



DIVERSIFIED GAS & OIL
P L C



ANNUAL REPORT

Diversified Gas & Oil PLC (“Diversified,” “DGO,” or the “Company,” and with its wholly owned subsidiaries, the “Group”) is a leading natural gas producer and midstream operator within the Appalachian Basin. Our business model is uniquely value-creating in today’s market of natural gas producers - we Acquire, Optimise, Produce and Transport natural gas rather than drill, complete and fracture stimulate new wells. While most companies in our sector are built to explore for reserves and develop new wells, our entire focus is on safely and efficiently operating existing wells to maximise their productive lives and economic capabilities.

We start by implementing a disciplined valuation approach to acquire long-life, low-decline producing wells. We then apply our Smarter Asset Management programme to improve or restore production from the wells via low cost operational techniques. As part of our acquisition process, we often acquire strategic midstream assets into which our wells production flows which allows us to vertically integrate and provides greater control over the flow of our own production into sales markets in addition to generating revenues from third parties. The success of the model is driven by the distinct aggregation of these operating elements to generate predictable and consistent production, low operational costs and stable, hedge-protected cash flows which translate to sustainable and significant Free Cash Flow, systematic debt repayment and reliable dividends for our shareholders.

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This Annual Report refers to Alternative Performance Measures (“APMs”) such as “Average Dividend per Share,” “Adjusted Net Income,” “Hedged Adjusted EBITDA,” “Net Debt,” “Net Debt-to-Hedged Adjusted EBITDA,” “Adjusted Total Revenue,” “Cash Margin,” “Cash Operating Margin,” “Free Cash Flow & Free Cash Flw Yield,” “Total Cash Cost per Boe,” “Base G&A,” and “Adjusted G&A.” See definitions, calculations, and reconciliations to IFRS measures in the APMs section in Additional Information within this Annual Report. We provide these measures in addition to, and not as an alternative for, the information contained in the Group Financial Information, prepared in accordance with IFRS including the Notes thereto.

FINANCIAL HIGHLIGHTS

DIVIDEND YIELD

▲ **12.0%**

TOTAL SHAREHOLDER RETURN

▲ **20%**

HEDGED ADJUSTED EBITDA

▲ **\$301m**

CASH MARGIN

▲ **54%**

HEDGE SETTLEMENTS

▲ **\$144m**

LEVERAGE

▲ **2.2x**

KEY ACHIEVEMENTS



DIVIDENDS

Increased our per share dividend two consecutive quarters and by more than 14% despite the Covid-19 pandemic, and reflecting the quality of assets we acquired in 2020.



MAIN MARKET PREMIUM LISTING

Transitioned from AIM to the Premium Segment of the Main Market of the LSE.
Entered into the FTSE 250 Index, increasing our market exposure and broadening our investor base.



OAKTREE PARTICIPATION AGREEMENT

Entered into a \$1 billion innovative participation agreement with Oaktree Capital to jointly identify and fund future acquisition opportunities. This positions us to apply our proven framework to larger acquisition opportunities, accelerating growth and amplifying returns to shareholders over the long-term.



OPERATIONAL ACCOMPLISHMENTS

Smarter Asset Management driving consistent conventional well production of approximately 69 MBoepd, showing effectively no declines in 9 out of the last 10 consecutive quarters.

Leveraged and enhanced our IT investments to protect the health and safety of our employees during the Covid-19 pandemic and efficiently continue our daily operations.

Exceeded our asset retirement goals.

Reduced Total Cash Cost per Boe by 10%.



ACQUISITIONS AND SUBSEQUENT INTEGRATION

Closed and integrated three cash flow accretive acquisitions totalling \$243 million

Expanded our solid foundation of producing wells in Appalachia, further increasing our scale and reducing unit operating costs.

Added ~4,900 miles of midstream assets, expanding our midstream system to nearly 17,000 miles, enhancing our ability to generate third-party revenue, access premium priced markets and control the flow of our own production.

Maintained year-end Net Debt-to-Hedged Adjusted EBITDA of 2.2x.



FINANCINGS

Refinanced a portion of our Credit Facility with a successful \$200 million (gross) fully-amortising note anchored by Nuveen (investment manager of ESG-focused TIAA) as the lead investor.

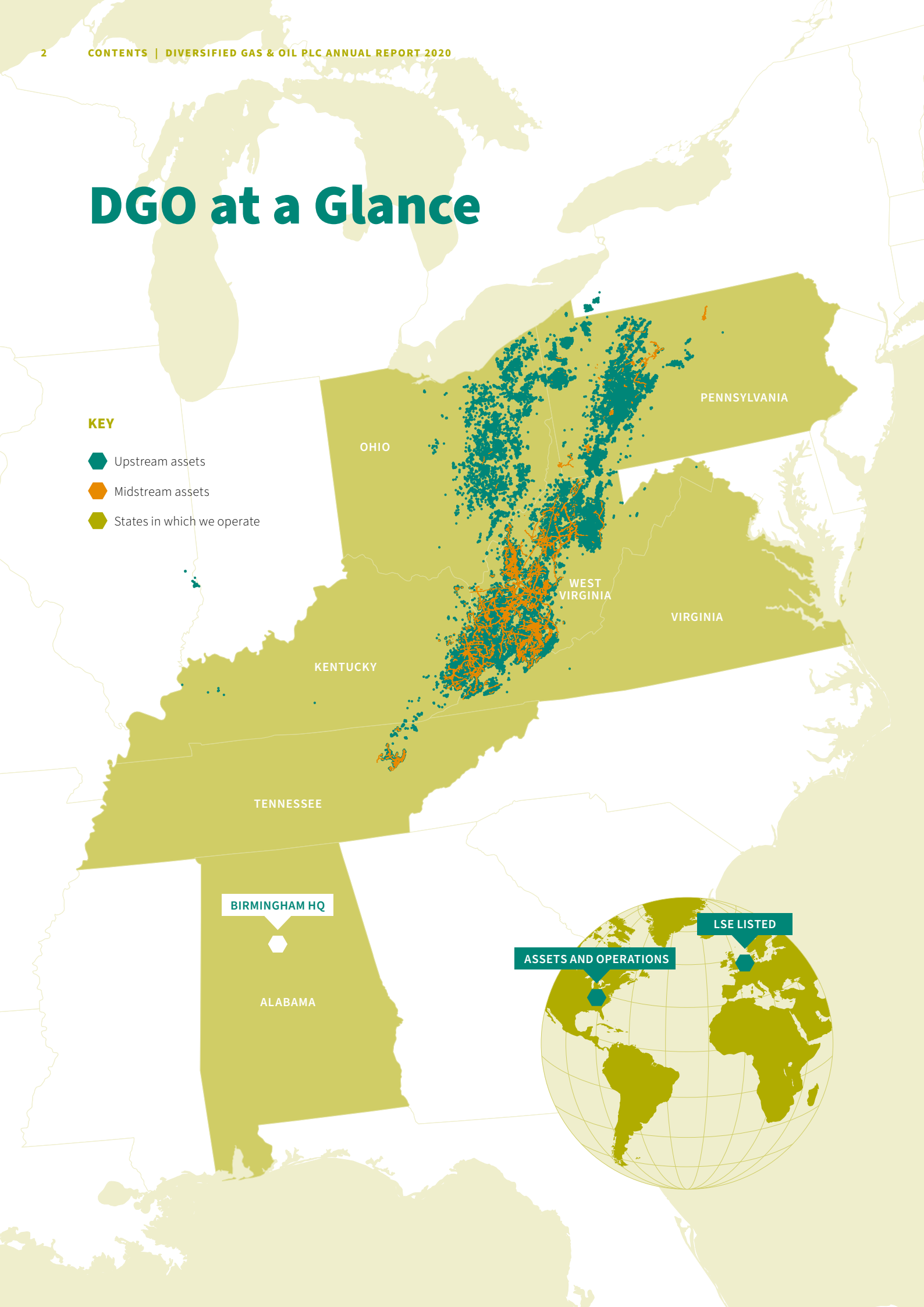
Raised \$160 million ten-year, secured and fully amortising term loan with Munich Re, complemented by an \$85 million (gross) equity raise that, combined, funded our acquisitions.

Achieved full reaffirmation of our \$425 million borrowing base from our 17-Bank Group Syndicate, securing more than \$210 million of liquidity at year-end.

DGO at a Glance

KEY

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



BIRMINGHAM HQ

ALABAMA

ASSETS AND OPERATIONS

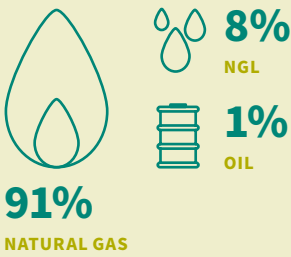
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OUR ASSETS

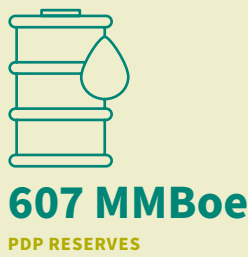
Our assets primarily consist of long-life, low-decline natural gas wells and gathering systems exclusively located within the Appalachian Basin of the US, providing opportunistic synergies in our operations. Our headquarters are located in Birmingham, Alabama, US with field offices located in the states of Kentucky, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia.

KEY FACTS

COMMODITY MIX



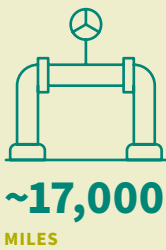
RESERVES



PV-10 VALUE OF RESERVES



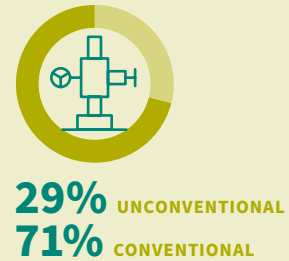
MIDSTREAM SYSTEM



TOTAL EMPLOYEES



WELL PRODUCTION



OUR DIFFERENTIATED BUSINESS MODEL



ACQUIRE

We maintain a disciplined approach to evaluating opportunities to ensure that we only pursue those that possess a consistent asset profile.



OPTIMISE

The primarily mature nature of the assets we acquire provides DGO with a portfolio of low cost optimisation opportunities aimed at improving or restoring production in our upstream wells.



PRODUCE

Our dedicated 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.

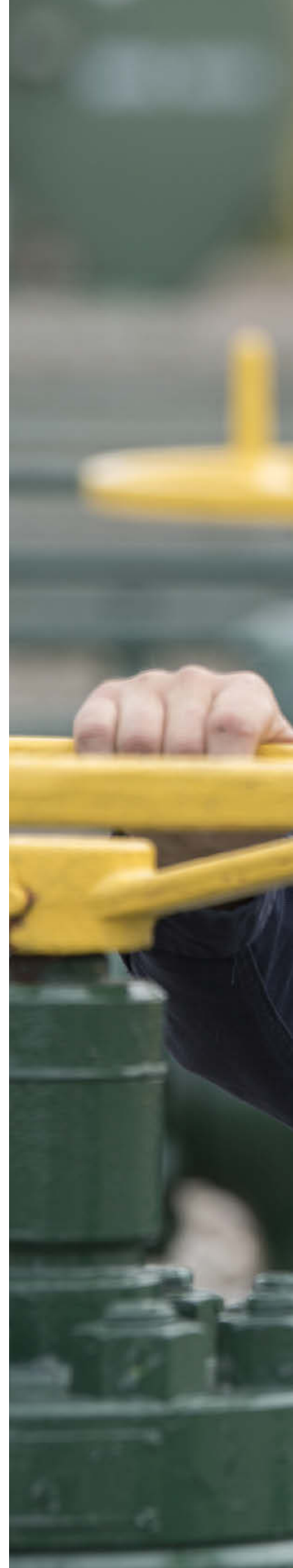


TRANSPORT

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 financial best interests and long-term synergies.

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STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Chairman's Statement



“Our business model is based on sustainability. We are one of the lowest cost operators in the industry and are well positioned to perform in the toughest of markets.”

DAVID E. JOHNSON

Chairman of the Board

I am delighted to report another year of tremendous progress for the Group. Against both a challenging industry backdrop and the extraordinary impact of the Covid-19 pandemic, our business model has proven not only to be resilient and sustainable but also extremely strong.

We have continued with the relentless focus on our strategy to deliver consistent, profitable cash flow from our low-cost asset base. During the year we made three accretive acquisitions which have been successfully integrated. We also enhanced our borrowing base with a securitised and fully-amortising financing, and entered into an innovative joint arrangement with Oaktree Capital, which positions us well for future acquisitions earning enhanced returns. Our Smarter Asset Management programme has once again been effective in maintaining steady production to offset natural declines.

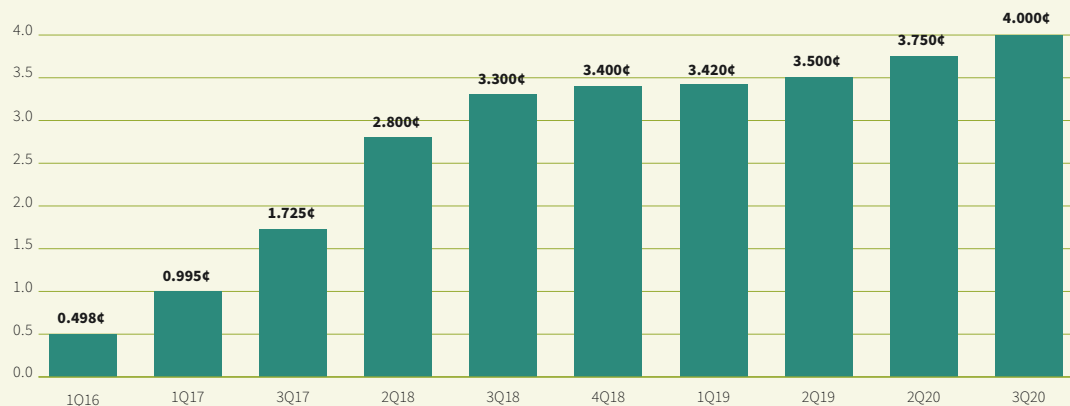
We successfully obtained admission of our shares to the Premium Listing Segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the LSE, and subsequently entered the LSE FTSE 250 Index. In advance of this move, and as reported last year, we appointed three new Independent Non-Executive Directors to the Board. The current Board has seven members, with four being independent. I am extremely pleased with how the Board and

Committees have functioned this year, in particular given the difficulties of meeting in person. Each Board member demonstrated a clear commitment to the Group and support for its strategy while being willing to challenge each other as we strive to continue building a business that benefits all stakeholders. We appointed Leadership Advisor Group to conduct an external Board Performance Review, and we will use their advice to further examine our corporate governance and strategic thinking. At present, two of our seven Board members (or approximately 30%) are women. We are mindful of the recommendations of the Hampton-Alexander Review and the Parker Review, and will be looking to comply with them in the coming year as we strive to further enhance our Board's diversity, experience, and knowledge base.

During the year we launched our inaugural Sustainability Report which detailed the economic, environmental, social and governance impacts of our activities. The report describes our firm commitment to sustainability and to the communities in which we operate and outlines our plans to remain fully engaged on these important initiatives. We also embarked on a project with Critical Resource, a global consultancy focused on climate strategies, to ensure that our metrics and targets, as well as our governance, risk management, and strategic planning align with the Task Force on Climate Related Financial Disclosures (“TCFD”) recommendations. Additionally, we are examining

9X DIVIDEND INCREASE SINCE IPO

Per share



investments in technology and operational changes to help further reduce emissions, as well as evaluating various offset measures with our target to achieve a net zero carbon footprint by 2050. You can find additional details of our ongoing sustainability efforts in our upcoming 2020 Sustainability Report.

We fully support the desire to reduce the world's carbon emissions, and believe that our unique business model continues to be well positioned to help us do so. Natural gas in the US has been a major contributor to the substantial reductions in CO₂ emissions as energy supplies have switched from coal and oil. Future energy demands must be met from multiple sources, including renewables, nuclear, hydro, and our own low-carbon natural gas, which will continue to be affordable and reliable. As such, we believe that natural gas is an ideal partner to renewable energy sources like wind and solar, thereby providing a solution to a more sustainable world for future generations.

Our business model is based on sustainability. We are one of the lowest cost operators in the industry, and we are well positioned to perform in even the toughest of markets. We acquire undervalued assets, that are non-core to other operators, and then focus on optimising their productivity or usefulness until the end of their natural lives. We are responsible operators with a commitment to the safety of our employees and the public at large, the well-being and vibrancy of the communities in which we live and work, and the care of the natural world around us. This is what we do. As we acquire more assets, we believe we can play a key role in improving the environmental stewardship of them, as well as reducing the need for further exploration and drilling elsewhere, with its resultant impact on emissions and risk of stranded assets. We also continue to embrace our responsibility to safely retire wells at the end of their productive lives, and we've demonstrated this commitment to the states in which we operate each year through our exceptional well retirement programme.

Our extensive hedge portfolio and low-cost debt profile has meant that our cash flow has remained stable and strong this year. Combined with our accretive acquisitions, we increased our quarterly dividend twice, and by 14% since the start of the year from \$0.0350 per share to \$0.0400 per share. Accordingly, the Board is recommending a final quarter dividend of \$0.0400 per share, making the total dividend attributable to the full-year \$0.1525 per share (2019: \$0.1392 per share.) If approved, the final dividend will be paid on 24 June 2021 to those shareholders on the register on 28 May 2021.

This year was another very successful one for DGO, and I would like to thank our executive team and all our employees for the hard work and dedication that continues to drive our performance. They represent the best in our industry and are a credit to the Group. We understand the extraordinary impacts of the Covid-19 pandemic on the personal lives of our employees and recognise that their continued commitment has ensured we have not only delivered a successful 2020 but are well positioned to continue to deliver the long term sustainable success of our business. I also wish to thank our shareholders, debt holders and other stakeholders for their support. Looking ahead, the opportunities to continue our growth are significant, and we are well placed to capitalise on them. The Board reviewed and approved the Group's 2020 Strategic Report on 8 March 2021, and we along with the entire Diversified team will remain focused in 2021 and beyond on our strategy and continue to deliver sustainable value to our shareholders.

D. E. Johnson

DAVID E. JOHNSON
Chairman of the Board

8 March 2021

Chief Executive's Statement



“Our focus on operational excellence across our portfolio continues to serve as the bedrock of our stable performance.”

ROBERT R. (“RUSTY”) HUTSON JR.
Chief Executive Officer

This past year was unlike any other in the history of our company. In a year filled with global uncertainty, driven largely by the Covid-19 pandemic, political unrest and economic disruption, which led to the lowest NYMEX natural gas prices in 25 years, our consistent performance and the strength of our business model proved among the few certainties. From our founding nearly 20 years ago, we’ve proactively and intentionally built our business to reliably perform in any commodity price environment, and the result of our strategic actions is demonstrated through our ability to deliver significant financial results contrary to sector and macro-economic headwinds. Deemed an essential business in the midst of the pandemic, our company continues to successfully navigate the new economic and social environment in which we now find ourselves. Our success is reflective of a resilient, vertically integrated business model and strategy executed by dedicated personnel, who are focused on delivering strong operational and financial results, resulting in significant shareholder value.

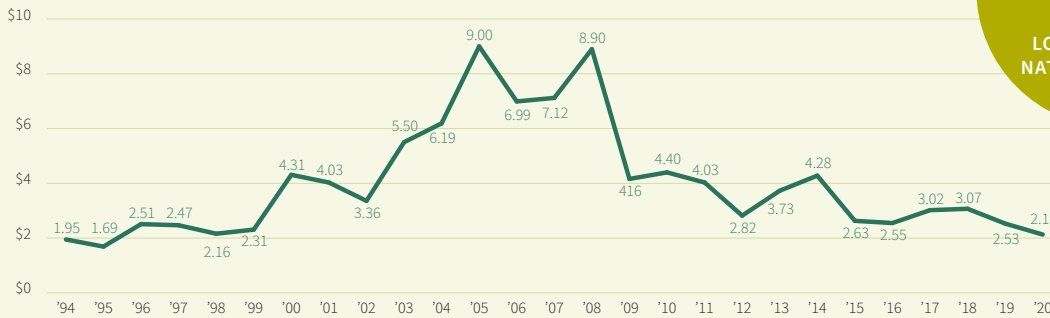
Our resilience demonstrates the solid foundations upon which DGO is built. Our unwavering focus on opportunistic yet disciplined acquisitive growth, portfolio optimisation and shareholder returns

differentiates us from our peers. The Board’s commitment to shareholder returns is resolved and represents a core principle of our strategy and investment thesis. Currently, our dividend yield is one of the most compelling amongst LSE listed companies, evidenced by two dividend increases during a period when many of our peers reduced or cancelled dividends, highlighting the strength of our business model and the effectiveness of our execution.

A relentless focus on operational excellence across our portfolio continues to serve as the bedrock of our stable performance. During the year, our operations team delivered impressive results through the successful application of our Smarter Asset Management programme. Production remained steady throughout the year as we effectively offset natural declines in our portfolio through our operational techniques to optimise production and to drive efficiency, and we achieved this result while simultaneously reducing our emissions. These effective operations continue to drive solid financial performance by ensuring we remain a low-cost operator with clear visibility to reliable cash flows. The capabilities of our midstream activities continue to expand and were further bolstered by the acquisitions in May, which increased opportunities for margin-enhancing diversification, pricing optionality and third-party revenue generation.

NYMEX SETTLEMENT PRICE

Average price \$/MMbtu



Source: <https://www.eia.gov/dnav/ng/hist/rngc1m.htm>

~25 years
 LOWEST AVERAGE NATURAL GAS PRICE SINCE 1995

As detailed in this report, even with the recovery and stabilisation of prices through the fourth quarter of 2020 and into the start of 2021, the market backdrop remains challenging for the natural gas industry. Despite these headwinds, our business model gives us comfort, knowing that we are uniquely positioned to make the most of the numerous opportunities we see in the market today.

Positive momentum is building for natural gas pricing which bodes well for our business. For many however, the positive momentum may have come too late, and consolidation will be a natural consequence. As a result, we continue to evaluate a robust acquisition pipeline as we look to capitalise on market opportunities, seeking value accretive growth.

With this backdrop, we established a major strategic partnership through our agreement with Oaktree Capital. The agreement aligns us with a strong partner with whom we can capitalise on the growing pipeline of opportunities, both in the near-term and over the long-term. The agreement validates our strategy, and helps to expand our market intelligence and network through Oaktree’s unrivalled standing in the market. The partnership also strengthens our acquisition bid credibility, and enables us to comfortably pursue larger transactions that can deliver a measurable change in accretive cash flow growth and shareholder returns. The deal structure positions us to capture long-term value for our shareholders as Oaktree’s co-ownership of assets presents a foreseeable inventory of acquisition opportunities whereby DGO, as the operator of those assets, is the natural buyer when Oaktree seeks to monetise its investment.

The strong position that we have established for ourselves through years of delivering results aligned with our stated commitments leaves us well placed to maintain our growth trajectory. Financial discipline at the corporate and operational levels remains a key tenet

to our strategy. We will seek to continue to maintain a healthy balance sheet with appropriate liquidity to safeguard our dividend, and reduce Leverage while working to capture prudent growth opportunities.

I am very proud that we have been able to maintain our progress through the economic and social challenges we faced during the last year. The Board’s focus on continuous improvement of all aspects of governance has enabled us to take considerable strides forward and provides a springboard for future growth. Our move to the Main Market and subsequent inclusion in the FTSE 250 Index reflects our evolution, maturity and growth into the largest independent producer by volume on the London market, and I am excited for the opportunities that lie ahead for our company.

RUSTY HUTSON JR.
 Chief Executive Officer

8 March 2021

“We’ve proactively and intentionally built our business to reliably perform in any commodity price environment.”

Market Review

We stand to benefit from a landscape in which fewer companies are capable of acquiring a growing pool of accretive opportunities.

The sudden and aggressive impact of the Covid-19 pandemic on commodity pricing in the second quarter of 2020 led to a sharp decline in production of oil from shale players, consequently impacting the production of associated natural gas. This reduction in supply, in turn, created a positive dynamic for the pricing and outlook of natural gas, already viewed as having a vital role in the rapidly evolving global energy transition due to its profile as the cleanest of all hydrocarbons and general view as a complementary partner to future clean energy ambitions. The Energy Information Administration outlook for natural gas consumption remains positive as renewables first displace coal and oil demand. The resulting improved outlook for natural gas is evidenced in the forward pricing curve, which bodes well for DGO, given that 91% of our production is natural gas.

We are well positioned as commodity prices rise. Not only will we realise the high cash margins on volumes we've hedged as part of our commitment to protect our cash flow, but we'll benefit with better margins on our unhedged volumes. From a reporting perspective, price volatility will impact the fair value of our 10+ year, long-dated derivative portfolio and therefore drive volatility in our reported earnings. For instance, in 2019 lower prices drove a \$20 million non-cash gain as we adjusted our portfolio to its fair value contributing to that year's \$99 million of net Income, while in 2020 with prices meaningfully rising, we recognised a \$239 million mark-to-market non-cash loss in our \$23 million of net loss for the year. To better reflect the cash generated by operations, we believe Adjusted Net Income and Hedged Adjusted EBITDA are important measures of our results, which we discuss more fully in the [APMs](#) section within this Annual Report. We have always been committed to providing stable and predictable cash flow for our stakeholders and investors, and we use derivatives to reduce price volatility in our cash flow. Accordingly, our derivative contracts have, and will continue to, protect cash flow as evidenced in our \$145 million increase to Adjusted Net Income (to \$175 million) and \$49 million increase in Adjusted Net Income (to \$96 million) over our 2019 results for these measures. These APMs exclude non-cash and non-recurring charges, including the non-cash mark-to-market gains and losses of our derivative portfolio. Within this Annual Report

you can find full reconciliations of all APMs with an explanation of why we believe they are useful in helping you evaluate our business.

The current status of the US market has created a generational opportunity for us to capitalise on value-enhancing assets at the bottom of the cycle. While many peers navigate the consequences of leveraged balance sheets and reduced access to capital, the industry remains focused on cost reductions, portfolio high-grading and ultimately, necessary consolidation. The wave of consolidation began this year with a number of combinations, including Chevron's acquisition of Noble Energy and ConocoPhillips' acquisition of Concho Resources.

As the natural gas and oil industry focuses on the transition to a lower carbon future and producers struggle to access the capital required to deliver natural gas supply growth, we stand to benefit from a landscape in which fewer companies are capable of acquiring a growing pool of accretive opportunities. Over the past 20 years since our founding, and particularly the past four years as a listed company, we have built a reputation as a consolidator of choice. Industry peers and capital providers recognise our reputation as a credible operator with the means and track record to execute acquisition activity, and this profile has been further enhanced by our agreement with Oaktree Capital, which provides us with access to additional capital to target larger opportunities on the market.

Taking the current state of the industry into account, the driving forces for the growth opportunities that we see in the market today have changed considerably. The principal driver when we listed on the AIM of the LSE in 2017 was the availability of mature, non-core conventional assets as shale players focused on unconventional opportunities in the Utica and Marcellus shales in the Appalachian Basin. The principal motivator today is threefold, including financial distress, as peers are forced to divest assets as they seek to deleverage balance sheets. Secondly, as companies emerge from bankruptcy with clean assets, their investors - often the former debt holders - seek to find the right buyer to manage the assets long-term. A third catalyst includes

The current status of the US market has created a generational opportunity environment for us to capitalise on value-enhancing assets.

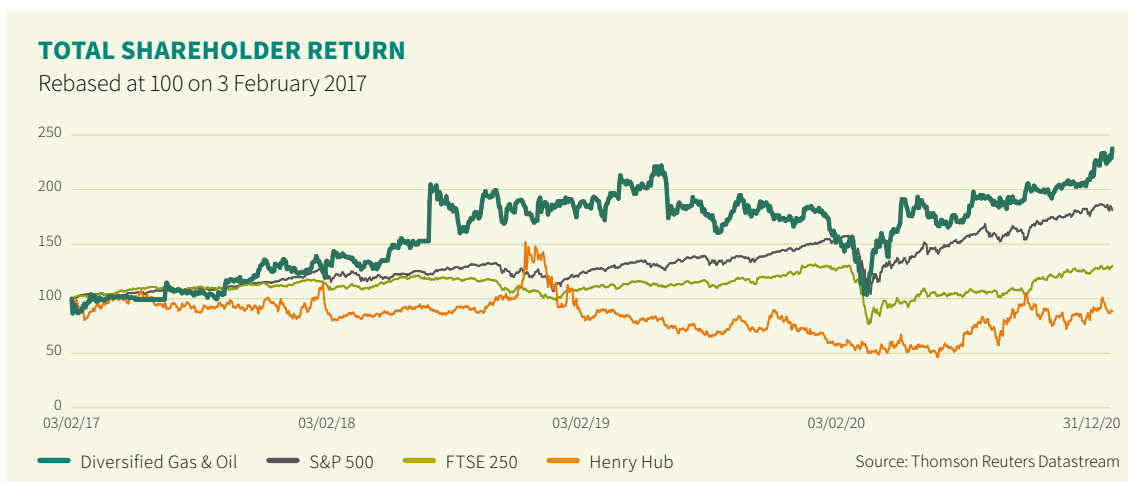


strategic divestitures as companies, often following their own merger and acquisition activity, take steps to focus their assets around their development geographic footprint where they've centred their teams and as they high-grade their portfolios by focusing on their highest value-delivering assets. Complementing the pool of opportunities, the large-scale development of unconventional assets over the last decade has resulted in an increase of maturing unconventional divestment packages with the ideal asset profiles that we seek.

While the entire impact of recent federal administration changes in the US is yet to be fully revealed, we are confident that we are well-positioned as an operator of existing assets rather than a driller. The recent presidential executive order banning new drilling on federal leases does not materially impact us, given less than 1% of our total acreage footprint consists of federal property and we have no active drilling program. On a broader scale, while a changing regulatory environment

without new development drilling on federal lands may curtail the pace of industry growth, it may conversely contribute to lower natural gas supply and thus higher natural gas prices given stable, if not growing, demand. The order may also exacerbate the challenges faced by financially distressed peers, resulting in an acceleration of consolidations in the market.

With a proven track record of steady Free Cash Flow growth underpinned by a focused strategy and a healthy balance sheet, we are primed for more accretive acquisitions at a time when there is an abundance of compelling and attractively priced opportunities. We have consistently proven our ability to execute acquisitions of all sizes, and to optimise acquired assets through our demonstration of cost discipline and operational excellence, and therefore believe we are well positioned to capitalise on these changing market dynamics.



Business Model

Why we are different

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, and generate consistent Free Cash Flow before safely and permanently retiring those assets at the end of their useful lives.

VERTICAL INTEGRATION



ACQUIRE

We maintain a disciplined approach to evaluating opportunities to ensure that we only pursue those that possess a consistent asset profile. Each acquisition target must meet our strict criteria before we consider it a potential fit for the DGO portfolio. We target existing long-life, low-decline producing assets with synergistic opportunities that are value accretive, margin enhancing and strategically complementary. Our refusal to compromise on these investment criteria have positioned us as a preferred buyer and one of the leading consolidators in the market.



OPTIMISE

The primarily mature nature of the assets we acquire provides DGO with a portfolio of typically low cost optimisation opportunities aimed at improving or restoring production in our upstream wells and improving the operational efficiencies of our midstream assets. These optimisation activities, applied through our internally developed Smarter Asset Management ("SAM") programme, are strategically important as they aid in offsetting or reducing the impact of natural declines across our broader portfolio. Consequently, we are able to produce additional natural gas from our wells, affording us enhanced returns on our acquisitions since a key element of our valuation criteria is the Free Cash Flow the assets generate prior to SAM and other synergies we can capture through our scale.



PRODUCE

Our culture makes the difference as our experienced team of operators is guided in part by the operational principles of "Safety - No Compromises" and "Production - Every Unit Counts." Our dedicated 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. We have a track record of safe and effective operations and have extensive experience with the assets we operate. When acquiring new assets we seek to retain the people who have historically serviced those assets, allowing us to employ and empower the local operators who best know the assets and their productive capability.



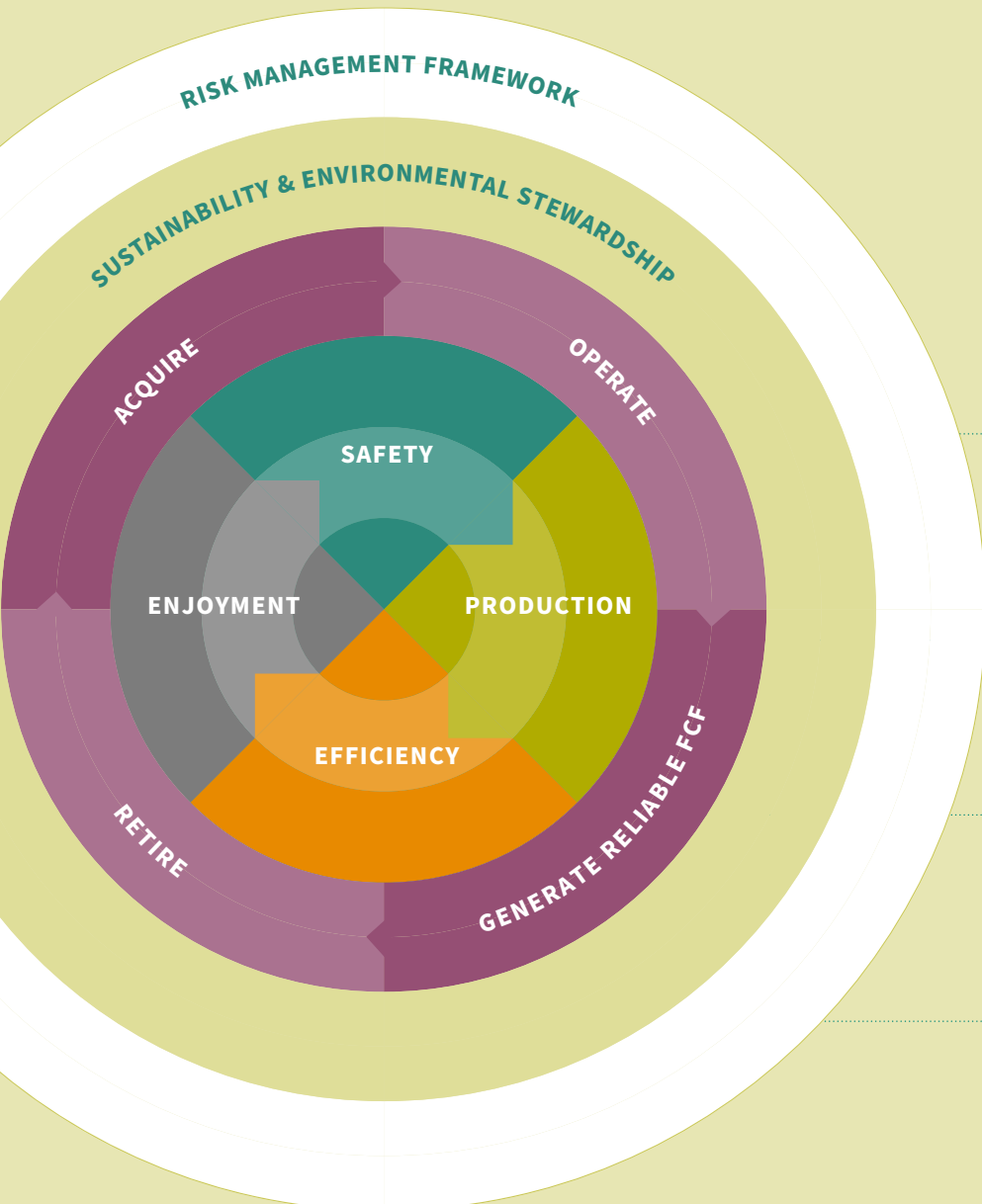
TRANSPORT

Our goal is to maximise the value of our producing assets...not to build a midstream company. Accordingly, 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. Namely, the midstream assets we acquire allow us to access markets with higher prices and reroute our production when adjoining, third-party systems are constrained. Additionally and importantly, we earn additional revenues for transporting third-party operators' production through our systems while avoiding the expense of using another party's midstream system to move our own production. This dynamic not only diversifies our revenue but acts as a nice subsidy to the operating costs of a midstream system that ultimately improves our consolidated operating margins.

Our unwavering focus on opportunistic yet disciplined acquisitive growth, portfolio optimisation and shareholder returns differentiates us from our peers.

→ FOCUSED EXECUTION

→ VALUE CREATION



HEDGE TO SECURE HEALTHY MARGINS

High levels of hedging underpins our ability to provide reliable shareholder returns

GENERATE STRONG FREE CASH FLOWS

Maintain cash operating margins and low base lease operating cost per BOE

PAY DIVIDENDS

Provide dividend payouts at ~40% of Free Cash Flow

MAINTAIN A HEALTHY BALANCE SHEET

Maintain low leverage and maximise our assets' total return potential



Business model
page 12

How We Manage Our Business

Our values and operating guidelines

Our values define who we are and establish how we will conduct our business, both corporately and individually. With our values as our guide we strive to deliver great results for all stakeholders.

OUR VALUES

Value the dignity and worth of all individuals;

Act with personal and business integrity;

Commit to excellence in our performance;

Respect environmental stewardship as we make business decisions;

Exhibit courage of convictions, challenge the status quo and strive to create value;

Seek opportunities for continuous learning and improvement; and

Serve and support our teams and communities with passion and enthusiasm.

We embrace four guiding operational priorities and challenge our employees to make these guidelines a priority in their daily work. These priorities reflect our foremost commitment to safety as well as our commitment to sustainability and environmental stewardship.

DAILY OPERATING PRIORITIES

SAFETY NO COMPROMISES

Ensuring the care and well-being of our employees, our families and our communities is our top priority.

PRODUCTION EVERY UNIT COUNTS

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

EFFICIENCY EVERY DOLLAR COUNTS

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

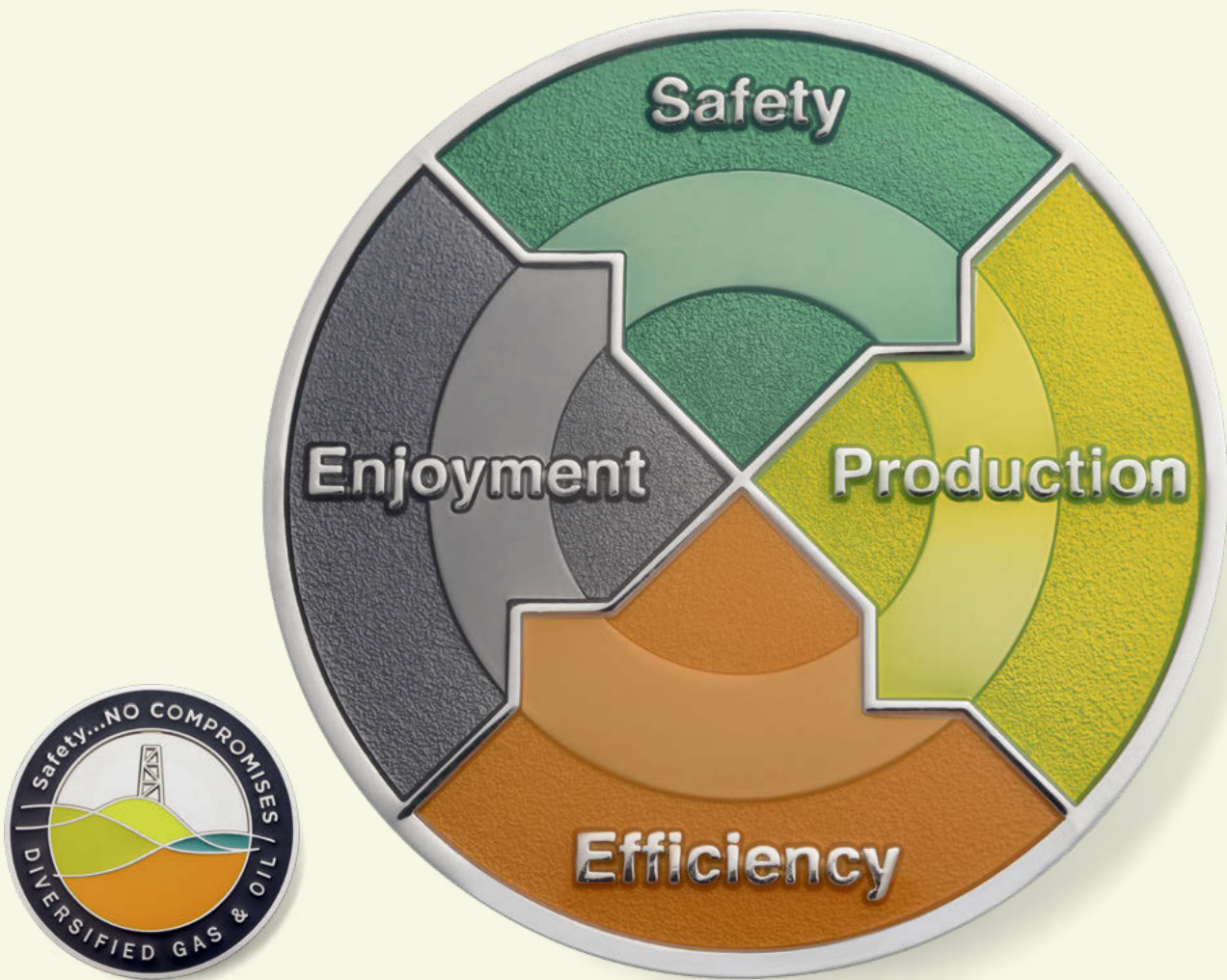
ENJOYMENT HAVE FUN DELIVERING GREAT RESULTS

Ensuring our company is an attractive place to work, encouraging innovation and celebrating our employees' accomplishments.

THE CHALLENGE COIN

As a background, challenge coins represent organisations, units, and teams. They are earned, seldom gifted and build close-knit, lasting bonds between people who receive them and represent unity. They have a long-standing tradition in military history, and are quickly becoming part of DGO's history and culture.

In 2020, we issued a Challenge Coin to each of our employees that provides them with a tangible and physical reminder of our daily priorities which support our safety culture and values. Our Challenge Coin is rich with meaning, so we challenged our employees to carry it with them each day as a reminder of our priorities and what is at stake with each decision and action they take.

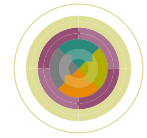


“The Challenge Coin acts as a reminder not just to do things well each day, but also of who is depending on you throughout the day and who is counting on you to make it home safely at the end of the day. Above all else, SAFETY... NO Compromises is our first daily priority.”

PAUL ESPENAN

Vice President Environmental, Health and Safety

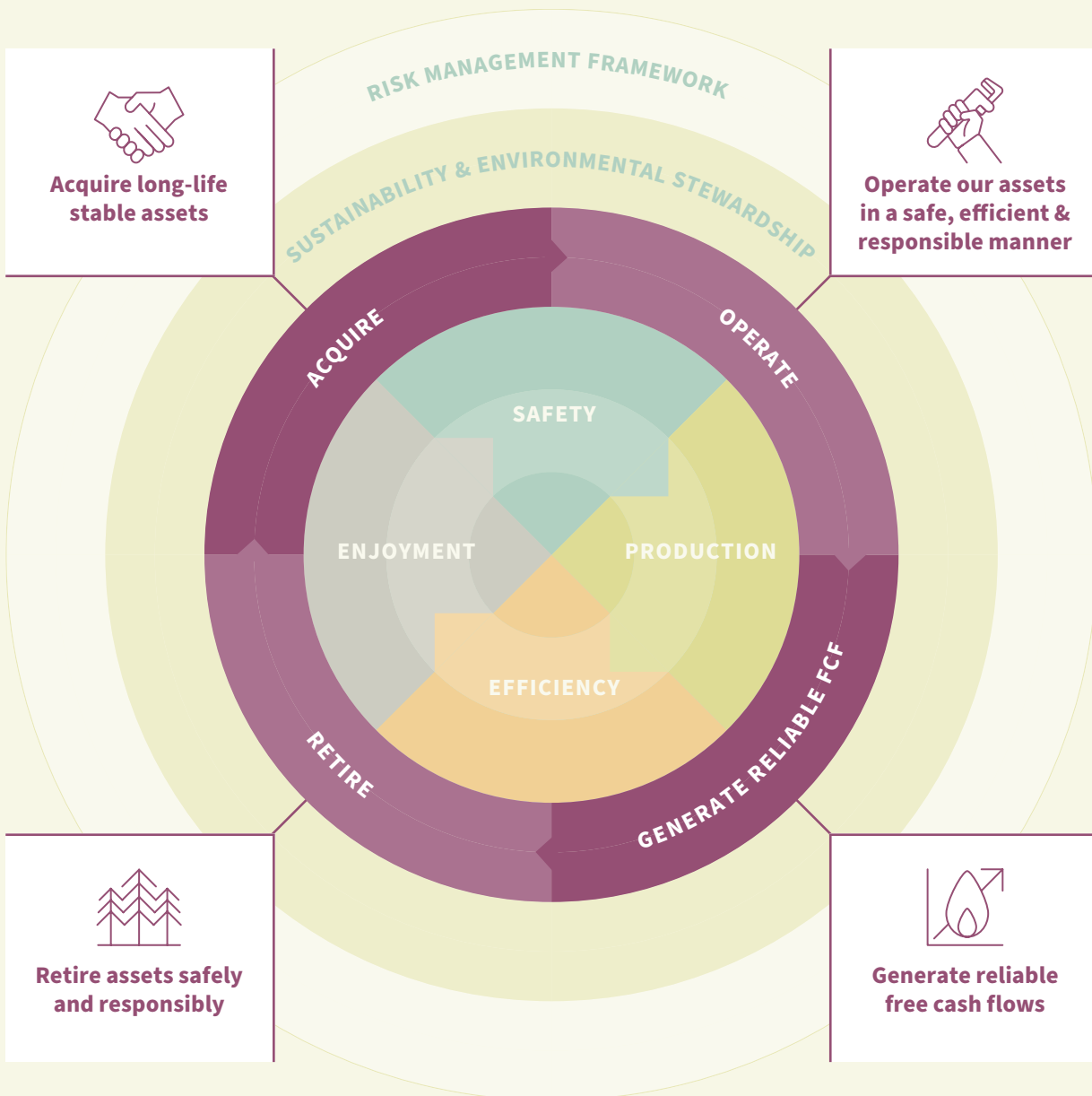




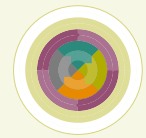
Business model
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Strategy

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



- Principles (see page 14)
- ESG (see page 43)
- Strategy (see page 17)
- Risk (see page 78)



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Acquire Long-Life Stable Assets

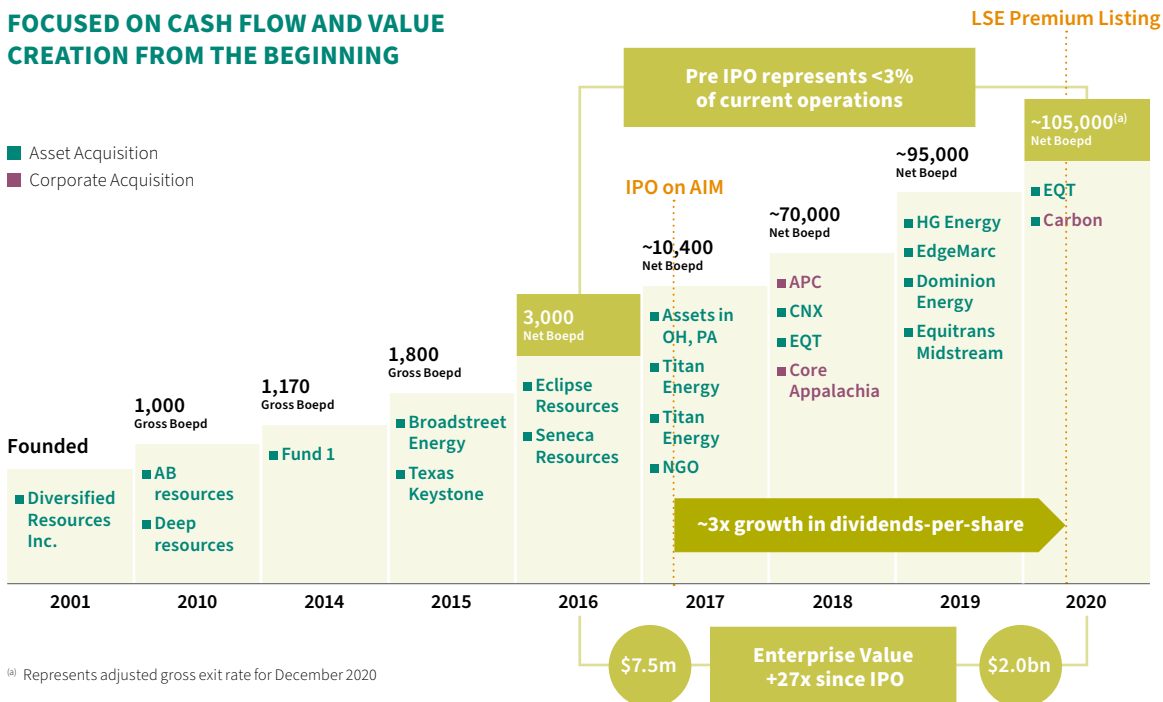
A foundational pillar of our corporate strategy is our disciplined approach to acquiring producing wells and, at times, their associated midstream systems. We target long-life, low-decline producing assets that are value accretive, high margin and strategically complementary. Through the successful execution of our differentiated strategy, we have established ourselves as a prominent independent producer on the LSE with the production from our original portfolio of assets at our initial public offering in 2017 now representing less than 3% of our current upstream production. While hyperbolic growth can sometimes overwhelm a young company, we've consistently delivered stable production from the assets we've acquired while simultaneously leveraging our enlarged scale to reduce our total cash operating expenses, including general and administrative ("G&A"), by more than 45% over the past four years.

With oil comprising just 1% of our production, we've centred our business on low-carbon natural gas with low lifting costs. Importantly, we produce from both conventional and unconventional natural gas wells that combine to create an efficient cost structure and a low corporate decline rate. Collectively, these assets provide high visibility to production and its associated, hedged cash flow.

Currently, we produce in six states within the Appalachian Basin, where the geographic density of the wells, supported by a complementary midstream operation, enhance Cash Margins, even in a low-price environment, which we further protect through our hedging strategy. Our unique model has been proven by consistent cash flows and significant shareholder returns. While our current focus is on Appalachia, a region that continues to provide a runway for further inorganic growth, we believe our model is highly transferable to other producing basins in the US, particularly since we retain with the assets we acquire the asset-level personnel, who we empower with our SAM philosophy to realise even greater value from the assets. Accordingly, we regularly screen opportunities outside of Appalachia, and will continue to do so as we seek to grow responsibly.

