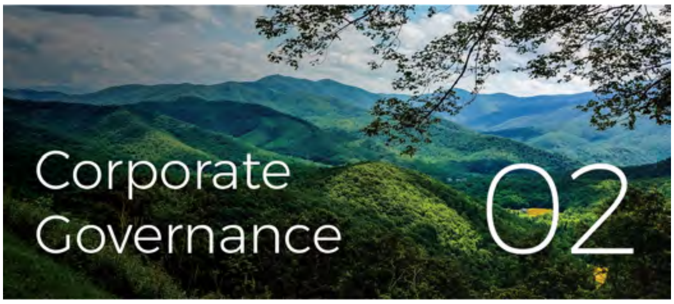
DIVERSIFIED
energy

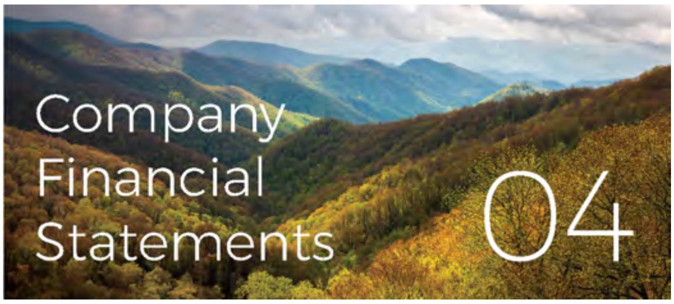
ANNUAL REPORT

For the twelve months ended 31, December

2021

Table of Contents





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

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

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

KEY ACHIEVEMENTS

CENTRAL REGION EXPANSION

Strategic entry into the prolific natural gas producing Central Region with four acquisitions.

The Central Region expansion increased our production capabilities by approximately 50% when compared to our 2020 average daily production and, like Appalachia, yields similar operating margins of approximately 50%.

FINANCINGS

Completed a $225 million equity raise representing the largest equity raise on the Main Market for our sector in 2021.

Increased our borrowing base from our 16-Bank Group Syndicate from $425 million to $825 million, securing more than $235 million of liquidity at year-end and providing affirmation of our strong collateral base. Subsequent to year-end we further bolstered liquidity to over $400 million after the successful completion of ABS III and ABS IV.

OPERATIONAL ACCOMPLISHMENTS

Smarter Asset Management continues to create value by reducing emissions as well as normal production declines. This, in combination with the assets we target for acquisition, solidifies our low asset decline rate.

Welcomed 319 new employees into our results-oriented culture to support our growth.

ESG ACCOMPLISHMENTS

Appointed Sylvia Kerrigan to our Board of Directors enhancing our Board’s diversity, experience, and knowledge base.

Plugged a record 136 wells, 56 wells above our state obligations, demonstrating our commitment to steward our assets to retirement and meet our obligations.

Announced at Capital Markets Day our accelerated plan to achieve net zero Scope 1 and 2 greenhouse gas by 2040, beginning with 2022 emission-reduction investments equivalent to 30% of our 2021 capital expenditures.

DIVIDENDS

Increased our per share dividend by 6%, reflecting the accretive growth of the assets we acquired in 2021.

OAKTREE PARTNERSHIP SUCCESS

Co-invested in three acquisitions with Oaktree utilising $377 million of their initial $1 billion commitment under our participation agreement, leaving significant funding available to pursue additional strategically-aligned growth opportunities.

