these scenarios. However, since a key advantage of our portfolio is our low cost of production, we are able to maintain profitable operations across our portfolio even under lower commodity price scenarios. As such, we expect that, even in the most carbon constrained scenario (AET -1.5), our production would remain resilient and profitable in the short-, medium- and long-term. This conclusion is supported by the analysis of related free cash flows, depicted below, where even under the most aggressive pricing outlooks, our Free Cash Flow remains positive.

NPV10 of Climate Scenario Cash Flows Through 2050 vs DEC's Base Case

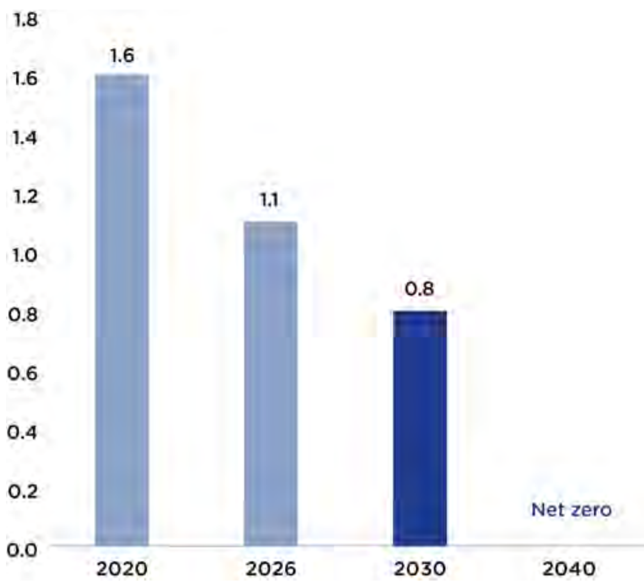
Scenario	Portfolio Value Impact (NPV10)
STEPS	-6% ▼
APS	-26% ▼
AET -1.5	-35% ▼

Cumulative Unlevered Free Cash Flows Under Each Scenario vs DEC's Base Case



While not modelled into the future cash flow analysis results presented above, we also considered the carbon cost, or carbon tax, that is projected to be imposed on a company's emissions in the AET -1.5 and APS models. The STEPS scenario does not incorporate a carbon price in the U.S. The AET -1.5 scenario incorporates carbon prices of \$97 per MT as soon as 2026, thereafter increasing to \$139 per MT by 2030 and to \$177 per MT by 2040. The APS scenario incorporates carbon prices of \$135 per MT by 2030, rising to \$175 per MT by 2040. Using the carbon prices for each of the scenarios, the potential economic impact associated with meeting our methane emissions intensity reduction targets would be a cost of \$0.11 per Mcfe in 2030 under both the APS and AET -1.5 scenarios.

Methane Intensity Targets
(MT CO_2e/MMcfe)



After reviewing the modelled financial impact of climate change under each scenario we determined that absent near-term changes in regulatory environments the projected financial impact to our cash flows is likely not a matter of immediate financial materiality but rather a medium- to long-term impact on Diversified. In developing this perspective, we considered the current disparity in our operations and the modelled scenarios as well as other climate-related risks such as: natural gas and oil price outlook, cost of capital, cost of carbon, asset retirement policy, methane loss reduction and low carbon energy costs.

As a result this medium- to long-term financial impact associated with climate-related risks has been considered in our long-term accounting estimates. Examples of these considerations include thoughtful revisions to the timing of asset retirement costs as well as the continuation of capital spending on our emissions reduction initiatives in our viability and going concern models.

For additional information on our scenario analysis please refer to our 2022 Climate Risk and Resilience Report which can be found on our **website**.

RISK MANAGEMENT

Identifying, Assessing and Managing Climate-Related Risks and Opportunities

Climate-related risks to our business are assessed alongside other categories of risk based on (i) their likelihood, (ii) their potential impact, and (iii) their speed of impact, as part of our ongoing ERM Programme. Details of our **Risk Management Framework** are set out within this Annual Report.

We recognise that the transition to a lower-carbon future could have significant implications for our corporate strategy and could negatively impact our financial results due to lower demand and lower prices for natural gas and oil. In addition to this direct market-driven risk, we recognise that climate change also presents risks emanating from (i) changes in policy and regulation, (ii) potential litigation, and (iii) advances in technology, and that failure to respond proactively to stakeholder expectations about the energy transition could harm our reputation and impact our access to capital.

We are also aware of the potential physical risks to our business from extreme weather, as most recently experienced in our central Appalachia region with last summer's floods. While we monitor short- and longer-term weather patterns as part of our risk management process, we believe that the wide geographic dispersal of our assets together with robust crisis management and business continuity plans provide effective mitigation of this risk.

We actively consider potential risks to our business from existing and emerging climate-related policies, legal actions and regulatory requirements. Our Government Affairs office engages with federal and U.S. state regulators and other state agencies regarding climate-related legislation and reporting obligations, and we work closely with mutually aligned industry groups to ensure we are fully informed about, and in a position to respond to, any potential new requirements.

For more details please refer to **Climate Risk** in the **Risk Management Framework** section on pages 62 and 61, respectively, within this Annual Report.

METRICS & TARGETS

Driving Operational Emissions Towards Net Zero

We have been resolute in our focus on reducing GHG emissions from our operations throughout 2022 with a particular focus on reducing methane intensity, underpinned by our clearly defined targets (relative to a 2020 baseline):

(a) 30% reduction in Scope 1 methane intensity by 2026;

(b) 50% reduction in Scope 1 methane intensity by 2030; and

(c) A longer-term goal of achieving net zero Scope 1 and 2 GHG emissions by 2040.

Due to their high global warming potential as compared to carbon dioxide, methane emissions have a magnified impact on climate change and thus our focus on reducing methane emissions with a target to halve these, as measured by intensity, by 2030 - a target which we are well on the way to achieving. Our investment in emissions detection, measurement and reduction technology, such as our handheld methane detection devices, air compression units, and LiDAR, have gone a long way to improving our emissions thus far, and we will continue our investments in emissions reduction initiatives going forward. We also continue to implement operational best practice across our assets, including for the most recently acquired assets in the Central Region, via our SAM programme. Our achievement of the OGMP 2.0 Gold Standard Pathway is a testament to these efforts.

As the bulk of our methane emissions are largely a function of fugitive emissions and natural gas-driven pneumatics, we have continued to address these areas with aggressive leak detection and repair initiatives combined with replacing natural gas-driven pneumatic devices with compressed air. These activities have resulted in a 13% reduction in absolute Scope 1 methane emissions to 686 thousand MT CO_2e from 790 thousand MT CO_2e in 2021. Our Scope 1 methane intensity improved 20% year-on-year to 1.2 MT CO_2e per MMcfe, contributing to a two-year combined reduction in methane intensity of ~25%. This two-year achievement represents more than 80% of our 2026 target of a 30% reduction from 2020 levels.

Our absolute Scope 1 and 2 GHG emissions increased year-over-year largely as a result of two timing-related issues: (i) our ongoing growth through acquisitions in the Central Region, where we have not yet fully implemented our planned emissions reduction efforts, and (ii) the implemented reduction projects occurring throughout the year and therefore affording only a pro-rated benefit of the expected annualised reductions. As with prior acquisitions, in the full year periods following our ownership we expect these temporary increases in absolute emissions will be reduced by the application of our ongoing mainstay projects and SAM actions.

While we are pleased with the progress we are making in lowering our reported and actual methane emissions, our ambition is to go much further and accordingly we have also aligned executive and senior leadership compensation with the achievement of our emissions reduction goals, more details for which can been seen in the **Remuneration Committee's Report** on page 91.

While we will continue to focus our near-term operational efforts on methane emissions reductions, as we approach our targets of halving our Scope 1 methane emissions intensity, we plan to increase our efforts on a broader scale to reduce the combustion-derived CO_2 in our operations through efficiency improvements, potential electrification and the potential broader use of renewable energy. After focusing on true reductions and/or eliminations of GHG emissions, whether methane or CO_2, we will then seek to address residual operating emissions through the use of credible offsets and carbon credits generated from emerging business areas such as biogas and CCUS. We believe that this approach is critical in prioritising climate-related actions that support the achievement of our ultimate goal of net zero Scope 1 and 2 GHG emissions by 2040.

In order to monitor our progress towards achieving our GHG emissions goals, we collect and evaluate a comprehensive set of metrics that are material to our performance. These metrics, which include our absolute Scope 1 and 2 GHG emissions broken down by type and source, and emissions intensity figures are set out in the GHG Emissions table below.

SUSTAINABILITY REPORTING AWARD

Our 2021 Sustainability Report was selected as the “Best Sustainability Report: Basic Materials”, by ESG Investing, a global media platform that publishes news and features on ESG and sustainable investing for fund managers, institutional investors, and listed companies. Our work was recognised for its breadth and depth in covering material ESG issues, for providing quantitative performance information on progress over the years and for including meaningful, tangible and transparent ESG targets. For many of these same attributes, our 2021 Report was also a top finalist for best ESG reporting (based on market capitalisation) from two other organisations, ESG Awards 2022 and IR Magazine.

WINNER ESG Investing ESG Reporting Awards 2022

GHG Emissions[a]	Unit	2022	2021	2020
Total Scope 1 and Scope 2[b]	thousand MT CO_2e	1,879	1,634	959
Scope 1 Emissions:	thousand MT CO_2e	1,820	1,631	958
Carbon Dioxide	thousand MT CO_2e	1,130	841	538
Methane[b]	thousand MT CO_2e	686	790	420
Nitrous Oxide	thousand MT CO_2e	4	1	1
Scope 2 Emissions - Total Company	thousand MT CO_2e	59	3	1
Energy consumption[c]	million KWh	128	7	1
Scope 1 and Scope 2 GHG Emissions Intensity	MT CO_2e/MMcfe	3.4	3.1	3.8
Scope 1 Methane Emissions Intensity	MT CO_2e/MMcfe	1.2	1.5	1.6
Methane Emissions Intensity (NGSI)[d]	%	0.21	0.28	0.29
Scope 1 Emissions Attributable to:[b]				
Flared Hydrocarbons	thousand MT CO_2e	—	—	—
Other Combustion	thousand MT CO_2e	1,173	870	537
Process Emissions	thousand MT CO_2e	67	65	83
Other Vented Emissions	thousand MT CO_2e	182	295	54
Fugitive Emissions	thousand MT CO_2e	399	402	283

Air Quality[a]	Unit	2022	2021	2020
Nitrogen Oxide (NOx, excluding N_2O)	tonnes	10,744	4,435	5,809
Carbon Monoxide (CO)	tonnes	4,762	3,840	3,451
Sulfur Oxide (SOx)	tonnes	18	—	—
Volatile Organic Compounds (VOC)	tonnes	482	437	796
Particulate Matter (PM Total)	tonnes	183	24	15

Totals may not sum due to rounding.

(a) Emissions are reported under a modified Intergovernmental Panel on Climate Change (“IPCC”) report format for EU investors.

(b) Based on a 100-year global warming potential of 28 for methane, in line with IPCC’s Fifth Assessment Report (AR5).

(c) Our Scope 2 emissions remain an immaterial portion of our total emissions. However, as we move forward with additional internal projects to convert natural gas compression to electric compression, we can expect to see our total kilowatt hours of consumption and Scope 2 emissions continue to increase with an offsetting decrease to Scope 1 emissions. Akin to our improved data collection efforts with regard to our pneumatic inventory, the year-over-year increase in energy consumption and Scope 2 emissions is largely attributable to improved data related to prior year acquisitions as well as the inclusion of additional Scope 2 emissions from our 2022 Central Region acquisitions.

(d) Using the Natural Gas Sustainability Initiative protocol, calculates methane intensity using methane emissions from production assets only (therefore, excluding gathering & boosting facilities) divided by total gross production.

Disclaimer: GHG emissions results were calculated per IPCC reporting guidance, which permits best engineering estimates for certain emissions categories, and which may vary from the prescriptive measures applied under U.S. EPA reporting standards. The source data used in these calculations were accurate and complete, to the best of our knowledge, at the time they were gathered and compiled. If new data or corrections to existing data are discovered, we may update emissions calculations as permitted and in accordance with industry standards and expectations. Such updates will be included in future reporting and posted to our **website** where such post may take place without notice.

Managing Our Footprint

Our approach to managing our environmental footprint leverages our strong EHS capabilities to produce positive results across our asset base. We pair our greatest asset, our employees, with leading edge technologies funded through dedicated capital investments to drive our processes and actions towards best practice environmental stewardship. Our focus is on responsibly producing and operating our portfolio of assets while also reducing risks and emissions, and meeting or exceeding regulatory compliance. In addition to the previous emissions and air quality data and accompanying discussion, as applicable, within our TCFD disclosures, below are a number of environmentally-focused areas within our footprint that are relevant to our 2022 actions.

WATER MANAGEMENT

At Diversified, water management is an integral part of responsible management, and we apply the same principles of operational efficiency and environmental performance to water as we do in all other aspects of our business. As our company has grown through acquisitions, so too has our total amount of water under management, with most water use in our operations in the Central Region.

We remain committed to reducing our water use. Though our largest use of water in 2022 was related to hydraulic stimulation to complete a limited number of new unconventional wells, no water consumption for this limited activity occurred in counties with High or Extremely High Baseline Water Stress according to the World Resources Institute's Aqueduct Water Risk Atlas. We also consume limited amounts of water in our well maintenance retirement processes and in our administrative offices. In total, our ~2.8 million barrels of water use in 2022 remains low relative to our natural gas production volume because of our extremely limited drilling and completion activities. As such, our water consumption intensity rate improved 14% year-over-year.

The main waste associated with our operations is produced water, a naturally occurring by-product from the production of natural gas and oil. Therefore, most of our efforts in water management focus on the handling and disposal of produced water given the potential environmental implications of the same. During 2022, our produced water increased 5% year-over-year to 62 thousand barrels per day, and 53% of our produced water was piped for disposal while the remaining disposal volumes were trucked.

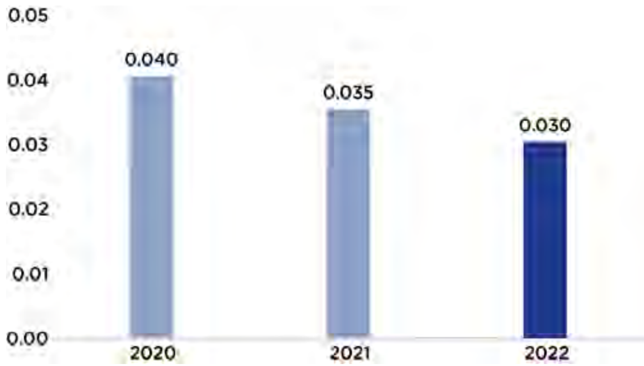
We have undertaken several steps to enhance the efficacy of our water use, recycle and disposal programmes including working to increase the amount of water reuse rather than disposal through expanded water sharing agreements and developing systems to monitor water storage, transport and disposal in real time in order to optimise recycled water purchasing requirements.

SPILL PREVENTION & MANAGEMENT

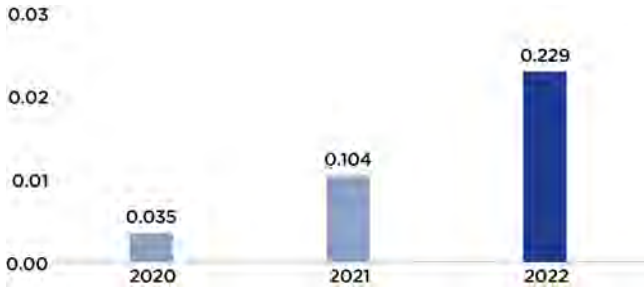
Just as our water and produced water handling has increased through acquisitions, so too has our total oil production which occurs in greater quantities in the Central Region as compared to Appalachia. Additionally, we have identified certain pipeline systems in the Central Region which did not previously receive our internal standard of maintenance or focused attention. Directly correlated with these factors, we experienced a less than desired increase during 2022 in our spill intensity rate related to total liquids.

With this context, we are committed to identifying ways to reduce spills and have already undertaken voluntary and proactive efforts, as applicable per location, to increase visual inspections, remove unnecessary pipes and tanks from service and more in order to drive improvement. Additionally, we are keen to develop a spill prevention focused training effort in 2023 to drive a cultural shift in how we approach spill management. Much like we are seeing first hand the results that a dedicated, focused training and awareness programme can have on our personal and driving safety targets, we are committed to expanding our training efforts in the same manner to spill prevention.

WATER CONSUMPTION INTENSITY
(Bbl of Water per Boe Gross Production)



SPILL INTENSITY
(Bbl of Spills per MBbl Gross Liquids Production)



Sustainability Philosophy

We fully embrace our role as responsible stewards of the natural resources we manage, the people we employ and the environment in which we operate. We strive to adhere to quality operating standards with a strong focus on the environment, the health and safety of our employees and our local communities.

IDENTIFY • IMPROVE • MONITOR •
E S G

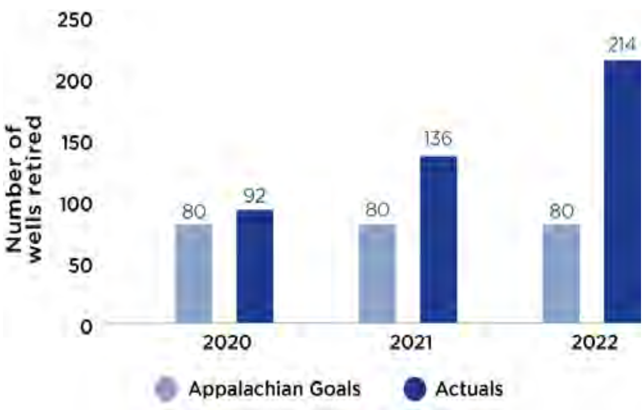
WELL RETIREMENT

To bolster our commitment to the states in which we operate, we strategically expanded our asset retirement capabilities in 2022 with the acquisition of three established asset retirement companies in Appalachia which are managed collectively under our wholly-owned subsidiary, Next LVL Energy. With the acquisition and full integration of these additional teams, we are able to not only expand our ability to retire an increasing number of our wells but also address the asset retirement liabilities of both industry participants and states' orphaned well programmes.

We are pleased to report that we retired 214 wells, inclusive of our Central Region operations, in 2022, exceeding our Appalachian state regulatory requirements by 150% one full year in advance of our previous commitment to retire 200 wells by year-end 2023. We also retired other non-Diversified operated wells for third-parties during the year.

With our expanded retirement capabilities to now include 12 teams and 15 rigs, we are well-positioned to remain one of the Appalachia Basin's most active asset retirement companies. Our experience and expanded capacity will play a vital role in helping the states achieve their orphan well asset retirement goals as our company has been awarded, to date, the opportunity to participate in orphan programmes in Ohio, West Virginia and Pennsylvania.

CONSISTENTLY EXCEEDING REGULATORY ASSET RETIREMENT REQUIREMENTS



BIODIVERSITY

We recognise that healthy, biodiverse ecosystems provide vital natural resources and services such as flood mitigation and serve as natural sinks for atmospheric carbon. To this end, we believe that protecting biodiversity within our operating footprint is central to sustainable operations. Our EHS systems, therefore, seek to reduce the environmental impacts of our ongoing operations while our asset retirement and reclamation efforts seek to restore end of life sites.

Our team of environmental specialists work under the direction of our Senior Vice President of EHS, with broader oversight of the Chief Operating Officer, as they engage closely with local regulators and government agencies throughout applicable permitting and operating processes to ensure we meet or exceed all applicable laws and regulations. Our "Avoid, Mitigate, Restore and Offset" strategy helps us protect biodiversity, particularly in protected areas. Whenever possible, we seek "avoidance" to minimise disruption and protect sensitive species, habitats and waterways, and we partner with third-party conservation and stewardship organisations that also focus on maintaining or improving the health of natural ecosystems.

To support our "Avoid, Mitigate, Restore and Offset" approach, our ongoing commitments include a goal of no net deforestation in our operational activities and a goal to retire wells beyond our annual regulatory requirements, thus returning an expanded number of retired well pads to their natural condition in order to promote both natural reforestation and natural pollination.

Safety in Focus

Strong EHS management practices and culture are central to the health and safety of our employees as well as to the integrity of our assets and our environmental stewardship. Our dedicated, cross-functional EHS staff of 28 employees is a significant resource to our more than 1,500 employees, working tirelessly to protect our staff, business partners and communities as we continue to operate and grow. While supported tremendously by our EHS safety teams, we recognise that safety is every employee's responsibility and priority - no matter the employee's location, position, or job function. When we hold each other responsible and accountable, we benefit the entire Diversified family.

Our approach to safety training for our employees is both preventative and responsive. To ensure the safety of our personnel, we consistently seek new opportunities to enhance our safety tracking and training. To this end, some of the tools we use to standardise and elevate our company-wide approach to safety include the use of safety awareness software applications, an incident management system, role-specific field operating guidelines and regular fit-for-purpose trainings to maintain a strong daily focus on safety across the organisation.

We work diligently to uphold a zero-harm working environment. If an incident were to occur, we analyse the cause and response, and any associated trends, and use this information to develop or enhance future training experiences for our staff. Based on actual experience and observation, we enacted several safety enhancements during 2022, including the development of robust, required safety training initiatives, such as computer-based learning and the expanded use of predictive analytics, as well as Good Catch/Near Miss reporting which positively impacted our personal and motor vehicle incident rates.

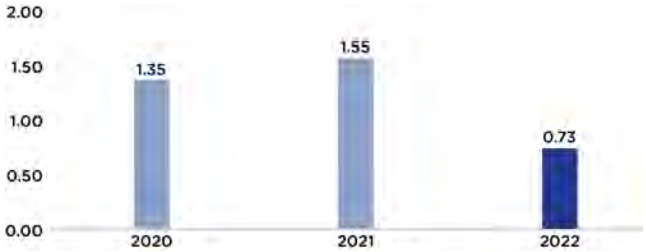
PERSONAL SAFETY

Following 2021, where we saw an unfavourable increase in our TRIR, we focused heavily in 2022 on an internal cultural campaign that encouraged reporting Good Catch/Near Miss incidents with protection against repercussions. With the full support of senior management, we emphasised the importance of reporting all events, regardless if it was identified through a proactive, action-oriented approach (Good Catch) or through a reactive outcome that missed an injury as the event occurred (Near Miss).

We believe that our actions in this area are reaping benefits as evidenced in our >500% increase in Good Catch/Near Miss reporting coupled with our significantly improving TRIR metric, even across a growing employee base who are coming to us from acquisitions and are now embracing our safety culture.

In 2022, we recorded a TRIR of 0.73, down 53% from the 1.55 recorded in 2021 and lower than our 2022 goal of 1.33. Our much-improved result in 2022 included several months where we incurred no safety incident across the organisation, reflective of the consistent and continual focus we are investing in with our employees.

TRIR
Per 200,000 work hours



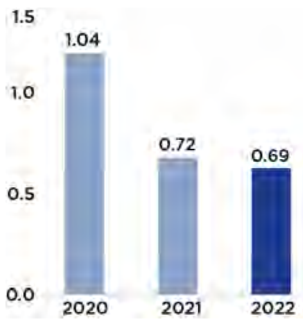
DRIVER SAFETY

Though we work hard to optimise the routes of our well tenders to minimise time on the road, our employees spend significant time and accrue millions of miles on the road given the expansive nature of our operations. Additionally, as our field operations team has continued to grow through acquisitions in the Central Region, so too has the total annual miles driven by employees. Across our footprint, we aspire for zero preventable motor vehicle accidents ("MVA") during the calendar year.

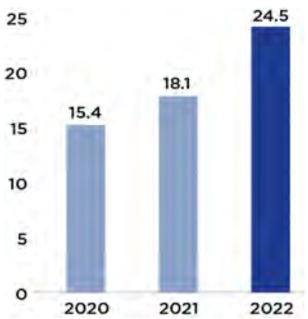
Our 2022 MVA is 0.69 incidents per million miles driven. This rate is a 4% improvement from 2021 even as we recorded a 35% increase in miles driven during 2022. As with our TRIR safety focus, we continue to actively manage and respond to our MVA with additional training focused on a cultural mindset that promotes preparation, awareness, and avoidance.

VEHICLE SAFETY

Vehicle Incidents ("MVA")



Miles Driven (million)



PROCESS SAFETY

We operate a full complement of natural gas production, gathering, transmission, and storage assets. Through our SAM and integrated asset integrity management programmes, we seek to maintain exemplary and proven operational and safety records. In 2022, 14 state and federal regulatory agencies audited our operational assets and compliance programmes and cited zero non-compliance issues.

Our highly experienced and well-qualified workforce maintains a foundational commitment to both employee and public safety. Our interactions with the various industry stakeholder groups strengthens our relationships and binds our business model. As we continue to work with more liquid products and our process safety increases in importance, installing additional fail safes, expanding investments in technology and personnel, and increasing the depth, frequency, and transparency of related reporting will remain central to our success.

PIPELINE SAFETY

We operate thousands of miles of production, gathering and transmission pipelines. Given the importance of pipelines to our business, our midstream safety measures seek to ensure our people, along with the community and environments in which we operate, remain safe and protected. We are also continuously working to avoid potential sources of risk including those related to corrosion and needed pipe replacements.

We use a smart pig application on a seven-year rotating basis, as required by law, for a small subset of our transmission pipelines located in heavily populated, or high consequence areas. We also more frequently use pressure testing or other forms of direct assessment throughout the year to maintain the ongoing integrity of our pipeline system.

We maintain a robust public awareness programme that provides information to a variety of stakeholder groups who have touchpoints with pipelines, including first responders, public officials and excavators. This programme includes interaction with state auditors and with the Pipeline and Hazardous Materials Safety Administration to annually evaluate our pipeline safety programme.

Our Employees

A principal component of our OneDEC culture is also our greatest asset, our employees. We strive to foster a corporate culture ripe with opportunities for professional collaboration and development, personal growth and enjoyment, and where all employees feel valued and supported in the work they do.

EMPLOYEE ENGAGEMENT

We maintain an open-door communication policy where employees are encouraged to engage in direct dialogue with their peers to promote idea sharing and improve productivity. Further, our leadership is committed to meeting employees in the field or the office to better understand any opportunities for improvement or collaboration, concerns or grievances.

To this end, we utilised specific employee engagement initiatives throughout the year to foster increased communication and feedback across the team. Our Board's Sustainability & Safety Committee Chair and Non-Executive Director Employee Representative, Sandra M. Stash, directly engaged with more than 30% of employees across several operating locations through structured two-way communication group meetings and field tours designed to ensure the views of the workforce are considered by the Directors. The Employee Representative role was established in compliance with the UK Corporate Governance Code, and 2022 was the second full year of Ms. Stash's tenure in this regard. During this two-year period, the frequency of Ms. Stash's meetings with our employees has increased largely as a result of her leadership advisory work with our employee Professional Development Programme ("PDP") group. We are pleased that this increased interaction affords PDP members and other employees direct interaction with a Non-Executive Board member and field leadership but also presents an opportunity for Ms. Stash to share workforce views or concerns with the Directors for their consideration when making decisions that may affect our employees.

Likewise, our CEO and other executive and senior leadership conducted separate town hall meetings with employees in multiple locations to provide an opportunity for employees to receive an update on our business plan, actions and results and to offer management their input on these same topics or any others topics or concerns.

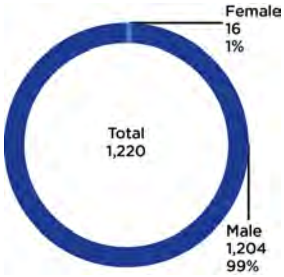
Additionally, in November 2022 we conducted our second annual Employee Experience Survey. Approximately 80% of our 1,582 employees responded to survey questions related to: engagement, their job, their manager, the people they work with and the overall organisation. We were pleased to see that managers and co-workers again received ratings significantly above the survey's benchmark data. Responses regarding the organisation and its processes, resources, and communication provide room for focus and improvement and management has already begun to address these areas in the current year.

TRAINING & DEVELOPMENT

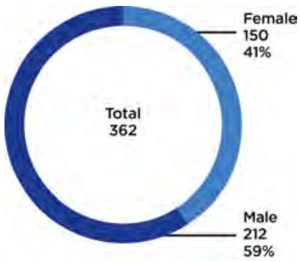
Developing the competencies of our employees remains central to our workplace culture and directly supports our business goals, inclusive of those related to sustainability. Our employees are encouraged to advance their personal and professional development and receive our support in these endeavours.

In addition to our existing Educational Assistance Programme for tuition reimbursement, we are renewing our two-year PDP for 2023 and are currently piloting a new Leadership Impact Training ("LIT") programme for 40 managers across the organisation. The LIT is a Franklin Covey leadership programme which includes a 360° feedback assessment that will drive a personalised development programme for each participant. This programme presents the opportunity for individuals to further develop their leadership skills and better prepare them for even greater leadership roles in the future within Diversified.

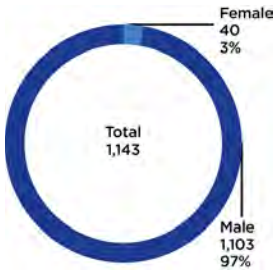
2022 PRODUCTION EMPLOYEES



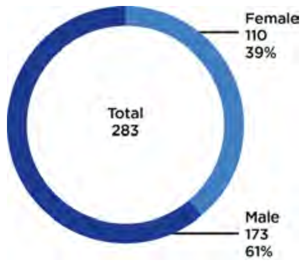
2022 PRODUCTION SUPPORT EMPLOYEES



2021 PRODUCTION EMPLOYEES



2021 PRODUCTION SUPPORT EMPLOYEES



HEALTH & WELL-BEING

In a continued effort to provide quality, affordable health and wellness benefits for our employees, we developed a true wellness programme for employees which includes incentives for healthy lifestyle choices and optional proactive health screenings. In 2022, we also expanded our portfolio of health and wellness benefits to include a paid maternity and adoption leave policy, a revised Employee Assistance Programme that provides employees and their dependents access to confidential support and resources for personal and work-life issues, and a paid time off rollover for all employees.

WORKFORCE DIVERSITY

The vast majority of our employee base at 31 December 2022 consists of production employees which includes our upstream and midstream field personnel. All other employee positions, including back office, administrative and executive positions, comprise production support roles.

As demonstrated in recent sector studies, less than one in eight employees in technical and field roles are women. Thus, the U.S. industry faces an ongoing challenge to recruit and promote qualified and experienced women in these roles which include engineering, equipment handling, maintenance, and field operations. At Diversified, 10% of our total workforce at year-end was made up of females, relatively unchanged from the prior year-end. While we hired female candidates at a higher rate than female applicants received (12% versus 10%, respectively), we onboarded the existing workforce of acquisitions made up primarily of male production employees, thus contributing to our production teams which now account for 77% of our total employee base at year-end.

At 31 December 2022, our Board consisted of three females and five males, and Senior Management, including the executive committee and direct reports and excluding the two Executive Directors, consisted of 90 employees, including 32 females (36%) and 58 males (64%).

It is our desire to create a work environment that fosters not only diversity but also equity and inclusion while demonstrating our company value to "value the dignity and worth of every individual." Therefore, we utilise our talent acquisition team to seek and develop programmes and opportunities that allow us to increase our diversity when hiring.

TALENT ACQUISITION

Employee recruiting represents a key human resources function that substantially affects our ability to achieve our financial objectives and performance targets and positively impacts the communities in which we operate through gainful employment and accompanying access to health and wellness benefits. Our talent acquisition team is responsible for proactively supporting our diversity, equity and inclusion initiatives and embedding related principles into the fabric and culture of our company.

Our total corporate turnover rate in 2022 was 17.6%, an increase over the prior year's turnover of 9.4% and largely attributable to an early retirement offering in April, a reduction in force programme in May and a larger than normal turnover rate experienced by new hires as certain new hires sought employment elsewhere with companies more focused on drilling and new development during the high commodity price environment of 2022 . When considering the diversity of our employee base is largely driven by the existing employees onboarded via acquisitions, we recognise that we must be intentional in our efforts to otherwise recruit a diverse workforce as and when the opportunity presents itself. As such, our recruiting efforts include hiring from within the communities in which we operate; engaging recruitment firms to target candidates in under-represented racial or ethnic groups; and utilising our summer internship and scholarship programmes as a potential employment pipeline for diverse candidates.

Our Communities

SOCIO-ECONOMIC IMPACT

Our disciplined financial and operational approach combined with our accretive acquisition strategy allows us to continually grow shareholder value while contributing to the economies of the 10 states where we operate. We provide a positive impact in our communities by providing jobs with competitive salaries and excellent benefits, royalty payments, tax revenues, and other investments in our supply chain and local communities. These investments support our employees and their families, and in turn, support the communities and economies in the states where we operate.

To further understand the direct and indirect economic impact of our operations in these communities and states, we commissioned an independent third-party to analyse financial data across our operations for calendar year 2022 using a well-established financial analysis process. This process gathers data from all aspects of our business and assesses the net benefit we generate at the local, state, and national levels, allowing us to understand our contributions to the benefactor economies and stakeholders.

For example, during 2022 we directly distributed approximately $507 million in royalty payments to a multitude of private and government mineral interest owners across our operating footprint. Further, we also directly contributed $105 million in state and local taxes. Indirectly, our business activities during the same period also supported more than 8,600 ancillary jobs providing some $735 million in ancillary labour income, including for contractors and suppliers who contribute to or participate in some way to our ongoing operations.

As we grow, we continue to prioritise the interests of our stakeholders while creating value for our shareholders. We are proud of the positive work we have done and look to continue our role as a beneficial member of the communities where we operate.

COMMUNITY OUTREACH AND ENGAGEMENT

We committed to give up to $2 million during the year and are pleased to have exceeded that commitment with contributions across several corporate programmes totalling nearly $2.5 million to nearly 140 different organisations that included childhood education, with emphasis on STEM (science, technology, engineering and math), secondary and higher education, children and adult physical and mental health and wellness, environmental stewardship and biodiversity, fine arts for children, food banks and meal programmes, homeless shelters, community and volunteer first responders, and local infrastructure.

As part of this commitment, we also successfully launched a new grant-giving programme to support organisations or projects across our 10-state footprint that have a positive, direct and long-lasting impact on the communities in which our employees live and work. Our grant process seeks to support programmes which address one or more of three societal focus areas, including community enrichment, education and workforce development, and the environment. Though not in place until the end of the first quarter of 2022, our grant programme distributed approximately $0.7 million of the total $2.5 million to support the social and economic development of the communities across our operating footprint. We consider it a privilege to support these organisations and programmes with both our financial support and our volunteer efforts.

SERVANT'S HEART AWARD

In 2022, we established and awarded our first annual Servant's Heart Award, an internal award to recognise one or more employees who exemplify our company values and provide outstanding service to the community. The inaugural award was distributed to our Kentucky field teams for their work in the community following the severe flooding in the region in July 2022. Our field teams were critical in surfacing the most pressing needs from within their communities while also mobilising equipment and manpower to complete critical recovery projects.

Section 172 Companies Act Statement

In compliance with sections 172 ('Section 172") and 414CZA of the UK Companies Act, the Board makes the following statement in relation to the year ended 31 December 2022:

Our stakeholders are the many individuals and organisations that are affected by our operations and with whom we seek to proactively and positively engage on a regular basis. We strive to maintain productive, mutually beneficial relationships with each stakeholder group by treating all stakeholders with fairness and respect and by providing timely and effective responses and information.

Our engagement with stakeholders includes personal contact via face-to-face or telephone conversation, email exchange, company reports, press releases, investor presentations or conference participation and other company engagement.

As the owner and operator of low-risk, low-cost, long-life assets, we naturally make decisions that consider the long-term success of Diversified and value creation for our stakeholders. Engaging our stakeholders informs our decision-making, including consideration of our long-term strategic objectives and the activities that support these aims, such as merger and acquisition diligence and the management of climate risk.

The following table provides a summary of stakeholder engagements from 2022.

OUR STAKEHOLDERS

Employees

We know our employees are our greatest asset and therefore essential to our success and growth. We recognise the need for a skilled and committed workforce, with a diverse range of experience and perspectives, and we value that diversity and the contribution it affords.

Key Areas of Focus

- Incident management and emergency response
- Process, personal and driver safety
- Diversity and equal opportunity policies
- Employee training, education, performance reviews and development
- Workplace culture

Action and Engagement

Our Board's Non-Executive Director Employee Representative, Sandra M. Stash, visited four separate locations, directly engaging more than 30% of the workforce, to receive employee feedback on our business strategy, corporate culture and remuneration policies and to share this feedback with the Board. Our CEO and other executive management also conducted numerous separate town hall meetings with employees, providing additional opportunities for direct management engagement. The valuable feedback from these meetings, along with that resulting from our 2022 corporate-wide Employee Experience Survey will be used to strengthen future employee engagement and initiatives. One example of employee feedback included the development of an Employee Stock Purchase Plan, which was subsequently approved and implemented in early 2023.

In 2022, we expanded our social programmes to include paid maternity leave, a volunteer time off tracking system, corporate giving programme, enhanced community engagement activities, corporate matching gift programme for employees' charitable contributions, and a paid time off rollover for all employees.

Communities

We actively seek to support sustainable socio-economic development in the communities in which we live and work and aim to minimise any potential negative impacts from our operations.

From personal and socio-economic investment to strategic academic and educational support, our employees engage and serve their local communities through effective partnerships that make a real difference.

Key Areas of Focus

- Incident management and emergency response
- Effective grievance mechanisms
- Protection of the local environment
- Socio-economic investment and outreach
- Local hiring

Action and Engagement

In part through our formalised Community Giving and Engagement Programme supporting social and economic community outreach efforts, we provided approximately $2.5 million in financial support to numerous organisations, including adult and children's health and well-being programmes, local food banks, secondary and higher educational programmes and initiatives, and municipal services throughout our 10-state footprint. We were especially pleased to support children's initiatives which included purchasing and distributing 4,000 winter coats through Operation Warm and funding the purchase of 1,000 backpacks filled with school supplies for children in need within our communities. We also provided both manpower and financial support to aid relief efforts in Kentucky, West Virginia and Virginia following devastating floods.

Land and Mineral Owners

We seek to develop and maintain trusted relationships with our land and mineral owners with the recognition that these relationships are key to our business philosophy and ability to achieve our operational goals.

Key Areas of Focus

- Royalty payments
- Incident management and emergency response
- Effective grievance mechanisms
- Protection of the local environment

Action and Engagement

During the year, our employees responded to more than 25,000 enquiries from our land and mineral owners and recorded ~800 personal visits with landowners. Additionally, in order to improve owner outreach and accountability to our stakeholders, we in-housed our "owner relations" group, taking over the programme that was formerly handled by a third-party vendor. We also distributed approximately $507 million in royalty payments during 2022.

Equity and Debt Investors

We actively engage with our capital market partners, financial institutions and rating agencies to support a full understanding of our business and progress against our strategic priorities.

Key Areas of Focus

- Emissions control and reduction
- Climate risk and energy transition
- Incident management and emergency response
- Risk identification, assessments, communication and discipline
- Corporate Governance
- Financial stability

Action and Engagement

We regularly provide financial, operational and ESG performance updates to our equity and debt investors. These updates may be in the form of investor relations presentations, RNS announcements, website updates, or direct calls and meetings, inclusive of the CEO, CFO, COO, VP-ESG & Sustainability and/or Board Chairman, as applicable. The Annual General Meeting ("AGM") also provides an opportunity for all shareholders to engage with the Board and Executive Management. This year's efforts specifically included an ESG-focused engagement with equity investors which included our Board Chairman, Chair of the Sustainability & Safety Committee, CFO, and VP-ESG & Sustainability.

Our increasing participation in energy conferences, industry events and roadshows has provided added opportunities for discussions with current and potential Credit Facility lenders and ABS investors particularly interested in our ESG strategies, activities and results. Reflective of that interest by ABS investors and our commitment to climate and operating targets, our recent ABS transactions have included interest rate impacts tied to certain of these ESG targets.

Governments and Regulators

We seek to develop and maintain positive relationships and regular dialogue with various stakeholder groups within our federal, state and local governments.

Key Areas of Focus

- Compliance with state and federal laws and regulations
- Tax payment to governments
- Safe and efficient asset retirement
- Emissions control and reduction
- Risk identification, assessment, communication and discipline
- Protection of the local environment

Action and Engagement

Executive and operational management engage with federal, state and local regulators to address legislative, regulatory and operational matters important to our business and our industry. With risk identification and protection of the local environment and biodiversity in mind, we proactively and fully engage all applicable regulatory agencies before commencing a project to ensure transparent dialogue during the completion and approval of applicable environmental assessments and related actions.

We also proactively engage with regulatory agencies throughout the year to keep them appraised of our operational and well retirement activities and to provide objective and measurable progress indicators. Our transparency in engagement and delivering on expectations were two key considerations in the states of Ohio, West Virginia and Pennsylvania selecting Diversified to participate as a vendor in their respective orphan well asset retirement programmes.

Suppliers and Customers

Our production is essential to supporting modern life. We work hard to deliver responsibly produced natural gas, NGLs and oil that satisfy regulatory requirements and meet the energy demands of our local communities and customers while supporting our climate goals.

We strive to develop strong relationships with our suppliers that are built on trust, transparency and quality products and services.

Key Areas of Focus

- Incident management and emergency response
- Process safety
- Procurement management
- Access to funding

Action and Engagement

We use local suppliers and vendors in each of the states in which we conduct our operations. We engage the expertise and capability of a leading supply chain risk management firm to continuously screen and monitor contractor safety performance and compliance through stringent operating guidelines.

With a network of approximately 500 suppliers, this real-time monitoring helps to ensure our suppliers are providing us with the necessary product and service quality to meet the expectations of our stakeholders and support ongoing agreements with those suppliers who satisfy our safety thresholds.

We delivered 135 MBoepd in 2022 with no cited process and pipeline safety events. We continue to use our pipeline awareness programmes to provide relevant information and education to those who interact with our assets or employees.

Joint Operating Partners

As operator, we work on behalf of our joint operating partners to safely and efficiently manage the assets and deliver our products.

Key Areas of Focus

- Access to funding
- Risk identification, assessment, communication and discipline
- Personal and process safety
- Accident management and prevention

Action and Engagement

We fulfil our responsibility as operator by responsibly managing the wells, ensuring payment of related expenses, as well as distribution of the revenues and royalties from the wells' commodity sales.

Industry Associations

Recognising the benefit of collective and collaborative efforts, we are actively involved in leadership and other roles in industry associations within the states in which we operate.

Key Areas of Focus

- Incident management and emergency response
- Protection of the local environment
- Risk identification, assessment, communication and discipline
- Business model resilience
- Advocacy and industry leadership
- Accident management and prevention
- Employee safety
- Driver safety
- Landowner engagement

Action and Engagement

Through our active participation and the sharing of operating best practices, technical knowledge and legislation updates, we believe that these associations add value to our business, support our industry at large and protect the interests of our stakeholders. Collaborative engagements in these associations provide us with a platform to help collectively advance the sector as a whole.

Our leadership's participation in industry associations includes participation in national, regional and state associations in West Virginia, Virginia, Kentucky, Pennsylvania, Ohio, Oklahoma, Texas, and Louisiana. We are especially proud of employees' involvement and leadership roles in organisations like the Women's Energy Network of West Virginia which seeks to empower women across the energy value chain.

Non-Financial Information Statement

This section of the Strategic Report constitutes our Non-Financial Information Statement, produced to comply with the Non-Financial Reporting Directive requirements from sections 414CA and 414CB of the UK Companies Act 2006.

The table below sets out where relevant information can be found within this Annual Report. Additional information will be available in our Sustainability Report or on our website at www.div.energy. Our Policies can be found on our website at www.div.energy/about-us/governance.

Reporting Requirement	Policies	Reference within this Annual Report	Page
Environmental Matters	Corporate Responsibility EHS	Retire Assets Safely and Responsibly and Restore the Environment to its Natural State	18
	Climate Change	Our Approach to ESG	24
	Business Partners	TCFD	25
		Managing Our Footprint	35
		Our Approach to Governance	74
Employees	Employee Relations	A Differentiated Business Model	10
	Anti-Bribery	Our Approach to ESG	24
	Compliance Hotline & Whistleblowing	Our Employees	38
	Corporate Responsibility	Our Approach to Governance	74
	Human Rights		
	Share Dealing Code		
Human Rights	Corporate Responsibility	A Differentiated Business Model	10
	Human Rights	Our Employees	38
	Modern Slavery	Our Approach to Governance	74
	Business Partners		
Social Matters	Corporate Responsibility	Sustainability in our Strategy	23
	EHS	Our Approach to ESG	24
	Human Rights	TCFD	25
		Managing Our Footprint	35
		Our Employees	38
		Our Approach to Governance	74
Anti-Corruption & Anti-Bribery	Anti-Bribery	Our Approach to ESG	24
	Compliance Hotline & Whistleblowing	Our Approach to Governance	74
Business Model	Corporate Responsibility	Business Model	14
		Strategy	14
		Our Approach to Governance	74
Principal Risks and Uncertainties	Compliance Hotline & Whistleblowing	Our Approach to ESG	24
		Risk Management Framework	61
		Our Approach to Governance	74
Non-Financial KPIs	Corporate Responsibility EHS	Meet or Exceed State Asset Retirement Goals	21
	Climate Change	Total Recordable Incident Rate	21
		Our Approach to Governance	74

FINANCIAL REVIEW

A Message from Our Chief Financial Officer

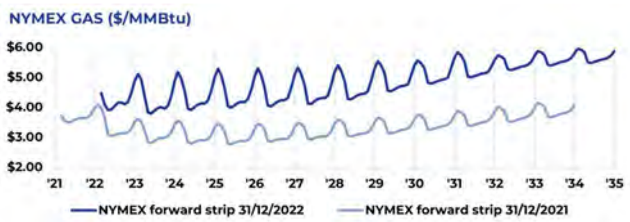
"A commitment to match our stable production with a vertically-integrated cost structure and hedge-protected cash flow underpins stable performance through commodity price cycles, consistent margins and returns to shareholders."

In 2022 , we once again grew our revenue and cash flow by efficiently integrating the four Central Region assets we acquired last year while adding scale to our footprint within this region through the accretive acquisition including most recently assets from ConocoPhillips at the end of September 2022. Since listing in early 2017. we have grown our production base by approximately 1,800% and maintained Adjusted EBITDA Margins averaging over 50% through a consistent execution of our strategy to acquire long-life, low-decline production at compelling values. The result of our efforts has been tangible returns to our shareholders including $491 million of dividends paid and $80 million of shares repurchased since we listed.

For 2022, we reported a pre-tax loss of $800 million, which included an $861 million charge related to our long-dated hedge portfolio, which we use to protect our cash flows for years to come. We designed our hedging strategy to secure cash flows that yield the strong Adjusted EBITDA Margins I mentioned above. For instance, in 2023, we've hedged approximately 85% of our natural gas production at a weighted average floor price of-$3.83 per Mcf compared to our historical Adjusted Operating Cost of $1.77 per Mcfe (Boe $10.60), implying an Adjusted EBITDA Margin exceeding 50%.

In fact, during 2022 we generated Adjusted EBITDA of over $500 million and made over $230 million of principal payments on our fully amortising debt instruments, paid $143 million of dividend payments to our shareholders and repurchased $35 million of our shares outstanding.

We begin 2023 with record production, significant hedge protection, scaled operating costs and an enhanced platform reflective of our investments in people, processes, and technology. While near-term commodity price volatility exists, we are encouraged to see positive sentiment for natural gas reflected in the forward price curve. This optimism is particularly impactful to us since natural gas comprises ~86% of our production.



With commodity prices rising meaningfully during 2022 compared to the past several years, we opportunistically added to our hedge portfolio to increase the value of our average floor protection. For example, we increased our 2023 natural gas hedged price to an average floor price of ~$3.83, which is approximately 29% or $0.86 per Mcf higher than our hedged price for this period as of year-end 2021.

Capitalising on higher commodity prices during 2022, we actively transitioned our variable-rate Credit Facility borrowings into investment grade, fixed-rate, fully amortising ABS notes, which nicely align with our long-life, low-decline assets and commitment to multi-year hedging. ABS notes afford us a fixed, low cost of financing and insulate us from the present rising interest rate environment. In fact, our weighted average interest rate stands at just 5.7% for all our outstanding amortising structures. Additionally, their fully amortising profile provides visibility into our commitment to consistently reduce borrowings on our existing assets as we prioritise our cash flow around these commitments and our dividend to shareholders.

Our team also made exceptional progress demonstrating the strong alignment of our ESG and SAM programmes. Not only did we reduce our methane intensity, receive the Gold Standard from the OGMP 2.0, improve our ratings across several platforms, but we also aligned the $1.2 billion of ABS notes we issued during 2022 and our Credit Facility, designated a sustainably-linked loan, with our emissions reduction and safety targets.

Our 2.2x year-end 2022 Leverage Ratio, pro forma for the recently completed Tanos II transaction, reflects our continued commitment to the balance sheet as we remain focused on Leverage, Liquidity and growth in 2023.

While hedging may, at times, cause us to forgo higher commodity prices, we believe our shareholders and lenders value the cash flow stability that hedging affords us. Consistent Adjusted EBITDA Margins in any commodity price environments allow us to navigate volatility, service our debt, reinvest into the business and pay a dividend.

As you read on, you will find comprehensive discussion of our financial results and operations, which will inform your understanding of our business and long-term strategy.

Beginning a new year, I look forward to serving alongside a team eager to deliver the same excellence you have come to expect from us.

Eric Williams
Chief Financial Officer
21 March 2023

Results of Operations

Please refer to the APMs section within this Annual Report for information on how these metrics are calculated and reconciled to IFRS measures.

	Year Ended			
	31 December 2022	31 December 2021	Change	% Change
Net production				
Natural gas (MMcf)	255,597	234,643	20,954	9%
NGLs (MBbls)	5,200	3,558	1,642	46%
Oil (MBbls)	1,554	592	962	163%
Total production (MBoe)	**49,354**	**43,257**	**6,097**	**14%**
Average daily production (Boepd)	135,216	118,512	16,704	14%
% Natural gas (Boe basis)	86%	90%		
Average realised sales price (excluding impact of derivatives settled in cash)				
Natural gas (Mcf)	**$ 6.04**	**$ 3.49**	**$ 2.55**	**73%**
NGLs (Bbls)	**36.29**	**32.53**	**3.76**	**12%**
Oil (Bbls)	**89.85**	**65.26**	**24.59**	**38%**
Total (Boe)	**$ 37.95**	**$ 22.50**	**$ 15.45**	**69%**
Average realised sales price (including impact of derivatives settled in cash)				
Natural gas (Mcf)	$ 2.98	$ 2.36	$ 0.62	26%
NGLs (Bbls)	19.84	15.52	4.32	28%
Oil (Bbls)	72.00	71.68	0.32	—%
Total (Boe)	**$ 19.80**	**$ 15.08**	**$ 4.72**	**31%**
Revenue (in thousands)				
Natural gas	$ 1,544,658	$ 818,726	$ 725,932	89%
NGLs	188,733	115,747	72,986	63%
Oil	139,620	38,634	100,986	261%
Total commodity revenue	**$ 1,873,011**	**$ 973,107**	**$ 899,904**	**92%**
Midstream revenue	32,798	31,988	810	3%
Other revenue	13,540	2,466	11,074	449%
Total revenue	**$ 1,919,349**	**$ 1,007,561**	**$ 911,788**	**90%**
Gain (loss) on derivative settlements (in thousands)				
Natural gas	$ (782,525)	$ (263,929)	$ (518,596)	196%
NGLs	(85,549)	(60,530)	(25,019)	41%
Oil	(27,728)	3,803	(31,531)	(829%)
Net gain (loss) on commodity derivative settlements[(a)]	**$ (895,802)**	**$ (320,656)**	**$ (575,146)**	**179%**
Total Revenue, Inclusive of Hedges	**$ 1,023,547**	**$ 686,905**	**$ 336,642**	**49%**

	Year Ended			
	31 December 2022	31 December 2021	Change	% Change
Per Boe Metrics				
Average realised sales price				
(including impact of derivatives settled in cash)	$ 19.80	$ 15.08	$ 4.72	31%
Other revenue	0.94	0.80	0.14	18%
LOE	(3.70)	(2.76)	(0.94)	34%
Midstream operating expense	(1.44)	(1.40)	(0.04)	3%
Employees, administrative costs and professional services	(1.56)	(1.31)	(0.25)	19%
Recurring allowance for credit losses	—	0.10	(0.10)	(100%)
Production taxes	(1.50)	(0.71)	(0.79)	111%
Transportation expense	(2.39)	(1.86)	(0.53)	28%
Adjusted EBITDA per Boe	**$ 10.15**	**$ 7.94**	**$ 2.21**	**28%**
Adjusted EBITDA Margin	49%	50%		
Other financial metrics (in thousands)				
Adjusted EBITDA	$ 502,954	$ 343,145	$ 159,809	47%
Operating profit (loss)	$ (671,403)	$ (467,064)	$ (204,339)	44%
Net income (loss)	$ (620,598)	$ (325,206)	$ (295,392)	91%

(a) Net gain (loss) on commodity derivative settlements represents cash (paid) or received on commodity derivative contracts. This excludes settlements on foreign currency and interest rate derivatives as well as the gain (loss) on fair value adjustments for unsettled financial instruments for each of the periods presented.

FORWARD-LOOKING STATEMENT

This Annual Report contains forward-looking statements that can be identified by the following terminology, including the terms “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “seek,” “believe,” “estimate,” “predict,” “potential,” “continue,” “contemplate,” “possible,” or the negative of these terms or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial positions, liquidity, prospects, growth, strategies and the natural gas and oil industry. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances.

Forward-looking statements are not guarantees of future performance and the actual results of our operations, financial position and liquidity, and the development of the markets and the industry in which we operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Annual Report. In addition, even if the results of operations, financial position and liquidity, and the development of the markets and the industry in which we operate are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in regulation, currency fluctuations, our ability to recover our reserves, changes in our business strategy, political and economic uncertainty.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Annual Report speak only as of the date of this Annual Report, reflect our current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. Investors should specifically consider the factors identified in this Annual Report which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules or applicable law, we explicitly disclaim any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Annual Report that may occur due to any change in our expectations or to reflect events or circumstances after the date of this Annual Report.

PRODUCTION, REVENUE AND HEDGING

Total revenue in the year ended 31 December 2022 of $1,919 million increased 90% from $1,008 million reported for the year ended 31 December 2021, primarily due to a 69% increase in the average realised sales price and 14% higher production. Including commodity hedge settlement losses of $896 million and losses of $321 million in 2022 and 2021, respectively, Total Revenue, Inclusive of Hedges, increased by 49% to $1,024 million in 2022 from $687 million in 2021.

While the elevated commodity price environment experienced in 2022 certainly played a role in our improved revenues on our unhedged production, we primarily benefited in this market through our ability to opportunistically elevate our hedge floor by 22% year-over-year on hedged volumes. This enhancement in our weighted average hedged floor helped drive a $135 million increase in Total Revenue, Inclusive of Hedges. In addition to our pricing uplift we also generated an additional $189 million in

Total Revenue, Inclusive of Hedges, through increases in production. We sold approximately 49,354 MBoe in 2022 versus approximately 43,257 MBoe in 2021. This increase in volumes was due to the integration of a full year of production from the 2021 Central Region acquisitions as well as the East Texas and ConocoPhillips acquisitions which were acquired in April and September of 2022, respectively.

The following table summarises average commodity prices for the periods presented with Henry Hub on a per Mcf basis and Mont Belvieu and WTI on a per Bbl basis:

	Year Ended			
	31 December 2022	31 December 2021	$ Change	% Change
Henry Hub	$ 6.62	$ 3.84	$ 2.78	72%
Mont Belvieu	51.04	47.49	3.55	7%
WTI	93.53	68.26	25.27	37%

Refer to Note 5 in the Notes to the Group Financial Statements for additional information regarding acquisitions.

COMMODITY REVENUE

The following table reconciles the change in commodity revenue (excluding the impact of hedges settled in cash) for the year ended 31 December 2022 by reflecting the effect of changes in volume and in the underlying prices:

(In thousands)	Natural Gas	NGLs	Oil	Total
Commodity revenue for the year ended 31 December 2021	**$ 818,726**	**$ 115,747**	**$ 38,634**	**$ 973,107**
Volume increase (decrease)	73,129	53,414	62,780	189,323
Price increase (decrease)	652,803	19,572	38,206	710,581
Net increase (decrease)	725,932	72,986	100,986	899,904
Commodity revenue for the year ended 31 December 2022	**$ 1,544,658**	**$ 188,733**	**$ 139,620**	**$ 1,873,011**

To manage our cash flows in a volatile commodity price environment, we utilise derivative contracts which allow us to fix the sales prices at a per unit level for approximately 90% of our production to mitigate commodity risk. The tables below set forth the commodity hedge impact on commodity revenue, excluding and including cash received for commodity hedge settlements with natural gas on a per Mcf basis and NGLs and oil on a per Bbl basis:

(In thousands, except per unit data)	Year Ended 31 December 2022							
	Natural Gas		NGLs		Oil		Total Commodity	
	Revenue	Realised $	Revenue	Realised $	Revenue	Realised $	Revenue	Realised $
Excluding hedge impact	**$1,544,658**	**$ 6.04**	**$ 188,733**	**$ 36.29**	**$ 139,620**	**$ 89.85**	**$1,873,011**	**$ 37.95**
Commodity hedge impact	(782,525)	(3.06)	(85,549)	(16.45)	(27,728)	(17.85)	(895,802)	(18.15)
Including hedge impact	**$ 762,133**	**$ 2.98**	**$ 103,184**	**$ 19.84**	**$ 111,892**	**$ 72.00**	**$ 977,209**	**$ 19.80**

(In thousands, except per unit data)	Year Ended 31 December 2021							
	Natural Gas		NGLs		Oil		Total Commodity	
	Revenue	Realised $	Revenue	Realised $	Revenue	Realised $	Revenue	Realised $
Excluding hedge impact	**$ 818,726**	**$ 3.49**	**$ 115,747**	**$ 32.53**	**$ 38,634**	**$ 65.26**	**$ 973,107**	**$ 22.50**
Commodity hedge impact	(263,929)	(1.13)	(60,530)	(17.01)	3,803	6.42	(320,656)	(7.42)
Including hedge impact	**$ 554,797**	**$ 2.36**	**$ 55,217**	**$ 15.52**	**$ 42,437**	**$ 71.68**	**$ 652,451**	**$ 15.08**

Refer to Note 14 in the Notes to the Group Financial Statements for additional information regarding derivative financial instruments.