Our acquisition strategy has proven effective in different pricing environments. In a higher price environment, some natural gas and oil companies may divest non-core assets as they seek to accelerate drilling on core acreage, and in a lower price environment, as we are currently experiencing, opportunities arise as sellers seek to divest assets in order to raise capital

FOCUSED ON CASH FLOW AND VALUE CREATION FROM THE BEGINNING



^(a) Represents adjusted gross exit rate for December 2020

for debt reduction. Having completed \$1.8 billion of acquisitions since 2017, we have proven our ability to identify, execute and integrate both corporate and asset type transactions that fit with our business model and asset base. We will continue to adopt this disciplined approach to acquisitive growth, acquiring assets that meet our strict criteria. Furthermore, the Group has targeted to maintain balance sheet Leverage below 2.5x Net Debt-to-Hedged Adjusted EBITDA (pro forma for acquisitions) and will continue to fund acquisitive growth through a prudent mix of debt and equity.

2020 STRATEGIC PROGRESS AND ACCOMPLISHMENTS

Integrating EQT and Carbon Assets: Completed and integrated two acquisitions for \$235 million (gross), producing ~18,100 Boepd.

- EQT Corporation (“EQT”) upstream assets of \$125 million, contributing 12,971 MMcf to 2020 natural gas production. We acquired approximately 900 net operated conventional and unconventional wells along with the related infrastructure. Due to the close proximity of these wells to our existing operations, we were able to leverage our existing field personnel to manage the assets. Notably, this purchase marks the second package of wells we purchased from EQT (the first being the \$575 million largely conventional package of wells in mid-2018), demonstrating the value of our established in-basin relationships as EQT and others pursue strategic initiatives that include asset sales to reduce debt while focusing their personnel around their development operations.
- Carbon Energy (“Carbon”) upstream (and associated midstream) assets of \$110 million, contributing natural gas and oil production of 10,279 MMcf and 45 MBbls, respectively in 2020. We acquired approximately 6,100 conventional wells and 4,700 miles of midstream assets. Strategically, the midstream assets expand our midstream system to approximately 17,000 miles and enhances our ability to (1) control the flow of our own production, (2) access premium priced markets, (3) generate third-party revenue by transporting others’ production on the system, and (4) reduce the combined operating costs by removing duplicative compression and other costs across more than 200 interconnects with our existing midstream assets. We recognised immediate synergies from the acquisition of these geographically proximate assets by retaining ~80% of the existing Carbon workforce.

Bolting-On Additional Appalachian Wells: Generated momentum for 2021 by ending the year with the smaller, highly-complementary acquisition.

- Acquired \$8 million in upstream assets producing net ~1,000 Boepd. We acquired five unconventional wells that synergistically benefit from our existing operations and reflect our long-standing strategy of making accretive acquisitions that expand our regional scale and drive operating efficiencies including lower unit operating costs that bolster strong Cash Margins.

Collectively, the three Acquisitions added approximately 6,900 conventional and some 75 unconventional producing wells to our Appalachian portfolio. The conventional wells further establish our presence throughout the basin, uniquely allowing us to scale our operations and add to our stable, low-decline production profile. The unconventional wells with their higher per-well production rates allow us to leverage an already assembled workforce to further reduce unit-level operating costs.

The Oaktree Partnership: Partnership with Oaktree Capital (“Oaktree”)

Oaktree, a premier global investment firm, with a history of successful financing partnerships, partnered with us to identify, pursue and ultimately fund the types of acquisitions that have underpinned our business since our IPO. The partnership enhances our access to capital in an opportunity-rich acquisition market, and positions both parties for continued success when other market participants may lack the capital or management teams to transact.

- The agreement provides several benefits including:
 - Validating our low-risk, operations-focused strategy and the quality of our platform;
 - Increasing the size of the potential asset target that we would pursue;
 - Reducing the reliance on our own balance sheet to fund large acquisitions;
 - Increasing the number of sizeable opportunities we can capture at a unique time in our industry’s history; and
 - Improving the credibility of our bid as the seller can take added comfort knowing that Oaktree will fund 50% of any purchase price when they participate.



Acquire continued

- Other key elements of the agreement include:
 - Funding commitment - Up to \$1 billion in aggregate over three years for mutually agreed upon upstream acquisitions with transaction valuations greater than \$250 million.
 - Ownership percentages - Oaktree and DGO invest equal portions of funding for completed acquisitions (50%/50%).
 - Operator - DGO will serve as the sole operator of all assets the parties acquire under the agreement.
 - Initial promote - Oaktree will provide DGO a 5% upfront promote (extra ownership) at the time of an acquisition, resulting in the following initial ownership split for a 50/50 investment:
 - DGO receives a 52.5% working interest for a 50% investment
 - Oaktree receives a 47.5% working interest for a 50% investment
 - Back-end promote - Upon achieving a 10.0% unlevered internal rate of return or “IRR” on its investment (by acquisition tranche), Oaktree will convey to DGO 15% of its remaining working interest (equal to an additional 7.125% incremental to DGO). Accordingly, once Oaktree achieves its 10% IRR:
 - DGO's ownership will increase to 59.625%
 - Oaktree's ownership will decrease to 40.375%

We continue to evaluate opportunities of varying sizes with the ready benefit of this partnership with Oaktree in mind while remaining true to our well-defined, disciplined investment strategy and our commitment to never risk the financial health of our company for an acquisition.

2021 STRATEGIC PRIORITIES

Remain Disciplined: Remain disciplined and unwavering in our core acquisition criteria of long-life, low-decline assets with accretive growth opportunities.

Stay Agile: Continue to be agile and well positioned in the market to capitalise on opportunities when they become available.

Maintain Leverage: Utilise the existing liquidity on the balance sheet and the funds associated with the Oaktree agreement to capitalise on compelling opportunities presented by current market dynamics.

Continue Synergistic Growth: Continue complementary and synergistic growth in the Appalachian Basin through our healthy relationships with our development-oriented basin neighbours. There continues to be abundant opportunities as evidenced by our 2020 Carbon and EQT acquisitions as well as the recent transaction between EQT Corporation and Chevron.

Screen New Basin Opportunities: Evaluate new basin step-in opportunities as we look to expand on our growth story.

- We are confident that our unique business model and proven strategy that has been successful in the Appalachian Basin can be replicated in other basins by adhering to the same disciplined commitment and focused execution.
- We are currently screening basin step-in opportunities under two strategic entry methods.
 - A sizeable transaction that provides immediate scale and footprint in a new basin; and
 - A smaller scale transaction that would establish DGO's presence in a new basin to solidify a ground game, build an enhanced understanding of the assets and operating environment and build strategic relationships - both with key vendors and other operators from whom DGO could then acquire and expand its geographic footprint to drive enhanced scale, replicating the same success it experienced through a similar series of acquisitions in Appalachia over the past four years.

Explore Unconventional Asset Opportunities:

Explore additional proved producing unconventional asset opportunities given their increasing abundance in the market and their ability to complement our Legacy assets and geographic footprint. These assets can add significant productive scale to our base without requiring any meaningful increase in personnel since they are in-and-around our existing operating footprint. This creates an instant hand-in-glove fit and operational alignment with higher consolidated margins and a cost structure that recalibrates naturally as the production declines. When evaluating these opportunities, we will continue to remain true to our core asset criteria that seeks long-life, low-decline assets with high margins and low operational cost requirements.

**We've centred our
business on low-
carbon natural gas.**

PRINCIPAL RISKS TO THE ACQUIRE LONG-LIFE STABLE ASSETS STRATEGY

- Corporate Strategy and Acquisition Risk
- Financial Strength and Flexibility Risk
- Climate and Environmental, Social and Governance ("ESG") Risk

KEY PERFORMANCE INDICATORS

- Hedged Adjusted EBITDA per Share
- Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x
- Total Cash Cost per Boe



Operate Our Assets in a Safe, Efficient and Responsible Manner



Business model
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Our operational strategy and success is closely aligned with the culture that has been created through our four guiding operational priorities, which can be seen as the core component of our management philosophy in the How We Manage Our Business section of this Annual Report.

These four daily priorities are brought to life as part of our SAM programme which our team lives and breathes every day. Because many of the assets we acquire were non-core to the sellers' portfolios, we often acquire a variety of optimisation opportunities with the assets whereby we apply our SAM programme to improve, restore and extend production. Our SAM programme activities include low-cost techniques such as managing well pressures through compression adjustments; managing well fluids or removing excess down-hole water with plunger lifts or swabbing; reconfiguring the wellhead setup to increase well productive time; or improving natural gas or oil flow with soap stick treatments on the wells.

These optimisation activities are strategically important and offset or reduce natural well declines. Consequently, we produce more natural gas from existing upstream assets to meet growing energy demands. For example, assuming an approximate 5% annual decline for a typical mature well in the Appalachian Basin, the annual decline from a single well producing 20 Mcf of natural gas per day would decline at 1 Mcf annually. If a SAM activity improves this illustrative well's production to 40, 70 or 100 Mcf per day, SAM has the effect of offsetting the 'typical' natural decline of 20, 50 or 80 wells, respectively. Our large and diverse portfolio of assets affords us numerous opportunities to deploy these techniques, and we have demonstrated that SAM improves the

SAFETY NO COMPROMISES

Ensuring the care and well-being of our employees, our families and our communities is our top priority.

ENJOYMENT HAVE FUN DELIVERING GREAT RESULTS

Ensuring our company is an attractive place to work, encouraging innovation and celebrating our employees' accomplishments.

PRODUCTION EVERY UNIT COUNTS

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

EFFICIENCY EVERY DOLLAR COUNTS

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



SMARTER ASSET MANAGEMENT TANGIBLE EXAMPLES			ESG
PENNSYLVANIA PIPELINE Proactively engage with midstream operators to connect “stranded” wells	ACQUIRED SHUT-IN WELLS Turn in line previously inactive wells acquired from previous owner	PENNSYLVANIA PUMP JACK Pump jack installation increased and normalised flow of products	CREATIVE SUSTAINABILITY Vinegar solution replacing typical acid rinse for wellbore cleaning Everyday Product Eco-Friendly Cost-Efficient Utilise DGO Employees Pro-Active & Practical
PRODUCTION UPLIFT 100% +120 MCF/D	PRODUCTION UPLIFT 330% +58 BBLS/D	PRODUCTION UPLIFT 10x +43 MCFE/D	
PAYBACK PERIOD 11d	PAYBACK PERIOD 2.5mo	PAYBACK PERIOD 3mo	
INITIAL INVESTMENT \$2k	INITIAL INVESTMENT \$165k	INITIAL INVESTMENT \$22k	

production across our wells and increases the value we realise from our acquisitions. Ultimately, our SAM programme has placed thousands of non-producing wells back online generating thousands of Mcf of gas and millions of additional Free Cash Flow. In fact, since 2018 we estimate SAM has generated over \$50 million in cash flow by applying the relevant realised price for each respective fiscal quarter to the actual production we realised versus production adjusted for a 5% annual decline.

Similarly, we realise additional value from our midstream assets through our SAM initiatives. Typical midstream SAM include right-sizing midstream compression based on flow volumes, rationalising duplicative or unnecessary gathering lines to reduce the size of the system we maintain, and identifying and eliminating line loss, thereby increasing the amount of natural gas we sell while positively affecting our environment.

While the SAM programme will continue to be at the forefront of our operational model, we also maintain the necessary complement of accounting, production, land and measurement systems to support our strategic initiatives, which we scale for efficiencies and provide data from the wellhead to the boardroom. We have become a ‘big data’ company, which we’ve taken steps to harness with modern systems to enhance our operations and drive further efficiencies. During 2020, we successfully added value automation around our business process utilising the ONE DGO technical platform that we implemented in 2019. We provided a standard handheld device to field personnel to capture data at each well ensuring we apply consistent standards at each site and provide better analytics to underpin SAM. In 2020 we streamlined our acquisition integration process by leveraging and integrating our data warehouse and ONE DGO platform. As we move into 2021, we are better positioned to utilise our data as a key asset to make better decisions as we continue to scale and grow our business.



Operate continued

2020 STRATEGIC PROGRESS AND ACCOMPLISHMENTS

New Field Manual: We published a new field manual to procedures for our operators, outlining our belief that we cannot successfully execute operations without quality safety standards and consistent operating practices. We refuse to compromise in this area.

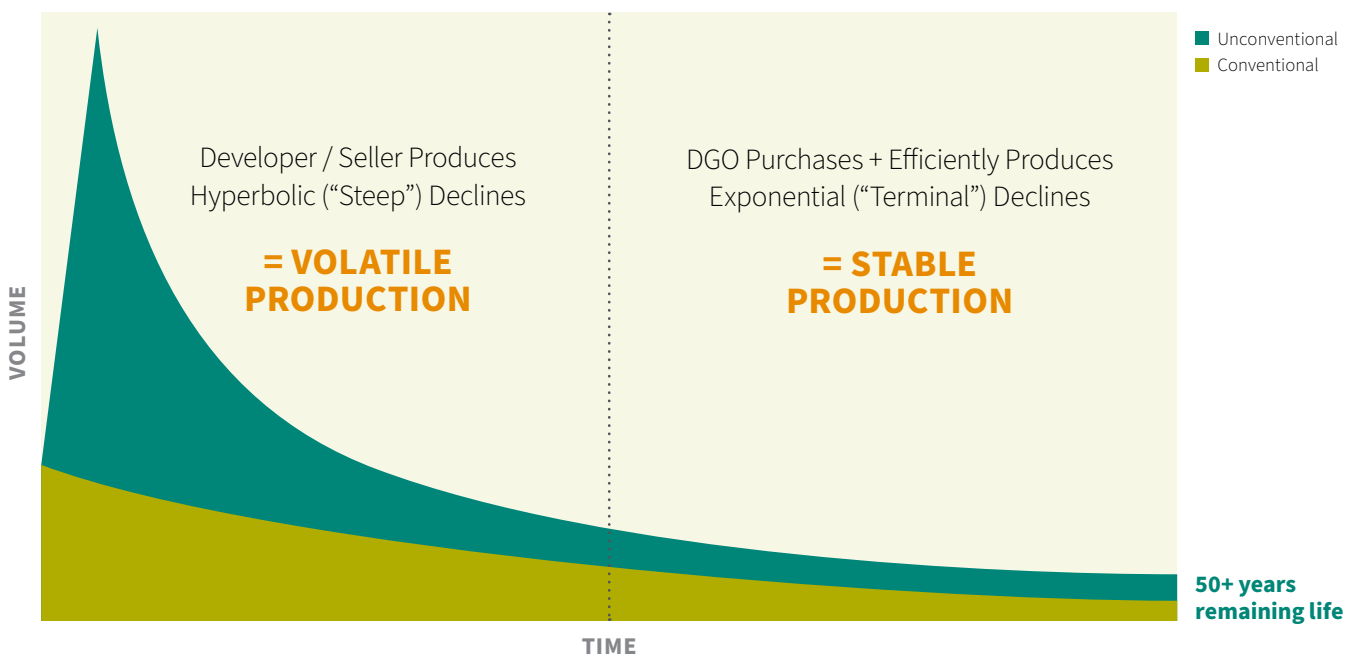
Leveraging Technology: In 2019, we invested heavily in mobile accessibility and additional cloud and information technology (“IT”) infrastructure as part of our ONE DGO initiative. Our efforts were rewarded exponentially in 2020 during the Covid-19 pandemic because we had already established a remote operating system. Our employees stayed safe and remained effective.

Talent/Knowledge Retention: We added approximately 200 employees during the year, expanding our field teams and managing our growth. As part of our acquisition strategy we often hire the employees who have been servicing the assets we acquire to utilise their intimate knowledge of the assets. We then empower them to be innovative in their approach to well management and in their deployment of our SAM programme techniques. We also bolstered our safety and regulatory compliance bench strength and skill set by hiring experienced talent in key EHS roles, including a new Vice President of EHS and managers within our safety, air quality and regulatory areas.

SAM Successes: The SAM programme generated another year of minimal declines from our conventional portfolio. For nine out of the last 10 consecutive quarters production has remained flat, proving once more the effectiveness of the SAM programme at offsetting natural declines and adding value. The exceptional performance from our field team continues to yield predictable production, resulting in reliable cash flows.

Stable Production: Our consolidated portfolio of producing assets exhibited an annualised decline rate of approximately 7% emphasising the low-decline nature and low capital-intensity of maintaining production compared to our peers.

IMPLEMENTING THE DGO STRATEGY ACROSS WELL TYPES



2021 STRATEGIC PRIORITIES

Remain Focused: Continue to execute our guiding priorities: *Safety, Production, Efficiency, and Enjoyment*.

Maintain Safety-Centred Culture: With an asset portfolio consisting of nearly 67,000 wells and approximately 17,000 miles of midstream pipeline across multiple states, Environmental, Health and Safety (“EHS”) management remains a top priority as we demonstrate our daily commitment to be a good corporate citizen within the communities in which we live and operate.

Expand ESG Initiatives: Demonstrate our commitment to responsible stewardship through an intense focus on continuous improvement of all aspects of ESG seeking to exceed our stakeholders’ expectations.

Drive Efficiencies: Maintain operational excellence and extract value from our existing production.

Promote and Expand SAM: Maintain focus on the SAM programme to maintain margins, offset natural declines and realise the expense efficiency opportunities we acquire.

Measure & Improve Emissions: Develop and present a comprehensive programme for our planned reductions in emissions.



OUR ASSETS IN A SAFE, EFFICIENT AND RESPONSIBLE MANNER STRATEGY

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

KEY PERFORMANCE INDICATORS

- Total Recordable Incident Rate (“TRIR”)
- Total Cash Cost per Boe
- Hedged Adjusted EBITDA per Share



Generate Reliable Free Cash Flows



Business model
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Our shareholders allow us to serve our communities by providing the areas in which we operate with life-sustaining resources. We are grateful for this opportunity and will continue to seek to return value to them in the form of dividends.

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 and fund acquisitive growth. We achieve this goal by reducing commodity price risk through a robust and effective hedge programme, and rigorous financial discipline resulting in a strong balance sheet and access to low cost capital funding.

MAINTAIN CASH OPERATING MARGINS/LOW BASE LEASE OPERATING COST PER BOE

We have become highly effective and efficient at operating wells and with nearly 67,000 wells we own substantially more wells than our peers. This experience has allowed us to become a preferred operator in the Appalachian Basin and develop a SAM programme that is capable of maximising wells' potential for the lowest operating cost, and the financial impacts of this has been apparent. Since 2018 we have been able to reduce our base lease operating cost per Boe by 47%, taking these costs from \$4.73 per Boe for the period ended 31 December 2018 to \$2.53 per Boe for the period ended 31 December 2020.

This reduction stems from leveraging our geographic synergies, our vertically integrated business model and our improved wellhead technology. The successful implementation and utilisation of these sound business practices in combination with operational excellence has provided the bedrock for the generation of reliable Free Cash Flow, low base lease operating cost per Boe, and strong Cash Operating Margins.

ROBUST AND EFFECTIVE HEDGE STRATEGY

Our commitment to maintain high levels of hedging provides visibility into our cash flows and underpins our ability to provide reliable shareholder returns in the form of dividends. Natural gas price volatility is one of the most significant risks to our business. Changes in weather, the quantum and pace of US oil production and other demand-related factors are particular drivers of volatility. Accordingly, we manage this exposure through hedging, and we benefit from a developed and highly-liquid financial commodity market in the US, allowing us to opportunistically lock in attractive prices for our future natural gas production, both in the short-term and long-term, creating a high level of cash flow certainty.

We have currently hedged our cash flow for a significant portion of 2021, insulating the dividend against natural gas price risk, and we continue to opportunistically add fixed-price swap and basis hedges at attractive levels for 2022 and beyond. While no one can fully predict commodity pricing, we are encouraged by recent improvements in both natural gas pricing and the sentiment surrounding its long-term prospects, and we are confident of the long-term demand for natural gas. Importantly, we are well positioned to capture higher prices through hedging while simultaneously mitigating the downside.

We have a proven track record of maintaining the ability to generate reliable cash flow in any pricing environment.



LOW-COST FINANCING

To support responsible, value-accretive growth, we continue to seek low-cost financing solutions and structures aligned with the assets we acquire.

Our low-cost asset-backed security (ABS II Note) and similar term loan structure (Term Loan I) have been highly complementary to our business, and nicely match the predictable cash flows generated from our assets and hedge portfolio with regular principal payments. Our long-term debt fully amortises over its life, providing a defined and visible path to reduced leverage over time while eliminating risks associated with bullet maturities. Also, due to its strong collateral coverage and assurance of debt principal payback, the ABS II Note has a much lower fixed funding rate than other forms of long-term debt available to small and mid-cap companies similar to DGO.

In 2020, we entered into two such financings, the ABS II Note and the Term Loan I. These financings allowed us to fund our growth and refinance a portion of our Credit Facility at lower rates, thereby reducing our reliance on our banking syndicate, creating additional lending capacity within the revolver and enhancing our relationships with the banks by validating our commitment to low leverage.

BALANCED DEBT AND EQUITY DISTRIBUTIONS

We have a proven track record of executing on this strategy and in doing so have maintained the ability to operate and generate reliable cash flow in any pricing environment.

We are generating an industry leading dividend yield on the LSE.

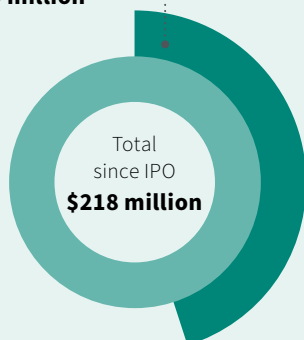


CAPITAL ALLOCATION STRATEGY

DIVIDENDS DISTRIBUTIONS

~40% FCF Dividend payout ratio distinguishes us in the E&P space

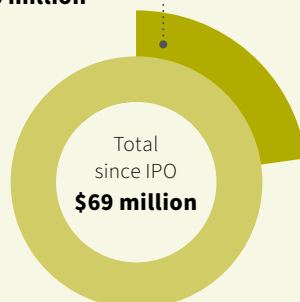
2020 total
\$99 million



EQUITY SHARE REPURCHASES

Optionality provides platform for additional value generation

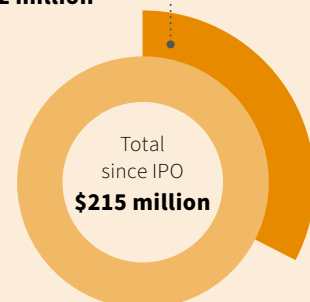
2020 total
\$16 million



DEBT PRINCIPAL REDUCTIONS

Commitment to reducing existing debt provides dry powder for future growth

2020 total
\$82 million





Generate continued

2020 STRATEGIC PROGRESS AND ACCOMPLISHMENTS

Higher Dividends per Share: We are generating an industry leading yield on the LSE, which is a function of a strong cash flows as evidenced by our ability to increase our dividend twice in 2020, amidst the Covid-19 pandemic and pricing downturn, paying a total of \$99 million in dividends during the year.

Healthy Leverage on Stable, Low-Capital Intensity

Assets: We maintained consistently low leverage at 2.2x in 2020 through our ability to generate reliable cash flows and opportunistically refinance and reduce debt by \$82 million.

Hedge Protected Cash Flow: We received \$145 million in derivative settlements, and rising natural gas prices position us for high unhedged cash flow. Reflective of the higher future price strip, we recorded unrealised mark-to-market losses of \$239 million on unsettled derivative contracts. While a large number, importantly it positions us to not only fully realise the healthy cash flows we hedged but also earn higher cash flow on our unhedged production. Additionally, a large portion of the unsettled hedge loss relates to time option value of our long-dated portfolio. Specifically, approximately \$70 million of the \$166 million net liability reflected on our balance sheet relates to the time value rather than the settlement value based on the current futures price strip.

Healthy, Supportive Lender Group; Strong Liquidity:

Our healthy 17-Bank Group Syndicate affirmed our strategy and asset quality through their most recent unanimous reaffirmation of our \$425 million borrowing base. We expect to continue the strengthening of the syndicate in 2021 with new, strategic entrants while expanding our overall access to low-cost debt capital.

Strong Liquidity: Through proactive management of our Credit Facility, we ended the year with more than \$210 million in liquidity.

2021 STRATEGIC PRIORITIES

Protect Cash Flow: Continue to protect the reliability of our dividend per share and continue rewarding our shareholders by distributing approximately 40% of our Free Cash Flow.

Maintain Hedging Strategy: Maintain our effective hedging strategy to further insulate cash flows and dividends and take advantage of market opportunities to raise the floor price of our risk management programme.

Maintain Low Financial Cost, Low Leverage and Ample Liquidity: Continue to secure low cost financing that supports our acquisitive growth while maintaining low leverage and ample liquidity.

PRINCIPAL RISKS TO THE GENERATE RELIABLE FREE CASH FLOW STRATEGY

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

KEY PERFORMANCE INDICATORS

- Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x
- Consistent Dividend per Share
- Hedged Adjusted EBITDA per Share
- Consistent Cash Margin
- Total Cash Cost per Boe



Retire Assets Safely and Responsibly, Restoring The Environment to its Natural State

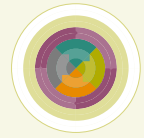
We embrace our responsibilities to our nation, our local communities and our environment. The Appalachian Basin is the oldest natural gas producing region in the US, and the assets we manage have been a part of the communities where we operate for years, decades and, in some cases, nearly a century.

With a portfolio of nearly eight million largely undeveloped acres, we recognise the recreational opportunities they provide our communities and the importance of our obligation to protect and enhance the ecosystems that exist across such a large footprint. One way in which we “give back” is through a nominal cost, 99-year lease of approximately 2,500 acres to Tennessee for inclusion in its more than 140,000 acres North Cumberland Wildlife Management Area. This outdoor recreational area is popular for hunting, camping, hiking, horseback riding, bird watching and wildlife viewing. The area, including our own acreage, is also home to one of the largest elk herds in the eastern US. As we do for all assets across our entire footprint, we maintain our wells within this acreage mindful of the impact our operations have on the land, the individuals who enjoy it and the ecosystems with which we interact.

Importantly, we are not an active driller of new wells in the Appalachian Basin. Instead, we seek to acquire and operate existing natural gas and oil wells. This means that we neither drill or fracture stimulate new wells nor do we flare our production. 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.

With safety and environmental stewardship as top priorities, we designed our Asset Retirement programme to permanently retire wells that have reached the end of their economic lives. Unlike the higher risk, complex and costly “decommissioning” of deep, offshore wells with large production platforms, the retirement of our predominantly shallow, onshore wells and their small land footprints is far less complex and costly. In fact, we retire most of our wells with low environmental and safety risk for just \$20 to \$30 thousand per well.

Our Asset Retirement programme reflects our solid commitment to a healthy environment, the surrounding community and its citizens and state regulatory authorities. Our retirement process involves a few carefully planned steps, completed by our experienced team partnered, at times, with appropriate experts and overseen by state regulators who ultimately approve the work.



Business model
page 12



During 2020, we safely and permanently retired 92 wells and planted or donated funds to plant more than three times that many trees in our communities.

RESPONSIBLE STEWARDS

Stewardship involves environmental, social and economic considerations.

The Company takes seriously its commitment to stewardship, using a systematic process to identify wells ready for retirement:

- **Safety or environmental concern**
- **State’s retirement list**
- **Non-producing wells**
- **Other relevant factors**

EXPERT AND EFFICIENT OPERATORS

In strict adherence to the state’s retirement obligations, DGO retires wells using a well-specific design process:

1 PLAN	Plan plugging job specific to well depth, location and well type
2 PREPARE	Prepare the site and well for plugging
3 REMOVE	If applicable, remove the production tubing
4 SET	Set bottom-hole plug to establish foundation for plugging job
5 FILL	Fill well bore with cement to permanently seal the well
6 RESTORE	Remove equipment and restore natural surface

REDUCTION OF ENVIRONMENTAL FOOTPRINT

It is the desire of DGO to return each retired well site insofar as possible to its original and natural condition.

The Company works closely with landowners and regulatory authorities to meet all expectations when retiring wells, restoring well sites and reducing the environmental footprint of our operations.

After restoring the well sites, DGO also plants or funds the planting of trees on these sites as part of our ongoing environmental sustainability efforts.



Retire continued

Our Asset Retirement programme reflects our solid commitment to a healthy environment, the surrounding community and its citizens and state regulatory authorities.



2020 STRATEGIC PROGRESS AND ACCOMPLISHMENTS

Planting Programmes: In April, representatives of the Kanawha State Forest (“KSF”) planted rhododendrons (the West Virginia state flower) and elm trees in the forest near Charleston, West Virginia, to commemorate the 50th anniversary of Earth Day. We worked closely with the KSF superintendent for this event to find suitable planting locations and also planned for future tree plantings in an area where a new playground will be built. Planting trees is just one example of how we are supporting our communities and providing environmental sustainability.

Long-Term State Agreements: We proactively worked with state and local officials in Ohio to extend our previous multi-year asset retirement agreement to 10 years. This agreement demonstrates our ongoing commitment to the Asset Retirement programme and the safe and permanent retirement of wells that have reached the end of their productive lives. The agreement also reflects the recognition of our commitment to environmental stewardship and transparency and fulfilment of the annual obligations by the states in which we operate. Our work with Ohio complements our success working with the regulators in our other key operating states where we have similar long-term agreements in place. In fact, approximately 97% of our total natural gas and oil wells are covered by 10+ year agreements with the states and have funded bonding arrangements approximating \$13 million.

Working with Policy Makers: We helped spearhead a new regulatory law in West Virginia that provides for the establishment and funding of a programme to be utilised by that State’s regulatory body for the retirement of wells long-abandoned by third-party companies and individuals.

Safely Retire Wells: We safely and permanently retired 92 wells, exceeding our collective state commitments to retire 80 wells in our primary states of operation for which we have 10-year (Kentucky, Ohio) and 15-year (Pennsylvania, West Virginia) asset retirement agreements. We continue to maintain open and active dialogue with our states’ legislative and regulatory bodies to collaborate on best practices for the natural gas and oil industry.

2021 STRATEGIC PRIORITIES

Continue to Safely Retire Wells: Meet or exceed our state Safe and Systematic Asset Retirement programme commitments.

Vertical Integration and Process Quality:

Continue the expansion of our Safe and Systematic Asset Retirement programme, reducing reliance on outsourcing for asset retirement operations so we can reduce outsource risk and better control the responsibility associated with environmental remediation and cost.

Maintain Healthy Relationships with Regulators:

Continue constructive and collaborative dialogue with the states and industry associations to capitalise on and ensure best practices in the well retirement arena.

PRINCIPAL RISKS TO THE RETIRE ASSETS SAFELY AND RESPONSIBLY AND RESTORE THE ENVIRONMENT TO ITS NATURAL STATE STRATEGY

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

KEY PERFORMANCE INDICATORS

- Meet or Exceed State Asset Retirement Goals

Key Performance Indicators

In assessing the performance of DGO, the Directors use a range of key performance indicators (“KPIs”) which allow them to monitor the Group’s success against its stated strategy. The KPIs focus on financial strength, the delivery of sustainable returns, cost management and corporate responsibility.

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

Average Dividend per Share

2018	\$0.028
2019	\$0.035
2020	\$0.038

We strive to provide a reliable and consistent dividend to our shareholders while always being mindful of our leverage and liquidity needs. We evaluate our success by monitoring the consistency of Dividend per Share alongside the other KPIs discussed within this Annual Report. As evidenced in the depiction, we have delivered on our commitment and rewarded shareholders with another year of tangible returns. While 2020 was a

challenging year for our industry, we were pleased once again to validate the stability of our strategy that afforded us the ability to increase our Dividend per Share to record levels for the Group when other participants in our industry were forced to either cut or suspend their distributions.

LINK TO STRATEGY

- **Generate Reliable Free Cash Flow**

MAINTAIN NET DEBT-TO-HEDGED ADJUSTED EBITDA OF <2.5X

Net Debt-to-Hedged Adjusted EBITDA

2018	1.9x
2019	2.0x
2020	2.2x

We believe our long-life, low-decline, and importantly, low forward capital intensity asset portfolio is well suited for stable, low-cost debt. Responsible leverage maximises the assets’ total return potential, and we view the Net Debt-to-Hedged Adjusted EBITDA ratio as an indicator of our financial health and flexibility. Accordingly, we have consistently met our target to maintain this ratio at 2.5x or less.

Since 2018 we have funded acquisitive growth through a largely balanced issuance of \$895 million in borrowings and \$765 million in equity capital. Our hedged, and therefore stable, cash flow profile and amortising long-term financing structures

support systematic debt repayment which reduces the volatility of our leverage and allows us to maintain a consistently strong balance sheet. Presently, fully-amortising 8-10-year structures comprise approximately 70% of our borrowings, which therefore deleverage over time as the principal payments match the cash flow profile of our assets. This consistent leverage profile is reflective of our discipline and our sustained commitment to responsibly fund our growth.

LINK TO STRATEGY

- **Acquire Long-Life Stable Assets**
- **Generate Reliable Free Cash Flow**

HEDGED ADJUSTED EBITDA PER SHARE

Hedged Adjusted EBITDA per Share

2018	0.38
2019	0.42
2020	0.44

Recognising that larger acquisitions require equity capital, we use Hedged Adjusted EBITDA per Share as a means of evaluating the accretive nature of our successful acquisitions. Hedged Adjusted EBITDA is an effective metric as it quantifies the Group’s ability to pay back debt and interest, internally fund future growth and distribute dividends. This metric is particularly meaningful when considered in connection with the Net Debt-to-Hedged Adjusted EBITDA leverage ratio evidencing that we are growing cash flows at the per share level without

overextending our balance sheet. In 2020, we grew our Hedged Adjusted EBITDA per Share by 5%, providing strong evidence of our value-accretive growth amidst historically low commodity prices.

LINK TO STRATEGY

- **Acquire Long-Life Stable Assets**
- **Operate Our Assets in a Safe, Efficient and Responsible Manner**
- **Generate Reliable Free Cash Flow**

CONSISTENT CASH MARGIN

Cash Margin



We believe that our Cash Margin is an appropriate measure of our profitability. We firmly ground our Cash Margin and Free Cash Flow profile in our proactive hedging programme and SAM-backed efficient operations. Despite low natural gas prices, we maintained a strong Cash Margin in both 2020 and 2019. Specifically, we grew Adjusted Total Revenue by 8% to \$553 million while growing Hedged Adjusted EBITDA by 10% to \$301 million.

We achieved this outcome primarily through higher production, prudent hedging and lower unit operating costs as SAM created operating efficiencies.

LINK TO STRATEGY

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

TOTAL CASH COST PER BOE

Total Cash Cost per Boe



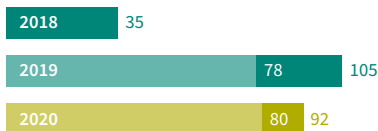
We believe Total Cash Cost per Boe demonstrates the efficiency of our asset management. This metric includes operating expense and cash G&A, both of which include fixed and variable cost components. Total Cash Cost per Boe for 2020 was \$6.92, a reduction of 10% compared with 2019. We achieved this decline by reducing cash operating expenses (including both our upstream and midstream assets) by 15% by leveraging our workforce scale and midstream asset across a growing base of assets. Importantly, we held G&A costs constant on a per unit basis despite

meaningful investments in staff and systems to support our growth and promotion from AIM to the Premium Segment of the Main Market. Having built an efficient and scalable platform, we will seek to continue reducing our per unit level expenses, including G&A, as we pursue additional growth opportunities.

LINK TO STRATEGY

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

MEET OR EXCEED STATE ASSET RETIREMENT GOALS



■ State Asset Retirement Goals
■ Actual wells retired

Consistent with our business strategy and our reputation as a leading operator in the industry, we are committed to responsibly stewarding our environment with our personnel and financial resources. We strive to meet or exceed our asset retirement obligations, and have a growing track record of demonstrating our ability to succeed.

activities in such a manner that is equitable for all stakeholders and respectful of the environment in which the wells are located. During 2020, we permanently retired 92 wells, exceeding our 80 well retirement obligation. For 2021, we plan to retire an additional 80 wells, each time taking steps to restore the environment to its natural state.

In 2017 we began to meet regularly with state officials in the areas in which we operate to plan our retirement activities and carry out those

LINK TO STRATEGY

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

TOTAL RECORDABLE INCIDENT RATE

TRIR



We are committed to fostering a safe workplace as we believe that with proper measures and attention to detail, work-related incident, illness and injury 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 100 full-time workers during a one-year period, and represents all injuries that require medical treatment in excess of simple first aid. In 2020, our TRIR was 1.35, outperforming both our 1.90 goal for 2020 and 2.06 in 2019. We are pleased with the lower TRIR, and will continue wording towards our zero incident aspiration.

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.

Our senior operations and 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

In the fourth quarter of 2020 we began deploying a situational awareness safety and performance programme that we aptly call “Be Where Your Boots Are”. Along with other expanded training initiatives, early measures suggest that we have further improved our TRIR, progressing us closer to our zero incidents objective. For more details on this programme please see the Our People section within this Annual Report.

LINK TO STRATEGY

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

Sustainability



“We embrace our role as a producer of natural gas, which we believe is essential for our way of life and represents a clean, affordable, accessible and reliable source of energy for US consumers and for achieving US energy independence.”

RUSTY HUTSON JR.
Chief Executive Officer

The unprecedented events of 2020 have underscored the inherent resilience of DGO’s business model - a resilience exemplified in part in the fortitude of our employees who demonstrated an outstanding and unwavering commitment to operational excellence and in our response to meeting our communities’ energy demands and social needs.

As is always our goal, we continue to operate in accordance with the highest standards of business and ethical behaviour for our many stakeholders and the overall environment. I am pleased with our performance over the past several years, though we tirelessly seek to improve. Our focus continues to be on responsible, well-aligned growth, investment and improvement in all aspects of our business, especially the operating and environmental aspects of our business.

We embrace our role as a producer of natural gas, which we believe is essential for our way of life and represents a clean, affordable, accessible and reliable source of energy for US consumers and for achieving US energy independence. Currently, less than 15% of energy consumed globally is provided by renewable sources, thus the world will require a significant global investment and technological advancement to complete a full transition to such sources. Additionally, both natural gas and oil serve as raw materials

needed to produce many elements of the renewable infrastructure. Abundant natural gas, therefore, has a key role to play in a progressive energy transition. Recognising this role and acknowledging the tangible benefits of reduced global carbon emissions, we are targeting our operations to achieve a net zero carbon emissions by 2050.

As natural gas will continue to be a fundamental element in the energy mix for years to come, we recognise the responsibility we have to operate in a way that minimises our environmental impact and to transparently report on those efforts.

During 2020, we began to establish the TCFD framework as a platform from which to assess our readiness for a rapidly evolving investment landscape. We have rigorously engaged with climate risk and opportunity management, and I am pleased to have an initial TCFD framework to complement our communications with our stakeholders. This framework centres on the risks and opportunities climate change presents and the impacts of a transition to a lower carbon economy. As we live our commitment to be a highly efficient and responsible operator of mature producing assets and excellent stewards of the environment, I believe you will find our people and our business not only resilient but strong.



The acquisitive nature of our business means that integration is part of our culture, and we are always mindful to simultaneously strive to improve the efficiency of our processes. We made great progress during 2020 through the standardisation of environmental data, and we carry our momentum into 2021, which will serve as the foundation for better, and more measurable, prospective goals and targets particularly as they relate to reducing our greenhouse gas emissions. To that end, we are working hard to compile an accurate inventory of emissions producing equipment, which will focus our efforts on ways to improve.

On the heels of a successful 2020, we are accelerating our stated ESG goals. Additionally, we are working toward completion of our second Sustainability Report, which serves as a significant progression of our 2019 report. In it, we highlight our progress during a challenging year and affirm our commitment to continue our initiatives.

For me, it's all about culture... building a culture centred on results rather than rhetoric. Those who know me understand that I'm always looking forward, and for this reason, the Diversified family is consistently striving for future successes rather than reliving its past victories. We are committed to providing superior returns to our stakeholders while being a responsible operator of

mature, producing natural gas and oil assets. Integral to being a responsible operator is our commitment to responsibly caring for our environment, and we will improve with each passing day and the lessons they teach us. On behalf of our Board of Directors and our employees, thank you for your support during a challenging yet successful year for DGO.

RUSTY HUTSON JR.

Chief Executive Officer

8 March 2021

As natural gas will continue to be a fundamental element in the energy mix for years to come, we recognise the responsibility we have to operate in a way that minimises our environmental impact and to transparently report on those efforts.



Sustainability continued

Ethical Business Practices

Our values clearly set out, in part, that “we will conduct our business and deliver value to our stakeholders based upon ethical standards and beliefs which act with personal and business integrity, commit to excellence in performance, and exhibit courage of convictions.” If issues are identified relating to illegal, unethical or improper conduct by any individual affiliated with the Group, our formally adopted 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. Our compliance hotline is available 24 hours per day, 7 days per week and hosted by an independent, third-party vendor. Any reports to the compliance hotline are routed directly by the vendor to our General Counsel and the Chair of the Audit and Risk Committee. During 2020, no incidents were reported through our hotline.

Our values form the foundation upon which our company was started and the standards to which each Director, officer and employee of DGO is expected to adhere. Our commitment to responsible and ethical behaviour drives our zero-tolerance approach to bribery and corruption as codified in our Anti-Bribery and Corruption Policy. This policy adheres to all relevant

laws and regulations, including compliance with the UK Bribery Act 2010, and falls under the direct oversight of our General Counsel. Our approach applies across all parts of our business, including our supply chain, and regular training is provided, as necessary, to all employees who engage with our external stakeholders.

As part of our approach to ethical business practice, we recognise our responsibility of respecting human rights and this responsibility applies to all our employees and contractors as well as within our supply chain. We have a zero-tolerance approach to human rights abuse and modern slavery, as outlined in our Human Rights Policy, and seek to operate in accordance with all applicable US human rights rules and labour laws. We are committed to monitor and report on human rights impacts.

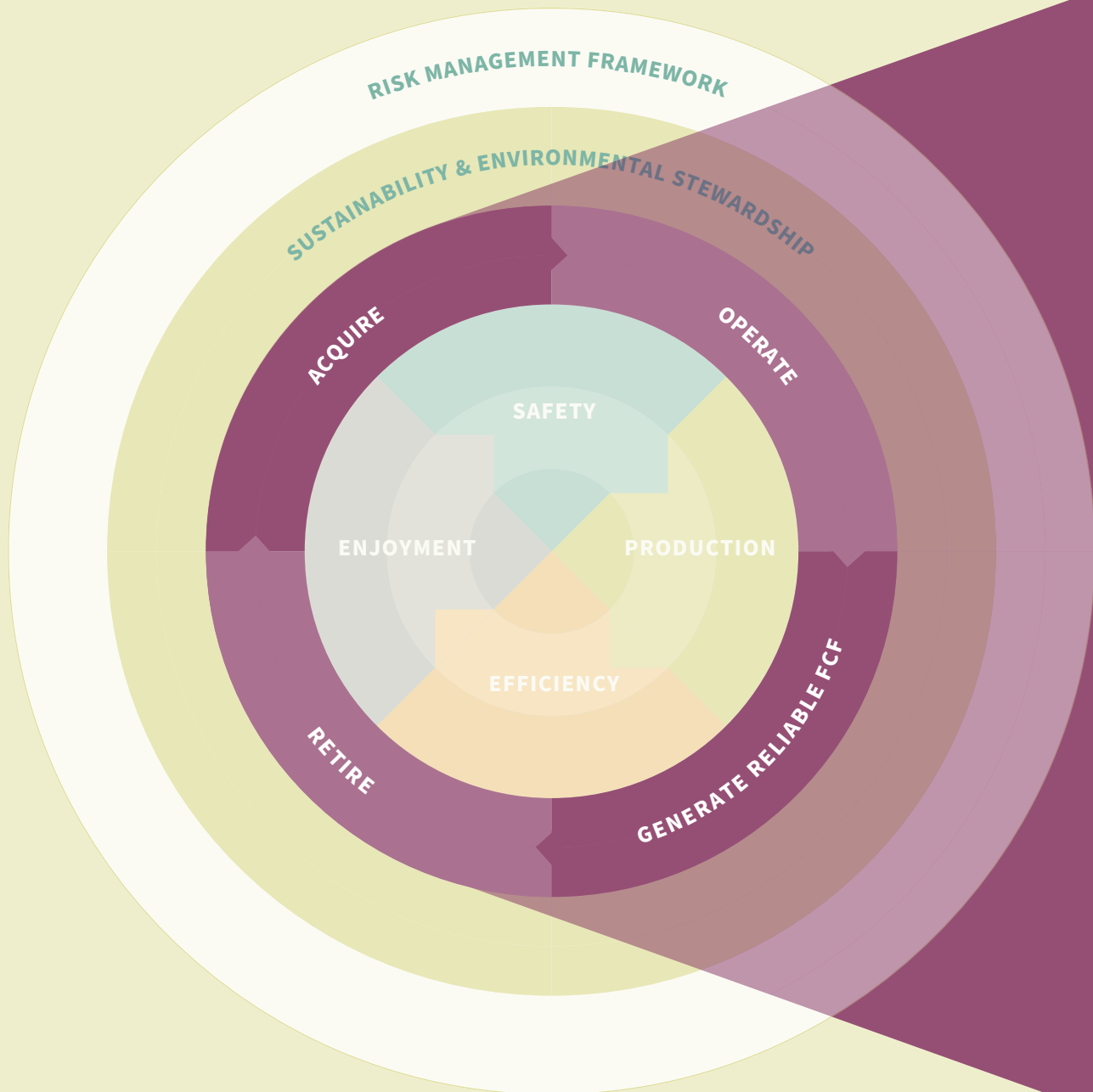
In order to maintain the highest levels of compliance and safety, we have a policy of drug testing throughout the workforce. Drug testing is carried out pre-employment, post-accident and randomly for both US Department of Transportation drivers and those employees who are classified as high safety and security under Pipeline and Hazardous Materials Safety Administration.





	ZERO TOLERANCE APPROACH TO		ZERO WHISTLEBLOWER COMPLAINTS
	BRIBERY HUMAN RIGHTS ABUSE	CORRUPTION MODERN SLAVERY	



Business model
page 12

Sustainability in our Strategy



-  Principles (see page 14)
-  ESG (see page 43)
-  Strategy (see page 17)
-  Risk (see page 78)



ACQUIRE

Our strategy through an ESG lens

We apply extensive environmental, social, land and legal due diligence when acquiring natural gas and oil assets.

2020 activity

During the year, management and the Committee reviewed the ESG diligence process for its upstream and midstream acquisitions, taking into consideration (i) a mix of risks and remedial activity that would be undertaken on completion of the transaction and (ii) the retention and onboarding of key personnel from the sellers.



GENERATE RELIABLE FCF

Our strategy through an ESG lens

We have a proven track record in establishing low-cost financing solutions and effective hedging strategies that allow us to responsibly operate and generate reliable cash flow in any natural gas pricing environment, to the benefit of all our stakeholders.

2020 activity

We welcomed approximately 200 new members to the DGO family this year, taking our total headcount to over 1,100 employees. We also paid \$19 million in local and state taxes and returned a total of \$99 million in dividends to shareholders.



OPERATE

Our strategy through an ESG lens

Through our SAM programme, we focus on optimising the productivity of both our conventional and unconventional wells and our midstream assets whilst simultaneously improving their safety, reducing their carbon footprint and proactively working to lower unit operating costs of our portfolio.

2020 activity

- During the year, the Group:
- Produced 100 MBoepd
 - Returned 532 wells to production
 - Completed >5,000 pipeline integrity enhancements through advanced leak detection and repair efforts.



RETIRE

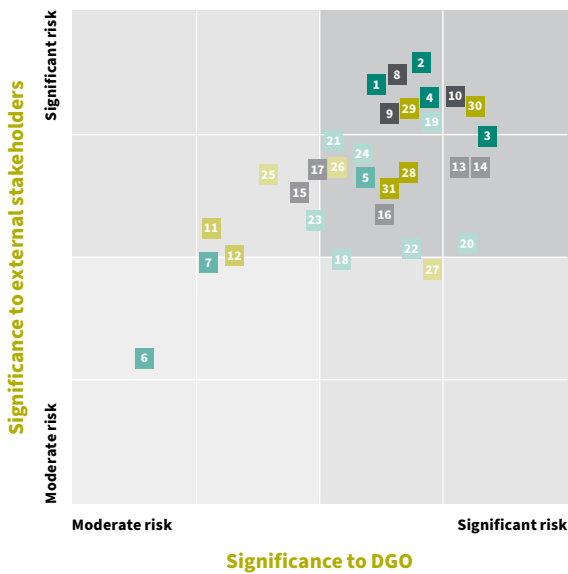
Our strategy through an ESG lens

We have a well defined, safe and systematic well retirement programme that comprises carefully planned steps completed by our experienced team, partnered at times with appropriate experts, and overseen by state regulators who ultimately approve the work.

2020 activity

We safely retired 92 wells during the year, exceeding our annual regulatory requirement. We also engaged with state regulators in West Virginia to help craft and financially support legislation aimed at funding the plugging of the state's orphaned wells to eliminate potential safety and environmental concerns.

The Issues That Matter Most



We conducted a stakeholder materiality assessment to gain a better understanding of their views on the ESG topics that matter most to our business and corporate strategy. After reviewing peer company disclosures, sustainability reporting frameworks, and investor and other stakeholder feedback from our activities during the year, we developed a DGO-specific assessment that included topics relevant to our financial, operational and stewardship activities. We asked individuals from each of our key stakeholder groups as well as our Board of Directors and internal leadership to rate specific ESG topics according to their experiences and professional opinion as to the likelihood or ability of each topic to impact (whether positively or negatively) our business and strategy. We also asked our respondents to rank the items in order of absolute importance. The results of this materiality assessment identified the following key clusters across the ESG spectrum that ranked highest for inclusion in this Annual Report.