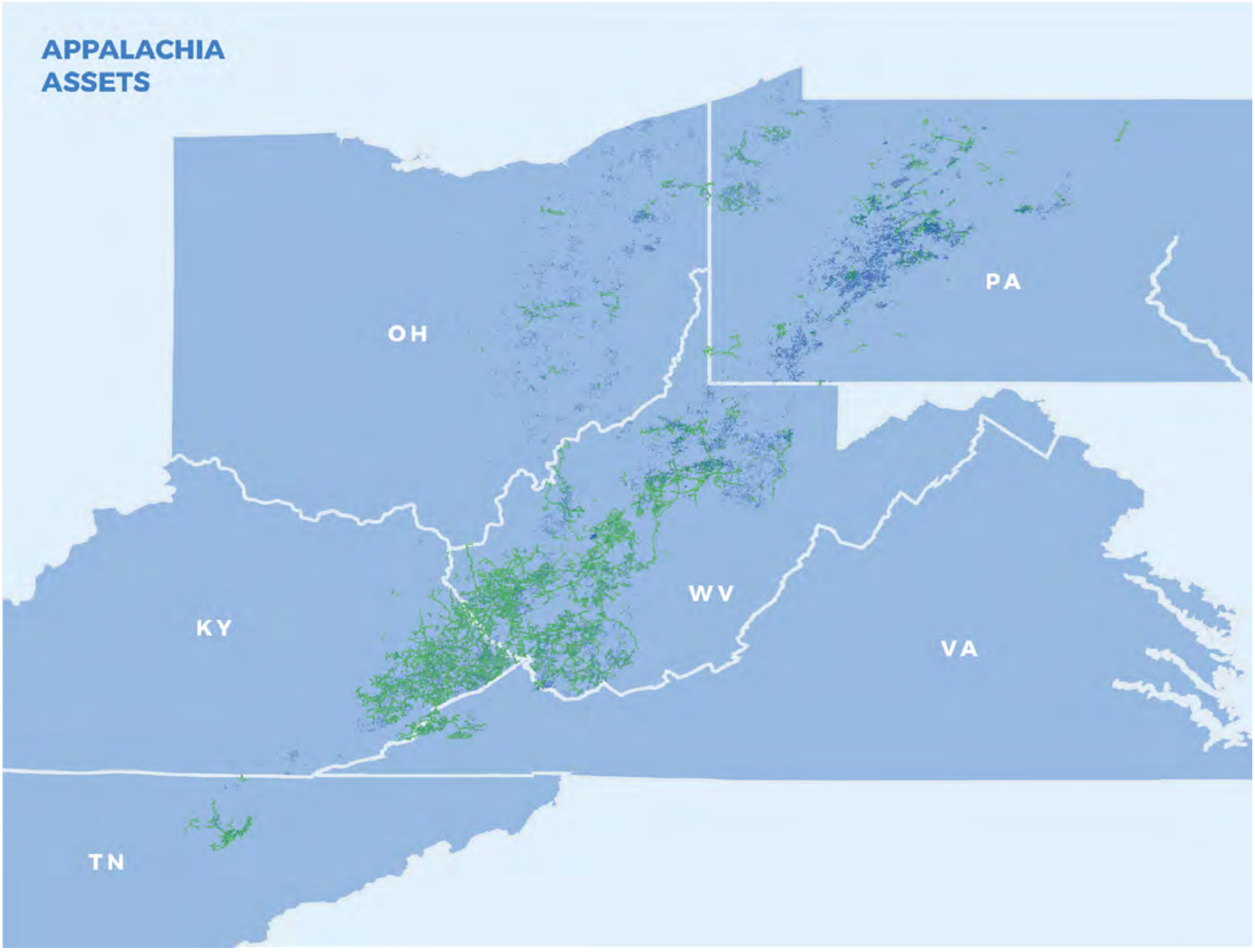
DEC at a Glance

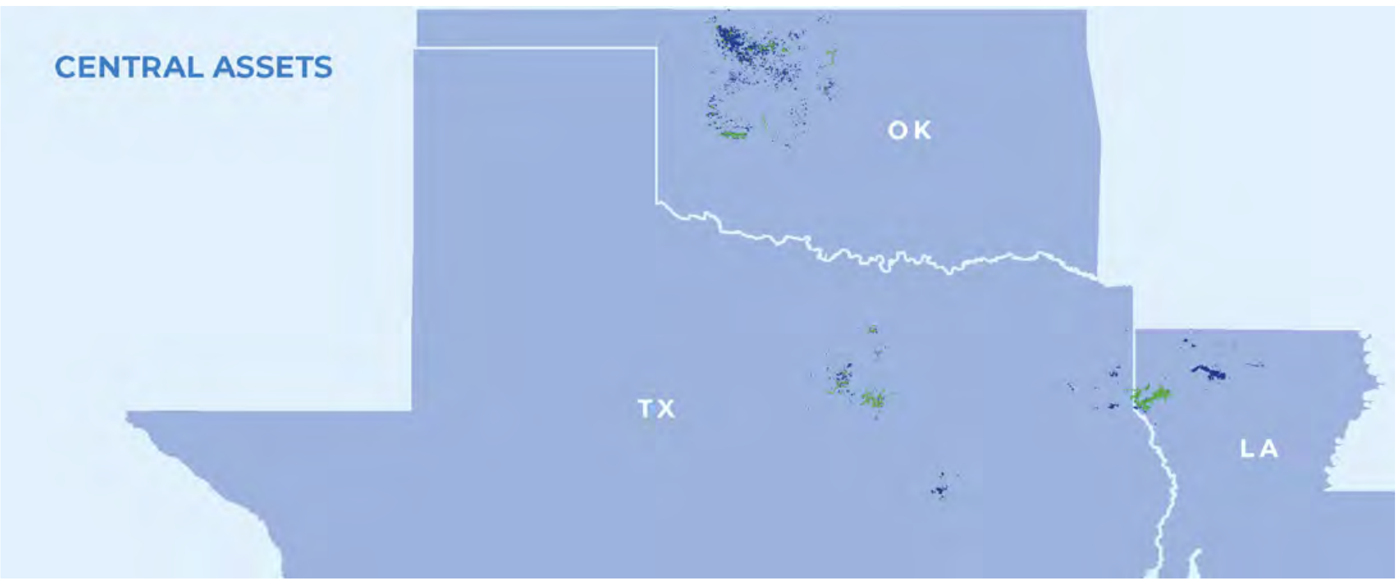
OUR ASSETS

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

KEY

- UPSTREAM ASSETS
- MIDSTREAM ASSETS
- STATES IN WHICH WE OPERATE





KEY FACTS

ASSET FACTS

COMMODITY MIX

91%

NATURAL GAS
8% NGL, 1% OIL

PV-10 VALUE OF RESERVES

$3.8

BILLION

774 MMBOE

WELL PRODUCTION

67%

CONVENTIONAL
33% UNCONVENTIONAL

MIDSTREAM SYSTEM

~17,000

MILES

ESG FACTS

GHG EMISSIONS INTENSITY

3.1

MT CO2E/MMCFE

TOTAL RECORDABLE INCIDENT RATE ("TRIR")

1.55

REPORTABLE SPILL INTENSITY

0.10

OIL & WATER COMBINED PER MBBL

WAGES, SALARIES & BENEFITS PAID

$103

MILLION

FINANCIAL HIGHLIGHTS

DIVIDENDS PAID

▲ $130

MILLION

TOTAL REVENUE

▲ $1.0

BILLION

CASH MARGIN

▲ 50%

HEDGED ADJUSTED EBITDA

▲ $343

MILLION

Strategic Report


DIVERSIFIED

Chairman's Statement

It gives me great pleasure to report another year of tremendous progress for the Company. Against a backdrop of challenges to the industry and global economies, we have once again demonstrated the resilience and sustainability of our business model, as well as delivering significant accretive growth.