EXPENSES

	Year Ended							
	31 December	Per	31 December	Per	Total Change		Per Boe Change	
(In thousands, except per unit data)	2022	Per Boe	2021	Per Boe	$	%	$	%
LOE[a]	$ 182,817	$ 3.70	$ 119,594	$ 2.76	$ 63,223	53%	$ 0.94	34%
Production taxes[b]	73,849	1.50	30,518	0.71	43,331	142%	0.79	111%
Midstream operating expense[c]	71,154	1.44	60,481	1.40	10,673	18%	0.04	3%
Transportation expense[d]	118,073	2.39	80,620	1.86	37,453	46%	0.53	28%
Total operating expense	**$ 445,893**	**$ 9.03**	**$ 291,213**	**$ 6.73**	**$154,680**	**53%**	**$ 2.30**	**34%**
Employees, administrative costs and professional services[e]	77,172	1.56	56,812	1.31	20,360	36%	0.25	19%
Costs associated with acquisitions[f]	15,545	0.31	27,743	0.64	(12,198)	(44%)	(0.33)	(52%)
Other adjusting costs[g]	69,967	1.42	10,371	0.24	59,596	575%	1.18	492%
Non-cash equity compensation[h]	8,051	0.16	7,400	0.17	651	9%	(0.01)	(6%)
Total operating and G&A expense	**$ 616,628**	**$ 12.48**	**$ 393,539**	**$ 9.09**	**$223,089**	**57%**	**$ 3.39**	**37%**
Depreciation, depletion and amortisation	222,257	4.50	167,644	3.88	54,613	33%	0.62	16%
Allowance for credit losses[i]	—	—	(4,265)	(0.10)	4,265	(100%)	0.10	(100%)
Total expenses	**$ 838,885**	**$ 16.98**	**$ 556,918**	**$ 12.87**	**$ 281,967**	**51%**	**$ 4.11**	**32%**

(a) LOE includes costs incurred to maintain producing properties. Such costs include direct and contract labour, repairs and maintenance, water hauling, compression, automobile, insurance, and materials and supplies expenses.

(b) Production taxes include severance and property taxes. Severance taxes are generally paid on produced natural gas, NGLs and oil production at fixed rates established by federal, state or local taxing authorities. Property taxes are generally based on the taxing jurisdictions' valuation of the Group's natural gas and oil properties and midstream assets.

(c) Midstream operating expenses are daily costs incurred to operate the Group's owned midstream assets inclusive of employee and benefit expenses.

(d) Transportation expenses are daily costs incurred from third-party systems to gather, process and transport the Group's natural gas, NGLs and oil.

(e) Employees, administrative costs and professional services includes payroll and benefits for our administrative and corporate staff, costs of maintaining administrative and corporate offices, costs of managing our production operations, franchise taxes, public company costs, fees for audit and other professional services and legal compliance.

(f) We generally incur costs related to the integration of acquisitions, which will vary for each acquisition. For acquisitions considered to be a business combination, these costs include transaction costs directly associated with a successful acquisition transaction. These costs also include costs associated with transition service arrangements where we pay the seller of the acquired entity a fee to handle various G&A functions until we have fully integrated the assets onto our systems. In addition, these costs include costs related to integrating IT systems and consulting as well as internal workforce costs directly related to integrating acquisitions into our system.

(g) Other adjusting costs include items that affect the comparability of results or that are not indicative of trends in the ongoing business. These costs consist of one time projects, contemplated transactions or financing arrangements, contract terminations, deal breakage and/or sourcing costs for acquisitions, and unused firm transportation.

(h) Non-cash equity compensation reflects the expense recognition related to share-based compensation provided to certain key members of the management team. Refer to Note 18 in the Notes to the Group Financial Statements for additional information regarding non-cash share-based compensation.

(i) Allowance for credit losses consists of the recognition and reversal of credit losses. Refer to Note 15 in the Notes to the Group Financial Statements for additional information regarding credit losses.

Operating Expenses

We experienced increases in per unit operating expense of 34%, or $2.30 per Boe, resulting from:

— Higher per Boe LOE that increased 34%, or $0.94 per Boe, reflective of changes in our portfolio mix due to the higher cost structure of the Central Region and our growing presence there. This metric was also impacted by inflationary pressures, importantly however, even with an increase in unit cost, margins remained near 50% and reflect the higher revenues per unit of production we generated in the Central Region. The timing of changes in the portfolio mix has impacted this metric as well. During 2022 we had a full year of expenses from the acquired Indigo, Blackbeard, Tanos, and Tapstone assets acquired in May, July, August, and December 2021, respectively. In addition, we had additional costs from the East Texas Assets and ConocoPhillips assets acquired in April and September 2022, respectively.

— Higher per Boe production taxes that increased 111%, or $0.79 per Boe, were primarily attributable to an increase in severance taxes as a result of an increase in revenue due to higher commodity prices and sold volumes and an increase in property taxes related to the acquired Central Region assets given the difference in the regulatory environment; and

— Higher per Boe transportation expense resulting from increases in third-party midstream rates and changes in our cost mix year-over-year due to the higher transportation expense profile of the Central Region assets.

— Higher per Boe midstream operating expense that increased 3%, or $0.04 per Boe. This increase was driven by the growth in our midstream operations due to Central Region acquisitions as well as increases in our operating cost due to inflationary pressures.

General and Administrative Expense

G&A expense increased due to:

— Employees, administrative costs and professional services and non-cash equity compensation increased due to investments made in staff and systems to support our enlarged operation.

— Periodically, we incur costs associated with potential acquisitions that include deposits, rights of first refusal, option agreement costs and hedging costs incurred in connection with the potential acquisitions. At times, due to changing macro-economic conditions, commodity price volatility and/or findings observed during our deal diligence efforts, we incur expenses of this nature as breakage and/or deal sourcing fees. In 2021, we paid $25 million in costs associated with a potential acquisition and, due to decisions we made in the first quarter of 2022, we terminated the transaction and wrote off $25 million in certain acquisition related costs related to these items. During 2022, we also incurred an additional $6 million in costs of this nature. These transactions were classified as other adjusting costs.

— In February 2022, we paid $28 million to terminate a fixed-price purchase contract associated with certain Barnett volumes acquired during the Blackbeard acquisition. The contract extended through March 2024 and, as a result of the termination, we will realise more favourable pricing over this period. This transaction also positioned us to refinance these assets as part of the ABS IV financing arrangement and allowed us to enhance our Liquidity by eliminating the need for a $20 million letter of credit on our Credit Facility. This transaction was classified in other adjusting costs.

Partially offsetting these increases in G&A were decreases in cost due to:

— Lower costs associated with acquisitions during 2022 when compared to 2021, which was primarily due to the timing of acquisitions in 2022 compared to 2021 as well as variability in the extent of integration support needed amongst acquisitions. During 2022, costs consisted of the continued integration of the 2021 Central Region acquisitions, the April 2022 East Texas Assets acquisition, some initial integration cost incurred in connection with the September 2022 ConocoPhillips acquisition as well as expenses for other midstream and asset retirement related transactions. Expenses incurred in 2021 were primarily attributable to the completion of the integration of the Carbon and EQT acquisitions which were acquired in May 2020 and the integration of the Indigo, Blackbeard, Tanos, and Tapstone acquisitions which were acquired in 2021.

Other Expenses

Depreciation, depletion and amortisation ("DD&A") increased due to:

— Higher depreciation expense attributable to an increase of property, plant & equipment resulting from acquisitions and maintenance capital expenditures; and

— Higher depletion expense due to a 14% increase in production attributable to an increased number of producing wells from acquisitions.

Allowance for credit losses decreased due to:

— The impact on anticipated credit losses on joint interest owner receivables has a direct relationship with pricing and distributions to individual owners. As the pricing environment improved in 2022, the underlying well economics did as well, and as a result, in 2022, we were able to collect on receivables without the need to increase our existing reserves.

Refer to Notes 5, 11, 12 and 14 in the Notes to the Group Financial Statements for additional information regarding acquisitions, natural gas and oil properties, property, plant and equipment and derivative financial instruments, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

We recorded the following gain (loss) on derivative financial instruments in the Consolidated Statement of Comprehensive Income for the periods presented:

	Year Ended			
(In thousands)	**31 December 2022**	**31 December 2021**	**$ Change**	**% Change**
Net gain (loss) on commodity derivatives settlements[a]	$ (895,802)	$ (320,656)	$ (575,146)	179 %
Net gain (loss) on interest rate swap[a]	(1,434)	(530)	(904)	171 %
Gain (loss) on foreign currency hedges[a]	—	(1,227)	1,227	(100)%
Total gain (loss) on settled derivative instruments	**$ (897,236)**	**$ (322,413)**	**$ (574,823)**	**178 %**
Gain (loss) on fair value adjustments of unsettled financial instruments[b]	(861,457)	(652,465)	(208,992)	32 %
Total gain (loss) on derivative financial instruments	**$ (1,758,693)**	**$ (974,878)**	**$ (783,815)**	**80 %**

(a) Represents the cash settlement of hedges that settled during the period.

(b) Represents the change in fair value of financial instruments net of removing the carrying value of hedges that settled during the period.

For the year ended 31 December 2022, the total loss on derivative financial instruments of $1,759 million increased by $784 million compared to a loss of $975 million in 2021. Adjusting our unsettled derivative contracts to their fair values drove a loss of $861 million in 2022, an increase of $209 million, when compared to a loss of $652 million in 2021. While this loss certainly reflects the increase in commodity markets in relation to our hedge floor, the magnitude of the loss is amplified due to the increase in the size of our long-dated hedge portfolio, which has increased meaningfully with the addition of four new ABS notes in 2022 that each contain long dated hedge portfolios that in some cases extend through the life of the note.

For the year ended 31 December 2022, the total cash loss on settled derivative instruments was $897 million, an increase of $575 million over 2021. The loss on settled derivative instruments relates to higher commodity market prices than we secured through our derivative contracts. With dividend distributions and scheduled debt principal payments central to our strategy, to protect our downside risk we routinely hedge at levels that, based on our operating and overhead costs, provide a healthy margin even if it means foregoing potential price upside.

Refer to Note 14 in the Notes to the Group Financial Statements for additional information regarding derivative financial instruments.

GAIN ON BARGAIN PURCHASES

We recorded the following gain on bargain purchases in the Consolidated Statement of Comprehensive Income for the periods presented:

	Year Ended			
(In thousands)	**31 December 2022**	**31 December 2021**	**$ Change**	**% Change**
Gain on bargain purchases	**$ 4,447**	**$ 58,072**	**$ (53,625)**	**(92)%**

For the past few years the E&P segment of the broader energy sector has been in a period of transition and rebalancing, thus creating opportunities for healthy companies like ours to acquire high quality assets for less than their fair value. We have established a track record of being disciplined in our bidding to acquire assets that meet our strict asset profile and are accretive to our overall corporate value.

The gain on bargain purchases of $4.4 million recognised in 2022 was primarily a result of measurement period adjustments associated with the 2021 Tapstone acquisition. Gain on bargain purchases are not recorded for transactions that are accounted for as an acquisition of assets under IFRS 3, Business Combinations ("IFRS 3"). Rather, the consideration paid is allocated to the assets acquired on a relative fair value basis.

Refer to Note 5 in the Notes to the Group Financial Statements for additional information regarding acquisitions and bargain purchase gain.

FINANCE COSTS

	Year Ended			
(In thousands)	**31 December 2022**	**31 December 2021**	**$ Change**	**% Change**
Interest expense, net of capitalised and income amounts[a]	$ 86,840	$ 42,370	$ 44,470	105 %
Amortisation of discount and deferred finance costs	13,903	8,191	5,712	70 %
Other	56	67	(11)	(16)%
Total finance costs	**$ 100,799**	**$ 50,628**	**$ 50,171**	**99 %**

[a] Includes payments related to borrowings and leases.

For the year ended 31 December 2022, interest expense of $87 million increased by $44 million compared to $42 million in 2021, primarily due to the increase in borrowings to fund our 2022 acquisitions, incurring a full year of interest on borrowings associated with the 2021 acquisitions and an increase in the weighted average interest rate on borrowings year-over-year. Offsetting these increases is a decrease in interest expense for repaid principal of $232 million on the ABS Notes and Term Loan I as these borrowings are repaid monthly due to their amortising structures.

As of 31 December 2022 and 2021, total borrowings were $1,498 million and $1,042 million, respectively. For the period ended 31 December 2022, the weighted average interest rate on borrowings was 5.51% as compared to 4.33% as of 31 December 2021. This increase resulted from the rising rate environment's impact on new note issuances as well as a change in the mix of our financing year-over-year. As a result of our four ABS issuances in 2022, 96% of our borrowings now reside in fixed-rate, hedge-protected, amortising structures as of 31 December 2022 compared to 44% as of 31 December 2021.

Refer to Notes 5, 21, and 22 in the Notes to the Group Financial Statements for additional information regarding acquisitions, leases and borrowings, respectively.

TAXATION

The effective tax rate is calculated on the face of the Statement of Comprehensive Income by dividing the amount of recorded income tax benefit (expense) by the income (loss) before taxation as follows:

	Year Ended			
(In thousands)	**31 December 2022**	**31 December 2021**	**$ Change**	**% Change**
Income (loss) before taxation	**$ (799,502)**	**$ (550,900)**	**$ (248,602)**	**45%**
Income tax benefit (expense)	178,904	225,694	(46,790)	(21%)
Effective tax rate	**22.4%**	**41.0%**		

The differences between the statutory U.S. federal income tax rate and the effective tax rates are summarised as follows:

	Year Ended	
	31 December 2022	**31 December 2021**
Expected tax at statutory U.S. federal income tax rate	21.0%	21.0%
State income taxes, net of federal tax benefit	1.2%	4.4%
Federal credits	–%	15.4%
Other, net	0.2%	0.2%
Effective tax rate	**22.4%**	**41.0%**

For the year ended 31 December 2022, we reported a tax benefit of $179 million, a change of $47 million, compared to a benefit of $226 million in 2021 which was a result of the change in the loss before taxation and a change in the amount of tax credits generated relative to the pre-tax loss. The resulting effective tax rates for the years ended 31 December 2022 and 2021 were 22.4% and 41.0%, respectively. The effective tax rate is primarily impacted by recognition of the marginal well tax credit available to qualified producers. The federal government provides these credits to encourage companies to continue operating lower-volume wells during periods of low prices to maintain the underlying jobs they create and the state and local tax revenues they generate for communities to support schools, social programmes, law enforcement and other similar public services.

Refer to Note 8 in the Notes to the Group Financial Statements for additional information regarding taxation.

OPERATING PROFIT, NET INCOME, ADJUSTED EBITDA AND EPS

	Year Ended			
(In thousands, except per unit data)	**31 December 2022**	**31 December 2021**	**$ Change**	**% Change**
Operating profit (loss)	$ (671,403)	$ (467,064)	$ (204,339)	44%
Net income (loss)	(620,598)	(325,206)	(295,392)	91%
Adjusted EBITDA	502,954	343,145	159,809	47%
Earnings (loss) per share - basic and diluted	$ (0.74)	$ (0.41)	$ (0.33)	80%

For the year ended 31 December 2022, we reported a net loss of $621 million and loss per share of $0.74 compared to net loss of $325 million and loss per share of $0.41 in 2021, an increase of 91% and 80%, respectively. We also reported an operating loss of $671 million compared with an operating loss of $467 million for the years ended 31 December 2022 and 2021, respectively. This year-over-year increase in net loss was primarily attributable to increased gross profit of $702 million, offset by $784 million of increased losses on derivatives, $54 million less in bargain purchase gains, $50 million more in interest costs, and $47 million less income tax benefit as compared to 2021.

Excluding the mark-to-market loss on long-dated derivative valuations, as well as other customary adjustments, we reported Adjusted EBITDA of $503 million for the year ended 31 December 2022 compared to $343 million for the year ended 31 December 2021, representing an increase of 47% driven by our growth through acquisitions.

Refer to Note 9 in the Notes to the Group Financial Statements for additional information regarding Adjusted EBITDA.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of Liquidity are cash generated from operations and available borrowings under our Credit Facility. To minimise interest expense, we use our excess cash flow to reduce borrowings on our Credit Facility and as a result have historically carried little cash on our Consolidated Statement of Financial Position as evidenced by our $7 million and $13 million in cash and cash equivalents as of 31 December 2022 and 2021, respectively.

When we acquire assets to grow, we complement our Credit Facility with asset-backed debt securitised by certain natural gas and oil assets, which are long-term, fixed-rate, fully-amortising debt structures that better match the long-life nature of our assets. These structures afford us low borrowing rates and also provide a visible path for reducing Leverage as we make scheduled principal payments. For larger value-adding acquisitions, and to ensure we maintain a Leverage profile that we believe is appropriate for the type of assets we acquire, we also raise proceeds through secondary equity offerings from time to time.

We monitor our working capital to ensure that the levels remain adequate to operate the business with excess cash primarily utilised for the repayment of debt or dividends to shareholders. In addition to working capital management, we have a disciplined approach to managing operating costs and allocating capital resources, ensuring that we are generating returns on our capital investments to support the strategic initiatives in our business operations. With respect to our current costs of capital, our ABS Notes are fixed-rate instruments (subject to adjustment pursuant to the sustainability-linked features described below) and our Credit Facility bears a floating rate. Given this mix of borrowings in our portfolio we use interest rate swaps to prudently balance our exposure to fixed and floating rates. Utilising this strategy we actively mitigate interest rate risk and to date have been largely unaffected by the rising rate environment experienced in 2022, with the exception of increases in the fixed interest rate for our 2022 ABS issuances. Going forward, changes in interest rates will continue to impact the floating rate of interest applicable to future borrowings under our Credit Facility and may affect our ability to enter into future debt financing, including refinancing of our Credit Facility or issuing additional asset-backed securitisations, as high inflation may result in a relative increase in the cost of debt capital.

Capital expenditures were $86 million for the year ended 31 December 2022 compared to $50 million for the year ended 31 December 2021. This increase in capital expenditures was primarily driven by our growth through acquisitions year-over-year and during 2022, the completion of wells that were under development by Tapstone at the time we closed the Tapstone Acquisition. There were no material commitments for capital expenditures as of or subsequent to 31 December 2022. We expect to meet our capital expenditure needs for the foreseeable future from our operating cash flow and our existing cash and cash equivalents. Our future capital requirements will depend on several factors, including our growth rate, future acquisitions and the expansion of our employee headcount, among other things.

With respect to our other known current obligations, we believe that our sources of Liquidity and capital resources will be sufficient to meet our existing business needs for at least the next 12 months. However, our ability to satisfy our working capital requirements, debt service obligations and planned capital expenditures will depend upon our future operating performance, which will be affected by prevailing economic conditions in the natural gas and oil industry and other financial and business factors, some of which are beyond our control. Refer to Note 14 in the Notes to the Group Financial Statements for additional information regarding our hedging programme to mitigate the risk associated with future cash flow generation.

The table below represents our Liquidity position as of 31 December 2022 and 2021.

	Year Ended	
(In thousands)	**31 December 2022**	**31 December 2021**
Cash	$ 7,329	$ 12,558
Available borrowings under the Credit Facility[a][b]	183,332	222,263
Liquidity	**$ 190,661**	**$ 234,821**

(a) Represents available borrowings under the Credit Facility of $194 million as of 31 December 2022 less outstanding letters of credit of $11 million as of such date.

(b) Represents available borrowings under the Credit Facility of $254 million as of 31 December 2021 less outstanding letters of credit of $32 million as of such date.

DEBT

Our net borrowings consisted of the following as of the reporting date:

	Year Ended	
(In thousands)	**31 December 2022**	**31 December 2021**
Credit Facility	$ (56,000)	$ (570,600)
ABS I Notes	(125,864)	(155,266)
ABS II Notes	(147,458)	(169,320)
ABS III Notes	(319,856)	—
ABS IV Notes	(130,144)	—
ABS V Notes	(378,796)	—
ABS VI Notes	(212,446)	—
Term Loan I	(120,518)	(137,099)
Other	(7,084)	(9,380)
Total Debt	**$ (1,498,166)**	**$ (1,041,665)**
Cash	7,329	12,558
Restricted cash	55,388	19,102
Net Debt	**$ (1,435,449)**	**$ (1,010,005)**

CREDIT FACILITY

The Group maintains the Credit Facility with a lending syndicate, the borrowing base for which is redetermined on a semi-annual, or as needed, basis. The borrowing base is primarily a function of the value of the natural gas and oil properties that collateralise the lending arrangement and will fluctuate with changes in collateral, which may occur as a result of acquisitions or through the establishment of ABS, term loan or other lending structures that result in changes to the Credit Facility collateral base.

In August 2022, the Group amended and restated the credit agreement governing its Credit Facility by entering into the A&R Revolving Credit Facility. The amendment enhanced the alignment with the Group's stated ESG initiatives by including sustainability performance targets ("SPTs") similar to those included in the ABS III, IV, V and VI notes, extended the maturity of the Credit Facility to August 2026, removed DGOC as a credit party from the Credit Facility, reaffirmed the borrowing base of $300 million and included no other material changes to pricing or terms. Further, as a result of the amendment, the covenant structure associated with the A&R Revolving Credit Facility is now associated solely with DP RBL CO LLC, the borrower, a subsidiary of DGOC, the prior borrower.

The A&R Revolving Credit Facility contains three SPTs which, depending on our performance thereof, may result in adjustments to the applicable margin with respect to borrowings thereunder:

- GHG Emissions Intensity: The Group's consolidated Scope 1 emissions and Scope 2 emissions, each measured as MT CO_2e per MMcfe;
- Asset Retirement Performance: The number of wells the Group successfully retires during any fiscal year; and
- TRIR Performance: The arithmetic average of the two preceding fiscal years and current period total recordable injury rate computed as the Total Number of Recordable Cases (as defined by the Occupational Safety and Health Administration) multiplied by 200,000 and then divided by total hours worked by all employees during any fiscal year.

The goals set by the Credit Facility for each of these categories are aspirational and represent higher thresholds than we have publicly set for ourself. The economic repercussions of achieving or failing to achieve these thresholds, however, are relatively minor, ranging from subtracting five basis points to adding five basis points to the applicable margin level in any given fiscal year.

An independent third-party assurance provider will be required to certify our performance of the SPTs. Though we are not required to do so, we intend to disclose this certification on an annual basis in our semi-annual or annual report, as determined by the timing of such certification, along with an overall ESG update.

Additional amendments to the Credit Facility in October and November 2022 lowered the borrowing base to $250 million to account for the net impact of ABS VI and the ConocoPhillips acquisition. In March 2023, we upsized our borrowing base on the Credit Facility to $375 million reflecting the inclusion of the Tanos II assets. The next redetermination is expected to occur in late Spring 2023.

The Credit Facility has an interest rate of SOFR plus an additional spread that ranges from 2.75% to 3.75% based on utilisation. Interest payments on the Credit Facility are paid on a monthly basis. Available borrowings under the Credit Facility were $183 million as of 31 December 2022 which considers the impact of $11 million in letters of credit issued to certain vendors.

The Credit Facility contains certain customary representations and warranties and affirmative and negative covenants, including covenants relating to: maintenance of books and records; financial reporting and notification; compliance with laws; maintenance of properties and insurance; and limitations on incurrence of indebtedness, liens, fundamental changes, international operations, asset sales, making certain debt payments and amendments, restrictive agreements, investments, restricted payments and hedging. It also requires DP RBL Co LLC to maintain a ratio of total debt to EBITDAX of not more than 3.25 to 1.00 and a ratio of current assets (with certain adjustments) to current liabilities of not less than 1.00 to 1.00 as of the last day of each fiscal quarter. The fair value of the Credit Facility approximates the carrying value as of 31 December 2022.

TERM LOAN I

In May 2020, we acquired DP Bluegrass LLC ("Bluegrass"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to enter into a securitised financing agreement for $160 million, which was structured as a secured term loan. We issued the Term Loan I at a 1% discount and used the proceeds of $158 million to fund the 2020 Carbon and EQT acquisitions. The Term Loan I is secured by certain producing assets acquired in connection with the Carbon and EQT acquisitions.

The Term Loan I accrues interest at a stated 6.50% annual rate and has a maturity date of May 2030. Interest and principal payments on the Term Loan I are payable on a monthly basis. During the years ended 31 December 2022 and 2021, we incurred $9 million and $10 million in interest related to the Term Loan I, respectively. The fair value of the Term Loan I approximates the carrying value as of 31 December 2022.

ABS I NOTE

In November 2019, we formed Diversified ABS LLC ("ABS I"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB- rated asset-backed securities in an aggregate principal amount of $200 million at par. The ABS I Notes are secured by certain of our upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

Interest and principal payments on the ABS I Notes are payable on a monthly basis. During the years ended 31 December 2022 and 2021, we incurred $7 million and $8 million of interest related to the ABS I Notes, respectively. The legal final maturity date is January 2037 with an amortising maturity of December 2029. The ABS I Notes accrue interest at a stated 5% rate per annum. The fair value of the ABS I Notes approximates the carrying value as of 31 December 2022. In the event that ABS I has cash flow in excess of the required payments, ABS I is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with DEC. In particular, (a) with respect to any payment date prior to March 1, 2030, (i) if the debt service coverage ratio (the "DSCR") as of such payment date is greater than or equal to 1.25 to 1.00, then 25%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such payment date is less than 1.15 to 1.00, the production tracking rate for ABS I is less than 80%, or the loan to value ratio is greater than 85%, then 100%, and (b) with respect to any payment date on or after March 1, 2030, 100%.

ABS II NOTE

In April 2020, we formed Diversified ABS Phase II LLC ("ABS II"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to issue BBB- rated asset-backed securities in an aggregate principal amount of $200 million. The ABS II Notes were issued at a 2.775% discount. We used the proceeds of $184 million, net of discount, capital reserve requirement, and debt issuance costs, to pay down our Credit Facility. The ABS II Notes are secured by certain of our upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

The ABS II Notes accrue interest at a stated 5.25% rate per annum and have a maturity date of July 2037 with an amortising maturity of September 2028. Interest and principal payments on the ABS II Notes are payable on a monthly basis. During the years ended 31 December 2022 and 2021, we incurred $9 million and $11 million in interest related to the ABS II Notes, respectively. The fair value of the ABS II Notes approximates the carrying value as of 31 December 2022. In the event that ABS II has cash flow in excess of the required payments, ABS II is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with DEC. In particular, (a) (i) if the DSCR as of any payment date is less than 1.15 to 1.00, then 100%, (ii) if the DSCR as of such payment date is greater than or equal to 1.15 to 1.00 and less than 1.25 to 1.00, then 50%, or (iii) if the DSCR as of such payment date is greater than or equal to 1.25 to 1.00, then 0%; (b) if the production tracking rate for ABS II is less than 80.0%, then 100%, else 0%; (c) if the loan-to-value ratio ("LTV") as of such payment date is greater than 65.0%, then 100%, else 0%; (d) with respect to any payment date after July 1, 2024 and prior to July 1, 2025, if LTV is greater than 40.0% and ABS II has executed hedging agreements for a minimum period of 30 months starting July 2026 covering production volumes of at least 85% but no more than 95% (the "Extended Hedging Condition"), then 50%, else 0%; (e) with respect to any payment date after July 1, 2025 and prior to October 1, 2025, if LTV is greater than 40.0% or ABS II has not satisfied the Extended Hedging Condition, then 50%, else 0%; and (f) with respect to any payment date after October 1, 2025, if LTV is greater than 40.0% or ABS II has not satisfied the Extended Hedging Condition, then 100%, else 0%.

ABS III NOTE

In February 2022, we formed Diversified ABS III LLC ("ABS III"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $365 million at par. The ABS III Notes are secured by certain of our upstream producing, as well as certain midstream, Appalachian assets.

The ABS III Notes accrue interest at a stated 4.875% rate per annum and have a final maturity date of April 2039 with an amortising maturity of November 2030. Interest and principal payments on the ABS III Notes are payable on a monthly basis. During the year ended 31 December 2022, we incurred $15 million in interest related to the ABS III Notes. The fair value of the ABS III Notes approximates the carrying value as of 31 December 2022. In the event that ABS III has cash flow in excess of the required payments, ABS III is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with DEC. In particular, (a) (i) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such Payment Date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS III (as described in the ABS III Indenture) is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS III is greater than 65%, then 100%, else 0%.

In addition, in connection with the issuance of the ABS III Notes, we retained an independent international provider of ESG research and services to provide and maintain a "sustainability score" with respect to Diversified Energy Company PLC and to the extent such score is below a minimum threshold established at the time of issue of the ABS III Notes, the interest payable with respect to the subsequent interest accrual period will increase by five basis points. This score is not dependent on DEC meeting or exceeding any sustainability performance metrics but rather an overall assessment of our corporate ESG profile. Further, this score is not dependent on the use of proceeds of the ABS III Notes and there were no such restrictions on the use of proceeds other than pursuant to the terms of our Credit Facility. We inform the ABS III note holders in monthly note holder statements as to any change in interest rate payable on the ABS III Notes as a result of the change in this sustainability score. While we are not required to publicly release this score, we will provide the score as of the date of our semi-annual or annual report, as determined by the timing of such updated score, along with the weighted average interest rate paid on the ABS III Notes as a result of any such five basis point change in interest rate.

ABS IV NOTE

In February 2022, we formed Diversified ABS IV LLC ("ABS IV"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $160 million at par. The ABS IV Notes are secured by a portion of the upstream producing assets acquired in connection with the Blackbeard Acquisition.

The ABS IV Notes accrue interest at a stated 4.95% rate per annum and have a final maturity date of February 2037 with an amortising maturity of September 2030. Interest and principal payments on the ABS IV Notes are payable on a monthly basis. During the year ended 31 December 2022, we incurred $6 million in interest related to the ABS IV Notes. The fair value of the ABS IV Notes approximates the carrying value as of 31 December 2022. In the event that ABS IV has cash flow in excess of the required payments, ABS IV is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with DEC. In particular, (a) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such Payment Date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS IV is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS IV is greater than 65%, then 100%, else 0%.

In addition, in connection with the issuance of the ABS IV Notes, we retained an independent international provider of ESG research and services to provide and maintain a "sustainability score" with respect to Diversified Energy Company PLC and to the extent such score is below a minimum threshold established at the time of issue of the ABS III Notes, the interest payable with respect to the subsequent interest accrual period will increase by five basis points. This score is not dependent on DEC meeting or exceeding any sustainability performance metrics but rather an overall assessment of our corporate ESG profile. Further, this score is not dependent on the use of proceeds of the ABS IV Notes and there were no such restrictions on the use of proceeds other than pursuant to the terms of our Credit Facility. We inform the ABS IV note holders in monthly note holder statements as to any change in interest rate payable on the ABS IV Notes as a result of the change in this sustainability score. While we are not required to publicly release this score, we will provide the score as of the date of our semi-annual or annual report, as determined by the timing of such updated score, along with the weighted average interest rate paid on the ABS IV Notes as a result of any such five basis point change in interest rate.

ABS V NOTES

In May 2022, we formed Diversified ABS V LLC ("ABS V"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $445 million at par. The ABS V Notes are secured by a majority of our remaining upstream assets in Appalachia that were not securitised by previous ABS transactions.

The ABS V Notes accrue interest at a stated 5.78% rate per annum and have a final maturity date of May 2039 with an amortising maturity of December 2030. Interest and principal payments on the ABS V Notes are payable on a monthly basis. During the year ended 31 December 2022, we incurred $14 million in interest related to the ABS V Notes. The fair value of the ABS V Notes approximates the carrying value as of 31 December 2022. Based on whether certain performance metrics are achieved, ABS V could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. In particular, (a) (i) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such payment date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS V is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS V is greater than 65%, then 100%, else 0%.

In addition, a "second party opinion provider" certified the terms of the ABS V Notes as being aligned with the framework for sustainability-linked bonds of the International Capital Markets Association ("ICMA"), applicable to bond instruments for which the financial and/or structural characteristics vary depending on whether predefined ESG objectives, or SPTs, are achieved. The framework has five key components (1) the selection of key performance indicators ("KPIs"), (2) the calibration of SPTs, (3) variation of bond characteristics depending on whether the KPIs meet the SPTs, (4) regular reporting of the status of the KPIs and whether SPTs have been met and (5) independent verification of SPT performance by an external reviewer such as an auditor or environmental consultant. Unlike the ICMA's framework for green bonds, its framework for sustainability-linked bonds do not require a specific use of proceeds.

The ABS V Notes contain two SPTs. We must achieve, and have certified by April 28, 2027 (1) a reduction in Scope 1 and Scope 2 GHG emissions intensity to 2.85 MT CO_2e/MMcfe, and/or (2) a reduction in Scope 1 methane emissions intensity to 1.12 MT CO_2e/MMcfe. For each of these SPTs that we fail to meet, or have certified by an external verifier that we have met, by April 28, 2027, the interest rate payable with respect to the ABS V Notes will be increased by 25 basis points. In each case, an independent third-party assurance provider will be required to certify our performance of the above SPTs by the applicable deadlines. Though we are not required to do so, we intend to disclose this certification on an annual basis in its semi-annual or annual report, as determined by the timing of such certification, along with an overall ESG update.

ABS VI NOTES

In October 2022, we formed Diversified ABS VI LLC ("ABS VI"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue, jointly with Oaktree, BBB+ rated asset-backed securities in an aggregate principal amount of $460 million ($236 million to DEC, before fees, representative of our 51.25% ownership interest in the collateral assets). The ABS VI Notes were issued at a 2.63% discount and are secured primarily by the upstream assets that were jointly acquired with Oaktree in the 2021 Tapstone acquisition. Similar to the accounting treatment described in Note 3 for acquisitions performed in connection with Oaktree, we have recorded our proportionate share of the ABS VI Notes in our Consolidated Statement of Financial Position.

The ABS VI Notes accrue interest at a stated 7.50% rate per annum and have a final maturity date of November 2039 with an amortising maturity of October 2031. Interest and principal payments on the ABS VI Notes are payable on a monthly basis. During the year ended 31 December 2022, we incurred $3 million in interest related to the ABS VI Notes. The fair value of the ABS VI Notes approximates the carrying value as of 31 December 2022.

Based on whether certain performance metrics are achieved, ABS VI could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. In particular, (a) (i) If the DSCR as of the applicable Payment Date is less than 1.15 to 1.00, then 100%, (ii) if the DSCR as of such Payment Date is greater than or equal to 1.15 to 1.00 and less than 1.25 to 1.00, then 50%, or (iii) if the DSCR as of such Payment Date is greater than or equal to 1.25 to 1.00, then 0%; (b) if the production tracking rate for ABS VI is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS VI is greater than 75%, then 100%, else 0%.

In addition, a "second party opinion provider" certified the terms of the ABS VI Notes as being aligned with the framework for sustainability-linked bonds of the International Capital Markets Association ("ICMA"), applicable to bond instruments for which the financial and/or structural characteristics vary depending on whether predefined ESG objectives, or SPTs, are achieved.

The framework has five key components (1) the selection of key performance indicators ("KPIs"), (2) the calibration of SPTs, (3) variation of bond characteristics depending on whether the KPIs meet the SPTs, (4) regular reporting of the status of the KPIs and whether SPTs have been met and (5) independent verification of SPT performance by an external reviewer such as an auditor or environmental consultant. Unlike the ICMA's framework for green bonds, its framework for sustainability-linked bonds do not require a specific use of proceeds.

The ABS VI Notes contain two SPTs. We must achieve, and have certified by 28 May 2027 (1) a reduction in Scope 1 and Scope 2 GHG emissions intensity to 2.85 MT CO_2e/MMcfe, and/or (2) a reduction in Scope 1 methane emissions intensity to 1.12 MT CO_2e/MMcfe. For each of these SPTs that we fail to meet, or have certified by an external verifier that we have met, by 28 May 2027, the interest rate payable with respect to the ABS VI Notes will be increased by 25 basis points. In each case, an independent third-party assurance provider will be required to certify our performance of the above SPTs by the applicable deadlines. Though we are not required to do so, we intend to disclose this certification on an annual basis in our semi-annual or annual report, as determined by the timing of such certification, along with an overall ESG update.

ASSET RETIREMENT OBLIGATIONS

We continue to be proactive and innovative with respect to asset retirement. In 2017, after our LSE IPO, we proactively began to meet with state officials to develop a long-term plan to retire our growing portfolio of long-life wells. Collaborating with the appropriate regulators, we designed our retirement activities to be equitable for all stakeholders with an emphasis on the environment.

During the year ended 31 December 2022 we continued to engage in an active dialogue with our states' legislative and regulatory bodies to collaborate on best practices for the natural gas and oil industry. During the year, we also accomplished the following:

- Expanded asset retirement operations from one team and three rigs at 31 December 2021 to 12 teams and 15 rigs at 31 December 2022 through the successful acquisitions of three Appalachian asset retirement companies and now represent a significant portion of the total asset retirement capacity throughout Appalachia;
- Retired 214 wells, inclusive of our Central Region operations, at a consistent average cost of approximately $23 thousand per well, outpacing calendar year 2021 activity when we retired 136 wells at the same average annual cost of approximately $23 thousand per well. These retirements were achieved one full year in advance of our stated goal to retire 200 wells per year by year-end 2023; and
- Secured contracts with the states of Ohio, West Virginia and Pennsylvania to use our enhanced asset retirement capacity to manage orphan asset retirement programmes and/or participate in the retirement of those state-owned wells on their behalf. We expect these relationships to continue to grow as we further solidify our position as a market leader in asset retirement.

This growth in our asset retirement capacity provides us with the ability to further integrate our asset retirement operations and generate cost efficiencies across a broader footprint. It will also provide us with the ability to generate additional third-party revenues by providing a suite of services to other production companies which can be utilised to help fund the cost associated with our own asset retirement programme. As a result, we aim to obtain a prudent mix of both cost reduction and third-party revenues to maximise the benefits of our internal asset retirement programme.

Our asset retirement programme reflects our solid commitment to a healthy environment and the surrounding communities, and we anticipate continued investment and innovation in this area. During 2023, we will continue our work to realise the vertical integration benefits of expanded internal asset retirement capacity to reduce reliance on third-party contractors, reduce outsource risk, improve process quality and responsiveness, and increase control over environmental remediation and costs.

The composition of the provision for asset retirement obligations at the reporting date was as follows for the periods presented:

	Year Ended	
(In thousands)	**31 December 2022**	**31 December 2021**
Balance at beginning of period	**$ 525,589**	**$ 346,124**
Additions[(a)]	24,395	96,292
Accretion	27,569	24,396
Asset retirement costs	(4,889)	(2,879)
Disposals[(b)]	(16,779)	(16,500)
Revisions to estimate[(c)]	(98,802)	78,156
Balance at end of period	**$ 457,083**	**$ 525,589**
Less: Current asset retirement obligations	4,529	3,399
Non-current asset retirement obligations	**$ 452,554**	**$ 522,190**

(a) Refer to Note 5 in the Notes to the Group Financial Statements for additional information regarding acquisitions and divestitures.

(b) Associated with the divestiture of natural gas and oil properties in the normal course of business. Refer to Note 5 in the Notes to the Group Financial Statements for additional information.

(c) As of 31 December 2022, we performed normal revisions to our asset retirement obligations, which resulted in a $99 million decrease in the liability. This decrease was comprised of a $145 million decrease attributable to a higher discount rate. The higher discount rate was a result of macroeconomic factors spurred by the increase in bond yields which have elevated with U.S. treasuries to combat the current inflationary environment. Partially offsetting this decrease was $29 million in cost revisions based on our recent asset retirement experiences and a $16 million timing revision for the acceleration of our retirement plans made possible by the recent asset retirement acquisitions that improve our asset retirement capacity through the growth of our operational capabilities. As of 31 December 2021, we performed normal revisions to our asset retirement obligations, which resulted in a $78 million increase in the liability. This increase was comprised of a $109 million increase attributable to the lower discount rate which was then offset by a $27 million reduction in anticipated ARO cost. The remaining change was attributable to timing. The lower discount rate was a result of macroeconomic factors spurred by the COVID-19 recovery, which reduced bond yields and increased inflation. Cost reductions are a result of the expansion of our internal asset retirement programme and efficiencies gained.

The anticipated future cash outflows for our asset retirement obligations on an undiscounted and discounted basis were as set forth in the tables below as of 31 December 2022 and 2021. When discounting the obligation, consistent with IFRS guidance, we apply a contingency allowance for annual inflationary cost increases to our current cost expectations and then discount the resulting cash flows using a credit adjusted risk free discount rate resulting in a net discount rate of 3.6% and 2.9%, for the periods indicated, respectively. While the rate is comparatively small to the commonly utilised PV-10 metric in our industry, the impact is significant due to the long-life low-decline nature of our portfolio. Although productive life varies within our well portfolio, presently we expect all of our existing wells to have reached the end of their economic lives and be retired by approximately 2095, consistent with our reserve calculations which were independently evaluated by third-party engineers.

When evaluating our ability to meet our asset retirement obligations we review reserves models which utilise the income approach to determine the expected discounted future net cash flows from estimated reserve quantities. These models determine future revenues associated with production using forward pricing then consider the costs to produce and develop reserves, as well as the cost of asset retirement at the end of a well's life. These future net cash flows are discounted using a weighted average cost of capital of 10% to produce the PV-10 of our reserves. After considering the asset retirement costs in these models our PV-10 was approximately $6.1 billion and $3.8 billion as of 31 December 2022 and 2021, respectively, illustrating residual cash flows well beyond our retirement obligations.

As of 31 December 2022:

(In thousands)	**Not Later Than One Year**	**Later Than One Year and Not Later Than Five Years**	**Later Than Five Years**	**Total**
Undiscounted	$ 4,529	$ 19,671	$ 1,673,905	$ 1,698,105
Discounted	4,529	17,314	435,240	457,083

As of 31 December 2021:

(In thousands)	**Not Later Than One Year**	**Later Than One Year and Not Later Than Five Years**	**Later Than Five Years**	**Total**
Undiscounted	$ 3,399	$ 17,210	$ 1,594,853	$ 1,615,462
Discounted	3,399	13,675	508,515	525,589

CASH FLOWS

Our principal sources of liquidity have historically been cash generated from operating activities. To minimise financing costs, we apply our excess cash flow to reduce borrowings on our Credit Facility. When we acquire assets to grow, we complement our Credit Facility with long-term, fixed-rate, fully-amortising debt structures that better match the long-life nature of our assets. These structures afford us low borrowing rates and also provide a visible path for reducing Leverage as we make scheduled principal payments. For larger value-adding acquisitions, and to ensure we maintain a Leverage profile that we believe is appropriate for the type of assets we acquire, we will also raise equity proceeds through a secondary offering.

We monitor our working capital to ensure that the levels remain adequate to operate the business with excess cash primarily being utilised for the repayment of debt or shareholder distributions. In addition to working capital management, we have a disciplined approach to managing operating costs and allocating capital resources, ensuring that we are generating returns on our capital investments to support the strategic initiatives in our business operations.

	Year Ended			
(In thousands)	**31 December 2022**	**31 December 2021**	**$ Change**	**% Change**
Net cash provided by operating activities	$ 387,764	$ 320,182	$ 67,582	21 %
Net cash used in investing activities	(386,457)	(627,712)	241,255	(38)%
Net cash provided by financing activities	(6,536)	318,709	(325,245)	(102)%
Net change in cash and cash equivalents	**$ (5,229)**	**$ 11,179**	**$ (16,408)**	**(147)%**

Net Cash Provided by Operating Activities

For the year ended 31 December 2022, net cash provided by operating activities of $388 million increased by $68 million, or 21%, when compared to $320 million in 2021. The increase in net cash provided by operating activities was predominantly attributable to the following:

- An increase in Total Revenue, Inclusive of Hedges, which marginally offset the increases in expenses described above. This net increase in Adjusted EBITDA was then offset by the increases in cost associated with acquisitions and hedge optimisation payments described in Note 14 of the Notes to the Group Financial Statements;
- Changes in working capital generated additional cash inflows, driven by increasing accounts payable balances, accrued liability, and distribution in suspense balances. These increases are a function of our period-over-period growth through acquisitions and the higher price environment experienced in 2022.

Production, realised prices, operating expenses, and G&A are discussed above.

Net Cash Used in Investing Activities

For the year ended 31 December 2022, net cash used in investing activities of $386 million decreased by $241 million, or 38%, from outflows of $628 million in 2021. The change in net cash used in investing activities was primarily attributable to the following:

- A decrease in cash outflows of $268 million for acquisition and divestiture activity provided cash outflows associated with acquisitions and divestitures was $313 million during the year ended 31 December 2022 when compared to $580 million for the year ended 31 December 2021. Refer to Note 5 in the Notes to the Group Financial Statements for additional information regarding acquisitions and divestitures;
- Capital expenditures were $86 million for the year ended 31 December 2022 compared to $50 million for the year ended 31 December 2021. This increase in capital expenditures is primarily driven by our growth through acquisitions year-over-year; and
- Restricted cash outflows increased by $38 million year-over-year as a result of the establishment of the interest reserve required by our ABS III - VI Notes that were issued in 2022. No similar notes were issued in 2021.

Net Cash Provided by Financing Activities

For the year ended 31 December 2022, net cash provided by financing activities of $7 million decreased by $325 million, or 102%, as compared to $319 million in 2021. This change in net cash provided by financing activities was primarily attributable to the following:

- Credit Facility activity resulted in net repayments of $515 million in 2022 versus net proceeds of $357 million in 2021, with much of the increase attributable to the issuance of the ABS III-VI Notes in 2022 which refinanced a portion of our Credit Facility by converting it to fixed rate, hedge protected, amortising structures.
- Our ABS Notes and the Term Loan I generated net proceeds of $967 million in 2022 which consisted of $1.1 billion in proceeds, net of discounts, debt issuance costs and hedge book modifications, and $232 million in repayments. By comparison our ABS Notes and Term Loan I had net repayments of $67 million in 2021 with no comparative new issuances.
- A decrease of $214 million in proceeds from equity issuances since we did not issue new equity in 2022.
- An increase of $13 million in dividends paid in 2022 as compared to 2021; and
- An increase of $35 million in the repurchase of shares, inclusive of EBT repurchases, as there were no similar repurchases in 2021.

Refer to Notes 17, 19 and 22 in the Notes to the Group Financial Statements for additional information regarding share capital, dividends and borrowings, respectively.

CONTRACTUAL OBLIGATIONS

We have various contractual obligations in the normal course of our operations and financing activities. Significant contractual obligations as of the periods presented were as follows:

(In thousands)	Not Later Than One Year	Later Than One Year and Not Later Than Five Years	Later Than Five Years	Total
Recorded contractual obligations				
Trade and other payables	$ 93,764	$ —	$ —	$ 93,764
Borrowings	271,096	778,887	448,183	1,498,166
Leases	9,293	19,569	—	28,862
Asset retirement obligation[a]	4,529	19,671	1,673,905	1,698,105
Other liabilities[b]	326,302	1,669	—	327,971
Off-Balance Sheet contractual obligations				
Firm Transportation	36,221	50,847	176,464	263,532
Total	**$ 741,205**	**$ 870,643**	**$ 2,298,552**	**$ 3,910,400**

(a) Represents our asset retirement obligation on an undiscounted basis. On a discounted basis the liability is $457 million as of 31 December 2022 as presented on the Consolidated Statement of Financial Position.

(b) Represents accrued expenses and net revenue clearing. Excludes taxes payable, asset retirement obligations, revenue to be distributed and the long-term portion of the value associated with the upfront promote received from Oaktree. Refer to Note 24 in the Notes to the Group Financial Statements for information.

We believe that our cash flows from operations and existing Liquidity will be sufficient to meet our existing contractual obligations and commitments for at least the next twelve months, even under a stressed scenario as evidenced by our **Viability and Going Concern** assessment. During 2022, cash flows from operations were $388 million for the year ended 31 December 2022, which includes only partial-year contributions from our acquisitions in 2022. These cash flows also exclude the contribution from our recently announced March 2023 Tanos II acquisition. Cash flows from operations were $320 million for the year ended 31 December 2021, which similarly includes only a partial-year of contributions from our Central Region acquisitions in 2021. As of 31 December 2022 and 2021, we had current assets of $354 million and $337 million, respectively, and available borrowings on our Credit Facility of $194 million and $254 million, respectively, (excluding $11 million and $32 million in outstanding letters of credit, respectively), which could also be used to service our contractual obligations and commitments over the next twelve months.

Risk Management Framework

Our ERM programme focuses on the importance of risk awareness and mitigation across the organisation. We proactively identify, assess, prioritise, monitor and mitigate risks enabling us to deliver the value-creating strategic objectives outlined in our business model. The Board regularly assesses our principal and emerging risks.

ENTERPRISE RISK MANAGEMENT PROGRAMME

(Oversight and approval by the Audit and Risk Committee)

RISK UNIVERSE

Categories of risk

STRATEGIC RISKS

LEGAL, REGULATORY, ENVIRONMENTAL & REPUTATIONAL RISKS

OPERATIONAL RISKS

FINANCIAL RISKS

ENTERPRISE RISK ASSESSMENT REVIEW

(Senior Management Team led with business unit leader support)

PRINCIPAL RISKS

- Corporate Strategy and Acquisition Risk
- Cybersecurity Risk
- Health and Safety Risk
- Regulatory and Political Risk
- Climate Risk
- Commodity Price Volatility
- Financial Strength and Flexibility Risk

ERM PROGRAMME

Our ERM programme is based on risk identification, assessment, prioritisation, monitoring and mitigation processes, which are continually evaluated and enhanced with experience and industry best practices.

As part of our ERM activities our Senior Leadership Team, as directed by the Audit and Risk Committee of the Board, regularly engages in risk discussions across all areas of our operations. This healthy dialogue regarding risk creates a culture that highly regards risk mitigation as a way to preserve and create value for our stakeholders.

Within the programme's risk identification phase, we capture potential and emerging risks that could arise as a result of a change in circumstances or new developments impacting us. To strengthen our risk identification, we carry out the following ongoing activities:

- Continuous monitoring of the risk universe for new or emerging risks;
- Refresh the risk universe at least annually;
- Enhance our risk awareness culture and identify risk ownership;
- Interview risk owners for current mitigation activities; and
- Design and implement a risk mitigation control framework.

During the risk identification process in late 2020 and early 2021, we engaged external experts to meet with our Senior Leadership Team and business unit leaders across the organisation in a group setting as well as in individual interviews. In addition, we examined third-party information such as the globally respected ERM framework of the Committee of Sponsoring Organizations of the Treadway Commission.

2022 AND ONGOING RISK ASSESSMENT

As part of our continuous assessment process during 2022, each business unit head determined the perceived level of risk for their individual unit's risk universe. Our Senior Leadership Team then reviewed and challenged each perceived risk level, and compared it to our risk universe as a whole. The results of this exercise were then used to narrow our risk universe into four principal risk categories and seven principal risks outlined below, which are closely monitored by our Senior Leadership Team and the Audit and Risk Committee.

During 2023, we will be updating our original risk identification and mitigation assessment by conducting in-depth interviews and group discussions with business process owners to determine emerging and escalating risks within the business and current business and market environments. Based on the findings of the updated assessment, we will reassess a new list of principal risks and the resulting mitigation plans for each risk.

STRATEGIC RISKS

Corporate Strategy and Acquisition Risk

Our future growth is dependent on the successful completion of acquisitions that meet our strategic objectives. The execution and integration of our future acquisitions have the potential to place a significant strain on managerial, operational and financial resources. Should we fail to effectively value, diligence, execute and integrate acquisitions, our business operations, financial performance and prospects may be adversely affected.

Risk Indicators

The following KPIs are sensitive to the impact of Corporate Strategy and Acquisition Risk:

- Adjusted Operating Cost per Boe
- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Consistent Dividend per Share
- Consistent Adjusted EBITDA Margin
- Adjusted EBITDA per Share

Link to Strategy

- Acquire Long-Life Stable Assets
- Operate Our Assets in a Safe, Efficient and Responsible Manner
- Generate Reliable Free Cash Flow
- Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

Response/Mitigation

- Disciplined commitment to our core strategy of acquiring low-cost, long-life, relatively low-decline producing assets and complementary, synergistic midstream assets.
- Commercial Development, Land, Reserves, Strategic Planning and Financial Planning & Analysis teams work closely to identify and review potential acquisition opportunities which meet strategic objective criteria.
- Experience and knowledge throughout the organisation in recognising prospective opportunities.
- Thorough risk assessments and due diligence process on all potential new acquisitions which includes an analysis of the target's emissions profile.
- Feedback and evaluation of external experts in the diligence process.
- Strong balance sheet with significant Liquidity to fund growth through acquisitions.

Climate Risk

Climate related issues remain at the forefront of many global corporate conversations and decisions. While climate-related opportunities continue to emerge in this rapidly evolving area, we recognise that these issues also present a risk to DEC that environmental regulations, climate change concerns, and investor driven change may result in (i) increases to the cost of doing business, (ii) hinder our ability to continue executing our strategy, or (iii) restrict access to certain markets or investors.

Risk Indicators

The following KPIs are sensitive to the impact of Climate Risk:

- Emissions Intensity
- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Adjusted Operating Cost per Boe
- Consistent Dividend per Share
- Consistent Adjusted EBITDA Margin
- Adjusted EBITDA per Share
- Meet or Exceed State Asset Retirement Goals

Link to Strategy

- Operate Our Assets in a Safe, Efficient and Responsible Manner
- Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

Response/Mitigation

- Our Board oversees the development of our climate change strategy which aims to position us at the heart of the energy transition based on responsible stewardship of existing natural gas assets. The Board's decision-making is informed by regular climate subject matter updates from each of our key Board committees.
- Through our annual TCFD reporting process, we identify and assess climate-related risks for consideration of appropriate risk mitigation actions.
- Our core business strategy aligns with ESG initiatives and breeds sustainability. We acquire reliable, long-life, producing wells that often have not reached their full potential under their former owners. This stewardship model allows us to avoid the high cost and sometimes sizeable environmental impact often associated with exploration and drilling, which is the intended target of many ESG initiatives.
- Alongside our zero-tolerance policy for fugitive emissions, we invest capital funds towards emission reduction technologies and projects and regularly deploy SAM optimisation techniques that allow us to eliminate or reduce our carbon footprint.
- Our core KPI of methane intensity reduction is central to our corporate goals to reduce both methane and GHG emissions on our path towards net zero Scope 1 and 2 GHG emissions by 2040.
- We expanded our asset retirement capabilities, managed through our Next LVL subsidiary, that will permit DEC to exceed our long-term Appalachian asset retirement agreements, reflective of our core KPI to Meet or Exceed State Asset Retirement Goals.

FINANCIAL RISKS

Commodity Price Volatility Risk

Changes in commodity prices may affect the value of our natural gas and oil reserves, operating cash flow and Adjusted EBITDA, regardless of our operating performance.

Risk Indicators

The following KPIs are sensitive to the impact of Commodity Price Volatility Risk:

- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Consistent Dividend per Share
- Consistent Adjusted EBITDA Margin

Link to Strategy

- Generate Reliable Free Cash Flow

Response/Mitigation

- Our Senior Leadership Team monitors commodity markets on a daily basis and internal models are routinely updated to evaluate market changes. This monitoring process includes reviewing realised pricing, forward pricing curves, and basis differentials. This active monitoring is critical to risk mitigation and the successful execution of our hedge strategy.
- Our hedging policy continues to be guided by our goal to Generate Reliable Free Cash Flow in any commodity pricing environment and secure our debt and dividend payments. Our hedge strategy of proactively layering on appropriately structured hedge contracts at advantageous prices and tenors allows us to capitalise on beneficial price movements in a constantly changing, forward natural gas price market.
- External specialists are consulted on a regular basis to assist in the execution of our hedging strategy.

Financial Strength and Flexibility Risk

Liquidity and access to capital risk arises from our inability to generate cash flows from operations to fund our business requirements or our inability to access external sources of funding. This risk can result in difficulty in meeting our financial obligations as they become due.

Risk Indicators

The following KPIs are sensitive to the impact of Financial Strength and Flexibility Risk:

- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Consistent Dividend per Share
- Consistent Adjusted EBITDA Margin
- Adjusted EBITDA per Share
- Meet or Exceed State Asset Retirement Goals

Link to Strategy

- Acquire Long-Life Stable Assets
- Operate Our Assets in a Safe, Efficient and Responsible Manner
- Generate Reliable Free Cash Flow
- Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

Response/Mitigation

- Our Senior Leadership Team actively monitors debt levels and available borrowing capacity on our Credit Facility.
- Our Senior Leadership Team updates the Board at least quarterly on our debt and Liquidity position.
- Our business model of stable production contributes to predictable cash flows, which makes it easier to forecast funding needs.
- Strong access to bank capital as our borrowing base in the Fall 2022 redetermination was reaffirmed unanimously by our 14-bank group syndicate.
- Maintain access to multiple avenues of funding beyond our Credit Facility: equity issuance, asset-backed securitisations, and bond issuance.
- Proactive hedge programme to protect against commodity price volatility and stabilise operating cash flows.
- Continuous management review of the funding and financing alternatives available to us to ensure sufficient access to capital is available to meet our future needs.

LEGAL, REGULATORY AND REPUTATIONAL RISKS

Regulatory and Political Risk

Our operations are subject to regulations in all the jurisdictions in which we operate. We are unable to predict the effect of additional laws and or regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect our operations. We can provide no assurance that such new legislation, once implemented, will not oblige us to incur significant expenses, undertake significant investments, or reduce production.

Risk Indicators

The following KPIs are sensitive to the impact of Regulatory and Political Risk:

- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Adjusted Operating Cost per Boe
- Consistent Dividend per Share
- Consistent Adjusted EBITDA Margin
- Adjusted EBITDA per Share
- Emissions Intensity
- Meet or Exceed State Asset Retirement Goals
- TRIR

Link to Strategy

- Operate Our Assets in a Safe, Efficient and Responsible Manner
- Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

Response/Mitigation

- Operate to the highest industry standards with regulators and monitor compliance with our contracts, asset retirement programme and taxation requirements.
- External specialists utilised on legal, regulatory, and tax issues as required.
- Maintain positive relationships with governments and key stakeholders.
- Continuous monitoring of the political and regulatory environments in which we operate.
- Working responsibly and community/stakeholder engagement and outreach is an important factor in maintaining positive relationships in the communities in which we operate.
- We encourage our employees to become actively involved in their communities through industry associations in their respective operating areas. By leading, participating in and championing a variety of these organisations, we believe that our support of the energy industry's associations adds value to our business through the sharing of operating best practices, technical knowledge and legislation updates, ultimately to the benefit of all of our stakeholders.

Health and Safety Risk

Potential impacts from a lack of adherence to health and safety policies may result in fines and penalties, serious injury or death, environmental impacts, statutory liability for environmental redemption and other financial and reputational consequences that could be significant.

Risk Indicators

The following KPIs are sensitive to the impact of Health and Safety Risk:

- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Adjusted Operating Cost per Boe
- Consistent Dividend per Share
- Consistent Adjusted EBITDA Margin
- Adjusted EBITDA per Share
- TRIR

Link to Strategy

- Operate Our Assets in a Safe, Efficient and Responsible Manner
- Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

Response/Mitigation

- Effectively managing Health and Safety Risk exposure is the first priority for the Board and Senior Leadership Team. The Safety and Sustainability Committee of the Board regularly reviews health and safety programmes and mitigations.
- Health and safety training is included as part of all staff and contractor inductions.
- Detailed training on our field manual procedures has been provided to key stakeholders to ensure processes and procedures are embedded throughout the organisation and all operations.
- Establishing processes for continually assessing our overall operating and EHS capabilities, including evaluations to determine the level of oversight required.
- Effective execution of the field operating manual in operations.
- Crisis and emergency response procedures and equipment are maintained and regularly tested to ensure we are able to respond to an emergency quickly, safely and effectively.
- Leading and lagging indicators and targets developed in line with industry guidelines and benchmarks.
- Findings from 'lessons learned' reviews are implemented on future operations.
- All employees maintain work stoppage ability.