- Health and Safety**
 - 1 Accident management and prevention
 - 2 Employee safety
 - 3 Driver safety
 - 4 Process safety

- Climate Change**
 - 5 Emissions control and reduction
 - 6 Energy consumption optimisation
 - 7 Statement on climate change and climate management

- Environmental Management**
 - 8 Incident management and emergency response
 - 9 Protection of local environment
 - 10 Safe and efficient asset retirement

- Resource Management**
 - 11 Water management
 - 12 Waste management

- Socio-Economic Value Creation**
 - 13 Business model resilience
 - 14 Access to funding
 - 15 Tax payments to governments
 - 16 Local community engagement
 - 17 Landowner engagement

- Our People**
 - 18 Effective grievance mechanisms
 - 19 Clearly stated expectations of ethical behaviour
 - 20 Whistle-blower programme
 - 21 Workplace culture
 - 22 Diversity and equal opportunity
 - 23 Employee training, education, performance reviews and development
 - 24 Promote human rights and healthy labour practices

- Supplier and Partners**
 - 25 Joint venture and working interest partner engagement
 - 26 Advocacy and industry leadership
 - 27 Procurement management

- Risk and Compliance**
 - 28 ESG management
 - 29 Risk identification, assessments, communication and discipline
 - 30 Compliance with state and federal laws and regulations and associated fines
 - 31 Cybersecurity and data protection protocols

Our Approach to ESG

Our approach to ESG management encompasses consideration of our environmental and social impact as well as our responsibility to conducting business in accordance with the highest standards of governance. Our commitment to sound ESG business practices is underpinned by our values. Our values guide our daily actions, annual plans, investments, relationships and our business strategies. Our values, to which we expect every Director, officer and employee to adhere, are as follows:

We will conduct our business and deliver value to our stakeholders based upon ethical standards and beliefs that:

- Value the dignity and worth of all individuals;**
- Act with personal and business integrity;**
- Commit to excellence in our performance;**
- Respect environmental stewardship as we make business decisions;**
- Exhibit courage of convictions, challenge the status quo and strive to create value;**
- Seek opportunities for continuous learning and improvement; and**
- Serve and support our teams and communities with passion and enthusiasm.**

In addition to our guiding values for ESG management, we also utilise the United Nations’ (“UN”) Sustainable Development Goals (“SDG”), which calls on individuals, corporations and governments to work together and toward the ultimate, unified goal of creating a better and more sustainable future for all citizens globally. At DGO, we challenge ourselves to consider these topics and more when we contemplate our business model, corporate strategy, daily operations and risk management practices. We believe our business model supports a material contribution to SDG 7 - Affordable and Clean Energy, SDG 8 - Decent Work and Economic Growth and SDG 9-Industry, Innovation and Infrastructure, and we’ve identified other SDGs to which our business model aligns yet also provides added opportunity for DGO to make continuous improvement and contribution.

The following table outlines our key areas of focus in our approach to ESG management and neatly maps our alignment to the topics identified through our materiality assessment as most relevant to our stakeholders as well as to the SDGs. Further discussion of our commitment to these areas, our most recent results and forward-looking objectives can be found throughout this Annual Report.




Our Approach to ESG continued

HEALTH & SAFETY

Materiality alignment	Commitment
Keeping our people and local communities safe.	We seek to create a zero-harm working environment for our people and other stakeholders that encounter our operations.
2020 performance	2021 objectives
<ul style="list-style-type: none"> Integrated Health and Safety standards and procedures into the Employee Handbook to create a consistent ONE DGO approach to managing safety; Employee personal safety performance: 34% improvement in TRIR; Driver Safety performance: 1 preventable incident per million miles driven; Process safety performance : Zero incidents¹ Safety milestones – Virginia and Tennessee operations achieved 595 consecutive days with no recordable, preventable safety incidences. 	<ul style="list-style-type: none"> Our target is always zero preventable incidences Implement “Serious Injury, Fatality (“SIF”) approach to focus on leading safety indicators and continue to drive performance orientated safety culture Implement “Be Where Your Boots Are” situational safety awareness programme
United Nations Sustainable Development Goals	
 	

¹ We report process safety events for our processing facilities under the safety standards regulated by the US Department of Labor and OSHA.

CLIMATE CHANGE

Area of focus	Commitment
Incorporating climate change considerations into strategic decision making.	We recognise the importance of addressing climate change and are committed to reducing the impact of our operations by factoring climate considerations into all business decisions, including acquisition diligence and investing in our processes, equipment and capabilities.
2020 performance	2021 objectives
<ul style="list-style-type: none"> Engaged global consultant to develop a programme to meet the recommendations of the TCFD Commenced comprehensive baseline emissions inventory analysis programme Successful rollout of Remote Methane Leak Detection programme across acquired midstream operations Implemented Line Loss Detection and Repair programme 	<ul style="list-style-type: none"> Invest in our team and processes to enhance our GHG emissions management programmes Continue asset integrity investment programme Prepare our long-term GHG emissions reduction plan to achieve net zero carbon by 2050
United Nations Sustainable Development Goals	
  	

ENVIRONMENTAL MANAGEMENT/RESOURCE STEWARDSHIP

Area of focus	Commitment
Protecting the environment and the responsible stewardship of natural resources	Strict environmental and resource stewardship is central to our operating practices and corporate objectives.
2020 performance	2021 objectives
<ul style="list-style-type: none"> Negligible reportable spill rate Majority of produced water recycled or treated to hydrocarbon-free status and sold or safely discharged Wells safely plugged, exceeding annual requirement: 92 Tree planted or equivalently funded: 300 trees, or 3 trees for every well plugged 	<ul style="list-style-type: none"> Zero incidents Meet or exceed annual asset retirement requirements Expand tree planting initiatives
United Nations Sustainable Development Goals	
   	

SOCIO-ECONOMIC VALUE CREATION/OUR PEOPLE/SUPPLIER AND PARTNERS/ RISK AND COMPLIANCE

Area of focus	Commitment
Being a responsible corporate citizen, generating social and economic value for all of our stakeholders.	We are committed to contributing to the social and economic development of the states where we work. We aim to create shared value and develop strong partnerships and meaningful stakeholder engagement.
2020 performance	2021 objectives
<ul style="list-style-type: none"> Compliance hotline calls: Zero Wages and benefits provided to more than 1,100 families Creation of Professional Development programme comprised of multi-department leaders Millions of tax dollars paid to local municipalities benefiting schools and public services 	<ul style="list-style-type: none"> Zero non-compliance events Continue Professional Development programme Implement formal community relations and financial support programmes
United Nations Sustainable Development Goals	
   	

■ Health & Safety
■ Climate Change
■ Environmental Management

■ Resource Management
■ Socio-Economic Value Creation
■ Our People

■ Supplier and Partners
■ Risk and Compliance

Section 172 Companies Act Statement

In compliance with sections 172 ('Section 172') and 414CZA of the UK Companies Act, the Board of Directors of the Group (the 'Board') makes the following statement in relation to the year ended 31 December 2020:

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 the Group 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.

EMPLOYEES

Our employees are essential to the Group's success and growth. We recognise that we need 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	ACTION AND ENGAGEMENT
<ul style="list-style-type: none"> Incident management and emergency response Process, personal and driver safety Diversity and equal opportunity policies Employee training, education, performance reviews and development Workplace culture 	<ul style="list-style-type: none"> Employee engagement is critical to understanding the evolving requirements of our employees. Our executive leadership regularly enter "the field" and meet with operating personnel. During the year, the Board and the Sustainability and Safety Committee, with support from the SVP Human Resources, managed our response to the Covid-19 pandemic, including employee well-being and remote working initiatives. The Board's Non-Executive Director Employee Representative, Sandra M. Stash, also hosted a very successful workshop in 2020 with employees from a range of corporate and operational functions, and shared with the Board for further consideration and action the employees' comments on the appreciation of a strong corporate culture, the use of teams in the acquisition process and remuneration.

COMMUNITIES

The communities in which we work are also those in which we live; therefore, we actively seek to support sustainable socio-economic development in our communities and to minimise any potential negative impacts from our operations.

KEY AREAS OF FOCUS	ACTION AND ENGAGEMENT
<ul style="list-style-type: none"> Incident management and emergency response Effective grievance mechanisms Protection of the local environment Socio-economic investment Local hiring 	<ul style="list-style-type: none"> Leveraging our expansive footprint across the Appalachian Basin, we are committed to driving positive social value creation. 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. During 2020, we provided financial support to numerous food banks and several children's hospitals; purchased hundreds of turkeys for West Virginia families in need during the Thanksgiving holidays; funded the construction of a playground designed for children with disabilities in a West Virginia state park; and supported the US Marine Corps' annual Toys for Tots toy drive in northern Ohio through our volunteered time and financial resources.

LAND AND MINERAL OWNERS

Maintaining trusted relationships with our land and mineral owners is key to our business philosophy and our ability to achieve operational goals.

KEY AREAS OF FOCUS	ACTION AND ENGAGEMENT
<ul style="list-style-type: none"> Royalty payments Incident Management and Emergency Response Effective grievance mechanisms Protection of the local environment 	<ul style="list-style-type: none"> Committed to being a transparent and trusted partner, our field personnel and land managers seek timely, effective and consistent engagement with land and mineral owners. During the year, our employees fielded and responded to 3,600 inquiries from our land and mineral owners and recorded 380 personal visits with landowners. We also distributed approximately \$44 million in royalty payments during 2020.

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	ACTION AND ENGAGEMENT
<ul style="list-style-type: none"> Emissions control and reduction Climate risk and energy transition Incident management and emergency response Risk identification, assessments, communication and discipline Corporate Governance Financial stability 	<ul style="list-style-type: none"> Investor Relations, led by the Group's CFO, has the primary responsibility for managing and developing relationships with the Group's investors and other financial institutions. Investor meetings and roadshows that align with published financial results include the CEO, CFO and COO to promote discussions on strategic progress as well as financial, operational and ESG performance. The Chairman of the Board also engages directly with various institutional shareholders during the year. The AGM provides an opportunity for all shareholders to engage directly with the Board and Executive Management. The Group regularly communicates with its shareholders through RNS announcements and has a website on which detailed Group information is available.

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	ACTION AND ENGAGEMENT
<ul style="list-style-type: none"> Compliance with state and federal laws and regulations Tax payment to governments Safe and efficient asset retirement Risk identification, assessment, communication and discipline Protection of the local environment 	<ul style="list-style-type: none"> 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. We proactively engage with state regulatory agencies throughout the year to keep them apprised of our well retirement activities and to provide objective and measurable progress indicators. We engaged regulatory authorities throughout the 2020 retirement process of our 92 wells.

Section 172 Companies Act Statement *continued*

SUPPLIERS AND CUSTOMERS

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

KEY AREAS OF FOCUS	ACTION AND ENGAGEMENT
<ul style="list-style-type: none"> Incident management and emergency response Process safety Procurement management Access to funding 	<ul style="list-style-type: none"> Focusing upon responsible operations ensures the products we supply to customers meet their expectations on quality, safety and resource stewardship. We strive to develop strong relationships with our suppliers built on trust, transparency and quality products and services. We use local suppliers and vendors in each of the states in which we conduct our operations. We utilise a leading supply chain risk management firm to continuously screen and monitor contractor safety performance. This real-time monitoring helps to ensure our suppliers are providing us with the necessary product and service quality for us to meet the expectations of our stakeholders and supports ongoing agreements with those suppliers who satisfy our safety thresholds.

JOINT OPERATING PARTNERS

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

KEY AREAS OF FOCUS	ACTION AND ENGAGEMENT
<ul style="list-style-type: none"> Access to funding Risk identification, assessment, communication and discipline Personal and process safety Accident management and prevention 	<ul style="list-style-type: none"> We fulfill our responsibility as operator by responsibly managing the well, ensuring payment of related expenses, and promptly distributing the revenues and royalties from the well's commodity sales.

INDUSTRY ASSOCIATIONS

Recognising the benefit of collective and collaborative efforts, we actively engage and are involved in the leadership of the industry associations across the states where we operate.

KEY AREAS OF FOCUS	ACTION AND ENGAGEMENT
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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. During the year, our personnel were instrumental in the merging of two independent industry associations into the single, unified Oil and Natural Gas Association of West Virginia. Leveraging our well retirement expertise and the platform afforded by West Virginia's industry association, a legislative bill was successfully passed into law to create the Abandoned Well Plugging Fund, the first of its kind in dealing, and funding, orphaned wells across the state.

We strive to maintain productive, mutually beneficial relationships with each stakeholder group.

Environmental Health & Safety In Focus



“A safe environment underpins our ability to work effectively and builds trust in the communities and teams in which we operate.”

PAUL ESPENAN

Vice President of Environmental, Health and Safety

EHS GOVERNANCE, POLICY AND MANAGEMENT SYSTEM

With an asset portfolio consisting of some 67,000 wells and approximately 17,000 miles of midstream pipeline across multiple states, EHS management remains a top priority as we daily demonstrate our commitment to exercise environmental stewardship in the communities in which we live and operate. As stated in our EHS Policy, a fundamental commitment at DGO is the protection of our employees, contractors, the public and the environment. Our policy, therefore, is a promise to our employees, customers, partners, shareholders and communities that we are committed to operating safely and protecting the environment.

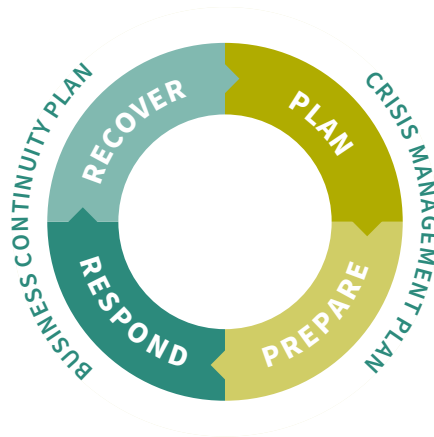
Our daily actions are driven by this commitment as we seek to continuously practice our number one priority – SAFETY...NO compromises - and to reduce the environmental impact of our business operations. Our SAM programme, for example, is not only a central component of our overall investment case and business strategy but also reflects our belief that operational focus with a commitment to environmental stewardship is just good business. We believe that good business includes improving the safety of assets we have acquired, eliminating and reducing fugitive emissions, consolidating duplicative pipeline networks, eliminating excessive compression facilities and extending the lives of producing wells in order to offset the need to generate supply from newly drilled wells.

Signed by our CEO, our EHS Policy is guided by the principles of corporate accountability and leadership, risk preparedness, collaboration and transparency. As reflected in our policy, we require a commitment to safety and environmental stewardship from our suppliers and vendors with whom we conduct business. Further, our EHS commitment extends beyond the scope of legal requirements. In the case of acquisitions, we examine compliance with the applicable environmental and occupational safety regulations, and look for opportunities, if applicable, to meet standards that exceed that regulatory compliance.

PROCESS SAFETY

Process safety, or asset integrity, is the ability of our physical assets to perform their required function effectively while safeguarding human life and the environment. Process safety starts at the early design phase of building facilities and continues throughout their life cycle, making sure they are operated safely, well maintained and inspected regularly to identify and deal with any potential process safety hazards. For us, since we do not generally build new facilities but rather acquire existing facilities, process safety encompasses the ongoing investment of financial and human capital focused on the prevention and mitigation of unplanned releases which may create environmental impacts.

Certain of our midstream facilities are regulated as Occupational Safety and Health Administration (“OSHA”)



defined Process Safety Management facilities and therefore subject to well-defined safety processes. To ensure we minimise the number of process safety incidents across all our facilities, we provide our personnel with the best possible training, follow rigorous and disciplined operating procedures and provide a supportive environment for the reporting of any incidents which may occur.

During 2020, there were no Tier 1 or Tier 2 process safety incidents for our operations.

DRIVER SAFETY

Driving is a top safety risk we all face both on and off the job, and therefore road safety awareness and safe driving are of paramount importance to us. Given our expansive upstream and midstream asset portfolio across the Appalachian Basin, our well tenders and other field employees can spend a significant portion of their day driving in their vehicles. Due in large part to our acquisitions of both upstream and midstream assets in 2020, our expanded employee base drove some 15.4 million miles during the year as compared to 12.1 million miles driven in 2019.

Distracted driving is a major cause of severe accidents, injury and death in the US. As a company that does not compromise on safety, our vehicles are an important and necessary asset for effective operations and represent a significant investment for us. Most importantly, our employees are our most valuable assets. With more than 900 employees on the road in a company vehicle each day, our goal is ZERO preventable vehicle incidents. Our preventable motor vehicle accident rate in 2020 was virtually unchanged from 2019 at one accident per million miles driven. As with any kind of company incident, our senior operations and EHS leadership teams review results with a specific emphasis on root causes and change improvements to mitigate future incidences.

Throughout the year, we offered additional driver safety training for those employees who are required to access wells in remote locations in challenging terrain and weather conditions. To encourage safe driving habits, during 2020 we introduced the Safe

Passages programme, a recognition programme for our operations employees that achieve an accident-free driving record in each calendar year.

EMERGENCY PREPAREDNESS

We strive to have the processes and procedures in place to quickly and effectively respond to any emergency event that may occur. We have a formal Crisis Management Plan (“CMP”) that consists of company-wide guidelines on how to prepare for and respond to emergencies. Our CMP is reviewed annually by our executives, operations managers and controllership group (collectively, the “Senior Leadership Team”), and we conduct training events to test the effectiveness of our plans. Additionally, using simulated emergency events, we engage our employees in emergency preparedness and response exercises designed to allow our employees to respond to actual or threatened injuries to people, spills or releases to the environment, or damage to our assets or third-party facilities. We recognise that continuous improvement as well as clearly defined roles, responsibilities and resources are essential elements of our preparedness and response plans, and we actively incorporate both simulated and actual lessons learned into our preparedness and future processes.

We also have a formal Business Continuity Plan (“BCP”) for our critical business functions. Our BCP is designed to first ensure the safety of our employees and other stakeholders impacted by a natural disaster causing a business disruption. After ensuring the safety of all impacted parties, our BCP is focused on returning our business functions to normal operating status in a timely and orderly process.

Both our Crisis Management Plan and our Business Continuity Plan are an important part of our corporate risk management strategies. Our overall risk management process, which is overseen by our Board of Directors, is important to the success of the Group, and we are committed to our stakeholders to execute our risk management processes with thoroughness and excellence.



ENVIRONMENTAL MANAGEMENT

We are committed to protecting the environment through responsible operations and a comprehensive EHS Management System. This commitment means carefully considering the potential impact of our activities and how local communities and the surrounding environment may be affected before, during and at the end of our operations. We focus, therefore, on reducing risks, maintaining compliance and seeking best practices and continuous improvement in all our EHS and operational processes. If an environmental issue were to occur that extends beyond the scope of our standing emergency response plans, we engage our Crisis Management Plan as necessary depending on the severity of the incident while maintaining clear communications with both internal and external stakeholders.

For us, effective environmental management includes both our SAM and Safe and Systematic Well Retirement programmes which are dedicated to improving the production, safety and integrity of our assets before retiring those assets at the end of their economic lives, all of which translates to a reduced environmental footprint.

We set for ourselves stringent environmental standards, which meet regulatory requirements and often exceed them. We use external standards and guidelines and proven industry practices to drive our own practices and processes. Within our operations, we are committed to:

- ✓ **Reducing emissions**
- ✓ **Using energy more efficiently**
- ✓ **Eliminating unnecessary water consumption**
- ✓ **Reducing waste**
- ✓ **Preventing spills of hazardous materials**
- ✓ **Reducing unintended releases of natural gas**

GREENHOUSE GAS (“GHG”) EMISSIONS

We are committed to reducing total emissions, including both GHG and non-GHG emissions, and this commitment begins with our acquisition strategy. Focused on building a portfolio of existing, long-life wells, we reduce the need for the development of new fields or the drilling of new wells and thereby reduce the introduction of new sources of emissions into the environment.

We understand the importance of climate change as global energy contemplates and pursues a transition to a less carbon-intensive economy, and we recognise the physical risks related to climate change and how these risks might impact our business. We are cognisant that market changes may occur as climate-related laws and regulations evolve, guided by global agreements and US policy. Through the leadership and oversight

GHG Emissions ^(a)	Unit	2020	2019
Total Scope 1 and Scope 2 CO ₂ e ^(b)	thousand MT CO ₂ e	1,884	2,614
Scope 1 Emissions:	thousand MT CO ₂ e	1,883	2,614
Carbon Dioxide	thousand MT CO ₂ e	813	446
Methane ^(b)	thousand MT CO ₂ e	1,068	2,166
Nitrous Oxide	thousand MT CO ₂ e	1	1
Scope 2 Emissions	thousand MT CO ₂ e	0.7	Not Assessed
Energy consumption	KWh	685,485	Not Assessed
Scope 1 and Scope 2 GHG Emissions Intensity	MT CO ₂ e/MMcfe	7.4	11.8
Scope 1 and Scope 2 Methane Emissions Intensity	MT CO ₂ e/MMcfe	4.2	9.8
Methane Emissions as % of Scope 1		57%	83%
Scope 1 Emissions Attributable to:^(b)			
Flared Hydrocarbons	thousand MT CO ₂ e	0	6
Other Combustion	thousand MT CO ₂ e	813	456
Process Emissions	thousand MT CO ₂ e	83	205
Other Vented Emissions	thousand MT CO ₂ e	703	1,398
Fugitive Emissions	thousand MT CO ₂ e	283	550
Air Quality^(a)	Unit	2020	2019
Nitrogen Oxide (NO _x , excluding N ₂ O)	tons	5,802	Not Assessed
Carbon Monoxide (CO)	tons	3,450	Not Assessed
Sulfur Oxide (SO _x)	tons	—	Not Assessed
Volatile Organic Compounds (VOC)	tons	782	Not Assessed
Particulate Matter (PM ₁₀)	tons	15	Not Assessed

a. Emissions are reported under a modified Intergovernmental Panel on Climate Change report format for EU investors.

b. Uses a global warming potential of 28 for methane.

of our Sustainability and Safety Committee, we are confident that our plans and actions will be focussed on business practices that will benefit the environment. In this context, we have ensured our EHS policies address our commitment to comply with all EHS laws and regulations specific to every state in which we operate.

Our Scope 1 and Scope 2 CO₂ emissions are primarily the result of operating over 60,000 mature wells and several hundred compressor stations located throughout an expansive geographic base. The output of CO₂ emissions at any one well or compressor location is generally at very small levels and for our wells is intermittent in most cases.

Given the geographic expansiveness of our producing-well portfolio and midstream infrastructure throughout the Appalachian Basin, we utilise a large mobile fleet of vehicles to access our assets. We are continually striving to gain efficiencies in service routes, employee time and vehicle use by shrinking the geography of our production employees' areas of responsibility, which results in less miles driven and thus lower our vehicle emissions.

Throughout our operations we strive to deploy transformative technologies to reduce our impact on the environment. At our Kanawha Separation Plant ("KSP") located in Tad, West Virginia, for example, we extract and process approximately 200 tons of CO₂ per day that may have otherwise entered the atmosphere and send it instead to a neighbouring facility for further

purification and use in commercial applications. It is a 24/7 year-round operation other than for planned maintenance. During 2020, KSP processed more than 68,000 tons of CO₂ with an estimated value of \$1.5 million.

In 2020, we embarked upon an emissions reduction strategy to reduce our carbon equivalent emissions, including methane. Our Emissions Reduction Plan ("Plan") aligns with our stated operational focus on Safety, Production, Efficiency, and Enjoyment. We know that safe operations are also efficient operations which can translate to emissions reduction through increased capture and sales of natural gas. Our Plan is divided into the following four areas: education, pneumatic devices, leak detection & repair, and innovation & best practices. In 2020 we initiated improvement projects in all four of these areas and made significant progress in each. Of particular note, we significantly improved the accuracy of our emissions sources related to separators and pneumatic devices acquired in heritage operations, as initially indicated in our prior year Sustainability Report. Even with assets added through acquisitions in 2020, we also through Smarter Asset Management eliminated from service a number of devices with reportable emissions which was primarily responsible for the marked improvement in our total Scope 1 CO₂e emissions and percent methane reductions in 2020.

We meet our Streamlined Energy & Carbon Reporting obligations through our disclosure in both the Greenhouse Gas Emissions and TCFD sections of this Strategic Report.

Environmental Health & Safety In Focus *continued*

AIR COMPLIANCE FOR COMPRESSOR AND PIPELINE OPERATIONS - LEAK DETECTION AND REPAIR

Asset integrity is a keen focus for us and our commitment to safety, environmental stewardship and maximising the economic potential of our natural resources. Equipment, such as valves, pumps, and connectors, can be a source of emissions of volatile organic compounds (“VOCs”). We control emissions leaks from equipment through a continuous programme of a leak detection and repair (“LDAR”) and by modifying and upgrading equipment where necessary. We carry out LDAR tests on our applicable production pads and compressor stations in order to detect methane leaks from the mechanical operations of the facilities. We utilise monitoring equipment as well as audio-visual-olfactory (“AVO”) inspections to search for any unexpected leaks of natural gas.

Our adherence to state and federal air quality standards is a critical component of our compression operations, which are vital to getting our natural gas to market to serve our customers and bring value to our investors.

In 2020, we completed a successful pilot programme utilising Remote Methane Leak Detection (“RMLD”) equipment to locate previously unidentified or undetectable to AVO inspection methane leaks in our equipment with a specific emphasis on our smaller diameter gathering pipelines. As a result of this pilot programme, we purchased nine RMLD devices for our field operations teams and use these devices on a daily basis. Though not required by regulations, we believe the use of these devices further exemplifies our commitment to address climate change risks and demonstrates our commitment to safe operations in the communities in which we operate.

In addition to our efforts to locate unintended releases in our gathering lines, we also seek to eliminate excess compression capacity from our operations as part of our SAM programme. By eliminating this excess capacity or duplicative compression facilities, we are able to lower our operating costs while also reducing emissions from

the excess facilities. Since January 2018, 2020 we have eliminated 34 compressors and 13,000 horsepower from our midstream operations which has generated tangible and real emissions reductions.

SPILL PREVENTION AND MANAGEMENT

Maintaining the integrity and safety of our wells is a critical element of managing spill performance. We conduct annual Spill Prevention, Control and Countermeasure (“SPCC”) training and review sessions with our senior management and operational personnel. These sessions are designed to review our plans, address necessary changes in our asset portfolio, and update our plans accordingly.

Our SPCC plans establish company-wide procedures and processes to mitigate potential negative impacts of a spill. To support a quick and effective response to any incident, we maintain open and active dialogue with our respective state regulatory agencies, communities, landowners and emergency response organisations at the local and regional levels. In the event that we do experience an unexpected release of oil or other production fluid from a well site storage facility, we act in accordance with our safety and environmental procedures, recording and reporting all incidents as required by state regulation, and complete appropriate and immediate reclamation of the affected area.

In 2020, for spills that met the criteria for reporting to a state agency, we are pleased to report that our spill incidence rate was insignificant.

Category	Unit	2020	2019
Number of reportable oil spills		13	24
Volume of reportable oil spills	Bbl	47	41
Number of reportable produced water spills		11	7
Volume of reportable produced water spills	Bbl	56	26

Our highest priorities are protecting the environment and ensuring the safety of our employees and the people who live near our sites.

WATER MANAGEMENT

We consider water management a vital aspect of our operations, and frankly an extension of our ‘good stewardship’ philosophy, and therefore we adopt responsible management methods to safeguard one of the planet’s most precious resources. Our operating footprint is located within states that qualify primarily as low to medium water stress regions as defined by the [World Resources Institute’s Aqueduct Water Risk Atlas](#). We share the UN SDGs’ acknowledgement that access to clean, safe water is a fundamental human right, and we recognise it is of clear importance to local communities and vital to the environment in which we operate. At DGO, we do not develop new wells and therefore we do not withdraw or consume freshwater for drilling or hydraulic fracturing activities, which significantly reduces a material environmental concern experienced by many of our peers. Instead, we produce water as part of the natural production process of natural gas and oil wells and manage that produced water in adherence to applicable state regulations.

Where practicable, we supply our produced water to nearby development companies that are drilling and stimulating their new wells. In doing so, our recycled water reduces the developers’ use of fresh water, which leaves it available for consumer and agricultural uses. In other cases, we are able to provide our water to certain municipalities or townships who can use the produced water in their dust suppression and local roadwork activities, also eliminating the use of fresh water. We also treat certain water volumes to near-drinking water quality such that we can legally discharge the hydrocarbon-free water per state requirements. In all other instances, where geographically feasible and as part of a safe and long-standing practice in the US natural gas and oil industry, we inject our produced wastewater into disposal wells designed to receive such water.

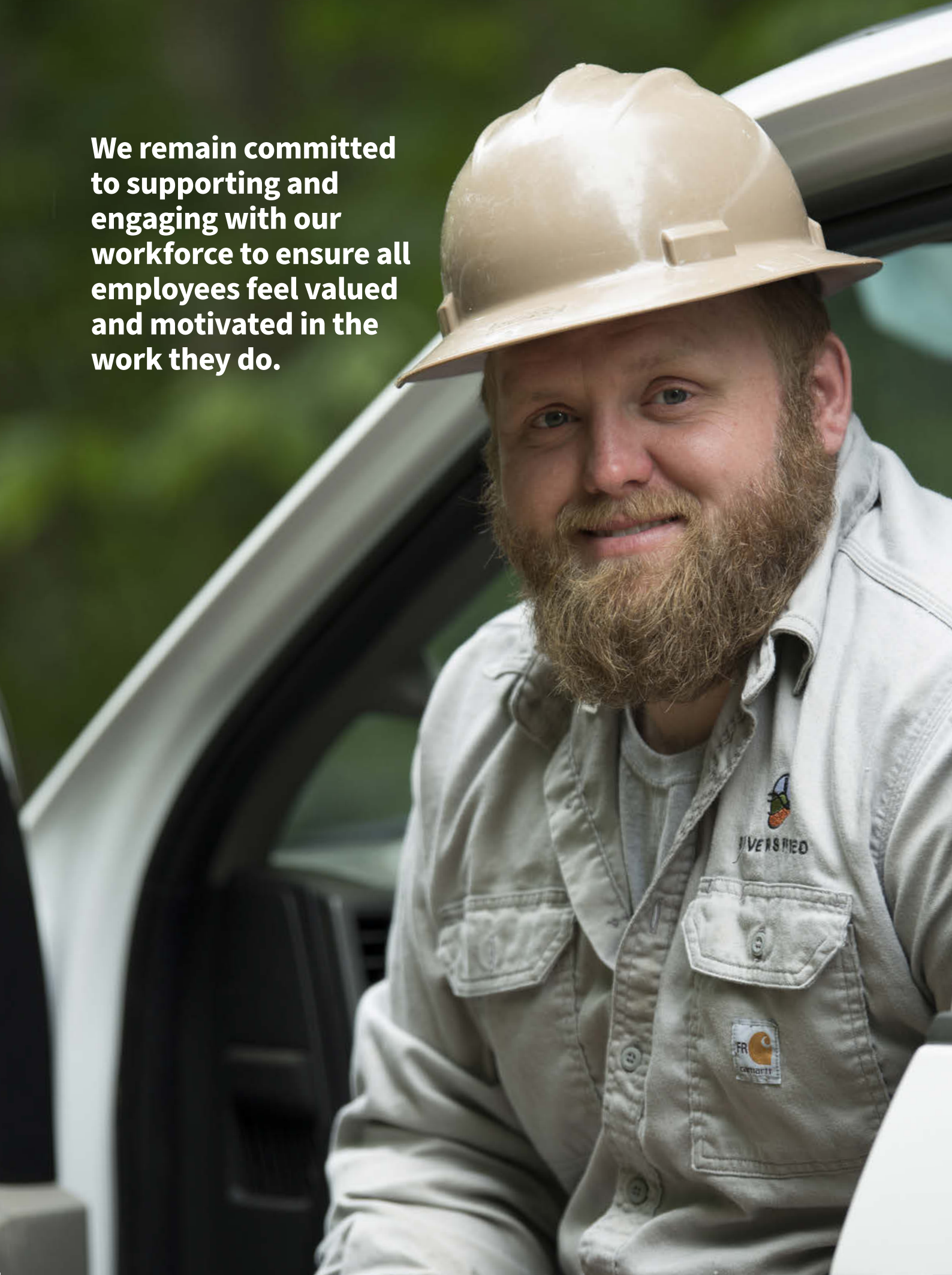
Category	Unit	2020	2019
Total water volumes injected into approved disposal wells	MBbbls	808	442
Total water volumes disposed/sold	MBbbls	1,244	1,231
Total water volumes recycled	MBbbls	333	97

BIODIVERSITY AND PROTECTED AREAS

We lease a substantial acreage position of some eight million acres across the Appalachian Basin where our assets are situated among remote and urbanised locations, on private, state and federal lands. As we do for all assets across our entire footprint, we maintain our wells within this acreage mindful of the impact our operations have on the ecosystems with which we interact, and we are committed to minimising our impact and enhancing, where possible, the biodiversity and ecosystems within our footprint. We also routinely engage with the appropriate biodiversity and water management experts within the various environmental protection departments in our operating area as we strive to work collaboratively with our neighbours and regulators in each of our states.



We remain committed to supporting and engaging with our workforce to ensure all employees feel valued and motivated in the work they do.



Our Employees

HUMAN RESOURCES GOVERNANCE, POLICIES AND MANAGEMENT SYSTEM

We have grown rapidly over the past few years through successful acquisitions and, in doing so, welcomed hundreds of new employees into the DGO family. Standardisation and harmonisation have therefore been key priorities company-wide throughout the integration of these acquisitions, and this year we reconciled all the differing, pre-existing Human Resources policies into singular overarching policies. We were successful in our objective to create clarity for our employees and to improve the system of integration for new employees, as evidenced by the seamless onboarding process of personnel related to our 2020 acquisition activity. The standardisation of these policies has thereby strengthened the ONE DGO philosophy, uniting all employees under one set of policies.

In 2019, we outlined a number of new Human Resources initiatives we planned to introduce, and we are pleased to report that progress in implementing these initiatives has been strong. For example, we implemented annual performance reviews to ensure that no individual in the Group goes more than twelve months without a performance review. We formalised a bonus policy for a portion of our workforce that establishes a clear understanding of targets and objectives which we know will create improved opportunities to deliver quality results.

We have increased the application of technology across our Human Resources functions. To improve company-wide communication efforts, we introduced a Sharepoint page, an information sharing platform the Human Resources department updates with key information on a monthly basis, supplemented by as-needed updates provided by our CEO, COO, field safety managers and representatives from our different business functions. In 2021, we plan to roll out an applicant tracking system to measure the diversity of applicants for employment and an online Performance Management and Goal Setting Platform.

To maintain process efficiency, remote access and corporate-wide functionality, in 2020 we also updated the platforms we use for our time and attendance system and introduced a new 401k plan platform.

EMPLOYEE WELL-BEING

We have a dynamic culture at DGO. There is a genuine, top-down interest in employee well-being across the organisation, and the leadership team is committed to meeting employees in the field or the office to better understand their concerns and priorities. The passion and energy of our leaders enables efficient decision making, creating an energising culture. Our employees take pride in the work that they do, feeling ownership of and responsibility for the assets, and our leadership team recognises and rewards this work ethic.

We provide our employees and their dependents with access to excellent health and welfare benefits at zero cost to the employee and very competitive rates for family coverage. Our Employee Assistance Programme is a company-paid programme for all employees and their families, providing access to certain free counselling sessions.

We remain committed to supporting and engaging with our workforce to ensure all employees feel valued and motivated in the work they do. To make sure we are listening to our employees we support an “open-door” communication policy at all levels in the Company. We believe this policy helps to foster a unity of purpose, promote idea sharing and transparency, and improve productivity. In addition, should any individuals prefer, we provide employees with access to a third-party reporting and compliance hotline that facilitates the anonymous reporting of perceived illegal, unethical or improper conduct.

Case Study:

Be Where Your Boots Are



BE
WHERE
YOUR
BOOTS
ARE

During our celebration of the one-year incident free milestone for our Tennessee and Virginia operations (bettered to 595 days incident free), we asked members of this team: “How did you attain this milestone?” Their answer was: “Be where your boots are.” This group of employees explained that their safety results were driven by their FOCUS on the task at hand, whatever that may be. They further explained that they worked hard to eliminate distractions so that their minds were fully engaged where their bodies were located.

The answer and response was profound yet very practical. We immediately began a training emphasis programme on situational awareness, work cessation when distracted, focusing exercises, and strong Pre-Job Hazard Identification that requires a meaningful conversation and engagement about any potential or real hazards present. In our newly developed training, we perform simulated role-plays of identifying pre-job hazards. This process includes a required validation that everyone is mentally present to the fullest and ready to perform the task at hand in a focused manner.

We have subsequently branded our new training programme as “Be Where Your Boots Are” and we continue to deliver this message to our employees on a daily basis.



DGO STATEMENT OF VALUES:

Value the dignity and worth of all individuals

DIVERSITY AND INCLUSION

The first statement within our corporate-wide Statement of Values is to “value the dignity and worth of all individuals,” and we actively engage this concept within the DGO family by fostering an environment of acceptance and inclusion, where all employees are valued without any discrimination. Our Employee Handbook sets out strict guidelines for professional conduct that we expect all employees to exhibit. Every new employee is provided with a handbook upon entering employment to ensure that our values and our guidelines remain important to their daily actions and interactions. Likewise, all employees have constant access to the handbook which resides on our company’s computer network, and all employees are required to acknowledge review of the handbook when updates are included. We work very hard to create a work environment that encourages every one of our employees to achieve their fullest potential.

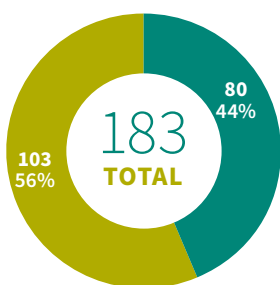
We are an Equal Opportunity Employer that does not discriminate on the basis of actual or perceived race, colour, religion, alienage or national origin, ancestry, citizenship status, age, disability, sex, marital status, or any other characteristic protected by applicable law. Our management team is dedicated to this policy with respect to recruitment, hiring, placement, promotion,

transfer, training, compensation, benefits, employee activities and general treatment during employment.

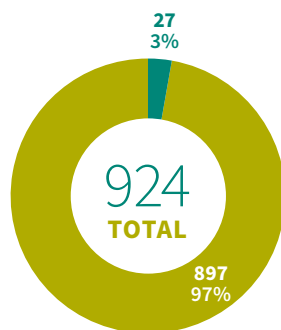
Our employees are divided into two functional categories for reporting purposes: (1) Production employees, which include our upstream and midstream field employees, and (2) production support employees, which cover all other employment positions. As of year-end 2020, the gender mix of our Production employees was 3% female and 97% male while our production support employees included 44% female and 56% male. Approximately 10% of our total workforce is female, resembling recent sector studies that indicate women make up approximately 15% of the technical and field roles in the natural gas and oil industry. At DGO, we actively seek to generate a diverse candidate pool from which we can identify and hire the most qualified individual, regardless of gender, to the benefit of us and our stakeholders.

As a responsible employer, we seek to uphold and protect the human rights of all our employees and contractors, as well as within our supply chain. We have a zero-tolerance approach to human rights abuse and modern slavery and seek to operate in accordance with all applicable US human rights rules and labour laws.

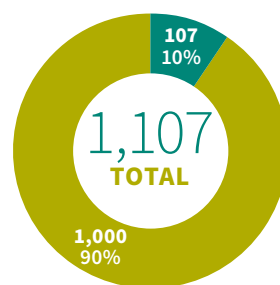
Number of production support employees



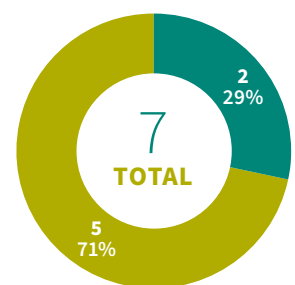
Number of production employees



Total number of employees at year end 31 December



Number of employees on the Executive Committee



Female Male

Task Force For Climate-Related Financial Disclosures (“TCFD”)

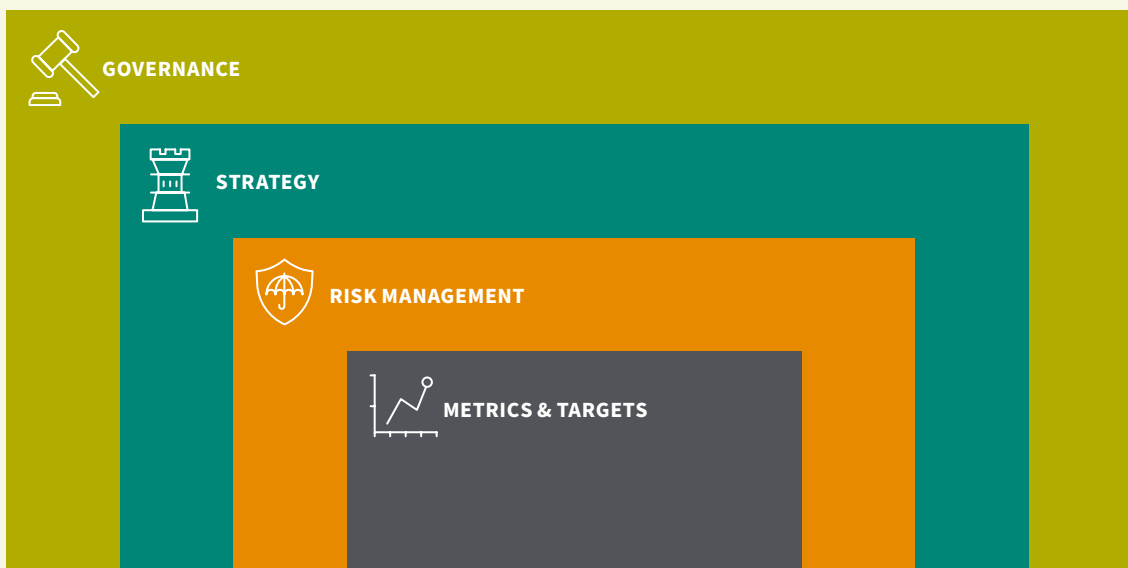
The Board recognises the potential threats to our planet posed by climate change and the importance of commercial enterprises, including DGO, to effectively manage their impact while continually improving their performance with positively impactful environmental operations. Environmental stewardship and maximising and improving the potential of our resources are key strategic pillars upon which we operate our business. We believe that natural gas has a valuable role to play in supporting an energy transition, not only as a transition fuel to support global energy demand, but through the material socio-economic contribution that it makes to the US and the underpinning of the country’s energy independence.

OUR ROADMAP

During 2020, the newly formed Sustainability and Safety Committee engaged the support of industry and globally significant consultants to help us establish a roadmap to meeting the recommendations set by the TCFD. The Committee, including personnel from the Senior Leadership Team, engaged in numerous workshops and planning sessions to discuss and assess climate change and risk, scenario analysis and strategy

setting. Our analysis included consideration of and attention to the TCFD’s four core pillars: governance, strategy, risk management, and metrics and targets.

We are actively setting our climate strategy and developing our pathway to net zero carbon by 2050, including strategic investment planning to support climate and energy ambitions. We recognise the significance of setting future climate-related goals and intend to navigate the TCFD process in a very deliberate, diligent manner as we strive to establish meaningful steps and business process enhancements, including climate considerations, benchmarks, targets and measurement mechanisms, to reach our ambitions. We believe we have made significant strides during 2020 in our physical inventory and data standardisation and collection processes that will aid in our TCFD journey but also acknowledge that we have more work to do. We will continue our internal work and engagement with external advisors as we seek the best path forward in this area and will provide additional information in next year’s Sustainability Report about the work on our emissions baseline, our ongoing efforts to reduce current emissions, and our intention to outline longer-term GHG emissions reductions in the way we run our business.





CORE PILLAR - GOVERNANCE

Our Board closely monitors and works with the Senior Leadership Team, external stakeholders and climate issue experts to ensure that careful consideration is given to relevant climate change-related risks and opportunities affecting our business. Through regular engagements with the executive management, the Committee ensures constructive supervision of both climate-related strategy development and risk management. The Chair of the Committee, Sandra M. Stash, who has significant subject-matter knowledge and experience on climate issues, provides at each Board meeting a summary of the Committee’s discussions and the most material issues addressed by the Committee. The SSC is supported by the Board’s Audit and Risk Committee to ensure that climate-related risks are integrated into our Enterprise Risk Management framework (“ERM”) and to ensure this framework is effective at mitigating the identified climate change-related risks.

Ultimately, executive responsibility and accountability for our environmental and climate change approach lie with the CEO. The CEO, supported by his executive management team, is responsible for identifying and assessing business risks and opportunities, including those related to climate change, defining the strategy and approving action plans suitable to control and mitigate any identified risks. The CEO and the Board actively discuss climate change-related issues.

The Board has approved a decision to include an emissions reduction target for Scope 1 and Scope 2 emissions in the Executive Directors’ Annual Bonus framework (effective from 2021), in accordance with our Remuneration Policy.

INDEPENDENT OVERSIGHT

The Safety & Sustainability Committee oversees climate change-related matters on behalf of the Board.

The Committee has responsibility for: (1) Overseeing engagement with global environmental and strategic consultants in climate-related matters; (2) Collaborating with the Audit and Risk Committee to build the risk register and appropriate integration of climate risk; (3) Collaborating with the Remuneration Committee for the contemplation of climate-related targets in executive compensation; and (4) Effectively integrating climate risk into strategic decision-making processes of the business, including merger and acquisition activity, which is a core strategic pillar of the business.

EXECUTIVE MANAGEMENT

The CEO leads executive responsibility for EHS and climate risk and works with the Senior Leadership Team to assess and manage climate-related risks and opportunities. The Senior Leadership Team works collaboratively to address risk across the business and assume relevant responsibility to physical and transitional risk as appropriate.

The operational management of EHS and climate change issues is conducted by the COO, who is also a member of the Executive Committee, the Board of Directors and the Sustainability and Safety Committee.

The CFO is responsible for assessing and managing relevant economic risks and supporting our scenario analysis programme.

Our General Counsel is responsible for assessing and managing relevant policy and legislative risk.

TCFD continued



CORE PILLAR - STRATEGY

We understand the importance of achieving lower carbon emissions via a transition of energy sources. To play our part while strengthening our resilience to the changing market dynamics, we embarked on an important climate change journey in 2020.

We are currently enhancing our foundation for each pillar of TCFD in order to build a stronger position for the future. This foundation includes conducting additional in-depth baseline assessments of our GHG emissions, updating our asset inventory and further improving the accuracy of our monitoring and reporting. As stated in our 2019 Sustainability Report, we diligently aggregated significant volumes of data from the different systems that we acquired in order to calculate emissions information. We acknowledged that we intentionally chose conservative emissions estimates in our initial report for 2019. Our teams continued their in-depth work to improve our asset inventories and estimates for GHG emissions calculations during 2020. We will continue the refinement of our processes and calculations during 2021.

Scenario Analysis

We are well-positioned for the future, with 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 of mature, producing assets in our industry.

We nevertheless believe it is important to ensure that we understand the impacts of various theoretical, future outcomes and have therefore conducted an initial scenario analysis to stress-test our portfolio in a potentially more carbon-constrained future. To be clear, scenarios are hypothetical constructs and not forecasts or predictions and are provided by independent climate consultants.

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. As expected, and in line with the rest of the natural gas and oil industry, our current portfolio of assets faces material impacts under the most demand-constrained scenarios; however, our assets continue to generate value and positive cash flow under these dramatic scenarios.

Demand-side scenarios

We consider the demand-side scenarios developed by the International Energy Agency (“IEA”) to provide the most robust framework for our scenario analysis. IEA scenarios are the most widely referenced scenarios in the climate disclosures of natural gas and oil companies and are considered a reference point for policymakers, investors, international organisations, and key stakeholders driving the lower-carbon transition.

We used the IEA scenarios described in its 2020 World Energy Outlook. The two demand-side scenarios used in our analysis include:

- Stated Policies Scenario (“STEPS”), which assumes policies and targets already announced by governments are enacted with no further policy development on climate change beyond this and estimates an average temperature rise of 2.7°C.
- Sustainable Development Scenario (“SDS”), which assumes an accelerated transition to a lower-carbon world and net zero emissions by 2070 and further projects a 66% chance of limiting temperature rise to 1.8°C and a 50% chance of limiting it to 1.65°C.
- These two demand-side scenarios project natural gas and oil demand through to 2040. These demand projections are included in the figures below for North American natural gas and global oil. Our production mix is currently 99% natural gas and NGLs and therefore impacts to oil demand and supply in our scenario testing generally does not have a material impact on our long-term value. North American natural gas demand is projected to increase through 2025 and then remain flat from 2025 to 2040 under STEPS while decreasing significantly under the lower-carbon SDS scenario. Global oil demand is projected to grow continuously under STEPS while under SDS it is projected to briefly recover post-Covid-19 pandemic and then decrease continuously after 2025 to 2040.

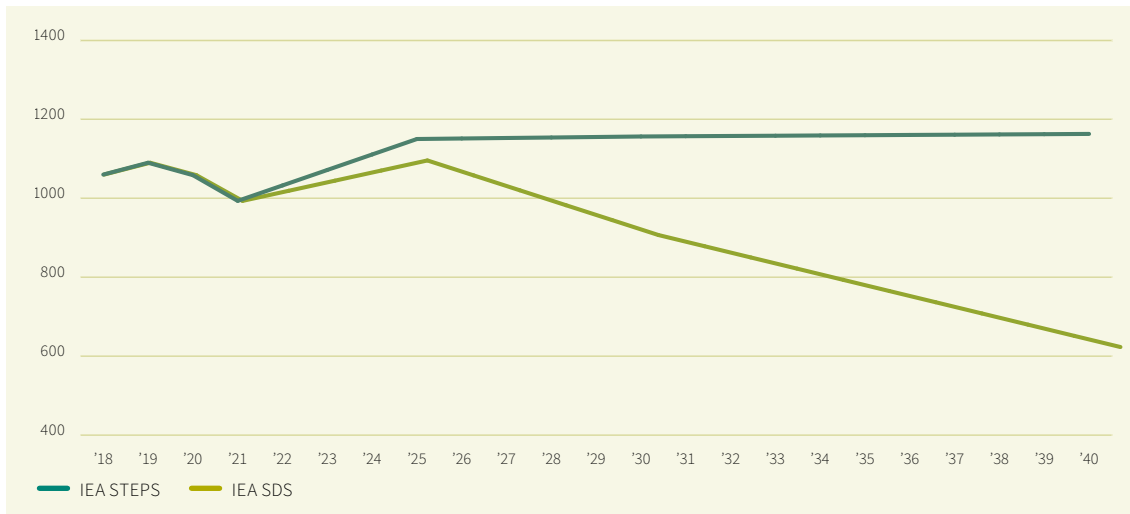
Supply-side scenarios

In addition to the aforementioned IEA demand-side scenarios, and to render a more complete scenario perspective, we also considered how the potential response of the natural gas and oil industry might impact the supply-side of the market. We developed three distinct supply-side scenarios for use in our scenario testing:

- Scenario 1, which assumes the industry remains disciplined and new production comes online as required to meet projected demand under steady declines rates.
- Scenario 2, which assumes the impact of the Covid-19 pandemic and an increased perception of the accelerating transition to a lower-carbon world lead to a pull-back in industry investment and a subsequent accelerated decline in production and supply.
- Scenario 3, which assumes suppliers compete aggressively for market share post-Covid-19 pandemic, which leads to a minimised supply and demand gap. Note that this supply-side assumption only applies to the liquids portion of our portfolio, which is considerably smaller than the natural gas portfolio and for which we assume liquids market prices are related to oil market pricing.