During the year we made a strategic move into our new Central Region and completed four value enhancing acquisitions, three of these deals were in partnership with Oaktree Capital Management, under our Strategic Participation Agreement, and we are excited about the returns they will provide. These accretive acquisitions, together with our extensive hedge portfolio and largely fixed-rate debt, have meant that our profit and cash flows have remained strong. As a result, we have again increased our quarterly dividend through the year. We have now increased the dividend ten times since coming to the market in 2017, demonstrating the effectiveness of the growth model and commitment to shareholder returns. The Board is recommending a final quarter dividend of $0.0425 per share, making the total dividend attributable to the full year $0.1650 per share, an increase of 8.2% against 2020. If approved, the final dividend will be paid on 30 June 2022 to shareholders on the register on 27 May 2022.

In October, we announced the appointment of Sylvia Kerrigan to the Board as an Independent Non-Executive director. Sylvia has extensive industry and board room experience, having worked as an executive in the energy, industrial and transportation sectors. She has particular expertise in ESG, merger and acquisition, regulatory, risk management, cybersecurity and information privacy matters. The Board now has eight members, including myself (who was independent upon appointment and whom the Group continues to consider independent) four other Non-Executive Independent Directors. Three of our Board members are women, putting us in full compliance with the recommendations of the FTSE Women Leaders Review. We will continue to review our Board diversity, experience and knowledge base as appropriate. The Board and Committees have continued to function extremely effectively, in particular given the difficulties of meeting in person. Once again, all Board members have shown fantastic commitment, support and a desire to improve across all areas. The Board works well together and there is regular and constructive dialogue between all Directors, as well as with the Senior Management Team.

In November, we hosted a Capital Markets Day which presented details of our strategic ambition and, very notably, our commitment to our sustainable business model and to significantly reducing our carbon emissions. We fully support the need to reduce the world's carbon emissions and believe that our unique business model is well positioned to help do so. Natural gas is a clean, reliable and affordable energy source and will continue to be a major part of the US and global energy mix for decades to come. The transition to alternative fuels needs to be managed in an orderly fashion if we are to avoid the supply shortages and price spikes that have been evident recently. It is inevitable that, if investment in the sector and its infrastructure is reduced before other sources are ready to replace it, there will be a greater reliance on imported energy, with consequences to both cost and security of supply, as well as a consequential damaging impact on the climate.

During the transition, the best outcome for the global environment is to ensure that the assets in the natural gas industry are operated by responsible owners. We focus on this every day. Our Smarter Asset Management programme ensures that our wells are closely monitored and maintained. At our Capital Markets Day we announced a number of important initiatives and targets which represent a marked acceleration of our climate goals. We have pledged to cut our Scope 1 methane emissions intensity by 30% by 2026, and by 50% by 2030, as part of our plan to be net zero Scope 1 and 2 GHG emissions by 2040. These goals confirm our commitment to reduce our carbon footprint ahead of the Paris Agreement requirements. They also exceed the US EPA methane emission reduction targets announced at the COP26 climate summit in Glasgow.

Underpinning these goals, we have announced an increase in annual emissions related expenditures, with an initial focus on enhanced leak detection, replacing gas powered pneumatic devices, and converting or reducing our compression units when appropriate. We have also enhanced our asset retirement programme to increase the number of wells we plug annually and significantly exceed State requirements. The Board and all of the work force are committed to our environmental initiatives. To reinforce the focus at the Executive level, we are introducing an emissions reduction category to the Executive Long-Term Incentive Programme. Given the significance of this measure, our 2021 reportable emissions are currently being assured by an independent third-party.

> "We fully support the need to reduce the world's carbon emissions and believe that our unique business model is well positioned to help do so."

This year was another very successful one for Diversified and I would, once again, like to thank our Executive team and all our employees for the hard work and dedication that continues to drive our performance. They are all outstanding and a credit to the Company. I also wish to thank our shareholders, debt providers and other stakeholders for their support. The opportunities to continue our growth story remain significant. We will stay focused on continuing to deliver sustainable value to our shareholders, in an environmentally responsible way.

D.E Johnson

DAVID E. JOHNSON
Chairman of the Board
22 March 2022

Chief Executive's Statement

"We have proven Diversified is built for continued growth and that growth trajectory will continue."