OPERATIONAL RISK

Cybersecurity Risk

Cybersecurity risks for companies have increased significantly in recent years due to the mounting threat and increased sophistication of cybercrime. A cybersecurity breach, incident or failure of our IT systems could disrupt our businesses, put employees at risk, result in the disclosure of confidential information, damage our reputation and create significant financial and legal exposure for DEC.

Our activities depend on technology for production, efficient operations, environmental management, health and safety, communications, transaction processing and risk management. We recognise that the increasing convergence of information and operational technology networks will create new risks and demand additional management, time and focus.

As techniques used to obtain unauthorised access to or to sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate or implement adequate measures to protect against these attacks and our service providers may likewise be unable to do so.

Risk Indicators

The following KPIs are sensitive to the impact of Cybersecurity Risk:

- Maintain Net Debt-to-Adjusted EBITDA at or Below 2.5x
- Consistent Dividend per Share
- Consistent Adjusted EBITDA Margin
- Adjusted EBITDA per Share

Link to Strategy

- Operate Our Assets in a Safe, Efficient and Responsible Manner
- Generate Reliable Free Cash Flow

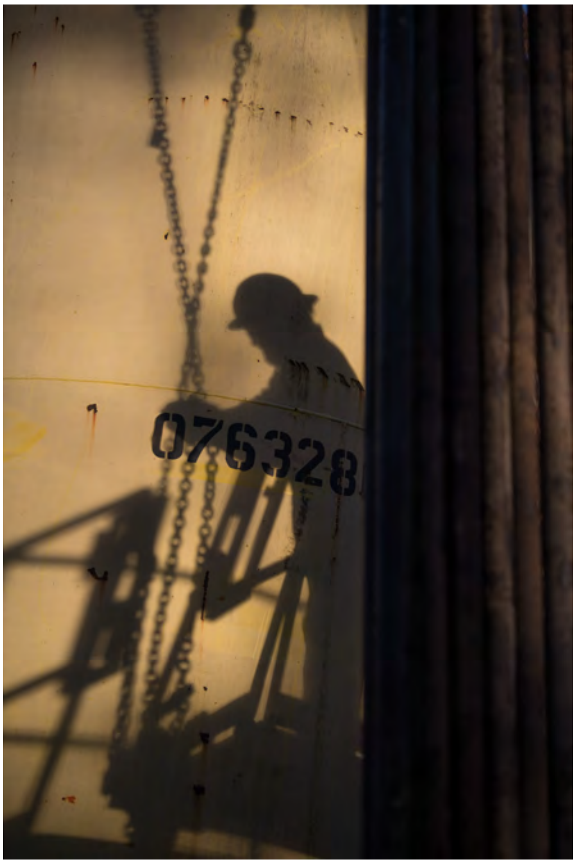
Response/Mitigation

- Employees are our first line of defence against these attacks and we promote secure behaviours to help mitigate this growing risk. We focus on practical rules that we promote through robust mandatory annual training and e-learning sessions delivered by our digital security team. One of these rules addresses phishing and reminds staff to ‘think before they click’.
- We engage with key technology partners and suppliers to ensure potentially vulnerable systems are identified and secured.
- We test our cybersecurity crisis management and business continuity plans, recognising the evolving nature and pace of the threat landscape.
- Continuous implementation and monitoring of our IT Security Policy, which includes measures to protect against cyberattacks.
- Advanced network security detection which includes regular threat testing.
- Control and protection of confidential information.
- Our Cybersecurity Council, which includes certain members of the Senior Leadership Team including the Chief Operating Officer, Chief Financial Officer, Chief Information Officer and General Counsel, meets at least once a quarter to discuss cybersecurity issues, risks and strategies. The Cybersecurity Council regularly briefs (at least on a quarterly basis) the Board of Directors on information security matters, including assessing risks, efforts to improve our network security systems and enhanced employee trainings.

Our ERM programme is based on risk identification, assessment, prioritisation, monitoring and mitigation processes, which are continually evaluated and enhanced with experience and industry best practices.

Viability and Going Concern

In accordance with Provision 31 section 4 of the UK Corporate Governance Code, and taking into account our current financial position and principal risks for a period longer than the 12 months required by the going concern statement, the Senior Leadership Team prepared a viability analysis which was assessed by the Board for approval.



STRATEGY, BUSINESS MODEL AND MARKET CONTEXT

Our **Strategy** and **Business Model** are described in their respective sections within this Annual Report.

During 2022, we continued to grow and generate significant operating cash flows from both our Appalachian and Central Region assets. This growth allowed us to generate a 47% increase in Adjusted EBITDA year-over-year. Our focus on acquiring assets from which we can generate robust Free Cash Flow in any price environment remains central to our business model. We apply a disciplined approach to valuing and acquiring assets, protecting the associated cash flows with a proactive hedge programme, all while diligently working to enhance the assets' productivity and reduce expenses and emissions to ensure we create a sustainable return to our shareholders. As a result, since our 2017 IPO, we've consistently distributed an industry leading dividend to our shareholders on the LSE. During this time we have also used a significant portion of our Free Cash Flow to repay debt on our amortising borrowing structures and Credit Facility providing strong additional evidence of our success.

As described in our Market Review, 2022 provided some unique market dynamics. We experienced uncharacteristically high commodity prices as well as significant inflationary pressures. We also saw an aggressive rise in interest rates to combat inflation which impacted the cost of capital for many. Our unique business model leaves us well positioned for volatile markets, however, and our consistent and reliable cash flows allowed us to not only grow, but also to increase our dividend and opportunistically layer on additional derivative contracts at high pricing levels to secure our cash flows at elevated levels in the future. The importance of which has been recently evident as prices have retreated substantially during the onset of 2023.

While periods of extreme volatility can make it challenging for buyers and sellers to reach commercial terms, changing commodity markets create added growth opportunity. During higher commodity price environments companies seek exit strategies to divest non-core assets creating the necessary capital to drill and develop their core leasehold positions. Conversely, during low commodity price environments companies look to divest assets as they seek additional liquidity to cover marginal well economics on unhedged production. Thus, as markets cycle, it creates a plethora of opportunities to build on our strategy of value-accretive acquisitions

ASSESSMENT PROCESS AND KEY ASSUMPTIONS

Our financial outlook is assessed primarily through a detailed annual business planning process and a more general multi-year forecast. The Senior Leadership Team provides the Board with a detailed overview as part of its annual budget approval while providing regular updates at each Board meeting throughout the year. The Board uses this information, along with any other detail it requests, to assess our current performance and longer-term outlook.

The outputs from the business planning process include a set of key performance objectives, an assessment of our primary risks, the anticipated operational outlook and a set of financial forecasts that consider the sources of funding available to DEC (the "Base Plan").

Key assumptions, which underpin the annual business planning process, include the forward price strip for each commodity (natural gas, NGLs and oil), forecasted operating cost and capital expenditure levels, production profiles, and the availability of liquidity or additional financing. We regularly produce cash flow projections, which we sensitise for different scenarios including, but not limited to, changes in commodity prices and production rates from our wells. The Directors and Senior Leadership Team closely monitor these forecast assumptions and projections and seek to mitigate our operating and Liquidity risks.

Based on our financial scenario planning process, the Directors and Senior Leadership Team believe that stress testing forecast results over the Base Plan for a three-year period (January 2023 to December 2025) forms a reasonable expectation of our viability. At least annually, we perform our three-year Base Plan forecast for our medium-term strategic planning period. The Directors and Senior Leadership Team are confident that they appropriately monitor and manage operational risks effectively within the three-year Base Plan, and our scenario planning is focused primarily on plausible changes in external factors, providing a reasonable degree of confidence.

VIABILITY

The principal risks and uncertainties that affect the Directors' assessment of our viability in this period are:

- The effect of volatile natural gas prices on the business;
- Operational production performance of the producing assets; and
- Operating cost levels and our ability to control costs.

The Base Plan incorporates key assumptions that reflect these principal risks as follows:

- Projected operating cash flows are calculated using a production profile which is consistent with current operating results and decline rates;
- Assumes commodity prices are in line with the current forward curve which considers basis differentials;
- Operating cost levels stay consistent with historical trends which have been recently elevated due to the inflationary environment;
- The financial impact of our current hedging contracts in place, being approximately 85%, 75%, and 70% of total production volumes hedged for the years ending 31 December 2023, 2024 and 2025, respectively;
- The scenario also includes the scheduled principal and interest payments on our current debt arrangements and the funding of a dividend utilising Free Cash Flow; and
- The continuation of capital expenditures directed at our emissions reductions initiatives.

To assess our viability, the Directors and Senior Leadership Team considered various scenarios around the Base Plan that primarily reflect a more severe, but plausible, downside impact of the principal risks, both individually and in the aggregate, as well as the additional capital requirements that downside scenarios could place on us. Conservatively, our viability statement considered the combined impact of all three listed scenarios in:

Scenario 1: A sustained decline in pricing resulting in a 10% reduction to net realised prices.

Scenario 2: An operational stoppage or regulatory event occurs which results in reduced production by approximately 5%.

Scenario 3: A market or regulatory event (e.g. climate change legislation) triggers an increase in operating and midstream expenses by approximately 5%.

The Directors and Senior Leadership Team consider the impact that these principal risks could, in certain circumstances, have on our prospects within the assessment period, and accordingly appraise the opportunities to actively mitigate the risk of these severe, but plausible, downside scenarios. Based on their evaluation, the Directors and Senior Leadership Team have a reasonable expectation that we will be able to continue to operate, meet our liabilities as we mature, and continue to pay dividends to shareholders over the three-year period of their assessment.

GOING CONCERN

In assessing our going concern status, we have taken account of our financial position, anticipated future trading performance, borrowings and other available credit facilities, forecasted compliance with covenants on those borrowings, and capital expenditure commitments and plans. Our cash generation and Liquidity remains strong and we believe we will be able to operate within existing facilities.

The Directors are satisfied that our forecasts and projections, that take into account reasonably possible changes in trading performance, show that we have adequate resources to continue in operational existence for at least the next 12 months from the date of this Annual Report and that it is appropriate to adopt the going concern basis in preparing our consolidated financial statements for the year ended 31 December 2022.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

D.E Johnson

DAVID E. JOHNSON

Chairman of the Board

21 March 2023

Corporate Governance

The Chairman's Governance Statement
70

Board of Directors
75

Directors' Report
78

Principal Risks and Uncertainties
79

Statement of Directors' Responsibility in Respect of the Financial Statements
81

The Nomination and Governance Committee's Report
84

The Audit and Risk Committee's Report
86

The Remuneration Committee's Report
91

Remuneration at a Glance
95

The Sustainability and Safety Committee's Report
113

The Chairman's Governance Statement

Dear Shareholder,

As a Board we have been driving our governance standards towards meeting best practice, and it has been my privilege to work with this Board which is committed to maintaining high standards of corporate governance. As Chairman of the Group, my role is to provide leadership, ensuring that the Board performs its role effectively and has the capacity, ability, structure, corporate governance systems and support to enable it to continue to do so.

This Governance section of this Annual Report provides an update on our Board and Corporate Governance Policy. It includes our Corporate Governance Code compliance statements and the reports of the Board committees, namely the Audit and Risk, Nomination and Governance, Remuneration, and Sustainability and Safety Committees.

In these reports, we set out our governance structures and explain how we have applied the Corporate Governance Code following the admission to the Main Market of the London Stock Exchange and to the premium segment of the Official List of the Financial Conduct Authority on 18 May 2020 and inclusion in the FTSE 250 on 21 September 2020.

D.E Johnson

David E. Johnson
Chairman of the Board
21 March 2023

"As a Board we have been driving our governance standards towards meeting or exceeding best practice."

Governance Framework

The Group's success is directly linked to sound and effective governance and we remain committed to achieving high standards in all we do. The Directors recognise the importance of strong corporate governance and have developed a corporate governance framework and policies appropriate to the size of the Group.

As the Group grows, the Directors and Senior Leadership Team continue to review and adjust our approach and make ongoing improvements to the Group's corporate governance framework and policies and procedures as part of building a successful and sustainable company. For example, in 2022 the Board formally added "Governance" oversight to the purview of the Board's "Nomination Committee", renaming and reconstituting that committee as the "Nomination and Governance Committee". Good governance creates the opportunity for appropriate decisions to be made by the right people at the right time to support the delivery of our strategy and manage any risks associated with delivery of that strategy.

Board Agenda and Activities During the Year

The Board is responsible for the direction and overall performance of the Group with an emphasis on policy and strategy, financial results and major operational issues. During the year, the matters reserved for the Board's decision have been reviewed and re-affirmed. Specific matters for the Board's consideration include:

- Approval of the Group's strategic plan;
- Review of the performance of the Group's strategy, objectives, business plans and budgets;
- Review and assess the Group's sustainability and ESG goals, including the Group's GHG emission intensity reduction targets;
- Approval of the Group's operating and capital expenditure budgets and any material changes to them;
- Review of material changes to the Group's corporate structure and management and control structure;
- Review of changes to governance and business policies;
- Monitoring efforts related to community and stakeholder engagement;
- Ensuring an effective system of internal control and risk management;
- Ensure that appropriate succession planning procedures are in-place;
- Approval of annual and interim reports and accounts, and preliminary announcements of year-end results; and
- Review of the effectiveness of the Board and its committees.

The Board delegates matters not reserved for the Board to the Senior Leadership Team.

BOARD OF DIRECTORS

Defines business strategy, assesses risks and monitors performance

Remuneration Committee	Sustainability and Safety Committee	Nomination and Governance Committee	Audit and Risk Committee
Responsible for the Group's remuneration policy, and for setting pay levels and bonuses for senior management in line with individual performance. Ensures safety and ESG KPIs are included in remuneration packages.	Monitors the Group's social, ethical, environmental and safety performance, and oversees all sustainable development issues on behalf of the Board.	Ensures a balance of skills, knowledge, independence, experience and diversity on the Board and its committees. Monitors the Group's governance structure.	Supports the Board in monitoring the integrity of the Group's financial statements and reviews the effectiveness of the Group's system of internal controls and risk management systems.

CEO

Takes ultimate responsibility for delivering on strategy, financial and operating performance.

Chief Operating Officer	Chief Financial Officer	Chief Legal Officer	Chief Commercial Officer	Chief Human Resources Officer
Description of role	**Description of role**	**Description of role**	**Description of role**	**Description of role**
Coordinates operating activities and sustainability initiatives to ensure transparency and long-term value for DEC's stakeholders.	Manages the finance and accounting activities of the Group and ensures that its financial reports are accurate and completed in a timely manner.	Responsible for legal and compliance, government, policy engagement, community engagement and land and mineral owner engagement.	Responsible for identifying and valuing acquisition targets and for developing and implementing a commodity marketing strategy to maximise commodity revenues.	Responsible for HR function and employee relations, policies, practices and operations.

RESPONSIBILITY

Operations EHS ESG Regulatory	Treasury Accounting & Financial Reporting Investor Relations	Legal & Compliance Land Policy Engagement Community Relations	Acquisitions Marketing	Human Resource

RISK MANAGEMENT GUIDELINES

Employee Handbook EHS Policy & Field Operating Guidelines Corporate Responsibility Policy	Employee Handbook EHS Policy & Field Operating Guidelines Corporate Responsibility Policy	Employee Handbook Anti-Bribery & Corruption Policies	Employee Handbook Anti-Bribery & Corruption Policies	Employee Handbook Anti-Bribery & Corruption Policies

STAKEHOLDER ENGAGEMENT RESPONSIBILITY

Communities Employees Joint Operating Partners Suppliers	Rating Agencies Financial Institutions Debt & Equity Investors	Industry Associations Communities Land & Mineral Owners Government & Regulators	Customers	Employees Communities

Board Effectiveness, Composition and Independence

As of 31 December 2022, the Board is comprised of eight Directors being the Group's CEO, the Executive Vice President and COO, the Non-Executive Chairman (who was independent upon appointment and whom the Group continues to consider independent) and five other Non-Executive Directors, all of whom are deemed Independent Non-Executive Directors under the UK Corporate Governance Code.

On 1 January 2023, Kathryn Z. Klaber was appointed to the Board as an Independent Non-Executive Director and also joined the Nomination and Governance Committee and Sustainability and Safety Committee. This appointment was the culmination of a search effort led by the Nomination and Governance Committee, utilising a leading external Board-appointment vendor. Ms. Klaber brings to the Board a range of professional experience, including deep EHS, governance, regulatory and risk management experience.

The skills and experience of the Non-Executive Directors are wide and varied and contribute to productive and challenging discussions in the boardroom ensuring the Board has appropriate independent oversight. For more details on the skills, knowledge and experience of our Board please see the Directors' biographies in the **Board of Directors** section within this Annual Report.

With a Non-Executive Chairman, who was independent upon appointment and whom the Group continues to consider independent, and, as of 1 January 2023, five other Independent Non-Executive Directors, over half of the Board is independent and the Audit and Risk and Remuneration Committees are fully independent. Female representation at the Board level has improved from 29% in late-2019 to 38% as of 31 December 2022 (three out of eight Board members being female).

Recognising the importance of workforce engagement, Sandra M. Stash serves as the Director responsible for workforce engagement as required under the UK Corporate Governance Code. Further information on her role and the work undertaken can be found in the **Directors' Report** within this Annual Report.

The Board provides effective leadership and overall management of the Group's affairs. It approves the Group's strategy and investment plans and regularly reviews operational and financial performance and risk management matters. A schedule of matters reserved for the Board is included in the previous section.

The Board and its committees hold regularly scheduled meetings each year. Additional meetings are held when necessary to consider matters of importance that cannot be held over until the next scheduled meeting.

All Directors have access to the advice and services of the Group's solicitors and the Group Secretary, who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Group's expense in the furtherance of their duties.

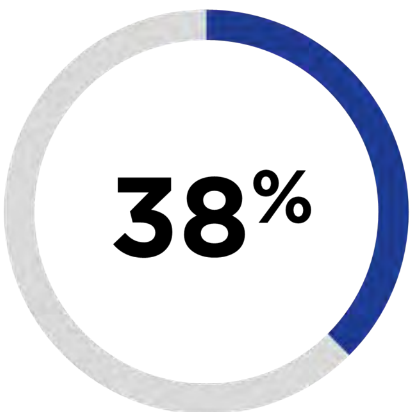
In accordance with the UK Corporate Governance Code, the Directors must stand for re-election annually. The Group's Articles of Association also require any new Director appointed by the Board during the year to retire at the next Annual General Meeting ("AGM") and offer themselves for re-election.

The Board delegates certain of its responsibilities to the Board committees, listed below, which have clearly defined terms of reference.

These terms of reference are reviewed annually to ensure they remain fit for purpose and can be viewed on the Group's **website**.

GENDER DIVERSITY

3 of 8
Directors are Female



TENURE

4 of 8	**2 of 8**	**2 of 8**
0-3 years	**4-6 years**	**7+ years**

From left to right: Mr. David J. Turner, Jr.; Mr. Martin K. Thomas; Ms. Sylvia Kerrigan; Ms. Sandra M. Stash; Mr. Rusty Hutson, Jr.; Mr. David E. Johnson; Ms. Kathryn Z. Klaber; Mr. Bradley G. Gray.

Board Committees

The Directors have established four Board committees: an Audit and Risk Committee, Remuneration Committee, Nomination and Governance Committee, and Sustainability and Safety Committee. The members of these committees are constituted in accordance with the requirements of the UK Corporate Governance Code (the "Code"), as applicable. The terms of reference of the committees have been prepared in line with prevailing best practice, including the provisions of the Code. A summary of the delegated duties and responsibilities, terms of reference of the committees and their activities for the year are presented in their committee reports set out below.

Board Diversity

Diversity is a key component of the Group's Board composition, with emphasis placed not only on gender but also on culture, nationality, experience and cognitive diversity. Although the Board does not currently have any ethnically diverse members, it acknowledges the UK Listing Rules' diversity targets, which the Group is required to comply with by the end of 2023. The Group intends to add an ethnically diverse member to the Board during the course of 2023 and has engaged a third-party advisor to assist with the search process. The Board continues to demonstrate diversity in a wider sense, with Directors from the U.S. as well as the UK, bringing a range of domestic and international experience to the Board. The Board's diverse range of experience and expertise covers not only a wealth of experience of operating in the natural gas and oil industry but also extensive technical, operational, financial, legal and environmental expertise. Further information on our commitment to diversity at the Board and senior management level is included in the **Nomination and Governance Committee Report** within this Annual Report.

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

The Directors support high standards of corporate governance, and it is the policy of the Group to comply with current best practice in UK corporate governance.

The UK Corporate Governance Code published in July 2018 by the Financial Reporting Council ("FRC"), as amended from time to time, (the "Corporate Governance Code") recommends that: (i) the Chair of the Board of Directors should meet the independence criteria set out in the Corporate Governance Code on appointment; and (ii) the Board should appoint one of the Independent Non-Executive Directors to be the Senior Independent Director. The Chair of the Board is David E. Johnson, who was independent as of his appointment and whom the Group continues to consider independent, and the Senior Independent Director is David J. Turner, Jr. The Board also considers Sandra M. Stash, David J. Turner, Jr., Melanie A. Little (during her time on the Board), Sylvia Kerrigan, Martin K. Thomas (as of 1 January 2023) and Kathryn Z. Klaber to meet the independence criteria set out in the Corporate Governance Code. The Group and the Board consider Mr. Thomas to be independent as of 1 January 2023 as he now satisfies the independent criteria set out in the Corporate Governance Code. More specifically, with respect to his ongoing role at Wedlake Bell LLP, Mr. Thomas has not had any business relationship with the Group since early 2020, over three full years from the date of this report.

Currently, the Board is of the opinion that as of the date of this report it fully complies with the requirements of the Corporate Governance Code and will continue to report to shareholders on compliance with the Corporate Governance Code in accordance with the listing rules.

The Corporate Governance Code recommends that the chair of the Remuneration Committee should have served on a remuneration committee previously for at least 12 months. When Sylvia Kerrigan was appointed as chair of the Remuneration Committee, she had only served on the committee for approximately 9 months. However, as of 17 March 2023, Sylvia Kerrigan had served on the Remuneration Committee for a full 12 months and, as a result, the Group is currently in compliance in this respect.

The Corporate Governance Code recommends that (i) the Remuneration Committee be comprised of Independent Non-Executive Directors with a minimum membership of three and (ii) the Nomination and Governance Committee be comprised of a majority of Independent Non-Executive Directors. Using the indicators set out in Provision 10 of the Corporate Governance Code, the Chairman was independent at the time of his appointment as Chairman in 2019, and the Board continues to be satisfied that he demonstrates objective judgement as required by Principle F of the Corporate Governance Code and is independent in practice.

Notwithstanding the fact that the Group's Board deems Mr. Johnson as being fully independent under Principle F of the Corporate Governance Code, the Group acknowledges that some may question the independence of a Board chair post-appointment. In such case, the composition of the Nomination and Governance Committee in 2022 was not in conformity with Provision 17 of the Corporate Governance Code. However, as of 1 January 2023, the Group is in compliance with respect to the composition requirements of the Nomination and Governance Committee.

Furthermore, the Board believes it is appropriate for the Chairman to serve on the Remuneration Committee and Nomination and Governance Committee considering his role as Chairman of the Board, his strong leadership on diversity and inclusion and the role of ESG in remuneration, and the Group's view of his independence. In addition, as highlighted elsewhere in this Annual Report, the Group intends to add an additional Independent Non-Executive Director to the Board in 2023, which will further increase the independence of the Board and demonstrate the Board's commitment to high standards of corporate governance. The Board will continue to review and evaluate Board and committee composition and intends to continue further progress with independence and diversity per the requirements set forth in the Corporate Governance Code.

OUR APPROACH TO GOVERNANCE

As of the date of this Annual Report, our Board is made up of eight Directors: two Executive Directors, chairman and five Independent Non-Executive Directors.

Alongside the continued focus on our business strategy, we achieved significant milestones in 2022 in strengthening core areas of the business. One such area of focus was corporate governance, where we engaged external consultants to advise on Board best practices, including independence, composition and diversity.

Key Governance Improvements During 2022

The Board recognises the benefits of good governance and is seeking to apply this in a meaningful way. DEC is a rapidly evolving company that is in an expansion and transition phase. Accordingly, the Board is acutely aware of the need to rapidly and effectively integrate new businesses into the reporting and governance framework of the Group, as determined by the Board. It is recognised that the Board has a key role in balancing the fundamental elements of good governance, namely to deliver business growth and build trust while maintaining a dynamic management framework.

The Board appreciates the importance of good and effective communication and remains in close contact with its shareholders and other stakeholders.

The Board. is actively engaged in the process of solidifying its governance framework for its rapidly expanding business. The Board concluded that overall compliance with governance best practice has improved during the year under review, with the following having been achieved:

- The Board re-approved several key governance policies including the following: **Securities Dealing Code**, **Compliance Hotline and Whistleblowing Policy**, **Anti-Bribery Policy**, **Corporate Responsibility Policy**, **Modern Slavery Policy**, **EHS Policy**, **Climate Change Policy**, **Employee Relations Policy**, **Human Rights Policy** and **Business Partners Policy**.
- The Board achieved further progression of the Group's overall corporate governance framework and practices.
- The Nomination and Governance Committee led the search process for a new Independent Non-Executive Director (together with a third-party advisor), which included assessing the qualifications and experience of the candidates, conducting numerous interviews, and ultimately nominating Kathryn Z. Klaber for recommendation to the Board.
- The Audit and Risk Committee is fully independent and continues to adopt best practice.
- The Remuneration Committee is also fully independent and, together with a third-party consultant, conducted a thorough review of the remuneration policy and practices and undertook a consultation exercise with the Group's largest shareholders.
- Each committee completed a thorough charter evaluation to identify gaps in coverage, relevance and applicability as well as potential areas of improvement. As a result of this exercise, two key committees expanded their focus areas. The Nomination & Governance Committee is now responsible for overseeing the Group's governance structure and monitoring trends and compliance with governance best practices, and the Audit & Risk Committee is now responsible for overseeing and advising the Board on cybersecurity matters.
- Together with the executive management team, the Chairman and the Nomination and Governance Committee formulated succession planning procedures and plans around key-roles in management.
- Together with management, implemented a process to ensure appropriate and proactive engagement with proxy firms.
- The Board encouraged employee outreach and training regarding the Group's Compliance Hotline and Whistleblowing Policy and was satisfied by measures taken, including the placement of awareness posters with hotline details in all major offices.

Board of Directors

The Group has a commitment to strong governance, reporting and operating standards. At the date of this report, the current Board consists of eight Directors: including a Non-Executive Chair (who was independent upon appointment and whom the Group continues to consider independent), two Executive Directors, the Senior Independent Director, and four additional independent Non-Executive Directors.

Committee memberships

A Audit and Risk
N Nomination
R Remuneration
S Sustainability and Safety

David E. Johnson

Non-Executive Chairman, Independent upon Appointment
Age **62**
Appointed 3 February 2017 and as Chair of the Board on 30 April 2019

Committee Membership:

N R S

Rusty Huston, Jr.

Co-Founder and Chief Executive Officer
Age **53**
Appointed 31 July 2014

None

Bradley G. Gray

Executive Vice President and Chief Operating Officer
Age **54**
Appointed 24 October 2016

S

Experience:

Mr. Johnson has enjoyed a long and successful career in the investment sector. He has worked at a number of leading City investment houses, as both an Investment Analyst and Investment Manager, and more recently in equity sales and management. During his career he worked for Sun Life Assurance, Henderson Crosthwaite and Investec Securities. At Investec, Mr. Johnson served as head of sales and was an Executive Director of Investec Investment Bank. He joined Panmure Gordon & Co in 2004 where he worked until 2013, including as head of sales from 2006 and then head of Equities from 2009. Mr. Johnson joined Chelverton Asset Management in 2014, where he had responsibility for the Group's private equity investments.

Key Strengths:

Investment sector knowledge; providing strong leadership to the Board in connection with the Board's role of overseeing strategy and developing stakeholder relations.

Current External Roles:

Chelverton Equity Partners (Director), an AIM-listed holding company.

Mr. Hutson is the fourth generation in his family to immerse himself in the natural gas and oil industry, with family roots dating back to the early 1900s. Mr. Hutson spent many summers of his youth working with his father and grandfather in the oilfields of West Virginia. He graduated from Fairmont State College (WV) with a degree in accounting. After college, Mr. Hutson spent 13 years steadily progressing into multiple leadership roles at well-known banking institutions such as Bank One and Compass Bank. His final years in the banking industry were spent as CFO of Compass Financial Services. Building upon his experiences in the natural gas and oil industry, as well as the financial sector, Mr. Hutson established Diversified Energy Company in 2001. After years of refining his strategy, Mr. Hutson and his team took the Company public in 2017. He continues to lead his team and expand the Group's footprint. With a rapidly growing portfolio, Mr. Hutson remains focused on operational excellence and creating shareholder value.

Key Strengths:

Deep understanding and leadership in the natural gas and oil sector; strong track record in developing and delivering results in line with strategy.

Current External Roles:

Vice Chairman of Board of Governors of Fairmont State University

Prior to joining the Group in October 2016, Mr. Gray held the position of Senior Vice President and Chief Financial Officer for Royal Cup, Inc., a U.S.-based commercial coffee roaster and wholesale distributor of tea and other beverage-related products. Prior to Royal Cup, Inc., from 2006 to 2014, Mr. Gray worked in the petroleum distribution industry for the McPherson Companies, Inc. and held the position of Executive Vice President and Chief Financial Officer. Prior to that, he worked for over a decade in various financial and operational roles with the previously listed NYSE retail group Saks Incorporated. Brad received a BS degree in accounting from the University of Alabama and earned his CPA license (Alabama).

Key Strengths:

Corporate structure; operational processes and management; acquisition integration; finance; strategic support to the CEO.

Current External Roles:

None

Martin K. Thomas

Independent Non-Executive Vice Chair

Age **58**

Appointed 1 January 2015 (Independent as of 1 January 2023)

Committee Membership:

A N

CHAIR

Experience:

Mr. Thomas is a consultant in the corporate team of the law firm Wedlake Bell LLP in London. During a legal career of over 35 years, Mr. Thomas has specialised in advising on IPOs and secondary offerings of equity and debt on the London capital markets, corporate governance requirements for UK listed companies, corporate finance and M&A work (including cross-border transactions). Previously named one of The Lawyer's "UK Hot 100 Lawyers" and ranked by both Chambers and Partners and Legal 500, Mr. Thomas has advised clients operating in a variety of sectors, including natural gas and oil, renewable energy, natural resources and mining, climate change, financial services and early stage technology. Mr. Thomas has also held senior management positions including seven years as the European Managing Partner of a global law firm headquartered in the United States.

Key Strengths:

Corporate law; advising on mergers and acquisitions; public offerings.

Current External Roles:

Wedlake Bell LLP (Consultant) and Jasper Consultants Limited (Director).

Sandra M. Stash

Independent Non-Executive Director and Non-Executive Director Employee Representative

Age **63**

Appointed 21 October 2019

A R S

CHAIR

Ms. Stash accumulated more than 35 years of international experience in the natural gas and oil and hard rock and coal mining industries, beginning her career as one of the first female drilling engineers in North America and most recently served as Executive Vice President for Tullow Oil until her retirement on 1 April 2020. During her time in these industries, Ms. Stash developed deep business and operations experience across six continents and is recognised for her unique capabilities in bridging the extractive sector to external stakeholders – in government, civil society and at the community level. Her distinguished professional career also included roles at ARCO, TNK-BP, BP, Anaconda and Talisman Energy, and spanned top leadership positions in general management, commercial negotiations, operations and engineering, supply chain management, government and public affairs, sustainability and HSE. Ms. Stash holds a Directorship Certification through the National Association of Corporate Directors and also serves on the boards of Trans Mountain Company and Chaarat Gold.

Key Strengths:

Risk management and sustainability; operations and engineering; employee engagement

Current External Roles:

Colorado School of Mines (Board of Governors member), Trans Mountain Corporation, a Canadian Crown Corporation (Director) and Chaarat Gold Holdings Limited (Director), an AIM-listed gold mining company.

David J. Turner, Jr.

Senior Independent Non-Executive Director

Age **59**

Appointed 27 May 2019

A N

CHAIR

Mr. Turner serves as Chief Financial Officer of Regions Financial Corporation ("Regions") and is a member of the Regions Executive Leadership Team. Regions is an NYSE-listed S&P 500 banking group. Mr. Turner leads all of Regions' finance operations, including financial systems, investor relations, corporate treasury, corporate tax, management planning and reporting, and accounting. Mr. Turner joined Regions in 2005 and led the Internal Audit Division before being named Chief Financial Officer in 2010. His responsibilities included overseeing various audits of the overall corporation, reporting to the Audit and Risk Committee of the Board of Directors. Prior to joining Regions, Mr. Turner served as an Audit Partner of KPMG LLP and previously served Arthur Andersen LLP in a number of positions, culminating in Audit Partner. His primary focus was auditing financial institutions. Mr. Turner earned a BS degree in accounting from the University of Alabama and attended Tulane University in Louisiana.

Key Strengths:

Financial expert with recent and relevant experience; capital markets; financial operations; audit experience.

Current External Roles:

Regions Financial Corporation (CFO) and Junior Achievement of Alabama, Inc. (Board and Executive Committee).

Melanie A. Little

Independent Non-Executive Director
Age **53**
Appointed 19 December 2019
No longer on the Board post 31 December 2022

Committee Membership:

A S R (CHAIR)

Kathryn Z. Klaber

Independent Non-Executive Director
Age **57**
Appointed 1 January 2023

N S

Sylvia Kerrigan

Independent Non-Executive Director
Age **57**
Appointed 11 October 2021

N R (CHAIR)

Experience:

Ms. Little has over 20 years of experience in the energy industry. Since 2017, Ms. Little has served as the Senior Vice President of Operations and Environmental Health, Safety and Security at NYSE-listed Magellan Midstream Partners LP ("Magellan"). Between 2004 and 2017, Ms. Little served in various positions at Magellan, including EHS management roles, Director of Transportation Services for Refined Products and Marine, and VP-level positions in Crude Oil Commercial and Operations. At Magellan, Ms. Little has had the opportunity to work in environmental, health, safety and security ("EH&S") leadership positions and commercial (refined, marine and crude) leadership positions as well as to lead the field operations team, which consists of assets in 22 states and ~1,000 team members. Prior to joining Magellan in 2004, Ms. Little worked for the Williams Companies, Inc. as Manager of Environmental Compliance. Prior to that, she held project management positions in the areas of civil construction and environmental remediation projects on behalf of the U.S. Army. Ms. Little holds a BSc in environmental engineering from the U.S. Military Academy at West Point and an MSc in civil engineering from the Georgia Institute of Technology.

Key Strengths:

Operational processes and management; energy specific sustainability programmes (ESG); EHS processes, metrics and compliance; project management.

Current External Roles:

Colonial Pipeline Company (President and CEO) and Cenovus (Director)

Ms. Klaber's more than 30 years of experience with a focus on energy development and EHS compliance complements the Board's collective experience. Ms. Klaber currently serves as the Managing Director of The Klaber Group, which provides strategic consulting services to businesses and organisations with a focus on energy development in the United States and abroad. Prior to founding The Klaber Group, Ms. Klaber launched and led the Marcellus Shale Coalition as its first CEO, growing the organisation to be the premier regional trade association for the natural gas and oil industry in the Northeastern Unites States. As CEO from 2009 to 2013 of the Marcellus Shale Coalition, Ms. Klaber worked closely with elected leaders, regulators and member companies to advance the responsible development of the Appalachian Basin. Ms. Klaber's other experience also includes serving as the Executive Vice President for Competitiveness at the Allegheny Conference on Community Development and Executive Director of the Pennsylvania Economy League where her work focused on advancing key policy and regulatory matters. Earlier in her career, Ms. Klaber accumulated significant experience in EHS strategy and compliance with the international consulting firm Environmental Resource Management. Ms. Klaber holds an undergraduate degree in environmental science from Bucknell University and a Masters in Business Administration from Carnegie Mellon University.

Key Strengths:

Regulatory compliance, energy specific sustainability programmes (ESG); EHS

Current External Roles:

The Klaber Group (Managing Director) processes, industry knowledge, risk management; governance

Ms. Kerrigan provides a wealth of experience in the energy, industrial and transportation sectors where she has engaged in ESG, merger and acquisition, regulatory, risk management, cybersecurity and information privacy matters. Ms. Kerrigan currently serves as the Chief Legal Officer and Company Secretary for Occidental Petroleum. Prior to working at Occidental, Ms. Kerrigan served as the Executive Director of the Kay Bailey Hutchinson Energy Center for Business, Law and Policy at the University of Texas where she also earned a Doctor of Jurisprudence degree and served in a number of roles with Marathon Oil Corporation over the course of more than 20 years. In her time with Marathon Oil Corporation, she held a number of roles overseeing public policy, legal and compliance, corporate positioning and external communications before retiring in 2017 after eight years as the Executive Vice President, General Counsel and Corporate Secretary. Prior to working at Marathon, Ms. Kerrigan served in various domestic and international corporate, government and legal roles, including an appointment to the United Nations Security Council in Geneva, Switzerland. Ms. Kerrigan holds a NACD Directorship Certification through the National Association of Corporate Directors.

Key Strengths:

ESG, corporate law, governance, merger and acquisition, regulatory, risk management, cybersecurity and information privacy matters.

Current External Roles:

Occidental Petroleum (Chief Legal Officer and Company Secretary) and Team Industrial Services (Lead Director).

Directors' Report

The Directors present their report on the Group, together with the audited Group Financial Statements, for the year ended 31 December 2022.

Board of Directors

The Directors of the Group who were in office during the year and up to the date of signing the financial statements were:

- David E. Johnson - Non-Executive Chair
- Rusty Hutson, Jr. - Chief Executive Officer
- Bradley G. Gray - Chief Operating Officer
- Martin K. Thomas - Independent Non-Executive Vice Chair
- David J. Turner, Jr. - Senior Independent Non-Executive Director
- Melanie A. Little - Independent Non-Executive Director (resigned 31/12/2022)
- Sandra M. Stash - Independent Non-Executive Director
- Sylvia Kerrigan - Independent Non-Executive Director
- Kathryn Z. Klaber - Independent Non-Executive Director (appointed on 1/1/2023)

Incorporation and Listing

The Group was incorporated on 31 July 2014, and completed the transfer to the Premium Listing Segment of the Official List of the Financial Conduct Authority ("FCA") and admission to the Main Market of the LSE from AIM in May 2020.

Review of Business, Outlook and Dividends

The Group is a natural gas, NGLs and oil producer and midstream operator and is focused on acquiring and operating mature producing wells with long lives and low-decline profiles. The Group's assets have historically been located within the Appalachian Basin, but more recently the Group has acquired assets expanding its footprint into the Central Region, consisting of the states of Louisiana, Texas and Oklahoma. The Group is headquartered in Birmingham, Alabama, U.S., and has field offices located throughout the states in which it operates.

Details of the Group's progress during the year and its future prospects, including its intended dividend strategy, are provided in the **Chairman's Statement** and **Strategic Report** within this Annual Report.

Results

The Group's reported statutory loss for 2022 was $621 million, or $0.74 per share, and when adjusted for certain non-cash items, it reported Adjusted EBITDA of $503 million, or $0.60 per share. The Group's Adjusted EBITDA for 2021 was $343 million, or $0.43 per share. For more information on Adjusted EBITDA refer to the **APMs** section in **Additional Information** and Note 9 in the Notes to the Group Financial Statements within this Annual Report.

Dividend Policy

The Board's target has been to return Free Cash Flow to shareholders by way of dividend, on a quarterly basis, in line with the strength and consistency of the Group's cash flows.

For the three months ended 31 March 2022, the Group paid a dividend of $0.0425 per share on 26 September 2022. For the three months ended 30 June 2022, the Group paid a dividend of $0.0425 per share on 28 December 2022. For the three months ended 30 September 2022, the Group expects to pay a dividend of $0.0438 per share on 28 March 2023. For the three months ended 31 December 2022, the Group expects to pay a dividend of $0.04375 per share on 30 June 2023.

The Directors may further revise the Group's dividend policy from time to time in line with the Group's actual results and financial position. The Board's dividend policy reflects the Group's current and expected future cash flow generation potential.

Disclosure of Information under LR 9.8.4R

The information that fulfils the reporting requirements under this rule can be found on the pages identified below.

Section	Topic	Location
(1)	Interest capitalised	Directors' Report, starting on page #78
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Directors Remuneration Report, starting on page #104
(5)	Waiver of emoluments by a Director	Not applicable
(6)	Waiver of future emoluments by a Director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	As item (7), in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Not applicable
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

Directors' Interest in Shares

The Directors' beneficial interests in the Group's share capital, including family interests, on 31 December 2022 are shown below. These interests are based on the issued share capital at that time. As of 1 March 2023, there have been no changes to the Directors' interests. The Non-Executive Directors will purchase shares after the release of this Annual Report pursuant to the Non-Executive Director Share Purchase Programme implemented in 2022.

Director	Appointed	Shares of £0.01	% of Issued Share Capital
Rusty Hutson, Jr.	31 July 2014	22,206,001	2.68%
Bradley G. Gray	24 October 2016	2,394,782	0.29%
Martin K. Thomas	1 January 2015	2,206,000	0.27%
David E. Johnson	3 February 2017	420,000	0.05%
David J. Turner, Jr.	27 May 2019	378,475	0.05%
Sandra M. Stash	21 October 2019	24,181	0.00%
Melanie A. Little	19 December 2019	46,450	0.01%
Sylvia Kerrigan	11 October 2021	5,960	0.00%
		27,681,849	**3.35%**

Future Developments

The Directors continue to review and evaluate strategic acquisition opportunities recommended by the Senior Leadership Team, which align with the strategy and requirements of the Group. Additional details are disclosed in the **Strategy** section within this Annual Report.

Share Capital

As of 31 December 2022, the Group's issued share capital consisted of 842,965,753 shares with a par value of £0.01 each. The Group has only one class of share and each share carries the right to one vote at the Group's AGM. No person has any special rights of control over the Group's share capital and all issued shares are fully paid. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Group's Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Group's shares that may result in restrictions on the transfer of securities or on voting rights. The amount of interest capitalised by the Group during the period under review is immaterial.

The Group was authorised by shareholders at the 2022 AGM held on 26 April 2022 to purchase in the market up to 10% of its issued shares (excluding any treasury shares), subject to certain conditions laid out in the authorising resolution. The standard authority is renewable annually; the Directors will seek to renew this authority at the upcoming AGM. Details of shares issued and repurchased by the Group during the period are set out in Note 17 in the Notes to the Group Financial Statements.

In February 2023, the Group placed 128,444,000 new shares at $1.27 per share (£1.05) at a 5.2% discount to raise gross proceeds of $163 million (approximately £135 million). The new shares placed represent 15.2% of the Group's existing share capital at the date of placement. The Group used the proceeds to fund the Tanos II transaction, discussed in Note 5.

EMPLOYEE BENEFIT TRUST

An Employee Benefit Trust ("EBT") was established in 2022 to purchase shares already in the market and is operated through a third-party trustee. The objective of the EBT is to benefit the Group's employees and in particular, to provide a mechanism to satisfy rights to shares arising on the exercise or vesting of awards under the Group's share-based incentive plans and reduce dilution for shareholders. As of 1 March 2023, the EBT holds 14,030,000 shares and has distributed 1,760,025 shares under the Group's share-based incentive plans.

Financial Instruments

Details of the Group's principal risks and uncertainties relating to financial instruments are detailed below and in Note 26 in the Notes to the Group Financial Statements.

Risk Management

Risk management is integral to all of the Group's activities. Each member of executive management is responsible for continuously monitoring and managing risk within the relevant business areas. Every material decision is preceded by an evaluation of applicable business risks. Reports on the Group's risk exposure and reviews of its risk management are regularly undertaken and presented to the Board. Additional details regarding the Group's risk management can be found in **Principal Risks and Uncertainties** in the **Strategic Report** within this Annual Report.

Securities Dealing Code

The Group adopted a **Securities Dealing Code** for share dealings appropriate for a company listed on the Premium Listing Segment of the Official List of the FCA and admitted to the Main Market of the LSE. The code applies to the Directors, members of the Senior Leadership Team and other relevant employees of the Group and is monitored by the Group's compliance-focused employees.

Other Corporate Governance Policies

The Board reviewed and reaffirmed several key governance policies in 2022, including the following:

— **Compliance Hotline and Whistleblowing Policy** - aims to provide guidance as to how individuals may raise their concerns and to ensure that they may do so confidently and confidentially.

— **Anti-Bribery Policy** - acknowledges the Group's commitment to right and ethical practices and addresses bribery and corruption risk as a part of the Group's overall risk management strategy.

— **Corporate Responsibility Policy** - affirms the Group's commitment to being recognised as a leader in the field of corporate responsibility and recognises the added value for our shareholders.

- **Modern Slavery Policy** - recognises that modern slavery is a significant global human rights issue and has many forms including human trafficking, forced labour, child labour, domestic servitude, people trafficking and workplace abuse. The Group is committed to respecting internationally recognised human rights, including ensuring that we are in no way involved or associated with the issue of forced or involuntary labour and that modern slavery and human trafficking are not taking place in any part of our business.
- **EHS Policy** - guides activities to protect employees, contractors, the public and the environment.
- **Climate Change Policy** - recognises that climate change is a complex global issue and that the Group is committed to playing its part in supporting the global transition to a lower carbon world by reducing the impact of the Group's operations through advancements and investments in our processes, equipment and capabilities.
- **Employee Relations Policy** - acknowledges the value of the Group's employees and highlights the Group's commitments to promote employee safety, health and well-being.
- **Human Rights Policy** - recognises the Group's commitment and responsibility to ensure that human rights are upheld in every of its business operations and to promote human rights where it can make a positive contribution.
- **Business Partners Policy** - provides the standards the Group expects from its consultants, outsourced providers, subcontractors, vendors and suppliers to adhere to in their business activities with the Group.

These corporate governance policies can be viewed on the Group's **website**.

Subsequent Events

Refer to Note 29 in the Notes to the Group Financial Statements.

DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Directors are expected to attend and participate in all Board meetings and meetings of committees on which they serve and are expected to be available for consultation with management as requested from time to time. Regular Board and committee meetings are held at such times as the Board and committees, respectively, may determine. Special meetings may be called upon appropriate notice at any time.

The following table shows the number of Board and committee meetings required to be held and actually held in 2022:

Type of Meeting	Number of Meetings Required to be Held	Number of Meetings Held
Board of Directors	—	11
Audit and Risk Committee	3	5
Nomination and Governance Committee	2	4
Remuneration Committee	2	5
Sustainability and Safety Committee	2	5

Members of the Board attended Board and committee meetings (to the extent they were members of such committee in 2022) as summarised in the following table.

Director	Committee Seats (during 2022)	Board	Audit and Risk Committee	Nomination and Governance Committee	Safety and Sustainability Committee	Remuneration Committee
Rusty Hutson, Jr.	None	11	—	—	—	—
Bradley G. Gray	S	11	—	—	4	—
David E. Johnson	N R S	10	—	4	4	5
Martin K. Thomas	N CHAIR	11	—	4	—	—
Melanie A. Little	A S R CHAIR	9	5	—	5	5
Sandra M. Stash	A R S CHAIR	11	5	—	5	5
David J. Turner, Jr.	A N CHAIR	10	5	4	—	—
Sylvia Kerrigan[(a)]	N R	11	—	4	—	3

(a) Appointed to the Remuneration Committee on 17 March 2022 and thus was not eligible to attend the first two committee meetings held in 2022.

DIRECTORS' INDEMNITIES

As permitted by the Group's Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the financial year and remains in force at the date of this report. The Group also purchased and maintained throughout the financial period Directors' and officers' liability insurance in respect of itself and its Directors. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

CONFLICT OF INTEREST

There are no potential conflicts of interest between any duties owed by the Directors or members of the Senior Leadership Team to the Group and their private interests and/or other duties. In addition, there are no arrangements or understandings with any of the shareholders of the Group, customers, suppliers or others pursuant to which any Director or member of the Senior Leadership Team was selected to be a Director or Senior Manager. The Group tests regularly to ensure awareness of any future potential conflicts of interest and related party transactions. Directors are required to declare any additional or changed interests at the beginning of each Board meeting. In the event a conflict should arise, the pertinent Director would not take part in decision making related to the conflict.

SUBSTANTIAL SHAREHOLDERS

As of 1 March 2023, the following shareholders hold greater than 3% of the Group's issued shares with voting rights:

Shareholders[a]	Number of Shares	% of Issued Share Capital
M&G Investments	64,776,153	6.67%
abrdn	48,125,784	4.95%
BlackRock	47,821,140	4.92%
JO Hambro Capital Management	47,359,339	4.88%
GLG Partners	46,224,657	4.76%
Columbia Management Investment Advisors	39,462,145	4.06%
Vanguard Group	38,569,474	3.97%
Hargreaves Landsdown, stockbrokers (EO)	33,053,168	3.40%

[a] The Group derives the information from TR1 notifications, its third-party performed annual shareholder analysis to support its Foreign Private Issuer status as a U.S. Corporation listed on the LSE, and from periodic third-party share register reports it receives.

INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP ("PwC"), have expressed their willingness to continue in office as auditors and a resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the forthcoming AGM.

CORPORATE GOVERNANCE STATEMENT

The Directors recognise the importance of sound corporate governance and their associated report is set out in the **Chairman's Governance Statement** within this Annual Report. Effective as of admission to the Premium Segment of the Official List of the FCA and the Main Market of the LSE, the Group reports against the Corporate Governance Code.

As further described in the **UK Corporate Governance Code Compliance Statement** provided within this Annual Report, the Group is currently in compliance with the Corporate Governance Code.

ENGAGEMENT WITH EMPLOYEES' STATEMENT

The Group is exempted from some reporting requirements, as it did not employ more than 250 employees in the UK during the year under review. As of 31 December 2022, the Group had 1,582 full-time employees, with 1,220 production employees and 362 production support employees located in ten states in the U.S.

Employee participation in professional development planning ("PDP") meetings provides a forum for feedback to management and an opportunity for direct engagement with the Non-Executive Director Employee Representative. PDP meetings were held twice in 2022, each over the course of three days, and allowed for team building that fostered productive and honest discussions and feedback regarding the Group's culture, policies and actions. Such discussion and feedback, whether provided informally by programme participants or during the programme's Q&A sessions, is particularly valuable and taken into consideration when making decisions that will affect the workforce and addressing employee concerns. In addition, in 2022 the PDP participants hosted the Non-Executive Director Employee Representative in their regional offices for interactions with their co-workers and visits to field assets. Regional PDP/Non-Executive Director meetings were held in Pikeville, Kentucky, Charleston, West Virginia, Canton, Ohio and Weatherford, Oklahoma.

As per Section 54(1) of the Modern Slavery Act 2015, our Modern Slavery Policy is reviewed and approved by the Board annually and published on our **website**. The statement covers the activities of the Group and details policies, processes and actions we have taken to ensure that slavery and human trafficking are not taking place in our supply chains or any part of our business. More information on our Modern Slavery Policy can be found on our **website**.

Pursuant to the Group's Employee Handbook, the Group will endeavour to make reasonable accommodation to the known physical or mental limitations of qualified employees with disabilities.

ENGAGEMENT WITH STAKEHOLDERS' STATEMENT

The Group adheres to best-in-class operating standards, with a strong focus on EHS to ensure the safety of its employees, local communities and the environment in which the Group operates. This element of reporting is discussed in the **Section 172 Statement** and **Sustainability & Safety Committee's Report** within this Annual Report. Furthermore, the Director designated to engage with the workforce as required under the Corporate Governance Code is currently Sandra M. Stash.

RELATIONS WITH SHAREHOLDERS

The Group aims to maintain its committed approach to long-term sustainability, which, alongside its strict fiscal discipline and stewardship, maximises returns to its shareholders. The Directors attach great importance to maintaining good relationships with shareholders. Extensive information about the Group's activities is included in its annual and interim reports and accounts and related presentations. The Group also issues regular updates to shareholders.

Persons possessing market sensitive information are notified in accordance with the Market Abuse Regulation. The Group is active in communicating with both its institutional and private shareholders. The AGM provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Group maintains a corporate website at **www.div.energy** where information on the Group is regularly updated, including Annual and Interim Reports and all announcements.

The Directors are available for communication with shareholders and all shareholders have the opportunity, and are encouraged, to attend and vote at the AGM of the Group during which the Board will be available to discuss issues affecting the Group. The Board stays informed of shareholders' views via regular meetings and other communications they may have with shareholders.

Following the Group's 2022 AGM and as part of its engagement related to items on which shareholders voted at that meeting (including Resolution 18 which passed with 78% of votes in favour), the Group solicited shareholder feedback regarding share allotment authorities. Shareholders with whom the Group held discussions expressed no concerns on this matter, and the Group made no use of these authorities during 2022. Additionally, the Group notes that the authorities approved by shareholders are well below the limits included in the November 2022 Investment Association's Share Capital Management Guidelines and the Pre-Emption Group Statement of Principles. In light of the responses received from shareholders and updated guidelines, the Group determined that no further action was required at this time.

ENVIRONMENTAL INFORMATION

The Group adheres to best-in-class operating standards, with a strong focus on EHS to ensure the safety of its employees. There is extensive coverage of these issues within the Group's 2022 Sustainability Report which will be available on its website at **www.div.energy** and in the **Sustainability and Safety Committee's Report** within this Annual Report.

DIVERSITY

We believe that an inclusive culture and diverse workforce are healthy for a successful and sustainable business. We value the rich diversity, skills, abilities and creativity that people from different backgrounds and experiences bring to the Group.

The Group is committed to encouraging diversity amongst its workforce. Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job, and are not influenced by factors such as race, colour, religion, alienage or national origin, ancestry, citizens, age, disability, gender, marital status, pregnancy, veteran status, sexual orientation, gender identity, genetic information, or any other characteristic protected by applicable law. The Group aims to ensure that applications for employment are given full and fair consideration. We will continue to develop our diversity metrics to promote equality of opportunity, pay and reward on a non-discriminatory basis. The Group seeks to ensure that all employees are given access to training, development and career opportunities. In addition, every effort is made to retrain and support employees who become disabled while working within the Group.

CHARITABLE AND POLITICAL DONATIONS

The Group did not make any political donations or incur any political expenditures to candidates or political campaigns during the period.

During the year, the Group contributed nearly $2.5 million to approximately 140 different community organizations. Please refer to the **Community Outreach and Engagement** section of this Annual Report.

GOING CONCERN

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements. The validity of the going concern concept is dependent on funding being available for the working capital requirements of the Group in order to finance the continuing development of its existing projects. Sufficient funds are available in the short-term to fund the working capital requirements of the Group. The Directors believe that this will enable the Group to continue in operational existence for the foreseeable future and to continue to meet obligations as they fall due. Please refer to the **Viability and Going Concern** section of this Annual Report for a summary of the Directors' assessment.

ANNUAL GENERAL MEETING

The AGM of the Group will be held in London on 2 May 2023. Full details of these proposals are set out in a separate Notice of AGM that are being sent to all shareholders.

Shareholders are invited to complete the proxy form received either by post or vote electronically in CREST in accordance with the Notes contained in the Notice of the AGM. The Notice of the AGM and Proxy Form are available on the Group's website at **www.div.energy**.

ADDITIONAL DISCLOSURES

Supporting information that is relevant to the Directors' report, which is incorporated by reference into this report, can be found throughout this Annual Report.

For considerations of post balance sheet events please refer to Note 29 in the Notes to the Group Financial Statements within this Annual Report

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing this Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted international accounting standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgments and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Group's **website**. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in **Board of Directors** confirm that, to the best of their knowledge:

- The Group Financial Statements, which have been prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- The Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, and financial position of the Company; and
- The **Strategic Report** includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- So far as that Director is aware, there is no relevant audit information of which the Group's and the Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

This Annual Report was approved by the Board of Directors and authorised for issue on 21 March 2023.

On behalf of the Board:

D.E Johnson

David E. Johnson
Chairman of the Board
21 March 2023

The Nomination and Governance Committee's Report

Committee Composition

Martin K. Thomas (58)
Independent Non-Executive Director (Chair; Independent as of 1/1/23)
Strength:
Legal
Independence from:
Management & Other interests

David E. Johnson (62)
Non-Executive Director, Independent upon appointment
Strength:
Finance
Independence from:
Management & Other interests

David J. Turner, Jr. (59)
Independent Non-Executive Director (through 1/1/23)
Strength:
Finance
Independence from:
Management & Other interests

Sylvia Kerrigan (57)
Independent Non-Executive Director
Strength:
Industry, Governance
Independence from:
Management & Other interests

Kathryn Z. Klaber (57)
Independent Non-Executive Director (as of 1/1/23)
Strength:
Regulatory, ESG
Independence from:
Management & Other interests

Key Objective

The Nomination and Governance Committee assists the Board in (i) discharging its responsibilities related to reviewing its structure, size and composition, (ii) recommending to the Board any changes required for succession planning and monitoring governance trends and best practices, and (iii) identifying and nominating for approval Board candidates to fill vacancies as and when they arise. The Nomination and Governance Committee is responsible for leading the process for appointments, ensuring plans are in place for orderly succession for both the Board and senior management positions, and overseeing the development of a diverse pipeline for succession.

The committee is responsible for reviewing the results of the Board's Performance Review process and for making recommendations to the Board concerning suitable candidates for the role of Senior Independent Director, the membership of the Board's committees and the re-election of Directors at each AGM.

In 2022, the committee's role was expanded to oversee the Group's governance structure and monitor trends and compliance with governance best practices.

Key Matters Discussed by the Committee

During the past year the Nomination and Governance Committee:

- Led the annual Board Performance Review process, using Leadership Advisor Group as an outside resource, over the course of the year, which included (i) an evaluation of the structure, agendas and outcomes of Board and Board committee meetings and (ii) a comprehensive report and roundtable exercise with the entire Board;
- Took steps with senior management to develop a training regime for the entire Board for the 2022 year and beyond, with training from internal personnel and external resources on topical subjects such as governance, oversight and Director responsibilities;
- Took steps with senior management to develop an improved and enhanced Non-Executive Director training protocol for newly appointed Non-Executive Directors, commencing with Ms. Klaber;
- Led the search process for a new independent, Non-Executive Director (together with third-party advisor, Heidrick & Struggles, who has assisted the Group with prior Director search processes), which included assessing the qualifications and experience of the candidates, conducting numerous interviews, and ultimately nominating Ms. Klaber for recommendation to the Board;
- Assisted with the transition of responsibilities from Melanie A. Little to other members of the Board following Ms. Little's departure as a Non-Executive Director from the Board as of 31 December 2022;
- Conducted (together with senior management) a committee-by-committee assessment process to evaluate and provide feedback to each committee chair;
- Worked with the Senior Independent Director and senior management to facilitate the Senior Independent Director's review of the Chairman;
- Worked with the Chairman and senior management to facilitate the Senior Independent Director's review of the CEO;
- Worked with the Chief Human Resources Officer and General Counsel to formulate succession planning procedures and plans around key-roles in management;

- Together with management, implemented a process to ensure appropriate and proactive engagement with proxy firms; and
- Encouraged and maintained oversight of employee outreach and training regarding the Group's Compliance Hotline and Whistleblowing Policy and was satisfied by measures taken, including the placement of awareness posters with hotline details in all major offices.