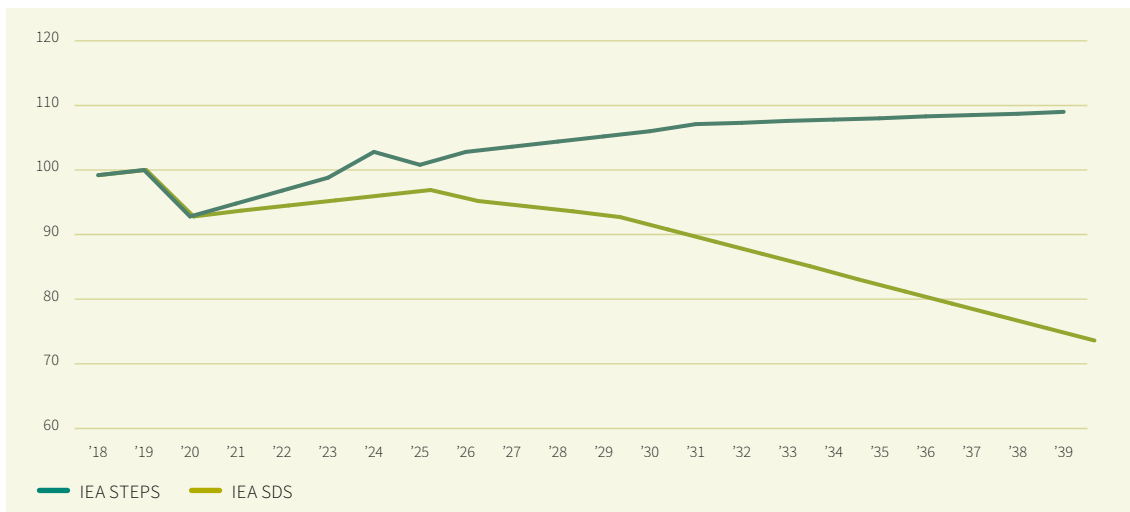
North America gas demand in alternative scenarios

Gas demand (bcm)



Global oil demand in alternative scenarios

Oil demand (mb/d)



Source: IEA (2020), World Energy Outlook as modified by Diversified Gas & Oil Plc. All rights reserved.

TCFD continued

Scenario analysis impact

The purpose of scenario analysis is to provide us and our stakeholders with a better understanding of the important implications for our portfolio valuation and overall business strategy of the transition to a lower-carbon future. We recognise the benefit of integrating the scenario results into our strategic decision-making and the risk management processes and risk mitigation measures that are in place or should be added to address identified risks.

The demand-side scenarios and supply-side scenarios were combined in various climate-related permutations to determine how our key value drivers of value – hydrocarbon prices and midstream revenues – would be impacted. The analysis was conducted using our current internal asset valuation and forecast models which do not project additional growth through future acquisitions. The end result of the scenario testing provided incremental positive or negative impacts to our overall valuation as measured by the net present value of our asset portfolio.





CORE PILLAR - RISK MANAGEMENT

RISK ASSESSMENT

We have assessed the climate change-related risks and opportunities facing our business and have summarised them below. To further enhance our TCFD-aligned reporting, we are evaluating the inclusion in future Group reports a risks and opportunities table with additional details around financial impacts, mitigation measures and potential time horizons for each identified risk and opportunity:

TRANSITION RISKS

DESCRIPTION	IMPACT
Transition risks refer to policy, regulatory, legal, technological, market and other societal responses to the challenges posed by climate change and the transition to a lower carbon economy.	<ul style="list-style-type: none"> We consider transition risks as part of strategy discussions, portfolio reviews and investment decisions. Transition risks considered include: <ul style="list-style-type: none"> Lower demand for natural gas and oil products and derivatives thereof Policy shifts that impact natural gas production directly and financially Increased regulatory obligations and costs surrounding disclosure and environmental management performance

PHYSICAL RISKS

DESCRIPTION	IMPACT
Physical risks include acute risks resulting from increased severity of extreme weather events, and chronic risks resulting from longer-term changes in climate patterns.	<ul style="list-style-type: none"> We consider the potential vulnerabilities of our operated assets, investments and our suppliers and customers across the value chain in assessing physical risks.

OPPORTUNITIES

DESCRIPTION	IMPACT
Efforts to mitigate and adapt to climate change produce opportunities for organisations to operate more efficiently, access new markets, and build resilience to lower carbon future.	<ul style="list-style-type: none"> Our operating model is calibrated to maximising the resource potential of our portfolio: <ul style="list-style-type: none"> Resource efficiency: We acquire, produce and optimise existing natural gas and oil wells that reduces the need to drill new wells. Our SAM programme improves the safety, efficiency and productivity of the mature assets we acquire. By being the most responsible operator of mature assets, we make improvements to the integrity of the acquired assets, which includes ensuring that molecules we produce are safely delivered to our customers. Resilience: By demonstrating our overall resilience to a lower carbon future as indicated in our scenario analysis, our stakeholders can remain confident in the general strength of our assets. We continually invest in and monitor our mature production and transportation network to enhance the integrity of this infrastructure and strive to maximise the economic potential of our resources while simultaneously reducing our GHG footprint.

TCFD continued

RISK MANAGEMENT

Our ERM framework is designed to effectively and appropriately identify, assess, mitigate, monitor and address risks to our business, in addition to capitalising on potential opportunities. In the past year we have further enhanced our ERM processes to include climate change as a principal risk. As part of our overall climate journey, we endeavour to further strengthen our approach to climate change-related risk management, including assessing these risks against their potential financial, legal, physical, market and reputational impact to our company.

The Board has the responsibility to oversee management's determination of the nature and extent of risks to which the Group is exposed relative to achieving its strategic objectives whilst ensuring all types of risks, including all short-, medium- and long-term climate-related risks, are managed effectively. During 2020, the Audit and Risk Committee of the Board, with the assistance of a third-party advisor, led a comprehensive review, identification, prioritisation and documentation of our principal and emerging risks. The Committee reviewed the framework for assessing risks, including impact, likelihood and velocity, as well as inherent versus residual risk analysis. A more detailed description of our principal risks and risk management process conducted during the year is provided in [Principal Risks and Uncertainties](#) with this Annual Report.



CORE PILLAR - METRICS AND TARGETS

As part of strengthening our journey toward a more resilient future, we have initiated a comprehensive process to enhance our understanding of our baseline emissions data, including through improved data collection and monitoring.

We recognise the importance of not just monitoring and managing but also reducing our emissions, and we have an ongoing process focused on operational emissions reductions, including a substantial leak detection and repair programme focused on our extensive network of gathering pipelines. In late 2020, we also began an internal review of the type of emissions reductions we can implement and over which timeframe, considering the commercial and strategic implications of each. We will provide additional information on these programmes and our carbon reduction pathway at the end of 2021.

Environmental stewardship and maximising and improving the potential of our resources are key strategic pillars upon which we operate our business.

Non-Financial Information Statement

This section of the Strategic Report constitutes the Group's 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 is available in our Sustainability Report or on the Group's website at www.dgoc.com.

REPORTING REQUIREMENT	POLICIES	REFERENCE WITHIN THIS ANNUAL REPORT	PAGE
1. Environmental Matters	Corporate Social Responsibility EHS	Retire Assets Safely and Responsibly and Restore the Environment to its Natural State	30
		Our Approach to ESG	43
		EHS in Focus	50
		TCFD	60
		Our Approach to Governance	88
2. Employees	Anti-Bribery Compliance Hotline & Whistleblowing Corporate Social Responsibility Human Rights Share Dealing Code	How We Manage Our Business	14
		Employee Well Being	57
		Our Approach to ESG	43
		Our People	57
		Our Approach to Governance	88
3. Human Rights	Corporate Social Responsibility Human Rights	How We Manage Our Business	14
		Ethical Business Practices	39
		Our People	57
		Our Approach to Governance	88
4. Social Matters	Corporate Social Responsibility EHS	Sustainability in our Strategy	40
		Our Approach to ESG	43
		EHS in Focus	50
		Our People	57
		TCFD	60
5. Anti-Corruption & Anti-Bribery	Anti-Bribery Compliance Hotline & Whistleblowing	Ethical Business Practices	39
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6. Business Model	Corporate Social Responsibility	Business Model	12
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7. Principal Risks and Uncertainties	Compliance Hotline & Whistleblowing	Our Approach to ESG	43
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8. Non-Financial KPIs	Corporate Social Responsibility EHS	Meet or Exceed State Asset Retirement Goals	35
		TRIR	35
		Our Approach to Governance	88

Financial Review

A message from our Chief Financial Officer



“We built Diversified to be resilient in even the most challenging environments.”

ERIC WILLIAMS

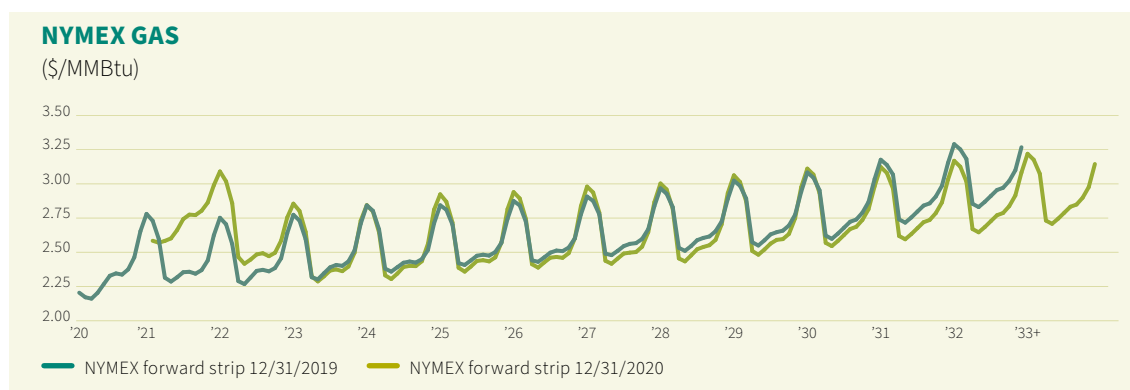
Chief Financial Officer

We have spoken to the challenges and opportunities that 2020 presented to companies across all sectors. I echo Rusty's pride in our dedicated and talented employees who delivered exceptional results. In a year marked by uncertainty and unprecedented commodity demand and price volatility, we steadied ourselves, remained focused on our strategic objectives and used the many tools within our chest to advance our business while many companies around us struggled. Ultimately, we achieved record production and Hedged Adjusted EBITDA, closed three acquisitions, repaid borrowings, and raised our dividend twice... all during a pandemic and amidst the lowest natural gas commodity price environment we have seen in the past two decades.

By design, we built Diversified to be resilient in even the most challenging environments. Our strategy to acquire and nurture mature producing assets not only affords us a stable positive Free Cash Flow profile, but importantly it provides us with a highly predictable and largely controllable cost structure that we can comfortably hedge to secure healthy margins. If any series of events were to reinforce the importance of responsible hedging, it was those we witnessed during 2020, when we observed even the largest, investment-grade established names within our industry dramatically cut spending, reduce staffing, increase borrowings and lower - or even eliminate - their dividends to shareholders. By contrast, we

not only expanded our team as we added additional high-quality producing assets to our portfolio, but we also responsibly managed our debt and increased our quarterly dividend twice and by over 14% to \$0.04 per share or \$0.16 per share annualised. In fact, since our IPO four years ago and demonstrating the true accretive nature of our growth, we have increased our per-share dividend nine times and grown it by nearly 70% compounded annually.

The past few years, and 2020 in particular, have reinforced the importance of hedging, which you have come to appreciate is part of our strategic DNA. Our hedge portfolio extends more than a decade to support each of our long-term, fixed rate and fully amortising financing structures, which today comprise approximately 70% of our total borrowings. We were rewarded handsomely for our decision to hedge approximately 90% of our natural gas production this year, receiving nearly \$145 million in hedge proceeds that significantly adds to our \$409 million of total revenue. Not only were we able to fund our growth, reduce our borrowings adjusting for acquisitions and maintain a strong balance sheet, we also paid \$99 million of dividend distributions to our shareholders and repurchased \$16 million of our outstanding shares. Recognising that acquiring quality producing assets, rather than drilling and completing wells, fuels our growth, we actively manage our balance sheet by using a prudent mix of debt and equity financing to maintain



Leverage below our stated limit of 2.5x Net Debt-to-Hedged Adjusted EBITDA. In fact, we ended 2020 and sit today at just 2.2x. During 2020, we were rewarded for our fiscal discipline with investors willing to entrust additional debt and equity growth capital to DGO when others had no access. We also enjoy a healthy and supportive bank group and lenders like Munich Re and Nuveen, a TIAA company. Not only did we term-out \$200 million of borrowings on our Credit Facility through a low-cost asset-backed securitisation, we successfully raised \$160 million of long-term financings and \$85 million of equity proceeds to fund our acquisition of assets from EQT Corporation, Carbon Energy Corporation and other sellers. We also exited the year strong with a full re-affirmation of our \$425 million Credit Facility borrowing base and more than \$210 million of liquidity.

Importantly, we enter 2021 with optimism underpinned by our past success, lean operating costs, solid financial footing and an enhanced platform following investments in people, processes and technology to become a Premium Listed, Main Market company. We are further encouraged to see higher commodity prices on the forward curve as positive sentiment regarding natural gas' longer-term outlook creates an improved price outlook. This optimism is particularly impactful to us since natural gas comprises over 91% of our production. In a higher price environment, not only will we realise the full value of the hedged prices we locked as part of our commitment to protect our cash flow, we'll also benefit from higher market prices on our unhedged volumes.

As I turn to a discussion of our reported earnings, it is important to link the positive price momentum I discussed to its associated earnings impact. As we adjust our 10+ year derivative portfolio to their fair values, we recognised a \$239 million non-cash charge that we report in our earnings, which represents the change in the fair value of our entire unsettled hedge portfolio from 31 December 2019 to 31 December 2020. This non-cash valuation change primarily relates to higher prices on the forward price curve for natural gas, and drives our \$87 million gross profit into a \$137 million pre-tax loss. When excluding this non-cash loss,

just as we have excluded our valuation-related non-cash gains in prior years, we report a \$102 million pre-tax gain compared to \$131 million in 2019. Ultimately, while we report a net loss in 2020 of \$24 million compared to net income in 2019 of \$99 million, we grew Hedged Adjusted EBITDA by 10% to \$301 million compared to \$273 million in 2019.

Protecting our cash flow and its payment of dividends and debt will always be paramount. While hedging may, at times, cause us to forgo upside to commodity prices, we believe our shareholders and lenders value the high visibility into our distributions that hedging affords us. Importantly and as I mentioned earlier, not only do we stand to earn a healthy Cash Margin in 2021 from our natural gas hedges' weighted average floor price of \$2.93 per Mcf compared to Total Cash Cost per Mcfe \$1.15 (\$6.92 per Boe), but should prices settle higher than this value, the earnings and cash flow on our unhedged volumes will increase. You will find the full financial results of our operations in the following pages, which I hope will be helpful as you review our performance.

In summary, 2021 is shaping up to be another exceptional year for Diversified, and 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

8 March 2021

Financial Review *continued*

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		Change	% Change
	31 December 2020	31 December 2019		
Net production				
Natural gas (MMcf)	199,667	166,377	33,290	20%
NGLs (MBbls)	2,843	2,807	36	1%
Oil (MBbls)	417	407	10	2%
Total production (MBoe)	36,538	30,944	5,594	18%
Average daily production (Boepd)	99,831	84,778	15,053	18%
% Natural gas (Boe basis)	91%	90%		
Average realised sales price				
<i>(excluding impact of derivatives settled in cash)</i>				
Natural gas (Mcf)	\$1.72	\$2.31	\$(0.59)	(26)%
NGLs (Bbls)	8.15	12.00	(3.85)	(32)%
Oil (Bbls)	36.12	50.30	(14.18)	(28)%
Total (Boe)	\$10.45	\$14.16	\$(3.71)	(26)%
Average realised sales price				
<i>(including impact of derivatives settled in cash)</i>				
Natural gas (Mcf)	\$2.33	\$2.47	\$(0.14)	(6)%
NGLs (Bbls)	13.95	19.91	(5.96)	(30)%
Oil (Bbls)	52.97	49.74	3.23	6%
Total (Boe)	\$14.40	\$15.76	\$(1.36)	(9)%
Revenue (in thousands)				
Natural gas	\$343,425	\$384,121	\$(40,696)	(11)%
NGLs	23,173	33,685	(10,512)	(31)%
Oil	15,064	20,474	(5,410)	(26)%
Total commodity revenue	\$381,662	\$438,280	\$(56,618)	(13)%
Midstream revenue	25,389	22,166	3,223	15%
Other revenue	1,642	1,810	(168)	(9)%
Total revenue	\$408,693	\$462,256	\$(53,563)	(12)%
Gain (loss) on derivative settlements				
<i>(in thousands)</i>				
Natural gas	\$121,077	\$27,483	\$93,594	341%
NGLs	16,498	22,214	(5,716)	(26)%
Oil	7,025	(230)	7,255	(3154)%
Net gain (loss) on derivative settlements	\$144,600	\$49,467	\$95,133	192%
Adjusted Total Revenue	\$553,293	\$511,723	\$41,570	8.1%
Per Boe metrics				
Average realised sales price				
<i>(including impact of derivatives settled in cash)</i>				
Other revenue	\$14.40	\$15.76	\$(1.36)	(9)%
Other revenue	0.74	0.77	(0.03)	(4)%
Base lease operating expense	2.53	3.31	(0.78)	(24)%
Midstream operating expense	1.45	1.42	0.03	2%
Adjusted G&A	1.33	1.17	0.16	14%
Production taxes	0.38	0.53	(0.15)	(28)%
Transportation expense	1.24	1.28	(0.04)	(3)%
Operating margin	\$8.21	\$8.82	\$(0.61)	(7)%
% Operating margin	54%	53%		
Other financial metrics (in thousands)				
Adjusted Net Income	\$174,786	\$95,618	\$79,168	82.8%
Operating profit (loss)	\$(77,568)	\$180,507	\$(258,075)	(143)%
Income (loss) available to shareholders after taxation	\$(23,474)	\$99,400	\$(122,874)	(124)%

PRODUCTION, REVENUE AND HEDGING

Total revenue in the year ended 31 December 2020 of \$409 million decreased 12% from \$462 million reported for the year ended 31 December 2019, primarily due to a 26% decrease in the average realised sales price, partially offset by 18% higher production. Including commodity hedge settlements of \$145 million and \$49 million in 2020 and 2019, respectively, Total Adjusted Revenue increased by 8% to \$553 million in 2020 from \$512 million in 2019.

We sold approximately 36,538 MBoe in 2020 versus approximately 30,944 MBoe in 2019 with the increase driven by the full integration of the previously acquired HG Energy and EdgeMarc assets in 2019 and the Carbon and EQT assets we acquired in May 2020. Lower commodity prices drove our average realised sales prices lower as reflected in the table below for the periods presented:

(In thousands)

	Year Ended			
	31 December 2020	31 December 2019	\$ Change	% Change
Henry Hub	\$2.08	\$2.63	\$(0.55)	(21)%
Belvieu	21.85	25.11	(3.26)	(13)%
WTI	39.61	56.95	(17.34)	(30)%

Refer to Note 5 in the Notes to the Group Financial Information for additional information regarding our 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 2020 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 2019	\$384,121	\$33,685	\$20,474	\$438,280
Volume increase (decrease)	76,900	432	503	77,835
Price increase (decrease)	(117,596)	(10,944)	(5,913)	(134,453)
Net increase (decrease)	(40,696)	(10,512)	(5,410)	(56,618)
Commodity revenue for the year ended 31 December 2020	\$343,425	\$23,173	\$15,064	\$381,662

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 Boe 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 Mcfe basis and NGLs and oil on a per Bbls basis:

(In thousands, except per unit data)

	Year Ended 31 December 2020							
	Natural Gas		NGLs		Oil		Total Commodity	
	Revenue	Realised \$	Revenue	Realised \$	Revenue	Realised \$	Revenue	Realised \$
Excluding hedge impact	\$343,425	\$1.72	\$23,173	\$8.15	\$15,064	\$36.12	\$381,662	\$10.45
Commodity hedge impact	121,077	0.61	16,498	5.80	7,025	16.85	144,600	3.95
Including hedge impact	\$464,502	\$2.33	\$39,671	\$13.95	\$22,089	\$52.97	\$526,262	\$14.40

	Year Ended 31 December 2019							
	Natural Gas		NGLs		Oil		Total Commodity	
	Revenue	Realised \$	Revenue	Realised \$	Revenue	Realised \$	Revenue	Realised \$
Excluding hedge impact	\$384,121	\$2.31	\$33,685	\$12.00	\$20,474	\$50.30	\$438,280	\$14.16
Commodity hedge impact	27,483	0.16	22,214	7.91	(230)	(0.56)	49,467	1.60
Including hedge impact	\$411,604	\$2.47	\$55,899	\$19.91	\$20,244	\$49.74	\$487,747	\$15.76

Refer to Note 14 in the Notes to the Group Financial Information for additional information regarding our hedging portfolio.

Financial Review *continued*

EXPENSES

(In thousands, except per unit data)

	Year Ended							
	31 December 2020		31 December 2019		Total Change		Per Boe Change	
		Per Boe		Per Boe	\$	%	\$	%
Base lease operating expense ^(a)	\$92,288	\$2.53	\$102,302	\$3.31	\$(10,014)	(10)%	\$(0.78)	(24)%
Production taxes ^(b)	13,705	0.38	16,427	0.53	(2,722)	(17)%	(0.15)	(28)%
Midstream operating expense ^(c)	52,815	1.45	44,060	1.42	8,755	20%	0.03	2%
Transportation expense ^(d)	45,155	1.24	39,596	1.28	5,559	14%	(0.04)	(3)%
Total operating expense	\$203,963	\$5.58	\$202,385	\$6.54	\$1,578	1%	\$(0.96)	(15)%
Base G&A ^(e)	47,181	1.29	36,073	1.17	11,108	31%	0.12	10%
Non-recurring and/or non-cash G&A ^(f)	30,053	0.82	19,816	0.64	10,237	52%	0.18	28%
Total operating and G&A expense	\$281,197	\$7.70	\$258,274	\$8.35	\$22,923	9%	\$(0.65)	(8)%
Depreciation, depletion and amortisation	117,290	3.21	98,139	3.17	19,151	20%	0.04	1%
Allowance for credit losses ^(g)	8,490	0.23	730	0.02	7,760	100%	0.21	100%
Total expenses	\$406,977	\$11.14	\$357,143	\$11.54	\$49,834	14%	\$(0.40)	(3)%

a. Base lease operating expense is defined as the sum of employee and benefit expenses, well operating expense (net), automobile expense and insurance cost.

b. Production taxes include severance and property taxes. Severance taxes are generally paid on 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 our natural gas and oil properties and midstream assets.

c. Midstream operating expenses are daily costs incurred to operate our owned midstream assets inclusive of employee and benefit expenses.

d. Transportation expenses are daily costs incurred to third parties to gather, process and transport the Group's natural gas, NGLs and oil.

e. Base G&A 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, non-cash equity issuance, fees for audit and other professional services, and legal compliance.

f. Non-recurring and/or non-cash G&A includes costs related to acquisitions, our up-list to the Main Market of the LSE, hedge modifications, non-cash equity compensation and one-time projects.

g. Allowance for credit losses consists of expected credit losses and a non-recurring increase in the reserve of joint interest owner receivable.

Our value-focused growth and disciplined operating approach reduced per unit expenses by 3%, or \$0.40 per Boe, including:

- Lower per Boe base lease operating expenses, which declined 24%, or \$0.78 per Boe, through a mixture of disciplined cost reductions and economies of scale, whereby fixed operating costs were spread across a larger base of producing assets;
- Lower per Boe production taxes, which declined 28%, or \$0.15 per Boe, primarily due to a decrease in severance taxes as a result of a decrease in revenue. Declines also resulted from taxes on our midstream assets, that are generally fixed, being spread across a larger base of producing assets; and
- Lower per Boe transportation expense related to efficiencies of scale gained on the fixed cost components associated with transportation expense.

Partially offsetting the per Boe declines were increases due to:

- Higher per Boe midstream operating expense, which increased 2%, or \$0.03 per Boe, primarily due to increases in the size of our midstream workforce to meet the needs of the expanded midstream capabilities gained in the Carbon and EQT acquisitions;
- Higher Adjusted G&A as a result of investments made in staff and systems to support our enlarged operation; and
- Higher non-recurring and/or non-cash G&A due to costs associated with our transition from listing on AIM to the Premium Segment of the Main Market on the LSE, acquisition and integration expenses related to Carbon and EQT, and costs to modify certain derivative contracts.

Refer to Notes 5 and 14 in the Notes to the Group Financial Information for additional information regarding our acquisitions and derivative contracts, 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:

(In thousands)	Year Ended			
	31 December 2020	31 December 2019	\$ Change	% Change
Net gain (loss) on commodity derivatives ^(a)	\$144,600	\$49,467	\$95,133	192%
Net gain (loss) on interest rate swap	(202)	—	(202)	(100)%
Gain on foreign currency hedge	—	4,117	(4,117)	(100)%
Total gain (loss) on settled derivative instruments	\$144,398	\$53,584	90,814	169%
Gain (loss) on fair value adjustments of unsettled financial instruments ^(b)	(238,795)	20,270	(259,065)	(1,278)%
Total gain (loss) on derivative financial instruments	\$(94,397)	\$73,854	\$(168,251)	(228)%

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 2020, the total loss on derivative financial instruments of \$94 million decreased by \$168 million compared to a gain of \$74 million in 2019. Adjusting our unsettled derivative contracts to their fair values drove a loss of \$239 million in 2020, a decrease of \$259 million, as compared to a gain of \$20 million in 2019.

While the change in fair value is significant and reflective of higher prices on the forward price curve, our derivative contracts position us to not only fully realise the healthy cash flows we hedged but also earn higher cash flow on our unhedged production.

Additionally, a large portion of the unsettled hedge loss relates to time option value of our long-dated portfolio. Specifically, approximately \$70 million of the \$166 million net liability reflected on our balance sheet relates to the time value rather than their settlement value based on the current futures price strip.

Offsetting the non-cash valuation loss was a cash gain of \$144 million on settled derivative instruments for the year ended 31 December 2020, an increase of \$91 million over 2019.

For the year ended 31 December 2020, the gain on settled derivative instruments, representing 26% of Adjusted Total Revenue, validates our hedge portfolio objective to provide downside commodity risk protection. While year-end 2020 prices experienced modest recovery, the rising forward price curve results in a shift of our overall, long-dated derivative contract portfolio from an asset to a liability. For 2021, we have significant downside protection, including approximately 90% of our natural gas production hedged at a weighted average floor price of \$2.93 per Mcf, securing our cash flows, future dividend distributions and debt repayments.

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

GAIN ON BARGAIN PURCHASE

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

(In thousands)	Year Ended			
	31 December 2020	31 December 2019	\$ Change	% Change
Gain on bargain purchase	\$17,172	\$1,540	\$15,632	1,015%

While gains on bargain purchases are uncommon, the E&P segment of the broader energy sector has been in a period of transition and rebalancing for the past few years, creating opportunities for healthy companies like Diversified to acquire high quality assets for less than their fair values. 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.

Refer to Note 5 in the Notes to the Group Financial Information for additional information regarding our acquisitions and bargain purchase gains.

Financial Review *continued*

FINANCE COSTS

(In thousands)	Year Ended			
	31 December 2020	31 December 2019	\$ Change	% Change
Interest expense, net of capitalised and income amounts	\$34,391	\$32,662	\$1,729	5%
Amortisation of discount and deferred finance costs	8,334	3,875	4,459	115%
Other	602	130	472	363%
Total finance costs	\$43,327	\$36,667	\$6,660	18%

For the year ended 31 December 2020, interest expense on borrowings of \$34 million increased \$2 million compared to \$33 million in 2019, primarily due to the increase in borrowings used to fund our previously mentioned acquisitions. As of 31 December 2020 and 2019, total borrowings were \$746 million and \$645 million, respectively. For the year ended 31 December 2020, the weighted average interest rate on borrowings was 4.70% as compared to 4.52% in 2019, as a result of entering into additional fixed rate financing structures as we sought to capitalise on depressed markets and secure advantageous financing.

The increase in other finance costs was primarily due to an increase in interest expense on leases. During the year ended 31 December 2020, we expanded our fleet and transitioned owned vehicles to a fleet management lease programme.

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

TAXATION

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

(In thousands)	Year Ended			
	31 December 2020	31 December 2019	\$ Change	% Change
Income (loss) before taxation	\$(136,740)	\$131,491	\$(268,231)	(204)%
Income tax benefit (expense)	113,266	(32,091)	145,357	(453)%
Effective tax rate	82.8%	24.4%		

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

	Year Ended	
	31 December 2020	31 December 2019
Expected tax at statutory US federal income tax rate	21.0%	21.0%
State income taxes, net of federal tax benefit	5.4%	6.0%
Federal credits	58.8%	(5.3)%
Other, net	(2.4)%	2.7%
Effective tax rate	82.8%	24.4%

For the year ended 31 December 2020, we reported a tax benefit of \$113 million, a change of \$145 million, compared to an expense of \$32 million in 2019. The resulting effective tax rates for the years ended 31 December 2020 and 2019 were 83% and 24%, respectively. The effective tax rate is primarily impacted by recognition of the federal well tax credit available to qualified producers in 2020, who operate lower-volume wells during a low commodity pricing environment. The federal government provides these credits to encourage companies to continue producing 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 Information for additional information regarding taxation.

OPERATING PROFIT, NET INCOME, EPS, ADJUSTED NET INCOME, ADJUSTED EPS AND HEDGED ADJUSTED EBITDA

(In thousands, except per unit amounts)

	Year Ended			
	31 December 2020	31 December 2019	\$ Change	% Change
Operating profit (loss)	\$(77,568)	\$180,507	\$(258,075)	(143)%
Income (loss) available to shareholders after taxation	(23,474)	99,400	(122,874)	(124)%
Adjusted Net Income	174,786	95,618	79,168	83%
Hedged Adjusted EBITDA	300,590	273,266	27,324	10%
Earnings (loss) per share - diluted	\$(0.03)	\$0.15	\$(0.18)	(120)%
Adjusted EPS - diluted	0.25	0.15	0.10	67%
Hedged Adjusted EBITDA per Share - diluted	0.44	0.42	0.02	5%

For the year ended 31 December 2020, we reported a net loss of \$23 million and a loss per share of \$0.03 compared to income of \$99 million and EPS of \$0.15 in 2019, a decrease of 124% and 120%, respectively. We also reported an operating loss of \$78 million compared with an operating profit of \$181 million for the year ended 31 December 2020 and 2019. This year-over-year decline in net income was attributable to a mark-to-market loss of \$239 million, discussed above in this Financial Review.

Excluding the mark-to-market loss as well as other non-cash and non-recurring items, we reported Adjusted Net Income of \$175 million and Adjusted EPS of \$0.25 per share compared to Adjusted Net Income of \$96 million and Adjusted EPS of \$0.15 per share in 2019, increases of 83% and 67%, respectively.

Additional adjustments for depletion, depreciation, amortisation, interest, and taxes resulted in Hedged Adjusted EBITDA of \$301 million and Hedged Adjusted EBITDA per Share of \$0.44 compared to \$273 million and \$0.42 in 2019, representing increases of 10% and 5%, respectively. The increases in Adjusted Net Income and Hedged Adjusted EBITDA metrics year-over-year were driven by a strong execution of our stated strategy, resulting in consistent growth of earnings at the share level.

Refer to Note 9 in the Notes to the Group Financial Information for information regarding Adjusted Net Income, Adjusted EPS, and Hedged Adjusted EBITDA. Please refer to the [APMs](#) section within this Annual Report for information on how these metrics are calculated and reconciled to IFRS measures.

LIQUIDITY AND CAPITAL RESOURCES

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 not only afford us lower interest rates than more traditional E&P financing like high-yield bonds, but also provide a visible path for reducing leverage as we make scheduled principal payments. For larger 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 return on our capital investments to support the strategic initiatives in our business operations.

(In thousands)

	Year Ended			
	31 December 2020	31 December 2019	\$ Change	% Change
Net cash provided by operating activities	\$241,710	\$279,156	\$(37,446)	(13)%
Net cash used in investing activities	(256,863)	(466,887)	210,024	(45)%
Net cash provided by financing activities	14,871	188,020	(173,149)	(92)%
Net change in cash and cash equivalents	\$(282)	\$289	\$(571)	(198)%

Financial Review *continued*

NET CASH PROVIDED BY OPERATING ACTIVITIES

For the year ended 31 December 2020, net cash provided by operating activities of \$242 million decreased \$37 million, or 13%, as compared to \$279 million in 2019. The reduction in net cash provided by operating activities was predominantly attributable to the following:

- A decrease in revenue, largely offset by an increase in settlements of hedges;
- An increase in Adjusted G&A for investments in staffing and systems to support our growth;
- An increase in non-recurring and/or non-cash G&A associated with a variety of items including (1) the costs to transition from our AIM listing to a Premium Listing on the Main Market of the LSE, (2) acquisition and integration expenses related to Carbon and EQT, and (3) derivative commodity contract modifications costs associated with our ABS II financing and with similar portfolio optimisation initiatives; and
- The timing of working capital payments and receipts.

Production, realised prices, operating expenses, and G&A are discussed above in this Financial Review. Refer to Notes 5 and 14 in the Notes to the Group Financial Information for additional information regarding our acquisitions and derivative financial instruments, respectively.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December 2020, net cash used in investing activities of \$257 million decreased \$210 million, or 45%, from \$467 million in 2019. The change in net cash used in investing activities was primarily attributable to the following:

- For the year ended 31 December 2020, we paid cash purchase consideration of approximately \$100 million and \$123 million for business combinations (Carbon) and asset acquisitions (primarily EQT), respectively. For the year ended 31 December 2019, we paid purchase consideration of \$439 million for business combinations (primarily HG Energy & Edgemark). Refer to Note 5 in the Notes to the Group Financial Information for additional information regarding our acquisitions.
- Capital expenditures were \$22 million for the year ended 31 December 2020 compared to \$32 million for the year ended 31 December 2019. Prior-year expenditures included "Project Delta," our system modernisation initiative whereby we planned, designed, tested, and implemented a network of accounting, production, land and measurement systems into a single data platform. Having completed most of that work during 2019, we had less similar expenditures in 2020.
- Restricted cash increased by \$7 million year-over-year as a result of the interest expense reserve required by our long-term financing agreements including ABS I, ABS II and Term Loan financing. For more information refer to Note 3 in the Notes to the Group Financial Information.
- Investments were made in our marketing and operations groups in 2020 as we looked to expand these to better manage our growth. We invested in two service providers that had previously been providing contracting services for us. These acquisitions resulted in a cash outflow of \$3 million. For more information refer to Note 13 in the Notes to the Group Financial Information.

NET CASH PROVIDED BY FINANCING ACTIVITIES

For the year ended 31 December 2020, net cash provided by financing activities of \$15 million decreased \$173 million, or 92%, as compared to \$188 million in FY19. The change in net cash provided by financing activities was primarily attributable to the following:

- Our Credit Facility activity resulted in net repayments of \$223 million in 2020 versus net repayments of \$59 million in 2019, with much of the increase attributed to a \$200 million refinancing of Credit Facility borrowings through ABS II;
- Proceeds from borrowings, net of repayments, on our new debt facilities were \$318 million in 2020, an increase of \$112 million as compared to 2019;
- A decrease of \$140 million in proceeds from equity issuances that raised \$81 million in 2020 as compared to \$222 million raised in 2019.
- An increase of \$16 million in dividends paid in 2020 as compared to 2019; and
- A decrease of \$37 million in the repurchase of shares in 2020 as compared to 2019.

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

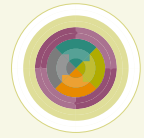


STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION



Business model
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Principal Risks and Uncertainties

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 has undertaken a robust assessment of the Group's principal and emerging risks.

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 the Group's stakeholders.

Within the programme's risk identification phase, we capture potential and emerging risks that could arise as a result of change in circumstances or new developments impacting us, either at a macro or operational level. 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, we engaged external experts to meet with our Senior Leadership Team and business unit leaders across the Group, 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.

2020 RISK ASSESSMENT

As part of our assessment process, 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.

ENTERPRISE RISK MANAGEMENT PROGRAMME

(Oversight and approval by the Audit and Risk Committee)



ENTERPRISE RISK ASSESSMENT REVIEW

(Senior Management Team led with business unit leader support)

The graphic is a 4x4 grid of squares. The top row has three yellow squares followed by one red square. The second row has two yellow squares followed by two orange squares. The third row has two green squares followed by two yellow squares. The bottom row has one teal square followed by three green squares.

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

Principal Risks and Uncertainties *continued*

● STRATEGIC RISK

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 execute and integrate acquisitions, our business operations, financial performance and prospects may be adversely affected.

RESPONSE/MITIGATION	RISK INDICATORS	LINK TO STRATEGY
<ul style="list-style-type: none"> Disciplined commitment to our core strategy of acquiring low-cost, long-life, low-decline producing assets and complementary, synergistic midstream assets. Commercial Development, Land, Reserves 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. Feedback and evaluation of external experts in the diligence process. Strong balance sheet with significant liquidity to fund growth through acquisitions. 	<p>The following KPIs are sensitive to the impact of Corporate Strategy and Acquisition Risk:</p> <ul style="list-style-type: none"> Total Cash Cost per Boe Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x Consistent Dividend per Share Consistent Cash Margin Hedged Adjusted EBITDA per Share 	<ul style="list-style-type: none"> 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

● 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 the Group.

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 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.

RESPONSE/MITIGATION	RISK INDICATORS	LINK TO STRATEGY
<ul style="list-style-type: none"> 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 the Group's IT Security Policy, which includes measures to protect against cyberattacks. Advanced network security detection. Control and protection of confidential information. The Senior Leadership Team regularly briefs (at least on a quarterly basis) the Board of Directors on information security matters, including assessing risks, efforts to improve the Group's network security systems and enhanced employee trainings. 	<p>The following KPIs are sensitive to the impact of Cybersecurity Risk:</p> <ul style="list-style-type: none"> Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x Consistent Dividend per Share Consistent Cash Margin Hedged Adjusted EBITDA per Share 	<ul style="list-style-type: none"> Operate Our Assets in a Safe, Efficient and Responsible Manner Generate Reliable Free Cash Flow

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.

RESPONSE/MITIGATION	RISK INDICATORS	LINK TO STRATEGY
<ul style="list-style-type: none"> 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 to 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. 	<p>The following KPIs are sensitive to the impact of Health and Safety Risk:</p> <ul style="list-style-type: none"> Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x Total Cash Cost per Boe Consistent Dividend per Share Consistent Cash Margin Hedged Adjusted EBITDA per Share TRIR 	<ul style="list-style-type: none"> Operate Our Assets in a Safe, Efficient and Responsible Manner Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

LEGAL, REGULATORY, ENVIRONMENTAL AND REPUTATIONAL RISK

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.

RESPONSE/MITIGATION	RISK INDICATORS	LINK TO STRATEGY
<ul style="list-style-type: none"> Operate to the highest industry standards with regulators and monitor compliance with our contracts, plugging programme and taxation requirements. External specialists utilised on legal 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 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. 	<p>The following KPIs are sensitive to the impact of Regulatory and Political Risk:</p> <ul style="list-style-type: none"> Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x Total Cash Cost per Boe Consistent Dividend per Share Consistent Cash Margin Hedged Adjusted EBITDA per Share Meet or Exceed State Asset Retirement Goals TRIR 	<ul style="list-style-type: none"> Operate Our Assets in a Safe, Efficient and Responsible Manner Retire Assets Safely and Responsibly and Restore the Environment to its Natural State

Principal Risks and Uncertainties *continued*

Climate and ESG Risk

Climate and ESG related issues continue to gain momentum in the market and are becoming more broadly supported. Their rapid onset, however, does present a risk to the Group that environmental regulations, climate change concerns, and investor pressure- 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.

RESPONSE/MITIGATION	RISK INDICATORS	LINK TO STRATEGY
<ul style="list-style-type: none"> Our core 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. We take advantage of these market opportunities and optimises well production through our SAM programme. This 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. When deploying our SAM techniques for well or midstream optimisation we utilise methods that also allow us to reduce the emissions of that particular asset. Certain changes in natural gas and oil legislation and administration changes have less impact on us because we do not drill and because most proposed ESG related regulatory policies would grandfather in existing, producing assets. We have an active EHS group that strives for quality leak detection and repair processes. This aligns protecting the environment with our financial interest to capture every unit of production generating additional Free Cash Flow. We proactively established long-term plugging and abandonment agreements with the states in which we operate, and a core KPI of our business is to Meet or Exceed State Asset Retirement Goals under these programmes. We employ local people to do local work. These individuals care about the communities and environment in which they work, it is their home, and that passion shows in their work every day. 	<p>The following KPIs are sensitive to the impact of Climate and ESG Risk:</p> <ul style="list-style-type: none"> Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x Total Cash Cost per Boe Consistent Dividend per Share Consistent Cash Margin Hedged Adjusted EBITDA per Share Meet or Exceed State Asset Retirement Goals 	<ul style="list-style-type: none"> Operate Our Assets in a Safe, Efficient and Responsible Manner Retire Assets Safely and Responsibly and Restore the Environment to its Natural State



● FINANCIAL RISK

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.

RESPONSE/MITIGATION	RISK INDICATORS	LINK TO STRATEGY
<ul style="list-style-type: none"> 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 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. 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. Heading into 2021, for example, approximately 90% of our natural gas production is hedged at an average NYMEX floor price of \$2.93 per Mcfe and approximately 65% of our natural gas basis differentials are hedged at an average price of \$0.40 per Mcfe creating substantial protection against potential downward natural gas price movements. 	<p>The following KPIs are sensitive to the impact of Commodity Price Volatility Risk:</p> <ul style="list-style-type: none"> Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x Consistent Dividend per Share Consistent Cash Margin 	<ul style="list-style-type: none"> Generate Reliable Free Cash Flow

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.

RESPONSE/MITIGATION	RISK INDICATORS	LINK TO STRATEGY
<ul style="list-style-type: none"> 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 monthly on its debt and liquidity position. Our business model of stable production contributes to predictable cash flow, which makes it easier to forecast funding needs. Strong access to bank capital as our borrowing base in the fall 2020 redetermination was reaffirmed unanimously by our 17-Bank Group Syndicate. Demonstrated and prospective 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. 	<p>The following KPIs are sensitive to the impact of Financial Strength and Flexibility Risk:</p> <ul style="list-style-type: none"> Maintain Net Debt-to-Hedged Adjusted EBITDA of <2.5x Consistent Dividend per Share Consistent Cash Margin Hedged Adjusted EBITDA per Share Meet or Exceed State Asset Retirement Goals 	<ul style="list-style-type: none"> 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

Viability and Going Concern

In accordance with Provision 31 section 4 of the UK Corporate Governance Code, and taking into account our current position and its 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 2020, we continued to grow and generate significant operating cash flows from both our Legacy and recently acquired assets. Our focus on acquiring assets from which we can generate robust Free Cash Flow, even in an environment of lower commodity pricing, 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 to ensure we create returns for our shareholders. Our long-life, low-decline assets require minimal ongoing capital expenditures, providing that much of what they generate is Free Cash Flow. Since our 2017 IPO and consistent with our pledge to investors, we've consistently distributed approximately 40% of Free Cash Flow to our shareholders through regular (now quarterly) dividends. We also use a significant portion of our Free Cash Flow to repay debt on our amortising structures and Credit Facility.

During this period of economic uncertainty, stemming from the Covid-19 pandemic, companies across all sectors have cut, suspended or eliminated their dividends, and volatile commodity prices have increased the strain on many companies within our sector. We were well positioned for the volatility in 2020. Our differentiated business model and prudent use of derivative contracts to protect our cash flow allowed us to not only sustain our cash flow but also increase our dividend in 2020, which helped further differentiate us from others in our industry. Of course, significant uncertainty remains regarding the impact of the Covid-19 pandemic, though our day-to-day operations continue to be materially unaffected.

Importantly, our business model naturally lends itself to a socially distant operating environment provided that the majority of our employees are most commonly working alone or in small teams in remote areas when servicing wells. To protect our employees during the Covid-19 pandemic, we proactively issued personal protective equipment guidance, established social distancing policies when employees needed to work together

and, where possible, supported remote working environments. Remote working proved especially efficient for many of our employees following our recent and significant investments in our IT infrastructure and cloud-based systems.

To ensure we are compliant with all regulatory authorities, we closely monitored guidance issued by state and local governments, the Centers for Disease Control and Prevention (the "CDC") and OSHA. We continue to monitor the changing risk landscape and will respond proactively to ensure the health and safety of our employees.

The lingering period of low commodity prices has been detrimental to our industry peers, many of whom have traditionally focused on capital intensive growth through exploration and development. These companies find themselves over-leveraged with near-term debt maturities and reduced cash flow. Recognising the need to lower costs and generate Free Cash Flow, many of those companies are now motivated by need and/or necessity to reevaluate their portfolios and determine what assets they can divest to repair their balance sheets. As these companies work to realign their growth and financial strategies, we believe it will provide us with ample opportunity for continued complementary and accretive acquisitive growth.

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 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 the Groups current performance and longer-term outlook.

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").

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. The Group regularly produce cash flow projections, which it sensitises 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 the Group's operating and liquidity risks.

Based on our 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 2021 to December 2023) form a reasonable expectation of the Group's viability. At least annually, the Group performs its three-year-year Base Plan forecast for its 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-year Base Plan, and the Group's 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 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;
- The financial impact of our current hedging contracts in place, being approximately 90%, 65% and 45% of total production volumes hedged for the years ending 31 December 2021, 2022 and 2023 respectively; and
- The scenario also includes the scheduled principal and interest payments on our current debt arrangements and the funding of a dividend utilising approximately 40% of Free Cash Flow.

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

- 1 A sharp and sustained decline in pricing resulting in a 10% reduction to net realised prices.**
- 2 An operational stoppage or regulatory event occurs which results in reduced production by approximately 5%.**
- 3 A market or regulatory event 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 the Group's prospects within the assessment period, and accordingly assess opportunities to actively mitigate the risk of these downside scenarios. Based on their evaluation, the Directors and Senior Leadership Team have a reasonable expectation that the Group will be able to continue to operate, meet our liabilities as they mature, and continue dividends to shareholders in accordance with its stated policy over the three-year period of their assessment.

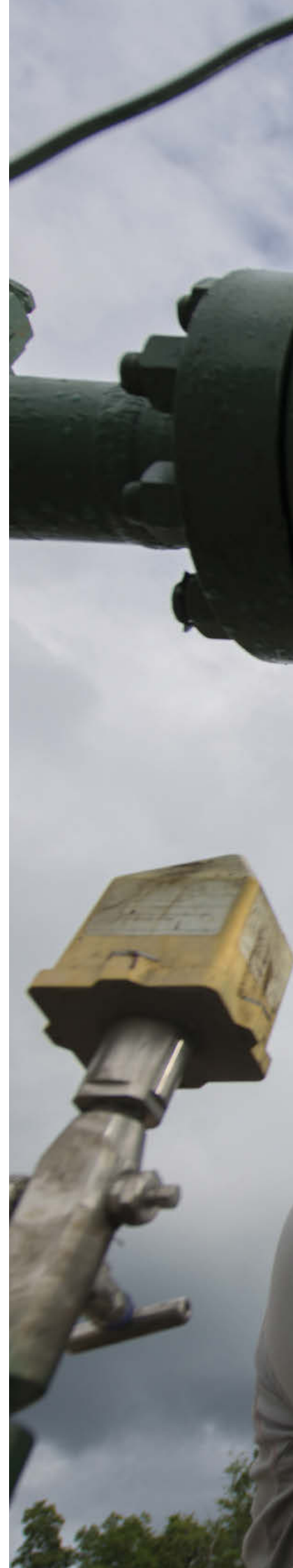
GOING CONCERN

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 the Group consolidated financial statements for the year ended 31 December 2020.

Corporate Governance

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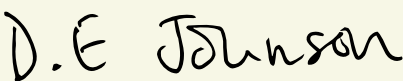
The Chairman's Governance Statement

Dear Shareholder,

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

In a year where the global economy and society has seen unprecedented shocks from the Covid-19 pandemic, it is testament to the sound governance framework we have in place that the Board and its committees have continued to provide consistent leadership and effective oversight of the Group to deliver the strategy whilst managing the risks inevitably emerging from the pandemic.

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, 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 completion of our move to the Main Market on 18 May 2020 and inclusion in the FTSE 250 on 21 September 2020.



DAVID E. JOHNSON

Chairman of the Board

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. 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.

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 formally documented. 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;
- Approval of the Group's operating and capital expenditure budgets and any material changes to them;
- Material changes to the Group's corporate structure and management and control structure;
- Changes to governance and business policies;
- Ensuring an effective system of internal control and risk management;
- 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



CEO

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

Climate Change



Governance Framework continued

BOARD EFFECTIVENESS, COMPOSITION AND INDEPENDENCE

During the year ended 31 December 2020, the Board is comprised of seven directors being the Independent Non-Executive Chairman, the Group's CEO, the Executive Vice President and COO, and four Non-Executive Directors. Four of the five Non-Executive Directors are considered independent. The skills and experience of the Non-Executive Directors are wide and varied and contribute to productive and challenging discussion 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 an Independent Non-Executive Chairman and three Independent Non-Executive Directors, over half of the Board is independent and the Audit and Risk and Remuneration Committees are fully independent. The level of independence on the Board has enabled our Board committees, the Audit and Risk and Remuneration Committees, to be comprised solely of Independent Directors. Female representation at the Board level has significantly and materially improved from 0% in late-2019 to 29% as of 31 December 2020 (two out of seven Board members now being female). The Board is mindful of the Hampton-Alexander Review recommendations and is moving towards compliance with this goal by ensuring that the work of the Nomination Committee meets our diversity and inclusion policy and aspirations as a FTSE 250 company. The Board has a wide range of skills and competencies which are set out in the biographies below, with additional skills being added to the Board during the year. Recognising the importance of workforce engagement, this year we designated a Director responsible for workforce engagement, Sandra M. Stash. 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's review and approval 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 Company 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 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.

BOARD COMMITTEES

The Directors have established four Board committees: an Audit and Risk Committee, Remuneration Committee, Nomination 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"). 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, the Board continues to demonstrate diversity in a wider sense, with Directors from the US 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 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.

Currently, the Board fully complies with the requirements of 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”) 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. As of 24 January 2021, Melanie A. Little served on the remuneration committee for a full 12 months and the Group is now in compliance in this respect.

The Corporate Governance Code also 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 and the Senior Independent Director is David J. Turner, Jr. The Board considers David E. Johnson, Sandra M. Stash, David J. Turner, Jr. and Melanie A. Little to meet the independence criteria set out in the Corporate Governance Code.

OUR APPROACH TO GOVERNANCE

Last year, we embarked on a robust programme to bring the Board into compliance with the Code as we planned and ultimately obtained admission of our shares for listing on the Premium Segment of the official list of the Financial Conduct Authority (“FCA”) and to trading on the Main Market of the LSE.

As of the date of this Annual Report, our Board is made up of seven directors: two Executive Directors and five Non-Executive Directors, of whom four are deemed Independent Non-Executive Directors under the Code.

Alongside the continued focus on our business strategy, we achieved significant milestones in 2020 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 2020

The Board recognises the benefits of good governance and is seeking to apply this in a meaningful way. The Group finds itself as the parent of 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. The Group therefore recognises the Board’s key role to balancing the fundamental elements of good governance, namely to deliver business growth and build trust while maintaining a dynamic management framework.

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

The Group is actively engaged in the process of putting in place a 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 adopted several key governance policies including the following: Securities Dealing Code, Compliance Hotline and Whistleblowing Policy, Anti-Bribery Policy, Corporate Social Responsibility Policy, Human Rights Policy and EHS Policy.
- The Board achieved further progression of the Group’s overall corporate governance framework and practices.
- The Nomination Committee continued the Board refreshment process during the year with a Board performance review having been undertaken, outlining any additional skills from which the Board would benefit.
- The Audit and Risk Committee is fully independent and continues to adopt best practice.
- The Remuneration Committee is also fully independent and conducts a thorough review of the remuneration policy and practices on an annual basis.

Board of Directors

A move to the Main Market and a premium listing inherently brings with it a commitment to strong governance, reporting and operating standards. The current Board consists of seven Directors: including an independent non-executive Chair, two Executive Directors, the Senior Independent Director, two additional independent Non-Executive Directors and one Non-executive Director.

1. DAVID E. JOHNSON

Independent Non-Executive Chairman

Committee Membership:   

Appointed: 3 February 2017 and as Chair of the Board on 30 April 2019

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.

2. RUSTY HUTSON, JR.

Co-Founder and Chief Executive Officer

Committee Membership: None






Appointed: 31 July 2014

Experience: 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 Gas & Oil in 2001. After years of refining his strategy, Rusty and his team took the Group public in 2017. He continues to lead his team and expand the Group's footprint. With a rapidly growing portfolio, Mr. Hutson remains focussed 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: None

Committee memberships

-  Audit and Risk
-  Nominations
-  Remuneration
-  Sustainability and Safety
-  Chair

3. BRADLEY G. GRAY

Executive Vice President and Chief Operating Officer

Committee Membership: 

Appointed: 24 October 2016

Experience: 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 US-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

4. MELANIE A. LITTLE

Independent Non-Executive Director

Committee Membership:   

Appointed: 19 December 2019

Experience: Ms. Little has almost 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 US Army. Ms. Little holds a BSc in environmental engineering from the US Military Academy at West Point and an MSc in civil engineering from the Georgia Institute of Technology.

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. As of 24 January 2021, Ms. Little served on the remuneration committee for a full 12 months and the Group is now compliant in this respect. While Ms. Little had not served as a board member on a remuneration committee for at least 12 months prior to her appointment as chair of the Remuneration Committee, she has experience in compensation matters engagement with board directors in the United States. Since January 2018, Ms. Little has regularly attended meetings of the Compensation Committee of Magellan Midstream Partners L.P., a company listed on the New York Stock Exchange, and is responsible for developing and briefing the committee on the annual Environmental and Safety framework and associated metrics for the annual incentive plan, which applies to all 1850+ employees and composes 25 percent of annual payout for all employees (executive and non-executive). She is responsible for providing the recommended annual payout, which is discretionary,



for this component to the committee. In addition, she has extensive experience in the annual salary assessment process(es) as she is ultimately responsible for working with the appropriate internal and external stakeholders in order to establish all compensation for her team, which consists of approximately 1100 team members across a wide range of skills and applicable compensation, to include salary (approximately \$100 million per year), bonus, and long term incentive plan awards. She also serves as chair of the Management Benefits Committee of Magellan Midstream Partners L.P., regularly dealing with matters relating to health insurance, pensions, 401ks, ancillary employee benefits and other related matters. In light of Ms. Little's extensive experience of remuneration matters and her participation with compensation and benefits of a major public company, the Board believes that she has more than sufficient experience to chair the Remuneration Committee. The Board believes that with the current composition of the Remuneration Committee, including the Chair of the Board, and with Ms. Little as chair of the Remuneration Committee, the committee possesses the desirable range of skills and experience necessary for the effective functioning of the Remuneration Committee.

Key Strengths: Project management; EH&S management and compliance.

Key Strengths: Project management; EH&S management and compliance.

Current External Roles: Magellan Midstream Partners LP (SVP), The Discovery Lab (Director), International Liquid Terminals Association (Director)

5. SANDRA M. STASH

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

Committee Membership: A R S

Appointed: 21 October 2019

Experience: 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 April 1, 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. She has also served on several Boards of Directors including the Federal Reserve Bank of Minneapolis, the International Women's Forum (IWF), the Colorado School of Mines, as Chair, on the Montana Tech Foundation Board of Directors and privately held US-based Lucid Energy.

Key Strengths: Risk management and sustainability; operations and engineering; Non-Executive Director Employee Representative

Current External Roles: Colorado School of Mines (Board of Governors member), International Women's Forum (Director), Lucid Energy (Director) and Trans Mountain Corporation, a Canadian Crown Corporation (Director).

6. MARTIN K. THOMAS

Non-Executive Vice Chair

Committee Membership: A

Appointed: 1 January 2015

Experience: Mr. Thomas is a corporate partner heading the capital markets practice at Wedlake Bell LLP in London. Mr. Thomas specialises in advising companies on initial public offerings and secondary offerings of equity and debt on the London capital markets, corporate finance and mergers and acquisitions, including cross-border and domestic acquisitions and disposals, joint ventures and private equity transactions. Previously named one of The Lawyer's "UK Hot 100 Lawyers" and ranked by both Chambers and Partners and Legal 500, Mr. Thomas advises 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. During his legal career of 30 years, Mr. Thomas has also held senior management positions including seven years as the European Managing Partner of a global law firm headquartered in the US and was previously a corporate partner at Watson Farley & Williams LLP in London.

Key Strengths: Corporate law; advising on mergers and acquisitions; public offerings.

Current External Roles: Wedlake Bell LLP (Partner), Jasper Consultants Limited (Director) and Blue Ocean Consolidated Holding Limited (Director).

7. DAVID J. TURNER, JR.

Senior Independent Non-Executive Director

Committee Membership: A N

Appointed: 27 May 2019

Experience: 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).

Directors' Report

The Directors present their report on the Group, together with the audited Group Financial Information, for the year ended 31 December 2020.

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

Independent Non-Executive Chair

RUSTY HUTSON, JR.

Chief Executive Officer

BRADLEY G. GRAY

Chief Operating Officer

MARTIN K. THOMAS

Non-Executive Vice Chair

DAVID J. TURNER, JR.

Senior Independent Non-Executive Director

MELANIE A. LITTLE

Independent Non-Executive Director

SANDRA M. STASH

Independent Non-Executive Director

INCORPORATION AND LISTING

The Group was incorporated on 31 July 2014, and completed the transition to the Premium Listing Segment of the Official List of the 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 are exclusively located within the Appalachian Basin of the US with headquarters in Birmingham, Alabama, US, and field offices located in the states of Pennsylvania, Ohio, West Virginia, Kentucky, Virginia and Tennessee.

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 2020 was \$23 million, or \$0.03 per diluted share, and when adjusted for certain non-cash items, it reported Hedged Adjusted EBITDA of \$301 million, or \$0.44 per diluted share. The Group's Hedged Adjusted EBITDA for 2019 was \$273 million, or \$0.42 per diluted share. For more information on Hedged Adjusted EBITDA see the APMs section in Additional Information and Note 9 in the Notes to the Group Financial Information within this Annual Report.

DIVIDEND POLICY

The Board's target is to return not less than 40% of 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 2020, the Group paid a dividend of \$0.035 per share on 25 September 2020. For the three months ended 30 June 2020, the Group paid a dividend of \$0.0375 per share on 18 December 2020. For the three months ended 30 September 2020, the Group expects to pay a dividend of \$0.040 per share on 26 March 2021. For the three months ended 31 December 2020, the Group expects to pay a dividend of \$0.040 per share on 24 June 2021.

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

DIRECTORS' INTERESTS IN SHARES

The Directors' beneficial interests in the Group's share capital, including family interests, on 31 December 2020 are shown below. These interests are based on the issued share capital at that time.

Director	Appointed	Shares of £0.01	% of Issued Share Capital
Rusty Hutson, Jr.	31 July 2014	20,860,000	2.95%
Bradley G. Gray	24 October 2016	2,317,981	0.33%
Martin K. Thomas	1 January 2015	2,150,000	0.30%
David E. Johnson	3 February 2017	400,000	0.06%
David J. Turner, Jr.	27 May 2019	247,000	0.03%
Sandra M. Stash	21 October 2019	—	—%
Melanie A. Little	19 December 2019	40,000	0.01%
		26,014,981	3.68%

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

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 Information.

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 Information.

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 of Directors. Additional details regarding the Group's risk management can be found in [Principal Risks and Uncertainties](#) within this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks the Board have reviewed are disclosed in [Principal Risks and Uncertainties](#) in the [Strategic Report](#) within this Annual Report.

SHARE DEALING CODE

The Group adopted a code for share dealings appropriate for a company listed on the Premium Listing Segment of the Official List of the FCA and admission 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.

OTHER CORPORATE GOVERNANCE POLICIES

The Board adopted several key governance policies in 2020, 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 Social Responsibility Policy** - affirms the Group's commitment to being recognised as a leader in the field of corporate social responsibility and recognises the added value for our shareholders.
- **Human Rights 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.

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 Information.

Directors' Report continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL INFORMATION

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

Company law requires the Directors to prepare financial information for each financial year. Under that law, the Directors have prepared the Group's financial information in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company's financial information in accordance with the 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). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group's financial information in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

- select suitable accounting policies and then apply them consistently;
- state whether, for the Group, international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union and for the Company, and the United Kingdom Accounting Standards,

comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial information;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial information on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial information and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial information, Article 4 of the IAS Regulation.

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 information may differ from legislation in other jurisdictions.

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 2020:

Type of Meeting	Number of Meetings Required to be Held	Number of Meetings Held
Board of Directors	–	11
Audit & Risk Committee	3	10
Nomination Committee	2	2
Remuneration Committee	2	4
Safety and Sustainability Committee	2	6

Director attendance at Board and committee meetings is summarised in the following table:

Director	Board	Audit and Risk Committee	Nomination Committee	Safety and Sustainability Committee	Remuneration Committee
Rusty Hutson, Jr.	11	—	—	—	—
Bradley G. Gray	11	—	—	6	—
David E. Johnson	11	—	2	6	4
Martin K. Thomas	11	—	2	—	—
Melanie A. Little	11	10	—	6	4
Sandra M. Stash	11	10	—	6	4
David J. Turner, Jr.	11	10	2	—	—

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.

CONFLICTS 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.

STATEMENT AS TO PROVISION OF INFORMATION TO THE AUDITOR

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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
- He/She has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's and the Company's auditor are aware of that information.

SUBSTANTIAL SHAREHOLDERS

As at 1 March 2021, 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
Standard Life Aberdeen plc	57,149,191	8.08%
M&G Investment Management Ltd	54,273,792	7.67%
AXA Investment Managers	50,155,212	7.09%
Pelham Capital Ltd.	40,086,732	5.67%
BlackRock Inc.	38,053,062	5.38%
JO Hambro Capital Management Ltd	29,841,759	4.22%
Schroder Investment Management	27,090,381	3.83%
GLG Partners LP	22,387,700	3.16%

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 US Corporation listed on the London Stock Exchange, and from periodic third-party share register reports it receives.

Directors' Report continued

INDEPENDENT AUDITOR

The 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

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 Main Market of the LSE, the Group reports against the Corporate Governance Code.

The Group currently complies with the Corporate Governance Code and a [UK Corporate Governance Code Compliance Statement](#) is provided within this Annual Report.

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 at 31 December 2020, the Group had 1,107 full-time employees, with 924 production employees and 183 production support employees located in seven states in the US. Employee participation in "town hall meetings" provides a forum for feedback to management and an opportunity for direct engagement with the Non-Executive Director Employee Representative.

As per Section 54(1) of the Modern Slavery Act 2015, our Modern Slavery Statement 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 Statement can be found on our website.

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 UK 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 Annual General Meeting ("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.dgoc.com 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.

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 for these issues within the Group's 2020 Sustainability Report which can be found on its website at www.dgoc.com 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.

With DGO's inclusion in the FTSE 250 in September 2020, the Group is now included in The Hampton-Alexander Review of gender diversity at FTSE 350 companies. The Group also acknowledges the guidelines and recommendations set forth in the Parker Review regarding ethnic diversity.

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 gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age or disability. 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.

POLITICAL DONATIONS

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

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 27 April 2021. Full details of these proposals are set out in a separate Notice of AGM that are being sent to all shareholders.

Shareholders should 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.dgoc.com.

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 Information within this Annual Report.

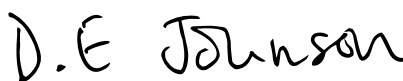
RESPONSIBILITY STATEMENT

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

- The Group financial information, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- The Company's financial information, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Group; 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.

This Annual Report was approved by the Board of Directors and authorised for issue on 8 March 2021.

By order of the Board:



DAVID E. JOHNSON
Chairman of the Board

8 March 2021

The Nomination Committee's Report

The Nomination 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 (iii) identifying and nominating for approval Board candidates to fill vacancies as and when they arise. The Nomination 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.

COMMITTEE COMPOSITION

Martin K. Thomas (56)
Non-Executive Director (Chair)

David E. Johnson (60)
Independent Non-Executive Director

David J. Turner Jr. (57)
Independent Non-Executive Director

STRENGTH

Legal



Finance



Finance



BOARD TENURE

6 years

4 years

2 years

INDEPENDENCE FROM

	Management	Other interests
Martin K. Thomas		✓
David E. Johnson	✓	✓
David J. Turner Jr.	✓	✓

Martin K. Thomas
 David E. Johnson
 David J. Turner Jr.

As exhibited by the committee's proactive steps that have brought significant gender diversity to the Board in a short period of time, we are committed to diversity and inclusion.

KEY OBJECTIVE

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.

KEY MATTERS DISCUSSED BY THE COMMITTEE

During the past year the Nomination Committee:

- Led a full board performance review process, using Leadership Advisor Group as an outside resource, over the course of the year, which included (i) intensive personal interviews with each Board member and member of senior management, (ii) an evaluation of the structure, agendas and outcomes of Board meetings, which culminated in a comprehensive report and roundtable exercise with the entire Board;
- Completed an evaluation of the Group's succession planning process and enacted an enhanced succession planning document and protocol; and
- Took steps with senior management to develop a training regime for the entire Board for the 2021 year, with topical subjects around governance, oversight, and director responsibilities, to name a few.

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 committee is comprised of three Non-Executive Directors: Martin K. Thomas, the Nomination Committee Chairperson, David E. Johnson and David J. Turner, Jr., the majority of whom are independent. On 15 April 2020, Robert Post retired as a Non-Executive Director, but continues to serve as an advisor to the Board. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

MEETINGS AND ATTENDANCE

The Nomination Committee met two times in 2020 and once in 2021.

The committee usually 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; and
- Reviewing annually the time commitment required of Non-Executive Directors.

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

DIVERSITY AND INCLUSION

With our promotion to the FTSE 250 in September 2020, the Group is now included in The Hampton-Alexander Review of gender diversity at FTSE 350 companies.

The committee and senior management engaged with The Hampton-Alexander Review in a dialogue on the significant progress that the Board has made on gender diversity. Female representation at the Board level has significantly and materially improved from 0% in late-2019 to 29% as of 31 December 2020 (two out of seven Board members now being females). We currently have 30% female representation in the Group's senior management and direct reports, which is comprised of 21 females and 50 males.

The Nomination Committee's Report *continued*

The committee also acknowledges the guidelines and recommendations set forth in the Parker Review regarding ethnic diversity. The Group has a strong commitment to increasing its ethnic diversity and believes that an ethnically 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.

As exhibited by the committee's proactive steps that have brought significant gender diversity to the Board in a short period of time, we are committed to diversity and inclusion. To that end, as the committee evaluates potential changes and additions to the Board over the coming year, it will be (i) keeping the Hampton-Alexander Review and Parker Review goals at the very forefront of its considerations to ensure that the Board's diversity, experience and knowledge base are best-in-class and (ii) committed to achieving at least 33% female representation on the Board within the next 12 months in line with the recommendations of the Hampton-Alexander Review.

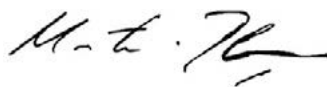
BOARD PERFORMANCE REVIEW

During the year, a Board Performance Review was conducted, consistent with our aim to adopt the UK Corporate Governance Code as our benchmark for best practice. The Nomination Committee conducted a thoughtful process to select an independent consultant. Leadership Advisor Group was chosen based on excellent references, its experience with other clients in the energy sector and because Leadership Advisor Group did not have any connection to the Group or any of its Directors.

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 programs;
- 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 personal interviews, 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 October 2020.



MARTIN K. THOMAS

Chair of the Nomination Committee

8 March 2021



The Audit & Risk Committee's Report

“The committee has continued to meet its primary objectives of providing effective governance over the Group’s financial reporting and risk controls during the year and ensuring the systems supporting internal controls remain effective.”

DAVID J. TURNER, JR.

Chairman of the Audit and Risk Committee

COMMITTEE COMPOSITION

David J. Turner Jr. (57)

Independent Non-Executive Director (Chair)

Sandra M. Stash (61)

Independent Non-Executive Director

Melanie A. Little (50)

Independent Non-Executive Director

STRENGTH

Finance



Industry



Industry



BOARD TENURE

2 years

2 years

2 years

INDEPENDENCE FROM

Management

Other interests

David J. Turner Jr.



Sandra M. Stash



Melanie A. Little



This report covers the activities of the Audit and Risk Committee in 2020 and in the period up to the approval of the Annual Report and accounts for the year ended 31 December 2020.

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, inter alia, reviewing and monitoring internal financial control systems and risk management systems on which the Group is reliant; considering annual and interim accounts and auditors' reports; making recommendations to the Board in relation to the appointment and remuneration of the Group's auditor; and monitoring and reviewing annually the auditors' independence, objectivity, effectiveness and qualifications.

KEY MATTERS DISCUSSED BY THE COMMITTEE

Main Activities

- Reviewed and challenged interim and annual financial reporting, including the impact of the UK Corporate Governance Code;
- Discussed and assessed the Group's move to the Premium Listing Segment of the Official List of the FCA and admission to trading on the Main Market of the LSE;
- Reviewed and approved the Group's Financial Reporting Procedures Manual;
- PwC was appointed as our new registered auditors in relation to the Group's move to the Premium Segment of the Main Market of the LSE;
- Reviewed and assessed the diligence processes surrounding the EQT and Carbon acquisitions and associated new equity capital raise;
- Reviewed tax management requirements and oversaw the competitive appointment of Deloitte LLP as tax advisors;
- Reviewed ERM controls strategy, function and oversight, and confirmed Embark as external control vendor;
- Played an integral role in the development and enhancement of the company-wide ERM programme;
- Closely monitored the effects of the Covid-19 pandemic upon the business; and
- 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 team.

Independence

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

Committee Effectiveness

- The committee completed a critical review of its operations and effectiveness during 2020 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 2021

- Review the Group's procedures in relation to maintaining high standards across all ethics and compliance matters;
- Continue to engage with Embark to assess ERM controls strategy, function and oversight; and
- Ensure that all risks are appropriately prioritised, addressed, and being actively managed by the respective risk owner.

MEMBERSHIP

In line with the recommendations set by the UK Corporate Governance Code, the Audit and Risk Committee is comprised of three Independent Non-Executive Directors members. The committee members are David J. Turner, Jr., the Audit and Risk Committee Chairperson; Sandra M. Stash and Melanie A. Little. 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 national publicly traded US bank that is a member of the S&P 500 Index. The other committee members have significant experience in financial matters through their other business activities. These members have been selected to provide a wide range of financial and commercial expertise necessary to fulfil the committee's responsibilities.

There were no changes to the composition of the committee during the year.

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 ten times in 2020 and twice in 2021. For committee meeting attendance for each Director see the Directors' Report within this Annual Report.

The committee regularly 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, and conducts private discussions with PwC as appropriate to ensure that the committee has a clear and unobstructed line of communication with its external

The Audit & Risk Committee's Report *continued*

auditor. The Chair of the committee keeps in close contact with the General Counsel, the finance team and the external auditor 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 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 Finance

RANDALL BARRON

Senior Vice President of Strategy and Finance

TIM MCALLISTER

PwC UK

DREW WAGONER

PwC US

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 2020, 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 2020 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 judgement, 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 auditor 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 auditor in respect of the planned audit approach, their independence and their findings in respect of the audit of the financial statements.

Financial Statements and Presentation of Results

The committee reviewed the presentation of the Group's audited results for the year ended 31 December 2020 and the unaudited results for the six months ended 30 June 2020 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

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 focussing on significant judgements 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 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 auditor, including appraising the

Information in relation to the Group's funding position and the suitability of the going concern assumption.

The committee reviewed the significant judgements associated with the 2020 financial statements, including "key audit matters", and also reviewed the supporting evidence for the Group being a going concern. The overall disclosures in the Annual Report and Accounts confirm they 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 auditor in relation to the above matters.

Attention continues to be paid to the presentation of the results in the Consolidated Statement of Comprehensive Income, which uses APMs as indicators of performance. The Board considers current treatment, which retains reference to "Adjusted EBITDA" and "EBITDA" to remain appropriate. The term "EBITDA" is "earnings before interest, tax, depreciation and amortisation", and "Adjusted EBITDA" is "EBITDA before exceptional items and acquisition and integration-related expenditures". 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. In doing so, the committee continues to review the overall robustness of the control environment, including consideration of the Group's whistleblowing and compliance arrangements.

Valuation of Natural Gas and Oil Properties and Related Assets

The committee considered the carrying value of the Group's assets. It reviewed management's recommendations, which were also reviewed by the external auditor, 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 judgements applied by management and concluded that no impairment of carrying values was required.

Statement of 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 Information within this Annual Report, together with the availability of the additional funding agreed subsequent to the year end. 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 Gas & Oil PLC have been prepared on a going concern basis.

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.

During the year, detailed work on the Group's ERM programme was conducted by members of the management team with Embark to ensure that all risks are appropriately prioritised, addressed, and being actively managed by the respective risk owner. The committee reviewed and leveraged its collective perspectives and skills to challenge management on the proposed framework for identifying and assessing risks. As a result of insights from the committee, management further refined the risk matrix and scoring system to create a more fulsome and effective framework, which included 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.

The Audit & Risk Committee's Report *continued*

Internal Audit

The Group currently does not have an internal audit function. The committee continues to monitor the appropriateness of this as the Group evolves and grows.

In the absence of a formal internal audit function, the Group maintains – and has been increasing the staffing of – an internal controls group lead by a Director in Accounting with significant prior experience leading internal audits. The internal controls group also includes a highly experienced manager and is in the process of adding an additional staff auditor to its team. Collectively, this skilled 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 Auditor

The committee recognises the importance of safeguarding the objectivity of the auditor. The following safeguards are in place to ensure that the independence of the auditor is not compromised.

- The Audit and Risk Committee carries out an annual review of the external auditor regarding their independence from the Group in all material respects 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 auditor. A tax adviser separate from the external auditor is engaged to provide tax related services;
- The external auditor 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 auditor reports 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 auditor 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 auditor does not arise. The committee does not adopt a formulaic approach to this assessment; and
- Information related to audit fees for 2020 is detailed in Note 7 in the Notes to the Group Financial Information.

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 judgements 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 judgements by management. The key audit areas are agreed upon with management and the external auditor as part of the year-end audit planning process. This includes an assessment by management of the significant areas requiring management judgement. These areas are reviewed with the auditor to ensure that appropriate levels of audit work are completed, and the committee reviews the results of this work.

Responsibility for the External Audit

The committee is responsible for oversight and for managing the relationship with our external auditor. The objectivity and independence of the external auditor is safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Group, and reviewing the non-audit fees payable to the auditor.

The Audit and Risk Committee is responsible for approving major items of non-audit work, and receives summaries of non-audit fees to ensure compliance with our policies. See

Note 7 in the Notes to the Group Financial Information for more information regarding the auditors' remuneration. PwC has formally confirmed its independence to the committee prior to signing its audit opinion.

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 and a review of the nature, scope and reports of external audit;
- 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 auditor. 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 IFRS.

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, which comment on controls to manage identified risks; and
- Confidential 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 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

8 March 2021

The Remuneration Committee's Report

On behalf of the Board, I am pleased to introduce our 2020 Directors' Remuneration Report. Included within this report is the Directors' Remuneration Policy. The policy, together with our Annual Report on Directors' Remuneration, will be presented to shareholders for reapproval at the 2021 Annual General Meeting.

COMMITTEE COMPOSITION

Melanie A. Little (50)

Independent Non-Executive Director (Chair)

David E. Johnson (60)

Independent Non-Executive Director

Sandra M. Stash (61)

Independent Non-Executive Director

STRENGTH

Industry



Finance



Industry



BOARD TENURE

2 years

4 years

2 years

INDEPENDENCE FROM

	Management	Other interests
Melanie A. Little	✓	✓
David E. Johnson	✓	✓
Sandra M. Stash	✓	✓

 Melanie A. Little  David E. Johnson  Sandra M. Stash

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 stockholders;
- 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 stockholders.

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.

DGO’S Performance in 2020

2020 was a year of exceptional progress and development with material acquisitions, accretive financing transactions, a robust Covid-19 pandemic response that resulted in no Group downtime, and our admission to the Premium Listing Segment of the Official List of the FCA and admission to trading on the Main Market of the LSE.

With respect to the 2020 annual bonus, as reported elsewhere in this Annual Report, DGO’s Hedged Adjusted EBITDA for 2020 was \$301 million. This equated to an actual (audited) Hedged Adjusted EBITDA per Share of \$0.44, which exceeds the 2020 Annual Bonus stretch metric of \$0.43 per share. The target Hedged Adjusted EBITDA per Share was established using the 2020 budget, with the stretch metric achievable from over-performing in production, management of costs, and/or executing on acquisitions. The uplift to Hedged Adjusted EBITDA per Share will also be reflected in an enhanced dividend and is, therefore, directly aligned with shareholder interests. As such, the committee awarded the full stretch amount for this metric.

The committee assessed half (10%) of the 20% bonus production metric on achieving the target of 90,600 Boepd without acquisitions. The other half of this metric was assessed at the discretion of the committee, inclusive of assessing the increased production from acquisitions and a review of returning inactive/underperforming wells to service/increased production. The Group performed well in both existing and acquisition production focusing on Smarter Asset Management, to include key initiatives such as tank replacement, line loss repair, well hookup, and asset consolidation. Although due to factors outside of the Group’s control, actual achievement of 90,600 Boepd from the assets (excluding 2020 acquisitions) was slightly below (~1%) target, as such, the committee awarded 19% out of 20% for this metric.

Under the cost metric, the Group achieved Total Cash Cost per Boe of \$6.92 (\$1.15 per Mcfe), which was 8% favourable to the stretch metric, and was the result of the intentional focus of management on maximising the synergistic asset base and economies of scale, to further drive efficiencies without compromising safety or compliance. As such, the committee awarded the full stretch amount for this metric, which included: Base LOE, transportation, production taxes, midstream operating and Adjusted G&A.

In relation to the non-financial elements which account for the remainder of the annual award, the Executive Directors were determined to have performed towards the top end of the objectives. The Group’s overall performance resulted in awards of 141% of salary out of a maximum of 150% of salary being awarded to the Executive Directors under the annual bonus plan.

The 2020 financial year was also the end of the performance period for the first tranche of the stock options (“Options”) granted in mid-2018 which are anticipated to vest at 100%. 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 committee determined that it would be appropriate for 2020 annual bonus outcomes to payout as described above and for the Options to vest in full as these outcomes were valid reflections of the overall strong performance by the Group. There were no other exercises of judgment or discretion by the committee save as detailed in this report.

The Remuneration Committee's Report continued

KEY MATTERS DISCUSSED BY THE COMMITTEE

During the year, the key activities carried out by the committee in 2020 with the support of key management team individuals including the Chief Operating Officer, General Counsel, and head of Human Resources, included:

- Confirmed that the Remuneration Policy for Executive Directors, as approved by shareholders at the 2020 AGM, remains valid for reapproval at our 2021 AGM;
- Determined 2020 annual bonus outcomes for the Executive Directors;
- Determined base salaries of the Executive Directors for the period starting January 2021, with an adjustment in line with the percentage increase to be made for the general workforce;
- Reviewed and recommended to the Board the individual remuneration of the Non-Executive Directors;
- Reviewed and approved the annual total remuneration of the Group's management team;
- Reviewed and approved an update to the annual award documents for the Short-Term Incentive Programme ("STIP") and the Long-Term Incentive Programme ("LTIP");
- Reviewed all outstanding equity awards to ensure compliance with the policy;
- Reviewed the Group's benefits plans;
- Completed a committee self-assessment and improvement process;
- Discussed and reviewed the 2021 Executive Director Bonus Plan and Performance Share Award targets; and
- Prepared the Directors' Remuneration Report.

Directors' Remuneration Policy for 2021

During the course of 2019, the committee undertook a review of the remuneration structure and consulted with our major shareholders in anticipation of seeking Shareholder approval for the Directors' Remuneration Policy at the 2020 AGM. The policy was fully supported at the AGM with 99.99% votes in favour of its adoption.



As outlined in last year's Annual Report, due to the timing of the move to the Main Market, in line with the relevant legislation, the Directors' Remuneration Policy will be required to be reapproved at the 2021 AGM by way of a binding shareholder resolution. The committee has confirmed that the Directors' Remuneration Policy remains valid and therefore, the main features of the policy are proposed for re-approval in unamended form.

The Group's formal policy for post-employment shareholding involves the operation of bonus deferral and post-vesting holding requirements that continue after employment has ended. The committee is aware of UK investor guidance in relation to continuation of separate share ownership guidelines post-employment. However, it considers that, in light of the Group's specific circumstances with its Executive Directors holding significant ownership of shares, and being physically located in the US where additional requirements on the holding of shares are not market practice, that the current arrangements provide appropriate alignment after employment has ended. However, the committee will continue to keep this aspect of the policy under review.

The committee believes the policy continues to meet its main aims, which are to:

- Reflect the Board's expectation of a programme designed to "pay for performance" while meeting the objectives outlined above;
- Ensure the continued incentivisation and retention of the Group's management team (in line with industry peers) who are essential to the delivery of the Group's strategy;
- Develop a remuneration policy that is reflective of the Group's up-listing to the Premium Segment of the Main Market of the LSE;
- Reflect the international nature of the Group, including the fact that the management team is entirely based in the US;
- Reflect shareholder feedback;
- Further strengthen the role played by equity in our remuneration policy and thereby strengthen alignment between executive pay and long-term value creation for our shareholders; and
- Reflect emerging trends in best practice, protect against inappropriate pay outcomes and provide excellent transparency to shareholders.

Implementation of Directors' Remuneration Policy for 2021

The remuneration of the Executive Directors has been adjusted for 2021 in line with the existing remuneration policy approved in 2020, with an adjustment to base salary in line with the increase budgeted for the general workforce. The resulting salaries continue to be broadly below or in line with the lower quartile positioning of similar sized US peers in the sector and in line with UK norms. As such, they are not felt to be excessive.

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.

Format of the Report and Matters to be Approved at Our Annual General Meeting

At the 2021 AGM, shareholders will be asked to approve two resolutions related to Directors' remuneration matters:

- To approve the Directors' Remuneration Policy as set out in Part A of this Directors' Remuneration Report; and
- To approve the Annual Report on Remuneration as set out in Part B of this Directors' Remuneration Report.

Our approach to executive pay is designed to address the challenge of balancing a US 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 resolutions on remuneration matters to be tabled at the 2021 AGM.



MELANIE A. LITTLE

Chair of the Remuneration Committee

8 March 2021

The Remuneration Committee's Report continued

MEMBERSHIP

The committee is comprised of: Melanie A. Little, the Remuneration Committee Chairperson, David E. Johnson and Sandra M. Stash, all of whom are independent Non-Executive Directors and all who served as members of the committee throughout the year. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

MEETINGS AND ATTENDANCE

The Remuneration Committee met formally four times during the year and all committee members attended all meetings.

The committee regularly 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 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:

- Deciding the Group's framework for executive remuneration;
- Determining the remuneration for each of the Executive Directors;
- Reviewing and approving 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, discussion and approval by the committee. The committee, in executive 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 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

Following a review of potential suppliers, the committee appointed FIT Remuneration Consultants LLP (“FIT”), signatories to the Remuneration Consultants Group’s Code of Conduct, to provide advice to the committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and, accordingly, the committee was satisfied that the advice provided by FIT was objective and independent. FIT’s fees in respect of 2020 were £39,609, 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 intends to commission an independent review of the Executive and Non-Executive Directors’ compensation, to include an evaluation of appropriate UK and US peers that reflect the Group’s focus on production and transportation of natural gas and liquids (as the Group’s business model is not based on drilling).

Performance-driven remuneration opportunities ensures that we attract, retain and motivate executives to achieve optimal results for the Group and its shareholders.



The Remuneration Committee's Report continued

Remuneration at a Glance

REMUNERATION POLICY AND IMPLEMENTATION

STATED OBJECTIVE	OVERVIEW OF POLICY	IMPLEMENTATION FOR 2021
Base salary	<p>Reviewed annually.</p> <p>Consideration given to performance of the Group and the individual responsibilities or scope of the role, and pay practices in relevant comparator companies.</p>	<p>Executive Directors (in thousands):</p> <ul style="list-style-type: none"> CEO: Rusty Hutson, Jr.: \$693^(a) COO: Bradley G. Gray: \$426^(a)
Pension and benefits	<p>The current Executive Directors do not receive a pension contribution and any future provision will be aligned to the wider workforce.</p> <p>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 toward their own retirement. The Group matches Executive Directors' contributions up to \$26k per annum.</p> <p>Benefits consist of standard car and health/insurance related benefits.</p>	<p>The current Executive Directors do not receive a pension contribution.</p> <p>With limited exceptions, the US Section 401(k) defined contribution plan currently provides company matching contributions up to a maximum of \$26k per annum.</p>
Annual bonus	<p>Maximum of 150% of salary.</p> <p>Paid in cash up to 100% of base salary; Outcomes above this level deferred into a combination of shares or cash for a year.</p> <p>Subject to the achievement of relevant performance conditions, both qualitative and quantitative.</p> <p>Subject to malus and clawback provisions.</p>	<p>Potential awards for 2021:</p> <ul style="list-style-type: none"> Rusty Hutson Jr.: 150% of salary Bradley G. Gray: 150% of salary Performance conditions, which will have defined Threshold, Target, and Stretch payout criteria: EBITDA/share (35%), Production (15%), Total Cash Costs/Mcfe (15%), Funding (10%) and ESG/EHS (25%)
Long-term incentives	<p>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.</p> <p>Maximum award of 200% of salary.</p> <p>Subject to malus and clawback provisions.</p>	<p>Potential awards for 2021:</p> <ul style="list-style-type: none"> Rusty Hutson Jr.: 200% of salary Bradley G. Gray: 200% of salary Performance conditions: Return on Equity (40%), Absolute Total Shareholder Return ("TSR") (40%) & Relative TSR (20%)
Share ownership requirements	200% for Executive Directors	Rusty Hutson Jr. and Bradley G. Gray both meet this requirement.

(a) Effective 10 January 2021 and represents a 2.7% increase over 2020 which is in alignment with the budgeted merit increase for the wider workforce.

INTRODUCTION

Part A: Represents the proposed policy which will take effect, subject to the approval of the shareholders, immediately after the 2021 AGM (the “Directors’ Remuneration Policy”).

Part B: Constitutes the Annual Report on Remuneration sections of the Executive Directors’ Remuneration Report.

PART A: DIRECTORS’ REMUNERATION POLICY

In connection with the Group’s transition to the Main Market, the Directors’ Remuneration Policy must be reapproved at the 2021 AGM by way of a binding shareholder resolution. The committee has confirmed that the Directors’ Remuneration Policy remains valid and therefore, apart from a number of clarifications, the main elements of the policy are proposed for re-approval in unamended form from that approved by shareholders at the 2020 AGM.

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
<p>Base salary</p> <p>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.</p>	<p>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 US and UK comparator companies of a broadly similar size and complexity, with due account taken of both market capitalisation and turnover.</p> <p>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 judgement, the appropriate level of salary. Base salary is paid monthly in cash.</p>	<p>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.</p>	n/a
<p>Benefits</p> <p>To provide benefits valued by recipients.</p>	<p>The Executive Directors currently receive standard car and health/ insurance related benefits.</p> <p>Where appropriate, the Group will meet certain costs relating to Executive Director relocations.</p> <p>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 toward their own retirement. The Group matches Executive Directors’ contributions up to \$26k per annum.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>With limited exceptions, the US Section 401(k) defined contribution plan currently provides company matching contributions up to a maximum of \$26k per annum.</p> <p>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.</p>	n/a
<p>Pension</p> <p>To provide retirement benefits.</p>	<p>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.</p>	<p>The current Executive Directors do not receive a pension contribution.</p> <p>Any future pension provision will be limited to levels aligned to the contribution levels for the majority of the workforce.</p>	n/a

The Remuneration Committee's Report continued

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES
<p>Annual bonus plan</p> <p>To motivate Executive Directors and incentivise the delivery of performance over a one-year operating cycle, focussing on the short- to medium-term elements of our strategic aims.</p>	<p>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.</p> <p>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.</p> <p>Annual bonus plan outcomes will be paid in cash up to 100% of base salary. Outcomes above this level will be deferred as either cash or shares for one year provided continued service. After the deferral period, the value of any dividends (if deferred as shares) will be paid in cash or shares.</p> <p>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.</p>	<p>The maximum level of annual bonus plan outcomes is 150% of base salary for the duration of this policy.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p>Long-term incentives</p> <p>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.</p>	<p>Performance Share Awards vest over a period of three years, with awards vesting to the extent that performance conditions are satisfied.</p> <p>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.</p> <p>After the vesting period (and the additional holding period), the value of any dividends on performance vested shares will be paid in cash or shares.</p> <p>Clawback and malus provisions apply to Performance Share Awards.</p>	<p>Performance Share Awards may be granted with a maximum value of 200% of base salary per financial year.</p>	<p>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.</p> <p>The metrics and weightings applicable in 2021 are as follows: Return on Equity (40%), Absolute TSR (40%) & Relative TSR (20%).</p> <p>No more than 25% of awards vest for attaining the threshold level of performance conditions. The Committee also has a standard power to apply its judgement 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.</p>

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES
<p>Share ownership guidelines</p> <p>To further align the interests of Executive Directors with those of shareholders.</p>	<p>Executive Directors are expected to build up a prescribed level of shareholding.</p> <p>Minimum shareholding is 200% of base salary. The committee reserves the power to amend, but not reduce, these levels in future years.</p> <p>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 Group's share plans until the guideline is met.</p> <p>Any vested Performance Share Award shares subject to a holding period and any shares awarded in connection with annual bonus deferral will be credited for the purpose of the guidelines (discounted for anticipated tax liabilities).</p>	n/a	n/a
<p>Chairman's and Non-Executive Directors' fees</p> <p>To enable the Group to recruit and retain a Chairman of the Board and Non-Executive Directors of the highest calibre.</p>	<p>The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other US and UK listed peers of equivalent size and complexity.</p> <p>The fees payable to the Non-Executive Directors are determined by the Board, and will include incremental Committee Chair fees (as applicable). Directors do not participate in decisions regarding their own fees.</p> <p>Non-Executive Directors are reimbursed all necessary and reasonable expenses incurred in the performance of their duties and any tax thereon.</p> <p>No benefits are envisaged for the Chairman and Non-Executive Directors, but the Group reserves the right to provide benefits, including travel and office support.</p>	<p>Fees are paid monthly in cash.</p> <p>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.</p> <p>Any increases actually made will be appropriately disclosed.</p>	n/a

Outstanding Obligations

For the avoidance of doubt, in approving this policy, authority is given to the Group to honour any commitments entered into with current or former Directors prior to the adoption of this policy (including under a prior policy).

Service Contracts

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 Remuneration Committee's Report continued

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 US 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 Service Contract	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	

Malus and Clawback

The Remuneration Committee may apply malus and clawback to a Performance Share Award, to deferred shares under the Annual Bonus Plan and to cash amounts under the annual bonus plan (clawback only). The relevant circumstances where these powers of recovery may operate include:

- Any accounting restatement required as a result of the financial statements of any member of the Group's being materially misstated as a result of the relevant employee's material non-compliance with the Group's financial reporting requirements under all applicable laws and policies;
- Any fraudulent act of the relevant employee (whether proven, admitted or otherwise);
- Any material breach of any term of employment;
- Any material failure in supervision and oversight by the relevant employee;
- Any gross misconduct, material wrongdoing or any material breach of any term of employment by the relevant employee;
- A material error in the calculation of the relevant employee's performance conditions; or
- Such other exceptional negative circumstances caused by the relevant employee as the committee may reasonably determine, which may include the Group suffering any serious reputational damage, financial downturn, failure of risk management or corporate failure as a result of the relevant employee's actions or inactions.

Normally, clawback can operate for up to two years following the vesting of an award.

Travel and Hospitality

The committee has been advised that corporate hospitality, whether paid for by the Group or another, and business travel for Directors (and in exceptional circumstances their families) may technically come within the applicable rules. As a result, the committee expressly reserves the right for the committee to authorise such activities within its agreed policies. Note that the committee does not consider travel and hospitality to form part of benefits in the normal usage of that term.

Differences Between the Policy on Remuneration for Directors from the Policy on Remuneration of Other Staff

While the appropriate benchmarks vary by role, the Group seeks to apply the philosophy behind this policy across the Group as a whole. Where the Group's pay policy for Directors differs from its pay policies for groups of staff, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Group takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the Directors' Remuneration Policy.

Committee Discretions

The committee will operate the annual bonus plan and Performance Share Awards according to their respective rules and the above policy table. The committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans.

These discretions include, but are not limited to, the following:

- The selection of participants;
- The timing of grant of an award/bonus opportunity;
- The size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- The determination of performance against targets and resulting vesting/bonus pay-outs;

- Discretion required when dealing with a change of control or restructuring of the Group;
- Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- The annual review of performance measures, weightings and targets from year to year.

While performance measures and targets for annual bonus and Performance Share Awards will generally remain unchanged once set, the committee has the usual discretions to amend the measures, weightings and targets in exceptional circumstances (such as a major transaction) where the original conditions would cease to operate as intended. Any such changes would be explained in the subsequent Directors' Remuneration Report and, if appropriate, be the subject of consultation with the Group's major shareholders.

Any use of these discretions would, where relevant, be explained in the Directors' Remuneration Report.

Recruitment Remuneration Policy

The Group's recruitment remuneration policy aims to give the committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

In terms of the principles for setting a package for a new Executive Director, the starting point for the committee will be to apply the general policy for Executive Directors and structure a package in accordance with that policy. Consistent with the relevant requirements, any caps contained within the policy for fixed pay do not apply to new recruits, although the committee would not envisage exceeding these caps in practice.

The annual bonus plan and Performance Share Awards, including the maximum award levels, will operate as detailed in the general policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate. For external and internal appointments, the committee may agree that the Group will meet certain relocation expenses in the year of appointment and for a further two financial years, as it considers appropriate. For external candidates, it may be necessary to make additional awards in connection with the recruitment to buy-out awards forfeited by the individual on leaving a previous employer.

For the avoidance of doubt, buy-out awards are not subject to a formal cap. Any awards to a newly recruited Executive Director which are not buy-outs will be subject to the limits for the annual bonus plan and Performance Share Awards as stated in the general policy.

For any buy-outs the Group will not pay more than is necessary in the view of the committee, and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing annual bonus plan and Performance Share Awards. It may, however, be necessary in some cases to make buy-out awards on terms that are more bespoke than the existing annual bonus plan and Performance Share Awards (for example, specific arrangements under Listing Rule 9.4.2).

All buy-outs, whether under the annual bonus plan, Performance Share Awards or otherwise, will take due account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The committee will seek, where it is practicable to do so, to make buy-outs subject to what are, in its opinion, comparable requirements in respect of service and performance.

However, the committee may choose to relax this requirement in certain cases, such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited, and where the committee considers it to be in the interests of shareholders. Exceptionally, where necessary, such buy-outs may include a guaranteed or non-prorated annual bonus in the year of joining.

A new Non-Executive Director would be recruited on the terms explained above.

Termination Policy Summary

The Remuneration Committee will consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the committee may choose to apply under the discretions available to it under the terms of the relevant plan. The potential treatments on termination under these plans are as follows:

The Remuneration Committee's Report continued

Annual bonus plan

If an Executive Director resigns without "good reason" (e.g. demotion, material reduction in compensation, relocation of principal office location of more than 200 miles) or is dismissed for cause before the end of the bonus plan year, the right to receive any bonus normally lapses. If an Executive Director ceases employment before such date by reason of death, injury, ill health, disability, retirement, resignation for good reason, or termination without cause, or any other reason determined by the committee, the committee may determine that such bonus will be payable pro rata for the period of time during the year (performance period) that the Executive Director was employed. Similar treatment will apply in the event of a change in control of the Group, provided, however, that if the Executive Director is terminated without cause or resigns for good reason within 180 days prior to such change in control, the bonus will be payable without reduction.

Deferred bonus awards are normally accelerated if the Executive Director's leaving was for reason of death, injury, ill health, disability, retirement, resignation for good reason, or termination without cause.

Performance share awards

If, during the performance or vesting period, a participant:

- Resigns without good reason or is dismissed for cause, awards lapse in full;
- Dies, awards will be pro-rated by reference to the proportion of the performance period for which the participant remained employed, subject to the Group's performance; or
- Ceases to be employed due to injury, ill health, disability, retirement, resignation for good reason, or termination without cause, or for any other reason the committee determines, awards are retained subject to the performance conditions, and vest immediately on the participant ceasing to be in employment. In such instance, awards will be pro-rated by reference to the proportion of the performance period for which the participant remained employed. The committee has a standard ability to vary time pro-rating.

In the event of a change in control of the Group, the awards vest in full if the participant is employed by the Group upon such change or was terminated without cause or resigned for good reason within 180 days before the change.

If a participant ceases employment during the holding period, performance-vested awards will normally be retained and vest as normal at the end of the holding period (unless the committee exercises its discretion to allow awards to vest early on cessation in suitable cases); provided, however, that if the participant dies or suffers a disability during the holding period, the holding period is normally accelerated.

The Group has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Group may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

Consideration of Employment Conditions Elsewhere in the Group

The Group's general pay and employment conditions will be taken into account when setting Executive Directors' remuneration.

The same reward principles guide reward decisions for all Group employees, including Executive Directors, although remuneration packages differ to take into account appropriate factors in different areas of the business:

BASE SALARY/BENEFITS/ PENSION

The committee shall receive an annual report summarising the base salaries, benefits and pension arrangements received by each category of Group staff.

ANNUAL BONUS

The majority of salaried employees participate in an annual bonus plan, although the quantum and balance of group, business unit and individual objectives varies by level and nature of role. The committee receives an annual report summarising the bonus potential and performance metrics used in each of the annual bonus schemes in operation across the Group.

LONG-TERM INCENTIVES

Key Group employees may receive share incentive awards, both Performance and Restricted, and may receive awards based on the same or different performance conditions as those for Executive Directors (although the committee reserves the discretion to vary the performance conditions for awards made to employees below Board level). The committee is provided a summary of the long-term incentive plans.

Reflecting standard practice, the committee does not specifically consult with the general workforce when determining the policy underlying the Group’s annual Remuneration Report. As highlighted in the Engagement with Employees Statement in the Directors’ Report within this Annual Report, the Group engages with employees on a range of matters. As part of this employee engagement process there is the opportunity for employees to ask questions and provide feedback on the strategy of the Group, including how this links to remuneration.

Consideration of Shareholder Views

The committee considers shareholder views received during the year and at each AGM, as well as guidance from shareholder representative bodies more broadly, when determining the remuneration policy and its implementation. The committee seeks to build an active and productive dialogue with investors on developments on the remuneration aspects of corporate governance generally and it will consult with major shareholders in advance of any material change to the structure and/or operation of the policy and will seek formal shareholder approval for any such change if required.

External Appointments

The Group’s policy is to permit an Executive Director to serve as a non-executive director elsewhere when this does not conflict with the individual’s duties to the Group, and where an Executive Director takes such a role they may be entitled to retain any fees which they earn from that appointment. Such appointments are subject to approval by the Chairman.

Illustrations of Application of Executive Director Remuneration Policy

The following charts show how the remuneration policy for Executive Directors will be applied in 2021 using the assumptions shown overleaf:

- Minimum**
- Consists of base salary, benefits and pension.
 - Base salary is the salary to be paid in 2021.
 - Benefits are the value received in 2020.
 - No pension is provided, only 401(k) match to the extent applicable.

Category

	Base Salary	Benefits	Benefit Plan ^(a)	Total Fixed
Rusty Hutson, Jr.	\$693,225	\$1,600	\$15,066	\$709,891
Bradley G. Gray	\$426,205	\$13,600	\$17,335	\$457,140

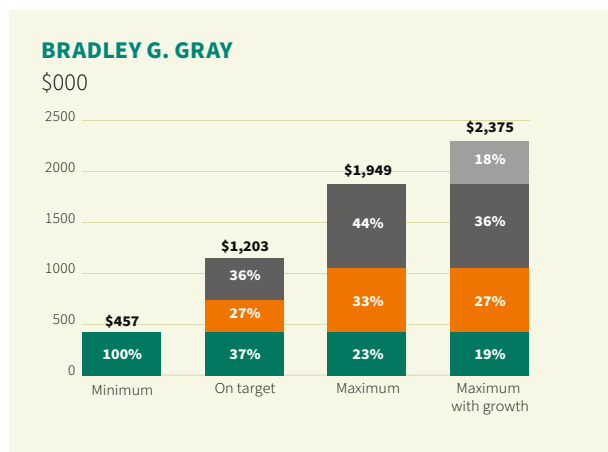
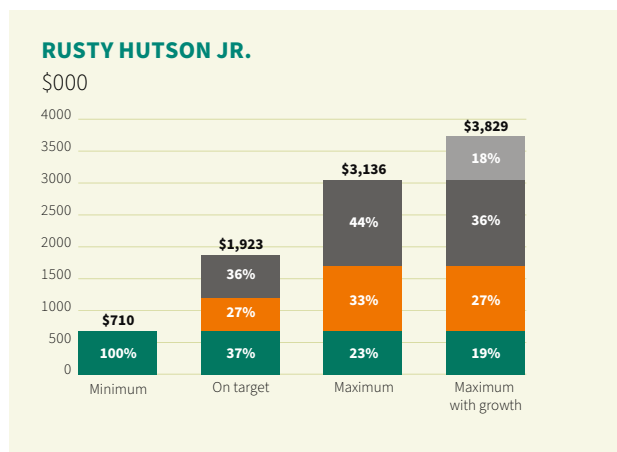
a. Reflects amounts received under the Group’s 401(k) contribution plan.