Committee Effectiveness

- The committee performed a critical analysis internal review and evaluation on itself, as part of its annual self-review process. No significant areas of concern were raised.

Membership

During 2022, the committee was comprised of Mr. Thomas, the Nomination and Governance Committee Chairperson (who is considered independent as of 1 January 2023), Mr. Johnson (who was independent upon appointment and whom the Board continues to consider independent), Mr. Turner and Ms. Kerrigan, both of whom are Independent Non-Executive Directors. Ms. Klaber was appointed to the committee as an Independent Non-Executive Director as of 1 January 2023 following Mr. Turner's departure from the committee to join the Remuneration Committee. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

Meetings and Attendance

The Nomination and Governance Committee met four times in 2022 and once in 2023. At the end of each committee meeting, the committee typically meets in private executive session without management present to ensure that points of common concern are identified and that priorities for future attention by the committee are agreed upon. The Chair of the committee keeps in close contact with the Chief Executive Officer and General Counsel between committee meetings.

Responsibilities and Terms of Reference

The committee's main duties are:

- Reviewing the structure, size and composition of the Board (including the skills, knowledge, experience and diversity of its members) and making recommendations to the Board with regard to any changes required;
- Identifying and nominating, for Board approval, candidates to fill Board vacancies as and when they arise;
- Succession planning for Directors and other senior managers;
- Reviewing annually the time commitment required of Non-Executive Directors; and
- Overseeing the Group's governance structure as well as trends and compliance in governance best practices.

The committee has formal terms of reference which can be viewed on the Group's **website**.

Diversity and Inclusion

There was a marked improvement in 2022 in gender balance across the Group. Evidencing this improvement, the FTSE Women Leaders Review 2022 indicated Diversified ranks in 58th place (2021: 61st; 2020: 184th) among the FTSE 250. It also recognised 38% female representation at Board level and 35% in the executive committee and direct reports category (which is comprised of 32 females and 60 males). Within the energy sector, the Group moved to 3rd place in 2022 from 4th place in 2021 (2020; 7th place). The FTSE Women Leaders Review is an independent framework supported by the Government that builds on the excellent work of both the Hampton-Alexander and Davies Reviews which ensures that talented women at the top of business are recognised, promoted and rewarded.

The committee also acknowledges the UK Listing Rule ethnic diversity targets, and the important role played by the Parker Review, which the Group currently intends to comply with by the end of 2023. The Group has a strong commitment to increasing its gender and ethnic diversity and believes that a diverse and engaged workforce and Board is an important goal. In particular, the Group has taken steps to increase support for and communication with underrepresented groups in the communities in which it operates. It is the committee's hope that these efforts will increase interest in our industry and assist in the development of an ethnically diverse pipeline of candidates.

Board Performance Review

Consistent with last year, the Nomination and Governance Committee selected Leadership Advisor Group as an independent consultant to assist with the Board Performance Review process based on the positive experience the committee had in prior years. The Board Performance Review focused on the following topics, among other things:

- Strategy development and implementation;
- Risk awareness, monitoring and reporting;
- Cooperation with and evaluation process of the CEO and Senior Leadership Team;
- Board composition and dynamics;
- Onboarding and induction programmes;
- Meeting structure and operation;
- Meeting effectiveness;
- Shareholder and stakeholder relations;
- Committee, Senior Independent Director and Vice Chairman value contribution; and
- Individual evaluation of the Chairman and all Board members.

The Board Performance Review utilised a variety of methods, including a bespoke, online questionnaire, analysis of how time is spent during Board meetings, Board composition mapping and Board composition benchmarking. The evaluation, analysis and reporting took place from May to November 2022 and confirmed that the Board and its committee effectively perform their respective roles. The review highlighted certain areas for improvement such as restructuring meeting agendas to enhance strategic discussions.

Martin K. Thomas
Chair of the Nomination and Governance Committee
21 March 2023

The Audit and Risk Committee's Report

Committee Composition

David J. Turner, Jr. (59)
Independent Non-Executive Director (Chair)
Strength: **Finance**
Independence from: **Management & Other interests**

Melanie A. Little (53)
Independent Non-Executive Director (through 12/31/22)
Strength: **Industry**
Independence from: **Management & Other interests**

Sandra M. Stash (63)
Independent Non-Executive Director
Strength: **Industry**
Independence from: **Management & Other interests**

Martin K. Thomas (58)
Independent Non-Executive Director (as of 1/1/23, Independent as of 1/1/23)
Strength: **Legal**
Independence from: **Management & Other interests**

This report covers the activities of the Audit and Risk Committee in 2022 and in the period up to the approval of the Annual Report and Accounts for the year ended 31 December 2022.

Key Objective

The Audit and Risk Committee acts on behalf of the Board and the shareholders to ensure the integrity of the Group's financial reporting. The committee's main functions include, among other things, reviewing and monitoring internal financial control systems and risk management systems on which the Group is reliant, reviewing annual and interim accounts and auditors' reports; making recommendations to the Board in relation to the appointment and remuneration of the Group's external auditors; and monitoring and reviewing annually the external auditors' independence, objectivity, effectiveness and qualifications.

Key Matters Discussed by the Committee

MAIN ACTIVITIES

- Reviewed and challenged interim and annual financial reporting;
- Reviewed and approved the Group's Financial Reporting Procedures Manual;
- Reviewed the Group's system of internal controls and assessed its effectiveness;
- Engaged with management on the U.S. listing efforts and assessed the related risks;
- Reviewed and assessed the Group's approach to its asset retirement obligations;
- Reviewed tax processes and positions with external tax advisors;
- Reviewed the Enterprise Risk Management control strategy and function;
- Approved the external audit plan presented by PwC, reviewed the effectiveness of the external audit and held independent discussions with the lead audit partner as well as private confirmatory meetings with members of the PwC audit team; and
- Expanded the committee's responsibilities to oversee and advise the Board on cybersecurity matters.

INDEPENDENCE

- Confirmed that the external auditors, PwC, remain independent and that non-audit fees remain appropriate and reasonable.

COMMITTEE EFFECTIVENESS

- The committee completed a critical review of its operations and effectiveness during 2022 as part of its annual self-review process. An independent third-party conducted interviews with members of the committee to obtain feedback. No significant areas of concern were raised.

AREAS OF FOCUS IN 2023

- Review the Group's procedures in relation to maintaining high standards across all ethics and compliance matters; and
- Ensure that all risks are appropriately identified, prioritised, addressed, and are managed by the respective risk owner.

Membership

In line with the recommendations set by the UK Corporate Governance Code, the Audit and Risk Committee was comprised of three Independent Non-Executive Directors members. During 2022, the committee members were David J. Turner, Jr., the Audit and Risk Committee Chairperson, Sandra M. Stash and Melanie A. Little. Martin K. Thomas was appointed to the committee as a Non-Executive Director as of 1 January 2023 (and is considered independent as of 1 January 2023) following Ms. Little's departure from the Board and the committee. Eric Williams, Chief Financial Officer, attends the committee meetings. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

The committee has recent and relevant financial experience through the leadership of Mr. Turner, who is presently the Chief Financial Officer at Regions Financial Corporation, a publicly traded U.S. bank that is a member of the S&P 500 Index. Each committee member has been selected to provide a wide range of financial and commercial expertise necessary to fulfil the committee's responsibilities.

No members of the Audit and Risk Committee have outside connections with the Group's external auditors.

Meetings and Attendance

The Audit and Risk Committee met five times in 2022 and once in 2023. For committee meeting attendance for each Director see the **Directors' Report** within this Annual Report.

The committee regularly meets in two private executive sessions without management present, one with the Vice President of Internal Audit and one with committee members only, to ensure that points of common concern are identified and that priorities for future attention by the committee are agreed upon. It also conducts private discussions with PwC as appropriate to ensure that the committee has a clear and unobstructed line of communication with its external auditors. The Chair of the committee keeps in close contact with the General Counsel, the Vice President of Internal Audit, Chief Financial Officer, Corporate Controller, the finance team and the external auditors between committee meetings.

Detailed below are the members of the Senior Leadership Team who were invited to attend meetings as appropriate during the calendar year. In addition, PwC attended certain of the meetings by invitation as auditors to the Group.

— Benjamin Sullivan, Executive Vice President, General Counsel, and Corporate Secretary
— Eric Williams, Chief Financial Officer
— Rusty Hutson, Jr., Chief Executive Officer
— Bradley G. Gray, Chief Operating Officer
— Martin K. Thomas, Vice Chairman of the Board
— David E. Johnson, Chairman of the Board
— Michael Garrett, Senior Vice President of Accounting and Corporate Controller
— Randall Barron, Senior Vice President of Strategy and Finance
— Joyce Collins, Vice President of Internal Audit
— Timothy McAllister, PwC UK
— Drew Wagoner, PwC U.S.

Responsibilities and Terms of Reference

The main responsibilities of the committee are:

— Reviewing accounting policies and the integrity and content of the financial statements, including focusing on significant judgments and estimates used in the accounts;
— Monitoring disclosure controls and procedures and the adequacy and effectiveness of the Group's internal financial controls and risk management systems;
— Monitoring the integrity of the financial statements of the Group to assist the Board in ensuring that the annual reports and accounts, when taken as a whole, are fair, balanced and understandable;
— Considering the adequacy and scope of external audits and overseeing the relationship with our external auditors, including appraising the effectiveness of their work prior to considering their reappointment and considering whether to put the external audit contracts out to tender;
— Reviewing and approving the statements to be included in annual reports on internal control and risk management; and
— Reviewing and reporting on the significant issues considered in relation to the financial statements and how they are addressed.

In 2022, the Board undertook a formal assessment of the Group's primary financial service vendors, including its external auditors', PwC, independence and will continue to do so as part of the annual audit process and prior to making a recommendation to the Board for the auditors' re-appointment. This assessment in 2022 included:

— Reviewing PwC's non-audit services provided to the Group, including Audit Related Assurance Services provided and the related fees;
— Reviewing PwC's procedures for ensuring the independence of the audit firm, and parties and staff involved in the audit; and
— Obtaining confirmation from the auditors that, in their professional judgment, they are independent.

The committee has formal terms of reference which can be viewed on the Group's **website**.

Actions Undertaken During the Year

The key activities for the committee for the period under review are set out below.

REVIEW OF THE FINANCIAL STATEMENTS

The Audit and Risk Committee monitored the integrity of the annual financial statements and reviewed the significant financial reporting matters and accounting policies and disclosures in the financial reports. The external auditors attended an Audit and Risk Committee meeting as part of the full-year accounts approval process. The process included the consideration of reports from the external auditors in respect of the audit approach, and their findings in respect of the audit of the 2022 financial statements.

> The committee reviewed the presentation of the Group's audited results for the year ended 31 December 2022 and the unaudited results for the six months ended 30 June 2022 to ensure they were fair, balanced and understandable,when taken as a whole.

FINANCIAL STATEMENTS AND PRESENTATION OF RESULTS

The committee reviewed the presentation of the Group's audited results for the year ended 31 December 2022 and the unaudited results for the six months ended 30 June 2022 to ensure they were fair, balanced and understandable, when taken as a whole. The results were assessed to ensure they provide sufficient information for shareholders and other users of the accounts to assess the Group's position and performance, business model and strategy. In conducting this review, particular focus was given to the disclosures included in the basis of preparation in Note 2 in the Notes to the Group Financial Statements in relation to the Group's funding position and the suitability of the going concern assumption.

The committee reviewed the significant judgments associated with the 2022 financial statements, including "key audit matters", and also reviewed the supporting evidence for the Group's going concern assessment. The committee is comfortable that the overall disclosures in the Annual Report and Accounts are fair, balanced and understandable, when taken as a whole.

The committee reviewed papers prepared by the finance team and the findings from the external auditors in relation to the above matters.

Attention continues to be paid to the presentation of the results and financial position in the Annual Report and Accounts as well as APMs as indicators of performance. The Board considers current treatment, which retains reference to "Adjusted EBITDA" and "EBITDA" to remain appropriate. The Board regards these measures as an appropriate way to present the underlying performance and development of the business since it reflects the continuing investment being made by the Group, particularly in relation to recent and future acquisition activity. Additionally, this is how the Board monitors the progress of the existing Group businesses. Accordingly, the committee believes that Adjusted EBITDA provides useful information to investors and the market generally in understanding and evaluating the Group's performance.

MANAGEMENT OVERRIDE OF INTERNAL CONTROLS

The committee considered the inherent risk of management override of internal controls as defined by Auditing Standards.

The Committee performed the following actions during 2022:

- Reviewed management's report on the Group's fraud prevention framework and the key controls in place in its operations designed to prevent and detect fraud, as well as future plans for enhancement of the relevant controls;
- Discussed the on-going assessment of application controls and the impact on the Group's fraud framework. Once complete, this assessment will help identify the information technology controls that already exist within certain financial processes and provide further confidence in the strength of fraud prevention;
- Discussed the steps management had taken, including designing a fraud detection process for the specific fraud risks identified;
- Financial processes identified with critical fraud risk potential were reviewed at an elevated level and controls adjusted accordingly per discussion with management;
- Assessed the measures in place, including segregation of duties ensuring independent review, to mitigate against the risk of management override of controls;
- Discussed PwC's audit procedures, including the results of their conclusions relating to the fraud risk in revenue recognition with a particular focus on ensuring the existence of revenue transactions;
- The Committee challenged management on the robustness of the controls; and
- Reviewed the overall robustness of the control environment, including consideration of the Group's whistleblowing and compliance arrangements.

The committee agreed with management's assessment that the overall control framework remained effective and, with a focus on high-risk and material areas, additional controls introduced had mitigated risk.

VALUATION OF NATURAL GAS AND OIL PROPERTIES AND RELATED ASSETS

The committee considered the carrying value of the Group's assets and any potential impairment triggers. It reviewed management's recommendations, which were also reviewed by the external auditors, including an evaluation of the appropriateness of the identification of cash-generating units and the assumptions applied in determining asset carrying values. The committee was satisfied with the assumptions and judgments applied by management as well as the triggering event assessment and concluded that no impairment of carrying values was required.

The committee also considered management's determination of the fair values of the acquisitions made during 2022 and challenged management on such determination. It reviewed management's assumptions and judgements, which were also reviewed by the external auditors. The committee was satisfied with the fair values calculated.

VIABILITY AND GOING CONCERN

Management presented to the committee an assessment of the Group's future cash forecasts and profit projections, available facilities, facility headroom, banking covenants and the results of a sensitivity analysis. Detailed discussions were held with management concerning the matters outlined in the **Viability and Going Concern** section in the **Strategic Report** and the basis of preparation in Note 2 in the Notes to the Group Financial Statements within this Annual Report. The committee discussed the assessment with management and was satisfied that the going concern basis of preparation continues to be appropriate for the Group and advised the Board accordingly. In addition, the committee reviewed the going concern assumptions with PwC, including PwC's review of management's assessment of the Group's ability to continue as a going concern. The financial statements of Diversified Energy Company PLC have been prepared on a going concern basis.

The committee reviewed and challenged management's process and assessment of viability by considering various scenarios on forecasted cash flows, including a base case and downside scenario analysis which reflects the more severe impact of the principal risks and includes future climate change impacts. In reaching its view, the committee also considered: (i) financial forecasts and the appropriate period for the viability outlook; (ii) the Group's financing facilities including covenant tests and future funding plans; (iii) the Group's ability to pay dividends, and (iv) the external auditors' findings and conclusions on this matter.

The committee also considered the adequacy and accuracy of the disclosures in the 2022 Annual Report in respect of the Group's future viability. Following this thorough assessment, the committee considered the extent of the assessment made by management to be appropriate and recommended the viability statement and related disclosures (for inclusion in the 2022 Annual Report) for approval by the Board.

RISK MANAGEMENT

Effective risk management and controls are key to executing the Group's business strategy and objectives. Risk management and control processes are designed to identify, assess, mitigate and monitor significant risks, and can only provide reasonable and not absolute assurance that the Group will be successful in delivering its objectives. The Board is responsible for the oversight of how the Group's strategic, operational, financial, human and personnel, legal and regulatory risks are managed and for assessing the effectiveness of the risk management and internal control framework.

The Group maintains a risk management programme to identify principal risks and risk mitigation activities that includes reviewing the impact, likelihood, velocity, mitigation measures and residual risk. A description of the Group's risk management programme, principal risks, and risk mitigation activities is provided in the **Principal Risks and Uncertainties** section in the **Strategic Report** within this Annual Report.

INTERNAL AUDIT

The Group is in the process of developing a more formal Internal Audit function, however, it continues to function primarily as an Internal Controls Team. The team is led by a Vice President of Internal Audit who has significant prior experience in leading natural gas and oil industry internal audits and has a straight line of communication available with the Audit and Risk Committee. The team also consists of a highly experienced audit manager as well as two additional staff auditors, all of whom have years of industry experience. Collectively, this group works under the oversight of the Corporate Controller and reports to the Chief Financial Officer who is responsible for the Group's ERM and internal controls framework.

The Group's internal controls over financial reporting and the preparation of consolidated financial information include policies and procedures that provide reasonable assurance that transactions have been recorded and presented accurately. Management regularly conducts reviews of the internal controls in place in order to provide a sufficient level of assurance over the reliability of the financial statements.

SAFEGUARDS AND EFFECTIVENESS OF THE EXTERNAL AUDITORS

The committee is responsible for oversight and for managing the relationship with our external auditors. The committee recognises the importance of safeguarding the independence and objectivity of the external auditors. The following safeguards are in place to ensure that the independence of the auditors is not compromised.

- The Audit and Risk Committee carries out an annual review of the external auditors regarding their independence from the Group and that they are adequately resourced and technically capable to deliver an objective audit to shareholders. Based on this review, the Audit and Risk Committee recommends to the Board the continuation, or removal and replacement, of the external auditors;
- The external auditors may only provide non-audit services permitted by the FRC's Revised Ethical Standard 2019 (the "Ethical Standard") which was issued in December 2019. These services include audit-related services such as regulatory and statutory reporting as well as formalities relating to shareholder and other circulars;
- The committee reviews all fees paid for audit and audit-related services on a regular basis to assess the reasonableness of fees, value of delivery and any independence issues that may have arisen or may potentially arise in the future;
- The external auditors report to the Directors and the Audit and Risk Committee regarding their independence in accordance with relevant standards;
- Non-audit services carried out by the external auditors are limited to work that is closely related to the annual audit or where the work is of such a nature that a detailed understanding of the business is beneficial, and utilises subject matter experts not conducting audit services;
- The committee monitors costs for non-audit services in absolute terms and in the context of the audit fee for the year to ensure that the potential to affect the independence and objectivity of the auditors does not arise. During 2022, non-audit services included work around acquisitions which did not affect the independence and objectivity of the auditors; and
- Information related to audit fees for 2022 is detailed in Note 7 in the Notes to the Group Financial Statements.

The Audit and Risk Committee monitors the effectiveness of the external audit. To comply with this requirement, the committee reviews and comments on the external audit plans before it approves them. It then considers progress during the year by assessing the major findings of its work, the perceptiveness of observations, the implementation of recommendations and the management of feedback. .At the request of the Board, the committee also monitors the integrity of the financial information in the annual report and half-year results statements, and the significant financial reporting judgments contained in them. Further details of the committee's procedures to review the effectiveness of the Group's systems of internal control during the year can be found in the section on effective risk management and internal control below.

The committee recognises that all financial statements include estimates and judgments by management. The key audit areas are agreed upon with management and the external auditors as part of the year-end audit planning process. This includes an assessment by management of the significant areas requiring management judgment and the committee challenging management's judgments. These areas are reviewed with the auditors to ensure that appropriate levels of audit work are completed, and the committee reviews the results of this work.

During 2022 the FRC Audit Quality Review team completed a review of PwC's audit of the Group and Company's financial statements for the year ended 31 December 2021. No key findings were identified.

ASSURANCE MEASURES

On behalf of the Board, the Audit and Risk Committee examines the effectiveness of:

- The systems of internal control, primarily through reviews of the financial controls for financial reporting of the annual, preliminary and half-yearly financial statements;
- The management of risk by reviewing evidence of risk assessment and management; and
- Any action taken to manage critical risks or to remedy any control failings or weaknesses identified, ensuring these are managed through to closure.

Where appropriate, the Audit and Risk Committee ensures that necessary actions have or are being taken to remedy or mitigate significant failings or weaknesses identified during the year either from internal review or from recommendations raised by the external auditors. The Group's internal controls over the financial reporting and consolidation processes are designed under the supervision of the Group's Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes, in accordance with UK-adopted International Accounting Standards.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance and may not prevent or detect all misstatements whether caused by error or fraud. The Group's internal controls over financial reporting and the preparation of consolidated financial information include policies and procedures that provide reasonable assurance that transactions have been recorded and presented accurately.

Management regularly conducts reviews of the internal controls in place in respect of the processes of preparing consolidated financial information and financial reporting. During the year, there has been a significant investment in resources, processes and personnel relating to the internal controls of these processes to reflect the growth of the Group. This is in order to provide a sufficient level of assurance over the reliability of the financial statements.

Risk Management and Internal Control System Features

RISK MANAGEMENT CONTROL SYSTEM

In addition to the risks that management identifies through the ongoing processes of reporting and performance analysis, the Audit and Risk Committee has additional risk identification processes, which include:

- A risk and control process for identifying, evaluating and managing major business risks;
- External experts, who comment on controls to manage identified risks; and
- A confidential and externally managed whistleblowing hotline and a compliance reporting website for employees to contact the Chair of the Audit and Risk Committee, General Counsel and Head of Human Resources in confidence.

INTERNAL CONTROL SYSTEMS

The committee is responsible for overseeing management's establishment and maintenance of the Group's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Group and the particular risks to which it is exposed. The Board has reviewed the Group's risk management and control systems noting they were in place for the year under review and up to the date of approval of the annual reports and accounts and believes that the controls are satisfactory, given the nature and size of the Group.

The internal controls, which provide assurance to the Audit and Risk Committee of effective and efficient operations, internal financial controls and compliance with laws and regulations include:

- A formal authorisation process for investments;
- An organisational structure where authorities and responsibilities for financial management and the maintenance of financial controls are clearly defined;
- Anti-bribery and corruption policies and procedures and a dedicated telephone number and website designed to address the specific areas of corruption risk faced by the Group; and
- A comprehensive financial review cycle where annual budgets are formally approved by the Board and monthly variances are reviewed against detailed financial and operating plans.

SUMMARY

For the year under review, and beyond, the Audit and Risk Committee will continue its monitoring of financial reporting and of internal controls and risk management, as these evolve in response to the Group's continuing growth and new opportunities as they arise.

David J. Turner, Jr.
Chair of the Audit and Risk Committee
21 March 2023

> The Board has reviewed the Group's risk management and control systems and believes that the controls are satisfactory, given the nature and size of the Group.

The Remuneration Committee's Report

Committee Composition

Melanie A. Little (53)
Independent Non-Executive Director (Chair through 31/12/22)
Strength: **Industry**
Independence from: **Management & Other interests**

Sylvia Kerrigan (57)
Independent Non-Executive Director (Chair as of 1/1/23)
Strength: **Industry, Governance**
Independence from: **Management & Other interests**

David E. Johnson (62)
Non-Executive Director, Independent upon Appointment
Strength: **Finance**
Independence from: **Management & Other interests**

Sandra M. Stash (63)
Independent Non-Executive Director
Strength: **Industry**
Independence from: **Management & Other interests**

David J. Turner, Jr. (59)
Independent Non-Executive Director (as of 1/1/23)
Strength: **Finance**
Independence from: **Management & Other interests**

Letter from Chair of the Remuneration Committee

Following my appointment as Chair of the Remuneration Committee in January 2023, I am pleased to present our 2022 Directors' Remuneration Report on behalf of the Board. I would like to thank my former colleague Melanie A. Little for her hard work and dedication as the previous Chair. Included within this report is the Directors' Remuneration Report, which sets out payments and awards made to the Directors for the year ended 31 December 2022 and how the Directors' Remuneration Policy will operate for the year ended 31 December 2023 and a summary of the Directors' Remuneration Policy for which shareholder approval was obtained at the 2022 Annual General Meeting and which will continue to apply without amendment for the forthcoming year. The Annual Statement and Annual Report on Directors' Remuneration will be presented to shareholders for approval at the 2023 Annual General Meeting.

Key Objective

The Remuneration Committee oversees the remuneration programme of Executive Directors and the Senior Leadership Team ("executives") on behalf of the Board. The Remuneration Committee is focused on ensuring that remuneration is designed to emphasise "pay for performance" by:

- Providing performance-driven remuneration opportunities that attract, retain and motivate executives to achieve optimal results for the Group and its shareholders;
- Aligning remuneration with the Group's short- and long-term business objectives while providing sufficient flexibility to address the unique dynamics of the Group's business model; and
- Emphasising the use of equity-based remuneration to motivate the long-term retention of the Group's executives and align their interests with those of shareholders.

As an executive's seniority increases, and the scope, duties and responsibilities of the executive's position expand, the Remuneration Committee believes a greater portion of total remuneration should be performance driven and be based on a longer time horizon. Fixed remuneration should therefore be a relatively smaller portion of senior executive total remuneration with the majority of an executive's realised remuneration being driven by the performance of the Group.

DEC'S PERFORMANCE IN 2022

2022 was a year of exceptional progress and development in which the Group optimised its position for the next stage of growth. The completion of the Group's third, fourth, fifth and sixth Asset-Backed Securitisations enhanced the Group's Liquidity. The Group continued its significant growth in the Central Region with acquisitions of certain East Texas upstream assets and related facilities, Western Oklahoma assets and related facilities, an NGLs processing facility and several midstream systems. Further, the Group expanded asset retirement operations through the successful acquisitions of three asset retirement companies (increasing the Group's number of plugging rigs from three in 2021 to 15 at the end of 2022) and retired a total of 214 of the Group's wells during the year. Through its continual, daily focus on SAM and its zero tolerance policy for fugitive emissions, the Group made significant progress in its emissions reduction goals, including through its handheld and aerial leak detection and repair programmes and methane-driven pneumatic device conversions to compressed air. In addition, the Group established a formal Community Giving and Engagement Programme and distributed $2.5 million during the year through the programme and other channels to various charitable and community organisations and engagement opportunities, including to food pantries, arts and educational programmes, health and wellness organisations, and municipal services.

Strong performance in the year has naturally fed through into the performance-related pay outcomes for the Executive Directors. With respect to the 2022 annual bonus, as reported elsewhere in this Annual Report, DEC's Adjusted EBITDA for 2022 was $503 million. This equated to Adjusted EBITDA per Share of $0.60, or $0.57 per share, after making certain adjustments for acquisitions and share dilution as described on page 102. The target Adjusted EBITDA per Share of $0.51 was established using the 2022 budget, with the stretch metric of $0.56 achievable from over-performing in production, management of costs, and/or executing on acquisitions. The committee awarded 50% for this metric out of a potential 50%.

Under the Cash Cost metric the Group achieved $1.47 per Mcfe, which is similar to the Group's KPI for Adjusted Operating Cost per Boe yet excludes certain adjustments for acquisitions and production taxes. The target metric was $1.38 per Mcfe and the stretch metric of $1.34 per Mcfe. As such, the committee awarded 0% for this metric out of a potential 15%.

In relation to the non-financial elements which account for the remainder of the annual award, the two Executive Directors (CEO and COO) were determined to have performed towards the top end of the objectives (35% of potential 35%). The Group's overall performance resulted in awards of 148.75% of salary out of a maximum of 175% of salary being awarded to the CEO and awards of 127.5% of salary out of a maximum of 150% of salary being awarded to the COO under the annual bonus plan.

The 2022 financial year was the end of the performance period for the Performance Share Award granted in 2020. The performance conditions are a mix of Return on Equity ("ROE") (40%), Absolute TSR (30%) and Relative TSR (30%) targets measured over three years. The overall payout for the award is 94% of maximum.

The 2022 financial year was also the end of the performance period for two tranches of stock options ("Options") for the Executive Directors.

- The 3rd tranche of Options granted in 2018 vested at 64%. These Options vest in three tranches based on performance ending 2020, 2021, 2022 and are subject to an Adjusted EPS condition, Absolute TSR condition and a Time/Service condition.
- The 2nd tranche of the Options granted in 2019 vested at 16.5%. These Options vest in three tranches based on performance ending 2021, 2022, 2023 and are subject to an Adjusted EPS condition and Absolute TSR condition.

The committee considers that the Remuneration Policy operated as intended during 2022 and that the remuneration outcomes described above were valid reflections of the overall performance by the Group. The Committee determined that no discretion needed to be applied for the above remuneration outcomes.

Key Matters Discussed By The Committee

The key activities carried out by the committee in 2022 with the support of key management team individuals including the Chief Operating Officer, General Counsel, and Chief Human Resources Officer, included:

- Finalising the revised Policy that was approved by shareholders at the 2022 AGM;
- Determining 2022 annual bonus outcomes for the Executive Directors;
- Determining base salaries of the Executive Directors for the period starting January 2023;
- Reviewing the annual total remuneration of the Group's executives;
- Reviewing the Group's benefits plans;
- Reviewing and approving the 2023 Executive Director Bonus Plan and Performance Share Award targets;
- Determination that the remuneration policy for 2022 operated as intended; and
- Preparing the Directors' Remuneration Report.

DIRECTORS' REMUNERATION POLICY APPROVED AT THE 2022 AGM

Diversified is an established, independent owner and operator of natural gas and oil wells in multiple regions of the United States. It has grown rapidly in the last few years to be the largest owner and operator of producing wells in the U.S. by capitalising on opportunities to acquire and enhance producing assets within its primary areas of focus and leveraging the operating efficiencies that come with increased scale. Since its AIM IPO in 2017, it has delivered outstanding levels of shareholder returns and financial growth, including:

24%

Compound annual growth in TSR from its IPO to year-end 2022

35%

Compound annual growth in Adjusted EBITDA per Share from its IPO to year-end 2022

$0.1725

Dividend per Share in 2022

Progressive increases in dividends per share, with dividends in 2019, 2020, 2021 and 2022 of $0.1392, $0.1525, $0.1650 and $0.1725, respectively.

At the same time as delivering this superior performance, in 2020, Diversified completed a move from AIM to the main market of the London Stock Exchange, where it is a FTSE 250 constituent, and successfully integrated a number of acquisitions with headcount growth of 20% in 2020, 29% in 2021 and 11% in 2022. The Group has also increasingly integrated climate-related considerations into operational and portfolio-related matters.

This growth has been overseen by the same executives that brought it to IPO, with its CEO (Rusty Hutson, Jr.) being a founder and significant shareholder.

The current policy was approved by shareholders in a binding vote at the 2022 AGM with just under 83% of votes cast in favour. The main features of the current package are as follow:

- Base salaries which are broadly in-line with UK norms;
- A standard package of benefits but no pension provision;
- Annual bonus opportunity of 175% of base salary for the CEO and 150% of salary for the COO of which any bonus in excess of 100% of salary is deferred for one year;
- From 2023, Performance Share Awards with a maximum of 325% of salary for the CEO and 275% of salary for the COO; and
- A shareholding requirement set at 300% of salary for the CEO and 250% of salary for the COO whilst in employment and a two-year post cessation shareholding guideline.

Implementation of Directors' Remuneration Policy for 2023

The committee has ensured that the executive remuneration policy and practices, as well as the committee's charter, are consistent with the six factors set out in Provision 40 of the Corporate Governance Code.

Matters to be Approved at our Annual General Meeting

As no changes are proposed to the existing Policy, only one remuneration resolution will be tabled at the 2023 AGM, namely the advisory shareholder vote on the Directors' Remuneration Report.

Our approach to executive pay is designed to address the challenge of balancing a U.S. based management team with the expectations of a UK listed company. I hope that our shareholders will remain supportive of the approach and that you will vote in favour of the remuneration resolution at the 2023 AGM.

Sylvia Kerrigan
Chair of the Remuneration Committee
21 March 2023

Membership

During 2022, the committee was comprised of: Melanie A. Little, the Remuneration Committee Chair, Sandra M. Stash, both of whom are independent Non-Executive Directors, and David E. Johnson, the Non-Executive Chairman. Sylvia Kerrigan was appointed as Remuneration Committee Chair as of 1 January 2023 following Ms. Little's departure from the Board. In addition, David J. Turner, Jr. was appointed to the committee as an independent Non-Executive Director as of 1 January 2023. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

Meetings and Attendance

The Remuneration Committee met formally five times during the year and all committee members attended all meetings. The committee regularly meets in private executive session at the end of its committee meetings, without management present to ensure that points of common concern are identified and that priorities for future attention by the committee are agreed upon. The Chair of the committee keeps in close contact with the General Counsel and Human Resources team between committee meetings.

COMMITTEE EFFECTIVENESS

- The committee performed a critical analysis internal review and evaluation on itself, as part of its annual self-review process. No significant areas of concern were raised.

Responsibilities and Terms of Reference

A key objective of the committee is to help attract, retain and motivate talented executives by ensuring competitive remuneration and motivating incentives. The incentives are linked to the overall performance of the Group and, in turn, to the interests of all shareholders.

The Remuneration Committee is responsible for:

- Discussing and determining the Group's framework for executive remuneration;
- Determining the remuneration for each of the Executive Directors;
- Reviewing remuneration for other members of the Senior Leadership Team;
- Reviewing and recommending to the Board the remuneration of the Non-Executive Directors; and
- Overseeing and reviewing the structure and operation of the remuneration policy.

The committee has formal terms of reference which can be viewed on the Group's **website**.

Role of Management

The Group's Human Resources Department assists the Remuneration Committee and its independent compensation consultant (as applicable) in gathering the information needed for their respective reviews of the Group's compensation programme with respect to the Senior Leadership Team. This assistance includes assembling requested compensation data. The CEO develops pay recommendations for members of the Senior Leadership Team for review and discussion by the committee. The committee, in private session and without executive officers present, approves the CEO's pay levels.

Committee Considerations

Consistent with the six factors set out in Provision 40 of the UK Corporate Governance Code, when determining the Directors' Remuneration Policy and practices, the committee has determined there are no significant changes from the prior year and has continued to address the following:

Clarity – the Directors' Remuneration Policy is well understood by our executives and has been clearly articulated to Shareholders;

Simplicity – the committee believes the remuneration structure is simple and well understood. The design has avoided any complex structures which have the potential to deliver unintended outcomes;

Risk – the Directors' Remuneration Policy and approach to target setting seek to discourage inappropriate risk-taking. Malus and clawback provisions apply;

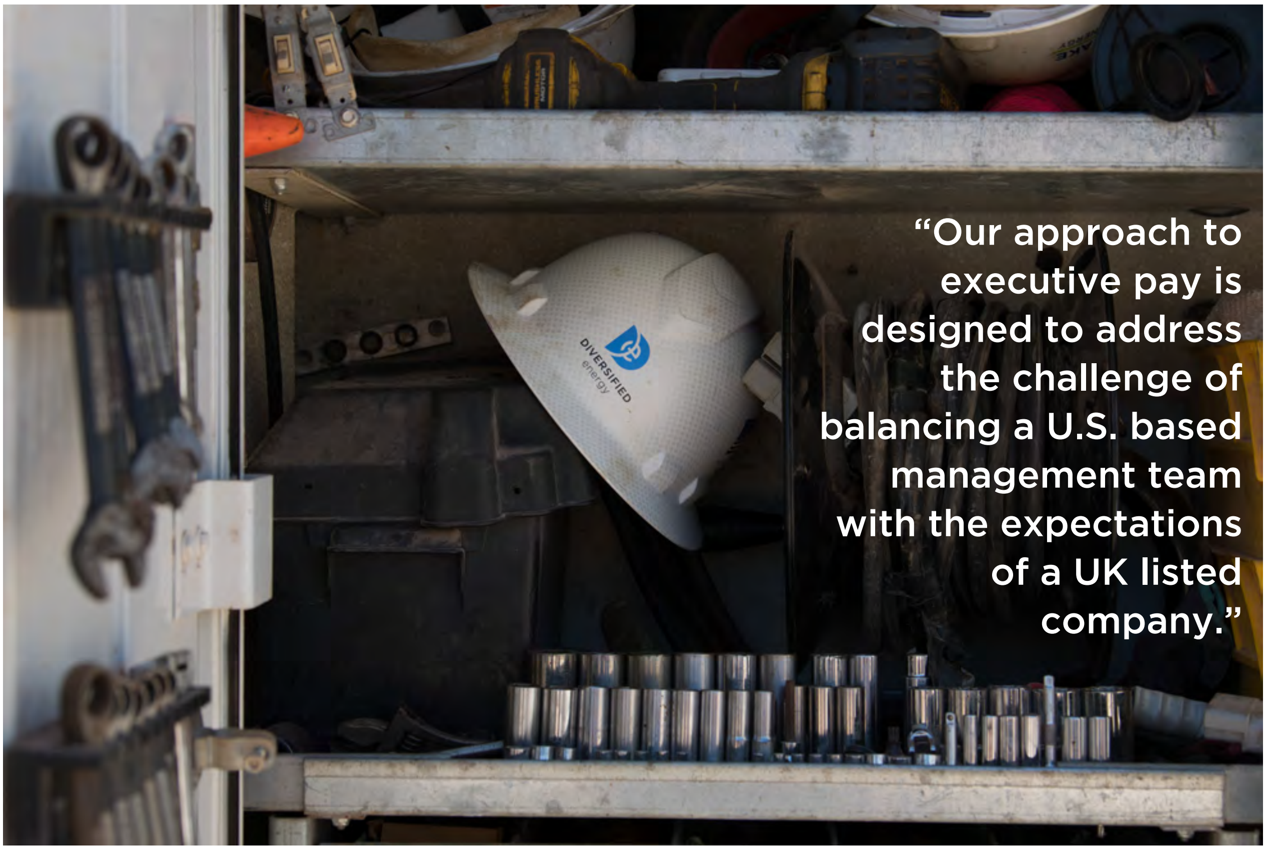
Predictability – executives' incentive arrangements are subject to individual participation caps. An indication of the range of values in packages is provided in the remuneration scenario charts. The final value of any share awards is based on achieving performance criteria and for shares issued their final values will depend on share price at the time of vesting;

Proportionality – there is a clear link between individual awards, delivery of strategy and our long-term performance; and

Alignment to Culture – pay and policies cascade down the organisation and are fully aligned to the Group's culture and specifically to "pay for performance".

External Advisors

During the year, FIT Remuneration Consultants LLP ("FIT"), signatories to the Remuneration Consultants Group's Code of Conduct, provided advice to the committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group or its Directors and, accordingly, the committee was satisfied that the advice provided by FIT was objective and independent. The committee selected and appointed FIT based on the positive experience with FIT in prior years, among other factors. FIT's fees in respect of 2022 were $36,741 (GBP: £29,690), plus value added tax. FIT's fees were charged on the basis of the firm's standard terms of business for advice provided. During 2021 the committee commissioned an independent review of the Executive and Non-Executive Directors' compensation and Senior Leadership Team compensation from Alvarez & Marsal Holdings LLC ("A&M"). A&M's fees in respect of 2022 were $75,895 (GBP: £61,330), which also included certain fees related to the 2022 AGM. A&M provided no other services to the Group and, accordingly, the committee was satisfied that the advice provided by A&M was objective and independent. The committee selected A&M based on their excellent reputation, among other factors.



Remuneration at a Glance

Remuneration Policy and Implementation

Stated Objective	Overview of Policy	Implementation for 2023
Base salary	— Reviewed annually. — Consideration given to the performance of the Group, the individual's performance, the individual responsibilities or scope of the role, and pay practices in relevant comparator companies in both the UK and U.S.	Executive Directors[a]: — CEO: Rusty Hutson, Jr.: $749,840 — COO: Bradley G. Gray: $455,188
Pension and benefits	— The current Executive Directors do not receive a pension contribution and any future provision will be aligned to the wider workforce.	— The current Executive Directors do not receive a pension contribution. — In line with the approach taken for all employees, the Group offers a retirement plan in accordance with subsection 401(k) of the Internal Revenue Code in which Executive Directors may make voluntary pre-tax contributions towards their own retirement. The Group matches Executive Directors' contributions up to $26 thousand per annum. — Benefits consist of standard car and health/insurance related benefits.
Annual bonus	— Maximum of 175% of salary for Rusty Hutson, Jr. and 150% of salary for Bradley G. Gray. — Paid in cash up to 100% of base salary; Outcomes above this level deferred as either shares or cash (at the individual's discretion) for one year provided continued service. — Subject to the achievement of relevant performance conditions, both qualitative and quantitative. — Subject to malus and clawback provisions.	Potential awards for 2023 performance period: — Rusty Hutson, Jr.: 175% of salary — Bradley G. Gray: 150% of salary — Performance conditions, which will have defined Threshold, Target, and Stretch payout criteria:  50% Adjusted EBITDA per Share  20% Cash Cost per Mcfe  30% ESG/EHS
Long-term incentives	— Performance Share Awards, subject to service and performance over a three-year period, and eligible for payment of applicable Dividend Equivalent Rights during the vesting period. — Maximum award of 325% of salary for Rusty Hutson, Jr. and 275% of salary for Bradley G. Gray with the increases phased in over two years. — Subject to malus and clawback provisions.	Potential awards for 2023: — Rusty Hutson, Jr.: 325% of salary — Bradley G. Gray: 275% of salary — Performance conditions:  40% Return on Equity  10% Relative TSR  30% Absolute TSR  20% Emissions
Share ownership requirements	— Rusty Hutson, Jr.: 300% of salary — Bradley G. Gray: 250% of salary — Continues to apply for first year post-employment, reducing to 200% of salary for the second year.	— Rusty Hutson, Jr. and Bradley G. Gray both meet these requirements.

[a] Effective 9 January 2023 and represents a 4% increase for Rusty Hutson, Jr. and 4% increase for Bradley G. Gray over 2022. This compares to increases across the Group ranging from 0% to 10.0% based on performance, with an average of 4.5%.

INTRODUCTION

Part A: Summarises the Director's Remuneration Policy which was approved by shareholders at the AGM held on 26 April 2022 (the "Directors' Remuneration Policy").

Part B: Constitutes the Annual Report on Remuneration sections of the Executive Directors' Remuneration Report.

PART A: DIRECTORS' REMUNERATION POLICY

A summary of the main sections of the Directors' Remuneration Policy, which was approved by shareholders at the 2022 AGM, is shown below. Certain details have been updated to reflect the implementation of the policy for the year ended 31 December 2023. The policy as approved by the Group's shareholders can be found within our 2021 Annual Report and Accounts which are available on our **website** at **https://ir.div.energy/reports-announcements**.

The following table summarises the Group's policies in respect of the key elements of our Directors' remuneration:

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Base salary This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.	— Base salaries will typically be reviewed annually, with consideration given to the performance of the Group and the individual, any changes in responsibilities or scope of the role and pay practices in relevant U.S. and UK comparator companies of a broadly similar size and complexity, with due account taken of both market capitalisation and turnover. — The committee does not strictly follow benchmark pay data, but instead uses it as one of a number of reference points when considering, in its judgment, the appropriate level of salary. Base salary is paid monthly in cash.	— It is anticipated that salary increases will generally be in line with those awarded to the general workforce. That said, in certain circumstances (including, but not limited to, changes in role and responsibilities, market levels, individual and Group performance), the committee may make larger salary increases to ensure they are market competitive. The rationale for any such increase will be disclosed in the relevant Annual Report.	n/a
Benefits To provide benefits valued by recipients.	— The Executive Directors currently receive standard car and health/ insurance related benefits. — Where appropriate, the Group will meet certain costs relating to Executive Director relocations. — In line with the approach taken for all employees, the Group offers a retirement plan in accordance with subsection 401(k) of the Internal Revenue Code in which Executive Directors may make voluntary pre-tax contributions towards their own retirement. The Group matches Executive Directors' contributions up to $26 thousand per annum. — The committee reserves the discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice.	— It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year to year. — Relocation expenses are subject to a maximum limit of 100% of base salary, provided that such expenses may be paid only in the year of appointment and for a further two financial years. — With limited exceptions, the U.S. Section 401(k) defined contribution plan currently provides company matching contributions up to a maximum of $26 thousand per annum. — The committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than what the committee considers appropriate in all the circumstances.	n/a

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Pension To provide retirement benefits.	— Currently, no element of the Directors' remuneration is pensionable, and the Group does not operate any pension scheme or other scheme providing retirement or similar benefits. — The committee reserves the discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice.	— The current Executive Directors do not receive a pension contribution. — Any future pension provision will be limited to levels aligned to the contribution levels for the majority of the workforce.	n/a
Annual bonus plan To motivate Executive Directors and incentivise the delivery of performance over a one-year operating cycle, focusing on the short- to medium-term elements of our strategic aims.	— Annual bonus plan levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy. — Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other major transactions where the committee considers it to be necessary in its opinion to make appropriate adjustments. — Annual bonus plan outcomes can be paid in cash up to 100% of base salary. Outcomes above this level will be deferred as either cash or shares (at the individual's discretion) for one year provided continued service. During the deferral period, the value of any dividends (if deferred as shares) will be paid in cash or shares. — Clawback provisions apply to the annual bonus plan, and malus and clawback will apply to deferred shares in accordance with the Group's clawback and malus policies.	— The maximum level of annual bonus plan outcomes is 175% of base salary for the CEO and 150% of base salary for the COO for the duration of this policy.	— The performance measures applied may be financial or non-financial; quantitative and qualitative; and corporate, divisional or individual and with such weightings as the committee considers appropriate. The metrics and weightings applicable in 2023 are as follows:  50% Adjusted EBITDA per Share  20% Cash Cost per Mcfe  30% ESG/EHS — Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a payout of more than 25% of the maximum portion of the overall annual bonus attributable to that measure, with a sliding scale to full payout for maximum performance. — However, the annual bonus plan remains a discretionary arrangement and the committee retains a standard power to apply its discretion to adjust the outcome of the annual bonus plan for any performance measure (from zero to any cap), should it consider that to be appropriate.

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Long-term incentives To motivate and incentivise the delivery of sustained performance over the long-term, and to promote alignment with shareholders' interests, the Group grants Performance Share Awards.	— Performance Share Awards vest over a period of three years, with awards vesting to the extent that performance conditions are satisfied. — Vested awards for Executive Directors will be subject to a further two-year holding period during which time awards may not normally be exercised or released but are no longer contingent on performance conditions or future employment. — After the vesting period, the value of any dividends accrued during the vesting period on Performance Share Awards will be paid in shares and will be subject to a further two-year holding period, or paid in cash at the end of a further two-year holding period. — Clawback and malus provisions apply to Performance Share Awards.	— Performance Share Awards may be granted with a maximum value of 325% of base salary per financial year to the CEO and 275% of salary to the COO. — In determining the number of shares subject to an award, the market value of a share shall, unless the Committee determines otherwise, be assumed to be the average share price for the five days following the announcement of the Group's results for the previous financial year.	— The Committee may set such performance conditions on Performance Share Awards as it considers appropriate, whether financial or non-financial and whether corporate, divisional or individual. Performance periods may be over such periods as the Committee selects at grant, which will not be less than, but may be longer than, three years. — The metrics and weightings applicable in 2023 are as follows:  40% Return on Equity  30% Absolute TSR  10% Relative TSR  20% Emissions — No more than 15% of awards vest for attaining the threshold level of performance conditions. The Committee also has a standard power to apply its judgment to adjust the formulaic outcome of all performance measures to take account of any circumstances (including the performance of the Group, any individual or business) should it consider that to be appropriate.

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Share ownership guidelines To further align the interests of Executive Directors with those of shareholders.	— Executive Directors are expected to build up a prescribed level of shareholding. — Minimum shareholding is 300% of base salary for the CEO and 250% of base salary for the COO. The committee reserves the power to amend, but not reduce, these levels in future years. — To the extent that the prescribed level has not been reached, Executive Directors will be expected to retain a proportion of the shares vesting under the Company's share plans until the guideline is met. — Any vested Performance Share Award shares subject to a holding period and any shares awarded in connection with annual bonus deferral will be included for the purpose of the guidelines (discounted for anticipated tax liabilities). — A post-employment shareholding requirement normally applies to Performance Share Award shares vesting after the effective date of the Directors' Remuneration Policy for 2022. The policy requires Executive Directors to hold the shares equivalent to their share ownership guideline at that date, for a period of one year post-employment and reducing to 200% of salary for the second year post-employment.	n/a	n/a
Chairman's and Non-Executive Directors' fees To enable the Group to recruit and retain a Chairman of the Board and Non-Executive Directors of the highest caliber.	— The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other U.S. and UK listed peers of equivalent size and complexity. — The fees payable are determined by the Board, and will include incremental Committee Chair and additional responsibility fees (as applicable). Directors do not participate in decisions regarding their own fees. — Non-Executive Directors are reimbursed all necessary and reasonable expenses incurred in connection with the performance of their duties and any tax thereon in accordance with the Group's Non-Executive Director Expense Reimbursement Policy. — No other benefits are envisaged for the Chairman and Non-Executive Directors, but the Group reserves the right to provide benefits, including company related travel and office support.	— Fees are paid monthly in cash. — A proportion of each Non-Executive Directors' fees may be required to be used for the acquisition of Group shares which must then be held until they cease to be a Director. — The aggregate fees and any benefits of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Group's Articles of Association for such fees. — Any increases actually made will be appropriately disclosed.	n/a

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The date of each Executive Director's contract is:

Name	Date of Service Contract	Duration
Rusty Hutson, Jr.	30 January 2017	Each Executive Director's service agreement should be of indefinite duration, subject to termination by the Group or the individual on six months' notice. The service agreements of all current Executive Directors comply with that policy.
Bradley G. Gray	30 January 2017	

The contracts of all current Executive Directors, which are available for inspection at the Group's registered office, contain a payment in lieu of notice clause which is limited to base salary only. In line with U.S. practice, depending on the circumstances of their severance from service, the Executive Directors may be entitled to certain payments, including previously accrued salary plus six months' salary for Mr. Gray and 12 months for Mr. Hutson. For each Non-Executive Director, the effective date of their latest letter of appointment is:

Name	Date of Letter of Appointment	Duration
David E. Johnson	3 February 2017	Initial period of 12 months, subject to re-election at each AGM of the Group and are terminable on three months' notice given by either party.
Martin K. Thomas	1 January 2015	
David J. Turner, Jr.	27 May 2019	
Sandra M. Stash	21 October 2019	
Melanie A. Little	19 December 2019	
Sylvia Kerrigan	11 October 2021	

The full policy included in the Group's 2021 Annual Report also includes further information on the following:

- Malus and Clawback
- Travel and Hospitality
- Differences Between the Policy on Remuneration for Directors from the Policy on Remuneration of Other Staff
- Committee Discretions
- Recruitment Remuneration Policy
- Remuneration Policy on Termination
- External Appointments
- Committee Discretion

Illustrations of Application of Executive Director Remuneration Policy

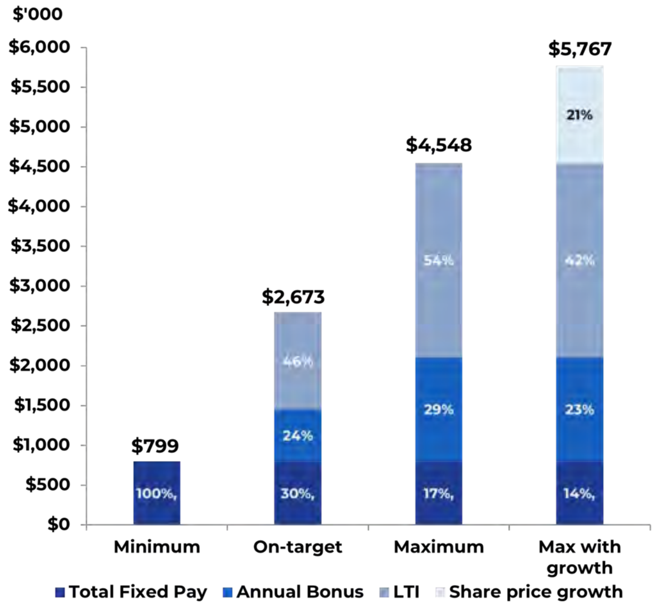
The following charts show how the remuneration policy for Executive Directors will be applied in 2023 using the assumptions shown overleaf:

Minimum	— Consists of base salary, benefits and pension. — Base salary is the salary to be paid in 2023. — Benefits are the value received in 2022. — No pension is provided, only 401(k) match to the extent applicable.
Target	Based on what the Executive Director would receive if performance was on-target (excluding share price appreciation and dividends): — Annual bonus: Consists of the target bonus (50% of maximum opportunity used for illustrative purposes). — Long-Term Incentives ("LTI"): Consists of the target level of vesting (50% vesting) of Performance Share Awards (at 325% of salary for Rusty Hutson, Jr. and 275% of salary for Bradley G. Gray).
Maximum	Based on the maximum remuneration receivable (excluding share price appreciation and dividends): — Annual bonus: Consists of maximum bonus of 175% of base salary for Rusty Hutson, Jr. and 150% of salary for Bradley G. Gray. — LTI: Consists of full vesting of Performance Share Awards (at 325% of salary for Rusty Hutson, Jr. and 275% of salary for Bradley G. Gray).
Maximum with share price growth	Based on the Maximum scenario set out above but with a 50% share price increase applied to the value of Long-Term Incentive Plan ("LTIP") awards.

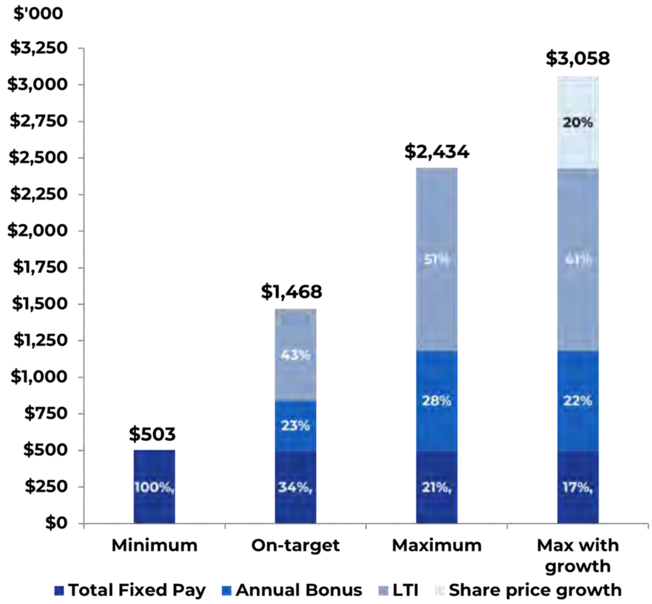
($ thousands)	Base Salary	Benefits	Benefit Plan[(a)]	Total Fixed
Rusty Hutson, Jr.	$ 750	$ 12	$ 37	$ 799
Bradley G. Gray	$ 455	$ 12	$ 36	$ 503

(a) Reflects amounts received under the Group's 401(k) contribution plan and health insurance benefits.

RUSTY HUTSON, JR.



BRADLEY G. GRAY



PART B: ANNUAL REPORT ON REMUNERATION

The remuneration for the Executive and Non-Executive Directors of the Group who performed qualifying services during the year is detailed below. The Non-Executive Directors received no remuneration other than their annual fee.

Directors' remuneration for the years ended 31 December 2022 and 2021 (audited):

Executive Directors	**Rusty Hutson, Jr.**		**Bradley G. Gray**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Salary/Fees	$ 720	$ 693	$ 437	$ 426
Taxable Benefits(a)	12	10	12	12
Benefit Plan(b)	37	35	36	37
Pension(c)	—	—	—	—
Total Fixed Pay	**769**	**738**	**485**	**475**
Bonus(d)	1,072	884	558	543
Long-Term Incentives(e)	4,030	573	2,378	262
Total Variable Pay	**5,102**	**1,456**	**2,936**	**805**
Total Remuneration	**$ 5,871**	**$ 2,195**	**$ 3,421**	**$ 1,280**

Non-Executive Directors - Total Remuneration	**31 December 2022**	**31 December 2021**
David E. Johnson	$ 200	$ 168
Martin K. Thomas	145	127
David J. Turner, Jr.	156	134
Sandra M. Stash	145	127
Melanie A. Little	145	127
Sylvia Kerrigan(f)	120	22

(a) Taxable benefits were comprised of Group paid life insurance premiums and automobile reimbursements.

(b) Reflects matching contributions under the Group's 401(k) plan and health insurance benefits.

(c) The Executive Directors do not receive a pension provision.

(d) Further details of the bonus outcome for 2022 can be found in the 2022 **Annual Bonus for Executive Directors** section within this Annual Report. For 2022, the bonus totals for Rusty Hutson, Jr., and Bradley G. Gray represent 148.75% and 127.5% of approved base salary, respectively. The amounts above 100% of salary will be deferred compulsorily into either cash or shares for one year provided continued service, without additional performance conditions. For 2021, the bonus totals for Rusty Hutson, Jr., and Bradley G. Gray represent 127.5% of base salary, respectively. The amounts above 100% of salary were deferred compulsorily into either cash or shares for one year provided continued service, without additional performance conditions.

(e) For 2022, the value of the Performance Share Award granted in 2020, including dividend equivalent units ("DEUs") accrued to date, and the notional gain on the Options granted in April 2018 and May 2019 with a performance period that ended on 31 December 2022 has been valued based on the number of shares and DEUs or Options that will vest and the three-month average share price for the period to 31 December 2022 (£1.254 per share) using an exchange rate of £1:$1.1750. The overall payout for the Performance Share Award was 94% and the grant share price for the awards was £0.646 and, accordingly, the relevant figures are reflective of an increase of 94% in the Group's share price over the three year period. For the options, the gain is based on the respective exercise prices of £0.84 (April 2018 grants) and £1.20 (May 2019 grants). For 2021, the notional gain on the Options granted in April 2018 and May 2019 with a performance period that ended on 31 December 2021 has been updated based on the number of Options that will vest and the difference between the three-month average share price for the period to 31 December 2021 (£1.076 per share) and the respective exercise prices of £0.84 (April 2018 grants) and £1.20 (May 2019 grants) using an exchange rate of £1:$1.3481.

(f) Appointed to the Board from 11 October 2021.