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).
- LTI: consists of the target level of vesting (50% vesting) of Performance Share Awards (at 200% of salary for Rusty Hutson, Jr. and Bradley G. Gray).

Maximum Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- Annual bonus: consists of maximum bonus of 150% of base salary.
- LTI: consists of full vesting of Performance Share Awards (at 200% of salary for Rusty Hutson, Jr. and Bradley G. Gray).



● Share price growth ● LTI ● Annual bonus ● Total fixed pay

The Remuneration Committee's Report continued

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 year ended 31 December 2020 (audited):

(\$ thousands)

	Salary/ Fees	Taxable Benefits ^(a)	Benefit Plan ^(b)	Pension ^(c)	Total Fixed Pay	Bonus ^(d)	Long-Term Incentives ^(e)	Total Variable Pay	Total Remuneration
Executive Directors									
Rusty Hutson, Jr.	\$675	\$2	\$15	\$—	\$692	\$952	\$429	\$1,381	\$2,073
Bradley G. Gray	415	14	17	—	446	585	197	782	1,228
Non-Executive Directors									
David E. Johnson	\$163	\$—	\$—	\$—	\$163	\$—	\$—	\$—	\$163
Robert Post ^(f)	98	—	—	—	98	—	—	—	98
Martin K. Thomas	124	—	—	—	124	—	—	—	124
David J. Turner, Jr.	130	—	—	—	130	—	—	—	130
Sandra M. Stash	124	—	—	—	124	—	—	—	124
Melanie A. Little	124	—	—	—	124	—	—	—	124

a. Taxable benefits were comprised of Group paid life insurance premiums and automobile reimbursements.

b. The amount in this column reflects matching contributions under the Group's 401(k) plan.

c. The Executive Directors do not receive a pension provision.

d. Further details of the bonus outcome for 2020 can be found in the 2020 Annual Bonus for Executive Directors section within this Annual Report. The bonus totals for Rusty Hutson, Jr., and Bradley G. Gray represent 141% of 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.

e. The notional gain on the Options granted in April 2018 with a performance period that ended on 31 December 2020 has been valued 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 2020 (£1.087 per share) and the £0.84 exercise price using an exchange rate of £1:\$1.30.

f. Robert Post retired from the Board in April 2020. Mr. Post continued to provide advice to the Board post-retirement as a consultant, receiving fees from May to December of 2020 of \$65,000 (included in the Salary/Fees figure above).

Directors' remuneration for the year ended 31 December 2019 (audited):

(\$ thousands)

	Salary/ Fees	Taxable Benefits	Benefit Plan ^(a)	Pension ^(b)	Total Fixed Pay	Bonus	Long-Term Incentives	Total Variable Pay	Total Remuneration
Executive Directors									
Rusty Hutson, Jr.	\$425	\$2	\$11	\$—	\$438	\$616	\$—	\$616	\$1,054
Bradley G. Gray	350	9	11	—	370	508	—	508	878
Non-Executive Directors									
David E. Johnson	\$98	\$—	\$—	\$—	\$98	\$—	\$—	\$—	\$98
Robert Post	98	—	—	—	98	—	—	—	98
Martin K. Thomas	98	—	—	—	98	—	—	—	98
David J. Turner, Jr. ^(c)	56	—	—	—	56	—	—	—	56
Sandra M. Stash ^(d)	20	—	—	—	20	—	—	—	20
Melanie A. Little ^(e)	4	—	—	—	4	—	—	—	4

a. The amount in this column reflects matching contributions under the Group's 401(k) plan.

b. The Executive Directors do not receive a pension provision.

c. Appointed to the Board from 27 May 2019.

d. Appointed to the Board from 21 October 2019.

e. Appointed to the Board from 19 December 2019.

2020 Annual Bonus For Executive Directors (Audited)

For 2020 the overall bonus plan for Executive Directors maximum was 150% of base salary. The Group delivered a strong operational performance in 2020. The overall performance was achieved, even with the responsibility of managing work safely and compliantly in a Covid-19 pandemic environment. 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:

	Threshold	Target (50%)	Maximum (100% Payout)	Actual	% of Total Bonus	Payout % of This Element	Payout % of Maximum
Hedged Adjusted EBITDA per Share	\$0.39	\$0.41	\$0.43	\$0.44	30%	100%	30%
Production (Boepd)	89,442	90,600	95,130	99,831 ^(a)	20%	95%	19%
Total Cash Cost (\$ per Mcfe)	\$1.35	\$1.30	\$1.25	\$1.15	10%	100%	10%
Acquisitions		(See below)			15%	100%	15%
Funding		(See below)			15%	100%	15%
ESG and EHS		(See below)			10%	50%	5%
				Total % of Maximum			94%
				Total % of salary			141%

a. This number includes acquisition production, whereas the threshold, target and stretch scenarios set for 2020 STIP did not include acquisitions.

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.

Measure	Target	Performance	% of Total Bonus	Payout % of This Element	Payout % of Maximum
Acquisitions	Review of sourced acquisitions that support the Group's corporate strategy to grow dividends per share.	Three transactions were successfully effected (Carbon, EQT and our end of year Utica well bolt-on acquisition).	15%	100%	15%
	Success of converted acquisition data and integrated operations into the Group's systems and processes.	Business development team professionally considered dozens of potential transactions, with the majority evaluated but not pursued based on extensive due diligence and analysis.			
	Review of the success of prior acquisitions and performance to expected economics/accretiveness.	Extremely efficient integration process of the Carbon and EQT transactions into the overall Group, which resulted in reduction of costs per Mcfe.			
Funding	Completion of ABS II.	Successfully completed.	15%	100%	15%
	Completion of Reserve Based Lending ("RBL") redetermination.	Successfully completed with no reserve value decline or pricing increase.			
	Sourcing and completion of acquisition funding maintaining stated leverage metrics.	Successfully completed including raising \$86 million of equity and completing the up-list process.			
ESG and EHS	Review of Sustainability and Safety Corporate Scorecard Metrics.	Significant achievements and progress were made in a number of areas including publication of the Group's first Sustainability Report.	10%	50%	5%
	Assessment of community engagement, emissions, culture, and continuous improvement (especially in governance areas).	Committee recognised opportunities to improve employee safety metrics.			

The Remuneration Committee's Report continued

2018 Options Grant Outcome

The performance period in respect of the first tranche of the Options granted in 2018 came to an end on 31 December 2020. Performance conditions were Adjusted EPS, Absolute 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	£0.09	£0.12	£0.18	100%
Absolute TSR	10%	20%	21.5%	100%
Time/Service	Employed on vesting date		Yes	100%

The number of shares expected to vest in March 2021 is shown below:

	Exercise Price	Number of Shares in Tranche	Vesting %	Number of Shares Vesting
Rusty Hutson, Jr.	£0.84	2,000,000	100%	2,000,000
Bradley G. Gray	£0.84	916,667	100%	916,667

SHARE AWARDS GRANTED IN 2020 (AUDITED)

2020 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 2022, 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.	200%	\$1,350,000	1,699,011
Bradley G. Gray	200%	830,000	1,044,577

As determined by the Remuneration Committee at its February 2020 meeting, the share price used to calculate the award was £0.646, being the average share price over the five-day period commencing on 9 March 2020, the date that the Group issued its final 2019 results. The awards are based upon a GBP:USD exchange rate of 1:1.23, which was the exchange rate at the date of grant. The date of grant was 23 June 2020. The LTIP Awards will vest following completion of the performance period (1 January 2020 through 31 December 2022), and no later than 15 March 2023, 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%) and Relative TSR (30%) 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	% of that Part of the Award that Vests
Below 17% per annum	—%
17% per annum	25%
27% per annum or above	100%
17% to 27% per annum	Pro rata straight-line between 25% and 100%

Absolute TSR (30% of total award)

Three-Year TSR	% of that Part of the Award that Vests
Below 10% per annum	—%
10% per annum	25%
20% per annum or above	100%
10% to 20% per annum	Pro rata straight-line between 25% and 100%

Relative TSR (30% of total award)

Three-Year TSR v FTSE 250	% of that Part of the Award that Vests
Below median	—%
Median	25%
Upper quartile or above	100%
Median to upper quartile	Pro rata straight-line between 25% and 100%

2020 Restricted Stock Unit Award

The following RSUs were awarded to the Executive Directors in accordance with the Group's annual bonus award as set out in the Group's 2019 Annual Report and Accounts (as the 2019 bonus paid out above 100% of the Executive Directors 2019 base salary).

	Face Value of Award (\$)	Number of Shares	Vesting Date
Rusty Hutson, Jr.	\$83,160	78,351	26 February 2021
Bradley G. Gray	68,484	64,524	26 February 2021

The share price used to calculate the award was £0.847, being the share price on the date of grant, 14 April 2020. The RSUs are based upon a GBP:USD exchange rate of 1:1.2531, which was the exchange rate at the date of grant.

Outstanding Executive Director Share Plan Awards (Audited)

Details of all outstanding share awards as at 31 December 2020 made to Executive Directors are set out below:

	Award Type	Exercise Price (£)	Grant Date	Interest at 1 January 2020	Awards Granted in the Year	Awards Exercised in the year	Interest at 31 December 2020 ^(a)	Exercise/Vesting Period
Rusty Hutson, Jr.	PSU	£—	23 June 2020	—	1,699,011	—	1,699,011	March 2023 ^(b)
	RSU		14 April 2020	—	78,351	—	78,351	February 2021 ^(b)
	Options	£1.20	9 May 2019	2,400,000	—	—	2,400,000	May 2022 - May 2029 ^(b)
	Options	£0.84	14 April 2018	6,000,000	—	—	6,000,000	May 2021 - May 2028 ^(b)
Bradley G. Gray	PSU	£—	23 June 2020	—	1,044,577	—	1,044,577	March 2023 ^(b)
	RSU		14 April 2020	—	64,524	—	64,524	February 2021 ^(b)
	Options	£1.20	9 May 2019	1,100,000	—	—	1,100,000	May 2022 - May 2029 ^(b)
	Options	£0.84	14 April 2018	2,750,000	—	—	2,750,000	May 2021 - May 2028 ^(b)

a. All of the awards are unvested as at 31 December 2020.

b. See [Share Awards Granted in 2020](#) section above for details of performance conditions.

c. RSUs granted in April 2020. Granted in accordance with the Group's annual bonus award as set out in the Group's 2019 Annual Report and Accounts with no further performance conditions.

d. Options granted on 9 May 2019 with an exercise price of £1.20 per share with a three-year ratable vesting period. Two-thirds of the Options are subject to performance conditions.

e. 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 2020, the highest closing price of the Group's shares was £1.150 and the lowest closing price was £0.596. At 31 December 2020 the closing share price was £1.130.

The aggregate gains by all Directors during 2020 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 2020:

	Number of Shares	Shareholding Required (% of Salary)	Compliance With Share Ownership Guidelines
Rusty Hutson, Jr.	20,860,000	200%	✓
Bradley G. Gray	2,317,981	200%	✓
David E. Johnson	400,000	—	—
Robert Post	20,300,000	—	—
Martin K. Thomas	2,150,000	—	—
David J. Turner, Jr.	247,000	—	—
Sandra M. Stash	—	—	—
Melanie A. Little	40,000	—	—

The Remuneration Committee's Report continued

The shareholdings and awards set out above include those held by Directors and their respective connected persons. On 26 February 2021, certain RSUs issued under the Group's equity incentive plan vested, including 78,351 RSUs for Mr. Hutson and 64,524 for Mr. Gray. As a result of these vestings, Mr. Hutson's share interest has increased to 20,922,899 and Mr. Gray's share interest has increased to 2,369,782.

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 from May to December of 2020 of \$65,000.

Payments for Loss of Office (Audited)

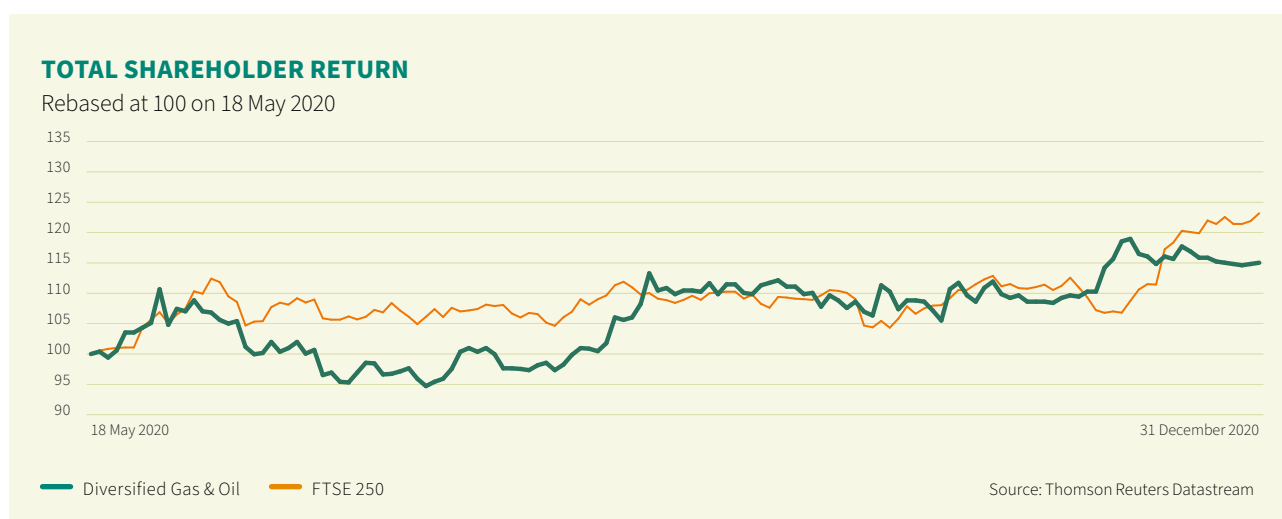
No payments for loss of office were made during the year.

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 table below details certain elements of the CEO's remuneration over the same period as presented in the TSR Index graph:

(In thousands)		Single Figure of Total Remuneration	Annual Bonus Pay-Out Against Maximum %	Long-Term Incentive Vesting Rates Against Maximum Opportunity %
Year	CEO			
2020	Rusty Hutson, Jr.	\$2,073	94%	100%

Annual Change in Remuneration of Each Director Compared to Employees

The table below presents the year-on-year (2019-2020) percentage change in remuneration for each director and all employees:

	Change in Salary/Fee	Change in Annual Bonus	Change in Taxable Benefits
Rusty Hutson, Jr. ^(a)	59%	55%	—%
Bradley G. Gray ^(b)	19%	15%	56%
David E. Johnson	66%	—%	—%
Martin K. Thomas	27%	—%	—%
David J. Turner, Jr. ^(c)	132%	—%	—%
Sandra M. Stash ^(d)	520%	—%	—%
Melanie A. Little ^(e)	3000%	—%	—%
All employees	4%	4%	—%

- a. Increase reflects January 2020 adjustment to more closely align salary with the 25th percentile (lower quartile) of the market as reported last year following consultation with our major shareholders.
- b. Increase reflects January 2020 adjustment to more closely align salary with the 25th percentile (lower quartile) of the market as reported last year following consultation with our major shareholders.
- c. The significant increase reflects that Mr. Turner only served on the Board for part of 2020, as he was appointed to the Board on 27 May 2019.
- d. The significant increase reflects that Ms. Stash only served on the Board for part of 2020, as she was appointed to the Board on 21 October 2019.
- e. The significant increase reflects that Ms. Little only served on the Board for part of 2020, as she was appointed to the Board on 19 December 2019.

CEO to Employee Pay Ratio

Although the Group does not have 250 full time equivalent UK employees a CEO to employee pay ratio is provided on a voluntary basis below.

Year	Method	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2020	Option A	50: 1	27: 1	12: 1

Notes to the CEO to employee pay ratio:

- 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 in line with the single figure for remuneration calculated for Executive Directors.
- The ratios shown are representative of the FTE 25th percentile, median and 75th percentile pay for all employees within the Group during the 2020 calendar year.
- The CEO's pay is based on the single figure of remuneration as set out within this Annual Report. Because a large portion of the CEO's pay is variable, the pay ratio is heavily dependent on the outcomes of variable pay plans and, in the case of long-term share-based awards, share price movements.

Relative Importance of Spend on Pay

The table below details the change in total employee pay between 2019 and 2020, compared with distributions to shareholders by way of dividend, share buybacks or any other significant distributions or payments.

(In thousands)	2020	2019	% Change
Total gross employee pay	\$75,719	\$68,226	11%
Dividends/share buybacks	\$114,161	\$135,053	(15)%

The number of employees as of 31 December 2020 was 1,107, as compared to 924 employees as of 31 December 2019.

Implementation of Policy for 2021

Base Salary

The Executive Directors' base salaries for 2021 will be as follows, both of which include an increase in line with the budgeted general workforce average (2.7%):

- Rusty Hutson, Jr: \$693,225
- Bradley G. Gray: \$426,205

The Remuneration Committee's Report continued

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 2021.

Annual Bonus

The overall bonus plan maximum will be 150% of base salary for 2021.

The bonus will be based on a range of targets relating to Hedged Adjusted EBITDA per Share (35%), production (15%), Total Cash Cost per Mcfe (15%), funding (10%), and ESG/EHS (25%).

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 2021 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 vest after one year.

Long-Term Incentives

Performance Share Awards will be made in 2021 to Rusty Hutson, Jr. and Bradley G. Gray with shares worth 200% of salary. 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 (40%) and Relative TSR (20%) targets measured over three years as described below. These are measures which encourage the generation of sustainable long-term returns to shareholders. 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	25%
25% per annum or above	100%
15% to 25% per annum	Pro rata straight-line between 25% and 100%

Absolute TSR (40% of total award)

Three-Year TSR	% of that Part of the Award that Vests
Below 10% per annum	—%
10% per annum	25%
20% per annum or above	100%
10% to 20% per annum	Pro rata straight-line between 25% and 100%

Relative TSR (20% of total award)

Three-Year TSR v FTSE 250	% of that Part of the Award that Vests
Below median	—%
Median	25%
Upper quartile or above	100%
Median to upper quartile	Pro rata straight-line between 25% and 100%

Non-Executive Directors' Fees

David E. Johnson will receive an annual fee of £125,000 (or \$162,500) as Chairman. Each Non-Executive Director receives a base annual fee of £75,000 (or \$97,500), with additional fees as noted below (table in thousands, except rates):

	GBP	Exchange Rate	USD
David J. Turner, Jr. ^(a)	£100	1.30	\$130
Sandra M. Stash ^(b)	95	1.30	124
Melanie A. Little ^(c)	95	1.30	124
David E. Johnson	125	1.30	163
Martin K. Thomas ^(d)	95	1.30	124
Total	£510		\$665

a. Includes Audit & Risk Committee Chair fee of £20,000 (or \$26,000) and Senior Independent Director fee of £5,000 (or \$6,500).

b. Includes Sustainability & Safety Committee Chair fee of £20,000 (or \$26,000).

c. Includes Remuneration Committee Chair fee of £20,000 (or \$26,000).

d. Includes Nomination Committee Chair fee of £20,000 (or \$26,000).



MELANIE A. LITTLE

Chair of the Remuneration Committee

8 March 2021



The Sustainability and Safety Committee's Report

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.

COMMITTEE COMPOSITION

Sandra M. Stash (61)

Independent Non-Executive Director (Chair)

David E. Johnson (60)

Independent Non-Executive Director

Melanie A. Little (50)

Independent Non-Executive Director

Bradley G. Gray (52)

Chief Operating Officer and Finance Director

STRENGTH

Industry



Finance



Finance



Finance



BOARD TENURE

2 years

4 years

2 years

4 years

INDEPENDENCE FROM

	Management	Other interests
Sandra M. Stash	✓	✓
David E. Johnson	✓	✓
Melanie A. Little	✓	✓
Bradley G. Gray		✓

Sandra M. Stash
 David E. Johnson
 Melanie A. Little
 Bradley G. Gray

KEY OBJECTIVE

The committee assesses the Group's overall sustainability performance and provides input into the Annual Report and disclosures on sustainability. It also advises the Remuneration Committee on metrics relating to sustainable development, emissions, 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 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 who are assisted by the EHS team.

KEY MATTERS DISCUSSED BY THE COMMITTEE

Main Accomplishments Over the Course of 2020

- Approved the Sustainability and Safety Committee Charter, which was subsequently ratified by the Board;
- Established and reviewed the Group's sustainability and safety strategies and assessed Group performance;
- Reviewed the structural changes made to the leadership of the Group's EHS group and welcomed a new vice president of EHS;
- Commenced a review programme to align executive management remuneration with key EHS and ESG performance indicators and metrics that will be communicated to the Remuneration Committee;
- Engaged a consortium of advisers, comprising a leading global environmental consultancy and other strategic advisers, and embarked upon a programme 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 inaugural 2019 Sustainability Report and preparation for issuance of a 2020 Sustainability Report.

Committee Activities by Focus Area

During 2020, 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 and inclusion; and (iv) the Group's approach to managing climate risk. The committee also focussed on the following:

Process safety

- The 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 analysis against industry peers.

Corporate scorecard metrics analysis

- A review of the quantitative and qualitative drivers and personal safety, emissions and asset retirement metrics that support performance analysis.

ESG rating agency engagement

- Reviewed the Group's MSCI and Sustainalytics ESG rating scores, including analysis of the process and review of scorecard to determine targeted areas of improvement.

Climate risk

- The committee engaged the support of industry and globally significant consultants to help the Group establish a roadmap to meet the recommendations set by the TCFD. The committee oversaw the Group's engagement of emission inventory and scenario analysis and remains actively engaged in setting science-based targets in accordance with the recommendations. The committee has considered the relevance of material climate-related matters, including the risks of climate change and transition risks associated, when preparing this Annual Report. Further information can be found in the [TCFD](#) and [Climate and ESG Risks](#) sections within this Annual Report.

Acquisition due diligence

- Reviewed and discussed the environmental, legal and other diligence studies performed by the Group and its advisers in advance of the Carbon acquisition, with attention paid to the scope of review and resolution processes where items of concern were raised.

High potential incidents

- A review of two employee injuries that included contextual and root cause analysis and lessons learned.

Diversity

- The Senior Vice President of Human Resources presented analysis of the Group's employee demographic and other key people management statistics to formulate plans in 2021.

Areas of Focus for 2021 and Beyond

- Support the Group in meeting increasing ESG oversight, reporting and disclosure expectations

The Sustainability and Safety Committee's Report *continued*

of the Group's stakeholders, including metrics and objectives for reducing GHG emissions (including developing a roadmap to be carbon net zero by 2050);

- Support management with effective oversight and advice as the Group engages and implements the recommendations of the TCFD;
- Advice and guidance on potential further EHS enhancements and reporting metrics; and
- Support the Group in its diversity 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.

The committee is comprised of three Non-Executive Independent Directors and one Executive director: Sandra M. Stash, the Sustainability and Safety Committee Chairperson, Melanie A. Little, David E. Johnson and Bradley G. Gray, the Group's Chief Operating Officer. 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 example, Ms. Stash formerly served as Executive Vice President for Tullow Oil until her retirement and Ms. Little currently serves as Senior Vice President, Operations and Environmental, Health, Safety and Security at Magellan Midstream Partners, L.P.

There were no changes to the composition of the committee during the year.

MEETINGS AND ATTENDANCE

The Sustainability and Safety Committee met six times during 2020 and once in 2021. The committee convenes

regularly to ensure that points of common concern are identified and that priorities for future attention by the committee are agreed upon. The Chairperson of the committee keeps in close contact with the General Counsel, EHS team and external consultants between meetings of the committee.

The committee regularly 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 General Counsel, EHS and operations teams between committee meetings.

The table below details the members of the Senior Leadership Team who were invited to attend meetings as appropriate during the calendar year. In addition, Buchanan attended the meetings by invitation as advisor to the Group.

BENJAMIN SULLIVAN

(Executive Vice President, General Counsel, and Corporate Secretary)

PAUL ESPENAN

(Vice President of Environmental, Health and Safety)

TERESA ODOM

(Vice President of Investor Relations)

CHRIS JUDD

(Head of Environmental, Social and Governance, Buchanan)



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 evaluates 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, 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, 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, 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

8 March 2021

Group Financial Information

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Independent auditors' report to the members of Diversified Gas & Oil PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Diversified Gas & Oil PLC's Group financial statements and the Company financial statements (referred to as the "financial information" in the Annual Report and forthwith in this Auditors' Report) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial information has been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial information has been properly prepared 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); and
- the financial information has been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial information, included within the Annual Report, which comprises: the Consolidated and the Company Statements of Financial Position as at 31 December 2020; 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 information, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the Group financial information, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial information has been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 information 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 information 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 to the Group.

Other than those disclosed in note 7 to the Group financial information, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Context

This year is our first year as external auditors of the Group. As part of our audit transition, together with our component audit team in the US, we performed specific procedures over opening balances including shadowing the prior year audit undertaken by the predecessor auditor, reviewing the predecessor auditor's working papers in both the UK and the US and re-evaluating the predecessor auditor's conclusions in respect of key accounting judgements in the opening balance sheet at 1 January 2020. Our component audit team, under the Group team's direction and supervision, performed process walkthroughs to understand and evaluate the key financial processes and controls across the Group. In addition we undertook a review of the half year financial information in accordance with International Standard on Review Engagements (UK and Ireland) 2410. Following this work, together with our US component audit team, we performed audit procedures in advance of the year-end, the objective of which was to enable early consideration of as many key accounting judgements as possible in advance of the year-end and to identify any specific areas where additional audit attention might be required at the year-end. The audit transition, half year review and early audit procedures were important in determining our final 2020 Group audit scope and areas of focus. As we undertook each phase of this first-year audit, we regularly updated our risk assessment to reflect audit findings and the impact on our planned audit approach.

Overview

Audit scope

- The Group's assets and operations are based in the Appalachian region in the US. We conducted a full scope audit over the consolidated Group based in the US, treating this as one component including the parent company. Financial reporting is undertaken for the consolidated Group at the head office in Birmingham, Alabama. For the consolidated Group financial information the US operating Group as a whole was considered as a single component in line with how the Group is managed and the organisation of the Group financial reporting system.

Key audit matters

- Accounting for Acquisitions of Gas and Oil Assets (Group)
- Impairment of Natural Gas and Oil Properties (Group)
- Consideration of the Impact of COVID-19 (Group and Company)
- Carrying Value of Investments (Company)

Materiality

- Group overall materiality: US\$7.4m based on 2.5% of hedged adjusted EBITDA, excluding non-cash equity compensation
- Company overall materiality: £5.1m based on 1% of Total Assets
- Performance materiality: US\$3.7m (Group) and £2.5m (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 information.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial information section, 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, UK and US tax legislation and employment law, state and federal laws and regulations and environmental legislation; we considered the extent to which non-compliance might have a material effect on the financial information. We also considered those laws and regulations that have a direct impact on the preparation of the financial information such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial information (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 our component audit team 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 the component audit team 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;
- Inspection of supporting documentation, where appropriate;
- 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 Carbon and EQT acquisitions;
- Identifying and testing journal entries based on our risk assessment; and
- Review of related work performed by the component audit team, including the responses to risks related to management override of controls and to the risk of fraud in revenue recognition.

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 information. 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.

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 information 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 information 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.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for Acquisitions of Gas and Oil Assets (Group)</p> <p>Refer to Note 3 (Significant Accounting Policies), Note 4 (Significant Accounting Judgements and Estimates) and Note 5 (Acquisitions)</p> <p>In May 2020, the Group completed two significant acquisitions:</p> <ul style="list-style-type: none"> • Carbon Energy Corporation (“Carbon”) for cash consideration of \$101.5m with a further contingent consideration valued at \$5.5m; and • EQT Corporation (“EQT”) for cash consideration of \$114.8m with a further contingent consideration valued at \$7.1m; <p>Accounting for these significant acquisitions is complex and involves judgement including around the determination of the fair value of consideration paid and payable and the assessment of the fair value of assets and liabilities acquired. The valuation of identified 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.</p> <p>IFRS 3, ‘Business Combinations’, has also recently been amended to update the definition of a business. The revised standard introduces 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.</p> <p>In relation to EQT, the assets and processes acquired will be operated by DGO’s existing operational and marketing team. The initial value of the gross assets acquired is largely attributed to the 889 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 EQT has been accounted for as an asset acquisition with a fair value of \$123.0m attributed to the acquired assets and liabilities.</p> <p>In relation to Carbon, the Company acquired 6,100 conventional wells as well as employees and a varied mix of assets. The Carbon acquisition has therefore been treated as a business combination. As a result of this treatment, all assets acquired and liabilities assumed have been fair valued on the date of acquisition. The total identifiable net assets acquired were \$124.1m which was greater than the total consideration of \$107.0m. As a result, a gain on bargain purchase of \$17.2m has been recognised.</p> <p>For both transactions, the fair value of the contingent consideration element at the date of acquisition has been reflected within the purchase price, while acquisition costs relating to the transactions have been capitalised or expensed for EQT and Carbon, respectively, in line with the requirements of IFRS 3 (amended).</p>	<p>Our audit procedures in respect of both acquisitions comprised the following:</p> <ul style="list-style-type: none"> • 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), in particular that the EQT acquisition meets the optional concentration test permitting it to be accounted for as an asset acquisition while the Carbon acquisition constitutes a business combination; • Agreeing cash consideration to bank statements; and • Understanding the contingent consideration arrangements and assessing the reasonableness of the valuation of this contingent consideration on the date of acquisition. <p>For the Carbon acquisition, in respect of the work of the external valuation expert engaged by management, we performed the following audit procedures, using our specialist valuation team to assist us:</p> <ul style="list-style-type: none"> • Challenged management’s and the external expert’s valuation regarding key assumptions in the model and benchmarked to available external data, where available; • Tested management’s valuation of producing assets by comparing the assumptions used within the valuation model to reserves and production profiles and matched operating expenditure forecasts to historical operator estimates and reserve reports; • Benchmarked key assumptions including estimated future commodity prices and inflation against external data; • Tested the reasonableness of the components of the discount rate used to estimate the fair value of gas and oil properties acquired; • Tested the methodology used to estimate the fair value of contingent consideration paid, as well as the reasonableness of the underlying assumptions; • Challenged management on the recognition of the gain on bargain purchase, benchmarked their explanations to available third-party data and performed additional work to ensure completeness of assets and liabilities recognised to justify the value of the gain; • 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 inclusion of all appropriate assets and liabilities in the valuation and the inclusion or exclusion of certain tax balances and agreed that all relevant balances have been included. <p>For EQT, we assessed the reasonableness of the allocation of purchase consideration to the gas and oil properties and property, plant and equipment acquired. The total value booked is equal to the total amount of consideration paid</p>

<p>Management used an external valuation expert to calculate the fair values of assets acquired and liabilities assumed, including the fair value of the contingent consideration.</p>	<p>and has been allocated on a fair value basis between gas and oil properties and property, plant and equipment.</p> <p>Where there were differences between the results of our audit work and those of management's external valuation expert, we sought explanations for them.</p> <p>Based on our audit procedures performed, we consider the accounting for the EQT and Carbon acquisitions and the related valuation of gas and oil properties and other assets acquired, and liabilities assumed, including contingent consideration, to be reasonable. We also reviewed the related disclosures in the notes to the financial information for compliance with accounting standards and consistency with the results of our work, with no matters arising.</p>
<p><i>Impairment of Natural Gas and Oil Properties (Group)</i></p> <p>Refer to Note 3 (Significant Accounting Policies), Note 4 (Significant Accounting Judgements and Estimates) and Note 11 (Natural Gas and Oil Properties)</p> <p>The Group has material Natural Gas and Oil Properties of \$1,755.1m, Intangible assets of \$19.2m and Property, Plant and Equipment of \$382.1m as at 31 December 2020.</p> <p>Under IAS 36, 'Impairment of Assets', management is required to undertake an impairment assessment where there is evidence of a trigger event. Impairment assessments are required to be performed at a cash generating unit ('CGU') level and therefore include an assessment of the carrying value of the Group's intangible assets and other non-financial assets where there are indicators of impairment.</p> <p>Impairment assessments require significant judgement and there is a risk that the carrying value of the assets may not be supported by their recoverable amount. As such this was a key area of focus for our audit due to the material nature of the respective balances.</p> <p>As part of their impairment trigger analysis, the directors have determined that there are two separate cash generating units ('CGU') within the Group, being Natural Gas and Oil Properties and Midstream Assets.</p> <p>At 30 June 2020, an impairment trigger relating to the decline of natural gas and oil prices and the macroeconomic impacts of the COVID-19 pandemic was identified, and accordingly an impairment assessment was performed. As a result of this exercise no impairment was recorded. At 31 December 2020, the directors have determined that there were no triggers for impairment in either of the CGUs, having considered factors such as long-term gas and oil prices, reserve estimates, expected production profiles and obsolescence or physical damage.</p>	<p>We obtained management's impairment trigger analysis and discussed the key inputs and assumptions in the assessment with management.</p> <p>Our audit procedures on the inputs and assumptions in the trigger analysis included:</p> <ul style="list-style-type: none"> • Critically assessing estimated future natural gas and oil prices; • Reviewing the Competent Person's Report ('CPR') and evaluating the methods and assumptions used, the tests of data used by the competent person and the associated findings. These procedures also included, among others, testing the completeness and accuracy of the data related to price differentials, lease operating expenses and transportation expense; and evaluating whether the assumptions applied to price differentials, lease operating expenses and transportation expense were reasonable considering the past performance of the Company. Further, as part of our review of the CPR, we assessed the competent person's skills and experience and concluded that they are appropriately qualified and experienced; and • Reviewed the appropriateness of the disclosure made in the notes to the financial information. <p>Based on our work, we agree that no impairment indicators exist at 31 December 2020 for either of the CGUs. We consider management's impairment trigger analysis, as well as the associated disclosures, to be reasonable.</p>

<p><i>Consideration of the Impact of COVID-19 (Group and Company)</i></p> <p>Disclosure of the risk to the Group of COVID-19 has been included within the Strategic Report and Note 2 (Basis of Preparation)</p> <p>Given the significance of the impact of the COVID-19 pandemic on the global economy, we considered this an important area of focus, particularly with respect to future cash flow projections in the context of impairment assessments and the appropriateness of the going concern basis of preparation as well as consideration of the recoverability of accounts receivable. Given the spread of COVID-19, the range of the potential outcomes are both uncertain and difficult to predict but are likely to include a prolonged global recession and increased volatility in commodity prices.</p> <p>The directors have considered the impact of the pandemic on the Group's operations, cash flows, day to day operations, and the carrying amount of long-term assets, including gas and oil properties, and receivables, as well as a need to recognise additional liabilities. As part of this assessment, the directors have modelled severe but plausible downside scenarios to their base case budgets taking into account the possible effects of COVID-19 on the operations.</p> <p>Having taken into account these scenarios and a robust assessment of planned and possible mitigating actions, the directors have concluded that the Group remains a going concern, that there is no material uncertainty in respect of this conclusion and that there is no impact on the carrying values of assets and liabilities.</p>	<p>We obtained the assessment of the impact of COVID-19 on the Group's operations, the recoverability of its long-term assets, the carrying value of its assets and liabilities and its ability to continue as a going concern.</p> <p>We undertook the following procedures:</p> <ul style="list-style-type: none"> • We considered the potential impact on the balance sheet, specifically around natural gas and oil properties, property, plant and equipment and trade receivables and do not consider there to be any indicators of material impairment as at the balance sheet date or subsequently (for disclosure only) and no provisions or additional liabilities were recorded other than a reserve against receivables from working interest owners that management deemed uncollectible. • We reviewed the disclosures relating to the impact in the year and the potential impact of COVID-19 and found them to be consistent with the analysis performed. • We tested the accuracy and reasonableness of the assumptions used by management in the assessment of going concern and the impact of COVID-19 as part of its business planning process and consider the sensitised production scenarios to be reasonable. <p>Overall, we consider the assessment by management in relation to COVID-19 to be appropriate.</p>
<p><i>Carrying Value of Investments (Company)</i></p> <p>Refer to Note 2 (Accounting Policies), Note 3 (Significant Accounting Judgements and Estimates) and Note 4 (Investments) of the Company financial information.</p> <p>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.</p> <p>As disclosed in Note 4 to the Company financial information, the Company has investments of £729.6m in subsidiaries.</p> <p>The directors have considered the recoverability of the investments in subsidiaries at 31 December 2020 and determined that there were no triggers for impairment, having considered factors such as long-term gas and oil prices, reserve estimates and expected production profiles. Accordingly, they determined that the carrying values of the investments in subsidiaries are supportable.</p>	<p>We challenged the assessment of any impairment indicators and considered it to be consistent with the approach taken for the Group impairment assessment and therefore reasonable.</p> <p>Based on our analysis of the assessment of the recoverable amount of each investment, we concur that the carrying values of the investments in subsidiaries are supportable and note that no impairment triggers were identified. We consider the directors' conclusions and the associated disclosures to be appropriate.</p>

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 information 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 network component team in the US. The Group's assets and operations are based in the Appalachian region in the US. Financial reporting is undertaken at the head office in Birmingham, Alabama. For the consolidated Group financial information, the US operating Group as a whole has been considered as a single component. Audit work on the consolidated Group was carried out by our US component audit team. The audit of Diversified Gas & Oil PLC (the Company) was conducted from the UK as transactions are limited.

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 information as a whole. As COVID-19 prevented travel to the US, we were unable to make site visits as planned; we instead conducted our oversight of our component audit team through regular dialogue via conference calls, video conferencing and other forms of communication as considered necessary as well as remote 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 with local management and our component audit team. We reviewed the audit work of our component audit team, which included file reviews, participation in key audit discussions with local management and participation in the audit clearance meeting. Further specific audit procedures over the Group consolidation, selected financial information line items reported by the Company and review procedures over the Annual Report and audit of the financial information disclosures were directly performed by the Group audit team.

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 information line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial information as a whole.

Based on our professional judgement, we determined materiality for the financial information as a whole as follows:

	Financial information - Group	Financial information - Company
<i>Overall materiality</i>	US\$7.4m (USD)	£5.1m (GBP)
<i>How we determined it</i>	2.5% of hedged adjusted EBITDA, excluding non-cash equity compensation	1% of Total Assets
<i>Rationale for benchmark applied</i>	We have concluded that hedged adjusted EBITDA, excluding non-cash equity compensation, is the most appropriate benchmark as a primary measure used by shareholders in assessing the performance of the Group. The hedged 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. Materiality has been capped at 95% of the overall Group materiality.

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 50% of overall materiality, amounting to US\$3.7m for the Group financial information and £2.5m for the Company financial information.

In determining the performance materiality, we considered a number of factors – the fact that this was our first year as auditors and our risk assessment and aggregation risk - and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$0.37m (Group audit) and £0.25m (Company audit) 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 FY21 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 budgets 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 information is authorised for issue.

In auditing the financial information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial information 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 Company's 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 information 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 information and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial information 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 information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial information 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 information 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 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 2020 is consistent with the financial information and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and the 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 information 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 information about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties relating to the Group's and the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial information;
- The directors' explanation as to their assessment of the Group's and the 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 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 information and our knowledge and understanding of the Group and the 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 information 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 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 information and the audit

Responsibilities of the directors for the financial information

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Information, the directors are responsible for the preparation of the financial information in accordance with the applicable framework and for being satisfied that it gives 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 information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, 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 information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is 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 this financial information.

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 information 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 information 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 Committee, we were appointed by the directors on 15 April 2020 to audit the financial information for the year ended 31 December 2020 and subsequent financial periods. This is therefore our first year of engagement.



Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2021

Consolidated Statement of Comprehensive Income

(Amounts in thousands, except per share and per unit data)

	Note	Audited as at	
		Year Ended	
		31 December 2020	31 December 2019
Revenue	6	\$408,693	\$462,256
Operating expense	7	(203,963)	(202,385)
Depreciation, depletion and amortisation	7	(117,290)	(98,139)
Gross profit		87,440	161,732
General and administrative expense	7	(77,234)	(55,889)
Allowance for expected credit losses	15	(8,490)	(730)
Gain (loss) on natural gas and oil programme and equipment	12	(2,059)	—
Gain (loss) on derivative financial instruments	14	(94,397)	73,854
Gain on bargain purchase	5	17,172	1,540
Operating profit (loss)		(77,568)	180,507
Finance costs	22	(43,327)	(36,667)
Accretion of asset retirement obligation	20	(15,424)	(12,349)
Other income (expense)		(421)	—
Income (loss) before taxation		(136,740)	131,491
Income tax benefit (expense)	8	113,266	(32,091)
Income (loss) available to shareholders after taxation		(23,474)	99,400
Other comprehensive income (loss)		(28)	—
Total comprehensive income (loss) for the year		\$(23,502)	\$99,400
Earnings (loss) per share - basic	10	\$(0.03)	\$0.15
Earnings (loss) per share - diluted	10	\$(0.03)	\$0.15
Weighted average shares outstanding - basic	10	685,170	641,666
Weighted average shares outstanding - diluted	10	688,348	644,782

The notes are an integral part of this Group Financial Information.

Consolidated Statement of Financial Position

(Amounts in thousands, except per share and per unit data)

	Note	Audited as at	
		31 December 2020	31 December 2019
ASSETS			
Non-current assets:			
Natural gas and oil properties, net	11	\$1,755,085	\$1,496,029
Property, plant and equipment, net	12	382,103	320,953
Intangible assets	13	19,213	15,981
Restricted cash	3	20,100	6,505
Derivative financial instruments	14	717	3,803
Deferred tax asset	8	14,777	—
Other non-current assets	16	4,213	2,309
Total non-current assets		\$2,196,208	\$1,845,580
Current assets:			
Trade receivables, net	15	\$66,991	\$73,924
Cash and cash equivalents	3	1,379	1,661
Restricted cash	3	250	1,207
Derivative financial instruments	14	17,858	73,705
Other current assets	16	7,996	9,863
Total current assets		\$94,474	\$160,360
Total assets		\$2,290,682	\$2,005,940
EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	17	\$9,520	\$8,800
Share premium	17	841,159	760,543
Merger reserve		(478)	(478)
Capital redemption reserve		592	518
Share-based payment reserve		8,683	3,907
Retained earnings		27,182	164,845
Total equity		\$886,658	\$938,135
Non-current liabilities:			
Asset retirement obligations	20	\$344,242	\$196,871
Leases	21	13,865	1,015
Borrowings	22	652,281	598,778
Deferred tax liability	8	15,746	124,112
Derivative financial instruments	14	168,524	15,706
Other non-current liabilities	24	12,860	4,468
Total non-current liabilities		\$1,207,518	\$940,950
Current liabilities:			
Trade and other payables	23	\$19,366	\$17,052
Leases	21	5,013	798
Borrowings	22	64,959	23,723
Derivative financial instruments	14	15,858	—
Other current liabilities	24	91,310	85,282
Total current liabilities		\$196,506	\$126,855
Total liabilities		\$1,404,024	\$1,067,805
Total equity and liabilities		\$2,290,682	\$2,005,940

The notes are an integral part of this Group Financial Information.

The Group Financial Information was approved and authorised for issue by the Board of Directors on 8 March 2021 and was signed on its behalf by:

D. E. Johnson

DAVID E. JOHNSON

Chairman of the Board

8 March 2021

Consolidated Statement of Changes in Equity

(Amounts in thousands, except per share and per unit data)

	Note	Share Capital	Share Premium	Merger Reserve	Capital Redemption Reserve	Share-Based Payment Reserve	Retained Earnings	Total Equity
Balance at 31 December 2018		\$7,346	\$540,655	\$(478)	\$—	\$842	\$200,498	\$748,863
Income (loss) after taxation		—	—	—	—	—	99,400	99,400
Other comprehensive income (loss)		—	—	—	—	—	—	—
Total comprehensive income (loss)		—	—	—	—	—	99,400	99,400
Issuance of share capital	17	1,972	219,888	—	—	—	—	221,860
Equity compensation		—	—	—	—	3,065	—	3,065
Repurchase of shares	17	(518)	—	—	518	—	(52,902)	(52,902)
Dividends	19	—	—	—	—	—	(82,151)	(82,151)
Transactions with shareholders		1,454	219,888	—	518	3,065	(135,053)	89,872
Balance at 31 December 2019		\$8,800	\$760,543	\$(478)	\$518	\$3,907	\$164,845	\$938,135
Income (loss) after taxation		—	—	—	—	—	(23,474)	(23,474)
Other comprehensive income (loss)		—	—	—	—	—	(28)	(28)
Total comprehensive income (loss)		—	—	—	—	—	(23,502)	(23,502)
Issuance of share capital	17	791	80,616	—	—	—	—	81,407
Equity compensation		3	—	—	—	4,776	—	4,779
Repurchase of shares	17	(74)	—	—	74	—	(15,634)	(15,634)
Dividends	19	—	—	—	—	—	(98,527)	(98,527)
Transactions with shareholders		720	80,616	—	74	4,776	(114,161)	(27,975)
Balance at 31 December 2020		\$9,520	\$841,159	\$(478)	\$592	\$8,683	\$27,182	\$886,658

The notes are an integral part of this Group Financial Information.

Consolidated Statement of Cash Flows

(Amounts in thousands, except per share and per unit data)

	Note	Audited as at	
		Year Ended	
		31 December 2020	31 December 2019
Cash flows from operating activities:			
Income (loss) after taxation		\$(23,474)	\$99,400
Cash flows from operations reconciliation:			
Depreciation, depletion and amortisation	7	117,290	98,139
Accretion of asset retirement obligations	20	15,424	12,349
Income tax (benefit) expense		(113,266)	32,091
(Gain) loss on fair value adjustments of unsettled financial instruments	14	238,795	(20,270)
Plugging costs of asset retirement obligations	20	(2,442)	(2,541)
(Gain) loss on natural gas and oil programme and equipment		1,356	—
(Gain) on bargain purchase	5	(17,172)	(1,540)
Finance costs	22	43,327	36,667
Revaluation of contingent consideration	5	567	—
Hedge modifications	14	(7,723)	—
Non-cash equity compensation	7	5,007	3,065
Working capital adjustments:			
Change in trade receivables		2,390	4,528
Change in other current assets		1,958	2,606
Change in other assets		(1,173)	409
Change in trade and other payables		(4,772)	7,669
Change in other current and non-current liabilities		(8,532)	8,573
Cash generated from operations		247,560	281,145
Cash paid for income taxes		(5,850)	(1,989)
Net cash provided by operating activities		241,710	279,156
Cash flows from investing activities:			
Consideration for Business Acquisitions, net of cash acquired	5	(100,138)	(439,272)
Consideration for Acquisition of Assets	5	(122,953)	—
Expenditures on natural gas and oil properties and equipment	11,12	(21,947)	(32,313)
(Increase) decrease in restricted cash		(12,637)	(5,302)
Proceeds on disposals of natural gas and oil properties and equipment	12	3,712	10,000
Other acquired intangibles	13	(2,900)	—
Net cash used in investing activities		(256,863)	(466,887)
Cash flows from financing activities:			
Repayment of borrowings	22	(705,314)	(618,010)
Proceeds from borrowings	22	799,650	765,236
Financing expense		(34,335)	(32,715)
Cost incurred to secure financing		(7,799)	(11,574)
Proceeds from equity issuance, net		81,407	221,860
Principal element of lease payments	20	(3,684)	(1,724)
Contingent consideration payments	5	(893)	—
Dividends to shareholders	19	(98,527)	(82,151)
Repurchase of shares		(15,634)	(52,902)
Net cash provided by financing activities		14,871	188,020
Net change in cash and cash equivalents		(282)	289
Cash and cash equivalents, beginning of period		1,661	1,372
Cash and cash equivalents, end of period		\$1,379	\$1,661

The notes are an integral part of this Group Financial Information.

Notes to the Group Financial Information

(Amounts in thousands, except per share and per unit data)

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Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 1 - GENERAL INFORMATION

Diversified Gas & Oil PLC (the "Parent") and its wholly owned subsidiaries (the "Group") is a natural gas, NGLs and oil producer and midstream operator that is focused on acquiring and operating mature producing wells with long-life low-decline profiles. The Group's assets are exclusively located within the Appalachian Basin of the US. The Group is domiciled in the UK and headquartered in Birmingham, Alabama, US, with field offices located in the states of Pennsylvania, Ohio, West Virginia, Kentucky, Virginia and Tennessee.

The Parent was incorporated on 31 July 2014 in England and Wales as a public limited company under company number 09156132. The Group's registered office is located at 4th floor Reading Bridge House, George Street, Reading, Berkshire, RG1 8LS, UK.

In February 2017, the Group's shares were admitted to trading on AIM under the ticker "DGOC." In May 2020, the Group'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.

NOTE 2 - BASIS OF PREPARATION

Basis of Preparation

The Group's consolidated financial statements (the "Group Financial Information") has been prepared in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Registration (EC) No 1606/2002 as it applies in the EU. The principal accounting policies are set out below and have been applied consistently throughout the year.

Unless otherwise stated, the Group Financial Information is presented in US 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 US Dollars at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange ruling at the 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 for each Consolidated Statement of Financial Position presented 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 Information has 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.

Going concern

The Group Financial Information has 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, taking into account the Directors' assessment of the financial and trading effects of the Covid-19 pandemic. 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 this Annual Report is approved and authorised.

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 the Senior Leadership Team, 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").

Key assumptions, which underpin the annual business planning process, include forecasted natural gas and oil prices, forecasted operating cost and capital expenditure levels, production profiles, and the availability of liquidity or additional financing. Cash flow projections are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from our producing assets. The Directors and Senior Leadership Team closely monitor these forecast assumptions and projections and seek to mitigate the Group's liquidity risk.

Based on our scenario planning process, the Directors and Senior Leadership Team believe that stress testing forecast results over the Base Plan, from January 2021 to December 2023, form a reasonable expectation to the Group's viability. The Base Plan forecast process is performed at least annually and covers our three year medium-term strategic planning period. The Directors and Senior Leadership Team are confident that operational risks are being monitored and managed effectively within the Base Plan period, and our scenario planning is focused primarily on plausible changes in external factors, providing a reasonable degree of confidence.

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 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;
- The financial impact of our current hedging contracts in place, being approximately 90%, 65% and 45% of total production volumes hedged for the years ending 31 December 2021, 2022 and 2023 respectively; and
- The scenario also includes the scheduled principal and interest payments on our current debt arrangements and the funding of a dividend utilising approximately 40% of Free Cash Flow.

The Directors and Senior Leadership Team also consider further scenarios around the Base Plan that primarily reflect a more severe, but plausible, 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.

1. A sharp and sustained decline in pricing resulting in a 10% reduction to net realised prices.
2. A operational stoppage or regulatory event occurs which results in reduced production by approximately 5%.
3. A market or regulatory event triggers an increase in operating and midstream expenses by approximately 5%.
4. The three scenarios above were then considered in aggregate.

The Directors and Senior Leadership Team consider the impact that these principal risks could, in certain circumstances, have on the Group's prospects within the assessment period, and accordingly assess the opportunities to actively mitigate the risk these downside scenarios create while still being able to meet our debt obligations, and return cash flows to shareholders.