2022 ANNUAL BONUS FOR EXECUTIVE DIRECTORS (AUDITED)

For 2022 the overall bonus plan for Executive Directors maximum of 175% of base salary for the CEO and 150% of salary for the COO with an actual achieved formulaic bonus of 148.8% and 127.5%, respectively. The Group delivered a strong operational performance in 2022. The following table summarises the performance targets and outcomes which led to the committee's decisions as to the payout percentages.

The targets were as follows:

Measure	Threshold	Target[a]	Maximum (100% Payout)	Actual	% of Total Bonus	Payout %
Adjusted EBITDA per Share[b]	$ 0.46	$ 0.51	$ 0.56	$ 0.57	50%	50%
Cash Cost per Mcfe[c]	$ 1.42	$ 1.38	$ 1.34	$ 1.47	15%	—%
Acquisitions & Group Operations Funding	(See below)				5%	5%
ESG and EHS	(See below)				30%	30%
Total % of Maximum						85%
Total % of Salary - Rusty Hutson, Jr.						148.75%
Total % of Salary - Bradley G. Gray						127.50%

(a) Target was 75% for the Adjusted EBITDA per Share and Cash Cost per Mcfe measures and 50% for the Acquisitions and Group Operations Funding and ESG and EHS measures, but for all measures stretch allowed inclusion of acquisitions.

(b) Actual results for the Adjusted EBITDA per Share measure excluded 2022 acquisitions and utilised fully diluted weighted average shares outstanding as if the Group had not been in a loss position.

(c) Actual results for the Cash Cost per Mcfe measure excluded 2022 acquisitions and production taxes.

In respect of the non-financial performance targets set for the Executive Directors, these were set against a range of strategic targets at the start of the year. The targets set were aligned to the Group's corporate objectives and strategy. Details of the measures, to the extent they are not commercially sensitive are shown below.

		% of Total Bonus	Payout %
ACQUISITION AND GROUP OPERATIONS FUNDING			
Target	**Performance**	**5.00%**	**5.00%**
Achieve target leverage metrics	The Group's year-end 2022 Leverage, pro forma for 2022 acquisition contributions, was approximately 2.5x.	1.25%	1.25%
Maintain a robust syndicate of banks	The Group's Credit Facility consists of 14 leading institutions with several bulge bracket banks.	1.25%	1.25%
Complete Credit Facility Redetermination	The Group successfully closed Credit Facility redeterminations in Spring 2022 and Fall 2022. In addition, the Group completed an Credit Facility "drop-down" transaction allowing for significant efficiency in future financing transactions in August 2022.	1.25%	1.25%
Source and complete acquisition funding	The Group closed four ABS transactions for gross proceeds of approximately $1.2 billion and closed an Credit Facility upsizing of $100 million for the ConocoPhillips acquisition. Included with the ABS notes were the addition of sustainability-linked metrics that are tied to the Group's ESG metrics and initiatives.	1.25%	1.25%

Target	Performance	% of Total Bonus	Payout %
ESG - ENVIRONMENTAL			
Target	**Performance**	**15.00%**	**15.00%**
Complete pneumatic valve project to convert methane operations to air operations for 12 well pads and three compressor facilities by 31 December 2022.	The Group exceeded its goal and installed air compression to convert the energy source from natural gas to air compression at 57 facilities during 2022. The committee recommended paying the full amount of the eligible 5%.	5.00%	5.00%
Complete 60% (approximately 40,000) fugitive emissions detection surveys by 31 December 2022.	Utilising its GT-44 handheld emission detection devices, the Group completed by 30 September 2022 approximately 62,000 well surveys, representing 100% of its operated Appalachian wells. In total, the Group conducted 174,000 well surveys, including multiple visits to sites to resurvey and validate its low emissions results. Thus, the Group exceeded its well count target and completed the project 90 days earlier than its objective. The results of the project were very positive and validated an 80% no-leak rate on the surveyed wells. For the remaining 20% of wells with detected fugitive emissions, the well tenders were able to repair leaks on 50% of those at the time of the survey, thus affirming no-leak rates on 90% of surveyed wells upon completion of site visit. This information will allow the Group to lower its reported emissions due to now having the ability to use actual measurements vs. theoretical factors. The committee recommended paying the full amount of the eligible 5.0%.	5.00%	5.00%
Execute aerial LiDAR surveys with Bridger Photonics.	The Group completed a very successful first year with its aerial LiDAR programme with Bridger Photonics to fly over the southern Appalachia midstream assets. The teams created a detailed mapping process to ensure complete, efficient coverage and numerous procedures and dashboards to manage and track the project's progress. Bridger was able to fly approximately 11,000 miles of the Group's midstream system, representing approximately 60% of its owned pipelines. Concurrently with these flights, Bridger also surveyed over 10,000 facilities, including individual wells, central collection facilities and compressor stations, and provided emissions information as applicable. The committee recommended paying the full amount of the eligible 5.0%.	5.00%	5.00%
ESG - SOCIAL			
Target	**Performance**	**10.00%**	**10.00%**
Safety Reduce TRIR Rate: Threshold: 1.50; Target: 1.33; Stretch: 1.15. Reduce MVA: Threshold: 0.92; Target: 0.85; Stretch: 0.75.	The Group exceeded the stretch goals for both TRIR and MVA. In 2022, the Group recorded a TRIR of 0.73, down more than 50% from the 1.55 recorded in 2021 and lower than its 2022 goal of 1.33. The Group's much improved result in 2022 included several months where no safety incident occurred across the organisation, reflective of that consistent and continual focus the Group is investing in with its employees. With this improved performance in 2022, the three-year rolling average TRIR, on which a portion of executive and certain senior leadership short-term incentive compensation is based, also improves 27% to 1.21 as compared to the prior year's three-year rolling average of 1.65. The Group's 2022 MVA is 0.69 incidents per million miles driven. This rate is a 4% improvement from 2021 even with a 35% increase in miles driven and 18% more drivers in company vehicles during 2022 largely as a function of the acquisitions made during the year. The Group's three-year rolling average MVA, on which a portion of executive and certain senior leadership short-term incentive compensation is based, also improved 11% to 0.82 as compared to the prior year's three-year rolling average of 0.92. The committee recommended paying the full amount of the eligible 5.0%.	5.00%	5.00%

		% of Total Bonus	Payout %
Expand community support programmes.	In 2022, the Group intensified its already heightened commitment to its community outreach and development programmes across our ten State operating footprint. This enhanced focus included a $2+ million commitment to community outreach and giving, to include the addition of full-time Community Affairs personnel. These additions lead to coordinated efforts to support communities and increase workforce involvement in the community relations programme. A new DEC community grant programme was introduced in March 2022 and distributed funds across 80+ community partners. The focus of those community partners include: — Community enrichment; — The Environment; — Education and Workforce Development; — Higher education; — Disaster Response and Recovery; and — Child and family development. The Group works and lives in the communities in which it operates. The Group's commitment to these communities continues to grow through the involvement and dedication of its employees locally and the unwavering compassion of its charitable giving partners. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%
Implement Group volunteer programme.	The Group's Bright Funds programme was launched in the fourth quarter of 2022 as the Company Charitable Giving Match Programme and for tracking employee participation in volunteer programmes. The Giving Match programme was broadly communicated to employees, and employees contributed almost $10,000 (with a matching contribution from the Group) and logged 120 volunteer hours to local community events. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%
ESG - GOVERNANCE			
Target	**Performance**	**5.00%**	**5.00%**
Together with the Nomination and Governance Committee, formulate succession plans for key leaders of the Group.	Succession plans were developed for all senior leaders of the Group and these plans were submitted to the Nomination and Governance Committee and approved. The Nomination and Governance Committee completed its review of the submitted plans. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%
Develop and implement a company-wide procurement process.	The Corporate Procurement Policy was developed, implemented and communicated to all applicable employees. Employees receiving the new policy were required to acknowledge receipt and review of the policy. Documentation of the acknowledgements will be maintained by the Group's Human Resources team. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%

LONG-TERM INCENTIVES OUTCOME (AUDITED)

2020 LTIP Awards

The performance period in respect of the Performance Share Award granted in 2020 came to an end on 31 December 2022. Performance conditions were Return on Equity (40%), Absolute TSR (30%) and Relative TSR (30%) targets measured over three years. The targets and outcomes are set out below:

	Threshold	Maximum	Achieved	Vesting % of Component
Three-Year Average ROE[a]	17 %	27 %	28 %	100%
Absolute TSR (per annum)	10%	20%	17%	81%
Three-Year TSR v FTSE 250	Median	Upper Quartile	Above Upper	100%

(a) Calculated as (Adjusted EBITDA - Recurring Capital Expenditures - Interest Expense) / Invested Equity.

Based on the vesting percentages above, the number of shares expected to vest in March 2023 and their estimated value (based on the three-month average share price to 31 December 2022 of (£1.254 per share) are as follows:

	Maximum number of shares	Number of Shares to vest[a]	Number of shares to lapse	Estimated value at vesting[b]	Face value of awards vesting[c]	Impact of share price on vesting[d]
Rusty Hutson, Jr.	1,699,011	1,602,167	96,844	$ 2,361	$ 1,216	$ 1,145
Bradley G. Gray	1,044,577	985,036	59,541	1,452	748	704

(a) In addition to the number of shares to vest, 701,777 and 431,462 dividend equivalent units accrued over the performance period to date will also vest in March 2023 for Rusty Hutson Jr. and Bradley G. Gray, respectively.

(b) Based on the three-month average share price to 31 December 2022.

(c) Based on the number of shares vesting multiplied by the share price at the date of grant (£0.646).

(d) The grant share price for the award was £0.646 and accordingly the relevant figures are reflective of an increase of 94% in the Group's share price comparing the award price to the estimated vesting price.

The award also received the value of Dividend Equivalent Rights.

2019 Options

The performance period in respect of the second tranche of the Options granted in 2019 came to an end on 31 December 2022. Performance conditions were Adjusted EPS and Annualised TSR on an equally weighted basis. The targets and outcomes are set out below:

	Threshold	Maximum	Achieved	Vesting % of Component
Adjusted EPS	£ 0.17	£ 0.20	£ 0.12	0%
Annualised TSR	10%	20%	11%	33%

The number of shares expected to vest in March 2023 is shown below:

	Exercise Price	Number of Shares in Tranche	Vesting %	Number of Shares Vesting
Rusty Hutson, Jr.	£ 1.20	800,000	16.5%	132,000
Bradley G. Gray	£ 1.20	366,667	16.5%	60,500

2018 Options

The performance period in respect of the third tranche of the Options granted in 2018 came to an end on 31 December 2022. Performance conditions were Adjusted EPS, Annualised TSR and Time/Service on an equally weighted basis. The targets and outcomes are set out below:

	Threshold	Maximum	Achieved	Vesting % of Component
Adjusted EPS	£ 0.13	£ 0.16	£ 0.12	0%
Annualised TSR	10%	20%	19%	93%
Time/Service	Employed on vesting date		Yes	100%

The number of shares expected to vest in March 2023 is shown below:

		Exercise Price	Number of Shares in Tranche	Vesting %	Number of Shares Vesting
Rusty Hutson, Jr.	£	0.84	2,000,000	64.3%	1,286,666
Bradley G. Gray	£	0.84	916,666	64.3%	589,722

SHARE AWARDS GRANTED IN 2022 (AUDITED)

2022 LTIP Awards

During the year, the Executive Directors received a Performance Share Award, which may vest after a three-year performance period which will end on 31 December 2024, based on the achievement of stretching performance conditions.

	Value of Award as a % of Base Salary		Face Value of Award ($)	Number of Shares
Rusty Hutson, Jr.	300%	$	2,135,673	1,402,038
Bradley G. Gray	250%		1,094,203	718,328

In line with the ongoing policy, the share price used to calculate the award was £1.168, being the average share price over the five-day period commencing on 22 March 2022, the date that the Group issued its final 2021 results. The awards are based upon a GBP:USD exchange rate of 1:1.3041, which was the exchange rate at the date of grant. The date of grant was 15 March 2022. The LTIP Awards will vest following completion of the performance period (1 January 2022 - 31 December 2024), and no later than 15 March 2025, and vested shares will also be subject to a further two-year holding period.

The performance conditions are a weighted mix of Return on Equity (40%), Absolute TSR (30%), Relative TSR (10%) and Emissions (20%) targets measured over three years as described below. These measures encourage the generation of sustainable long-term returns to shareholders. In determining the level of vesting, the Remuneration Committee will consider that the outcome of the measurement reflects the underlying performance or financial health of the Group.

RETURN ON EQUITY (40% OF TOTAL AWARD)

Three-Year Average ROE[(a)]	% of that Part of the Award that Vests
Below 15% per annum	0%
15% per annum	15%
25% per annum or above	100%
15% to 25% per annum	Pro rata straight-line between 15% and 100%

ABSOLUTE TSR (30% OF TOTAL AWARD)

Three-Year TSR	% of that Part of the Award that Vests
Below 10% per annum	0%
10% per annum	15%
20% per annum or above	100%
10% to 20% per annum	Pro rata straight-line between 15% and 100%

RELATIVE TSR (10% OF TOTAL AWARD)

Three-Year TSR v FTSE 250	% of that Part of the Award that Vests
Below median	0%
Median	15 %
Upper quartile or above	100%
Median to upper quartile	Pro rata straight-line between 15% and 100%

EMISSIONS (20% OF TOTAL AWARD)

Emissions over Three Years	% of that Part of the Award that Vests
Below 10% Methane Intensity Reduction	0%
10% Methane Intensity Reduction	15%
20% Methane Intensity Reduction	100%
10% to 20% Methane Intensity Reduction	Pro rata straight-line between 15% and 100%

(a) Calculated as Adjusted EBITDA - recurring capital expenditures - interest expense) / invested equity.

OUTSTANDING EXECUTIVE DIRECTOR SHARE PLAN AWARDS (AUDITED)

Details of all outstanding share awards as at 31 December 2022 made to Executive Directors are set out below:

Rusty Hutson, Jr.

Award Type	Exercise Price (£)	Grant Date	Interest at 1 January 2022	Awards Granted in the Year	Accrued Dividend Equivalents	Awards Exercised in the Year	Awards Lapsed in the Year	Interest at 31 December 2022[a]	Exercise/Vesting Period
PSU		15 March 2022	—	1,402,038	223,511	—	—	1,625,549	March 2025 [b]
PSU		15 March 2021	823,653	—	237,690	—	—	1,061,343	March 2025 [c]
RSU		8 March 2021	166,206	—	18,068	184,274	—	—	February 2022 [d]
PSU		23 June 2020	1,699,011	—	744,196	—	139,263	2,303,944	March 2023 [e]
Options	£ 1.20	9 May 2019	1,600,000	—	—	—	668,000	932,000	May 2022 - May 2029 [f]
Options	£ 0.84	14 April 2018	5,800,000	—	—	3,800,000	713,334	1,286,666	May 2021 - May 2028 [g]

Bradley G. Gray

Award Type	Exercise Price (£)	Grant Date	Interest at 1 January 2022	Awards Granted in the Year	Accrued Dividend Equivalents	Awards Exercised in the Year	Awards Lapsed in the Year	Interest at 31 December 2022[a]	Exercise/Vesting Period
PSU		15 March 2022	—	718,328	114,515	—	—	832,843	March 2025 [b]
PSU		15 March 2021	511,927	—	146,135	—	—	658,062	March 2025 [d]
PSU		23 June 2020	1,044,577	—	457,542	—	85,621	1,416,498	March 2023 [e]
Options	£ 1.20	9 May 2019	733,333	—	—	—	306,167	427,166	May 2022 - May 2029 [f]
Options	£ 0.84	14 April 2018	2,658,333	—	—	1,741,667	326,945	589,721	May 2021 - May 2028 [g]

(a) A performance factor of 94.3% was applied to 1,699,011 of the awards granted to Mr. Hutson and 1,044,577 of the awards granted to Mr. Gray in June 2020, and 744,196 and 457,542 dividend equivalent units accrued over the performance period to date, respectively, resulting in remaining interest of 2,303,944 and 1,416,498 total units vesting in March 2023, respectively. A performance factor of 16.5% was applied to 800,000 of the awards granted to Mr. Hutson and 366,667 of the awards granted to Mr. Gray in May 2019, resulting in 132,000 and 60,500 options vesting in March 2023 and remaining interest of 932,000 and 427,166, respectively. A performance factor of 64.3% was applied to 2,000,000 of the awards granted to Mr. Hutson and 916,666 of the awards granted to Mr. Gray in April 2018, resulting in 1,286,666 and 589,721 options vesting in March 2023, respectively, and remaining interest of 1,286,666 and 589,721, respectively.

(b) Refer to the **Share Awards Granted in 2022** section above for details of performance conditions.

(c) Refer to the Group's 2021 Annual Report and Accounts for details of performance conditions.

(d) RSUs granted in March 2021 were granted in accordance with the Group's annual bonus award as set out in the Group's 2020 Annual Report and Accounts with no further performance conditions.

(e) See Group's 2021 Annual Report and Accounts for details of performance conditions.

(f) Options granted on 9 May 2019 with an exercise price of £1.20 per share with a three-year ratable vesting period. 100% of the Options are subject to performance conditions.

(g) Options granted on 14 April 2018 with an exercise price of £0.84 per share with a three-year ratable vesting period. Two-thirds of the Options are subject to performance conditions.

During the year ended 31 December 2022, the highest closing price of the Group's shares was £1.420 and the lowest closing price was £1.040. At 31 December 2022 the closing share price was £1.164.

The aggregate gains by all Directors during 2022 was nil.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

The table below details, for each Director, the total number of Directors' interests in shares at 31 December 2022:

	Shareholding	Shareholding Required (% of Salary)	Compliance With Share Ownership Guidelines	Share Interests
Rusty Hutson, Jr.	22,206,001	200%	✓	7,209,502 [a]
Bradley G. Gray	2,394,782	200%	✓	3,924,290 [b]
David E. Johnson	420,000	–	–	—
Martin K. Thomas	2,206,000	–	–[c]	—
David J. Turner, Jr.	378,475	–	–[c]	—
Sandra M. Stash	24,181	–	–[c]	—
Melanie A. Little	46,450	–	–[c]	—
Sylvia Kerrigan	5,960	–	–[c]	—

(a) A performance factor of 94.3% was applied to 1,699,011 of the awards granted to Mr. Hutson in June 2020 and 744,196 dividend equivalent units accrued over the performance period to date, resulting in remaining interest of 2,303,944 total units vesting in March 2023. A performance factor of 16.5% was applied to 800,000 of the awards granted to Mr. Hutson in May 2019, resulting in 132,000 options vesting in 2022. A performance factor of 64.3% was applied to 2,000,000 of the awards granted to Mr. Hutson in April 2018, resulting in 1,286,666 options vesting in 2022. All vested options were exercised as of 31 December 2022. All other awards were unvested as of 31 December 2022.

(b) A performance factor of 94.3% was applied to 1,044,577 of the awards granted to Mr. Gray in June 2020 and 457,542 dividend equivalent units accrued over the performance period to date, resulting in remaining interest of 1,416,498 total units vesting in March 2023. A performance factor of 16.5% was applied to 366,667 of the awards granted to Mr. Gray in May 2019, resulting in 60,500 options vesting in 2022. A performance factor of 64.3% was applied to 916,666 of the awards granted to Mr. Hutson in April 2018, resulting in 589,721 options vesting in 2022. All vested options were exercised as of 31 December 2022. All other awards were unvested as of 31 December 2022.

(c) The Non-Executive Directors purchase shares twice annually pursuant to the Non-Executive Director Share Purchase Programme implemented in 2022. Shares purchased under the Non-Executive Director Share Purchase Programme must be held until retirement from the Board. While this is not part of the Share Ownership Guidelines, each Non-Executive Director is in compliance with the parameters of the Non-Executive Director Share Purchase Programme.

PAYMENTS TO PAST DIRECTORS (AUDITED)

Robert Post retired as a Board member in April 2020. Mr. Post continued to provide advice to the Board post-retirement as a consultant, receiving fees in 2022 of £97,500.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments for loss of office were made during the year.

EXECUTIVE DIRECTORS SERVING AS NON-EXECUTIVE DIRECTORS OF OTHER COMPANIES

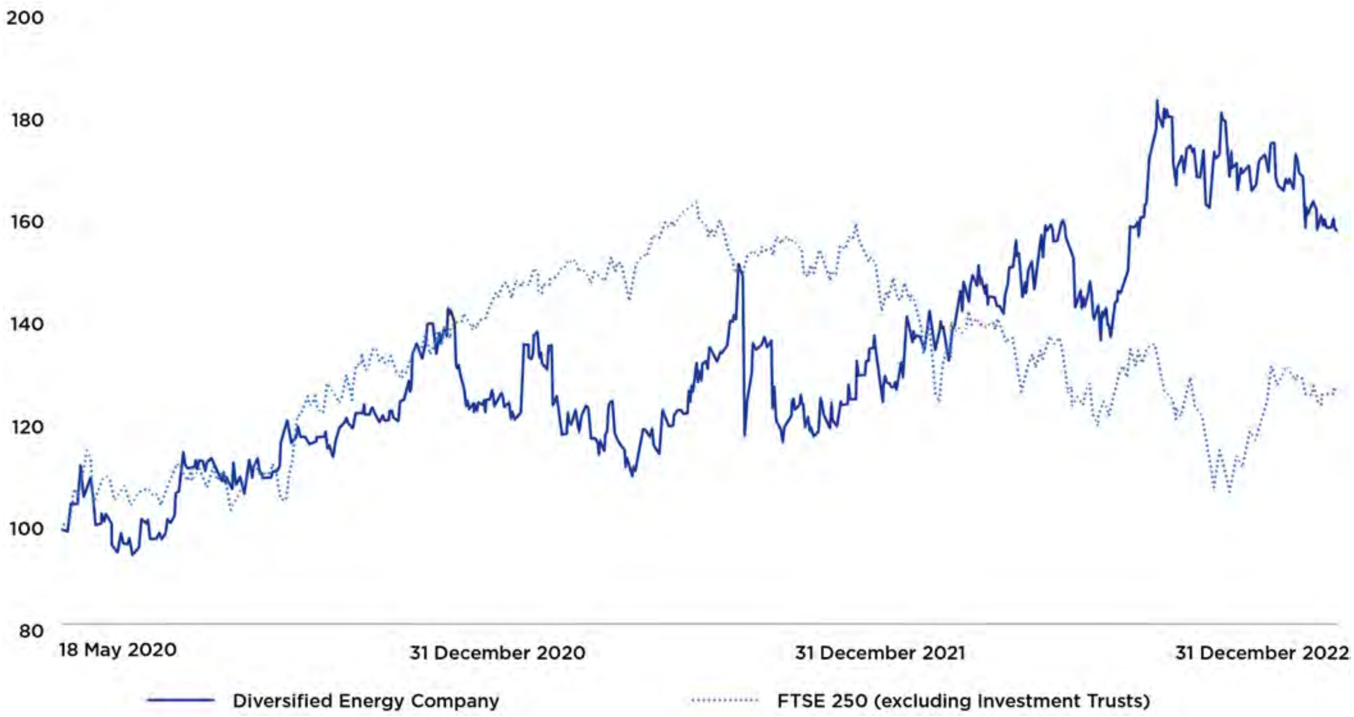
During the year none of the Executive Directors served as a Non-Executive Director of any other company in respect of which any Board-related remuneration was received.

PERFORMANCE GRAPH AND CEO REMUNERATION TABLE

The Directors' Remuneration Report Regulations 2002 require a line graph showing the TSR on a holding of shares in the Group since admission to the Premium Segment of the Main Market of the LSE to the most recent financial year end following such admission, as well as the TSR for a hypothetical holding of shares in a broad equity market index for the same period. The Group was admitted to the Main Market on 18 May 2020 and the graph below covers that period, comparing the Group's TSR to that of the FTSE 250 (excluding Investment Trusts), an index of which the Group is a constituent. The committee is satisfied that the CEO's remuneration is supported by the TSR performance data presented below.

TOTAL SHAREHOLDER RETURN

Rebased at 100 on 18 May 2020



Source: Datastream (a Refintiv product)

The table below details certain elements of the CEO's remuneration over the same period as presented in the TSR Index graph:

(In Thousands)

Year	CEO		Single Figure of Total Remuneration	Annual Bonus Pay-Out Against Maximum %	Long-Term Incentive Vesting Rates Against Maximum Opportunity %
2022	Rusty Hutson, Jr.	$	5,871	85%	71%
2021	Rusty Hutson, Jr.	$	2,195	85%	45%
2020	Rusty Hutson, Jr.	$	2,307	94 %	100%

Annual Change in Remuneration of Each Director Compared to Employees

The table below presents the year-on-year (2020-2022) percentage change in remuneration for each Director and all employees of the Group.

	% Change from 2021 to 2022			% Change from 2020 to 2021		
Name	**Salary/ Fee**	**Annual Bonus**	**Taxable Benefits**	**Salary/ Fee**	**Annual Bonus**	**Taxable Benefits**
Rusty Hutson, Jr.	4%	21%	20%	3%	(7%)	400%
Bradley G. Gray	3%	3%	—%	3%	(7%)	(14%)
David E. Johnson	19%	—%	—%	3%	—%	—%
Martin K. Thomas	14%	—%	—%	2%	—%	—%
David J. Turner, Jr.	16%	—%	—%	3%	—%	—%
Sandra M. Stash	14%	—%	—%	2%	—%	—%
Melanie A. Little	14%	—%	—%	2%	—%	—%
Sylvia Kerrigan[(a)]	445%	—%	—%	100%	—%	—%
All employees, excluding Directors	5%	5%	—%	11%	(2%)	—%

(a) Sylvia Kerrigan was appointed to the Board on 11 October 2021.

CEO TO EMPLOYEE PAY RATIO

Although the Group does not have 250 full time equivalent UK employees, the Group provides a CEO to employee pay ratio on a voluntary basis below. The average CEO to employee pay ratio improved this year. The committee is satisfied that the CEO to employee pay ratio is consistent with the Group's overall aim to ensure its employees are rewarded fairly and competitively for their contributions.

Year	Method	25th Percentile Pay Ratio	Average Pay Ratio	75th Percentile Pay Ratio
2022	Option A	28:1	19:1	17:1
2021	Option A	44:1	30:1	28:1
2020	Option A	55:1	30:1	14:1

Notes to the CEO to employee pay ratio:

1. We have used Option A, following guidance that this is the preferred approach of some proxy advisors and institutional shareholders. Option A captures all relevant pay and benefits for all employees.
2. The ratios shown are representative of the 25th percentile, median and 75th percentile pay for all employees within the Group during the 2022 calendar year.
3. The CEO pay ratio is based on the taxable income for all employees employed for the duration of calendar year 2022 as reported on U.S. IRS Form W-2, Wage and Tax Statement.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below details the change in total employee pay between 2021 and 2022, compared with distributions to shareholders by way of dividend or share buybacks.

(In thousands)	2022	2021	% Change
Total gross employee pay	$ 113,267	$ 83,790	35 %
Dividends/share buybacks	178,146	130,239	37 %

The number of employees as of 31 December 2022 was 1,582, as compared to 1,426 employees as of 31 December 2021.

Statement of Voting at General Meeting

The following table shows the results of the binding Remuneration Policy and the advisory Directors' Remuneration Report vote at the 26 April 2022 AGM.

	(Binding Vote) Approval of the Directors' Remuneration Policy		(Advisory Vote) Director Remuneration Report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	555,661	82.75%	608,581	87.60%
Against	115,862	17.25%	86,165	12.40%
Votes withheld	23,291		66	

IMPLEMENTATION OF POLICY FOR 2023

Base Salary

The Executive Directors' base salaries for 2023 will be as follows:

- Rusty Hutson, Jr: $749,840
- Bradley G. Gray: $455,188

For 2023, the Committee has approved an increase to the CEO's salary by 4% and the COO's by 4%. This compares to increases across the Group ranging from 0% to 10% based on performance, with an average of 4.5%. It is anticipated that increases for the remainder of the life of the policy will be in-line with the range of the workforce.

Pension

The Executive Directors do not receive a pension provision.

Benefits

The Executive Directors receive life insurance and automobile benefits, and matching contributions under the Group's 401(k) plan. There is no current intention to introduce additional benefits in 2023.

Annual Bonus

The overall 2023 bonus plan maximum will be 175% of base salary for Rusty Hutson, Jr. and 150% of base salary for Bradley G. Gray.

The bonus will be based on a range of targets relating to Adjusted EBITDA per Share (50%), Cost per Mcfe (20%), and ESG/ EHS (30%).

Due to issues of commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Committee is committed to adhering to principles of transparency in terms of retrospective annual bonus target disclosure and will, therefore, provide appropriate and relevant levels of disclosure for the bonus targets applied to the 2023 bonus (and performance against these targets) in next year's Directors' Remuneration Report.

Bonuses are payable in cash for outcomes up to 100% of base salary, with any outcomes above this level made as awards of deferred shares or cash which vests after one year.

Long-Term Incentives

Performance Share Awards will be made in 2023 to Rusty Hutson, Jr. with shares worth 325% of salary and to Bradley G. Gray with shares worth 275% of salary. The share price used to calculate the number of shares subject to the award will be based on the average share price over the five-day period commencing on the date that the Group issues its final 2021 results. These awards will vest three years after grant, and will also be subject to a further two-year holding period after the initial three-year period to vesting.

The performance conditions for the Performance Share Award will be a mix of Return on Equity (40%), Absolute TSR (30%), Relative TSR (10%) and Emissions (20%) targets measured over three years as described below. These are measures which encourage the generation of sustainable long-term returns to shareholders. The inclusion of the Emissions metric is to align with the Group's emissions commitments and the change in the weighting of the TSR measures recognises the Board's continued commitment to absolute shareholder returns which represents a core principle of our strategy. When determining the level of vesting the committee will also consider that the outcome of the measurement reflects the underlying performance or financial health of the Group.

RETURN ON EQUITY (40% OF TOTAL AWARD)

Three-Year Average ROE	% of that Part of the Award that Vests
Below 15% per annum	—%
15% per annum	15%
25% per annum or above	100%
15% to 25% per annum	Pro rata straight-line between 15% and 100%

ABSOLUTE TSR (30% OF TOTAL AWARD)

Three-Year Absolute TSR	% of that Part of the Award that Vests
Below 10% per annum	—%
10% per annum	15%
20% per annum or above	100%
10% to 20% per annum	Pro rata straight-line between 15% and 100%

RELATIVE TSR (10% OF TOTAL AWARD)

Three-Year TSR v FTSE 250	% of that Part of the Award that Vests
Below median	—%
Median	15%
Upper quartile or above	100%
Median to upper quartile	Pro rata straight-line between 15% and 100%

EMISSIONS (20% OF TOTAL AWARD)

Emissions over Three Years	% of that Part of the Award that Vests
Below 8% Methane Intensity Reduction	—%
8% Methane Intensity Reduction	15%
20% Methane Intensity Reduction	100%
8% to 20% Methane Intensity Reduction	Pro rata straight-line between 15% and 100%

NON-EXECUTIVE DIRECTORS' FEES

David E. Johnson will receive an annual fee of £174,000 (or $215,760) as Chairman. Each Non-Executive Director receives a base annual fee of £105,000 (or $130,200), with additional fees as noted below (table in thousands, except rates). In connection with increase in Non-Executive Directors' fees in 2022, the Non-Executive Directors must use the increase in fees (after receipt, and net of taxes and withholdings) to purchase Group shares that must be held until retirement from the Board.

		GBP	Exchange Rate		USD
David J. Turner, Jr.[(a)]	£	135	1.24	$	167
Sandra M. Stash[(b)]		125	1.24		155
Sylvia Kerrigan[(c)]		125	1.24		155
David E. Johnson		174	1.24		216
Martin K. Thomas[(d)]		125	1.24		155
Kathryn Z. Klaber		105	1.24		130
Total	**£**	**789**		**$**	**978**

(a) Includes Senior Independent Director fee of £10,000 (or $12,400) and Audit & Risk Committee Chair fee of £20,000 (or $24,800).

(b) Includes Sustainability and Safety Committee Chair fee of £20,000 (or $24,800).

(c) Includes Remuneration Committee Chair fee of £20,000 (or $24,800).

(d) Includes Nomination and Governance Committee Chair fee of £20,000 (or $24,800).

Sylvia Kerrigan
Chair of the Remuneration Committee
21 March 2023

The Sustainability and Safety Committee's Report

Committee Composition

Sandra M. Stash (63)
Independent Non-Executive Director (Chair)
Strength: **Industry**
Independence from: **Management & Other interests**

David E. Johnson (62)
Non-Executive Chairman, Independent upon Appointment
Strength: **Finance**
Independence from: **Management & Other interests**

Melanie A. Little (53)
Independent Non-Executive Director (through 31/12/22)
Strength: **Industry**
Independence from: **Management & Other interests**

Bradley G. Gray (54)
Executive Vice President & Chief Operating Officer
Strength: **Industry**
Independence from: **Other Interests**

Kathryn Z. Klaber (57)
Independent Non-Executive Director (as of 1/1/23)
Strength: **Regulatory, ESG**
Independence from: **Management & Other Interests**

Key Objective

The Sustainability and Safety Committee acts on behalf of the Board and the shareholders to oversee the practices and performance of the Group with respect to health and safety, business ethics, business conduct and responsibility, social affairs, the environment (including climate change) and broader sustainability issues. As part of the Group's overall ESG actions, the committee oversees the Group's climate scenario analysis planning and performance against goals and ensures adherence to the recommended TCFD disclosures for use by investors, lenders, insurers and other stakeholders.

Overview

The committee assesses the Group's overall sustainability performance and provides input into the Annual Report, the Sustainability Report and other disclosures on sustainability. It also advises the Remuneration Committee on metrics relating to sustainable development, GHG and other emissions, regulatory compliance, diversity, equity and inclusion, community engagement and other social goals, as well as health and safety that apply to executive remuneration.

The committee endorses the Group's ESG and Safety plans and reviews execution of the plan and audit outcomes. In addition, the committee reviews and considers external stakeholder perspectives in relation to the Group's business, and reviews how the Group addresses issues of public and stakeholder concern that could affect its reputation and licence to operate.

The overall accountability for sustainability and safety is with the Chief Operating Officer and the Senior Leadership Team, including the Chief Human Resources Officer, the Senior Vice President of EHS and the Vice President of ESG & Sustainability, who are assisted by the EHS team.

Key Matters Discussed by the Committee

MAIN ACCOMPLISHMENTS OVER THE COURSE OF 2022

- Established and reviewed the Group's sustainability and safety strategies and assessed the Group's performance;
- Engaged with the leadership of the Group and monitored progress against the Group's methane emission intensity reduction targets and accelerated commitment to achieve net zero Scope 1 and 2 GHG emissions by 2040;
- Continued the review programme to align executive management remuneration with key EHS and ESG performance indicators and metrics, including factoring GHG reductions into long-term incentives, that has been communicated to the Remuneration Committee;
- Engaged with a consortium of advisers, comprising leading global environmental consultancies and other strategic advisers, and continued to implement the recommendations set forth by the TCFD; and
- Reviewed the Group's sustainability and ESG related communications, including the composition and approval of the Group's 2021 Sustainability Report and preparation for issuance of the 2022 Sustainability Report.

COMMITTEE ACTIVITIES BY FOCUS AREA

During 2022, the committee met regularly to review and discuss a range of prioritised topics. These topics included (i) the safe and responsible operation of the Group's upstream and midstream assets; (ii) environmental protection and conservation activities; (iii) the Group's approach to diversity, equity and inclusion; (iv) the Group's approach to managing climate risk, (v) the Group's emissions reduction capital programmes; and (vi) the Group's expansion of its plugging business. The committee also focused on the following:

PROCESS SAFETY

- The Senior Vice President of EHS presented an overview of the Group's process safety approach and identification of high-risk facility performance, as well as comparable performance benchmarking against industry peers.

CORPORATE SCORECARD METRICS OVERSIGHT

- The committee reviewed the quantitative and qualitative drivers impacting the Group's personnel safety, emissions management, environmental performance, and asset retirement metrics that support performance analysis.

ESG RATING AGENCY ENGAGEMENT

- The committee reviewed the Group's various third-party ESG rating scores, including analysis of the process and review of scorecards to determine targeted areas of improvement.

CLIMATE RISK

- The committee engaged the support of industry and internationally recognised consultants and advisors to help the Group update its climate scenario analysis and advance its work on climate governance, strategy, risk management and metrics as set forth under the TCFD. The committee oversaw the Group's engagement with the GHG emissions inventory and associated scenario analyses and remains actively engaged in setting targets in accordance with the recommendations. The committee has considered the relevance of material climate-related matters, including the physical and transition risks of climate change, when preparing this Annual Report. Further information can be found in the **TCFD** and **Climate-Related Risks** sections within this Annual Report.

ACQUISITION DUE DILIGENCE

- Adding emphasis to its oversight of the Group's investment activities, the committee stayed apprised of the progress and assessment of the Group's emissions screening efforts to aid in its assessment that proposed acquisitions and other capital investments have on its consolidated GHG emissions profile and associated publicly stated targets.

EMISSION REDUCTION INITIATIVES

- The committee engaged in strategic discussions with senior management regarding its capital programme for emissions reductions, including regular updates on the deployment and success of handheld detection equipment and aerial LiDAR surveys, as well as the replacement of pneumatic valves. The Group also advanced its Marginal Abatement Cost Curve (MACC) analysis that will help to inform reduction emissions planning in future years.

OIL & GAS METHANE PARTNERSHIP RECOGNITION

- The committee supported the Group's efforts in achieving the OGMP 2.0 Gold Standard Pathway designation in recognition of the Group's demonstrated commitment to set aggressive and achievable multi-year plans designed to accurately measure and transparently report its efforts to reduce methane emissions.

CARBON PRICING

- The committee engaged with expert third-party consultants to continue to assess potential carbon pricing methodologies to inform investment decision-making, which the Group plans to more fully implement and embed during 2023.

AREAS OF FOCUS FOR 2023 AND BEYOND

- Support the Group in meeting increasing ESG oversight, reporting and disclosure expectations of the Group's stakeholders, including short, medium and long-term quantitative metrics and qualitative objectives tied to executive compensation for reducing GHG emissions (including formalising a roadmap to be net zero Scope 1 and 2 GHG emissions by 2040);
- Support management with effective oversight and advice as the Group executes and reports on the recommendations of the TCFD work and MACC analysis, serving to further integrate climate considerations into business strategies;
- Provide advice and guidance on potential further EHS enhancements and reporting metrics, including an increased focus on water management and biodiversity; and
- Support the Group in its diversity, equity and inclusion aspirations.

COMMITTEE EFFECTIVENESS

- The committee performed a critical analysis internal review and evaluation on itself, as part of its annual self-review process. No significant areas of concern were raised.

Membership

The formation of a Sustainability and Safety Committee is not a recommendation under the current UK Corporate Governance Code. The Group and the Board, however, consider such a committee to be an imperative given the operational footprint of the business and the evolving operational, regulatory, social and investment markets within which the Group operates.

During 2022, the committee was comprised of the Non-Executive Chairman, two Independent Non-Executive Directors and one Executive Director: Sandra M. Stash, the Sustainability and Safety Committee Chair, Melanie A. Little, David E. Johnson and Bradley G. Gray, the Group's Chief Operating Officer. Kathryn Z. Klaber was appointed to the committee as an Independent Non-Executive Director as of 1 January 2023 following Ms. Little's departure from the Board and the committee. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

The committee has extensive and relevant experience in EHS and social matters through their other business activities. For one example, Ms. Stash formerly served as Executive Vice President — Safety, Operations, Engineering, and External Affairs for Tullow Oil until her retirement.

Meetings and Attendance

The Sustainability and Safety Committee met five times during 2022 and one time thus far in 2023. The committee also regularly meets in private executive session at the end of its committee meetings, without management present to ensure that points of common concern are identified and that priorities for future attention by the committee are agreed upon. The Chair of the committee keeps in close contact with the General Counsel, the Vice President of ESG and Sustainability, the Senior Vice President of EHS and the EHS team and external consultants between meetings of the committee.

The list below details the members of the Senior Leadership Team who were invited to attend meetings as appropriate during the calendar year. In addition, FIT Remuneration Consultants LLP attended certain of the meetings by invitation as advisor to the Group.

- Benjamin Sullivan (Executive Vice President, General Counsel, and Corporate Secretary)
- Eric Williams (Executive Vice President and Chief Financial Officer)
- Paul Espenan (Senior Vice President of Environmental, Health and Safety)
- Teresa Odom (Vice President of ESG and Sustainability)
- Mark Kirkendall (Executive Vice President, Chief Human Resources Officer)

Responsibilities and Terms of Reference

The committee's main duties are:

- Overseeing the development and implementation by management of policies, compliance systems, and monitoring processes to ensure compliance by the Group with applicable legislation, rules and regulations.
- Establishing with management long-term climate, environmental and social sustainability, EHS goals and evaluating the Group's progress against those goals.
- Considering and advising management of emerging environmental and social sustainability issues, such as the TCFD, that may affect the business, performance or reputation of the Group and makes recommendations, as appropriate, on how management can address such issues.
- Advising management on implementing, maintaining and improving environmental and social sustainability and EHS strategies, implementation of which creates value consistent with long-term preservation and enhancement of shareholder value.
- Monitoring the Group's risk management processes related to environmental and social sustainability and EHS with particular attention to managing and minimising environmental risks and impacts.
- Reviewing handling of incident reports, results of investigations into material events, findings from environmental and social sustainability and EHS audits and the action plans proposed pursuant to those findings.

The committee has formal terms of reference which can be viewed on the Group's **website**.

Sandra M. Stash
Chair of the Sustainability and Safety Committee
21 March 2023

The Committee has extensive and relevant experience in EHS matters through their other business activities.

Group Financial Statements

Independent Auditors' Report to the Members of Diversified Energy Company PLC
118

Consolidated Statement of Comprehensive Income
128

Consolidated Statement of Financial Position
129

Consolidated Statement of Changes in Equity
130

Consolidated Statement of Cash Flows
131

Notes to the Group Financial Statements
132

Independent auditors' report to the members of Diversified Energy Company PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Diversified Energy Company PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and the Company Statements of Financial Position as at 31 December 2022; the Consolidated Statement of Comprehensive Income, the Consolidated and the Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

In establishing the overall approach to the Group audit, we determined the type of work required to be performed for the consolidated financial statements by the Group audit team, or through involvement of our component auditors in the USA. The Group's assets and operations are located in the USA and all financial reporting is undertaken there. Our component audit team, under the Group team's direction and supervision, performed walkthroughs to understand and evaluate the key financial processes and controls across the Group. Where work was performed by our component auditors in the USA, we determined the level of our involvement in the audit work for the consolidated Group in order to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. As part of our year end audit, the Group team's involvement included visits to Birmingham, Alabama during the interim and execution phases of the audit, as well as conference calls, review of component auditor work papers and key meetings and other forms of communication as considered necessary.

Overview

Audit scope

- The Group's assets and operations are based in the Appalachian and Central regions of the USA. We conducted a full scope audit over the consolidated Group based in the USA, treating this as one component including the Parent Company, in line with how the Group is managed and the organisation of the Group's financial reporting system. In the prior year, we had two other components relating to the acquisition of Tapstone in December 2021, which had not been integrated into the wider Group by the year-end. This has now been integrated and as such is considered part of the Group component. Financial reporting is undertaken for the consolidated Group at the head office in Birmingham, Alabama.

Key audit matters

- Accounting for Acquisitions of Gas and Oil Properties (Group)
- Carrying Value of Investments in Subsidiaries (Parent)

Materiality

- Overall Group materiality: $12.4m (2021: $8.4m) based on 2.5% of Adjusted EBITDA, excluding non-cash equity compensation.
- Overall Company materiality: £9.7m (2021: £5.9m) based on 1% of Total Assets.
- Performance materiality: $9.3m (2021: .$6.3m) (Group) and £7.3m (2021: £4.4m) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Accounting for Acquisitions of Gas and Oil Properties (Group)

Refer to Note 3 (Significant Accounting Policies), Note 4 (Significant Accounting Judgments and Estimates) and Note 5 (Acquisitions and Divestitures).

During 2022, the Group completed two significant acquisitions:

- East Texas for cash consideration of $47.5m; and
- ConocoPhillips ("Conoco") for cash consideration of $209.8m.

Accounting for these significant acquisitions is complex and involves judgement including around the assessment of the fair value of assets acquired and liabilities assumed. The valuation of identified tangible and intangible assets can be a subjective process and there is a risk that the accounting treatment may be incorrect and as such this was an area of focus for us.

IFRS 3 (amended), 'Business Combinations' allows for an optional concentration test that, if met, allows an entity to account for the acquisition as an asset acquisition rather than as a business combination.

In relation to East Texas and Conoco, the assets and processes acquired will be operated by the Group's existing operational and marketing team. The East Texas acquisition was in Partnership with Oaktree who acquired 47.5%. The initial value of the gross assets acquired across both acquisitions is largely attributable to the proved developed wells which are considered similar in nature and therefore can be treated as a group of similar identifiable assets in relation to the concentration test under IFRS 3 (amended). As such both transactions have been accounted for as asset acquisitions with values of $47.5m and $209.8m attributed to the acquired assets and liabilities, respectively. Acquisition costs have also been capitalised as part of total consideration.

In addition to the above, there were six other acquisitions, each of which were individually immaterial. Four of these were accounted for as business combinations and one was accounted for as an asset acquisition.

</td><td>

Our audit procedures in respect of all acquisitions comprised the following:

- Reading the sale and purchase agreements to gain an understanding of the assets acquired, liabilities assumed and the overall nature of the transactions;
- Ensuring the accounting is in accordance with IFRS 3 (amended), ensuring both the East Texas and Conoco acquisitions met the optional concentration test permitting these acquisitions to be accounted for as asset acquisitions as opposed to a business combination; and
- Agreeing cash consideration to bank statements.

For East Texas and Conoco, in order to assess whether the fair value attributed to the proved developed wells used for the purpose of the concentration test was accurate, the following procedures were performed;

- Tested management's valuation of producing assets by comparing the assumptions used within the valuation models to approved budgets and business plans and other evidence of future intentions for the relevant assets, which we consider to be consistent with those of market participants;
- Compared reserves and production profiles and operating expenditure forecasts to Group approved budgets, operator estimates or reserve reports, which we consider to be consistent with those of market participants;
- Benchmarked key assumptions including estimated future commodity prices and inflation against external data;
- Performed sensitivities over the components of the discount rate used to estimate the fair value of gas and oil properties acquired;
- Engaged a valuation specialist to assist us in auditing the fair value of certain non-proved developed well assets acquired in the Conoco transaction;
- Performed sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; and
- Assessed the completeness of assets and liabilities included within the valuation and agreed that all relevant balances have been included.

For both significant acquisitions, we assessed the reasonableness of the allocation of the purchase consideration to the gas and oil properties and other assets acquired based on their relative fair value.

Where Oaktree was involved for East Texas in acquiring a 47.5% working interest in the assets, we reviewed the agreements and confirmed the appropriate accounting treatment was applied.

</td></tr>
</table>

	Based on our audit procedures performed, we consider the accounting for both significant acquisitions and the related valuation of gas and oil properties and other assets acquired, and liabilities assumed, to be reasonable. We also reviewed the related disclosures in the notes to the financial statements for compliance with accounting standards and consistency with the results of our work, with no matters arising.
Carrying Value of Investments in Subsidiaries (Parent) Refer to Note 2 (Accounting Policies), Note 3 (Significant Accounting Judgments and Estimates) and Note 4 (Investments) of the Company financial statements. Impairment assessments require significant judgement and there is a risk that the valuation of the assets may be incorrect, and any potential impairment charge or reversal miscalculated. As such, this was a key area of focus for our audit due to the size of the balance. As disclosed in Note 4 to the Company financial statements, the Company has investments of £973.5m in its subsidiaries. There is a risk that the performance of the subsidiary undertakings is not sufficient to support their carrying value and the assets may be impaired. The Directors have considered the recoverability of the Investments in Subsidiaries at 31 December 2022 to determine whether there are indicators that may suggest the asset is impaired. The Directors compared the carrying amount of the investment value to the recoverable amount of the underlying assets. Having performed this assessment, no impairment was recognised.	We obtained management's impairment assessment of Investments in Subsidiaries and: • Verified that the inputs to the assessment were mathematically accurate; • Compared the carrying value of the investments to the recoverable amounts of the underlying assets. Based on our analysis of the assessment of the recoverable amounts, we concur that the carrying value of the Investments in Subsidiaries is supportable. We found that the Directors' view that there was no impairment to recognise appropriate. We also consider the associated disclosures to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group audit team, or by our PwC component audit team in the USA. The Group's assets and operations are based in the Appalachian and Central regions of the USA. Financial reporting is undertaken at the head office in Birmingham, Alabama. For the consolidated Group financial statements, we identified one component being the consolidated Group. Audit work on the consolidated Group was carried out by our US component audit team. The audit of Diversified Energy Company PLC (the Company) was conducted from the UK.

Where the work was performed by the component audit team, we determined the level of involvement we needed to ensure sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. We spent time with our component team in Birmingham, Alabama during the interim and execution phases of the audit. In addition to these site visits we conducted our oversight of our component audit team through regular dialogue via conference calls, video conferencing and other forms of communication as considered necessary. We performed remote and in-person working paper reviews to satisfy ourselves as to the appropriateness of audit work performed by our component audit team. We also attended key meetings virtually and in person with local management and our component audit team. Further specific audit procedures over the Group consolidation, selected financial statements line items reported by the Company and review procedures over the Annual Report and audit of the financial statements disclosures were directly performed by the Group audit team.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand their process to assess the extent of the potential impact of climate change risks on the Group and its financial statements. We used our knowledge of the Group to consider the completeness of the risk assessment performed by management, giving consideration to both physical and transition risks, and management's own public reporting and announcements.

Management has outlined within their Strategic Report their ESG and sustainability goals, highlighting a focus on a reduction in methane intensity in the short-term and an ambition to work towards a net zero Scope 1 and Scope 2 carbon position by 2040. These goals do not directly impact the current financial reporting, as management is still developing its pathway to deliver on these goals and will only model the impact when such a pathway has been developed.

Whilst the impact is uncertain, we particularly considered the impact of both physical and transition risks arising due to climate change, as well as the climate targets announced by the Group on the recoverable value of the Group's gas and oil properties; there were no indications that the useful lives of those properties had been impacted by climate change as disclosed in Note 11. We concur with management's assessment that there are no indications.

We also read the disclosures made in relation to climate change, in the other information within the Annual Report, and considered their consistency with the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	\$12.4m (2021: \$8.4m).	£9.7m (2021: £5.9m).
How we determined it	2.5% of Adjusted EBITDA, excluding non-cash equity compensation	1% of Total Assets
Rationale for benchmark applied	We have concluded that Adjusted EBITDA, excluding non-cash equity compensation, is the most appropriate benchmark as it is a primary measure used by shareholders in assessing the performance of the Group. The Adjusted EBITDA measure removes the impact of significant items which do not recur from year to year or which otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by the Directors and reported to shareholders.	We have assessed that the most appropriate benchmark for the Company, which is primarily a holding company, is total assets.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to \$9.3m (2021: \$6.3m) for the Group financial statements and £7.3m (2021: £4.4m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $0.62m (Group audit) (2021: $0.42m) and £0.49m (Company audit) (2021: £0.29m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the FY23 board approved budget, challenging management's assumptions used and verifying that it was consistent with our existing knowledge and understanding of the business;
- Obtaining and reviewing the Group's cashflow forecasts for the going concern period, ensuring they are in line with the board approved budget and testing the model for mathematical accuracy;
- Reviewing the Group's cashflow forecasts under their severe but plausible downside scenarios, evaluating the assumptions used, and verifying that the Group is able to maintain liquidity and ensure covenant compliance within the going concern period under these scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee's Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the London Stock Exchange Listing Rules, U.K and U.S tax legislation and employment law, state and federal laws and regulations and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate EBITDA, accounting for large or unusual transactions outside the normal course of business and management bias in key accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Enquiries of Directors, management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in relation to the Group's accounting judgements and estimates including the valuation of natural gas and oil properties and related assets, asset retirement obligation costs and reserve estimates;
- Review of significant and/or unusual transactions during the year including the East Texas and Conoco acquisitions; and
- Identifying and testing journal entries based on our risk assessment.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Remuneration Committee's Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 15 April 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2020 to 31 December 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 March 2023

Consolidated Statement of Comprehensive Income

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

		Year Ended	
	Notes	**31 December 2022**	**31 December 2021**
Revenue	6	$ 1,919,349	$ 1,007,561
Operating expense	7	(445,893)	(291,213)
Depreciation, depletion and amortisation	7	(222,257)	(167,644)
Gross profit		**$ 1,251,199**	**$ 548,704**
General and administrative expense	7	(170,735)	(102,326)
Allowance for expected credit losses	15	—	4,265
Gain (loss) on natural gas and oil property and equipment	11,12	2,379	(901)
Gain (loss) on derivative financial instruments	14	(1,758,693)	(974,878)
Gain on bargain purchases	5	4,447	58,072
Operating profit (loss)		**$ (671,403)**	**$ (467,064)**
Finance costs	22	(100,799)	(50,628)
Accretion of asset retirement obligation	20	(27,569)	(24,396)
Other income (expense)		269	(8,812)
Income (loss) before taxation		**$ (799,502)**	**$ (550,900)**
Income tax benefit (expense)	8	178,904	225,694
Net income (loss)		**$ (620,598)**	**$ (325,206)**
Other comprehensive income (loss)		940	51
Total comprehensive income (loss)		**$ (619,658)**	**$ (325,155)**
Net income (loss) attributable to:			
Diversified Energy Company PLC		$ (625,410)	$ (325,509)
Non-controlling interest		4,812	303
Net income (loss)		**$ (620,598)**	**$ (325,206)**
Earnings (loss) per share attributable to Diversified Energy Company PLC			
Weighted average shares outstanding - basic and diluted	10	844,080	793,542
Earnings (loss) per share - basic and diluted	10	$ (0.74)	$ (0.41)

The notes on pages 132 to 171 are an integral part of the Group Financial Statements.

Consolidated Statement of Financial Position

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets:			
Natural gas and oil properties, net	11	$ 2,555,808	$ 2,530,078
Property, plant and equipment, net	12	462,860	413,980
Intangible assets	13	21,098	14,134
Restricted cash	3	47,497	18,069
Derivative financial instruments	14	13,936	219
Deferred tax assets	8	371,156	176,955
Other non-current assets	16	4,351	3,635
Total non-current assets		**$ 3,476,706**	**$ 3,157,070**
Current assets:			
Trade receivables, net	15	296,781	282,922
Cash and cash equivalents	3	7,329	12,558
Restricted cash	3	7,891	1,033
Derivative financial instruments	14	27,739	1,052
Other current assets	16	14,482	39,574
Total current assets		**$ 354,222**	**$ 337,139**
Total assets		**$ 3,830,928**	**$ 3,494,209**
EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	17	$ 11,503	$ 11,571
Share premium	17	1,052,959	1,052,959
Treasury reserve		(100,828)	(68,537)
Share based payment and other reserves		17,650	14,156
Retained earnings (accumulated deficit)		(1,133,972)	(362,740)
Non-controlling interests	5	14,964	16,541
Total equity		**$ (137,724)**	**$ 663,950**
Non-current liabilities:			
Asset retirement obligations	20	$ 452,554	$ 522,190
Leases	21	19,569	18,177
Borrowings	22	1,169,233	951,535
Deferred tax liability	8	12,490	—
Derivative financial instruments	14	1,177,801	556,982
Other non-current liabilities	24	5,375	7,775
Total non-current liabilities		**$ 2,837,022**	**$ 2,056,659**
Current liabilities:			
Trade and other payables	23	$ 93,764	$ 62,418
Leases	21	9,293	9,627
Borrowings	22	271,096	58,820
Derivative financial instruments	14	293,840	251,687
Other current liabilities	24	463,637	391,048
Total current liabilities		**$ 1,131,630**	**$ 773,600**
Total liabilities		**$ 3,968,652**	**$ 2,830,259**
Total equity and liabilities		**$ 3,830,928**	**$ 3,494,209**

The notes on pages 132 to 171 are an integral part of the Group Financial Statements.

The Group Financial Statements were approved and authorised for issue by the Board on 21 March 2023 and were signed on its behalf by:

D.E Johnson

David E. Johnson
Chairman of the Board
21 March 2023

Consolidated Statement of Changes in Equity

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

	Notes	Share Capital	Share Premium	Treasury Reserve	Share Based Payment and Other Reserves	Retained Earnings (Accumulated Deficit)	Equity Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
Balance as of 1 January 2021		**$ 9,520**	**$ 841,159**	**$ (68,537)**	**$ 8,797**	**$ 95,719**	**$ 886,658**	**$ —**	**$ 886,658**
Net income (loss)		—	—	—	—	(325,509)	(325,509)	303	(325,206)
Other comprehensive income (loss)		—	—	—	—	51	51	—	51
Total comprehensive income (loss)		**$ —**	**$ —**	**$ —**	**$ —**	**$ (325,458)**	**$ (325,458)**	**$ 303**	**$ (325,155)**
Non-controlling interest in acquired assets	5	—	—	—	—	—	—	16,238	16,238
Issuance of share capital (equity placement)	17	2,044	211,800	—	—	—	213,844	—	213,844
Issuance of share capital (equity compensation)		7	—	—	6,788	(2,762)	4,033	—	4,033
Dividends	19	—	—	—	—	(130,239)	(130,239)	—	(130,239)
Cancellation of warrants	17	—	—	—	(1,429)	—	(1,429)	—	(1,429)
Transactions with shareholders		**$ 2,051**	**$ 211,800**	**$ —**	**$ 5,359**	**$ (133,001)**	**$ 86,209**	**$ 16,238**	**$ 102,447**
Balance as of 31 December 2021		**$ 11,571**	**$1,052,959**	**$ (68,537)**	**$ 14,156**	**$ (362,740)**	**$ 647,409**	**$ 16,541**	**$ 663,950**
Net Income (loss)		—	—	—	—	(625,410)	(625,410)	4,812	(620,598)
Other comprehensive income (loss)		—	—	—	—	940	940	—	940
Total comprehensive income (loss)		**$ —**	**$ —**	**$ —**	**$ —**	**$ (624,470)**	**$ (624,470)**	**$ 4,812**	**$ (619,658)**
Issuance of share capital (settlement of warrants)	17	5	—	—	452	—	457	—	457
Issuance of share capital (equity compensation)		7	—	—	5,682	(3,307)	2,382	—	2,382
Issuance of EBT shares (equity compensation)	17	—	—	2,400	(2,400)	—	—	—	—
Repurchase of shares (EBT)	17	—	—	(22,931)	—	—	(22,931)	—	(22,931)
Repurchase of shares (share buyback programme)	17	(80)	—	(11,760)	80	—	(11,760)	—	(11,760)
Dividends	19	—	—	—	—	(143,455)	(143,455)	—	(143,455)
Distributions to non-controlling interest owners		—	—	—	—	—	—	(6,389)	(6,389)
Cancellation of warrants	17	—	—	—	(320)	—	(320)	—	(320)
Transactions with shareholders		**$ (68)**	**$ —**	**$ (32,291)**	**$ 3,494**	**$ (146,762)**	**$ (175,627)**	**$ (6,389)**	**$ (182,016)**
Balance as of 31 December 2022		**$11,503**	**$1,052,959**	**$(100,828)**	**$ 17,650**	**$ (1,133,972)**	**$ (152,688)**	**$ 14,964**	**$ (137,724)**

The notes on pages 132 to 171 are an integral part of the Group Financial Statements.

Consolidated Statement of Cash Flows

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

	Notes	Year Ended 31 December 2022	Year Ended 31 December 2021
Cash flows from operating activities:			
Income (loss) after taxation		$ (620,598)	$ (325,206)
Cash flows from operations reconciliation:			
Depreciation, depletion and amortisation	7	222,257	167,644
Accretion of asset retirement obligations	20	27,569	24,396
Income tax (benefit) expense	8	(178,904)	(225,694)
(Gain) loss on fair value adjustments of unsettled financial instruments	14	861,457	652,465
Asset retirement costs	20	(4,889)	(2,879)
(Gain) loss on natural gas and oil properties and equipment	5,11,12	(2,379)	901
Gain on bargain purchases	5	(4,447)	(58,072)
Finance costs	22	100,799	50,628
Revaluation of contingent consideration	25	—	8,963
Hedge modifications	14	(133,573)	(10,164)
Non-cash equity compensation	7,18	8,051	7,400
Working capital adjustments:			
Change in trade receivables and other current assets		13,760	(126,957)
Change in other non-current assets		(580)	(556)
Change in trade and other payables and other current liabilities		132,349	162,486
Change in other non-current liabilities		(6,794)	5,707
Cash generated from operations		**$ 414,078**	**$ 331,062**
Cash paid for income taxes		(26,314)	(10,880)
Net cash provided by operating activities		**$ 387,764**	**$ 320,182**
Cash flows from investing activities:			
Consideration for business acquisitions, net of cash acquired	5	$ (24,088)	$ (286,804)
Consideration for asset acquisitions	5	(264,672)	(287,330)
Proceeds from divestitures	5	—	86,224
Payments associated with potential acquisitions	16	—	(25,002)
Acquisition related debt and hedge extinguishments	5, 14	—	(56,466)
Expenditures on natural gas and oil properties and equipment	11,12	(86,079)	(50,175)
Proceeds on disposals of natural gas and oil properties and equipment	11,12	12,189	2,663
Contingent consideration payments	25	(23,807)	(10,822)
Net cash used in investing activities		**$ (386,457)**	**$ (627,712)**
Cash flows from financing activities:			
Repayment of borrowings	22	$ (2,139,686)	$ (1,432,566)
Proceeds from borrowings	22	2,587,554	1,727,745
Cash paid for interest	22	(82,936)	(41,623)
Debt issuance cost	22	(34,234)	(10,255)
(Increase) decrease in restricted cash	3	(36,287)	1,838
Hedge modifications associated with ABS Notes	14,22	(105,316)	—
Proceeds from equity issuance, net	17	—	213,844
Principal element of lease payments	21	(11,233)	(8,606)
Cancellation (settlement) of warrants, net	17	137	(1,429)
Dividends to shareholders	19	(143,455)	(130,239)
Distributions to non-controlling interest owners		(6,389)	—
Repurchase of shares by the EBT	17	(22,931)	—
Repurchase of shares	17	(11,760)	—
Net cash provided by financing activities		**$ (6,536)**	**$ 318,709**
Net change in cash and cash equivalents		(5,229)	11,179
Cash and cash equivalents, beginning of period		12,558	1,379
Cash and cash equivalents, end of period		**$ 7,329**	**$ 12,558**

The notes on pages 132 to 171 are an integral part of the Group Financial Statements.

Notes to the Group Financial Statements

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

INDEX TO THE NOTES TO THE GROUP FINANCIAL STATEMENTS

Note 1 – General Information **Page 132**

Note 2 – Basis of Preparation **Page 132**

Note 3 – Significant Accounting Policies **Page 135**

Note 4 – Significant Accounting Judgments and Estimates **Page 139**

Note 5 – Acquisitions **Page 141**

Note 6 – Revenue **Page 143**

Note 7 – Expenses by Nature **Page 144**

Note 8 – Taxation **Page 145**

Note 9 – Adjusted EBITDA **Page 148**

Note 10 – Earnings (Loss) Per Share **Page 149**

Note 11 – Natural Gas and Oil Properties **Page 150**

Note 12 – Property, Plant and Equipment **Page 150**

Note 13 – Intangible Assets **Page 151**

Note 14 – Derivative Financial Instruments **Page 152**

Note 15 – Trade and Other Receivables **Page 156**

Note 16 – Other Assets **Page 157**

Note 17 – Share Capital **Page 157**

Note 18 – Non-Cash Share-Based Compensation **Page 158**

Note 19 – Dividends **Page 160**

Note 20 – Asset Retirement Obligations **Page 160**

Note 21 – Leases **Page 161**

Note 22 – Borrowings Page **162**

Note 23 – Trade and Other Payables Page **167**

Note 24 – Other Liabilities Page **167**

Note 25 – Fair Value and Financial Instruments Page **168**

Note 26 – Financial Risk Management Page **169**

Note 27 – Contingencies Page **171**

Note 28 – Related Party Transactions Page **171**

Note 29 – Subsequent Events Page **171**

NOTE 1 - GENERAL INFORMATION

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

Diversified Energy Company PLC (the "Parent" or "Company"), formerly Diversified Gas & Oil PLC, and its wholly owned subsidiaries (the "Group") is an independent energy company engaged in the production, marketing and transportation of primarily natural gas related to its synergistic U.S. onshore upstream and midstream assets. The Group's assets are located within the Central Region and Appalachian Basin of the U.S.

The Company was incorporated on 31 July 2014 in the United Kingdom and is registered in England and Wales under the Companies Act 2006 as a public limited company under company number 09156132. The Group's registered office is located at 4th floor Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB, UK.

In February 2017, the Company's shares were admitted to trading on AIM under the ticker "DGOC." In May 2020, the Company's shares were admitted to trading on the LSE's Main Market for listed securities. The shares trading on AIM were cancelled concurrent to their admittance on the LSE. With the change in corporate name in 2021, the Company's shares listed on the LSE began trading as Diversified Energy Company PLC on 7 May 2021 under the new ticker "DEC".

NOTE 2 - BASIS OF PREPARATION

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

BASIS OF PREPARATION

The Group's consolidated financial statements (the "Group Financial Statements") have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The principal accounting policies set out below have been applied consistently throughout the year and are consistent with prior year unless otherwise stated.

Unless otherwise stated, the Group Financial Statements are presented in U.S. Dollars, which is the Group's subsidiaries' functional currency and the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest thousand dollars except per share and per unit amounts and where otherwise indicated.

Transactions in foreign currencies are translated into U.S. 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 rate at the date of the Consolidated Statement of Financial Position. Where the Group has a different functional currency, its results and financial position are translated into the presentation currency as follows:

- Assets and liabilities in the Consolidated Statement of Financial Position are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
- Income and expenses in the Consolidated Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are reflected within other comprehensive income in the Consolidated Statement of Comprehensive Income.

The Group Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) held at fair value through profit and loss or through other comprehensive income.

SEGMENT REPORTING

The Group is an independent owner and operator of producing natural gas and oil wells with properties located in the states of Tennessee, Kentucky, Virginia, West Virginia, Ohio, Pennsylvania, Oklahoma, Texas and Louisiana. The Group's strategy is to acquire long-life producing assets, efficiently operate those assets to generate Free Cash Flow for shareholders and then to retire assets safely and responsibly at the end of their useful life. The Group's assets consist of natural gas and oil wells, pipelines and a network of gathering lines and compression facilities which are complementary to the Group's assets.

In accordance with IFRS the Group establishes segments on the basis those components of the Group are evaluated regularly by the chief executive officer, DEC's chief operating decision maker, when deciding how to allocate resources and in assessing performance. When evaluating performance as well as when acquiring and managing assets the chief operating decision maker does so in a consolidated and complementary fashion to vertically integrate and improve margins. Accordingly, when determining operating segments under IFRS 8, the Group has identified one reportable segment that produces and transports natural gas, NGLs and oil in the U.S.

GOING CONCERN

The Group Financial Statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of this Annual Report.

The Directors closely monitor and carefully manage the Group's Liquidity risk. Our financial outlook is assessed primarily through the annual business planning process, however it is also carefully monitored on a monthly basis. This process includes regular Board discussions, led by Senior Leadership, at which the current performance of, and outlook for, the Group are assessed. The outputs from the business planning process include a set of key performance objectives, an assessment of the Group's primary risks, the anticipated operational outlook and a set of financial forecasts that consider the sources of funding available to the Group (the "Base Plan").

The Base Plan incorporates key assumptions which underpin the business planning process. These assumptions are as follows:

- Projected operating cash flows are calculated using a production profile which is consistent with current operating results and decline rates;
- Assumes commodity prices are in line with the current forward curve which considers basis differentials;
- Operating cost levels stay consistent with historical trends;
- The financial impact of our current hedging contracts in place for the assessment period, which represents approximately 85%, 75%, and 70% of total production volumes hedged for the years ending 31 December 2023, 2024 and 2025 respectively;
- The scenario also includes the scheduled principal and interest payments on our current debt arrangements and the funding of a dividend utilising Free Cash Flow; and
- The continuation of capital expenditures directed at our emissions reductions initiatives.

The Directors and Senior Leadership also consider various scenarios around the Base Plan that primarily reflect a more severe, but plausible, downside impact of the principal risks, both individually and in the aggregate, as well as the additional capital requirements that downside scenarios could place on us.

Scenario 1: A sharp and sustained decline in pricing resulting in a 10% reduction to net realised prices.

Scenario 2: An operational stoppage or regulatory event occurs which results in reduced production by approximately 5%.

Scenario 3: A market or regulatory event (e.g. climate change legislation) triggers an increase in operating and midstream expenses by approximately 5%.

Under these downside sensitivity scenarios, the Group remains cash flow positive. The Group meets its working capital requirements, which primarily consist of derivative liabilities that, when settled, will be funded utilising the higher commodity revenues from which the derivative liability was derived. The Group will also continue to meet the covenant requirements under its Credit Facility as well as its other existing borrowing instruments and continue to return cash flows to shareholders.

The Directors and Senior Leadership consider the impact that these principal risks could, in certain circumstances, have on the Group's prospects within the assessment period, and accordingly appraise the opportunities to actively mitigate the risk of these severe, but plausible, downside scenarios. In addition to its modelled downside going concern scenarios, the Board has stress tested the model to determine the extent of downturn which would result in a breach of covenants. Assuming similar levels of cash conversion as seen in 2022, a decline in production volume and pricing well in excess of that historically experienced by the Group would need to persist throughout the going concern period for a covenant breach to occur, which is considered very unlikely. This stress test also does not incorporate certain mitigating actions or cash preservation responses,

which the Group would implement in the event of a severe and extended revenue decline.

In addition to the scenarios above, the Directors also considered the current geopolitical environment and the inflationary pressures that are currently impacting the U.S., which are being closely monitored by the Group. Notwithstanding the modelling of specific hypothetical scenarios, the Group believes that the impact associated with these events will largely continue to be reflected in commodity markets and will extend the volatility experienced in recent months. The Group considers commodity price risk a principal risk and will continue to actively monitor and mitigate this risk.

Based on the above, the Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of the Group Financial Statements.

PRIOR PERIOD RECLASSIFICATIONS AND CHANGES IN PRESENTATION

Reclassifications in the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity
To provide additional transparency into equity activity, the Group has reclassified certain amounts in its prior year Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity to conform to its current period presentation. These changes in reclassification do not affect total comprehensive income previously reported in the Consolidated Statement of Changes in Equity.

The Group reclassified $68,537 in "Repurchase of shares" from "Retained Earnings (Accumulated Deficit)" to "Treasury Reserve" in the accompanying 2021 Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

Reclassifications in the Consolidated Statement of Cash Flows
The Group has reclassified certain amounts in its prior year Consolidated Statement of Cash Flows to conform to its current period presentation. These changes in classification do not affect total comprehensive income previously reported in the Consolidated Statement of Cash Flows.

The Group reclassified $4,233 in "Change in other current assets" to "Change in trade receivables and other current assets" and $153,179 in "Change in other current and non-current liabilities" to "Change in trade and other payables and other current liabilities" in the accompanying 2021 Consolidated Statement of Cash Flows. The Group also reclassified $1,838 in "(Increase) decrease in restricted cash" from "Cash flows from investing activities" to "Cash flows from financing activities" in the accompany 2021 Consolidated Statement of Cash Flows.

BASIS OF CONSOLIDATION

The Group Financial Statements for the year ended 31 December 2022 reflect the following corporate structure of the Group, and its 100% wholly owned subsidiaries:

- Diversified Energy Company PLC ("DEC") as well as its wholly owned subsidiaries
  - Diversified Gas & Oil Corporation
    - Diversified Production LLC
      - Diversified ABS Holdings LLC
        - Diversified ABS LLC
      - Diversified ABS Phase II Holdings LLC
        - Diversified ABS Phase II LLC
      - Diversified ABS Phase III Holdings LLC
        - Diversified ABS Phase III LLC
          - Diversified ABS III Upstream LLC
          - Diversified ABS Phase III Midstream LLC
      - Diversified ABS Phase IV Holdings LLC
        - Diversified ABS Phase IV LLC
      - Diversified ABS Phase V Holdings LLC
        - Diversified ABS Phase V LLC
          - Diversified ABS Phase V Upstream LLC
      - DP Bluegrass Holdings LLC
        - DP Bluegrass LLC
      - Sooner State Joint ABS Holdings LLC
        - Diversified ABS Phase VI Holdings LLC
          - Diversified ABS Phase VI LLC
            - Diversified ABS VI Upstream LLC
            - OCM Denali ABS VI Upstream LLC
      - DP RBL Co LLC
        - BlueStone Natural Resources II LLC
        - DP Legacy Central LLC
        - Diversified Energy Marketing LLC
      - DP Tapstone Energy Holdings LLC
        - DP Legacy Tapstone LLC
        - Giant Land, LLC[(a)]
        - Link Land LLC[(a)]
        - Old Faithful Land LLC[(a)]
        - Riverside Land LLC[(a)]
        - Splendid Land LLC[(a)]
        - Chesapeake Granite Wash Trust[(b)]
        - TGG Cotton Valley Assets, LLC
    - Diversified Midstream LLC
      - Cranberry Pipeline Corporation
      - Coalfield Pipeline Company
      - DM Bluebonnet LLC
      - Black Bear Midstream Holdings LLC
        - Black Bear Midstream LLC
        - Black Bear Liquids LLC
        - Black Bear Liquids Marketing LLC
    - DGOC Holdings Sub III LLC
    - Diversified Energy Group LLC
    - Diversified Energy Company LLC
    - Next LVL Energy, LLC

(a) Owned 55% by Diversified Energy Company PLC.

(b) Diversified Production, LLC holds 50.8% of the issued and outstanding common shares of Chesapeake Granite Wash Trust.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The preparation of the Group Financial Statements in compliance with UK-adopted international accounting standards requires management to make estimates and exercise judgment in applying the Group's accounting policies. In preparing the Group Financial Statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are disclosed in Note 4.

BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

The Group performs an assessment of each acquisition to determine whether the acquisition should be accounted for as an asset acquisition or a business combination. For each transaction, the Group may elect to apply the concentration test under the IFRS 3 amendment to determine if the fair value of assets acquired is substantially concentrated in a single asset (or a group of similar assets). If this concentration test is met, the acquisition qualifies as an acquisition of a group of assets and liabilities, not of a business.

Accounting for business combinations under IFRS 3 is applied once it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues.

When less than the entire interest of an entity is acquired, the choice of measurement of the non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis.

More information regarding the judgments and conclusions reached with respect to business combinations and asset acquisitions is included in Notes 4 and 5.

OAKTREE CAPITAL MANAGEMENT, L.P. ("OAKTREE") PARTICIPATION AGREEMENT

In October 2020, the Group entered into a definitive participation agreement with funds managed by Oaktree to jointly identify and fund future proved developed producing acquisition opportunities ("PDP acquisitions") that the Group identifies. The Oaktree Funding Commitment provides for up to $1,000,000 in aggregate over three years for mutually agreed upon PDP acquisitions with transaction valuations typically greater than $250,000. The Group and Oaktree each fund 50% of the net purchase price in exchange for proportionate working interests of 51.25% and 48.75% during Tranche I deals, or joint acquisitions made during the first 18 months of the agreement, and 52.5% and 47.5% during Tranche II deals, or joint acquisitions made during the second 18 months of the agreement, respectively. The Group's greater share reflects the upfront promote it will receive from Oaktree which is intended to compensate the Group for the increase in general and administrative expenses needed to operate an entity that increases with acquired growth.

Additionally, upon Oaktree achieving a 10% unlevered internal rate of return, Oaktree will convey a back-end promote to the Group which will increase the Group's working interest to 59.625% for both Tranche I and Tranche II deals. The Group also maintains the right of first offer to acquire Oaktree's interest if and when Oaktree decides to divest. The Group and Oaktree each have the right to participate in a sale by the other party with a third-party upon comparable terms.

INVENTORY

Natural gas inventory is stated at the lower of cost and net realisable value, cost being determined on a weighted average cost basis. Inventory also consists of material and supplies used in connection with the Group's maintenance, storage and handling. Inventory is stated at the lower of cost or net realisable value.

CASH AND CASH EQUIVALENTS

Cash on the balance sheet comprises cash at banks. Balances held at banks, at times, exceed U.S. federally insured amounts. The Group has not experienced any losses in such accounts and the Directors believe the Group is not exposed to any significant credit risk on its cash. As of 31 December 2022 and 2021, the Group's cash balance was $7,329 and $12,558, respectively.

TRADE RECEIVABLES

Trade receivables are stated at the historical carrying amount, net of any provisions required. Trade receivables are due from customers throughout the natural gas and oil industry. Although dispersed among several customers, collectability is dependent on the financial condition of each individual customer as well as the general economic conditions of the industry. The Directors review the financial condition of customers prior to extending credit and generally do not require collateral to support the recoverability of the Group's trade receivables. Any changes in the Directors' allowance for current expected credit losses during the year are recognised in the Consolidated Statement of Comprehensive Income. Trade receivables also include certain receivables from third-party working interest owners. The Group consistently assesses the collectability of these receivables. As of 31 December 2022 and 2021, the Group considered a portion of these working interest receivables uncollectable and recorded an allowance for credit losses in the amount of $8,941 and $6,141, respectively. Refer to Note 15 for additional information.

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9, Financial Instruments ("IFRS 9"), requires the application of an expected credit loss model in considering the impairment of financial assets. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The credit event does not have to occur before credit losses are recognised. IFRS 9 allows for a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets.

The Group applies the simplified approach to the expected credit loss model to trade receivables arising from:

- Sales of natural gas, NGLs and oil;
- Sales of gathering and transportation of third-party natural gas; and
- The provision of other services.

BORROWINGS

Borrowings are recognised initially at fair value, net of any applicable transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method (if applicable).

Interest on borrowings is accrued as applicable to each class of borrowing.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are used as part of the Group's overall strategy to mitigate risk associated with the unpredictability of cash flows due to volatility in commodity prices. Further details of the Group's exposure to these risks are detailed in Note 26. The Group has entered into financial instruments which are considered derivative contracts, such as swaps and collars, which result in net cash settlements each month and do not result in physical deliveries. The derivative contracts are initially recognised at fair value at the date the contract is entered into and remeasured to fair value every balance sheet date. The resulting gain or loss is recognised in the Consolidated Statement of Comprehensive Income in the year incurred in the Gain (loss) on derivative financial instruments line item.

RESTRICTED CASH

Cash held on deposit for bonding purposes is classified as restricted cash and recorded within current and non-current assets. The cash (1) is restricted in use by state governmental agencies to be utilised and drawn upon if the operator should abandon any wells, or (2) is being held as collateral by the Group's surety bond providers. Additionally, the Group is required to maintain certain reserves for interest payments related to its asset-backed securitisations discussed in Note 22. These reserves approximate six to seven months of interest, depending on the Note, as well as any associated fees. The Group classifies restricted cash as current or non-current based on the classification of the associated asset or liability to which the restriction relates.

	31 December 2022	31 December 2021
Cash restricted by asset-backed securitisations	$ 54,552	$ 18,069
Other restricted cash	836	1,033
Total restricted cash	**$ 55,388**	**$ 19,102**
Classified as:		
Current asset	$ 7,891	$ 1,033
Non-current asset	47,497	18,069
Total	**$ 55,388**	**$ 19,102**

NATURAL GAS AND OIL PROPERTIES

Development and Acquisition Costs

Expenditures related to the construction, installation or completion of infrastructure facilities, such as platforms, and the drilling of development wells, including delineation wells, are capitalised within natural gas and oil properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the initial estimate of the asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depletion

Natural gas and oil properties are depleted on a unit-of-production basis over the proved reserves of the geographic region concerned, except assets whose useful life is shorter than the lifetime of the region, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proven reserves of the relevant area. The unit-of-production rate for the depreciation of development costs considers expenditures incurred to date, together with sanctioned future development expenditure.

INTANGIBLE ASSETS

Software Development

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- The Directors intend to complete the software and use or sell it;
- There is an ability to use the software;
- It can be demonstrated how the software will generate probable future economic benefits;

- Adequate technical, financial and other resources to complete the development and to use the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include cost incurred by third parties, employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Costs associated with maintaining software programmes are recognised as an expense as incurred.

Impairment of Intangible Assets

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Amortisation

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

	Range in Years
Software	3 - 5
Other acquired intangibles[a]	3

[a] Represents intangible assets acquired in business combinations and asset acquisitions.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Directors.

Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives:

	Range in Years
Buildings and leasehold improvements	10 - 40
Equipment	5 - 10
Motor vehicles	5
Midstream assets	10 - 15
Other property and equipment	5 - 10

Property, plant and equipment held under leases are depreciated over the shorter of the lease term or estimated useful life.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications exist, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash generating unit's, fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the Directors consider the asset impaired and write the asset down to its recoverable amount. In assessing value-in-use, the Directors discount the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the Directors consider recent market transactions, if available. If no such transactions can be identified, the Directors will utilise an appropriate valuation model.

LEASES

The Group recognises a right-of-use asset and a lease liability at the commencement date of contracts (or separate components of a contract) which convey to the Group the right to control the use of an identified asset for a period of time in exchange for consideration, when such contracts meet the definition of a lease as determined by IFRS 16, Leases ("IFRS 16"). The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date.

The Group initially measures the lease liability at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease. When this rate can not be readily determined, the Group uses its incremental borrowing rate. After the commencement date, the lease liability is reduced for payments made by the lessee and increased for interest on the lease liability.

Right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee; and
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease unless those costs are incurred to produce inventories.

Subsequent to the measurement date, the right-of-use asset is depreciated on a straight line basis for a period of time that reflects the life of the underlying asset, and also adjusted for the remeasurement of any lease liability.

ASSET RETIREMENT OBLIGATIONS

Where a liability for the retirement of a well, removal of production equipment and site restoration at the end of the production life of a well exists, the Group recognises a liability for asset retirement. The amount recognised is the present value of estimated future net expenditures determined in accordance with our anticipated retirement plans as well as with local conditions and requirements. The unwinding of the discount on the decommissioning liability is included as accretion of the decommissioning provision. The cost of the relevant property, plant and equipment asset is increased with an amount equivalent to the liability and depreciated on a unit of production basis. The Group recognises changes in estimates prospectively, with corresponding adjustments to the liability and the associated non-current asset.

As of 31 December 2022 and 2021, the Group had no midstream asset retirement obligations.

TAXATION

Deferred Taxation

Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Group Financial Statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Current Taxation

Current income tax assets and liabilities for the years ended 31 December 2022 and 2021 were measured at the amount to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdictions where the Group operates and generates taxable income.

Uncertain Tax Positions

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances based on either the most likely amount, or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

REVENUE RECOGNITION

Natural Gas, NGLs and Oil

Commodity revenue is derived from sales of natural gas, NGLs and oil products and is recognised when the customer obtains control of the commodity. This transfer generally occurs when the product is physically transferred into a vessel, pipe, sales meter or other delivery mechanism. This also represents the point at which the Group carries out its single performance obligation to its customer under contracts for the sale of natural gas, NGLs and oil.

Commodity revenue in which the Group has an interest with other producers is recognised proportionately based on the Group's working interest and the terms of the relevant production sharing contracts. The portion of revenue that is due to minority working interests is included as a liability, described in Note 24.

Commodity revenue is recorded based on the volumes accepted each day by customers at the delivery point and is measured using the respective market price index for the applicable commodity plus or minus the applicable basis differential based on the quality of the product.

Third-Party Gathering Revenue

Revenue from gathering and transportation of third-party natural gas is recognised when the customer transfers its natural gas to the entry point in the Group's midstream network and becomes entitled to withdraw an equivalent volume of natural gas from the exit point in the Group's midstream network under contracts for the gathering and transportation of natural gas. This transfer generally occurs when product is physically transferred into the Group's vessel, pipe, or sales meter. The customer's entitlement to withdraw an equivalent volume of natural gas is broadly coterminous with the transfer of natural gas into the Group's midstream network. Customers are invoiced and revenue is recognised each month based on the volume of natural gas transported at a contractually agreed upon price per unit.

Asset Retirement Revenue

Revenue from third-party asset retirement services is recognised as earned in the month work is performed and consistent with the Group's contractual obligations. The Group's contractual obligations in this respect are considered to be its performance obligations.

Other Revenue

Revenue from the operation of third-party wells is recognised as earned in the month work is performed and consistent with the Group's contractual obligations. The Group's contractual obligations in this respect are considered to be its performance obligations for the purposes of IFRS 15, Revenue from Contracts with Customers ("IFRS 15").

Revenue from the sale of water disposal services to third-parties into the Group's disposal wells is recognised as earned in the month the water was physically disposed at a contractually agreed upon price per unit. Disposal of the water is considered to be the Group's performance obligation under these contracts.

Revenue is stated after deducting sales taxes, excise duties and similar levies.

SHARE-BASED PAYMENTS

The Group accounts for share-based payments under IFRS 2, Share-Based Payment ("IFRS 2"). All of the Group's share-based awards are equity settled. The fair value of the awards are determined at the date of grant. As of 31 December 2022 and 2021, the Group had three types of share-based payment awards: RSUs, PSUs and Options. The fair value of the Group's RSUs is measured using the stock price at the grant date. The fair value of the Group's PSUs is measured using a Monte Carlo simulation model. The inputs to the Monte Carlo simulation model included:

- The share price at the date of grant;
- Expected volatility;
- Expected dividends;
- Risk free rate of interest; and
- Patterns of exercise of the plan participants.

The fair value of the Group's Options are calculated using the Black-Scholes model as of the grant date. The inputs to the Black-Scholes model included:

- The share price at the date of grant;
- Exercise price;
- Expected volatility; and
- Risk-free rate of interest.

The grant date fair value of share-based awards, adjusted for market-based performance conditions, are expensed uniformly over the vesting period.

NEW STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations are expected to have a material impact on the consolidated financial statements of the Group.

NOTE 4 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

In application of the Group's accounting policies, described in Note 3, the Directors have made the following judgments and estimates which may have a significant effect on the amounts recognised in the Group Financial Statements.

SIGNIFICANT JUDGMENTS

Business Combinations and Asset Acquisitions

The Group follows the guidance in IFRS 3, Business Combinations ("IFRS 3") for determining the appropriate accounting treatment for acquisitions. IFRS 3 permits an initial fair value assessment to determine if substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets, the "concentration test". If the initial screening test is not met, the asset is considered a business based on whether there are inputs and substantive processes in place. Based on the results of this analysis and conclusion on an acquisition's classification of a business combination or an asset acquisition, the accounting treatment is derived.

If the acquisition is deemed to be a business, the acquisition method of accounting is applied. Identifiable assets acquired and liabilities assumed at the acquisition date are recorded at fair value. When the fair value exceeds the consideration transferred, a bargain purchase gain is recognised. Conversely, when the consideration transferred exceeds the fair value, goodwill is recorded. If the transaction is deemed to be an asset purchase, the cost accumulation and allocation model is used whereby the assets and liabilities are recorded based on the purchase price and allocated to the individual assets and liabilities based on relative fair values. As a result, gain on bargain purchases are not recognised on asset acquisitions. Additionally, in instances when the acquisition of a group of assets contains contingent consideration, the Group records changes in the fair value of the contingent consideration through the basis of the asset acquired rather than through the Consolidated Statement of Comprehensive Income. More information regarding conclusions reached with respect to this judgment is included in Note 5.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various market participant assumptions and valuation methodologies requiring considerable judgment by management. The most significant variables in these valuations are discount rates and other assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates based on the risk inherent in the acquired assets, specific risks, industry beta and capital structure of guideline companies. The valuation of an acquired business is based on available information at the acquisition date and assumptions that are believed to be reasonable. However, a change in facts and circumstances as of the acquisition date can result in subsequent adjustments during the measurement period, but no later than one year from the acquisition date.

SIGNIFICANT ESTIMATES

Estimating the Fair Value of Natural Gas and Oil Properties

The Group determines the fair value of its natural gas and oil properties acquired in business combinations using the income approach based on expected discounted future cash flows from estimated reserve quantities, costs to produce and develop reserves, and natural gas and oil forward prices. The future net cash flows are discounted using a weighted average cost of capital as well as any additional risk factors. Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Sensitivity analysis on the significant inputs to the fair value is included in Note 5.

Impairment of Natural Gas and Oil Properties

In preparing the Group Financial Statements the Directors considered that a key judgment was whether there was any evidence that the natural gas and oil properties were impaired. When making this assessment, producing assets are reviewed for indicators of impairment at the balance sheet date. Indicators of impairment for the Group's producing assets can include significant or prolonged:

- Decreases in commodity pricing or other negative changes in market conditions;
- Downward revisions of reserve estimates; or
- Increases in operating costs.

The Group reviews the carrying value of its natural gas and oil properties annually or when an indicator of impairment is identified. The impairment test compares the carrying value of natural gas and oil properties to their recoverable amount based on the present value of estimated future net cash flows from the proved natural gas and oil reserves. The future cash flows are calculated using estimated reserve quantities, costs to produce and develop reserves, and natural gas and oil forward prices. The fair value of proved reserves is estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. When the carrying value is in excess of the fair value, the Group recognises an impairment by writing down the value of its natural gas and oil properties to their fair value. No such impairments were recorded during the years ended 31 December 2022 and 2021.

Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period when there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior years. No such recoveries were recorded during the years ended 31 December 2022 and 2021. Please refer to Note 11 for additional information.

When applicable, the Group recognises impairment losses in the Consolidated Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

RESERVE ESTIMATES

Reserves are estimates of the amount of natural gas, NGLs and oil products that can be economically and legally extracted from the Group's properties. To calculate the reserves, significant estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of fields to be determined by analysing geological data, such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Given the economics used to estimate reserve changes from year-to-year and, because additional geological data is generated during the course of operations, estimates of reserves may change from time to time.

TAXATION

The Group makes certain estimates in calculating deferred tax assets and liabilities, as well as income tax expense. These estimates often involve judgment regarding differences in the timing and recognition of revenue and expense for tax and financial reporting purposes as well as the tax basis of our assets and liabilities at the balance sheet date before tax returns are completed. Additionally, the Group must assess the likelihood that it will be able to recover or utilise its deferred tax assets and record a valuation allowance against deferred tax assets when all or a portion of that asset is not expected to be realised. In evaluating whether a valuation allowance should be applied, the Group considers evidence such as future taxable income, among other factors, both positive and negative. This determination involves numerous judgments and assumptions and includes estimating factors such as commodity prices, production and other operating conditions. If any of those factors, assumptions or judgments change, the deferred tax asset could change and, in particular, decrease in a period where the Group determines it is more likely than not that the asset will not be realised. Alternatively, a valuation allowance may be reversed where it is determined it is more likely than not that the asset will be realised.

ASSET RETIREMENT OBLIGATION COSTS

The ultimate asset retirement obligation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, significant estimates and assumptions are made in determining the provision for asset retirement. These assumptions include the cost to retire the wells, the economic life of the wells and the discount rate. Changes in assumptions related to the Group's asset retirement obligations could result in a material change in the carrying value within the next financial year. See Note 20 for more information and sensitivity analysis.

NOTE 5 - ACQUISITIONS AND DIVESTITURES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

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 operation of pipelines. The Group determines the accounting treatment of acquisitions using IFRS 3.

As part of the Group's corporate strategy, it actively seeks to acquire assets complementary to its existing asset base when the assets meet the acquisition criteria stated in the Acquire Long-Life Stable Assets pillar of the corporate strategy discussed in the **Strategy** section of the **Strategic Report** within this Annual Report.

2022 ACQUISITIONS

ConocoPhillips Asset Acquisition

On 27 September 2022 the Group acquired certain upstream assets and related facilities within the Central Region from ConocoPhillips. Given the concentration of assets, this transaction was considered an asset acquisition rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of $209,766, including customary purchase price adjustments. Transaction costs associated with the acquisition were negligible. The Group funded the purchase with available cash on hand and a draw on the Credit Facility. In the period from its acquisition to 31 December 2022 the ConocoPhillips assets increased the Group's revenue by $25,217.

The provisional assets and liabilities assumed were as follows:

Consideration paid		
Cash consideration	$	209,766
Total consideration	**$**	**209,766**
Net assets acquired		
Natural gas and oil properties	$	210,227
Asset retirement obligations, asset portion		17,380
Property, plant and equipment		302
Other current assets		98
Asset retirement obligations, liability portion		(17,380)
Other current liabilities		(861)
Net assets acquired	**$**	**209,766**

East Texas Asset Acquisition

On 25 April 2022, the Group acquired a proportionate 52.5% working interest in certain upstream assets and related facilities within the Central Region from a private seller in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. Given the concentration of assets, this transaction was considered an asset acquisition rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of $47,468, including customary purchase price adjustments. Transaction costs associated with the acquisition were $1,550. The Group funded the purchase with available cash on hand and a draw on the Credit Facility. In the period from its acquisition to 31 December 2022 the East Texas assets increased the Group's revenue by $34,833.

The provisional assets and liabilities assumed were as follows:

Consideration paid		
Cash consideration	$	47,468
Total consideration	**$**	**47,468**
Net assets acquired		
Natural gas and oil properties	$	50,590
Asset retirement obligations, asset portion		7,015
Property, plant and equipment		1,049
Trade receivables, net		23
Asset retirement obligations, liability portion		(7,015)
Other non-current liabilities		(1,667)
Other current liabilities		(2,527)
Net assets acquired	**$**	**47,468**

Other Acquisitions

During the period ended 31 December 2022 the Group acquired three asset retirement companies for an aggregate consideration of $13,949, inclusive of customary purchase price adjustments. The Group will also pay an additional $3,150 in deferred consideration through November 2024. When evaluating these transactions, the Group determined they did not have significant asset concentrations and as a result it had acquired identifiable sets of inputs, processes and outputs and concluded the transactions were business combinations. This expansion in the Group's internal asset retirement operations brings the total plugging rigs owned and operated by the Group to 15 as of 31 December 2022.

On 1 April 2022 the Group acquired certain midstream assets, inclusive of a processing facility, in the Central Region that are contiguous to its existing East Texas assets. The Group paid purchase consideration of $10,139, inclusive of customary purchase price adjustments and transaction costs. When evaluating the transaction, the Group determined it did not have significant asset concentration and as a result it had acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The provisional fair value of the net assets acquired was $10,742 generating a bargain purchase gain of $603.

On 21 November 2022 the Group acquired certain midstream assets in the Central Region that are contiguous to its existing East Texas assets. The Group paid purchase consideration of $7,438, inclusive of customary purchase price adjustments and transaction costs. Given the concentration of assets, this transaction was considered an asset acquisition rather than a business combination.

Transaction costs associated with the other acquisitions noted above were insignificant and the Group funded the aggregate cash consideration with existing cash on hand.

SUBSEQUENT EVENTS

On 8 February 2023 the Group announced it entered a conditional agreement to acquire certain upstream assets and related infrastructure in the Central Region from Tanos Energy Holdings II LLC ("Tanos II"). The transaction subsequently closed on 1 March 2023 for a total purchase consideration of $250,000 before customary purchase price adjustments. The transaction was funded with proceeds from the February 2023 equity raise, cash on hand and existing availability on the Credit Facility for which the borrowing base was upsized concurrent to the closing of the Tanos II transaction. Refer to Notes 17 and 22 for additional information regarding the Group's share capital and borrowings.

2021 ACQUISITIONS

Tapstone Energy Holdings LLC ("Tapstone") Business Combination

On 7 December 2021, the Group acquired a proportionate 51.25% working interest in certain upstream assets, field infrastructure, equipment, and facilities within the Central Region from Tapstone in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. The acquisition also included six wells which were under development at the time of close which have now been completed by the Group. The Group will serve as the sole operator of the assets. When evaluating the transaction, the Group determined it did not have significant asset concentration and as a result it had acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The Group paid purchase consideration of $177,496, inclusive customary purchase price adjustments. During 2022, the Group recorded $3,853 in measurement period adjustments as purchase accounting was finalised. These adjustments were recorded as an increase in the bargain purchase gain associated with the transaction. Transaction costs associated with the acquisition were $4,039 and were expensed. The Group funded the purchase with proceeds from the Credit Facility.

In connection with the acquisition the Group also acquired the beneficial ownership in the Chesapeake Granite Wash Trust ("the GWT"). The Group consolidates the GWT as it has determined that it controls the GWT because it (1) possesses power over the GWT, (2) has exposure to variable returns from its involvement with the GWT, and (3) has the ability to use its power over the GWT to affect its returns. The elements of control are achieved through the Group operating a majority of the natural gas and oil properties that are subject to the conveyed royalty interests, marketing of the associated production, and through its ownership of 50.8% of the outstanding common units of the GWT. The common units of the GWT owned by third parties have been reflected as a non-controlling interest in the consolidated financial statements. Common units outstanding as of 7 December 2021 were 46,750,000 with the Group's beneficial interests in the GWT representing 50.8%. The GWT is publicly traded and the GWT's market capitalisation was utilised when determining the value of the non-controlling interests.

The GWT's non-controlling interest is heavily concentrated in the acquired Tapstone natural gas and oil properties and as a result the Group consolidated $16,087 into its natural gas and oil properties associated with this non-controlling interest as of 31 December 2022. The remaining amounts in the Group's Consolidated Statement of Financial Position associated with non-controlling interest are immaterial and working capital in nature.

Tanos Energy Holdings III, LLC ("Tanos") Business Combination

On 18 August 2021, the Group acquired a 51.25% working interest in certain upstream assets, field infrastructure, equipment and facilities within the Central Region from Tanos, in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. The Group will serve as the sole operator of the assets. When evaluating the transaction, the Group determined it did not have significant asset concentration and as a result it had acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The Group paid purchase consideration of $116,061, including customary purchase price adjustments. Transaction costs associated with the acquisition were $2,384 and were expensed. DEC funded the purchase with proceeds from a drawdown on the Credit Facility. During 2022 purchase accounting was finalised and no measurement period adjustments were recorded.

As part of the acquisition, the Group obtained the option to novate or extinguish the Tanos hedge book. In conjunction with the closing settlement, the Group elected to extinguish their share of the Tanos hedge book. The cost to terminate was $52,666. This payment relieved the termination liability established on the Group's Consolidated Statement of Financial Position in purchase accounting and has been presented as an investing activity on the Consolidated Statement of Cash Flows given its connection to the Tanos acquisition. New contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets.

Blackbeard Operating LLC ("Blackbeard") Asset Acquisition

On 5 July 2021, the Group acquired certain upstream assets and related gathering infrastructure in the Central Region from Blackbeard. Given the concentration of assets this transaction was considered an asset acquisition rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of $170,523, including customary purchase price adjustments and transaction costs. Transaction costs associated with the acquisition were $3,644 and were capitalised to natural gas and oil properties. The Group funded the purchase with proceeds from the May 2021 equity placement and a draw on the Credit Facility, discussed in Notes 17 and 22, respectively. During 2022 purchase accounting was finalised and no measurement period adjustments were recorded.

Indigo Asset Acquisition

On 19 May 2021, the Group acquired certain upstream assets and related gathering infrastructure in the Central Region from Indigo. Given the concentration of assets this transaction was considered an acquisition of assets rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of $117,352, including customary purchase price adjustments and transaction costs. Transaction costs associated with the acquisition were $473 and were capitalised to natural gas and oil properties. The Group funded the purchase with proceeds from the May 2021 equity placement and a draw on the Credit Facility, discussed in Notes 17 and 22, respectively. During 2022 purchase accounting was finalised and no measurement period adjustments were recorded.

2021 DIVESTITURES

Indigo Minerals LLC ("Indigo") Divestiture

On 9 July 2021, the Group divested to Oaktree a non-operating 48.75% proportionate working interest in the Indigo assets that were previously acquired (as disclosed above) by the Group on 19 May 2021. The initial consideration received was $52,314, or 50% of the Group's net purchase price on the Indigo assets which is consistent with the terms of the previously disclosed participation agreement between the Group and Oaktree. The Group will continue to serve as the sole operator of the assets. The Group used the proceeds to reduce outstanding balances on the Credit Facility.

In connection with the divestiture, the Group entered into a swap contract with Oaktree where the Group receives a market price and pays a fixed weighted average swap price of $2.86 per Mcfe. When considering the fair value of the swap arrangement as well as the value of the upfront promote received from Oaktree at the date of close the Group realised a loss of $1,461 on the divestiture.

Other Divestitures

On 23 December 2021, the Group divested certain predominantly undeveloped Haynesville Shale acreage in Texas, acquired as part of the Tanos acquisition. The total consideration received was $66,168 with DEC's 51.25% interest through joint ownership with Oaktree generating net proceeds of $33,911 to DEC inclusive of customary purchase price adjustments.

NOTE 6 - REVENUE

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group extracts and sells natural gas, NGLs and oil to various customers in addition to operating a majority of these natural gas and oil wells for customers and other working interest owners. In addition, the Group provides gathering and transportation services as well as asset retirement and other services to third parties. All revenue was generated in the U.S.

The following table reconciles the Group's revenue for the periods presented:

	Year Ended	
	31 December 2022	**31 December 2021**
Natural gas	$ 1,544,658	$ 818,726
NGLs	188,733	115,747
Oil	139,620	38,634
Total commodity revenue	**$ 1,873,011**	**$ 973,107**
Midstream	32,798	31,988
Other[(a)]	13,540	2,466
Total revenue	**$ 1,919,349**	**$ 1,007,561**

(a) Includes asset retirement and other revenue. Refer to Note 3 for additional information.

A significant portion of the Group's trade receivables represent receivables related to either sales of natural gas, NGLs and oil or operational services, all of which are uncollateralised, and are collected within 30 - 60 days.

During the year ended 31 December 2022, no customers individually comprised more than 10% of total revenues, while during the year ended 31 December 2021, two customers individually comprised more than 10% of total revenues, representing 22% of consolidated revenues.

NOTE 7 - EXPENSES BY NATURE

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following table provides a detail of the Group's expenses for the periods presented:

	Year Ended			
		31 December 2022		**31 December 2021**
LOE[(a)]	$	182,817	$	119,594
Production taxes[(b)]		73,849		30,518
Midstream operating expense[(c)]		71,154		60,481
Transportation expense[(d)]		118,073		80,620
Total operating expense	**$**	**445,893**	**$**	**291,213**
Depreciation and amortisation		51,877		44,841
Depletion		170,380		122,803
Total depreciation, depletion and amortisation	**$**	**222,257**	**$**	**167,644**
Employees, administrative costs and professional services[(e)]		77,172		56,812
Costs associated with acquisitions[(f)]		15,545		27,743
Other adjusting costs[(g)]		69,967		10,371
Non-cash equity compensation[(h)]		8,051		7,400
Total G&A	**$**	**170,735**	**$**	**102,326**
Recurring allowance for credit losses[(i)]		—		(4,265)
Total expense	**$**	**838,885**	**$**	**556,918**
Aggregate remuneration (including Directors):				
Wages and salaries	$	113,267	$	83,790
Payroll taxes		9,516		7,137
Benefits		23,828		19,083
Total employees and benefits expense	**$**	**146,611**	**$**	**110,010**

(a) LOE includes costs incurred to maintain producing properties. Such costs include direct and contract labour, repairs and maintenance, water hauling, compression, automobile, insurance, and materials and supplies expenses.

(b) Production taxes include severance and property taxes. Severance taxes are generally paid on produced natural gas, NGLs and oil production at fixed rates established by federal, state or local taxing authorities. Property taxes are generally based on the taxing jurisdictions' valuation of the Group's natural gas and oil properties and midstream assets.

(c) Midstream operating expenses are daily costs incurred to operate the Group's owned midstream assets inclusive of employee and benefit expenses.

(d) Transportation expenses are daily costs incurred from third-party systems to gather, process and transport the Group's natural gas, NGLs and oil.

(e) Employees, administrative costs and professional services includes payroll and benefits for our administrative and corporate staff, costs of maintaining administrative and corporate offices, costs of managing our production operations, franchise taxes, public company costs, fees for audit and other professional services and legal compliance.

(f) The Group generally incurs costs related to the integration of acquisitions, which will vary for each acquisition. For acquisitions considered to be a business combination, these costs include transaction costs directly associated with a successful acquisition transaction. These costs also include costs associated with transition service arrangements where the Group pays the seller of the acquired entity a fee to handle various G&A functions until the Group has fully integrated the assets onto its systems. In addition, these costs include costs related to integrating IT systems and consulting as well as internal workforce costs directly related to integrating acquisitions into the Group's system.

(g) Other adjusting costs for the year ended 31 December 2022 primarily consisted of $28,345 in contract terminations which will allow the Group to obtain more favourable pricing in the future and $31,099 in costs associated with deal breakage and/or sourcing costs for acquisitions. For the year ended 31 December 2021, other adjusting costs were primarily associated with one-time projects and contemplated transactions. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon Acquisition.

(h) Non-cash equity compensation reflects the expense recognition related to share-based compensation provided to certain key members of the management team. Refer to Note 18 for additional information regarding non-cash share-based compensation.

(i) Allowance for credit losses consists of the recognition and reversal of credit losses. Refer to Note 15 for additional information regarding credit losses.

The number of employees was as follows for the years presented:

	Year Ended	
	31 December 2022	31 December 2021
Number of production support employees, including Directors	362	283
Number of production employees	1,220	1,143
Workforce	**1,582**	**1,426**

The Directors consider that the Group's key management personnel comprise the Directors. The Directors' remuneration was as follows for the periods presented:

	Year Ended			
	31 December 2022		31 December 2021	
Executive Directors				
Salary	$	1,157	$	1,119
Taxable benefits[(a)]		24		22
Benefit plan[(b)]		73		71
Bonus[(c)]		1,631		1,427
Long-term incentives[(c)]		3,193		3,018
Total Executive Directors' remuneration	**$**	**6,078**	**$**	**5,657**
Non-Executive Directors				
Fees	$	911	$	683
Total Non-Executive Directors' remuneration	**$**	**911**	**$**	**683**
Total remuneration	**$**	**6,989**	**$**	**6,340**

(a) Taxable benefits were comprised of Group paid life insurance premiums and automobile reimbursements.

(b) Reflects matching contributions under the Group's 401(k) plan.

(c) Further details of the bonus outcome for 2022 and long-term incentives can be found in the **Remuneration Committee's Report** within this Annual Report.

Details of the highest paid Director's aggregate emoluments and amounts receivable under long-term incentive schemes are disclosed in the **Remuneration Committee's Report** within this Annual Report.

Auditors' remuneration for the Group was as follows for the periods presented:

	Year Ended			
	31 December 2022		31 December 2021	
Auditors' remuneration (PwC)				
Fees payable to the Group 's external auditors and their associates for the audit of the consolidated financial statements	$	1,790	$	1,694
Audit-related assurance services[(a)]		774		1,628
Other assurance services		—		—
Total auditors' remuneration (PwC)	**$**	**2,564**	**$**	**3,322**

(a) Fees associated with the Group's interim review and capital market activity which is outside the scope of the audit of the consolidated financial statements.

NOTE 8 - TAXATION

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group files a consolidated U.S. federal tax return, multiple state tax returns, and a separate UK tax return for the Parent entity. The consolidated taxable income includes an allocable portion of income from the Group's co-investments with Oaktree and its investment in the Chesapeake Granite Wash Trust. Income taxes are provided for the tax effects of transactions reported in the Group Financial Statements and consist of taxes currently due plus deferred taxes related to differences between the basis of assets and liabilities for financial and income tax reporting.

For the taxable years ended 31 December 2022 and 2021, the Group had a tax benefit of $178,904 and $225,694, respectively. The effective tax rate used for the year ended 31 December 2022 was 22.4%, compared to 41.0% for the year ended 31 December 2021. The 31 December 2022 effective tax rate was primarily impacted by changes in state taxes as a result of acquisitions. The 31 December 2021 effective tax rate was primarily impacted by the Group's recognition of the U.S. marginal well tax credit available to qualified producers in 2021, who operate lower-volume wells during a low commodity pricing environment. The federal government provides these credits to encourage companies to continue operating lower-volume wells during periods of low prices to maintain the underlying jobs they create and the state and local tax revenues they generate for communities to support schools, social programmes, law enforcement and other similar public services. The U.S. marginal well tax credit is prescribed by Internal Revenue Code Section 45I and is available for certain natural gas production from qualifying wells. In May 2022, the U.S. Internal Revenue Service released Notice 2022-18 which quantified the amount of credit per Mcf of qualified natural gas production for tax years beginning in 2021 and also detailed the calculation methodology for future years. The federal tax credit is intended to provide a benefit for wells producing less than 90 Mcfe per day when market prices for natural gas are relatively low. The Group benefits from this credit given its portfolio of long-life, low-decline conventional wells. The tax credit was not available for tax year 2022 due to improved commodity prices.

The provision for income taxes in the Consolidated Statement of Comprehensive Income is summarised below:

	Year Ended	
	31 December 2022	**31 December 2021**
Current income tax expense		
Federal	$ (513)	$ 25,738
State	2,841	11,958
Foreign - UK	107	(52)
Total current income tax expense	**$ 2,435**	**$ 37,644**
Deferred income tax (benefit) expense		
Federal	$ (169,531)	$ (233,679)
State	(11,863)	(29,597)
Foreign - UK	55	(62)
Total deferred income tax (benefit) expense	**$ (181,339)**	**$ (263,338)**
Total income tax (benefit) expense	**$ (178,904)**	**$ (225,694)**

The effective tax rates and differences between the statutory U.S. federal income tax rate and the effective tax rates are summarised as follows:

	Year Ended	
	31 December 2022	**31 December 2021**
Income (loss) before taxation	**$ (799,502)**	**$ (550,900)**
Income tax benefit (expense)	178,904	225,694
Effective tax rate	**22.4%**	**41.0%**

	Year Ended	
	31 December 2022	**31 December 2021**
Expected tax at statutory U.S. federal income tax rate	21.0%	21.0%
State income taxes, net of federal tax benefit	1.2%	4.4%
Federal credits	—%	15.4%
Other, net	0.2%	0.2%
Effective tax rate	**22.4%**	**41.0%**

The Group had a net deferred tax asset of $358,666 at 31 December 2022 compared to a net deferred tax asset of $176,955 at 31 December 2021. The change was primarily due to an improved commodity price environment generating unrealised losses for unsettled derivatives not recognised for tax purposes. The presentation in the balance sheet takes into consideration the offsetting of deferred tax assets and deferred tax liabilities within the same tax jurisdiction, where permitted. The overall deferred tax position in a particular tax jurisdiction determines if a deferred tax balance related to that jurisdiction is presented within deferred tax assets or deferred tax liabilities.

The following table presents the components of the net deferred income tax asset included in non-current assets and net deferred income tax asset included in non-current assets as at the periods presented:

	31 December 2022	31 December 2021
Deferred tax asset		
Asset retirement obligations	$ 92,393	$ 114,182
Derivative financial instruments	378,918	202,802
Allowance for doubtful accounts	2,378	1,735
Net operating loss carryover	3,865	562
Federal tax credits carryover	184,975	183,460
Other	34,507	13,306
Total deferred tax asset	**$ 697,036**	**$ 516,047**
Deferred tax liability		
Amortisation and depreciation	$ (255,440)	$ (266,988)
Investment in partnerships	(82,930)	(72,104)
Total deferred tax liability	**$ (338,370)**	**$ (339,092)**
Net deferred tax asset (liability)	**$ 358,666**	**$ 176,955**
Balance sheet presentation		
Deferred tax asset	$ 371,156	$ 176,955
Deferred tax liability	(12,490)	—
Net deferred tax asset (liability)	**$ 358,666**	**$ 176,955**

In assessing the realisability of deferred tax assets, the Group considers whether it is probable that some or all the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or before credits expire. The Group considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Group has determined, at this time, it will have sufficient future taxable income to recognise its deferred tax assets.

The Group reported the effects of deferred tax expense as of and for the year ended 31 December 2022:

	Opening Balance	Consolidated Statement of Comprehensive Income	Other[(a)]	Closing Balance
Asset retirement obligations	$ 114,182	$ (21,789)	$ —	$ 92,393
Allowance for doubtful accounts	1,734	644	—	2,378
Net operating loss carryover	562	3,360	(57)	3,865
Federal tax credits carryover	183,460	1,515	—	184,975
Property, plant, and equipment and natural gas and oil properties	(266,987)	11,360	187	(255,440)
Derivative financial instruments	202,802	176,116	—	378,918
Investment in partnerships	(72,105)	(11,068)	243	(82,930)
Other	13,306	21,201	—	34,507
Total deferred tax asset (liability)	**$ 176,954**	**$ 181,339**	**$ 373**	**$ 358,666**

(a) Amounts primarily relate to deferred taxes acquired as part of acquisition purchase accounting.

The Group reported the effects of deferred tax expense as of and for the year ended 31 December 2021:

	Opening Balance	Consolidated Statement of Comprehensive Income	Other[(a)]	Closing Balance
Asset retirement obligations	$ 90,949	$ 19,052	$ 4,181	$ 114,182
Allowance for doubtful accounts	2,968	(1,320)	86	1,734
Net operating loss carryover	474	(1,655)	1,743	562
Federal tax credits carryover	99,117	84,343	—	183,460
Property, plant, and equipment and natural gas and oil properties	(244,874)	65,910	(88,023)	(266,987)
Derivative financial instruments	46,237	156,565	—	202,802
Investment in partnerships	—	(67,379)	(4,726)	(72,105)
Other	4,160	7,822	1,324	13,306
Total deferred tax asset (liability)	**$ (969)**	**$ 263,338**	**$ (85,415)**	**$ 176,954**

(a) Amounts primarily relate to deferred taxes acquired as part of acquisition purchase accounting.

The Group's material deferred tax assets and liabilities all arise in the U.S.

For U.S. federal tax purposes, the Group is taxed as one consolidated entity. The Group's co-investments with Oaktree and its investment in the Chesapeake Granite Wash Trust are taxed as partnerships that pass through to the Group's consolidated return. The Group is subject to additional taxes in its domiciled jurisdiction of the UK. For the years ended 31 December 2022 and 2021, the Group incurred an expense of $107 and benefit of $52 in the UK, respectively.

The Group had no uncertain tax position liability at 31 December 2022 or 31 December 2021.

As of 31 December 2022, the Group had U.S. federal net operating loss carryforwards ("NOLs") of approximately $16,837, which $1,629 are subject to limitation. Additionally, the Group had U.S. state NOLs of approximately $7,499, which expire in the years 2034 through 2037.

The Group had U.S. marginal well tax credit carryforwards of approximately $184,975 as of 31 December 2022 compared to $183,460 as of 31 December 2021. As discussed earlier, the federal tax credit is intended to provide a benefit for wells producing less than 90 Mcfe per day when market prices for natural gas are relatively low. Due to the improved commodity price environment in 2022, the Group did not generate federal tax credits for the year ended 31 December 2022. The tax credits expire in the years 2037 through 2041.

The Group had U.S. federal capital loss carryforwards of $21,401 as of 31 December 2022 compared to $9,904 as of 31 December 2021. For the year ended 31 December 2022, no capital loss carryforwards expired, and the remaining amounts expire in 2023 through 2027. The Group does not expect to utilise the $8,047 carryforwards that expire in 2023, and therefore, a deferred tax asset for these carryforwards has not been recorded.

The Group completed a Section 382 study through 31 December 2022 in accordance with the Internal Revenue Code of 1986, as amended. If the Group experiences an ownership change, tax credit carryforwards can be utilised but are limited each year and could expire before they are fully utilised. The study concluded that the Group has not experienced an ownership change as defined by Section 382 since the last ownership change that occurred on 31 January 2018. The Directors expect its tax credit carryforwards, limited by the 31 January 2018 ownership change, to be fully available for utilisation by 2024.

NOTE 9 - ADJUSTED EBITDA

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

Adjusted EBITDA is an APM defined as net income (loss) plus or minus the items detailed in the table below. These metrics are of particular interest to the industry and the Group.

Adjusted EBITDA is essentially the cash generated from operations that the Group has free for principal and interest payments, capital investments and dividend payments. This metric is of particular interest to the Group's bank syndicate as well as many investors. Adjusted EBITDA should not be considered as an alternative to net income (loss), comprehensive income, cash flow from operating activities or any other financial performance or liquidity measure presented in accordance with UK-adopted international accounting standards.

The Directors believe Adjusted EBITDA is a useful measure because it enables a more effective way to evaluate the Group's financial performance and compare results of operations from period-to-period and against its peers without regard to the Group's financing methods or capital structure. The Directors exclude the items listed in the table below from net income (loss) in arriving at Adjusted EBITDA for the following reasons:

Certain amounts are not comparable period-over-period given their transaction specific nature or are not considered to be part of the core operation of the business. Examples include:

- Gains or losses on foreign currency hedges;
- Costs associated with acquisitions or other one-time events; or

— Gains or losses on natural gas and oil property and equipment

Certain amounts are non-cash such as:

— Amortisation, depreciation and depletion;

— Gains or losses on the valuation of unsettled financial instruments; or

— Equity compensation costs included in G&A.

The following table reconciles Net income (loss) to Adjusted EBITDA for the periods presented:

	Year Ended	
	31 December 2022	31 December 2021
Net income (loss)	**$ (620,598)**	**$ (325,206)**
Finance costs	100,799	50,628
Accretion of asset retirement obligations	27,569	24,396
Other (income) expense	(269)	8,812
Income tax (benefit) expense	(178,904)	(225,694)
Depreciation, depletion and amortisation	222,257	167,644
Gain on bargain purchases	(4,447)	(58,072)
(Gain) loss on fair value adjustments of unsettled financial instruments	861,457	652,465
(Gain) loss on natural gas and oil property and equipment[a]	93	901
Costs associated with acquisitions	15,545	27,743
Other adjusting costs[b]	69,967	10,371
Non-cash equity compensation	8,051	7,400
(Gain) loss on foreign currency hedge	—	1,227
Net (gain) loss on interest rate swap	1,434	530
Adjusted EBITDA	**$ 502,954**	**$ 343,145**
Weighted average shares outstanding - basic	844,080	793,542
Adjusted EBITDA per Share	**$ 0.60**	**$ 0.43**

(a) Excludes $2,472 in proceeds received for leasehold sales during the year ended 31 December 2022.