Under these downside sensitivity scenarios, the Group remains cash flow positive. The Group meets its working capital requirements through operating cash flow management and through the utilisation of the Group's Credit Facility, when necessary. For the purpose of the going concern assessment, the Directors have only taken into account the capacity under the existing Credit Facility. In November 2020 the Group reaffirmed its borrowing base on the \$1,500,000 Credit Facility at \$425,000. The Group's available borrowing under the Credit Facility totalled \$211,600 as of 31 December 2020. The key covenants attached to the Group's Credit Facility relate to the Group's

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 2 - BASIS OF PREPARATION CONTINUED

EBITDAX leverage ratio and current ratio. In the downside scenario modelled, the Group continues to maintain sufficient liquidity and meets its covenants under the Credit Facility as well as its other existing borrowing instruments.

In addition to its modelled downside going concern scenarios, the Board has reverse 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 2020, 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.

The Directors also considered the risk of a temporary shutdown resulting from the Covid-19 pandemic. Notwithstanding the modelling of this scenario, the Group is considered an essential service as the Group falls under the US Department of Homeland Security's definition of essential criteria infrastructure workers as defined on 19 March 2020. As a result of the announcement, the Group's employees are exempt from any lockdown in the US.

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 Information.

Prior period reclassifications

The Group has reclassified certain amounts in its prior year Consolidated Statement of Financial Position to conform to its current period presentation. These changes in classification do not affect total comprehensive income previously reported in the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Cash Flows. During the year ended 31 December 2019, the Group reclassified \$15,981 related to its Enterprise Resource Planning ("ERP") software from "Property, plant and equipment" to "Intangible assets" in the Consolidated Statement of Financial Position.

Basis of Consolidation

During 2019, the Group underwent a restructuring in order to simplify its organisation. Under this restructuring all production entities were merged into Diversified Production, LLC and all midstream entities were merged into Diversified Midstream, LLC. Further, Diversified Energy Marketing, LLC was created to sell the commodities produced by Diversified Production, LLC and certain third parties. There is no financial information impact as a result of the reorganisation.

The Group Financial Information for the year ended 31 December 2020 reflects the following corporate structure of the Group:

The Group, and its 100% wholly owned subsidiary:

- Diversified Gas & Oil PLC ("DGO") 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
 - DP Bluegrass Holdings LLC
 - DP Bluegrass LLC
 - Diversified Midstream LLC
 - Cranberry Pipeline Corporation
 - Coalfield Pipeline Company
- Diversified Energy Marketing LLC
- DGO Holdings LLC
 - DGO Holdings Sub III LLC

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Group Financial Information in compliance with IFRS requires the Directors to make estimates and exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group Financial Information 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 business combination.

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.

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. When the Group determines a transaction is an acquisition of a group of assets rather than a business combination, the Group capitalises the transaction costs incurred as part of the acquisition. 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 statement of comprehensive income.

More information regarding the judgements and conclusions reached with respect to business combinations and asset acquisitions is included in Note 4 and Note 5.

Cash and Cash Equivalents

Cash on the balance sheet comprises cash at banks. Balances held at banks, at times, exceed US 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. At 31 December 2020 and 2019, the Group's cash balance was \$1,379 and \$1,661, 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 diversified 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 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. At 31 December 2020 and 2019, the Group considered a portion of these working interests receivables uncollectable and recorded a allowance for credit losses in the amount of \$11,082 and \$3,210, respectively. See 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.

Notes to the Group Financial Information *continued*

(Amounts in thousands, except per share and per unit data)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

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 settlement 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.

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 securitisation discussed in Note 22. These reserves approximate seven and a half months of interest and any associated fees. At 31 December 2020 and 2019, the Group's restricted cash balance was \$20,350 and \$7,712, respectively. 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.

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 well 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 field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, 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 field development costs considers expenditures incurred to date, together with sanctioned future development expenditure.

Intangible Assets

Software development and acquisition costs

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 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 suffered 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
Other acquired intangibles	3

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item 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	40
Equipment	5 - 10
Motor vehicles	5
Midstream assets	7 - 15
Other property and equipment	5 - 10

Property, plant and equipment held under leases are depreciated over the shorter of lease term and 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 subject 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. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 material 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 well asset retirement. The amount recognised is the present value of estimated future net expenditures determined in accordance 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.

At 31 December 2020 and 2019, the Group had no midstream asset retirement obligations.

Taxation

Deferred taxation

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group Financial Information. 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.

Income taxation

Current income tax assets and liabilities for the years ended 31 December 2020 and 2019 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 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 interest is included as a liability 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.

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. At 31 December 2020 and 2019, the Group had three types of share-based payment awards, restricted stock units ("RSUs"), performance stock units ("PSUs") and Options. The fair value of the grant of the Group's RSUs and PSUs is determined using the stock price at the grant date and uniformly expensed over the vesting period. 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;
- Expected dividends;
- Risk-free rate of interest; and
- Patterns of exercise of the plan participants.

The grant date fair value of share-based awards, adjusted for market-based performance conditions, are expensed uniformly over the vesting period.

Segment Reporting

The Group is an independent owner and operator of producing natural gas and oil wells concentrated in the Appalachian Basin. The Group's operations are located throughout the region and has operations in the states of Tennessee, Kentucky, Virginia, West Virginia, Ohio, and Pennsylvania. 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 approximately 67,000 geographically concentrated wells and approximately 17,000 miles of natural gas gathering pipelines and a network of compression and processing facilities which are complementary to the Company's assets. The Director's acquire and manage these assets in a complementary fashion to vertically integrate and improve margins rather than as separate options.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Appalachian Basin of the US.

New Standards and Interpretations - Adopted

IFRS 3, Business Combinations ("IFRS 3")

In October 2018, the International Accounting Standards Board issued amendments to IFRS 3. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amended standard states that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contributes to the ability to create outputs while removing the consideration of a market participant's ability to replace any missing inputs or processes and continuing to produce outputs. The standard also establishes an optional asset concentration test allowing entities to determine whether an acquired set of activities and assets is not a business. The Group adopted the amendments to IFRS 3 on 1 January 2020 and applied the amendments to asset acquisitions and business combinations that occurred subsequent to adoption.

New Standards and Interpretations - Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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 JUDGEMENTS AND ESTIMATES

In application of the Group's accounting policies, which are 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 Information:

SIGNIFICANT JUDGEMENTS

Business Combinations and Asset Acquisitions

The Group follows the guidance in IFRS 3 for determining the appropriate accounting treatment for acquisitions. IFRS 3 permits an initial fair value screen to determine if substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets. If the initial screening test is not met, the set 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 bargain purchase gains 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 judgement is included in Note 5.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. 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 upon acquisition 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 Information 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 include:

- A decrease 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 2020 and 2019.

Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period where 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 2020 and 2019. Please refer to Note 20 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 product 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.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 4 - SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES CONTINUED

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 cost to plug 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

The assets acquired in all acquisitions include the necessary permits, rights to production, royalties, assignments, contracts and agreements that support the production from wells and operations of pipelines. The Group accounts for acquisitions under 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 in the [Strategic Report](#) within this Annual Report.

2020 Acquisitions

Carbon Energy Corporation ("Carbon") business combination

On 26 May 2020, the Group acquired approximately 6,100 conventional wells in the states of Kentucky, West Virginia and Tennessee from Carbon. When evaluating the transaction the Group determined it acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The Group initially paid purchase consideration of \$98,120, excluding customary purchase price adjustments. Subsequent to the initial closing price the companies settled on a final closing statement and the Group paid another \$3,370 in cash consideration for a total cash consideration of \$101,490. Transaction costs associated with the acquisition were \$1,118. The Group funded the cash consideration for the purchase with proceeds from the \$160,000 Term Loan I, discussed in Note 22.

Carbon may earn additional contingent consideration of up to \$15,000 in the aggregate. The contingent consideration will be calculated based on fixed volumes and the average settled natural gas pricing for 2020, 2021, and 2022 as compared to established benchmark pricing. Any payments due will be paid yearly by 5 January of each of 2021, 2022 and 2023 based on the contingent consideration calculation for the respective calendar years. Based on forward NYMEX natural gas prices the fair value of the contingent consideration as at the acquisition date was \$5,463. As of 31 December 2020 no contingent consideration payment had been made.

In the period from its acquisition to 31 December 2020 the acquisition of Carbon increased the Group's natural gas and oil production by 10,279 MMcf and 45 MBbls, respectively. The properties associated with the acquisition have been co-mingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties for the twelve month period ended 31 December 2020.

As stated in Note 4, changes in the Group's assumptions used as inputs for acquisitions could result in a material change of the fair value of the acquired reserves. The Group considers the discount rate, commodity pricing, production and operating expense assumptions to be the inputs most sensitive to the fair value of the acquired reserves. The table below represents the impact a 100 basis point adjustment in the discount rate, commodity price, production and operating expense would have on the fair value of the acquired reserves provided this represents a reasonably possible change in these assumptions.

Adjusted fair value of natural gas and oil properties

	+100 Basis Points	-100 Basis Points
Discount rate	\$76,625	\$83,751
Pricing ^(a)	81,938	78,238
Production	81,938	78,238
Operating expense	79,238	80,938

a. The Group used a projected base realised price of \$1.86 for natural gas and \$30.84 for oil.

As a result of the valuation, the fair value of the reserves held in assets acquired was \$80,138, which was derived using a cumulative discount rate of 11%. The provisional fair value of the assets acquired and liabilities assumed were as follows:

Consideration paid	
Cash consideration	\$101,490
Contingent consideration	5,463
Total consideration	\$106,953
Net assets acquired	
Natural gas and oil properties	\$80,138
Natural gas and oil properties (asset retirement obligation, asset portion)	23,853
Property, plant and equipment	46,713
Other non-current assets	3,846
Derivative financial instruments, net	3,464
Trade receivables	110
Inventory	2,478
Other current assets	6
Cash and cash equivalents	1,352
Deferred tax asset	4,105
Leases, non-current	(2,537)
Other non-current liabilities	(441)
Asset retirement obligation, liability portion	(23,853)
Trade and other payables	(1,672)
Leases, current	(963)
Other current liabilities	(12,474)
Net assets acquired	124,125
Gain on bargain purchase	(17,172)
Purchase price	\$106,953

Taking into account the requirements of IFRS 3 with respect to the possibility of recognising a possible gain on a bargain purchase, the Group reviewed the procedures used to identify and measure all amounts affecting the calculation of the assets and liabilities acquired in the transaction and considered the recognition of the gain on the bargain purchase appropriate. The review of these factors included the review of Carbon's public filings when submitting the transaction to stockholders for approval as required by Section 271 of the General Corporation Law of the State of Delaware.

The bargain purchase was a result of a combination of factors that coincided with the sustained period of low natural gas and oil prices the market has experienced, significant market volatility linked to the Covid-19 pandemic and strategic decisions by other industry participants as they effect their own initiatives often choosing to divest assets they consider non-core to their business.

These external pressures created concerns about Carbon's ability to comply with certain financial covenants if this lingering period of low pricing were to persist, providing incentive for Carbon to market the assets. These pressures coupled with Carbon's desire for additional strategic pursuits in California-based assets contributed to the Group's recognition of a \$17,172 gain on bargain purchase.

EQT Corporation ("EQT") asset acquisition

On 21 May 2020, the Group acquired 889 proved developed wells and related gathering infrastructure in the states of Pennsylvania and West Virginia from EQT. Given the concentration of assets this transaction was considered a acquisition of assets rather than a business combination. The Group initially paid purchase consideration of \$111,587, excluding customary purchase price adjustments. Subsequent to the initial closing price the companies settled on a final closing statement and the Group paid another \$3,215 in cash consideration for a total cash consideration of \$114,802. Transaction costs associated with the acquisition were \$1,069 and have been capitalised to natural gas and oil properties. The Group funded the purchase with proceeds from the \$160,000 Term Loan I and a short-term draw from the Credit Facility, both discussed in Note 22.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 5 - ACQUISITIONS CONTINUED

EQT may earn additional contingent consideration of up to \$20,000 in the aggregate. The contingent consideration will be calculated based on the three-month average of the NYMEX Henry Hub natural gas settlement price relative to stated floor and target price thresholds beginning on 31 August 2020 and ending on 30 November 2022. Based on forward NYMEX natural gas prices the fair value of the contingent consideration as at the acquisition date was \$7,082. As at 31 December 2020, the Group has made contingent consideration payments of \$893.

In the period from its acquisition to 31 December 2020 the acquisition of EQT increased the Group's natural gas production by 12,971 MMcf. The properties associated with the acquisition have been co-mingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties for the twelve month period ended 31 December 2020.

As stated in Note 4, changes in the Group's assumptions used as inputs for acquisitions could result in a material change of the fair value of the acquired reserves. The Group considers the discount rate, commodity pricing, production and operating expense assumptions to be the inputs most sensitive to the fair value of the acquired reserves. The table below represents the impact a 100 basis point adjustment in the discount rate, commodity price, production and operating expense would have on the fair value of the acquired reserves provided this represents a reasonably possible change in these assumptions.

Adjusted fair value of natural gas and oil properties

	+100 Basis Points	-100 Basis Points
Discount rate	\$114,909	\$115,808
Pricing ^(a)	115,447	115,258
Production	115,447	115,258
Operating expense	115,333	115,375

a. The Group used a projected base realised price of \$1.73 using Henry Hub strip prices adjusted for differentials.

As a result of the valuation, the fair value of the reserves held in assets acquired was \$114,007, which was derived using a cumulative discount rate of 11%. The provisional fair value of the assets and liabilities assumed were as follows:

Consideration paid:

Cash consideration	\$114,802
Contingent consideration	7,082
Acquisition costs	1,069
Total consideration	\$122,953
Natural gas and oil properties	\$114,007
Natural gas and oil properties (asset retirement obligation, asset portion)	3,142
Property, plant and equipment	10,956
Asset retirement obligation, liability portion	(3,142)
Other current liabilities	(2,010)
Net assets acquired	\$122,953

Other asset acquisitions of natural gas properties

In December 2020, the Group acquired five gross unconventional Utica Shale horizontal wells in the state of Ohio. The Group paid purchase consideration of \$7,083, excluding customary purchase price adjustments. Transaction costs associated with the acquisition were insignificant. The Group funded the cash consideration for the purchase with a draw on its Credit Facility. The group is still working to finalise the fair value estimates associated with this acquisition.

2019 Acquisitions

HG Energy ("HG Energy") business combination

In April 2019, the Group acquired 107 unconventional wells in the states of Pennsylvania and West Virginia from HG Energy. The Group paid purchase consideration of \$384,020, excluding customary purchase price adjustments. Transaction costs associated with the acquisition were \$4,788. The Group funded the cash consideration for the purchase with the proceeds from an equity placing of shares in April 2019 and a draw from the Credit Facility, discussed in Notes 17 and 22, respectively.

In the period from its acquisition to 31 December 2019, the acquisition of HG Energy contributed revenue of approximately \$34,000 and increased the Group's natural total production by 90,940 Boepd. The properties associated with the acquisition have been commingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

As a result of the valuation, the fair value of the reserves held in the assets acquired was \$385,671, which was derived using a cumulative discount rate of 8%. The fair values of the assets and liabilities assumed were as follows:

Consideration paid	
Cash consideration	\$384,020
Total consideration	\$384,020
Net assets acquired	
Natural gas and oil properties	\$385,671
Natural gas and oil properties (asset retirement obligation, asset portion)	236
Suspense ^(a)	(1,651)
Asset retirement obligation, liability portion	(236)
Net assets acquired	\$384,020

a. Suspense represents the amounts payable to minority working interest owners.

EdgeMarc Energy ("EdgeMarc") business combination

In September 2019, the Group acquired 12 unconventional wells and three drilled but uncompleted unconventional wells in Ohio from EdgeMarc Energy. The Group paid purchase consideration of \$48,107, excluding customary purchase price adjustments. Transaction costs associated with the acquisition were \$747. The Group funded the cash consideration for the purchase from a draw on the Credit Facility, discussed in Note 22.

In the period from its acquisition to 31 December 2019, the acquisition of EdgeMarc contributed revenue of approximately \$6,600 and increased the Group's total production to 95,940 Boepd. The properties associated with the acquisition have been commingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

As a result of the valuation, the fair value of the reserves held in the assets acquired was \$40,507, which was derived using a cumulative discount rate of 8.5%. The fair values of the assets and liabilities assumed were as follows:

Consideration paid	
Cash consideration	\$48,107
Total consideration	\$48,107
Net assets acquired	
Natural gas and oil properties	\$40,507
Natural gas and oil properties (asset retirement obligation, asset portion)	15
Drilled but uncompleted	10,000
Derivative financial instruments, net	2,213
Suspense ^(a)	(2,744)
Asset retirement obligation, liability portion	(15)
Taxes payable	(329)
Net assets acquired	49,647
Gain on bargain purchase	(1,540)
Purchase price	\$48,107

a. Suspense represents the amounts payable to minority working interest owners.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 5 - ACQUISITIONS CONTINUED

The Group recorded a \$1,540 gain on the acquisition of the EdgeMarc assets which the Directors believe is reasonable given the facts and circumstances of the acquisition. The Group entered into a “stalking-horse” Asset Purchase Agreement with EdgeMarc, debtors-in-possession under title 11 of the US Code, pursuant to voluntary petitions for relief filed under Chapter 11 of the US Bankruptcy Code. Given the circumstances of EdgeMarc, the Directors believe that EdgeMarc was in a distressed position to sell the assets under fair market value.

Acquisition of natural gas gathering systems

In September 2019, the Group acquired certain natural gas gathering systems from Dominion and Equitrans, for total cash consideration of \$7,700, excluding customary purchase price adjustments. The natural gas gathering systems associated with the acquisitions have been commingled with the Group’s existing natural gas gathering systems and it is impractical to provide stand-alone operational results related to these acquired assets. The Group funded the cash consideration of the purchase from a draw on the Credit Facility discussed in Note 22. The Group accounted for this acquisition as an asset acquisition under IFRS 3. Transaction costs associated with the Dominion and Equitrans acquisitions were \$726 and \$507, respectively.

NOTE 6 - REVENUE

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 to third parties. All revenue was generated in the US. The following table reconciles the Group’s revenue for the periods presented:

	Year Ended	
	31 December 2020	31 December 2019
Natural gas	\$343,425	\$384,121
NGLs	23,173	33,685
Oil	15,064	20,474
Total commodity revenue	381,662	438,280
Midstream	25,389	22,166
Other	1,642	1,810
Total revenue	\$408,693	\$462,256

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 generally uncollateralised, and are collected within 30 - 60 days depending on the commodity, location and well type.

During the year ended 31 December 2020, two customers individually totalled more than 10% of total revenues, totalling 11% each for a total of 22%. During the year ended 31 December 2019, one customer individually totalled more than 10% of total revenues, totalling 13%.

NOTE 7 - EXPENSES BY NATURE

The following table provides a detail of the Group's expenses for the periods presented:

	Year Ended	
	31 December 2020	31 December 2019
Base lease operating expense ^(a)	\$92,288	\$102,302
Production taxes ^(b)	13,705	16,427
Midstream operating expense ^(c)	52,815	44,060
Transportation expense ^(d)	45,155	39,596
Total operating expense ^(e)	203,963	202,385
Depreciation and amortisation	33,673	23,568
Depletion	83,617	74,571
Total depreciation, depletion and amortisation	117,290	98,139
Employees and benefits (administrative)	28,843	20,914
Other administrative ^(f)	8,820	7,384
Professional fees ^(g)	6,259	5,212
Auditors' remuneration ^(h)	2,429	1,667
Rent	830	896
Base G&A ⁽ⁱ⁾	47,181	36,073
Non-recurring costs associated with acquisitions ^(j)	10,465	9,210
Other non-recurring costs ^(k)	14,581	7,542
Non-cash equity compensation ^(l)	5,007	3,064
Non-recurring and/or non-cash G&A ^(m)	30,053	19,816
Total G&A	77,234	55,889
Allowance for joint interest owner receivables	6,931	730
Recurring allowance for credit losses	1,559	—
Total allowance for credit losses ⁽ⁿ⁾	8,490	730
Total expense	\$406,977	\$357,143
Aggregate remuneration (including Directors):		
Wages and salaries	75,719	68,226
Payroll taxes	5,383	2,869
Benefits	14,926	5,766
Total employees and benefits expense	\$96,028	\$76,861

- a. Base lease operating expense is defined as the sum of employee and benefit expenses, well operating expense (net), automobile expense and insurance cost.
- 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. Total operating expense increased due to seven months of operating expense related to the EQT and Carbon acquisitions, both acquired in May 2020, as well as a full year of operating expenses related to the HG Energy and EdgeMarc assets acquired in April 2019 and September 2019, respectively. See Note 5 for additional information on acquisitions.
- f. Other administrative expense includes general liability insurance, IT services, other office expenses and travel.
- g. Professional fees include legal, marketing, payroll, and consultation fees and costs associated with being a public company.
- h. Auditors' remuneration includes fees payable to the Group's auditor for the audit of the Group and Company annual accounts, accounts of subsidiaries and other assurance services. Please refer to the table below for more information.
- i. Adjusted G&A includes payroll and benefits for our management, directors and administrative staff, costs of maintaining administrative offices, costs of managing our production operations, franchise taxes, public company costs, non-cash equity issuance, fees for audit and other professional services, and legal compliance.
- j. Non-recurring costs associated with acquisitions primarily relate to transition services, IT integration, legal and consulting costs directly related to acquisitions.
- k. Other non-recurring costs for 2020 are associated with legal and professional fees related to the up-list to the Premium Segment of the Main Market of the LSE and expenses for a one-time hedge portfolio modification. For 2019, other non-recurring costs are associated with early buyouts of long-term firm transportation agreements, severance packages, temporary service agreements for onboarding of acquired assets and consolidation of the Group's corporate structure.
- l. Non-cash equity issuances in 2020 and 2019, reflect the expense recognition related to share-based compensation provided to certain key managers.
- m. Non-recurring and/or non-cash G&A includes costs related to acquisitions, the Group's up-list to the Main Market of the LSE, and other one-time events.
- n. Allowance for credit losses consists of expected credit losses and a non-recurring increase in the reserve for joint interest owner receivables. Refer to Note 15 for additional information.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 7 - EXPENSES BY NATURE CONTINUED

The average monthly number of employees was as follows:

	Year Ended	
	31 December 2020	31 December 2019
Number of production support employees, including Directors	183	156
Number of production employees	924	768
Workforce	1,107	924

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 2020	31 December 2019
Executive Directors		
Salary	\$1,090	\$775
Taxable benefits ^(a)	16	11
Benefit plan ^(b)	32	22
Bonus ^(c)	1,537	1,124
Total Executive Directors' remuneration	2,675	1,932
Non-Executive Directors		
Salary	763	374
Total Non-Executive Directors' remuneration	763	374
Total remuneration	\$3,438	\$2,306

a. Taxable benefits were comprised of Group paid life insurance premiums and automobile reimbursements.

b. Benefit plan amounts reflect matching contributions under the Group's 401(k) plan.

c. Further details of the bonus outcome for 2020 can be found in the 2020 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 2020	31 December 2019
Auditors remuneration (PwC)		
Fees payable to the Company's external auditors and their associates for the audit of the consolidated financial statements	\$1,196	\$—
Audit-related assurance services ^(a)	1,146	—
Other assurance services	87	—
Total auditors' remuneration (PwC)	2,429	—
Auditors' remuneration (Crowe)		
Fees payable to the Company's external auditors and their associates for the audit of the consolidated financial statements	—	350
Audit-related assurance services	—	1,092
Other assurance services	—	225
Total auditors' remuneration (Crowe)	—	1,667
Total auditors' remuneration	\$2,429	\$1,667

a. Fees incurred associated with the up-list to the Main Market of the LSE.

NOTE 8 - TAXATION

The Group files a consolidated US federal tax return, multiple state tax returns, and a separate UK tax return for the Parent entity. Income taxes are provided for the tax effects of transactions reported in the Group Financial Information 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 ending 31 December 2020 and 2019, the Group had a tax benefit of \$113,266 and an expense of \$32,091, respectively. The Group's effective tax rate was 82.8% and 24.4% for the same periods, respectively. The effective tax rate is primarily impacted by the Group's recognition of the federal well tax credit available to qualified producers in 2020 who operate lower-volume wells during a low commodity pricing environment. The federal government provides these credits to encourage companies to continue producing 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 programs, law enforcement and other similar public services. The federal tax credit is prescribed by Internal Revenue Code Section 45I and is available for certain natural gas production from qualifying wells. In May 2020, the US Internal Revenue Service released Notice 2020-34 which quantified the amount of credit per Mcf of qualified natural gas production for tax years beginning in 2019 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. Other impacts to the effective rate include changes in state tax rates as a result of acquisitions and recurring permanent differences, such as meals and entertainment.

The provision for income taxes in the Consolidated Statement of Comprehensive Income is summarised below:

	Year Ended	
	31 December 2020	31 December 2019
Current income tax expense		
Federal	\$233	\$654
State	4,923	2,217
Foreign - UK	616	142
Total current income tax expense	5,772	3,013
Deferred income tax (benefit) expense		
Federal	(108,627)	22,253
State	(10,411)	6,825
Total deferred income tax (benefit) expense	(119,038)	29,078
Total income tax (benefit) expense	\$(113,266)	\$32,091

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

	Year Ended	
	31 December 2020	31 December 2019
Income (loss) before taxation	\$(136,740)	\$131,491
Income tax benefit (expense)	113,266	(32,091)
Effective tax rate	82.8%	24.4%

	Year Ended			
	31 December 2020		31 December 2019	
Expected tax at statutory US federal income tax rate	\$(28,715)	21.0%	\$27,613	21.0%
State income taxes, net of federal tax benefit	(7,451)	5.4%	7,946	6.0%
Federal credits	(80,380)	58.8%	(7,000)	(5.3)%
Other, net	3,280	(2.4)%	3,532	2.7%
Effective tax rate	\$(113,266)	82.8%	\$32,091	24.4%

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 8 - TAXATION CONTINUED

The Group had a net deferred tax liability of \$969 at 31 December 2020 compared to a net deferred tax liability of \$124,112 at 31 December 2019. The deferred tax liability decreased by \$123,143, primarily due to unrealised losses for unsettled derivatives not recognised for tax purposes, the recognition of federal tax credits, and the utilisation of federal and state net operating losses. 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 liability included in non-current liabilities as at the periods presented:

	31 December 2020	31 December 2019
Deferred tax asset		
Asset retirement obligations	\$90,949	\$52,254
Derivative financial instruments	46,237	—
Allowance for doubtful accounts	2,968	841
Net operating loss carryover	474	43,262
Federal tax credits carryover	99,117	19,502
Other	4,160	2,344
Total deferred tax asset	243,905	118,203
Deferred tax liability		
Amortisation and depreciation	(244,874)	(228,004)
Derivative financial instruments	—	(14,311)
Total deferred tax liability	(244,874)	(242,315)
Net deferred tax liability	\$(969)	\$(124,112)
Balance sheet presentation		
Deferred tax asset	\$14,777	\$—
Deferred tax liability	(15,746)	(124,112)
Net deferred tax liability	\$(969)	\$(124,112)

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, to recognise its deferred tax assets.

The Group reported the effects of deferred tax expense as at and for the year ended 31 December 2020:

	Opening Balance	Consolidated Statement of Comprehensive Income	Other ^(a)	Closing Balance
Asset retirement obligations	\$52,254	\$38,695	\$—	\$90,949
Allowance for doubtful accounts	841	2,127	—	2,968
Net operating loss carryover	43,263	(43,181)	392	474
Federal tax credits carryover	19,503	79,614	—	99,117
Property, plant, and equipment and natural gas and oil properties	(228,005)	(20,079)	3,210	(244,874)
Derivative financial instruments	(14,311)	60,548	—	46,237
Other	2,343	1,314	503	4,160
Total deferred tax liability	\$(124,112)	\$119,038	\$4,105	\$(969)

a. Amounts primarily relate to deferred taxes acquired as part of acquisition purchase accounting.

The Group reported the effects of deferred tax expense as at and for the year ended 31 December 2019:

	Opening Balance	Consolidated Statement of Comprehensive Income	Other ^(a)	Closing Balance
Asset retirement obligations	\$46,893	\$5,361	\$—	\$52,254
Allowance for doubtful accounts	577	264	—	841
Net operating loss carryover	57,081	(13,818)	—	43,263
Federal tax credits carryover	14,365	5,138	—	19,503
Property, plant, and equipment and natural gas and oil properties	(206,795)	(21,210)	—	(228,005)
Derivative financial instruments	(8,488)	(5,823)	—	(14,311)
Other	1,334	1,009	—	2,343
Total deferred tax liability	\$(95,033)	\$(29,079)	\$—	\$(124,112)

a. No acquisition purchase accounting deferred taxes were recorded in 2019.

The Group's deferred tax assets and liabilities all arise in the US.

For US federal tax purposes, the Group is taxed as one consolidated entity. The Group is subject to additional taxes in its domiciled jurisdiction of the UK. For the years ended 31 December 2020 and 2019, the Group incurred \$616 and \$142 of income tax liability in the UK, respectively.

The Group had an uncertain tax position liability of \$1,837 at 31 December 2020 compared to a liability of \$2,133 at 31 December 2019. At the date of acquisition, the Directors determined that Alliance Petroleum had taken uncertain tax positions. The Group had no other uncertain tax positions as at 31 December 2020.

For the year ended 31 December 2020, the Group utilised all of its \$196,200 federal net operating loss carryforwards ("NOLs") reported as of 31 December 2019. With the acquisition of Carbon, discussed in Note 5, the Group acquired \$1,867 of NOLs, which are subject to limitation. Additionally, the Group has US state NOLs of approximately \$2,025, which expire in 2038.

The Group had US federal well tax credit carryforwards of approximately \$99,117 at 31 December 2020 compared to \$19,502 at 31 December 2019. 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 low commodity price environment, the Group generated \$80,380 of federal tax credits and utilised \$765 for the year ended 31 December 2020. The tax credits expire in the years 2037 through 2040.

The Group had US federal capital loss carryforwards of \$9,904 at 31 December 2020 compared to \$17,600 at 31 December 2019. For the year ended 31 December 2020, \$7,700 of the capital loss carryforwards expired, and the remaining amounts expire in 2023. The Group does not expect to utilise these carryforwards, and therefore, a deferred tax asset for these carryforwards has not been recorded.

The Group completed a Section 382 study through 31 December 2020 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. Based on the results of the study, it is reasonably possible that a change in shareholder ownership could occur in 2021.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 9 - ADJUSTED NET INCOME AND HEDGED ADJUSTED EBITDA

Adjusted Net Income and Hedged Adjusted EBITDA are defined as operating profit (loss) plus or minus the items detailed in the table below. These metrics are of particular interest to the industry and the Group. Adjusted Net Income represents net income when excluding non-cash and non-recurring amounts while Hedged Adjusted EBITDA is essentially the cash generated from operations that the Group has free for principal and interest payments, capital investments and dividend payments. Adjusted Net Income and Hedged Adjusted EBITDA should not be considered as an alternative to operating profit (loss), comprehensive income, cash flow from operating activities or any other financial performance or liquidity measure presented in accordance with IFRS.

The Directors believe Adjusted Net Income and Hedged Adjusted EBITDA are useful measures because they enable a more effective way to evaluate operating performance and compare results of operations from period-to-period and against their peers without regard to the Group's financing methods or capital structure. The Directors exclude the items listed in the table below from operating profit (loss) in arriving at Adjusted Net income and Hedged Adjusted EBITDA for the following reasons:

- Certain amounts are non-recurring from the operation of the business such as;
 - 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 programme 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 income (loss) available to shareholders after taxation to Adjusted Net Income and Hedged Adjusted EBITDA for the periods presented:

	Year Ended	
	31 December 2020	31 December 2019
Income (loss) available to shareholders after taxation	\$(23,474)	\$99,400
Loss on joint and working interest owners receivable	6,931	730
Gain on bargain purchase	(17,172)	(1,540)
(Gain) loss on fair value adjustments of unsettled financial instruments	238,795	(20,270)
(Gain) loss on natural gas and oil programme and equipment	2,059	—
Non-recurring costs	25,046	16,752
Non-cash equity compensation	5,007	3,065
(Gain) loss on foreign currency hedge	—	(4,117)
(Gain) loss on interest rate swap	202	—
Tax effect on adjusting items ^(a)	(62,608)	1,598
Adjusted Net Income	174,786	95,618
Less: Tax effect on adjusting items to Adjusted Net Income	62,608	(1,598)
Depreciation, depletion and amortisation	117,290	98,139
Finance costs	43,327	36,667
Accretion of asset retirement obligations	15,424	12,349
Other (income) expense	421	—
Loss on debt cancellation	—	—
Income tax (benefit) expense	(113,266)	32,091
Hedged Adjusted EBITDA	300,590	273,266
Adjusted EPS - basic	\$0.26	\$0.15
Adjusted EPS - diluted	\$0.25	\$0.15
Hedged Adjusted EBITDA per Share - basic	\$0.44	\$0.43
Hedged Adjusted EBITDA per Share - diluted	\$0.44	\$0.42

a. The tax effect on adjusting items to Adjusted Net Income is calculated using the Group's expected federal and state statutory rates for the periods ended 31 December 2020 and 2019. These expected statutory rates are presented in Note 8.

NOTE 10 - EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the income (loss) available to shareholders after taxation and on the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is based on the income (loss) available to shareholders after taxation 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. Basic and diluted earnings (loss) per share are calculated as follows for the periods presented:

	Calculation	Year Ended	
		31 December 2020	31 December 2019
Income (loss) available to shareholders after taxation	A	\$(23,474)	\$99,400
Weighted average shares outstanding - basic	B	685,170	641,666
Weighted average shares outstanding - diluted	C	688,348	644,782
Earnings (loss) per share - basic	= A/B	\$(0.03)	\$0.15
Earnings (loss) per share - diluted	= A/C	\$(0.03)	\$0.15
Hedged Adjusted EBITDA per Share - basic	Note 9	\$0.44	\$0.43
Hedged Adjusted EBITDA per Share - diluted		\$0.44	\$0.42

NOTE 11 - NATURAL GAS AND OIL PROPERTIES

The following table summarises the Group's natural gas and oil properties for the periods presented:

	Year Ended	
	31 December 2020	31 December 2019
Costs:		
Beginning balance	\$1,625,884	\$1,148,235
Additions ^(a)	346,385	487,649
Disposals ^(b)	(3,712)	(10,000)
Ending balance	\$1,968,557	\$1,625,884
Depletion and impairment:		
Beginning balance	\$(129,855)	\$(55,284)
Period changes	(83,617)	(74,571)
Disposals	—	—
Ending balance	\$(213,472)	\$(129,855)
Net book value	\$1,755,085	\$1,496,029

- a. For the year ended 31 December 2020, \$103,991, \$117,149 and \$7,083 in additions were related to the acquisitions of Carbon, EQT and the Utica wells, respectively. The remaining change is primarily attributable to revisions in the Group's asset retirement obligations as a result of changes in the discount rate, please refer to Note 19 for additional information. For the year ended 31 December 2019, \$385,907 and \$40,522 were related to the acquisitions of HG Energy and EdgeMarc, respectively. See Note 5 for additional information regarding these acquisitions.
- b. In September 2020 the Group sold 662 wells in McKean, Forest, and Warren Counties, Pennsylvania. In November 2019, the Group sold the three drilled but uncompleted unconventional wells that were acquired in the EdgeMarc acquisition.

Impairment of Natural Gas and Oil Properties

Having identified an impairment indicator relating to a decline of natural gas and oil prices and the macroeconomic impacts of the Covid-19 pandemic in the half-year accounts, the Directors undertook an impairment test in line with the Group's accounting policy. Having performed this assessment, no impairment was recognised. For the period ended 31 December 2020, the Directors reassessed the indicators of impairment, noting a recovery in pricing and the economic outlook to the Group. As part of this assessment the Directors also evaluated the current and projected impact of climate change on the Group. As a result of their assessment no additional impairment indicators were identified.

For the period ended 31 December 2019, the Directors compared the carrying value of the Group's natural gas and oil properties to their fair values. Based on this review, the carrying value of natural gas and oil properties was not impaired.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

The following table summarises the Group's property, plant and equipment for the periods presented:

	Year Ended 31 December 2020					
	Buildings and Leasehold Improvements	Equipment	Motor Vehicles	Midstream Assets	Other Property and Equipment	Total
Costs:						
Beginning balance	\$22,654	\$4,438	\$19,099	\$306,537	\$2,205	\$354,933
Additions ^{(a)(b)}	5,536	2,415	19,127	60,794	3,395	91,267
Disposals ^(c)	—	(85)	(3,097)	—	—	(3,182)
Ending balance ^(d)	\$28,190	\$6,768	\$35,129	\$367,331	\$5,600	\$443,018
Depletion and impairment:						
Beginning balance	\$(559)	\$(1,987)	\$(7,251)	\$(23,455)	\$(728)	\$(33,980)
Period changes	(448)	(876)	(5,770)	(20,142)	(314)	(27,550)
Disposals	—	3	612	—	—	615
Ending balance	\$(1,007)	\$(2,860)	\$(12,409)	\$(43,597)	\$(1,042)	\$(60,915)
Net book value	\$27,183	\$3,908	\$22,720	\$323,734	\$4,558	\$382,103
	Year Ended 31 December 2019					
	Buildings and Leasehold Improvements	Equipment	Motor Vehicles	Midstream Assets	Other Property and Equipment	Total
Costs:						
Beginning balance	\$8,963	\$2,750	\$18,879	\$292,619	\$2,108	\$325,319
Additions ^{(a)(b)}	13,691	1,688	220	13,918	97	29,614
Disposals ^(c)	—	—	—	—	—	—
Ending balance ^(d)	\$22,654	\$4,438	\$19,099	\$306,537	\$2,205	\$354,933
Depletion and impairment:						
Beginning balance	\$(84)	\$(87)	\$(1,065)	\$(11,166)	\$(28)	\$(12,430)
Period changes	(475)	(1,900)	(6,186)	(12,289)	(700)	(21,550)
Disposals	—	—	—	—	—	—
Ending balance	\$(559)	\$(1,987)	\$(7,251)	\$(23,455)	\$(728)	\$(33,980)
Net book value	\$22,095	\$2,451	\$11,848	\$283,082	\$1,477	\$320,953

a. Of the \$91,356 in 2020 additions, \$46,713 and \$10,956 were related to the acquisitions of Carbon and EQT, respectively, while \$19,820 was associated with right-of-use asset additions for new and amended leases. Of the \$17,315 in 2019 additions, \$7,700 relates to equipment purchased through the Dominion and Equitrans acquisition. See Note 5 for additional information regarding these acquisitions.

b. Additions are related to routine capital projects on the Group's compressor and gathering systems, vehicle and equipment additions.

c. Disposals are primarily related to \$1,945 of vehicles acquired as part of the Carbon acquisition being transferred to the Group's fleet management and lease programme.

d. Buildings and Leasehold improvements and motor vehicles is inclusive of right-of-use assets associated with the Group's leases. Refer to Note 21 for additional information.

The Group continued to utilise certain fully depreciated assets during the years ended 31 December 2020 and 2019 with an original cost basis of \$3,313 and \$1,820, respectively.

NOTE 13 - INTANGIBLE ASSETS

Intangible assets consisted of the following for the periods presented:

	Year Ended 31 December 2020		
	Software	Other Acquired Intangibles	Total
Costs:			
Beginning balance	\$17,822	\$—	\$17,822
Additions ^(a)	6,449	2,900	9,349
Disposals	—	—	—
Ending balance	\$24,271	\$2,900	\$27,171
Accumulated amortisation:			
Beginning balance	\$(1,841)	\$—	\$(1,841)
Period changes	(5,405)	(712)	(6,117)
Disposals	—	—	—
Ending balance	\$(7,246)	\$(712)	\$(7,958)
Net book value	\$17,025	\$2,188	\$19,213
	Year Ended 31 December 2019		
	Software	Other Acquired Intangibles	Total
Costs:			
Beginning balance	\$2,775	\$—	\$2,775
Additions ^(a)	15,047	—	15,047
Disposals	—	—	—
Ending balance	\$17,822	\$—	\$17,822
Accumulated amortisation:			
Beginning balance	\$(212)	\$—	\$(212)
Period changes	(1,629)	—	(1,629)
Disposals	—	—	—
Ending balance	\$(1,841)	\$—	\$(1,841)
Net book value	\$15,981	\$—	\$15,981

a. For the year ended 31 December 2020 additions were related to software enhancements and \$2,900 in other acquired intangibles. For the year ended 31 December 2019 additions were related to costs associated with the Group's ERP project.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 14 - DERIVATIVE FINANCIAL INSTRUMENTS

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 is also exposed to volatility in interest rate markets, 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 2020, 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.

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.

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.

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:

NATURAL GAS CONTRACTS

	Volume (MMcf)	Swaps	Weighted Average Price per Mcfe (a)				Basis Differential	Fair Value at 31 December 2020
			Sold Puts	Purchased Puts	Sold Calls	Purchased Calls		
2021								
Swaps	186,347	\$2.93	\$—	\$—	\$—	\$—	\$2,447	
Stand-Alone Calls	7,300	—	—	—	2.86	—	(2,116)	
Basis Swap	106,632	—	—	—	—	(0.47)	12,126	
Total 2021 contracts	300,279						\$12,457	
2022								
Swaps	118,884	\$2.81	\$—	\$—	\$—	\$—	\$(6,817)	
Stand-Alone Calls	71,175	3.06	—	—	—	—	(20,036)	
Basis Swap	33,539	—	—	—	—	(0.48)	2,855	
Total 2022 contracts	223,598						\$(23,998)	
2023								
Swaps	88,957	\$2.68	\$—	\$—	\$—	\$—	\$(1,625)	
Stand-Alone Calls	85,392	3.04	—	—	—	—	(19,028)	
Basis Swap	900	—	—	—	—	(0.51)	53	
Total 2023 contracts	175,249						\$(20,600)	
2024								
Swaps	81,739	\$2.66	\$—	\$—	\$—	\$—	\$(4,845)	
Stand-Alone Calls	9,150	2.86	—	—	—	—	(3,023)	
Total 2024 contracts	90,889						\$(7,868)	
2025								
Swaps	65,864	\$2.63	\$—	\$—	\$—	\$—	\$(8,928)	
2026								
Swaps	42,454	\$2.61	\$—	\$—	\$—	\$—	\$(8,888)	
2027								
Swaps	33,820	\$2.60	\$—	\$—	\$—	\$—	\$(7,343)	
2028								
Swaps	32,190	\$2.57	\$—	\$—	\$—	\$—	\$(8,218)	
2029								
Swaps	29,190	\$2.57	\$—	\$—	\$—	\$—	\$(8,410)	
2030								
Swaps	5,450	\$2.50	\$—	\$—	\$—	\$—	\$(2,557)	
Swaptions								
1/1/2022-1/12/2022 ^(b)	14,600	\$—	\$—	\$—	\$2.92	\$—	\$(1,693)	
1/10/2024-1/9/2028 ^(c)	14,610	—	—	—	2.99	—	(3,837)	
1/1/2025-1/12/2029 ^(d)	36,520	—	—	—	2.85	—	(7,827)	
1/4/2026-1/3/2030 ^(e)	97,277	—	—	—	2.64	—	(34,024)	
1/4/2030-1/3/2032 ^(f)	42,627	—	—	—	2.64	—	(21,453)	
Total 2025-2032 contracts	205,634						\$(68,834)	
Total natural gas contracts	1,204,617						\$(153,187)	

a. Rates have been converted from Btu to Mcfe using a Btu conversion factor of 1.10.

b. Option expires on 23 December 2021.

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.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 14 - DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

NGLS CONTRACTS

	Volume (MBbls)	Swaps	Weighted Average Price per Bbl				Basis Differential	Fair Value at 31 December 2020
			Sold Puts	Purchased Puts	Sold Calls	Purchased Calls		
2021								
Swaps ^(a)	2,130	\$20.73	\$—	\$—	\$—	\$—	\$—	\$(14,983)
Total NGLs contracts	2,130							\$(14,983)

a. Certain portions of NGL swaps include effects of purchased oil swaps intended to provide a final NGL price as a percentage of WTI.

OIL CONTRACTS

	Volume (MBbls)	Swaps	Weighted Average Price per Bbl				Basis Differential	Fair Value at 31 December 2020
			Sold Puts	Purchased Puts	Sold Calls	Purchased Calls		
2021								
Sold Swaps	139	\$44.21	\$—	\$—	\$—	\$—	\$—	\$(565)
Long Swaps	306	32.63	—	—	—	—	—	4,770
Collars	121	—	—	52.01	67.72	—	—	809
Total 2021 contracts	566							\$5,014
2022								
Swaps	110	\$43.06	\$—	\$—	\$—	\$—	\$—	\$(409)
2023								
Swaps	70	37.00	—	—	—	\$—	—	(601)
2024								
Swaps	64	37.00	—	—	—	\$—	—	(511)
2025								
Swaps	56	37.00	—	—	—	\$—	—	(430)
2026								
Swaps	13	37.00	—	—	—	\$—	—	(102)
Total oil contracts	879							\$2,961

INTEREST

					Fair Value at 31 December 2020
			Principal Hedged	Fixed Rate	
2022					
LIBOR Interest Rate Swap			\$150,000	0.45%	\$(598)
Net fair value of derivative financial instruments					\$(165,807)

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 reporting date as follows:

Derivative Financial Instruments	Consolidated Statement of Financial Position	31 December 2020	31 December 2019
Assets:			
Non-current assets	Derivative financial instruments	\$717	\$3,803
Current assets	Derivative financial instruments	17,858	73,705
Total assets		\$18,575	\$77,508
Liabilities			
Non-current liabilities	Derivative financial instruments	\$(168,524)	\$(15,706)
Current liabilities	Derivative financial instruments	(15,858)	—
Total liabilities		\$(184,382)	\$(15,706)
Net assets (liabilities):			
Net assets (liabilities) - non-current	Other non-current assets (liabilities)	\$(167,807)	\$(11,903)
Net assets (liabilities) - current	Other current assets (liabilities)	2,000	73,705
Total net assets (liabilities)		\$(165,807)	\$61,802

The Group's policy is to present 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 for the periods indicated:

	As at 31 December 2020		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	\$25,159	\$(24,442)	\$717
Current assets	42,023	(24,165)	17,858
Total assets	67,182	(48,607)	18,575
Non-current liabilities	(192,967)	24,443	(168,524)
Current liabilities	(40,022)	24,164	(15,858)
Total liabilities	(232,989)	48,607	(184,382)
Total net assets (liabilities)	\$(165,807)	\$—	\$(165,807)

	As at 31 December 2019		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	\$35,657	\$(31,854)	\$3,803
Current assets	93,548	(19,843)	73,705
Total assets	129,205	(51,697)	77,508
Non-current liabilities	(47,560)	31,854	(15,706)
Current liabilities	(19,843)	19,843	—
Total liabilities	(67,403)	51,697	(15,706)
Total net assets (liabilities)	\$61,802	\$—	\$61,802

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 2020	31 December 2019
Net gain (loss) on commodity derivatives ^(a)	\$144,600	\$49,467
Net gain (loss) on interest rate swap	(202)	—
Gain on foreign currency hedge	—	4,117
Total gain (loss) on settled derivative instruments	144,398	53,584
Gain (loss) on fair value adjustments of unsettled financial instruments ^(b)	(238,795)	20,270
Total gain (loss) on derivative financial instruments	\$(94,397)	\$73,854

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.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 14 - DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

The Group enters into derivative contracts to reduce the effect of commodity price volatility on its cash flows, and enters into these contracts at the legal entity level that holds the Group's borrowings. Accordingly, 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 Credit Facility. Infrequently, the Group adjusts portions of its derivative contract portfolio across these legal entities to ensure that it maintains the appropriate level and composition at both the legal entity and full-Group level. During the year ended 31 December 2020, the Group paid \$10,963 to modify certain derivative contracts, which it excluded from Hedged Adjusted EBITDA due to their non-recurring nature. Modifications include the quantum of production subject to contracts, the swap or floor price of certain contracts and similar elements of it. Of the \$10,963, \$3,240 related to the Group's ABS II financing transaction, which refinanced a portion of its Credit Facility borrowings. To facilitate the price protection for ABS II, the Group initiated the necessary derivative contracts required by the lender with a member of its existing Credit Facility. After closing ABS II, the Group novated certain contracts to the legal entity holding ABS II. The remaining payments of \$7,723 related to offsetting positions for derivative contracts on its Credit Facility, which the Group recorded as new derivative financial instruments on its Consolidated Statement of Financial Position. For more information on the Group's financing arrangements see Note 22.

NOTE 15 - TRADE AND OTHER RECEIVABLES

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. At 31 December 2020 and 2019, the Group recorded an allowance for current expected credit losses of \$11,082 and \$3,210, respectively. The following table summarises the Group's trade receivables. The fair value approximates the carrying value as at the periods presented:

	31 December 2020	31 December 2019
Commodity receivables	\$70,199	\$64,522
Other receivables	7,874	12,612
Total trade receivables	78,073	77,134
Allowance for credit losses ^(a)	11,082	3,210
Total trade receivables, net	\$66,991	\$73,924

a. For the period ended 31 December 2020 the Group recorded a non-recurring increase in the reserve of joint interest owner receivables of \$6,931. Due to the historical low pricing environment, the Group increased the allowance for credit losses related to amounts due from joint interest owners.

NOTE 16 - OTHER ASSETS

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

	31 December 2020	31 December 2019
Other non-current assets		
Other non-current assets	\$2,376	\$176
Indemnification receivable ^(a)	1,837	2,133
Total other non-current assets	\$4,213	\$2,309
Other current assets		
Prepaid expenses	\$1,681	\$4,317
Other receivables	—	383
Inventory	6,315	5,163
Total other current assets	\$7,996	\$9,863

a. At the date of acquisition, the Directors determined that Alliance Petroleum had taken uncertain tax positions, and as a result, an indemnification agreement was executed. The Group recorded an indemnification receivable for the amount of \$1,837 and \$2,133 as at 31 December 2020 and 2019, respectively. In accordance with IFRS 3, the Group assigned acquisition date fair value to the indemnification asset using the same valuation techniques used to determine the acquisition date fair value of the related liability.

NOTE 17 - SHARE CAPITAL

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 2020, the Group placed 64,281 new shares at \$1.33 per share (£1.08) to raise gross proceeds of \$85,415 (approximately £69,423). Associated costs of the placing were \$4,008. The Group used the proceeds to partially fund the acquisition of certain assets of Carbon and EQT, discussed in Note 5.

In April 2019, the Group placed 151,515 new shares at \$1.52 per share (£1.17) to raise gross proceeds of \$230,676 (approximately £177,278). Associated costs of the placing were \$8,817. The Group used the proceeds to fund the HG Energy acquisition, discussed in Note 5.

Repurchase of Shares

During the year ended 31 December 2020, the Group repurchased 12,958 treasury shares at an average price of \$1.21 totalling \$15,634.