(b) Other adjusting costs for the year ended 31 December 2022 primarily consisted of $28,345 in contract terminations which may allow the Group to obtain more favourable pricing in the future and $31,099 in costs associated with deal breakage and/or sourcing costs for acquisitions. Other adjusting costs for the year ended 31 December 2021 were primarily associated with one-time projects and contemplated financing arrangements. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon Acquisition.

NOTE 10 - EARNINGS (LOSS) PER SHARE

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The calculation of basic earnings (loss) per share is based on Net income (loss) and on the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is based on Net income (loss) and the weighted average number of shares outstanding plus the weighted average number of shares that would be issued if dilutive options and warrants were converted into shares on the last day of the reporting period. The weighted average number of shares outstanding for the computation of both basic and diluted earnings (loss) per share excludes shares held as treasury shares in the Employee Benefit Trust ("EBT"), which for accounting purposes are treated in the same manner as shares held in the treasury reserve. Refer to Note 17 for additional information regarding the EBT. Basic and diluted earnings (loss) per share are calculated as follows for the periods presented:

		Year Ended	
	Calculation	31 December 2022	31 December 2021
Net income (loss) attributable to Diversified Energy Company PLC	A	**$ (625,410)**	**$ (325,509)**
Weighted average shares outstanding - basic and diluted	B	**844,080**	**793,542**
Earnings (loss) per share - basic and diluted	= A/B	**$ (0.74)**	**$ (0.41)**

(a) Due to the Group's Net loss for the years ended 31 December 2022 and 2021, 15,334 and 6,493 potential shares were not included in the computation of diluted EPS because their effect would have been anti-dilutive.

NOTE 11 - NATURAL GAS AND OIL PROPERTIES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following table summarises the Group's natural gas and oil properties for the periods presented:

	Year Ended	
	31 December 2022	**31 December 2021**
Costs		
Beginning balance	$ 2,866,353	$ 1,968,557
Additions[a]	219,490	1,012,691
Disposals[b]	(23,380)	(114,895)
Ending balance	**$ 3,062,463**	**$ 2,866,353**
Depletion and impairment		
Beginning balance	$ (336,275)	$ (213,472)
Depletion expense	(170,380)	(122,803)
Impairment	—	—
Ending balance	**$ (506,655)**	**$ (336,275)**
Net book value	**$ 2,555,808**	**$ 2,530,078**

[a] For the year ended 31 December 2022, the Group added $285,212 related to acquisitions, offset by $98,802 resulting from normal revisions to the Group's asset retirement obligations. The remaining additions are primarily attributable to capital expenditures associated with the completion of the six Tapstone wells that were under development at the time of acquisition and five additional wells we participated with a non-operating interest in Appalachia. The remaining change is primarily attributable to recurring capital expenditures. For the year ended 31 December 2021, the Group added $907,383 related to acquisitions and $78,156 resulting from normal revisions to the Group's asset retirement obligations. The remaining change is primarily attributable to recurring capital expenditures and the revaluation of the EQT contingent consideration. Refer to Notes 5 and 20 for additional information regarding acquisitions and asset retirement obligations, respectively.

[b] Disposals for the year ended 31 December 2022 were associated with divestitures of natural gas and oil properties in the normal course of business, none of which were material. For the year ended 31 December 2021, the Group divested $113,752 in natural gas and oil properties related to the Indigo and Tanos undeveloped acreage transactions. Refer to Note 5 for additional information regarding divestitures.

IMPAIRMENT ASSESSMENT FOR NATURAL GAS AND OIL PROPERTIES

For the period ended 31 December 2022, the Directors assessed the indicators of impairment, noting volatile pricing in near-term and resilient commodity price on the forward curve after the near-term volatility subsides which supports a healthy outlook for the Group. This assessment also included a comparison of the carrying value of the Group's natural gas and oil properties to their fair values and an assessment of the projected impact of climate change on the Group. As a result of their assessments no impairment indicators were identified.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following tables summarise the Group's property, plant and equipment for the periods presented:

	Year Ended 31 December 2022					
	Buildings and Leasehold Improvements	**Equipment**	**Motor Vehicles**	**Midstream Assets**	**Other Property and Equipment**	**Total**
Costs						
Beginning balance	$ 41,684	$ 9,492	$ 45,562	$ 398,663	$ 16,039	$ 511,440
Additions[a]	9,421	20,886	22,399	34,835	7,704	95,245
Disposals	(3,423)	(9)	(1,572)	(14)	—	(5,018)
Ending balance[b]	**$ 47,682**	**$ 30,369**	**$ 66,389**	**$ 433,484**	**$ 23,743**	**$ 601,667**
Accumulated depreciation						
Beginning balance	$ (2,078)	$ (4,089)	$ (20,186)	$ (69,501)	$ (1,606)	$ (97,460)
Period changes	(1,819)	(3,547)	(10,270)	(26,330)	(947)	(42,913)
Disposals	290	9	1,262	5	—	1,566
Ending balance	**$ (3,607)**	**$ (7,627)**	**$ (29,194)**	**$ (95,826)**	**$ (2,553)**	**$ (138,807)**
Net book value	**$ 44,075**	**$ 22,742**	**$ 37,195**	**$ 337,658**	**$ 21,190**	**$ 462,860**

	Year Ended 31 December 2021					
	Buildings and Leasehold Improvements	Equipment	Motor Vehicles	Midstream Assets	Other Property and Equipment	Total
Costs						
Beginning balance	$ 28,190	$ 6,768	$ 35,129	$ 367,331	$ 5,600	$ 443,018
Additions[(a)]	13,494	2,737	12,700	31,485	10,439	70,855
Disposals	—	(13)	(2,267)	(153)	—	(2,433)
Ending balance[(b)]	**$ 41,684**	**$ 9,492**	**$ 45,562**	**$ 398,663**	**$ 16,039**	**$ 511,440**
Accumulated depreciation						
Beginning balance	$ (1,007)	$ (2,860)	$ (12,409)	$ (43,597)	$ (1,042)	$ (60,915)
Period changes	(1,071)	(1,231)	(9,259)	(25,928)	(564)	(38,053)
Disposals	—	2	1,482	24	—	1,508
Ending balance	**$ (2,078)**	**$ (4,089)**	**$ (20,186)**	**$ (69,501)**	**$ (1,606)**	**$ (97,460)**
Net book value	**$ 39,606**	**$ 5,403**	**$ 25,376**	**$ 329,162**	**$ 14,433**	**$ 413,980**

(a) Of the $95,245 in 2022 additions, $26,815 was related to acquisitions and $11,295 was associated with right-of-use asset additions for new leases. The remaining capital expenditures are a result of our recurring capital needs and enhanced ESG efforts. Of the $70,855 in 2021 additions, $25,961 was related to acquisitions and $16,554 was associated with right-of-use asset additions for new and acquired leases. Refer to Notes 5 and 21 for additional information regarding acquisitions and leases, respectively. Remaining additions are related to routine capital projects on the Group's compressor and gathering systems, vehicle and equipment additions.

(b) Buildings and Leasehold Improvements and Motor Vehicles are inclusive of right-of-use assets associated with the Group's leases. Refer to Note 21 for additional information regarding leases.

The Group continued to utilise certain fully depreciated assets during the years ended 31 December 2022 and 31 December 2021 with an original cost basis of $9,222 and $5,597, respectively.

NOTE 13 - INTANGIBLE ASSETS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

Intangible assets consisted of the following for the periods presented:

	Year Ended 31 December 2022		
	Software	Other Acquired Intangibles	Total
Costs			
Beginning balance	$ 28,095	$ 2,900	$ 30,995
Additions[(a)]	11,211	4,224	15,435
Disposals	—	—	—
Ending balance	**$ 39,306**	**$ 7,124**	**$ 46,430**
Accumulated amortisation			
Beginning balance	$ (15,192)	$ (1,669)	$ (16,861)
Period changes	(7,325)	(1,146)	(8,471)
Disposals	—	—	—
Ending balance	**$ (22,517)**	**$ (2,815)**	**$ (25,332)**
Net book value	**$ 16,789**	**$ 4,309**	**$ 21,098**

	Year Ended 31 December 2021		
	Software	Other Acquired Intangibles	Total
Costs			
Beginning balance	$ 24,271	$ 2,900	$ 27,171
Additions[a]	3,824	—	3,824
Disposals	—	—	—
Ending balance	**$ 28,095**	**$ 2,900**	**$ 30,995**
Accumulated amortisation			
Beginning balance	$ (7,246)	$ (712)	$ (7,958)
Period changes	(7,946)	(957)	(8,903)
Disposals	—	—	—
Ending balance	**$ (15,192)**	**$ (1,669)**	**$ (16,861)**
Net book value	**$ 12,903**	**$ 1,231**	**$ 14,134**

[a] For the years ended 31 December 2022 and 2021 additions were related to software enhancements and other acquired intangibles.

NOTE 14 - DERIVATIVE FINANCIAL INSTRUMENTS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group is exposed to volatility in market prices and basis differentials for natural gas, NGLs and oil, which impacts the predictability of its cash flows related to the sale of those commodities. The Group can also have exposure to volatility in interest rate markets, depending on the makeup of its debt structure, which impacts the predictability of its cash flows related to interest payments on the Group's variable rate debt obligations. These risks are managed by the Group's use of certain derivative financial instruments. As of 31 December 2022, the Group's derivative financial instruments consisted of swaps, collars, basis swaps, stand-alone put and call options, and swaptions. A description of the Group's derivative financial instruments is provided below:

Swaps: If the Group sells a swap, it receives a fixed price for the contract and pays a floating market price to the counterparty;

Collars: Arrangements that contain a fixed floor price (purchased put option) and a fixed ceiling price (sold call option) based on an index price which, in aggregate, have no net costs. At the contract settlement date, (1) if the index price is higher than the ceiling price, the Group pays the counterparty the difference between the index price and ceiling price, (2) if the index price is between the floor and ceiling prices, no payments are due from either party, and (3) if the index price is below the floor price, the Group will receive the difference between the floor price and the index price.

Certain collar arrangements may also include a sold put option with a strike price below the purchased put option. Referred to as a three-way collar, the structure works similar to the above description, except that when the index price settles below the sold put option, the Group pays the counterparty the difference between the index price and sold put option, effectively enhancing realised pricing by the difference between the price of the sold and purchased put option;

Basis swaps: Arrangements that guarantee a price differential for commodities from a specified delivery point. If the Group sells a basis swap, it receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract;

Put options: The Group purchases and sells put options in exchange for a premium. If the Group purchases a put option, it receives from the counterparty the excess (if any) of the market price below the strike price of the put option at the time of settlement, but if the market price is above the put's strike price, no payment is due from either party. If the Group sells a put option, the Group pays the counterparty the excess (if any) of the market price below the strike price of the put option at the time of settlement, but if the market price is above the put's strike price, no payment is due from either party.

Call options: The Group purchases and sells call options in exchange for a premium. If the Group purchases a call option, it receives from the counterparty the excess (if any) of the market price over the strike price of the call option at the time of settlement, but if the market price is below the call's strike price, no payment is due from either party. If the Group sells a call option, it pays the counterparty the excess (if any) of the market price over the strike price of the call option at the time of settlement, but if the market price is below the call's strike price, no payment is due from either party; and

Swaptions: If the Group sells a swaption, the counterparty will receive the option to enter into a swap contract at a specified date and receives a fixed price for the contract and pays a floating market price to the counterparty.

The Group may elect to enter into offsetting transactions for the above instruments for the purpose of cancelling or terminating certain positions.

The following tables summarise the Group's calculated net fair value of derivative financial instruments as of the reporting date as follows:

		Weighted Average Price per Mcfe[a]					
NATURAL GAS CONTRACTS	**Volume (MMcf)**	**Swaps**	**Sold Puts**	**Purchased Puts**	**Sold Calls**	**Basis Differential**	**Fair Value at 31 December 2022**
2023							
Swaps	214,140	$ 3.65	$ —	$ —	$ —	$ —	$ (178,637)
Three-Way Collars	3,600	—	2.14	2.81	3.61	—	(4,022)
Stand-Alone Calls, net[b]	22,977	—	—	—	2.86	—	(79,836)
Basis Swaps	114,174	—	—	—	—	(0.66)	19,478
Total 2023 contracts	354,891						**$ (243,017)**
2024							
Swaps	166,033	$ 3.15	$ —	$ —	$ —	$ —	$ (207,798)
Stand-Alone Calls	37,698	—	—	—	2.90	—	(60,756)
Basis Swaps	41,871	—	—	—	—	(0.71)	2,165
Total 2024 contracts	245,602						**$ (266,389)**
2025							
Swaps	140,395	$ 3.09	$ —	$ —	$ —	$ —	$ (189,632)
Stand-Alone Calls	21,900	—	—	—	3.00	—	(33,444)
Total 2025 contracts	162,295						**$ (223,076)**
2026							
Swaps	109,097	$ 3.15	$ —	$ —	$ —	$ —	$ (148,011)
Stand-Alone Calls	18,250	—	—	—	4.28	—	(18,100)
2027							
Swaps	55,100	$ 3.04	$ —	$ —	$ —	$ —	$ (77,789)
Collars	1,414	—	—	4.28	7.17	—	99
Purchased puts	40,218	—	—	3.09	—	—	10,849
Sold puts	16,414	—	1.93	—	—	—	(990)
2028							
Swaps	32,190	$ 2.49	$ —	$ —	$ —	$ —	$ (58,115)
Collars	5,382	—	—	4.28	6.90	—	470
Purchased puts	54,203	—	—	3.04	—	—	13,586
Sold puts	31,585	—	1.93	—	—	—	(1,800)
2029							
Swaps	29,190	$ 2.48	$ —	$ —	$ —	$ —	$ (53,223)
Collars	3,726	—	—	4.28	7.51	—	314
Purchased puts	30,066	—	—	2.92	—	—	6,788
Sold puts	30,066	—	1.93	—	—	—	(1,820)
2030							
Swaps	5,450	$ 2.43	$ —	$ —	$ —	$ —	$ (11,390)
Purchased puts	14,492	—	—	2.93	—	—	2,676
Sold puts	14,492	—	1.93	—	—	—	(680)
Swaptions							
1/10/2024-30/9/2028[c]	14,610	$ 2.91	$ —	$ —	$ —	$ —	$ (20,105)
1/1/2025-31/12/2029[d]	36,520	2.77	—	—	—	—	(52,878)
1/4/2026-31/3/2030[e]	97,277	2.57	—	—	—	—	(156,580)
1/4/2030-31/3/2032[f]	42,627	2.57	—	—	—	—	(79,688)
Total 2026-2032 contracts	**682,369**						**$ (646,387)**
Total natural gas contracts	**1,445,157**						**$ (1,378,869)**

(a) Rates have been converted from Btu to Mcfe using a Btu conversion factor of 1.07.

(b) Inclusive of $41,853 in cash settlements for deferred premiums.

(c) Option expires on 6 September 2024.

(d) Option expires on 23 December 2024.

(e) Option expires on 23 March 2026.

(f) Option expires on 22 March 2030.

		Weighted Average Price per Bbl				
NGLs CONTRACTS	**Volume (MBbls)**	**Swaps**	**Sold Puts**	**Purchased Puts**	**Sold Calls**	**Fair Value at 31 December 2022**
2023						
Swaps[(a)]	3,818	$ 36.65	$ —	$ —	$ —	$ (4,586)
Stand-Alone Calls	365	—	—	—	24.78	(3,562)
2024						
Swaps[(a)]	1,973	$ 34.84	$ —	$ —	$ —	$ (929)
Stand-Alone Calls	915	—	—	—	31.29	(7,317)
2025						
Swaps[(a)]	1,861	$ 30.22	$ —	$ —	$ —	$ (6,002)
2026						
Swaps[(a)]	1,058	$ 27.66	$ —	$ —	$ —	$ (1,062)
Total NGLs contracts	**9,990**					**$ (23,458)**

(a) Certain portions of NGLs swaps include effects of purchased oil swaps intended to provide a final NGLs price as a percentage of WTI.

		Weighted Average Price per Bbl				
OIL CONTRACTS	**Volume (MBbls)**	**Swaps**	**Sold Puts**	**Purchased Puts**	**Sold Calls**	**Fair Value at 31 December 2022**
2023						
Swaps	890	$ 69.39	$ —	$ —	$ —	$ (8,210)
Sold Calls	117	—	—	—	53.20	(3,057)
2024						
Swaps	431	$ 62.54	$ —	$ —	$ —	$ (4,576)
Sold Calls	183	—	—	—	70.00	(2,521)
2025						
Swaps	366	$ 59.01	$ —	$ —	$ —	$ (3,530)
2026						
Swaps	283	$ 59.48	$ —	$ —	$ —	$ (1,749)
2027						
Swaps	162	$ 58.60	$ —	$ —	$ —	$ (768)
Total oil contracts	**2,432**					**$ (24,411)**

INTEREST	**Principal Hedged**	**Fixed-Rate**	**Fair Value at 31 December 2022**
2022			
SOFR Interest Rate Swap	$400,000	1.73%	$ (3,228)
Net fair value of derivative financial instruments as of 31 December 2022			**$ (1,429,966)**

Netting the fair values of derivative assets and liabilities for financial reporting purposes is permitted if such assets and liabilities are with the same counterparty and a legal right of set-off exists, subject to a master netting arrangement. The Directors have elected to present derivative assets and liabilities net when these conditions are met. The following table outlines the Group's net derivatives as of the periods presented:

Derivative Financial Instruments	**Consolidated Statement of Financial Position**	**31 December 2022**	**31 December 2021**
Assets:			
Non-current assets	Derivative financial instruments	$ 13,936	$ 219
Current assets	Derivative financial instruments	27,739	1,052
Total assets		**$ 41,675**	**$ 1,271**
Liabilities			
Non-current liabilities	Derivative financial instruments	$ (1,177,801)	$ (556,982)
Current liabilities	Derivative financial instruments	(293,840)	(251,687)
Total liabilities		**$ (1,471,641)**	**$ (808,669)**
Net assets (liabilities):			
Net assets (liabilities) - non-current	Other non-current assets (liabilities)	$ (1,163,865)	$ (556,763)
Net assets (liabilities) - current	Other current assets (liabilities)	(266,101)	(250,635)
Total net assets (liabilities)		**$ (1,429,966)**	**$ (807,398)**

The Group presents the fair value of derivative contracts on a net basis in the consolidated balance sheet. The following presents the impact of this presentation to the Group's recognised assets and liabilities as of the periods indicated:

	31 December 2022		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	$ 101,275	$ (87,339)	$ 13,936
Current assets	92,611	(64,872)	27,739
Total assets	**$ 193,886**	**$ (152,211)**	**$ 41,675**
Non-current liabilities	(1,261,369)	83,568	(1,177,801)
Current liabilities	(362,483)	68,643	(293,840)
Total liabilities	**$ (1,623,852)**	**$ 152,211**	**$ (1,471,641)**
Total net assets (liabilities)	**$ (1,429,966)**	**$ —**	**$ (1,429,966)**

	31 December 2021		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	$ 29,767	$ (29,548)	$ 219
Current assets	62,144	(61,092)	1,052
Total assets	**$ 91,911**	**$ (90,640)**	**$ 1,271**
Non-current liabilities	(586,584)	29,602	(556,982)
Current liabilities	(312,725)	61,038	(251,687)
Total liabilities	**$ (899,309)**	**$ 90,640**	**$ (808,669)**
Total net assets (liabilities)	**$ (807,398)**	**$ —**	**$ (807,398)**

The Group recorded the following gain (loss) on derivative financial instruments in the Consolidated Statement of Comprehensive Income for the periods presented:

	Year Ended	
	31 December 2022	31 December 2021
Net gain (loss) on commodity derivatives settlements[a]	$ (895,802)	$ (320,656)
Net gain (loss) on interest rate swaps[a]	(1,434)	(530)
Gain (loss) on foreign currency hedges[a]	—	(1,227)
Total gain (loss) on settled derivative instruments	**$ (897,236)**	**$ (322,413)**
Gain (loss) on fair value adjustments of unsettled financial instruments[b]	(861,457)	(652,465)
Total gain (loss) on derivative financial instruments	**$ (1,758,693)**	**$ (974,878)**

(a) Represents the cash settlement of hedges that settled during the period.

(b) Represents the change in fair value of financial instruments net of removing the carrying value of hedges that settled during the period.

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.

Commodity Derivative Contract Modifications and Extinguishments

From time to time, such as when acquiring producing assets, completing ABS financings or navigating changing price environments, the Group will opportunistically modify, offset, extinguish or add certain existing hedge positions. Modifications include the volume of production subject to contracts, the swap or strike price of certain derivative contracts and similar elements of the derivative contract. The Group maintains distinct, long-dated derivative contract portfolios for its ABS financings and Term Loan I. The Group also maintains a separate derivative contract portfolio related to its assets collateralised by the Credit Facility.

2022 Modifications and Extinguishments

In February 2022, the Group adjusted portions of its commodity derivative portfolio across its legal entities to ensure that it maintained the appropriate level and composition at both the legal entity and full-Group level for the completion of the ABS III and ABS IV financing arrangements. The Group completed these adjustments by entering into new commodity derivative contracts and novating certain derivative contracts to the legal entities holding the ABS III and ABS IV notes. The Group paid $41,823 for these portfolio adjustments, driven primarily by the purchase of long-dated puts for ABS III and ABS IV that collectively increased the value of the Group's derivative position by an equal amount, and were required under the respective ABS III and ABS IV indentures. The Group recorded payments for offsetting positions as new derivative financial instruments and applied extinguishment payments against the existing commodity contracts on its Consolidated Statement of Financial Position.

In May 2022, and in October 2022 the Group completed the ABS V and ABS VI financing arrangements, respectively, and made similar commodity derivative portfolio adjustments to maintain the appropriate level and composition of derivatives at both the legal entity and full-Group level. The Group paid $31,250, driven primarily by the purchase of long-dated puts that increased the value of the Group's derivative position by an equal amount, and were required under the ABS V indenture. Under the ABS VI financing, the Group paid $32,242 from the proceeds of the financing to increase the value of certain pre-existing derivative contracts that were novated to the ABS VI legal entity at closing. The Group recorded the payments as new derivative financial instruments on its Consolidated Statement of Financial Position.

Refer to Note 22 for additional information regarding ABS financing arrangements.

Other commodity derivative contract modifications made during the normal course of business for the year ended 31 December 2022 totalled $133,573 which the Group recorded on its Consolidated Statement of Financial Position. As these modifications were made in the normal course, the Group has presented these as an operating activity in the Consolidated Statement of Cash Flows. These modifications were primarily associated with the elevating the Group's weighted average hedge floor to take advantage of the high price environment experienced in 2022 over a longer term. The trades were primarily comprised of swap enhancements and the extinguishment of standalone call options.

2021 Modifications and Extinguishments

In August 2021 as part of the Tanos acquisition, the Group obtained the option to novate or extinguish the Tanos hedge book. In conjunction with the closing settlement, DEC elected to extinguish their share of the Tanos hedge book. The cost to terminate was $52,666. This payment relieved the termination liability established on the Group's Consolidated Statement of Financial Position in purchase accounting and has been presented as an investing activity in the Consolidated Statement of Cash Flows given its connection to the Tanos acquisition. New derivative contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets in an elevated price environment.

In May 2021, subsequent to the close of the Indigo acquisition, market dynamics began shifting to a more favourable commodity price environment. Given the favourable forward curve, the Group elected to early terminate certain legacy Indigo derivative positions resulting in a cash payment of $6,797 which the Group recorded on its Consolidated Statement of Financial Position. Since this extinguishment occurred subsequent to the acquisition date the Group has presented this payment as an operating activity on the Consolidated Statement of Cash Flows. New derivative contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets in an elevated price environment.

Refer to Note 5 for additional information regarding acquisitions.

Other commodity derivative contract modifications made during the normal course of business for the year ended 31 December 2021 totalled $3,367 which the Group recorded on its Consolidated Statement of Financial Position. As these modifications were made in the normal course, the Group has presented these as an operating activity in the Consolidated Statement of Cash Flows.

NOTE 15 - TRADE AND OTHER RECEIVABLES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

Trade receivables include amounts due from customers, entities that purchase the Group's natural gas, NGLs and oil production, and also include amounts due from joint interest owners, entities that own a working interest in the properties operated by the Group. The majority of trade receivables are current, and the Group believes these receivables are collectible. The following table summarises the Group's trade receivables. The fair value approximates the carrying value as of the periods presented:

	31 December 2022	31 December 2021
Commodity receivables[(a)]	$ 285,700	$ 275,295
Other receivables	20,022	13,768
Total trade receivables	**$ 305,722**	**$ 289,063**
Allowance for credit losses[(b)]	(8,941)	(6,141)
Total trade receivables, net	**$ 296,781**	**$ 282,922**

(a) Includes trade receivables and accrued revenues. The increase in commodity receivables reflects the increase in commodity pricing over the course of 2021 and 2022, as well as our growth through acquisitions.

(b) The allowance for credit losses was primarily related to amounts due from joint interest owners. Year-over-year increases were primarily associated with acquired receivables that allowances were established for as part of purchase accounting.

NOTE 16 - OTHER ASSETS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following table includes details of other assets as of the periods presented:

	31 December 2022	31 December 2021
Other non-current assets		
Other non-current assets	$ 4,351	$ 3,635
Total other non-current assets	**$ 4,351**	**$ 3,635**
Other current assets		
Prepaid expenses	$ 5,255	$ 5,126
Other assets[(a)]	—	25,004
Inventory	9,227	9,444
Total other current assets	**$ 14,482**	**$ 39,574**

(a) Primarily consists of payments associated with potential acquisitions. These costs include deposits, right of first refusal, or option agreement costs, and other acquisition related payments. Refer to the **Financial Review** section within this Annual Report for additional information.

NOTE 17 - SHARE CAPITAL

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group has one class of common shares which carry the right to one vote at annual general meetings of the Group. As of 31 December 2022, the Group had no limit on the amount of authorised share capital and all shares in issue were fully paid.

Share capital represents the nominal (par) value of shares (£0.01) that have been issued. Share premium includes any premiums received on issue of share capital above par. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related income tax benefits. The components of share capital include:

ISSUANCE OF SHARE CAPITAL

In May 2021, the Group placed 141,541 new shares at $1.59 per share (£1.12) to raise gross proceeds of $225,050 (approximately £158,526). Associated costs of the placing were $11,206. The Group used the proceeds to pay down the Credit Facility and partially fund the Indigo and Blackbeard acquisitions, discussed in Notes 22 and 5, respectively.

TREASURY SHARES

The Group's holdings in its own equity instruments are classified as treasury shares. The consideration paid, including any directly attributable incremental costs, is deducted from the stockholders' equity of the Group until the shares are cancelled or reissued. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares.

Employee Benefit Trust ("EBT")

In March 2022, the Group established the EBT for the benefit of the employees of the Group. The Group funds the EBT to facilitate the acquisition of shares. The shares in the EBT are held to satisfy awards and grants under the Group's 2017 Equity Incentive Plan. Shares held in the EBT are accounted for in the same manner as treasury shares and are therefore included in the Consolidated Financial Statements as Treasury Shares.

During the year ended 31 December 2022, the EBT purchased 15,790 shares at an average price per share of $1.44 (approximately £1.24) for a total consideration of $22,931 (approximately £19,388). During the year ended 31 December 2022, the EBT reissued 1,760 to settle vested share-based awards. As of 31 December 2022, the EBT held 14,030 shares. Refer to Note 18 for additional information related to share-based compensation.

Repurchase of Shares

During the year ended 31 December 2022, the Group repurchased 7,995 treasury shares at an average price of $1.37 totalling $11,760. No treasury shares were repurchased during the year ended 31 December 2021.

The Group has accounted for the repurchase of these shares as a reduction to the treasury reserve. All repurchased treasury shares were cancelled upon repurchase and their par value of $80 has been retired into the capital redemption reserve included within share based payments and other reserves in the Consolidated Statement of Financial Position.

SETTLEMENT OF WARRANTS

In July 2022, the Group entered into an agreement to cancel 132 warrants (the "Warrants") held by certain former Mirabaud Securities Limited ("Mirabaud") employees for an aggregate principal amount of approximately $56 (approximately £46). The former employees surrendered the Warrants to the Group for cancellation. Concurrently, the Group entered into an agreement to exercise 224 Warrants held by certain former Mirabaud employees for an aggregate principal amount of approximately $201 (approximately £166). The former employees surrendered the Warrants to the Group for cancellation in exchange for an equivalent number of shares of common stock. Following this purchase and exercise, no warrants remain outstanding.

In February 2022, the Group entered into an agreement to cancel 477 Warrants held by certain former Mirabaud Securities Limited ("Mirabaud") employees for an aggregate principal amount of approximately $265 (approximately £196). The former employees surrendered the Warrants to the Group for cancellation. Concurrently, the Group entered into an agreement to exercise 290 Warrants held by certain former Mirabaud employees for an aggregate principal amount of approximately $251 (approximately £187). The former employees surrendered the Warrants to the Group for cancellation in exchange for an equivalent number of shares of common stock. Following this purchase and exercise, 355 warrants remained outstanding.

In January 2021, the Group entered into an agreement to cancel 2,377 Warrants held by Mirabaud and certain former Mirabaud employees for an aggregate principal amount of approximately $1,429 (approximately £1,040). Mirabaud and its former employees surrendered the Warrants to the Group for cancellation. Following this purchase, 1,123 warrants remained outstanding.

The following tables summarise the Group's share capital, net of customary transaction costs, for the periods presented:

	Number of Shares	Total Share Capital	Total Share Premium
Balance as of 31 December 2020	**707,377**	**$ 9,520**	**$ 841,159**
Issuance of share capital (equity placement)	141,541	2,044	211,800
Issuance of share capital (equity compensation)	737	7	—
Balance as of 31 December 2021	**849,655**	**$ 11,571**	**$ 1,052,959**
Issuance of share capital (settlement of warrants)	513	$ 5	$ —
Issuance of share capital (equity compensation)	792	7	—
Issuance of EBT shares (equity compensation)	1,760	—	—
Repurchase of shares (EBT)	(15,790)	—	—
Repurchase of shares (share buyback programme)	(7,995)	(80)	—
Balance as of 31 December 2022	**828,935**	**$ 11,503**	**$ 1,052,959**

SUBSEQUENT EVENTS

In February 2023, the Group placed 128,444 new shares at $1.27 per share (£1.05) to raise gross proceeds of $162,757 (approximately £134,866). Associated costs of the placing were $6,479. The Group used the proceeds to fund the Tanos II transaction, discussed in Note 5.

NOTE 18 - NON-CASH SHARE-BASED COMPENSATION

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

EQUITY INCENTIVE PLAN

The 2017 Equity Incentive Plan (the "Plan"), as amended through 27 April 2021, authorised and reserved for issuance 65,681 shares of common stock, which may be issued upon exercise of vested Options or the vesting of RSUs, PSUs and dividend equivalent units ("DEUs"), that are granted under the Plan. As of 31 December 2022, 11,882 shares have vested and been issued to Plan participants, 25,856 shares have been granted but remain unvested and 4,230 DEUs have accrued and remain unvested. As of 31 December 2021, 1,783 shares have vested and been issued to Plan participants, 33,057 shares have been granted but remain unvested and 1,960 DEUs have accrued and remain unvested. Refer to the **Remuneration Committee's Report** within this Annual Report for additional information regarding the terms of awards issued under the Plan.

OPTIONS AWARDS

The following table summarises Options award activity for the respective periods presented:

	Number of Options[a]	Weighted Average Grant Date Fair Value per Share
Balance as of 31 December 2020	**23,020**	**$ 0.43**
Granted	—	—
Exercised[b]	(833)	0.33
Forfeited	(300)	0.59
Balance as of 31 December 2021	**21,887**	**$ 0.43**
Granted	—	—
Exercised[b]	(7,973)	0.33
Forfeited	(6,400)	0.57
Balance as of 31 December 2022	**7,514**	**$ 0.41**

(a) As of 31 December 2022 and 2021, 380 and 4,033 Options were exercisable, respectively. As of 31 December 2022 all remaining Options outstanding have an exercise price ranging from £0.84 to £1.20 and a weighted average remaining contractual life of 5.6 years.

(b) The weighted average exercise date share price was $1.62 and $1.74 for Options exercised during 2022 and 2021, respectively.

The Group's Options ratably vest over a three-year period and contain both performance and service metrics. The performance metrics include Adjusted EPS as compared to pre-established benchmarks and a calculation that compares the Group's TSR to pre-established benchmarks. The number of units that will vest can range between 0% and 100% of the award. The fair value of the Group's Options was calculated using the Black-Scholes model as of the grant date and is uniformly expensed over the vesting period. No Options were awarded during the years ended 31 December 2022 and 2021.

RSU AWARDS

The following table summarises RSU equity award activity for the respective periods presented:

	Number of Shares		Weighted Average Grant Date Fair Value per Share
Balance as of 31 December 2020	**3,423**	**$**	**1.19**
Granted	1,536		1.59
Vested	(760)		1.16
Forfeited	(74)		1.32
Balance as of 31 December 2021	**4,125**	**$**	**1.34**
Granted	3,970		1.38
Vested	(1,275)		1.30
Forfeited	(89)		1.36
Balance as of 31 December 2022	**6,731**	**$**	**1.38**

RSUs cliff- or ratably-vest based on service conditions. The fair value of the Group's RSUs is determined using the stock price at the grant date and uniformly expensed over the vesting period.

PSU AWARDS

The following table summarises PSU equity award activity for the respective periods presented:

	Number of Shares		Weighted Average Grant Date Fair Value per Share
Balance as of 31 December 2020	**4,667**	**$**	**1.19**
Granted	2,465		1.08
Vested	—		—
Forfeited	(87)		1.15
Balance as of 31 December 2021	**7,045**	**$**	**1.15**
Granted	4,640		1.40
Vested	—		—
Forfeited	(74)		1.30
Balance as of 31 December 2022	**11,611**	**$**	**1.25**

PSUs cliff-vest based on performance criteria which include a three-year average adjusted return on equity as compared to pre-established benchmarks, a calculation that compares the Group's TSR to pre-established benchmarks as well as the same calculated return for a group of peer companies as selected by the Group, and methane intensity reduction over three years. The number of units that will vest can range between 0 % and 100% of the award.

The fair value of the Group's PSUs is calculated using a Monte Carlo simulation model as of the grant date and is uniformly expensed over the vesting period. The inputs to the Monte Carlo model included the following for PSUs granted during the respective periods presented:

	31 December 2022	31 December 2021
Risk-free rate of interest	1.3%	0.2%
Volatility[(a)]	37%	35%
Correlation with comparator group range	0.01 - 0.36	0.02 - 0.36

(a) Volatility utilises the historical volatility for the Group's share price.

SHARE-BASED COMPENSATION EXPENSE

The following table presents share-based compensation expense for the respective periods presented:

		31 December 2022		31 December 2021
Options	$	(749)	$	2,115
RSUs		4,210		2,346
PSUs		4,590		2,939
Total share-based compensation expense	**$**	**8,051**	**$**	**7,400**

NOTE 19 - DIVIDENDS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following table summarises the Group's dividends declared and paid on the dates indicated:

Date Dividends Declared/Paid	Dividend per Share USD	Dividend per Share GBP	Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid
Declared on October 28, 2021	$ 0.0425	£ 0.0325	4 March 2022	28 March 2022	850,047	$ 36,127
Declared on March 22, 2022	$ 0.0425	£ 0.0343	27 May 2022	30 June 2022	850,548	36,148
Declared on May 16, 2022	$ 0.0425	£ 0.0366	2 September 2022	26 September 2022	845,881	35,950
Declared on August 8, 2022	$ 0.0425	£ 0.0345	25 November 2022	28 December 2022	828,935	35,230
Paid during the year ended 31 December 2022						**$ 143,455**
Declared on 29 October 2020	$0.0400	£ 0.0285	5 March 2021	26 March 2021	707,525	$ 28,301
Declared on 8 March 2021	$0.0400	£ 0.0281	28 May 2021	24 June 2021	849,434	33,970
Declared on 30 April 2021	$0.0400	£ 0.0288	3 September 2021	24 September 2021	849,603	33,984
Declared on 5 August 2021	$0.0400	£ 0.0299	26 November 2021	17 December 2021	849,603	33,984
Paid during the year ended 31 December 2021						**$ 130,239**

On 14 November 2022 the Group proposed a dividend of $0.04375 per share. The dividend will be paid on 28 March 2023 to shareholders on the register on 3 March, 2023. This dividend was not approved by shareholders, thereby qualifying it as an "interim" dividend. No liability was recorded in the Group Financial Statements in respect of this interim dividend as at 31 December 2022.

Dividends are waived on shares held in the EBT.

SUBSEQUENT EVENTS

On 21 March 2023 the Directors recommended a dividend of $0.04375 per share. The dividend will be paid on 30 June 2023 to shareholders on the register on 26 May 2023, subject to shareholder approval at the AGM. Provided this dividend was not approved by shareholders as of the reporting date, this represents an "interim" dividend. No liability has been recorded in the Group Financial Statements in respect of this dividend as at 31 December 2022.

NOTE 20 - ASSET RETIREMENT OBLIGATIONS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group records a liability for the present value of the estimated future decommissioning costs on its natural gas and oil properties, which it expects to incur at the end of the long-producing life of a well. Productive life varies within the Group's well portfolio and presently the Group expects all of its existing wells to have reached the end of their economic lives by approximately 2095 consistent with the Group's reserve calculations which were independently evaluated by the Group's independent engineers for the years ended 31 December 2022 and 2021. The Group also records a liability for the future cost of decommissioning its production facilities and pipelines when required by contract, statute, or constructive obligation. No such contractual agreements or statutes were in place for the Group's production facilities and pipelines for the years ended 31 December 2022 and 2021.

In estimating the present value of future decommissioning costs of natural gas and oil properties the Group takes into account the number and state jurisdictions of wells, current costs to decommission by state and the average well life across its portfolio. The Directors' assumptions are based on the current economic environment and represent what the Directors believe is a reasonable basis upon which to estimate the future liability. However, actual decommissioning costs will ultimately depend upon future market prices at the time the decommissioning services are performed. Furthermore, the timing of decommissioning will vary depending on when the fields cease to produce economically, making the determination dependent upon future natural gas and oil prices, which are inherently uncertain.

The Group applies a contingency allowance for annual inflationary cost increases to its current cost expectations then discounts the resulting cash flows using a credit adjusted risk free discount rate. The inflationary adjustment is a U.S. long-term 10-year rate sourced from consensus economics. When determining the discount rate of the liability, the Group evaluates treasury rates as well as the Bloomberg 15-year U.S. Energy BB and BBB bond index which economically aligns with the underlying long-term and unsecured liability. Based on this evaluation the net discount rate used in the calculation of the decommissioning liability in 2022 and 2021 was 3.6% and 2.9%, respectively.

The composition of the provision for asset retirement obligations at the reporting date was as follows for the periods presented:

	Year Ended	
	31 December 2022	31 December 2021
Balance at beginning of period	**$ 525,589**	**$ 346,124**
Additions[(a)]	24,395	96,292
Accretion	27,569	24,396
Asset retirement costs	(4,889)	(2,879)
Disposals[(b)]	(16,779)	(16,500)
Revisions to estimate[(c)]	(98,802)	78,156
Balance at end of period	**$ 457,083**	**$ 525,589**
Less: Current asset retirement obligations	4,529	3,399
Non-current asset retirement obligations	**$ 452,554**	**$ 522,190**

(a) Refer to Note 5 for additional information regarding acquisitions and divestitures.

(b) Associated with the divestiture of natural gas and oil properties in the normal course of business. Refer to Note 11 for additional information.

(c) As of 31 December 2022, the Group performed normal revisions to its asset retirement obligations, which resulted in a $98,802 decrease in the liability. This decrease was comprised of a $144,656 decrease attributable to a higher discount rate. The higher discount rate was a result of macroeconomic factors spurred by the increase in bond yields which have elevated with U.S. treasuries to combat the current inflationary environment. Partially offsetting this decrease was $29,357 in cost revisions based on the Group's recent asset retirement experiences and a $16,497 timing revision for the acceleration of the Group's retirement plans made possible by the recent asset retirement acquisitions that improve the Group's asset retirement capacity through the growth of its operational capabilities. As of 31 December 2021, the Group performed normal revisions to its asset retirement obligations, which resulted in a $78,156 increase in the liability. This increase was comprised of a $109,306 increase attributable to the lower discount rate which was then offset by a $27,038 reduction in anticipated ARO cost. The remaining change was attributable to timing. The lower discount rate was a result of macroeconomic factors spurred by the COVID-19 recovery, which reduced bond yields and increased inflation. Cost reductions are a result of the expansion of the Group's internal asset retirement programme and efficiencies gained.

Changes to assumptions for the estimation of the Group's asset retirement obligations could result in a material change in the carrying value of the liability. A reasonably possible 10% change in assumptions could have the following impact on the Group's asset retirement obligations as of 31 December 2022.

ARO Sensitivity	**+10%**	**-10%**
Discount rate	$ (46,122)	$ 53,417
Timing	27,998	(30,755)
Cost	45,708	(45,708)

NOTE 21 - LEASES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group leased automobiles, equipment and real estate for the periods presented below. A reconciliation of leases arising from financing activities and the balance sheet classification of future minimum lease payments as of the reporting periods presented were as follows:

	Present Value of Minimum Lease Payments	
	31 December 2022	31 December 2021
Balance at beginning of period	**$ 27,804**	**$ 18,878**
Additions[(a)]	11,269	16,482
Interest expense[(b)]	1,022	1,050
Cash outflows	(11,233)	(8,606)
Balance at end of period	**$ 28,862**	**$ 27,804**
Classified as:		
Current liability	$ 9,293	$ 9,627
Non-current liability	19,569	18,177
Total	**$ 28,862**	**$ 27,804**

(a) The $11,269 in lease additions during the year ended 31 December 2022, was primarily attributable to the expansion of the Group's fleet due to its growth. Of the $16,482 in lease additions during the year ended 31 December 2021, $8,062 was attributable to the Indigo, Blackbeard and Tapstone acquisitions. Refer to Note 5 for additional information regarding acquisitions.

(b) Included as a component of finance cost.

Set out below is the movement in the right-of-use assets:

	Right-of-Use Assets	
	31 December 2022	**31 December 2021**
Balance at beginning of period	**$ 26,908**	**$ 18,026**
Additions[a]	11,295	16,554
Depreciation	(10,244)	(7,672)
Balance at end of period	**$ 27,959**	**$ 26,908**
Classified as:		
Motor vehicles	$ 23,782	$ 19,149
Midstream	3,801	6,502
Buildings and leasehold improvements	376	1,257
Total	**$ 27,959**	**$ 26,908**

(a) The $11,295 in lease additions during the year ended 31 December 2022 was attributable to the expansion of the Group's fleet due to its growth. Of the $16,554 in lease additions during the year ended 31 December 2021, $8,062 was attributable to the Indigo, Blackbeard and Tapstone acquisitions. Refer to Note 5 for additional information regarding acquisitions.

The range of discount rates applied in calculating right-of-use assets and related lease liabilities, depending on the lease term, is presented below:

	31 December 2022	**31 December 2021**
Discount rates range	1.8% - 6.3%	1.8% - 3.3%

Expenses related to short-term and low-value lease exemptions applied under IFRS 16 are primarily associated with short term compressor rentals and were $25,153 and $15,362 for the years ended 31 December 2022 and 2021 respectively. These amounts have been included in the Group's operating expenses and are primarily concentrated in LOE.

The following table reflects the maturity of leases as of the periods presented:

	31 December 2022	**31 December 2021**
Not Later Than One Year	$ 9,293	$ 9,627
Later Than One Year and Not Later Than Five Years	19,569	18,177
Later Than Five Years	—	—
Total	**$ 28,862**	**$ 27,804**

NOTE 22 - BORROWINGS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group's borrowings consist of the following amounts as of the reporting date as follows:

	31 December 2022	**31 December 2021**
Credit Facility (Interest rate of 7.42% and 3.50%, respectively)[a]	$ 56,000	$ 570,600
ABS I Notes (Interest rate of 5.00%)	125,864	155,266
ABS II Notes (Interest rate of 5.25%)	147,458	169,320
ABS III Notes (Interest rate of 4.875%)	319,856	—
ABS IV Notes (Interest rate of 4.95%)	130,144	—
ABS V Notes (Interest rate of 5.78%)	378,796	—
ABS VI Notes (Interest rate of 7.50%)	212,446	—
Term Loan I (Interest rate of 6.50%)	120,518	137,099
Miscellaneous, primarily for real estate, vehicles and equipment	7,084	9,380
Total borrowings	**$ 1,498,166**	**$ 1,041,665**
Less: Current portion of long-term debt	(271,096)	(58,820)
Less: Deferred financing costs	(48,256)	(26,413)
Less: Original issue discounts	(9,581)	(4,897)
Total non-current borrowings, net	**$ 1,169,233**	**$ 951,535**

(a) Represents the variable interest rate as of period end.

CREDIT FACILITY

The Group maintains the Credit Facility with a lending syndicate, the borrowing base for which is redetermined on a semi-annual, or as needed, basis. The borrowing base is primarily a function of the value of the natural gas and oil properties that collateralise the lending arrangement and will fluctuate with changes in collateral, which may occur as a result of acquisitions or through the establishment of ABS, term loan or other lending structures that result in changes to the Credit Facility collateral base.

In August 2022, the Group amended and restated the credit agreement governing its Credit Facility by entering into the A&R Revolving Credit Facility. The amendment enhanced the alignment with the Group's stated ESG initiatives by including sustainability performance targets ("SPTs") similar to those included in the ABS III, IV, V and VI notes, extended the maturity of the Credit Facility to August 2026, removed DGOC as a credit party from the Credit Facility, and reaffirmed the borrowing base of $300,000 and included no other material changes to pricing or terms. Further, as a result of the amendment, the covenant structure associated with the A&R Revolving Credit Facility is now associated solely with DP RBL CO LLC, the borrower, a subsidiary of DGOC, the prior borrower.

The A&R Credit Facility contains three SPTs which, depending on our performance thereof, may result in adjustments to the applicable margin with respect to borrowings thereunder:

- GHG Emissions Intensity: The Group's consolidated Scope 1 emissions and Scope 2 emissions, each measured as MT CO_2e per MMcfe;
- Asset Retirement Performance: The number of wells the Group successfully retires during any fiscal year; and
- TRIR Performance: The arithmetic average of the two preceding fiscal years and current period total recordable injury rate computed as the Total Number of Recordable Cases (as defined by the Occupational Safety and Health Administration) multiplied by 200,000 and then divided by total hours worked by all employees during any fiscal year.

The goals set by the A&R Credit Facility for each of these categories are aspirational and represent higher thresholds than the Group has publicly set for itself. The economic repercussions of achieving or failing to achieve these thresholds, however, are relatively minor, ranging from subtracting five basis points to adding five basis points to the applicable margin level in any given fiscal year.

An independent third-party assurance provider will be required to certify the Group's performance of the SPTs. Though the Group is not required to do so, it intends to disclose this certification on an annual basis in our semi-annual or annual report, as determined by the timing of such certification, along with an overall ESG update.

Additional amendments to the Credit Facility in October 2022 and November 2022 lowered the borrowing base to $250,000 to account for the net impact of ABS VI and the ConocoPhillips acquisition. In March 2023, the Group upsized the borrowing base on the Credit Facility to $375,000. The next redetermination is expected to occur in late Spring 2023.

The Credit Facility has an interest rate of SOFR plus an additional spread that ranges from 2.75% to 3.75% based on utilisation. Interest payments on the Credit Facility are paid on a monthly basis. Available borrowings under the Credit Facility were $183,332 as of 31 December 2022 which considers the impact of $10,668 in letters of credit issued to certain vendors.

The Credit Facility contains certain customary representations and warranties and affirmative and negative covenants, including covenants relating to: maintenance of books and records; financial reporting and notification; compliance with laws; maintenance of properties and insurance; and limitations on incurrence of indebtedness, liens, fundamental changes, international operations, asset sales, making certain debt payments and amendments, restrictive agreements, investments, restricted payments and hedging. It also requires the DP RBL Co LLC to maintain a ratio of total debt to EBITDAX of not more than 3.25 to 1.00 and a ratio of current assets (with certain adjustments) to current liabilities of not less than 1.00 to 1.00 as of the last day of each fiscal quarter. The fair value of the Credit Facility approximates the carrying value as of 31 December 2022.

TERM LOAN I

In May 2020, the Group acquired DP Bluegrass LLC ("Bluegrass"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to enter into a securitised financing agreement for $160,000, which was structured as a secured term loan. The Group issued the Term Loan I at a 1% discount and used the proceeds of $158,400 to fund the 2020 Carbon and EQT acquisitions. The Term Loan I is secured by certain producing assets acquired in connection with the Carbon and EQT acquisitions.

The Term Loan I accrues interest at a stated 6.50% annual rate and has a maturity date of May 2030. Interest and principal payments on the Term Loan I are payable on a monthly basis. During the years ended 31 December 2022 and 2021, the Group incurred $8,643 and $9,860 in interest related to the Term Loan I, respectively. The fair value of the Term Loan I approximates the carrying value as of 31 December 2022.

ABS I NOTE

In November 2019, the Group formed Diversified ABS LLC ("ABS I"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB- rated asset-backed securities in an aggregate principal amount of $200,000 at par. The ABS I Notes are secured by certain of the Group's upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

Interest and principal payments on the ABS I Notes are payable on a monthly basis. During the years ended 31 December 2022 and 2021, the Group incurred $7,110 and $8,460 of interest related to the ABS I Notes, respectively. The legal final maturity date is January 2037 with an amortising maturity of December 2029. The ABS I Notes accrue interest at a stated 5% rate per annum. The fair value of the ABS I Notes approximates the carrying value as of 31 December 2022. In the event that ABS I has cash flow in excess of the required payments, ABS I is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. In particular, (a) with respect to any payment date prior to March 1, 2030, (i) if the debt service coverage ratio (the "DSCR") as of such payment date is greater than or equal to 1.25 to 1.00, then 25%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such payment date is less than 1.15 to 1.00, the production tracking rate for ABS I is less than 80%, or the loan to value ratio is greater than 85%, then 100%, and (b) with respect to any payment date on or after March 1, 2030, 100%.

ABS II NOTE
In April 2020, the Group formed Diversified ABS Phase II LLC ("ABS II"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary, to issue BBB- rated asset-backed securities in an aggregate principal amount of $200,000. The ABS II Notes were issued at a 2.775% discount. The Group used the proceeds of $183,617, net of discount, capital reserve requirement, and debt issuance costs, to pay down its Credit Facility. The ABS II Notes are secured by certain of the Group's upstream producing Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

The ABS II Notes accrue interest at a stated 5.25% rate per annum and have a maturity date of July 2037 with an amortising maturity of September 2028. Interest and principal payments on the ABS II Notes are payable on a monthly basis. During the years ended 31 December 2022 and 2021, the Group incurred $9,286 and $10,530 in interest related to the ABS II Notes, respectively. The fair value of the ABS II Notes approximates the carrying value as of 31 December 2022.

In the event that ABS II has cash flow in excess of the required payments, ABS II is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. In particular, (a) (i) if the DSCR as of any payment date is less than 1.15 to 1.00, then 100%, (ii) if the DSCR as of such payment date is greater than or equal to 1.15 to 1.00 and less than 1.25 to 1.00, then 50%, or (iii) if the DSCR as of such payment date is greater than or equal to 1.25 to 1.00, then 0%; (b) if the production tracking rate for ABS II is less than 80.0%, then 100%, else 0%; (c) if the loan-to-value ratio ("LTV") as of such payment date is greater than 65.0%, then 100%, else 0%; (d) with respect to any payment date after July 1, 2024 and prior to July 1, 2025, if LTV is greater than 40.0% and ABS II has executed hedging agreements for a minimum period of 30 months starting July 2026 covering production volumes of at least 85% but no more than 95% (the "Extended Hedging Condition"), then 50%, else 0%; (e) with respect to any payment date after July 1, 2025 and prior to October 1, 2025, if LTV is greater than 40.0% or ABS II has not satisfied the Extended Hedging Condition, then 50%, else 0%; and (f) with respect to any payment date after October 1, 2025, if LTV is greater than 40.0% or ABS II has not satisfied the Extended Hedging Condition, then 100%, else 0%.

ABS III NOTE
In February 2022, the Group formed Diversified ABS III LLC ("ABS III"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $365,000 at par. The ABS III Notes are secured by certain of the Group's upstream producing, as well as certain midstream, Appalachian assets.

The ABS III Notes accrue interest at a stated 4.875% rate per annum and have a final maturity date of April 2039 with an amortising maturity of November 2030. Interest and principal payments on the ABS III Notes are payable on a monthly basis. During the year ended 31 December 2022, the Group incurred $15,325 in interest related to the ABS III Notes. The fair value of the ABS III Notes approximates the carrying value as of 31 December 2022.

In the event that ABS III has cash flow in excess of the required payments, ABS III is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. In particular, (a) (i) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such Payment Date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS III (as described in the ABS III Indenture) is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS III is greater than 65%, then 100%, else 0%.

In addition, in connection with the issuance of the ABS III Notes, the Group retained an independent international provider of ESG research and services to provide and maintain a "sustainability score" with respect to Diversified Energy Company PLC and to the extent such score is below a minimum threshold established at the time of issue of the ABS III Notes, the interest payable with respect to the subsequent interest accrual period will increase by five basis points. This score is not dependent on the Group meeting or exceeding any sustainability performance metrics but rather an overall assessment of the Group's corporate ESG profile. Further, this score is not dependent on the use of proceeds of the ABS III Notes and there were no such restrictions on the use of proceeds other than pursuant to the terms of the Group's Credit Facility. The Group informs the ABS III note holders in monthly note holder statements as to any change in interest rate payable on the ABS III Notes as a result of the change in this sustainability score. While the Group is not required to publicly release this score, it will provide the score as of the date of its semi-annual or annual report, as determined by the timing of such updated score, along with the weighted average interest rate paid on the ABS III Notes as a result of any such five basis point change in interest rate.

ABS IV NOTE
In February 2022, the Group formed Diversified ABS IV LLC ("ABS IV"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $160,000 at par. The ABS IV Notes are secured by a portion of the upstream producing assets acquired in connection with the Blackbeard Acquisition.

The ABS IV Notes accrue interest at a stated 4.95% rate per annum and have a final maturity date of February 2037 with an amortising maturity of September 2030. Interest and principal payments on the ABS IV Notes are payable on a monthly basis. During the year ended 31 December 2022, the Group incurred $6,235 in interest related to the ABS IV Notes. The fair value of the ABS IV Notes approximates the carrying value as of 31 December 2022.

In the event that ABS IV has cash flow in excess of the required payments, ABS IV is required to pay between 50% to 100% of the excess cash flow, contingent on certain performance metrics, as additional principal, with the remaining excess cash flow, if any, remaining with the Group. In particular, (a) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such Payment Date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS IV is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS IV is greater than 65%, then 100%, else 0%.

In addition, in connection with the issuance of the ABS IV Notes, the Group retained an independent international provider of ESG research and services to provide and maintain a "sustainability score" with respect to Diversified Energy Company PLC and to the extent such score is below a minimum threshold established at the time of issue of the ABS III Notes, the interest payable with respect to the subsequent interest accrual period will increase by five basis points. This score is not dependent on the Group meeting or exceeding any sustainability performance metrics but rather an overall assessment of its corporate ESG profile. Further, this score is not dependent on the use of proceeds of the ABS IV Notes and there were no such restrictions on the use of proceeds other than pursuant to the terms of the Group's Credit Facility. The Group informs the ABS IV note holders in monthly note holder statements as to any change in interest rate payable on the ABS IV Notes as a result of the change in this sustainability score. While the Group is not required to publicly release this score, it will provide the score as of the date of its semi-annual or annual report, as determined by the timing of such updated score, along with the weighted average interest rate paid on the ABS IV Notes as a result of any such five basis point change in interest rate.

ABS V NOTES

In May 2022, the Group formed Diversified ABS V LLC ("ABS V"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue BBB rated asset-backed securities in an aggregate principal amount of $445,000 at par. The ABS V Notes are secured by a majority of the Group's remaining upstream assets in Appalachia that were not securitised by previous ABS transactions.

The ABS V Notes accrue interest at a stated 5.78% rate per annum and have a final maturity date of May 2039 with an amortising maturity of December 2030. Interest and principal payments on the ABS V Notes are payable on a monthly basis. During the year ended 31 December 2022, the Group incurred $14,319 in interest related to the ABS V Notes. The fair value of the ABS V Notes approximates the carrying value as of 31 December 2022.

Based on whether certain performance metrics are achieved, ABS V could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. In particular, (a) (i) if the DSCR as of any payment date is greater than or equal to 1.25 to 1.00, then 0%, (ii) if the DSCR as of such payment date is less than 1.25 to 1.00 but greater than or equal to 1.15 to 1.00, then 50%, and (iii) if the DSCR as of such payment date is less than 1.15 to 1.00, then 100%; (b) if the production tracking rate for ABS V is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS V is greater than 65%, then 100%, else 0%.

In addition, a "second party opinion provider" certified the terms of the ABS V Notes as being aligned with the framework for sustainability-linked bonds of the International Capital Markets Association ("ICMA"), applicable to bond instruments for which the financial and/or structural characteristics vary depending on whether predefined ESG objectives, or SPTs, are achieved. The framework has five key components (1) the selection of key performance indicators ("KPIs"), (2) the calibration of SPTs, (3) variation of bond characteristics depending on whether the KPIs meet the SPTs, (4) regular reporting of the status of the KPIs and whether SPTs have been met and (5) independent verification of SPT performance by an external reviewer such as an auditor or environmental consultant. Unlike the ICMA's framework for green bonds, its framework for sustainability-linked bonds do not require a specific use of proceeds.

The ABS V Notes contain two SPTs. The Group must achieve, and have certified by April 28, 2027 (1) a reduction in Scope 1 and Scope 2 GHG emissions intensity to 2.85 MT CO_2e/MMcfe, and/or (2) a reduction in Scope 1 methane emissions intensity to 1.12 MT CO_2e/MMcfe. For each of these SPTs that the Group fails to meet, or have certified by an external verifier that it has met, by April 28, 2027, the interest rate payable with respect to the ABS V Notes will be increased by 25 basis points. In each case, an independent third-party assurance provider will be required to certify the Group's performance of the above SPTs by the applicable deadlines. Though the Group is not required to do so, it intends to disclose this certification on an annual basis in its semi-annual or annual report, as determined by the timing of such certification, along with an overall ESG update.

ABS VI NOTES

In October 2022, the Group formed Diversified ABS VI LLC ("ABS VI"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary, to issue, jointly with Oaktree, BBB+ rated asset-backed securities in an aggregate principal amount of $460,000 ($235,750 to the Group, before fees, representative of its 51.25% ownership interest in the collateral assets). The ABS VI Notes were issued at a 2.63% discount and are secured primarily by the upstream assets that were jointly acquired with Oaktree in the 2021 Tapstone acquisition. Similar to the accounting treatment described in Note 3 for acquisitions performed in connection with Oaktree, DEC has recorded it's proportionate share of the note in its Consolidated Statement of Financial Position.

The ABS VI Notes accrue interest at a stated 7.50% rate per annum and have a final maturity date of November 2039 with an amortising maturity of October 2031. Interest and principal payments on the ABS VI Notes are payable on a monthly basis. During the year ended 31 December 2022, the Group incurred $3,300 in interest related to the ABS VI Notes. The fair value of the ABS VI Notes approximates the carrying value as of 31 December 2022.

Based on whether certain performance metrics are achieved, ABS VI could be required to apply 50% to 100% of any excess cash flow to make additional principal payments. In particular, (a) (i) If the DSCR as of the applicable Payment Date is less than 1.15 to 1.00, then 100%, (ii) if the DSCR as of such Payment Date is greater than or equal to 1.15 to 1.00 and less than 1.25 to 1.00, then 50%, or (iii) if the DSCR as of such Payment Date is greater than or equal to 1.25 to 1.00, then 0%; (b) if the production tracking rate for ABS VI is less than 80%, then 100%, else 0%; and (c) if the LTV for ABS VI is greater than 75%, then 100%, else 0%.

In addition, a "second party opinion provider" certified the terms of the ABS VI Notes as being aligned with the framework for sustainability-linked bonds of the International Capital Markets Association ("ICMA"), applicable to bond instruments for which the financial and/or structural characteristics vary depending on whether predefined ESG objectives, or SPTs, are achieved. The framework has five key components (1) the selection of key performance indicators ("KPIs"), (2) the calibration of SPTs, (3) variation of bond characteristics depending on whether the KPIs meet the SPTs, (4) regular reporting of the status of the KPIs and whether SPTs have been met and (5) independent verification of SPT performance by an external reviewer such as an auditor or environmental consultant. Unlike the ICMA's framework for green bonds, its framework for sustainability-linked bonds do not require a specific use of proceeds.

The ABS VI Notes contain two SPTs. The Group must achieve, and have certified by 28 May 2027 (1) a reduction in Scope 1 and Scope 2 GHG emissions intensity to 2.85 MT CO_2e/MMcfe, and/or (2) a reduction in Scope 1 methane emissions intensity to 1.12 MT CO_2e/MMcfe. For each of these SPTs that the Group fails to meet, or have certified by an external verifier that it has met, by 28 May 2027, the interest rate payable with respect to the ABS VI Notes will be increased by 25 basis points. In each case, an independent third-party assurance provider will be required to certify the Group's performance of the above SPTs by the applicable deadlines. Though the Group is not required to do so, it intends to disclose this certification on an annual basis in its semi-annual or annual report, as determined by the timing of such certification, along with an overall ESG update.

DEBT COVENANTS - ABS I, II, III, IV, V AND VI NOTES (COLLECTIVELY, THE "ABS NOTES") AND TERM LOAN I

The ABS Notes and Term Loan I are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Issuer maintains specified reserve accounts to be used to make required interest payments in respect of the ABS Notes and Term Loan I, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the ABS Notes and Term Loan I under certain circumstances, (iii) certain indemnification payments in the event, among other things, that the assets pledged as collateral for the ABS Notes and Term Loan I are used in stated ways defective or ineffective, (iv) covenants related to recordkeeping, access to information and similar matters, and (v) the Issuer will comply with all laws and regulations which it is subject to including ERISA, Environmental Laws, and the USA Patriot Act (ABS III-VI only).

The ABS Notes and Term Loan I are also subject to customary accelerated amortisation events provided for in the indenture, including events tied to failure to maintain stated debt service coverage ratios, failure to maintain certain production metrics, certain change of control and management termination events, and event of default and the failure to repay or refinance the ABS Notes and Term Loan I on the applicable scheduled maturity date.

The ABS Notes and Term Loan I are subject to certain customary events of default, including events relating to non-payment of required interest, principal, or other amounts due on or with respect to the ABS Notes and Term Loan I, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective and certain judgments.

As of 31 December 2022 the Group was in compliance with all financial covenants for the ABS Notes, Term Loan I and the Credit Facility.

The following table provides a reconciliation of the Group's future maturities of its total borrowings as of the reporting date as follows:

	31 December 2022	31 December 2021
Not later than one year	$ 271,096	$ 58,820
Later than one year and not later than five years	778,887	811,964
Later than five years	448,183	170,881
Total borrowings	**$ 1,498,166**	**$ 1,041,665**

The following table represents the Group's finance costs for each of the periods presented:

	Year Ended	
	31 December 2022	31 December 2021
Interest expense, net of capitalised and income amounts[(a)]	$ 86,840	$ 42,370
Amortisation of discount and deferred finance costs	13,903	8,191
Other	56	67
Total finance costs	**$ 100,799**	**$ 50,628**

(a) Includes payments related to borrowings and leases.

Reconciliation of borrowings arising from financing activities:

	Year Ended	
	31 December 2022	31 December 2021
Balance at beginning of period	**$ 1,010,355**	**$ 717,240**
Acquired as part of a business combination	2,437	3,801
Proceeds from borrowings	2,587,554	1,727,745
Repayments of borrowings	(2,139,686)	(1,436,367)
Costs incurred to secure financing	(34,234)	(10,255)
Amortisation of discount and deferred financing costs	13,903	8,191
Cash paid for interest	(82,936)	(41,623)
Finance costs and other	82,936	41,623
Balance at end of period	**$ 1,440,329**	**$ 1,010,355**

NOTE 23 - TRADE AND OTHER PAYABLES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following table includes a detail of trade and other payables. The fair value approximates the carrying value as of the periods presented:

	31 December 2022	31 December 2021
Trade payables	$ 90,437	$ 61,612
Other payables	3,327	806
Total trade and other payables	**$ 93,764**	**$ 62,418**

Trade and other payables are unsecured, non-interest bearing and paid as they become due.

NOTE 24 - OTHER LIABILITIES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following table includes details of other liabilities as of the periods presented:

	31 December 2022	31 December 2021
Other non-current liabilities		
Other non-current liabilities[(a)]	$ 5,375	$ 7,775
Total other non-current liabilities	**$ 5,375**	**$ 7,775**
Other current liabilities		
Accrued expenses[(b)]	$ 140,058	$ 139,648
Taxes payable[(c)]	41,907	53,629
Net revenue clearing[(d)]	186,244	137,366
Asset retirement obligations - current	4,529	3,399
Revenue to be distributed[(e)]	90,899	57,006
Total other current liabilities	**$ 463,637**	**$ 391,048**

(a) Other non-current liabilities primarily represent the long-term portion of the value associated with the upfront promote received from Oaktree. The upfront promote allows the Group to obtain a 51.25% interest for tranche I deals and 52.50% interest for tranche II deals in the net assets associated with the acquisition while only paying 50% of the total consideration. The upfront promote is intended to compensate the Group for the administrative expansion necessary with acquired growth and is amortised to G&A expense over the life of the promote.

(b) As of 31 December 2022 accrued expenses primarily consisted of $61,896 for hedge settlements payables. The remaining balance consisted of accrued capital projects and operating expenses which naturally increased with our growth. As of 31 December 2021 accrued expenses primarily consisted of the $22,503 for the Carbon and EQT contingent consideration and $44,085 for hedge settlements payables. The remaining balance consisted of accrued capital projects and operating expenses which naturally increased with our growth. Refer to the **Financial Review** section of this Annual Report for more information on year-over-year changes in operating expenses and their fixed and variable nature.

(c) The decrease in taxes payable year-over-year is primarily attributable to the $33,526 capital gain payable on the Tapstone acquisition in 2021 that was paid in 2022 resulting from this transaction being treated as a stock deal for tax purposes. The Group received a purchase price concession from Oaktree as a result of this tax treatment to share the payable between the parties. Remaining taxes payable are attributable to the Group's customary operations.

(d) Net revenue clearing is estimated revenue that is payable to third-party working interest owners. The year-over-year increase, similar to commodity receivables, is a result of higher commodity prices year-over-year, the Group's growth from acquisitions and Oaktree's participation in a number of the Group's recent acquisitions.

(e) Revenue to be distributed is revenue that is payable to third-party working interest owners, but has yet to be paid due to title, legal, ownership or other issues. The Group releases the underlying liability as the aforementioned issues become resolved. As the timing of resolution is unknown, the Group records the balance as a current liability. Revenue to be distributed increased year-over-year as a result of the Group's growth and the increase in commodity prices experienced in 2022.

NOTE 25 - FAIR VALUE AND FINANCIAL INSTRUMENTS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

FAIR VALUE

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Group utilises valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. IFRS 13, Fair Value Measurement ("IFRS 13") establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs (other than quoted prices included in Level 1) can include the following:

(1) Observable prices in active markets for similar assets;

(2) Prices for identical assets in markets that are not active;

(3) Directly observable market inputs for substantially the full term of the asset; and

(4) Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3: Unobservable inputs which reflect the Directors' best estimates of what market participants would use in pricing the asset at the measurement date.

FINANCIAL INSTRUMENTS

Working Capital

The carrying values of cash and cash equivalents, trade receivables, other current assets, accounts payable and other current liabilities in the Consolidated Statement of Financial Position approximate fair value because of their short-term nature. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, Financial Instruments ("IFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

For borrowings, derivative financial instruments, and leases the following methods and assumptions were used to estimate fair value:

Borrowings

The fair values of the Group's ABS Notes and Term Loan I are considered to be a Level 2 measurement on the fair value hierarchy. The carrying values of the borrowings under the Group's Credit Facility (to the extent utilised) approximates fair value because the interest rate is variable and reflective of market rates. The Group considers the fair value of its Credit Facility to be a Level 2 measurement on the fair value hierarchy.

Leases

The Group initially measures the lease liability at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease. When this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Derivative Financial Instruments

The Group measures the fair value of its derivative financial instruments based upon a pricing model that utilises market-based inputs, including, but not limited to, the contractual price of the underlying position, current market prices, natural gas and liquids forward curves, discount rates such as the U.S. Treasury yields, SOFR curve, and volatility factors.

The Group has classified its derivative financial instruments into the fair value hierarchy depending upon the data utilised to determine their fair values. The Group's fixed price swaps (Level 2) are estimated using third-party discounted cash flow calculations using the NYMEX futures index for natural gas and oil derivatives and OPIS for NGLs derivatives. The Group utilises discounted cash flow models for valuing its interest rate derivatives (Level 2). The net derivative values attributable to the Group's interest rate derivative contracts as of 31 December 2022 are based on (i) the contracted notional amounts, (ii) active market-quoted SOFR yield curves and (iii) the applicable credit-adjusted risk-free rate yield curve.

The Group's call options, put options, collars and swaptions (Level 2) are valued using the Black-Scholes model, an industry standard option valuation model that takes into account inputs such as contract terms, including maturity, and market parameters, including assumptions of the NYMEX and OPIS futures index, interest rates, volatility and credit worthiness. Inputs to the Black-Scholes model, including the volatility input are obtained from a third-party pricing source, with independent verification of the most significant inputs on a monthly basis. A change in volatility would result in a change in fair value measurement, respectively.

The Group's basis swaps (Level 2) are estimated using third-party calculations based upon forward commodity price curves.

CONTINGENT CONSIDERATION

These liabilities represent the estimated fair value of potential future payments the Group may be required to remit under the terms of historical purchase agreements entered into for asset acquisitions and business combinations. In instances when the contingent consideration relates to the acquisition of a group of assets, the Group records changes in the fair value of the contingent consideration through the basis of the asset acquired rather than through Other income (expense) in the Consolidated Statement of Comprehensive Income as it does for business combinations. During the years ended 31 December 2022 and 2021, the Group recorded $1,036 and $9,482, respectively, in revaluations related to contingent consideration associated with asset acquisitions and none and $8,963, respectively, associated with business combinations.

The contingent consideration represented on the Group's financial statements is associated with the 2020 Carbon and EQT acquisitions. The maximum contingent consideration payment of $15,000 associated with the Carbon acquisitions and the remaining contingent consideration payment of $8,547 associated with EQT acquisitions was made during the year ended 31 December 2022, settling both contingencies in their entirety.

The Group remeasures the fair value of the contingent consideration at each reporting period. This estimate requires assumptions to be made, including forecasting the NYMEX Henry Hub natural gas settlement prices relative to stated floor and target prices in future periods. In determining the fair value of the contingent consideration liability, the Group used the Monte Carlo simulation model, which considers unobservable input variables, representing a Level 3 measurement. While valued under this technique, presently there are no remaining contingent payments.

There were no transfers between fair value levels for the year ended 31 December 2022.

The following table includes the Group's financial instruments as at the periods presented:

	31 December 2022	31 December 2021
Cash and cash equivalents	$ 7,329	$ 12,558
Trade receivables and accrued income	296,781	282,922
Other non-current assets	4,351	3,635
Other current assets[(a)]	—	25,004
Other non-current liabilities[(b)]	(1,669)	(7,775)
Other current liabilities[(c)]	(417,201)	(334,020)
Derivative financial instruments at fair value	(1,429,966)	(807,398)
Leases	(28,862)	(27,804)
Borrowings	(1,498,166)	(1,041,665)
Total	**$ (3,067,403)**	**$ (1,894,543)**

(a) Excludes prepaid expenses, deposits and inventory

(b) Excludes the long-term portion of the value associated with the upfront promote received from Oaktree.

(c) Includes accrued expenses, net revenue clearing and revenue to be distributed. Excludes taxes payable and asset retirement obligations.

NOTE 26 - FINANCIAL RISK MANAGEMENT

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group is exposed to a variety of financial risks such as market risk, credit risk, liquidity risk, capital risk and collateral risk. The Group manages these risks by monitoring the unpredictability of financial markets and seeking to minimise potential adverse effects on its financial performance on a continuous basis.

The Group's principal financial liabilities are comprised of borrowings, leases and trade and other payables, used primarily to finance and financially guarantee its operations. The Group's principal financial assets include cash and cash equivalents and trade and other receivables derived from its operations.

The Group also enters into derivative financial instruments which, depending on market dynamics, are recorded as assets or liabilities. To assist with the design and composition of its hedging programme, the Group engages a specialist firm with the appropriate skills and experience to manage its risk management derivative-related activities.

MARKET RISK

Market risk is the possibility that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is comprised of two types of risk: interest rate risk and commodity price risk. Financial instruments affected by market risk include borrowings and derivative financial instruments. Derivative and non-derivative financial instruments are used to manage market price risks resulting from changes in commodity prices and foreign exchange rates, which could have a negative effect on assets, liabilities or future expected cash flows.

Interest Rate Risk

The Group is subject to market risk exposure related to changes in interest rates. The Group's borrowings primarily consist of fixed-rate amortising notes and its variable rate Credit Facility as illustrated below.

	31 December 2022		31 December 2021	
	Borrowings	Interest Rate[(a)]	Borrowings	Interest Rate[(a)]
ABS Notes and Term Loan I	$ 1,435,082	5.70 %	$ 461,685	5.54 %
Credit Facility	$ 56,000	7.42 %	$ 570,600	3.50 %

(a) The interest rate on the ABS Notes and Term Loan I borrowings represents the weighted average fixed-rate of the notes while the interest rate presented for the Credit Facility represents the floating rate as of 31 December 2022 and 2021 respectively. During the year ended 31 December 2022, the Credit Facility transitioned from LIBOR to SOFR during a the regular spring redetermination. The Group did not experience a material impact from the transition.

Refer to Note 22 for additional information regarding the ABS Notes, Term Loan I and Credit Facility. The table below represents the impact of a 100 basis point adjustment in the borrowing rate for the Credit Facility and the corresponding impact on finance costs. This represents a reasonably possible change in interest rate risk.

Credit Facility Interest Rate Sensitivity	**31 December 2022**	**31 December 2021**
+100 Basis Points	$ 560	$ 5,706
-100 Basis Points	$ (560)	$ (5,706)

During 2022, the Group entered into four ABS financing arrangements with fixed interest rates decreasing exposure to rising short-term interest rates. The Group strives to maintain a prudent balance of floating and fixed-rate borrowing exposure, particularly during uncertain market conditions. As part of the Group's risk mitigation strategy from time to time the Group enters into swap arrangements to increase or decrease exposure to floating or fixed- interest rates to account for changes in the composition of borrowings in its portfolio. As a result, the total principal hedged through the use of derivative financial instruments varies from period to period. The fair value of the Group's interest rate swaps represents a liability of $3,228 and $91 as of 31 December 2022 and 2021, respectively. Refer to Note 14 for additional information regarding derivative financial instruments.

Commodity Price Risk

The Group's revenues are primarily derived from the sale of its natural gas, NGLs and oil production, and as such, the Group is subject to commodity price risk. Commodity prices for natural gas, NGLs and oil can be volatile and can experience fluctuations as a result of relatively small changes in supply, weather conditions, economic conditions and government actions. For the years ended 31 December 2022 and 2021, the Group's commodity revenue was $1,873,011 and $973,107, respectively. The Group enters into derivative financial instruments to mitigate the risk of fluctuations in commodity prices. The total volumes hedged through the use of derivative financial instruments varies from period to period, but generally the Group's objective is to hedge at least 65% for the next 12 months, at least 50% in months 13 to 24, and a minimum of 30% in months 25 to 36, of its anticipated production volumes. Refer to Note 14 for additional information regarding derivative financial instruments.

By removing price volatility from a significant portion of the Group's expected production through 2032, it has mitigated, but not eliminated, the potential effects of changing prices on its operating cash flow for those periods. While mitigating negative effects of falling commodity prices, these derivative contracts also limit the benefits the Group would receive from increases in commodity prices.

CREDIT AND COUNTERPARTY RISK

The Group is exposed to credit and counterparty risk from the sale of its natural gas, NGLs and oil. Trade receivables from customers are amounts due for the purchase of natural gas, NGLs and oil. Collectability is dependent on the financial condition of each customer. The Group reviews the financial condition of customers prior to extending credit and generally does not require collateral in support of their trade receivables. The Group had no customers that comprised over 10% of its total trade receivables from customers as of 31 December 2022 and had one customer that comprised 13% of its total trade receivables from customers as of 31 December 2021. As of 31 December 2022 and 2021, the Group's trade receivables from customers were $278,030 and $268,375, respectively.

The Group is also exposed to credit risk from joint interest owners, entities that own a working interest in the properties operated by the Group. Joint interest receivables are classified in trade receivables, net in the Consolidated Statement of Financial Position. The Group has the ability to withhold future revenue payments to recover any non-payment of joint interest receivables. As of 31 December 2022 and 2021, the Group's joint interest receivables were $18,751 and $14,547, respectively.

The majority of trade receivables are current and the Group believes these receivables are collectible. Refer to Note 3 for additional information.

LIQUIDITY RISK

Liquidity risk is the possibility that the Group will not be able to meet its financial obligations as they are due. The Group manages this risk by maintaining adequate cash reserves through the use of cash from operations and borrowing capacity on the Credit Facility. The Group also continuously monitors its forecast and actual cash flows to ensure it maintains an appropriate amount of liquidity. The amounts disclosed in the following table are the contractual cash flows. Balances due within 12 months equal their carrying balances, because the impact of discounting is not significant.

	Not Later Than One Year	Later Than One Year and Not Later Than Five Years	Later Than Five Years	Total
For the year ended 31 December 2022				
Trade and other payables	$ 93,764	$ —	$ —	$ 93,764
Borrowings	271,096	778,887	448,183	1,498,166
Leases	9,293	19,569	—	28,862
Other liabilities[(a)]	326,302	5,375	—	331,677
Total	**$ 700,455**	**$ 803,831**	**$ 448,183**	**$ 1,952,469**
For the year ended 31 December 2021				
Trade and other payables	$ 62,418	$ —	$ —	$ 62,418
Borrowings	58,820	811,964	170,881	1,041,665
Leases	9,627	18,177	—	27,804
Other liabilities[(a)]	277,014	7,775	—	284,789
Total	**$ 407,879**	**$ 837,916**	**$ 170,881**	**$ 1,416,676**

(a) Represents accrued expenses and net revenue clearing. Excludes taxes payable, asset retirement obligations, revenue to be distributed and the long-term portion of the value associated with the upfront promote received from Oaktree.

CAPITAL RISK

The Group defines capital as the total of equity shareholders' funds and long-term borrowings net of available cash balances. The Group's objectives when managing capital are to provide returns for shareholders and safeguard the ability to continue as a going concern while pursuing opportunities for growth through identifying and evaluating potential acquisitions and constructing new infrastructure on existing proved leaseholds. The Directors do not establish a quantitative return on capital criteria, but rather promote year-over-year Adjusted EBITDA growth. The Group seeks to maintain a Leverage target at or under 2.5x. Refer to Note 9 for additional information regarding Adjusted EBITDA.

COLLATERAL RISK

The Group has pledged 100% of its upstream natural gas and oil properties in Appalachia and the upstream natural gas and oil properties in the Barnett Shale (excluding those in the Alliance, Texas area, which have been pledged under the Credit Facility) as of 31 December 2022 to fulfil the collateral requirements for borrowings under the ABS Notes and Term Loan I. The Group's remaining natural gas and oil properties collateralise the Credit Facility. The fair value of the borrowings collateral is based on a third-party engineering reserve calculation using estimated cash flows discounted at 10% and a commodities futures price schedule. Refer to Notes 5 and 22 for additional information regarding acquisitions and borrowings, respectively.

NOTE 27 - CONTINGENCIES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

LITIGATION AND REGULATORY PROCEEDINGS

The Group is involved in various pending legal issues that have arisen in the ordinary course of business. The Group accrues for litigation, claims and proceedings when a liability is both probable and the amount can be reasonably estimated. As of 31 December 2022, the Group did not have any material amounts accrued related to litigation or regulatory matters. For any matters not accrued for, it is not possible to estimate the amount of any additional loss, or range of loss that is reasonably possible, but, based on the nature of the claims, management believes that current litigation, claims and proceedings are not, individually or in aggregate, after considering insurance coverage and indemnification, likely to have a material adverse impact on the Group's financial position, results of operations or cash flows.

The Group has no other contingent liabilities that would have a material impact on the Group's financial position, results of operations or cash flows.

ENVIRONMENTAL MATTERS

The Group's operations are subject to environmental regulation in all the jurisdictions in which it operates, and it was in compliance as of 31 December 2022. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect its operations. The Group can offer no assurance regarding the significance or cost of compliance associated with any such new environmental legislation once implemented.

NOTE 28 - RELATED PARTY TRANSACTIONS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group had no related party activity in 2022 or 2021.

NOTE 29 - SUBSEQUENT EVENTS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Group determined the need to disclose the following material transactions that occurred subsequent to 31 December 2022, which have been described within each relevant footnote as follows:

Description	Footnote
Acquisitions and Divestitures	Note 5
Share Capital	Note 17
Dividends	Note 19

Company Financial Statements

Company Statement of Financial Position
173

Company Statement of Changes in Equity
174

Notes to the Company Financial Statements
175

Company Statement of Financial Position

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets:			
Investments in subsidiaries	4	£ 973,500	£ 897,082
Other non-current assets		—	45
Total non-current assets		**£ 973,500**	**£ 897,127**
Current assets:			
Cash and cash equivalents		923	483
Other current assets		67	332
Total current assets		**£ 990**	**£ 815**
Total assets		**£ 974,490**	**£ 897,942**
EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	5	£ 8,431	£ 8,492
Share premium	5	802,889	802,889
Treasury reserve		(81,769)	(54,017)
Share based payment and other reserves		14,208	11,320
Retained earnings (accumulated deficit)		225,924	127,215
Equity attributable to owners of the Parent		**£ 969,683**	**£ 895,899**
Non-controlling interest		**—**	—
Total equity		**£ 969,683**	**£ 895,899**
Current liabilities:			
Trade and other payables		4,807	2,043
Total current liabilities		**£ 4,807**	**£ 2,043**
Total liabilities		**£ 4,807**	**£ 2,043**
TOTAL EQUITY & LIABILITIES		**£ 974,490**	**£ 897,942**

The profit for the 2022 financial year of the Company was £217,698 (2021: £106,980).

The notes on pages 175 to 177 are an integral part of the Company Financial Statements.

The Company Financial Statements were approved by the Board of Directors and authorised for issuance on 21 March 2023 and were signed on its behalf by:

D.E Johnson

DAVID E. JOHNSON

Chairman of the Board

Registered in England and Wales, No. 9156132

Company Statement of Changes in Equity

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

	Note	Share Capital	Share Premium	Treasury Reserve	Share-Based Payment and Other Reserves	Retained Earnings (Accumulated Deficit)	Total Equity
Balance as of 1 January 2021		**£ 7,071**	**£ 653,160**	**£ (54,017)**	**£ 7,246**	**£ 116,284**	**£ 729,744**
Income after taxation		—	—	£ —	—	106,980	106,980
Other comprehensive income (loss)		—	—	—	—	—	—
Total comprehensive income (loss)		**£ —**	**£ —**	**£ —**	**£ —**	**£ 106,980**	**£ 106,980**
Issuance of share capital (equity placement)	5	1,416	149,729	£ —	—	—	151,145
Issuance of share capital (equity compensation)	5	5	—	£ —	5,114	(2,058)	3,061
Dividends	6	—	—	£ —	—	(93,991)	(93,991)
Cancellation of warrants		—	—	£ —	(1,040)	—	(1,040)
Transactions with shareholders		**£ 1,421**	**£ 149,729**	**£ —**	**£ 4,074**	**£ (96,049)**	**£ 59,175**
Balance as of 31 December 2021		**£ 8,492**	**£ 802,889**	**£ (54,017)**	**£ 11,320**	**£ 127,215**	**£ 895,899**
Income after taxation		—	—	—	—	217,698	217,698
Other comprehensive income (loss)		—	—	—	—	—	—
Total comprehensive income (loss)		**£ —**	**£ —**	**£ —**	**£ —**	**£ 217,698**	**£ 217,698**
Issuance of share capital (settlement of warrants)	5	4	—	—	353	—	357
Issuance of share capital (equity compensation)	5	6	—	—	4,713	(2,704)	2,015
Issuance of EBT shares (equity compensation)		—	—	2,007	(2,007)	—	—
Repurchase of shares (EBT)		—	—	(19,388)	—	—	(19,388)
Repurchase of shares (share buyback programme)	5	(71)	—	(10,371)	71	—	(10,371)
Dividends	6	—	—	—	—	(116,285)	(116,285)
Cancellation of warrants		—	—	—	(242)	—	(242)
Transactions with shareholders		**£ (61)**	**£ —**	**£ (27,752)**	**£ 2,888**	**£ (118,989)**	**£ (143,914)**
Balance as of 31 December 2022		**£ 8,431**	**£ 802,889**	**£ (81,769)**	**£ 14,208**	**£ 225,924**	**£ 969,683**

The notes on pages 175 to 177 are an integral part of the Company Financial Statements.

Notes to the Company Financial Statements

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

INDEX TO THE NOTES TO THE COMPANY FINANCIAL STATEMENTS

Note 1 - General Information Page 175▶

Note 2 - Accounting Policies Page 175▶

Note 3 - Significant Accounting Judgments and Estimates Page 176▶

Note 4 - Investments Page 176▶

Note 5 - Share Capital Page 176▶

Note 6 - Dividends Page 177▶

Note 7 - Operating Expenses Page 177▶

Note 8 - Taxation Page 177▶

NOTE 1 - GENERAL INFORMATION

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

Diversified Energy Company PLC (the "Parent" or "Company"), formerly Diversified Gas & Oil PLC, and its wholly owned subsidiaries (the "Group") is an independent energy company engaged in the production, marketing and transportation of primarily natural gas related to its synergistic U.S. onshore upstream and midstream assets. The Group's assets are located within the Central Region and Appalachian Basin of the U.S.

The Company was incorporated on 31 July 2014 in the United Kingdom and is registered in England and Wales under the Companies Act 2006 as a public limited company under company number 09156132. The Group's registered office is located at 4th floor Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB, UK.

In February 2017, the Company's shares were admitted to trading on AIM under the ticker "DGOC." In May 2020, the Company's shares were admitted to trading on the LSE's Main Market for listed securities. The shares trading on AIM were cancelled concurrent to their admittance on the LSE. With the change in corporate name in 2021, the Company's shares listed on the LSE began trading as Diversified Energy Company PLC on 7 May 2021 under the new ticker "DEC".

NOTE 2 - ACCOUNTING POLICIES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

BASIS OF PREPARATION

The Company Financial Statements have been prepared in accordance with Financial Reporting Standard 102 "FRS 102" and the Companies Act 2006 under the historical cost basis. The preparation of Company Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgment in applying the Company's accounting policies (refer to Note 3).

The Company Financial Statements are presented in British pound sterling ("£") and rounded to the nearest thousand, unless otherwise stated.

The Company has taken advantage of the following disclosure exemptions:

- As permitted by Section 408 of the Companies Act 2006 the Company has not included a Profit and Loss account in the Company Financial Statements.
- As permitted by The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS") 102 Section 7 "Statement of Cash Flows" and Section 11 "Financial Instruments" the company has not included a Statement of Cash Flows as well as other limited disclosures.
- As permitted by FRS 102 Section 33 "Related Party Disclosures" the financial statements do not disclose transactions with any wholly owned subsidiary undertakings. There were no other related party transactions to report

Going Concern

The Company Financial Statements have been prepared on the going concern basis, which contemplates the health of the Company, as well as the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Directors have reviewed the Company's overall position and outlook and are of the opinion that it is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of the Company Financial Statements.

New Standards and Interpretations - Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. None of these new standards or interpretations are expected to have a material impact on the consolidated financial statements of the Company.

SIGNIFICANT ACCOUNTING POLICIES

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.

Investments

Investments in subsidiaries represents contributions of capital to subsidiaries and are held at cost less accumulated impairment losses.

Share-Based Payments

The Company accounts for share-based payments under IFRS 2, Share-based Payment ("IFRS 2"). All of the Company's share-based awards are equity settled. The fair value of the awards are determined at the date of grant. At 31 December 2022 and 2021, the Company had three types of share-based payment awards, restricted stock units ("RSUs"), performance stock units ("PSUs") and Non-Qualified Stock Options ("Options"). The fair value of the grant of the Company's RSUs is determined using the stock price at the grant date while the fair value of the Company's PSUs are determined using a Monte Carlo simulation model as of the grant date. The fair value of the Company's Options are calculated using the Black-Scholes model as of the grant date. The fair value of each award is expensed uniformly over the vesting period.

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

In preparing the Company Financial Statements, the Directors considered that the key judgment is the evaluation of the carrying value of the investments in subsidiaries for impairment. Investments in subsidiaries were £973,500 and £897,082 for 31 December 2022 and 2021, respectively. When considering indicators for impairment of the Company's investments the Directors evaluate the impairment indicators for the Group's financial statements on the basis that the Group's subsidiaries hold the natural gas and oil properties which generate the Group's cash flows. These cash flows are ultimately linked to the subsidiaries' ability to pay dividends back to the Company.

At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications do exist, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. The Directors undertook an impairment trigger assessment in line with their accounting policy. Given the viability of the investments is dependent on the cash flows from the subsidiaries which are generated from the underlying natural gas properties the Directors have compared the carrying value of the Group's natural gas and oil properties as of 31 December 2022 to their fair values. In considering the result of this assessment the Directors also evaluated the borrowing obligations of the subsidiaries and their ability to produce cash flows which generate distributable reserves. Based on this review, the carrying value of natural gas and oil properties was not impaired and there were no indications the subsidiaries would be unable to repay any borrowing obligations. No other impairment indicators were identified. Having performed this assessment, no impairment was recognised.

NOTE 4 - INVESTMENTS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The Company owns in its entirety the issued share capital of Diversified Gas & Oil Corporation, a company incorporated in Delaware, U.S. The carrying value at 31 December 2022 and 2021 of investments held was £973,500 and £897,082, respectively. The year-over-year increase is primarily attributable to additional capital contributions to subsidiaries as a result of the issuance and repurchase of share capital and dividend payments.

A list of the subsidiaries of the Company is set out in Note 2 to the Group Financial Statements. The registered office of Diversified Gas & Oil Corporation and all of the subsidiaries owned by that entity is 1600 Corporate Drive, Birmingham, Alabama, USA.

NOTE 5 - SHARE CAPITAL

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following table summarises the Company's share capital for the periods presented. Refer to Notes 17 and 18 to the Group Financial Statements for additional information on share capital and other reserves.

	Number of Shares	Total Share Capital	Total Share Premium
Balance as of 31 December 2020	**707,377**	**£ 7,071**	**£ 653,160**
Issuance of share capital (equity placement)	141,541	1,416	149,729
Issuance of share capital (equity compensation)	737	5	—
Balance as of 31 December 2021	**849,655**	**£ 8,492**	**£ 802,889**
Issuance of share capital (settlement of warrants)	513	4	—
Issuance of share capital (equity compensation)	792	6	—
Issuance of EBT shares (equity compensation)	1,760	—	—
Repurchase of shares (EBT)	(15,790)	—	—
Repurchase of shares (share buyback programme)	(7,995)	(71)	—
Balance as of 31 December 2022	**828,935**	**£ 8,431**	**£ 802,889**

NOTE 6 - DIVIDENDS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The following table summarises the Company's dividends paid and declared on the dates indicated below.

Date Dividends Declared/Paid		Dividend per Share (GBP)	Record Date	Pay Date	Shares Outstanding		Gross Dividends Paid
Declared on October 28, 2021	£	0.0325	4 March 2022	28 March 2022	850,047	£	27,585
Declared on March 22, 2022		0.0343	27 May 2022	30 June 2022	850,548		29,143
Declared on May 16, 2022		0.0366	2 September 2022	26 September 2022	845,881		30,968
Declared on August 8, 2022		0.0345	25 November 2022	28 December 2022	828,935		28,589
Paid during the year ended 31 December 2022						**£**	**116,285**
Declared on 29 October 2020	£	0.0285	5 March 2021	26 March 2021	707,525	£	20,195
Declared on 8 March 2021		0.0281	28 May 2021	24 June 2021	849,434		23,899
Declared on 30 April 2021		0.0288	3 September 2021	24 September 2021	849,603		24,455
Declared on 5 August 2021		0.0299	26 November 2021	17 December 2021	849,603		25,442
Paid during the year ended 31 December 2021						**£**	**93,991**

Dividends were proposed ahead of approval of the financial statements. Refer to Note 19 to the Group Financial Statements for additional information.

NOTE 7 - OPERATING EXPENSES

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

Details of Directors' remuneration is included in **Remuneration at a Glance** within this Annual Report. Auditors' remuneration is included in Note 7 to the Group Financial Statements.

NOTE 8 - TAXATION

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

The tax assessed for the year is the same as the UK corporate tax rate of 19% for both of the years ending 31 December 2022 and 2021.

	Year Ended			
		31 December 2022		31 December 2021
Profit on ordinary activities before tax	**£**	**217,825**	**£**	**106,875**
Standard UK corporate tax rate of 19% on profits for the period		41,387		20,306
Non-taxable income		(42,569)		(21,341)
Permanent differences		1,264		990
Other		45		(60)
Total tax charge for the year	**£**	**127**	**£**	**(105)**

Non-taxable income for 2022 and 2021 relates to dividend income received from U.S. subsidiaries in the amount £224,047 and £112,320, respectively.

The UK corporation tax rate will increase from 19% to 25% effective 1 April 2023. The Company does not expect a material impact to the financial statements.

Additional Information

Payments to Governments Report 2022
180

Alternative Performance Measures
182

Officers and Professional Advisors
186

Glossary of Terms
187


DIVERSIFIED
energy

Payments to Governments Report 2022 (Unaudited)

(AMOUNTS IN THOUSANDS)

This report provides a consolidated overview of the payments to governments made by the Group for the year 2022 as required under Disclosure and Transparency Rule 4.3A issued by the UK's Financial Conduct Authority ("DTR 4.3A") and in accordance with The Reports on Payments to Governments Regulations 2014 (as amended in 2015) ("the UK Regulations"). DTR 4.3A requires companies listed on a stock exchange in the UK and operating in the extractive industry to publicly disclose payments to governments in the countries where they undertake exploration, prospection, discovery, development and extraction of natural gas and oil deposits or other materials.

Basis of Preparation

Under the UK Regulations, the Group prepares a disclosure on payments made to governments for each financial year in relation to relevant activities of both the Group and any of its subsidiary undertakings included in the Group Financial Statements.

ACTIVITIES WITHIN THE SCOPE OF THE DISCLOSURE

Payments made to governments that relate to the Group's activities involving the exploration, development, and production of natural gas and oil reserves ("extractive activities") are included in this disclosure. Payments made to governments that relate to activities other than extractive activities are not included in this disclosure as they are not within the scope of extractive activities as defined by the UK Regulations.

GOVERNMENT

"Government" includes any national, regional or local authority of a country, and includes a department, agency or entity that is a subsidiary of a government.

CASH BASIS

Payments are reported on a cash basis, meaning that they are reported in the period in which they are paid, as opposed to being reported on an accrual basis, meaning that they are reported in the period in which the liabilities arise.

PROJECT DEFINITION

The UK Regulations require payments to be reported by project (as a sub category within a country). They define a "project" as the operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. If these agreements are substantially interconnected, then they can be treated as a single project. Under the UK Regulations "substantially interconnected" means forming a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. The number of projects will depend on the contractual arrangements within a country and not necessarily on the scale of activities. Moreover, a project will only appear in this disclosure where relevant payments occurred during the year in relation to that project. The UK Regulations acknowledge that for some payments it may not be possible to attribute a payment to a single project and therefore such payments may be reported at the country level. Corporate income taxes, which are typically not levied at a project level, are an example of this.

MATERIALITY LEVEL

For each payment type, total payments below £86 to a government are excluded from this report.

EXCHANGE RATE

Payments made in currencies other than USD are translated for this report based on the foreign exchange rate at the relevant quarterly average rate.

PAYMENT TYPES

The UK Regulations define a "payment" as an amount paid whether in money or in kind, for relevant activities where the payment is of any one of the types listed below:

PRODUCTION ENTITLEMENTS

Under production-sharing agreements ("PSA") the production is shared between the host government and the other parties to the PSA. The host government typically receives its share or entitlement in kind rather than being paid in cash. For the year ended 31 December 2022, DEC had no reportable production entitlements to a government.

TAXES

This report includes taxes levied on income, personnel, production or profits withheld from dividends, royalties and interest received by DEC. Taxes levied on consumption, sales, procurement (contractor's withholding taxes), environmental, property, customs and excise are not reportable under the UK Regulations.

ROYALTIES

Payments for the rights to extract natural gas and oil resources, typically at a set percentage of revenue less any deductions that may be taken, and may be paid in cash or in kind (valued in the same way as production entitlement).

DIVIDENDS

Dividend payments other than dividends paid to a government as a shareholder of an entity unless paid in lieu of production entitlements or royalties. For the year ended 31 December 2022, DEC had no reportable dividend payments to a government.

BONUSES

Signature, discovery and production bonuses and other bonuses payable under licences or concession agreements are included in this report. These are usually paid upon signing an agreement or a contract, or when a commercial discovery is declared, or production has commenced or production has reached a milestone. For the year ended 31 December 2022, DEC had no reportable bonus payments to a government.

FEES

In preparing this report, DEC has included licence fees, rental fees, entry fees and all other payments that are paid in consideration for new and existing licences and or concessions. Fees paid to governments for administrative services are excluded.

INFRASTRUCTURE IMPROVEMENTS

Payments which relate to the construction of infrastructure (road, bridge or rail) not substantially dedicated for the use of extractive activities. Payments which are of a social investment in nature, for example building of a school or hospital, are excluded.

Payments Overview

The tables below show the relevant payments to governments made by DEC in the year ended 31 December 2022 shown by country and payment type.

Of the seven payment types required by the UK Regulations, DEC did not pay any production entitlements, dividends, bonuses, fees and or infrastructure improvements therefore those categories are not shown.

Summary of Payments to Governments

(AMOUNTS IN THOUSANDS)

Countries		Taxes		Royalties		Total
United Kingdom	$	—	$	—	$	—
United States		134,111		6,869		140,980
Total	**$**	**134,111**	**$**	**6,869**	**$**	**140,980**

UNITED KINGDOM

Governments		Taxes		Royalties		Total
Oil and Gas Authority	$	—	$	—	$	—
HM Revenue and Customs		—		—		—
The Crown Estate Scotland		—		—		—
Total	**$**	**—**	**$**	**—**	**$**	**—**

UNITED STATES

Governments		Taxes		Royalties		Total
Commonwealth of Pennsylvania	$	5,047	$	—	$	5,047
Commonwealth of Virginia		2,120		—		2,120
General Land Office		—		—		—
Internal Revenue Service		28,990		—		28,990
Office of Natural Resources Revenue		—		4,382		4,382
State of Kentucky		14,400		—		14,400
State of Louisiana		12,833		118		12,951
State of Ohio		2,176		—		2,176
State of Oklahoma		18,303		1,803		20,106
State of Tennessee		698		—		698
State of Texas		31,773		566		32,339
State of West Virginia		17,771		—		17,771
Total	**$**	**134,111**	**$**	**6,869**	**$**	**140,980**

Alternative Performance Measures (Unaudited)

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

We use APMs to improve the comparability of information between reporting periods and to more accurately evaluate cash flows, either by adjusting for uncontrollable or transactional factors that are not comparable period-over-period, or by aggregating measures, to aid the users of this Annual Report in understanding the activity taking place across the Group. APMs are used by the Directors for planning and reporting and should not be considered an IFRS replacement. The measures are also used in discussions with the investment analyst community and credit rating agencies.

Average Quarterly Dividend per Share
Average Quarterly Dividend per Share is reflective of the average of the dividends per share declared throughout the applicable fiscal year which gives consideration to changes in dividend rates and changes in the amount of shares outstanding. We use Average Quarterly Dividend per Share as we seek to pay a consistent and reliable dividend to shareholders.

	Year Ended	
	31 December 2022	**31 December 2021**
Declared on first quarter results	$ 0.04250	$ 0.04000
Declared on second quarter results	0.04250	0.04000
Declared on third quarter results	0.04375	0.04250
Declared on fourth quarter results	0.04375	0.04250
Average Quarterly Dividend per Share	**$ 0.04313**	**$ 0.04125**
Total Dividends per Share	**$ 0.17250**	**$ 0.16500**

Adjusted EBITDA
As used herein, EBITDA represents earnings before interest, taxes, depletion, depreciation and amortisation. Adjusted EBITDA includes adjusting for items that are not comparable period-over-period, namely, accretion of asset retirement obligation, other (income) expense, loss on joint and working interest owners receivable, (gain) loss on bargain purchases, (gain) loss on fair value adjustments of unsettled financial instruments, (gain) loss on natural gas and oil property and equipment, costs associated with acquisitions, other adjusting costs, non-cash equity compensation, (gain) loss on foreign currency hedge, net (gain) loss on interest rate swaps and items of a similar nature.

Adjusted EBITDA should not be considered in isolation or as a substitute for operating profit or loss, net income or loss, or cash flows provided by operating, investing and financing activities. However, we believe such measure is useful to an investor in evaluating our financial performance because it (1) is widely used by investors in the natural gas and oil industry as an indicator of underlying business performance; (2) helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the often-volatile revenue impact of changes in the fair value of derivative instruments prior to settlement; (3) is used in the calculation of a key metric in one of our Credit Facility financial covenants; and (4) is used by us as a performance measure in determining executive compensation. When evaluating this measure, we believe investors also commonly find it useful to evaluate this metric as a percentage of our Total Revenue, Inclusive of Hedges, producing what we refer to as our Adjusted EBITDA Margin.

Adjusted EBITDA per Share
We believe that Adjusted EBITDA per Share provides direct line of sight into our ability to measure the accretive growth we seek to acquire while providing shareholders with a depiction of cash earnings at the share level. In this calculation we utilise weighted average shares as to not disproportionately weight the calculation for equity issued for acquisitive growth at varying periods throughout the year.

	Year Ended			
	31 December 2022		31 December 2021	
Net income (loss)	**$**	**(620,598)**	**$**	**(325,206)**
Finance costs		100,799		50,628
Accretion of asset retirement obligations		27,569		24,396
Other (income) expense		(269)		8,812
Income tax (benefit) expense		(178,904)		(225,694)
Depreciation, depletion and amortisation		222,257		167,644
(Gain) loss on bargain purchases		(4,447)		(58,072)
(Gain) loss on fair value adjustments of unsettled financial instruments		861,457		652,465
(Gain) loss on natural gas and oil property and equipment[(a)]		93		901
Costs associated with acquisitions		15,545		27,743
Other adjusting costs[(b)]		69,967		10,371
Non-cash equity compensation		8,051		7,400
(Gain) loss on foreign currency hedge		—		1,227
(Gain) loss on interest rate swap		1,434		530
Total adjustments	**$**	**1,123,552**	**$**	**668,351**
Adjusted EBITDA	**$**	**502,954**	**$**	**343,145**
Weighted average shares outstanding - basic		844,080		793,542
Adjusted EBITDA per Share	**$**	**0.60**	**$**	**0.43**

(a) Excludes $2.5 million in proceeds received for leasehold sales during the year ended 31 December 2022.

(b) Other adjusting costs for the year ended 31 December 2022 primarily consisted of $28 million in contract terminations which may allow the Group to obtain more favourable pricing in the future and $31 million in costs associated with deal breakage and/or sourcing costs for acquisitions. Other adjusting costs for the year ended 31 December 2021 were primarily associated with one-time projects and contemplated financing arrangements. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon Acquisition.

Net Debt

As used herein, Net Debt represents total debt as recognised on the balance sheet less cash and restricted cash. Total debt includes our borrowings under the Credit Facility and borrowings under or issuances of, as applicable, our subsidiaries' securitisation facilities. We believe Net Debt is a useful indicator of our Leverage and capital structure.

Net Debt-to-Adjusted EBITDA

As used herein, Net Debt-to-Adjusted EBITDA, or "Leverage" or "Leverage Ratio," is measured as Net Debt divided by Adjusted EBITDA. We believe that this metric is a key measure of our financial Liquidity and flexibility and is used in the calculation of a key metric in one of our Credit Facility financial covenants.

	As of	
	31 December 2022	31 December 2021
Credit Facility	$ (56,000)	$ (570,600)
ABS I Notes	(125,864)	(155,266)
ABS II Notes	(147,458)	(169,320)
ABS III Notes	(319,856)	—
ABS IV Notes	(130,144)	—
ABS V Notes	(378,796)	—
ABS VI Notes	(212,446)	—
Term Loan I	(120,518)	(137,099)
Other	(7,084)	(9,380)
Total Debt	**$ (1,498,166)**	**$ (1,041,665)**
Cash	7,329	12,558
Restricted cash	55,388	19,102
Net Debt	**$ (1,435,449)**	**$ (1,010,005)**
Adjusted EBITDA	**$ 502,954**	**$ 343,145**
Pro forma Adjusted EBITDA[(a)]	**$ 574,414**	**$ 490,978**
Net Debt-to-Pro forma Adjusted EBITDA[(b)]	**2.5x**	**2.1x**
Net Debt, inclusive of Tanos II pro forma adjustments[(c)]	**$ (1,525,449)**	
Pro forma Adjusted EBITDA, inclusive of Tanos II[(c)]	**$ 681,414**	
Net Debt-to-Pro forma Adjusted EBITDA, inclusive of Tanos II[(b)]	**2.2x**	

(a) Pro forma Adjusted EBITDA includes adjustments for the year ended 31 December 2022 for the East Texas Assets and ConocoPhillips acquisitions to pro forma their results for a full twelve months of operations. Similar adjustments were made for the year ended 31 December 2021 for the Indigo Blackbeard, Tanos and Tapstone acquisitions as well as Oaktree's subsequent participation in the Indigo transaction.

(b) Does not include adjustments for working capital which are often customary in the market.

(c) Net Debt, inclusive of Tanos II pro forma adjustments, and Pro forma Adjusted EBITDA, inclusive of Tanos II, include adjustments for the year ended 31 December 2022 for the Tanos II transaction completed on 1 March 2023 to pro forma its expected results for a full twelve months of operations.

Total Revenue, Inclusive of Hedges

As used herein, Total Revenue, Inclusive of Hedges, includes the impact of derivatives settled in cash. We believe that Total Revenue, Inclusive of Hedges is a useful because it enables investors to discern our realised revenue after adjusting for the settlement of derivative contracts.

Adjusted EBITDA Margin

As used herein, Adjusted EBITDA Margin is measured as Adjusted EBITDA, as a percentage of Total Revenue, Inclusive of Hedges. Adjusted EBITDA Margin includes the direct operating cost and the portion of general and administrative cost it takes to produce each Boe. This metric includes operating expense, employees, administrative costs and professional services and recurring allowance for credit losses, which include fixed and variable costs components. We believe that Adjusted EBITDA Margin is a useful measure of our profitability and efficiency as well as our earnings quality because it measures the Group on a more comparable basis period-over-period, given we are often involved in transactions that are not comparable between periods.

	Year Ended	
	31 December 2022	31 December 2021
Total revenue	$ 1,919,349	$ 1,007,561
Net gain (loss) on commodity derivative instruments[(a)]	(895,802)	(320,656)
Total Revenue, Inclusive of Hedges	**$ 1,023,547**	**$ 686,905**
Adjusted EBITDA	**$ 502,954**	**$ 343,145**
Adjusted EBITDA Margin	**49%**	**50%**

(a) Net gain (loss) on commodity derivative settlements represents cash (paid) or received on commodity derivative contracts. This excludes settlements on foreign currency and interest rate derivatives as well as the gain (loss) on fair value adjustments for unsettled financial instruments for each of the periods presented.

Free Cash Flow
As used herein, Free Cash Flow represents net cash provided by operating activities less expenditures on natural gas and oil properties and equipment and cash paid for interest. We believe that Free Cash Flow is a useful indicator of our ability to generate cash that is available for activities other than capital expenditures. The Directors believe that Free Cash Flow provides investors with an important perspective on the cash available to service debt obligations, make strategic acquisitions and investments and pay dividends.

	Year Ended			
	31 December 2022		31 December 2021	
Net cash provided by operating activities	**$**	**387,764**	**$**	**320,182**
LESS: Expenditures on natural gas and oil properties and equipment		(86,079)		(50,175)
LESS: Cash paid for interest		(82,936)		(41,623)
Free Cash Flow	**$**	**218,749**	**$**	**228,384**

Adjusted Operating Cost per Boe
Adjusted Operating Cost per Boe is a metric that allows us to measure the direct operating cost and the portion of general and administrative cost it takes to produce each Boe. This metric, similar to Adjusted EBITDA Margin, includes operating expense employees, administrative costs and professional services and recurring allowance for credit losses, which include fixed and variable cost components.

Employees, administrative costs and professional services
As used herein, employees, administrative costs and professional services represents total administrative expenses excluding cost associated with acquisitions, other adjusting costs and non-cash expenses. We use employees, administrative costs and professional services because this measure excludes items that affect the comparability of results or that are not indicative of trends in the ongoing business.

	Year Ended			
	31 December 2022		31 December 2021	
Total production (MBoe)		**49,354**		**43,257**
Total operating expense	$	445,893	$	291,213
Employees, administrative costs and professional services		77,172		56,812
Recurring allowance for credit losses		—		(4,265)
Adjusted Operating Cost	**$**	**523,065**	**$**	**343,760**
Adjusted Operating Cost per Boe	**$**	**10.60**	**$**	**7.95**

Officers and Professional Advisors

Directors	David E. Johnson (Non-Executive Chairman (Independent upon appointment)) Martin K. Thomas (Independent Non-Executive Vice Chairman) Rusty Hutson, Jr. (Chief Executive Officer) Bradley G. Gray (Executive Vice President and Chief Operating Officer) David J. Turner, Jr. (Senior Independent Non-Executive Director) Sandra M. Stash (Independent Non-Executive Director) Kathryn Z. Klaber (Independent Non-Executive Director) Sylvia Kerrigan (Independent Non-Executive Director)
Registered Number	09156132 (England and Wales)
Registered Office	4th floor Phoenix House 1 Station Hill Reading, Berkshire, RG1 1NB United Kingdom
Headquarters	1600 Corporate Drive Birmingham, Alabama 35242 United States
Company Secretary	Apex Secretaries LLP 6th Floor 140 London Wall London EC2V 5DN United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
Legal Advisor, United Kingdom	Latham & Watkins (London) LLP 99 Bishopsgate London ECM2 3XF United Kingdom
Legal Advisor, United States	Benjamin Sullivan, General Counsel 414 Summers Street Charleston, WV 25301 United States
Competent Person	Netherland, Sewell & Associates, Inc. 2100 Ross Avenue, Suite 2200 Dallas, Texas 75201 United States
Share Registrar	ComputerShare Investor Services PLC The Pavilions, Bridgewater Road Bristol, BS13 8AE United Kingdom
Brokers	Tennyson Securities 23rd Floor, 20 Fenchurch Street London EC3M 3BY United Kingdom Stifel Nicolaus Europe Limited 150 Cheapside London, EC2V 6ET United Kingdom

Glossary of Terms

£
British pound sterling

$
U.S. dollar

ABS
Asset-Backed Security

Adjusted EBITDA
Adjusted EBITDA is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Adjusted EBITDA Margin
Adjusted EBITDA Margin is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Adjusted EBITDA Per Share
Adjusted EBITDA per Share is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Adjusted Operating Cost
Adjusted Operating Cost is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Adjusted Operating Cost per Boe
Adjusted Operating Cost per Boe is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

AIM
Alternative Investment Market

APM
Alternative Performance Measure

Average Quarterly Dividend per Share
Average Quarterly Dividend per Share is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Bbl
Barrel or barrels of oil or natural gas liquids

Bcfe
Billions of cubic fee equivalent

Board or BOD
Board of Directors

Boe
Barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of natural gas. The ratio of one barrel of oil or NGLs to six Mcf of natural gas is commonly used in the industry and represents the approximate energy equivalence of oil or NGLs to natural gas, and does not represent the economic equivalency of oil and NGLs to natural gas. The sales price of a barrel of oil or NGLs is considerably higher than the sales price of six Mcf of natural gas.

Boepd
Barrels of oil equivalent per day

Btu
A British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.

CO_2
Carbon dioxide

CO_2e
Carbon dioxide equivalent

CEO
Chief Executive Officer

CFO
Chief Financial Officer

COO
Chief Operating Officer

DD&A
Depreciation, depletion and amortisation

E&P
Exploration and production

EBITDA
Earnings before interest, tax, depreciation and amortisation

EBITDAX
Earnings before interest, tax, depreciation, amortisation and exploration expense

Employees, administrative costs and professional services
Employees, administrative costs and professional services is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

EPA
Environmental Protection Agency

EPS
Earnings per share

ERM
Enterprise Risk Management

ESG
Environmental, Social and Governance

EU
European Union

Free Cash Flow
Free Cash Flow is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

FTSE
Financial Times Stock Exchange

G&A
General and administrative expense

GBP
British pound sterling

Henry Hub
A natural gas pipeline delivery point that serves as the benchmark natural gas price underlying NYMEX natural gas futures contracts.

IAS
International Accounting Standard

IASB
International Accounting Standards Board

IPO
Initial public offering

IFRS
International Financial Reporting Standards

KWh
Kilowatt hour

LIBOR
London Inter-bank Offered Rate

LOE
Base lease operating expense is defined as the sum of employee and benefit expenses, well operating expense (net), automobile expense and insurance cost.

LSE
London Stock Exchange

M&A
Mergers and acquisitions

MBbls
Thousand barrels

MBoe
Thousand barrels of oil equivalent

MBoepd
Thousand barrels of oil equivalent per day

Mcf
Thousand cubic feet of natural gas

Mcfe
Thousand cubic feet of natural gas equivalent

Midstream
Midstream activities include the processing, storing, transporting and marketing of natural gas, NGLs and oil.

MMBoe
Million barrels of oil equivalent

MMBtu
Million British thermal units

MMcf
Million cubic feet of natural gas

MMcfe
Million cubic feet of natural gas equivalent

Mont Belvieu
A mature trading hub with a high level of liquidity and transparency that sets spot and futures prices for NGLs.

MT CO_2e
Metric ton of carbon dioxide equivalent

Net Debt
Net Debt is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Net Debt, inclusive of Tanos II pro forma adjustments
Pro Forma Net Debt (inclusive of acquisition activity subsequent to the reporting date) is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Net Debt-to-Pro forma Adjusted EBITDA
Net Debt-to-Pro forma Adjusted EBITDA, or “Leverage” or “Leverage Ratio”, is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Pro Forma Net Debt-to-Pro forma Adjusted EBITDA (inclusive of acquisition activity subsequent to the reporting date)
Pro Forma Net Debt-to-Pro Forma TTM Adjusted EBITDA (inclusive of acquisition activity subsequent to the reporting date) is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Net Zero
Achieving an overall balance between carbon emissions produced and carbon emissions taken out of the atmosphere, which includes making changes to reduce emissions to the lowest amount and offsetting as a last resort. For Diversified net zero means total Scope 1 and 2 GHG emissions.

NGLs
Natural gas liquids, such as ethane, propane, butane and natural gasoline that are extracted from natural gas production streams.

NYMEX
New York Mercantile Exchange

Oil
Includes crude oil and condensate

Pro Forma Adjusted EBITDA
Pro Forma Adjusted EBITDA is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

Pro Forma Adjusted EBITDA, inclusive of Tanos II
Pro Forma Adjusted EBITDA (inclusive of acquisition activity subsequent to the reporting date) is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

PSU
Performance stock unit

PV-10
A calculation of the present value of estimated future natural gas and oil revenues, net of forecasted direct expenses, and discounted at an annual rate of 10%. This calculation does not consider income taxes and utilises a pricing assumption consistent with the forward curve at 31 December 2022.

Realised price
The cash market price less all expected quality, transportation and demand adjustments.

RSU
Restricted stock unit

SAM
Smarter Asset Management

SOFR
Secured Overnight Financing Rate

TCFD
Task Force on Climate-Related Financial Disclosures

Total Revenue, Inclusive of Hedges
Total Revenue, Inclusive of Hedges, is an APM. Please refer to the **APM** section in **Additional Information** within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.

TSR
Total Shareholder Return

TTM
Trailing twelve months

UK
United Kingdom

U.S.
United States

USD
U.S. dollar

WTI
West Texas Intermediate grade crude oil, used as a pricing benchmark for sales contracts and NYMEX oil futures contracts.

Diversified Energy Company PLC

1600 Corporate Drive
Birmingham, Alabama,
35242 USA

www.div.energy