During the year ended 31 December 2019, the Group repurchased 38,662 treasury shares at an average price of \$1.36 totalling \$52,902. The Group has accounted for the repurchase of these shares as a direct reduction to retained earnings.

All repurchased treasury shares have been cancelled.

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 at 31 December 2018	542,654	\$7,346	\$540,655
Issuance of share capital	151,515	1,972	219,888
Repurchase of shares	(38,662)	(518)	—
Other issues ^(a)	223	—	—
Balance at 31 December 2019	655,730	\$8,800	\$760,543
Issuance of share capital	64,281	791	80,616
Repurchase of shares	(12,958)	(74)	—
Other issues ^(a)	324	3	—
Balance at 31 December 2020	707,377	\$9,520	\$841,159

a. During the years ended 31 December 2020 and 2019, the Group issued 324 and 223 RSUs, respectively, to certain key managers. The RSUs had no impact on share premium.

NOTE 18 - NON-CASH SHARE-BASED COMPENSATION

Equity Incentive Plan

The 2017 Equity Incentive Plan (the "Plan"), as amended through 11 May 2020, authorised and reserved for issuance 50,681 shares of common stock, which may be issued upon exercise of vested Options, RSUs and PSUs, that are granted under the Plan. As at 31 December 2020, 1,023 shares have vested and been made available to Plan participants while 31,110 shares have been granted but remain unvested.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 18 - NON-CASH SHARE-BASED COMPENSATION CONTINUED

Options Awards

The following table summarises Options award activity for the years ended 31 December 2020 and 2019:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Balance at 31 December 2018	15,450	\$0.33
Granted	8,520	0.59
Vested	—	—
Forfeited	(300)	0.33
Balance at 31 December 2019	23,670	\$0.42
Granted	—	—
Vested	—	—
Forfeited	(650)	0.37
Balance at 31 December 2020	23,020	\$0.43

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 are calculated using the Black-Scholes model as of the grant date. The inputs to the Black-Scholes model included the following for Options granted during the years ended 31 December 2020 and 2019:

	31 December 2020 ^(a)	31 December 2019
The share price at the date of grant	£—	£1.25
Exercise price	£—	£1.20
Expected volatility	—%	31%
Expected dividends	—%	—%
Risk-free rate of interest	—%	2.25%
Options life	—	10 years

a. No Options were awarded during the year ended 31 December 2020.

b. Volatility was calculated utilising the historical volatility for the Group's share price.

The fair value of the grant of the Group's Options is uniformly expensed over the vesting period.

RSU and PSU Awards

The following table summarises RSU equity award activity for the years ended 31 December 2020 and 2019:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Balance at 31 December 2018	672	\$0.92
Granted	900	1.30
Vested	(320)	0.91
Forfeited	—	—
Balance at 31 December 2019	1,251	\$1.20
Granted	7,309	1.18
Vested	(470)	1.08
Forfeited	—	—
Balance at 31 December 2020	8,090	\$1.19

RSUs cliff-vest based on service conditions, while PSUs cliff-vest based on three 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. The number of units that will vest can range between 0% and 100% of the award.

The fair value of the Group's RSUs and PSUs is determined using the stock price at the grant date and uniformly expensed over the vesting period.

Share-Based Compensation Expense

The following table presents share-based compensation expense for the respective periods:

	31 December 2020	31 December 2019
Options	\$2,553	\$2,095
RSUs and PSUs	2,483	367
Total share-based compensation expense	\$5,036	\$2,462

NOTE 19 - DIVIDENDS

The following table summarises the Group's dividends declared and paid on the dates indicated:

Date Dividends Declared/Paid	Dividend per Share		Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid
	USD	GBP				
Declared on 14 December 2018	\$0.0330	£0.0253	8 March 2019	29 March 2019	542,654	17,908
Declared on 28 February 2019	\$0.0340	£0.0239	12 April 2019	28 June 2019	542,654	18,450
Declared on 13 June 2019	\$0.0342	£0.0278	6 September 2019	27 September 2019	663,636	22,696
Declared on 8 August 2019	\$0.0350	£0.0269	29 November 2019	20 December 2019	659,903	23,097
Paid during the year ended 31 December 2019						\$82,151
Declared on 10 December 2019	\$0.0350	£0.0276	6 March 2020	27 March 2020	642,805	22,498
Declared on 9 March 2020	\$0.0350	£0.0274	29 May 2020	26 June 2020	707,086	24,748
Declared on 4 May 2020	\$0.0350	£0.0269	4 September 2020	25 September 2020	707,274	24,755
Declared on 10 August 2020	\$0.0375	£0.0278	27 November 2020	18 December 2020	707,377	26,526
Paid during the year ended 31 December 2020						\$98,527

On 29 October 2020 the Group proposed a dividend of \$0.0400 per share. The dividend will be paid on 26 March 2021 to shareholders on the register on 5 March 2021. This dividend was not approved by shareholders, thereby qualifying it as an "interim" dividend. No liability was recorded in the Group Financial Information in respect of this interim dividend as at 31 December 2020.

Subsequent Events

On 8 March 2021 the Directors recommended a final quarter dividend of \$0.0400 per share. The dividend would be paid on 24 June 2021 to shareholders on the register on 28 May 2021, subject to shareholder approval at the AGM. No liability has been recorded in the Group Financial Information in respect of this dividend as at 31 December 2020.

NOTE 20 - ASSET RETIREMENT OBLIGATIONS

The Group records a liability for the future cost of decommissioning its natural gas and oil properties, which it expects to incur over the long producing life of its wells (the Group presently expects all of its existing wells to have reached the end of their economic lives by approximately 2095).

The Group also records a liability for the future cost of decommissioning its production facilities and pipelines if required by contract or statute. The decommissioning liability represents the present value of estimated future decommissioning costs. No such contractual agreements or statutes were in place for the Group for the periods ended 31 December 2020 and 2019.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 20 - ASSET RETIREMENT OBLIGATIONS CONTINUED

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 cost increases and discounts the resulting cash flows using a credit adjusted risk free discount rate. The Group considers the Bloomberg 15-year US Energy BB bond to most closely align with the underlying long-term and unsecured liability and has derived its risk adjusted rate by reference to that. The net discount rate used in the calculation of the decommissioning liability in 2020 and 2019 was 3.7% and 5.0%, 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 2020	31 December 2019
Balance at beginning of period	\$199,521	\$142,725
Additions ^(a)	26,995	252
Accretion	15,424	12,349
Plugging costs	(2,442)	(2,541)
Disposals	(3,838)	—
Revisions to estimate ^{(b)(c)}	110,464	46,736
Balance at end of period	346,124	199,521
Less: Current asset retirement obligations	1,882	2,650
Non-current asset retirement obligations	\$344,242	\$196,871

- See Note 5 for more information about the Group's acquisitions.
- At 31 December 2020, the Group performed normal revisions to its asset retirement obligations which resulted in a \$110,464 adjustment, of which \$102,686 relates to macroeconomic factors stemming largely from the Covid-19 pandemic that reduced bond yields and resulted in a lower discount rate applied to our asset retirement obligations liability. The remaining \$7,778 relates to pricing-related adjustments based on historical costs incurred to plug and abandon wells.
- At 31 December 2019, the Group performed normal revisions to its asset retirement obligations which resulted in a \$46,736 adjustment, of which \$42,650 relates to macroeconomic factors that reduced bond yields and resulted in a lower discount rate applied to our asset retirement obligations liability. The remaining \$4,086 relates to pricing-related adjustments based on historical costs incurred to plug and abandon

Changes to assumptions used as inputs 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 fifty basis point decline in the gross discount rate could have an approximately \$69,675 impact on the Group's asset retirement obligations as at 31 December 2020.

NOTE 21 - LEASES

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 at the reporting periods presented were as follows:

	Present Value of Minimum Lease Payments	
	31 December 2020	31 December 2019
Balance at beginning of period	\$1,813	\$3,536
Additions ^(a)	19,820	1
Interest expense ^(b)	929	—
Cash outflows	(3,684)	(1,724)
Balance at end of period	\$18,878	\$1,813
Classified as:		
Current liability	\$5,013	\$798
Non-current liability	13,865	1,015
Total	\$18,878	\$1,813

- Of the \$19,820 in lease additions, \$3,500 was attributable to the Carbon acquisition. The remainder is a result of fleet expansion and the Group transitioning owned vehicles to a fleet management lease programme.
- 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 2020	31 December 2019
Balance at beginning of period	\$1,868	\$3,454
Additions ^(a)	19,558	—
Depreciation	(3,400)	(1,586)
Balance at end of period	\$18,026	\$1,868
Classified as:		
Motor vehicles	\$14,614	\$1,655
Buildings and leasehold improvements	3,412	213
Total	\$18,026	\$1,868

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 2020	31 December 2019
Discount rates range	1.8% - 3.3%	3.1% - 4.3%

The undiscounted future cash outflows relating to leases are disclosed in Note 26. Expenses related to short-term and low-value lease exemptions applied under IFRS 16 are disclosed in Note 7.

NOTE 22 - BORROWINGS

The Group's borrowings consist of the following amounts as of the reporting date as follows:

	31 December 2020	31 December 2019
Credit Facility		
Weighted average Interest rate of 2.96% (2020) and 4.80% (2019)	\$213,400	\$436,700
ABS I Note		
Interest rate of 5.00%	180,426	200,000
ABS II Note		
Interest rate of 5.25%	191,125	—
Term Loan I		
Interest rate of 6.50%	156,805	—
Miscellaneous, primarily for real estate, vehicles and equipment	4,730	8,219
Total borrowings	\$746,486	\$644,919
Less: Current portion of long-term debt	(64,959)	(23,510)
Less: Deferred financing costs	(23,068)	(22,631)
Less: Original issue discounts	(6,178)	—
Total non-current borrowings, net	\$652,281	\$598,778

Credit Facility

In November 2020, the Group reaffirmed its borrowing base on the \$1,500,000 Credit Facility at \$425,000, which maintains the maturity date of the previous facility of July 2023. The Credit Facility is secured by natural gas and oil properties and has an interest rate of one-month LIBOR plus 2.50% and is subject to a pricing grid that fluctuates from 2.00% to 3.00% plus LIBOR based on utilisation. Interest and principal payments on the Credit Facility are paid on a monthly basis. The next redetermination is in May 2021. Available borrowings under the Group's Credit Facility were \$211,600 as at 31 December 2020.

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, certain debt payments and amendments, restrictive agreements, investments, restricted payments and hedging. It also requires

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 22 - BORROWINGS CONTINUED

the Group to maintain a ratio of total debt to EBITDAX (the "Leverage Ratio") of not more than 3.75 to 1.00 and a ratio of current assets (with certain adjustments) to current liabilities (the "Current Ratio") of not less than 1.00 to 1.00 as of the last day of each fiscal quarter. As of 31 December 2020 the Group was in compliance with all financial covenants. The fair value of the Credit Facility approximates the carrying value as at 31 December 2020.

Term Loan I

In May 2020, the Group formed DP Bluegrass LLC ("Bluegrass"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary of the Group 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 Carbon and EQT acquisitions, as discussed in Note 5.

The Term Loan I is secured by the Group's producing assets acquired from Carbon and EQT discussed in Note 5.

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 beginning May 2020 and November 2020, respectively. During the period ended 31 December 2020, the Group incurred \$6,371 in interest related to the Term Loan I which is recognised under the effective interest rate method. The fair value of the Term Loan I approximates the carrying value as at 31 December 2020.

The Term Loan I is 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 Term Loan I, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified premium payments in the case of an optional prepayment, (iii) certain indemnification payments in the event, among other things, that the assets pledged as collateral for the Term Loan I are used in stated ways defective or ineffective, and (iv) covenants related to recordkeeping, access to information and similar matters.

The Term Loan I is also subject to customary accelerated amortisation events provided for in the indenture, including events tied to failure to maintain stated debt service coverage ratios, certain change of control and management termination events, and event of default and the failure to repay or refinance the Term Loan I on the applicable scheduled maturity date.

The Term Loan I is 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 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 2020 the Group was in compliance with all financial covenants.

ABS II Note

In April 2020, the Group formed Diversified ABS Phase II LLC ("ABS II"), a limited-purpose, bankruptcy-remote, wholly owned subsidiary of the Group to enter into a securitised financing agreement for \$200,000. The ABS II Note is BBB rated and was 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 Note is secured by 29.4% of the Group's producing assets, excluding the Group's EdgeMarc assets acquired in September 2019. Natural gas production associated with the 29.4% working interest was hedged at 85% at the close of the agreement with long-term derivative contracts.

The ABS II Note accrues interest at a stated 5.25% rate and has a maturity date of July 2037. Interest and principal payments on the ABS II Note are payable on a monthly basis beginning July 2020 and August 2020, respectively. During the period ended 31 December 2020, the Group incurred \$7,563 in interest related to the ABS II Note which is recognised under the effective interest rate method. In the event that ABS II has cash flow in excess of the required payments, 25% to 100% of the excess cash, contingent on certain performance metrics, is required to pay down additional principal with the remaining proceeds remaining with the Group. The fair value of the ABS II Note approximates the carrying value as at 31 December 2020.

The ABS II Note is 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 II Note, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified premium payments in the case of an optional prepayment, (iii) certain indemnification payments in the event, among other things, that the assets pledged as collateral for the ABS II Note are used in stated ways defective or ineffective, and (iv) covenants related to recordkeeping, access to information and similar matters.

The ABS II Note is also subject to customary early 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 II Note on the applicable scheduled maturity date.

The ABS II Note is 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 II Note, 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 2020 the Group was in compliance with all financial covenants.

ABS I Note

In November 2019, the Group formed Diversified ABS, LLC ("ABS I"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary of the Group to enter into a securitised financing agreement for \$200,000 which was issued at par through a BBB- rated bond. The ABS I Note is secured by 21.6% of the Group's producing assets, excluding the acquired EdgeMarc assets discussed in Note 5. Natural gas production associated with the 21.6% working interest was hedged at 85% at the close of the agreement using a 10-year swap and rolling 2-year basis hedge.

Interest and principal payments on the ABS I Note are payable on a monthly basis beginning 28 February 2020. For the years ended 31 December 2020 and 2019, the Group incurred \$9,661 and \$1,305 of interest related to the ABS I Note, respectively. The legal final maturity date is January 2037 with an amortising maturity of December 2029. The ABS I Note accrues interest at a stated 5% rate. In the event that ABS I has cash flow in excess of the required payments, 25% to 100% of the excess cash, contingent on certain performance metrics, is required to pay down additional principal with the remaining proceeds remaining with the Group. The fair value of the ABS I Note approximates the carrying value as at 31 December 2020.

The ABS I Note is 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 I Note, (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 I Note under certain circumstances, (iii) certain indemnification payments in the event, among other things, that the assets pledged as collateral for the ABS I Note is used in stated ways defective or ineffective, and (iv) covenants related to recordkeeping, access to information and similar matters.

The ABS I Note is also subject to customary rapid 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 I Note on the applicable scheduled maturity date.

The ABS I Note is 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 I Note, 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 2020 the Group was in compliance with all financial covenants.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 22 - BORROWINGS CONTINUED

In August 2020, in conjunction with Munich Re Reserve Risk Financing, Inc. ("MRRF"), the Group requested to withdraw the public ratings on the ABS I Note. Following MRRF's further investment in the Group through the Term Loan I to fund a portion of the Group's most recent acquisitions from EQT and Carbon, MRRF dedicated internal resources to both the ABS I Note and the Term Loan I, and given these resources, believed the rating agencies' reviews and oversight were unnecessary. Both Fitch and Morningstar affirmed the BBB-rating of the ABS I Note concurrent with the ratings withdrawal, which was not the result of any disagreement with the rating agencies or MRRF.

For clarity, the ABS II Note is unaffected by this reporting change to the ABS I Note, and Fitch will continue to cover the ABS II Note, which remains BBB rated at the time of this report.

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 2020	31 December 2019
Not later than one year	\$64,959	\$23,510
Later than one year and not later than five years	450,503	515,620
Later than five years	231,024	105,789
Total borrowings	\$746,486	\$644,919

The following table represents the Group's finance costs for each of the periods presented:

	Year Ended	
	31 December 2020	31 December 2019
Interest expense, net of capitalised and income amounts	\$34,391	\$32,662
Amortisation of discount and deferred finance costs	8,334	3,875
Other	602	130
Total finance costs	\$43,327	\$36,667
Loss on early retirement of debt	\$—	\$—

Reconciliation of borrowings arising from financing activities:

	Year Ended	
	31 December 2020	31 December 2019
Balance at beginning of period	\$622,288	\$482,814
Proceeds from borrowings	799,650	765,236
Repayments of borrowings	(705,314)	(618,010)
Costs incurred to secure financing	(7,799)	(11,574)
Amortisation of discount and deferred financing costs	8,334	3,875
Interest paid in cash	(34,335)	(32,715)
Finance costs and other	34,416	32,662
Balance at end of period	\$717,240	\$622,288

NOTE 23 - TRADE AND OTHER PAYABLES

The following table includes a detail of trade and other payables. The fair value approximates the carrying value as at the periods presented:

	31 December 2020	31 December 2019
Trade payables	\$19,218	\$16,700
Other payables	148	352
Total trade and other payables	\$19,366	\$17,052

NOTE 24 - OTHER LIABILITIES

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

	31 December 2020	31 December 2019
Other non-current liabilities		
Uncertain tax position ^(a)	\$1,837	\$2,133
Other non-current liabilities ^(b)	11,023	2,335
Total other non-current liabilities	\$12,860	\$4,468
Other current liabilities		
Accrued expenses	\$28,582	\$23,645
Taxes payable	18,025	19,379
Net revenue clearing ^(c)	12,561	9,287
Asset retirement obligations - current	1,882	2,650
Revenue to be distributed ^(d)	30,260	30,321
Total other current liabilities	\$91,310	\$85,282

- a. At the date of acquisition, the Directors determined that Alliance Petroleum had taken uncertain tax positions, and as a result, an indemnification agreement was executed. The Group recorded an indemnification receivable for the amount of \$1,837 and \$2,133 as at 31 December 2020 and 2019, respectively. In accordance with IFRS 3, the Group assigned acquisition date fair value to the indemnification asset using the same valuation techniques used to determine the acquisition date fair value of the related liability.
- b. Other non-current liabilities includes the long-term portion of the contingent consideration for the Carbon and EQT acquisitions. For more information please refer to Note 5.
- c. Net revenue clearing is estimated revenue that is payable to third-party working interest owners.
- d. 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.

NOTE 25 - FAIR VALUE AND FINANCIAL INSTRUMENTS

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):

- (a) Observable prices in active markets for similar assets;
- (b) Prices for identical assets in markets that are not active;
- (c) Directly observable market inputs for substantially the full term of the asset; and
- (d) 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.

The Group does not hold derivatives for speculative or trading purposes and the derivative contracts held by the Group do not contain any credit-risk related contingent features. The Directors have elected not to apply hedge accounting to derivative contracts.

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. When derivative assets and liabilities are presented net, the fair value of the right to reclaim collateral assets (receivable) or the obligation to return cash collateral (payable) is also offset against the net fair value of the corresponding derivative. At 31 December 2020 and 2019, there were no collateral assets or liabilities associated with derivative assets and liabilities.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 25 - FAIR VALUE AND FINANCIAL INSTRUMENTS CONTINUED

Derivatives expose the Group to counterparty credit risk. The derivative contracts have been executed under master netting arrangements which, in the event of default by its counterparties, allows the Group to elect early termination. The Group monitors the creditworthiness of its counterparties but is not able to predict sudden changes and hence may be limited in its ability to mitigate an increase in credit risk.

Possible actions would be to transfer the Group's positions to another counterparty or request a voluntary termination of the derivative contracts, resulting in a cash settlement in the event of non-performance by the counterparty. For the periods ended 31 December 2020 and 2019, the counterparties for all the Group's derivative financial instruments were lenders under formal credit and debt agreements.

The derivative instruments consist of non-financial instruments considered normal purchases and normal sales.

For recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (ex: changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it.

All financial instruments measured at fair value use Level 2 valuation techniques for the periods ended 31 December 2020 and 2019.

Level 2 fair value measurements are those including inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. The fair value of the swap commodity derivatives is calculated using a discounted cash flow model and the fair value of the option commodity derivatives are calculated using a relevant option pricing model, which are calculated from relevant market prices and yield curves at the balance sheet date and are therefore based solely on observable price information. These instruments are not directly quoted in active markets and are accordingly classified as Level 2 in the fair value hierarchy.

There were no transfers between fair value levels for the periods ended 31 December 2020 and 2019.

Financial Instruments

For trade receivables, the Group applies the simplified approach permitted by 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.

The Group is not a financial institution. The Group does not apply hedge accounting and its customers are considered creditworthy and pay consistently within agreed payments terms.

A classification of the Group's financial instruments for the periods presented is included in the table below:

	Year Ended	
	31 December 2020	31 December 2019
Cash and cash equivalents at amortised cost	\$1,379	\$1,661
Trade receivables and accrued income at amortised cost	66,991	73,924
Other non-current assets ^(a)	2,376	176
Other current assets ^(b)	—	383
Other non-current liabilities ^(b)	(11,023)	(2,335)
Other current liabilities ^(c)	(41,143)	(32,932)
Derivative financial instruments at fair value	(165,807)	61,802
Leases	(18,878)	(1,813)
Borrowings	(746,486)	(644,919)
Total	\$(912,591)	\$(544,053)

a. Excludes indemnification receivables.

b. Excludes prepaid expenses and inventory.

c. Excludes uncertain tax positions.

d. Excludes taxes payable, asset retirement obligations and revenue to be distributed.

NOTE 26 - FINANCIAL RISK MANAGEMENT

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 the Group's 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 its hedging programme design and composition, 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 on its variable-rate Credit Facility. The remainder of the Group's financing is fixed-rate. At 31 December 2020 and 2019, the Group had \$213,400 and \$436,700, respectively, outstanding under its Credit Facility with a weighted average interest rate of 2.96% and 4.80%, respectively. Refer to Note 22 for additional information about the Credit Facility.

The table below represents the impact a 100 basis point adjustment in the interest 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

	+100 Basis Points	-100 Basis Points
Finance costs	\$2,134	\$(2,134)

The Group principally manages this risk by entering into fixed rate borrowing obligations with amortising structures facilitating an expedited repayment of principal. To mitigate residual interest rate risk the Group enters into derivative financial instruments. The total principal hedged through the use of derivative financial instruments varies from period to period. See Note 14 for more information on the Group's derivative financial instruments.

As of 31 December 2020, the Group had an interest rate swap ("IR swap") that fixed \$150,000 of variable LIBOR interest rate risk. As of 31 December 2019 the Group had no IR swaps. Refer to Note 14 for additional information about the Group's 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 2020 and 2019, the Group's commodity revenue was \$381,662 and \$438,280, 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 approximately 40% to 90% of its anticipated production volumes for the next 36 months. Refer to Note 14 for additional information about the Group's derivative financial instruments.

Notes to the Group Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 26 - FINANCIAL RISK MANAGEMENT CONTINUED

Credit Risk

The Group is exposed to credit 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. At 31 December 2020 and 2019, the Group had one and three customers, respectively, over 10% that made up 11% and 41%, respectively of the Group's total trade receivables from customers. At 31 December 2020 and 2019, the Group's trade receivables from customers were \$66,908 and \$68,393, respectively.

The Group is 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. Given the historical low pricing environment in 2020, however, the Group increased the allowance for credit losses related to amounts due from joint interest owners by \$6,931. At 31 December 2020 and 2019, the Group's joint interest receivables were \$83 and \$5,531, respectively.

The majority of trade receivables are current and the Group believes these receivables are collectible.

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 1) maintaining adequate cash reserves through the use of cash from operations and bank borrowings, and 2) continuously monitors its forecast and actual cash flows to ensure it maintains an appropriate amount of liquidity. The amounts disclosed in the table are the contractual undiscounted 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
31 December 2020				
Trade and other payables	\$19,366	\$—	\$—	\$19,366
Borrowings	64,959	450,503	231,024	746,486
Lease	5,013	13,865	—	18,878
Other liabilities ^(a)	41,143	11,023	—	52,166
Total	\$130,481	\$475,391	\$231,024	\$836,896
31 December 2019				
Trade and other payables	\$17,052	\$—	\$—	\$17,052
Borrowings	23,723	515,407	105,789	644,919
Lease	798	1,015	—	1,813
Other liabilities ^(a)	32,932	2,335	—	35,267
Total	\$74,505	\$518,757	\$105,789	\$699,051

a. Excludes uncertain tax position, taxes payable, asset retirement obligations and revenue to be distributed.

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 Hedged Adjusted EBITDA per Share growth. The Group uses its Net Debt-to-Hedged Adjusted EBITDA to monitor capital risk and maintain a target of below 2.5x. See Note 9 for more information on Hedged Adjusted EBITDA.

Collateral Risk

The Group has pledged 51.0% of its natural gas and oil properties, excluding the EdgeMarc acquisition, to fulfil the collateral requirements for borrowings under asset-backed securitisation with its senior secured lenders as part of the ABS I and ABS II transactions. In addition the Carbon and EQT natural gas and oil properties have been pledged to fulfil the collateral obligations of the

Term Loan I financing arrangement. The fair value is based on a third-party engineering reserve calculation using a 10% cumulative discount cash flow and a commodities futures price schedule. See Notes 5 and 22 for additional information on acquisitions and debt, respectively.

NOTE 27 - CONTINGENCIES

Litigation and Regulatory Proceedings

The Group is involved in various pending legal issues that have arisen in the normal 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 2020 the Group does not currently have any material amounts accrued related to litigation or regulatory matters. For any matters not accrued for, it is not possible at this time 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, individually or in aggregate and after taking into account insurance, are not likely to have a material adverse impact on the Group's financial position, results of operations or cash flows.

Previously the Group disclosed it was assessing the interpretation of a US tax rule to determine if the Group would be subject to a maximum withholding tax of \$8,800 payable to the US tax authorities in relation to its share buyback programme discussed in Note 17. As of 31 December 2020, the Group completed its review of this matter and concluded that it has no liability for taxes, penalties or interest due related to the US Withholding Tax rule.

The Group has no other contingent liabilities that would have a material impact on the Group's financial position or results of operations.

Environmental Matters

The Group's operations are subject to environmental regulation in all the jurisdictions in which it operates and was in compliance as of 31 December 2020. 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

UK Legal Counsel

Martin K. Thomas is a partner at Wedlake Bell LLP, the UK legal advisor to the Group.

	Year Ended			
	31 December 2020		31 December 2019	
Fees paid to related party legal advisor	\$41	£33	\$195	£150

Dividend Payments

In 2019, the Directors became aware that aggregate dividends totalling \$82,151 paid during this period had been made otherwise than in accordance with the Companies Act 2006, as unaudited interim accounts had not been filed at Companies House prior to the dividend payments. At a General Meeting of Shareholders held on 15 April 2020, a resolution was passed which authorised the appropriation of distributable profits to the payment of the relevant dividends and removed any right for the Group to pursue shareholders or Directors for repayment. This constituted a related party transaction under IAS 24 "Related Party Disclosures". The overall effect of the resolution being passed was to return all parties, so far as possible, to the position they would have been in had the relevant dividends been made in full compliance with the Companies Act 2006.

NOTE 29 - SUBSEQUENT EVENTS

The Group determined the need to disclose the following material transactions that occurred subsequent to 31 December 2020, which have been described within each relevant footnote as follows:

Description	Footnote
Dividends	Note 19

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Company Statement of Financial Position

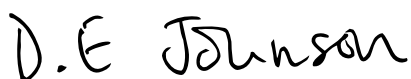
(Amounts in thousands, except per share and per unit data)

	Note	Audited as at	
		31 December 2020	31 December 2019
ASSETS			
Non-current assets:			
Receivable from subsidiaries		£—	£350
Investments in subsidiaries	4	729,569	611,393
Other non-current assets		—	20
Total non-current assets		£729,569	£611,763
Current assets:			
Cash and cash equivalents		459	317
Other current assets		220	136
Total current assets		£679	£453
Total assets		£730,248	£612,216
EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	5	7,071	6,556
Share premium		653,160	587,632
Capital redemption reserve		517	387
Share based payment reserve		6,729	1,922
Retained earnings		62,267	15,419
Total equity		£729,744	£611,916
Total non-current liabilities		£—	£—
Current liabilities:			
Trade and other payables		504	300
Total current liabilities		£504	£300
Total liabilities		£504	£300
Total equity and liabilities		£730,248	£612,216

The profit for the 2020 financial year of the Company was £135,665 (2019: £117,994).

The notes are an integral part of this Company Financial Information.

The Company Financial Information was approved by the Board of Directors and authorised for issuance on 8 March 2021 and was signed on its behalf by:



DAVID E. JOHNSON

Chairman of the Board

Registered in England and Wales, No. 9156130

Company Statement of Changes in Equity

(Amounts in thousands, except per share and per unit data)

	Note	Share Capital	Share Premium	Capital Redemption Reserve	Share-Based Payment Reserve	Retained Earnings	Total Equity
Balance at 1 January 2020		£6,556	£587,632	£387	£1,922	£15,419	£611,916
Income after taxation		—	—	—	—	135,665	135,665
Other comprehensive income (loss)		—	—	—	—	—	—
Total comprehensive income (loss)		£—	£—	£—	£—	£135,665	£135,665
Issuance of share capital	5	643	65,528	—	—	—	66,171
Equity compensation		2	—	—	4,229	—	4,231
Repurchase of shares	5	(130)	—	130	—	(11,968)	(11,968)
Dividends	6	—	—	—	—	(76,271)	(76,271)
Account Reclassification		—	—	—	578	(578)	—
Transactions with shareholders		£515	£65,528	£130	£4,807	£(88,817)	£(17,837)
Balance at 31 December 2020		£7,071	£653,160	£517	£6,729	£62,267	£729,744

	Note	Share Capital	Share Premium	Capital Redemption Reserve	Share-Based Payment Reserve	Retained Earnings	Total Equity
Balance at 1 January 2019		£5,426	£418,590	£—	£44	£2,404	£426,464
Income after taxation		—	—	—	—	117,994	117,994
Other comprehensive income (loss)		—	—	—	—	—	—
Total comprehensive income (loss)		£—	£—	£—	£—	£117,994	£117,994
Issuance of share capital	5	1,517	169,042	—	—	—	170,559
Equity compensation		—	—	—	1,878	—	1,878
Repurchase of shares	5	(387)	—	387	—	(42,049)	(42,049)
Dividends	6	—	—	—	—	(62,930)	(62,930)
Transactions with shareholders		£1,130	£169,042	£387	£1,878	£(104,979)	£67,458
Balance at 31 December 2019		£6,556	£587,632	£387	£1,922	£15,419	£611,916

The notes are an integral part of this Company Financial Information.

Registered in England and Wales, No. 9156130

Notes to the Company Financial Information

(Amounts in thousands, except per share and per unit data)

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NOTE 1 - GENERAL INFORMATION

Diversified Gas & Oil PLC (the “Company”) is the parent company of Diversified Gas & Oil PLC and its wholly owned subsidiaries (the “Group”) which collectively is a natural gas, NGLs and oil producer and midstream operator that is focused on acquiring and operating mature producing wells with long-life, low-decline profiles. The Group's assets are exclusively located within the Appalachian Basin of the US. The Group is domiciled in the UK and headquartered in Birmingham, Alabama, US, with field offices located in the states of Pennsylvania, Ohio, West Virginia, Kentucky, Virginia and Tennessee.

The Company was incorporated on 31 July 2014 in England and Wales as a public limited company. The Group's registered office is located at 4th floor Reading Bridge House, George Street, Reading, Berkshire, RG1 8LS, 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 Premium Segment of the Main Market of the LSE. The shares trading on AIM were cancelled concurrent to their admittance on the LSE.

NOTE 2 - ACCOUNTING POLICIES

Basis of Preparation

The Company Financial Information has 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 Information 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 (see Note 3).

The Company Financial Information is presented in British pound sterling (“£”) and rounded to the nearest thousand, unless otherwise stated.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in the Company Financial Information. The Company has also taken advantage of the following disclosure exemptions in preparing the Company Financial Information, as permitted by FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”: the requirements of Section 7 – Statement of Cash Flows and the requirements of Section 11 – Financial Instruments.

The Company Financial Information has 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 Information.

Prior period reclassification

The Company has clarified certain captions in its prior year Consolidated Statement of Financial Position to conform to its current period presentation. These changes do not affect total comprehensive income previously reported. During the year ended 31 December 2019, the Group reclassified \$611,393 from “Receivables from Subsidiaries” to “Investments in Subsidiaries” in the Consolidated Statement of Financial Position to be more reflective of the nature of this intercompany arrangement.

New Standards and Interpretations - Not Yet Adopted

At the date of authorisation of this financial information, the Directors have reviewed the standards in issue by the FRC, which are effective for annual accounting years ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial reporting of the Company.

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 2020 and 2019, the Company had three types of share-based payment awards, restricted stock units (“RSUs”), performance stock units (“PSUs”) and Options. The fair value of the grant of the Company’s RSUs and PSUs is determined using the stock price at the grant date and uniformly expensed over the vesting period. The fair value of the Company’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;
- Expected dividends;
- Risk-free rate of interest; and
- Patterns of exercise of the plan participants.

The grant date fair value of Options, adjusted for market-based performance conditions, are expensed uniformly over the vesting period.

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the Company Financial Information, the Directors considered that the key judgement is the evaluation of the investments in subsidiaries for impairment. Investments in subsidiaries were £729,569 and £611,393 for 31 December 2020 and 31 December 2019, respectively. When considering indicators for impairment of the Company’s investments the Directors evaluate the impairment indicators for the Group’s financial information provided 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 test 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 at 31 December 2020 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.

Notes to the Company Financial Information continued

(Amounts in thousands, except per share and per unit data)

NOTE 4 - INVESTMENTS

The Company owns in its entirety the issued share capital of Diversified Gas & Oil Corporation, a company incorporated in Delaware, US. The carrying value at 31 December 2020 and 2019 of investments held was £729,569 and £611,393, 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 Information. The registered office of Diversified Gas & Oil Corporation and all of the subsidiaries owned by that entity is 1800 Corporate Drive, Birmingham, Alabama, USA.

NOTE 5 - SHARE CAPITAL

The following table summarises the Company's share capital for the periods presented. The Company used the proceeds to partially fund acquisitions as discussed in Note 5 to the Group Financial Information. For more information on changes in share capital please refer to Note 17 to the Group Financial Information.

	Number of Shares	Total Share Capital	Total Share Premium
Balance at 31 December 2018	542,654	£5,426	£418,590
Issuance of share capital	151,515	1,517	169,042
Repurchase of shares	(38,662)	(387)	—
Other issues ^(a)	223	—	—
Balance at 31 December 2019	655,730	6,556	587,632
Issuance of share capital	64,281	643	65,528
Repurchase of shares	(12,958)	(130)	—
Other issues ^(a)	324	2	—
Balance at 31 December 2020	707,377	£7,071	£653,160

a. During the years ended 31 December 2020 and 2019, the Group issued 324 and 223 RSUs, respectively, to certain key managers. The RSUs had no impact on share premium. See Note 18 to the Group Financial Information for additional information.

NOTE 6 - DIVIDENDS

The following table summarises the Company's dividends paid and declared on the dates indicated below. For more information on dividends please refer to Note 11 to the Group Financial Information.

Date Dividends Declared/Paid	Dividend per Share (GBP)	Record Date	Pay Date	Shares Outstanding	Gross Dividends Paid
Declared on 14 December 2018	£0.0253	8 March 2019	29 March 2019	542,654	13,729
Declared on 28 February 2019	0.0239	12 April 2019	28 June 2019	542,654	12,960
Declared on 13 June 2019	0.0278	6 September 2019	27 September 2019	663,636	18,481
Declared on 8 August 2019	0.0269	29 November 2019	20 December 2019	659,903	17,760
Paid during the year ended 31 December 2019					£62,930
Declared on 10 December 2019	£0.0276	6 March 2020	27 March 2020	642,805	£17,753
Declared on 9 March 2020	0.0274	29 May 2020	26 June 2020	707,086	19,407
Declared on 4 May 2020	0.0269	4 September 2020	25 September 2020	707,274	19,028
Declared on 10 August 2020	0.0278	27 November 2020	18 December 2020	707,377	20,083
Paid during the year ended 31 December 2020					£76,271

NOTE 7 - OPERATING EXPENSES

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 Information.

NOTE 8 - TAXATION

The tax assessed for the year is the same as the standard UK corporate tax rate of 19.0% for both of the years ending 31 December 2020 and 2019.

	Year Ended	
	31 December 2020	31 December 2019
Profit on ordinary activities before tax	£136,151	£117,994
Standard UK corporate tax rate of 19% on profits for the period	25,869	22,419
Non-taxable income	(26,632)	(22,625)
Permanent differences	1,235	326
Other	14	(13)
Total tax charge for the year	£486	£107

Non-taxable income for 2020 and 2019 relates to dividend income received from US subsidiaries in the amount £140,169 and £119,080, respectively. The Company utilised the previously unrecognised tax losses during 2019 and has no remaining loss carryforwards.

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Payments to Governments Report 2020 (unaudited)

This report provides a consolidated overview of the payments to governments made by the Group for the year 2020 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, prospecting, 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 Information.

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 £86,000 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 2020, DGO had no reportable production entitlements to a government.

Taxes

This report includes taxes levied on income, production or profits withheld from dividends, royalties and interest received by DGO. Taxes levied on consumption, personnel, 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 2020, DGO had no reportable dividend payments to a government.

Bonuses

Signature, discovery and production bonuses and other bonuses payable under licenses 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 2020, DGO had no reportable bonus payments to a government.

Fees

In preparing this report, DGO has included licence fees, rental fees, entry fees and all other payments that are paid in consideration for new and existing licenses 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 DGO in the year ended 31 December 2020 shown by country and payment type.

Of the seven payment types required by the UK Regulations, DGO did not pay any production entitlements, dividends, bonuses, fees and or infrastructure improvements therefore those categories are not shown.

Alternative Performance Measures (unaudited)

(Amounts in thousands, except per share and per unit data)

DGO uses APMs to improve the comparability of information between reporting periods and to more accurately evaluate cash flows, either by adjusting for uncontrollable or non-recurring factors, or by aggregating measures, to aid the users of this Annual Report in understanding the activity taking place across DGO. APMs are used by the Directors for planning and reporting. The measures are also used in discussions with the investment analyst community and credit rating agencies.

Average Dividend per Share Average Dividend per Share is reflective of the average of the dividends per share declared throughout the year which gives consideration to changes in dividend rates and changes in the amount of shares outstanding.

This is a key metric for the Directors as they seek to provide a consistent and reliable dividend to shareholders.

	2020	2019
Declared on first quarter results	\$0.0350	\$0.0342
Declared on second quarter results	0.0375	0.0350
Declared on third quarter results	0.0400	0.0350
Recommended on fourth quarter results	0.0400	0.0350
Average Dividend per Share	\$0.0381	\$0.0348
Total Dividends per Share	\$0.1525	\$0.1392

Adjusted Net Income and Adjusted EPS As used herein, Adjusted Net Income and Adjusted EPS represent income (loss) available to shareholders after taxation, but exclude mark-to-market adjustments related to DGO's hedge portfolio.

The Directors believe these metrics are useful to investors because they provide a meaningful measure of DGO's profitability before recording certain items whose timing or amount cannot be reasonably determined.

	2020	2019
Income (loss) available to shareholders after taxation	\$(23,474)	\$99,400
Loss on joint and working interest owners receivable	6,931	730
Gain on bargain purchase	(17,172)	(1,540)
(Gain) loss on fair value adjustments of unsettled financial instruments	238,795	(20,270)
(Gain) loss on natural gas and oil programme and equipment	2,059	—
Non-recurring costs	25,046	16,752
Non-cash equity compensation	5,007	3,065
(Gain) loss on foreign currency hedge	—	(4,117)
(Gain) loss on interest rate swap	202	—
Tax effect on adjusting items	(62,608)	1,598
Adjusted Net Income	\$174,786	\$95,618
Adjusted EPS - basic	\$0.26	\$0.15
Adjusted EPS - diluted	\$0.25	\$0.15

Alternative Performance Measures (unaudited) continued

(Amounts in thousands, except per share and per unit data)

Hedged Adjusted EBITDA and Unhedged Adjusted EBITDA As used herein, EBITDA represents earnings before interest, taxes, depletion, depreciation and amortisation. Hedged Adjusted EBITDA includes adjustments for non-recurring and non-cash items such as gain on the sale of assets, acquisition related expenses and integration costs, mark-to-market adjustments related to DGO's hedge portfolio, non-cash equity compensation charges and items of a similar nature, while Unhedged Adjusted EBITDA excludes mark-to-market adjustments related to DGO's hedge portfolio

Hedged Adjusted EBITDA and Unhedged 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, the Directors believe it is useful to an investor in evaluating DGO's financial performance because this measure (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 DGO's 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 DGO's Credit Facility financial covenants; and (4) is used by the Directors as a performance measure in determining executive compensation.

	2020	2019
Operating profit (loss)	\$(77,568)	\$180,507
Depreciation, depletion and amortisation	117,290	98,139
Loss on joint and working interest owners receivable	6,931	730
Gain on bargain purchase	(17,172)	(1,540)
(Gain) loss on natural gas and oil programme and equipment	238,795	(20,270)
(Gain) loss on fair value adjustments of unsettled financial instruments	2,059	—
Non-recurring costs	25,046	16,752
Non-cash equity compensation	5,007	3,065
(Gain) loss on foreign currency hedge	—	(4,117)
(Gain) loss on interest rate swap	202	—
Total adjustments	\$378,158	\$92,759
Hedged Adjusted EBITDA	\$300,590	\$273,266
Less: Cash portion of settled commodity hedges	(144,600)	(53,584)
Unhedged Adjusted EBITDA	\$155,990	\$219,682

Net Debt, Net Debt-to-Hedged Adjusted EBITDA As used herein, Net Debt represents total debt as recognised on the balance sheet less cash and restricted cash. Total debt includes DGO's current portion of debt, Credit Facility borrowings and term loan borrowings. Net Debt is a useful indicator of DGO's leverage and capital structure.

As used herein, Net Debt-to-Hedged Adjusted EBITDA, or Leverage, is measured as Net Debt divided by pro forma Hedged Adjusted EBITDA. The Directors believe that this metric is a key measure of DGO's financial liquidity and flexibility and is used in the calculation of a key metric in one of DGO's Credit Facility financial covenants.

	2020	2019
Cash	\$1,379	\$1,661
Restricted cash	20,350	7,712
Credit Facility	(213,400)	(436,700)
ABS I Note	(180,426)	(200,000)
ABS II Note	(191,125)	—
Bluegrass Note	(156,805)	—
Other	(4,730)	(8,219)
Net Debt	\$(724,757)	\$(635,546)
Hedged Adjusted EBITDA	\$300,590	\$273,266
Pro forma Hedged Adjusted EBITDA^(a)	\$333,940	\$319,470
Net Debt-to-Hedged Adjusted EBITDA	2.2x	2.0x

a. Pro forma Hedged Adjusted EBITDA includes adjustments in 2020 for the EQT, Carbon and Utica Shale acquisitions to pro forma their results for a full year of operations. A similar adjustment was made in 2019 to pro forma results for the HG and EdgeMarc acquisitions.

Hedged Adjusted EBITDA per Share

The Directors believe that Hedged Adjusted EBITDA per Share provides direct line of sight into the Group's 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.

	2020	2019
Weighted average shares outstanding - diluted	688,348	644,782
Hedged Adjusted EBITDA	\$300,590	\$273,266
Hedged Adjusted EBITDA per Share	\$0.44	\$0.42

Adjusted Total Revenue

As used herein, Adjusted Total Revenue includes the impact of derivatives settled in cash. The Directors believe that Adjusted Total Revenue is a useful measure because it enables investors to discern DGO's realised revenue after adjusting for the settlement of derivative contracts.

Cash Operating Margin

As used herein, Cash Operating Margin is measured by reducing Adjusted Total Revenue for operating expenses. The resulting margin on Cash Operating Income is considered the Group's Cash Operating Margin. The Directors believe that Cash Operating Margin is a useful measure of DGO's profitability and efficiency as well as its earnings quality.

Cash Margin

As used herein, Cash Margin is measured as Hedged Adjusted EBITDA, as a percentage of Adjusted Total Revenue. The key distinction between Cash Operating Margin and Cash Margin is the inclusion of Adjusted G&A. The Directors believe that Cash Margin is a useful measure of DGO's profitability and efficiency as well as its earnings quality.

	2020	2019
Total revenue	\$408,693	\$462,256
Commodity hedge impact	144,600	49,467
Adjusted Total Revenue	553,293	511,723
LESS: Operating expense	(203,963)	(202,385)
Total Cash Operating Income	349,330	309,338
LESS: Adjusted G&A	(47,181)	(36,072)
LESS: Allowance for credit losses - recurring	(1,559)	
Hedged Adjusted EBITDA	\$300,590	\$273,266
Cash Margin	54%	53%
Cash Operating Margin	63%	60%

Alternative Performance Measures (unaudited) continued

(Amounts in thousands, except per share and per unit data)

Free Cash Flow and Free Cash Flow Yield As used herein, Free Cash Flow represents Hedged Adjusted EBITDA less recurring capital expenditures, asset retirement costs and cash interest expense. The Directors believe that Free Cash Flow is a useful indicator of DGO's ability to internally fund its activities and to service or incur additional debt.

As used herein, Free Cash Flow Yield represents Free Cash Flow as a percentage of DGO's total market capitalisation. The Directors believe that, like Free Cash Flow, Free Cash Flow Yield is an indicator of financial stability and reflects DGO's operating strength relative to its size as measured by market capitalisation.

	2020	2019
Hedged Adjusted EBITDA	\$300,590	\$273,266
LESS: Recurring capital expenditures	(15,981)	(17,255)
LESS: Plugging and abandonment costs	(2,442)	(2,541)
LESS: Cash interest expense	(34,335)	(32,715)
Free Cash Flow	\$247,832	\$220,755
Pro forma Free Cash Flow ^(a)	\$281,182	\$266,959
Average share price	\$1.21	\$1.22
Weighted average shares outstanding - diluted	688,348	644,782
Free Cash Flow Yield	34%	34%

a. Pro forma Free Cash Flow includes adjustments in 2020 for the EQT, Carbon and Utica Shale acquisitions to pro forma their results for a full year of operations. A similar adjustment was made in 2019 to pro forma results for the HG and EdgeMarc acquisitions.

Total Cash Cost per Boe Total Cash Cost per Boe is a metric which allows us to measure the cumulative operating cost it takes to produce each Boe. This metric includes operating expense and Adjusted G&A, both of which include fixed and variable cost components.

	2020	2019
Total production (MBoe)	36,538	30,944
Total operating expense	\$203,963	\$202,385
Adjusted G&A	48,740	36,073
Total Cash Cost	\$252,703	\$238,458
Total Cash Cost per Boe	\$6.92	\$7.71

Base G&A As used herein, Base G&A represents total administrative expenses excluding non-recurring and/or non-cash acquisition and integration costs. The Directors use Base G&A because this measure excludes items that affect the comparability of results or that are not indicative of trends in the ongoing business.

Adjusted G&A As used herein, Adjusted G&A represents Base G&A plus recurring allowances for expected credit losses. The Directors use Adjusted G&A because this measure excludes items that affect the comparability of results or that are not indicative of trends in the ongoing business.

	2020	2019
Total G&A	\$77,234	\$55,889
LESS: Non-recurring and/or non-cash G&A ^(a)	(30,053)	(19,816)
Base G&A ^(b)	\$47,181	\$36,073
Recurring allowance for expected credit losses	1,559	—
Adjusted G&A ^(c)	\$48,740	\$36,073

a. Non-recurring and/or non-cash G&A includes costs related to acquisitions, DGO's up-list to the main market, and one-time projects.

b. Base G&A includes payroll and benefits for our corporate and administrative staff, costs of maintaining corporate and administrative offices, costs of managing our production operations, franchise taxes, public company costs, non-cash equity issuance, fees for audit and other professional services, and legal compliance.

c. Adjusted G&A includes all of the same items as Base G&A then also include recurring allowance for expected credit losses.



STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Officers and Professional Advisors

Directors

David E. Johnson (Independent Non-Executive Chairman)
 Martin K. Thomas (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)
 Melanie A. Little (Independent Non-Executive Director)

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Glossary of Terms

£	British pound sterling
\$	US dollar
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 EPS	Adjusted EPS 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 G&A	Adjusted G&A 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 Net Income	Adjusted Net Income 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 Total Revenue	Adjusted Total Revenue 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 Measures
Average Dividend per Share	Average 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.
Base G&A	Base G&A 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.
Base LOE	Base lease operating expense is defined as the sum of employee and benefit expenses, well operating expense (net), automobile expense and insurance cost.
Bbl	Barrel or barrels of oil or natural gas liquids
Bcfe	Billions of cubic feet equivalent
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.
Cash Margin	Cash 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.
Cash Operating Margin	Cash Operating 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.
CO2	Carbon dioxide
CO2e	Carbon dioxide equivalent
E&P	Exploration and production
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expense
EPS	Earnings per share
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.
Free Cash Flow Yield	Free Cash Flow Yield 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
GBP	British pound sterling
Hedged Adjusted EBITDA	Hedged 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.
Hedged Adjusted EBITDA Per Share	Hedged 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.

Henry Hub	A natural gas pipeline delivery point that serves as the benchmark natural gas price underlying NYMEX natural gas futures contracts.
HBP	Held by production
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards as adopted by the EU
KWh	Kilowatt hour
Legacy	Assets owned as at 31 December 2018 and excluding the Group's 2020 acquisitions of Carbon and EQT and 2019 acquisitions of HG Energy and EdgeMarc.
LIBOR	London Inter-bank Offered Rate
LOE	Lease operating expense is defined as base lease operating expenses, plus owned midstream operating expense, third-party transportation expense, and production taxes.
LSE	London Stock Exchange
MBbls	Thousand barrels
MBoe	Thousand barrels of oil equivalent
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.
MBoe	Million barrels of oil equivalent
MMBtu	Million British thermal units
MMcf	Million cubic feet of natural gas
Mont Belvieu	A mature trading hub with a high level of liquidity and transparency that sets spot and futures prices for NGLs.
MT Co2e	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-to-Hedged Adjusted EBITDA	Net Debt-to-Hedged 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.
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 Hedged Adjusted EBITDA	Pro Forma Hedged 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.
Realised price	The cash market price less all expected quality, transportation and demand adjustments.
Total Cash Cost	Total Cash 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.
Total Cash Cost per Boe	Total Cash 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.
Unhedged Adjusted EBITDA	Unhedged 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.
UK	United Kingdom
US	United States
USD	US dollar
WTI	West Texas Intermediate grade crude oil, used as a pricing benchmark for sales contracts and NYMEX oil futures contracts.

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