I'm delighted to report on another year filled with record setting financial and strategic milestones for the Company. Diversified's disciplined and value focused business model has enabled the Company to transform in a remarkable way since its inception.

This year represents the 20th anniversary since the establishment of the business. When I formed the business in 2001, the focus was on Free Cash Flow, and that strategy has remained unchanged. I am immensely proud of our growth journey over the last twenty years and the value that we have generated for all our stakeholders during that time. For context, the business has delivered 5,000x growth in enterprise value since inception, and a remarkable 28x growth since 2017 when we took the business public in London.

To reflect the milestone of our twentieth year as a company, and the changing landscape in which we operate, we undertook a corporate re-branding this year. Our new name reflects who we are and represents our long-standing business and growth strategy underpinned by cleaner burning natural gas. Diversified is an important provider of the energy supply, evident through our 43 MMBoe produced in 2021, and we believe natural gas will continue to play a vital role supporting both domestic and global energy needs.

Through the Company's lifetime, the market backdrop has changed on multiple occasions, with a significant period of volatility being experienced in the last couple of years. Despite these market pressures and the ever changing landscape, our business continues to thrive and grow. Our resilient growth was evident again this year as we took our first steps out of Appalachia and into our new Central Region where we have already begun replicating our Appalachian successes.

The success of the business has undoubtedly been due to the quality of our employees at every level within the Company. Each and every team member is a dedicated ambassador of the business and its core values, playing an integral role in the day to day delivery of our focussed strategy. Today, Diversified employs over 1,400 talented men and women across a variety of roles, and we are proud of the culture they exemplify. We empower all our employees to make value-creating decisions, and encourage them to share their knowledge and experiences so that everyone plays a role in our successes.

Over the years we have proven Diversified is built for continued growth and that trajectory will continue. However, as we continue to grow and become an essential energy provider for more and more communities, our responsibility to the environment also grows. As a company full of people who enjoy everything nature has to offer, that's a responsibility we take seriously. This shared love for the environment fuels our belief that our model of extending the life of producing wells and infrastructure by enhancing production while simultaneously reducing emissions is an essential part of the energy transition.

This year we have materially enhanced our environmental agenda to positively impact the climate. In November, we hosted our inaugural Capital Markets Day at which we underscored our emissions commitments with an initial investment of $15 million in 2022, representing 30% of 2021 capital investment, aimed at projects designed to accelerate our fugitive emissions detection efforts and reduce our overall emissions. I recommend that all shareholders visit our website for the details from our Capital Markets Day and also to read our latest Sustainability Report to get a fulsome view of our extensive efforts in this important area.

I'm excited by the projects this commitment affords us and the continued strong financial performance and growth we experienced in 2021. I'm equally excited, however, to see how we build on the precedent we have set in our first 20 years and continue our history of stewardship and shareholder returns as we aim to deliver sustainable value for the next 20 years and beyond.

ROBERT R. ("RUSTY") HUTSON JR.
Chief Executive Officer

22 March 2022

Market Review

Diversified is well positioned to benefit from the post-Covid-19 economic recovery, changing US onshore industry mindset and the transition from a record low commodity pricing environment to a strong commodity price environment.

Our sustainability model with a portfolio of existing wells, substantial natural gas reserves, and consistently strong, growing Free Cash Flow, positions us as a clear market solution to the needs of the energy transition journey, given our proven ability to extend the lives of existing wells.

This past year was a year of economic recovery for the US. As the year opened, the initial surge in economic activity seen during the post peak-pandemic recovery drove increases in consumer and industrial demand for energy. This demand quickly outpaced a slowdown in supply, as natural gas and oil producers imposed greater fiscal discipline on themselves in the face of stakeholder demands and low commodity prices experienced throughout 2020 and at the onset of 2021.

This dynamic was reflected in a persistently low forward curve for natural gas prices seen in the first half of the year, as low forward pricing did not incentivise producers to increase supply. Industry investors were also stressing the need for operators to demonstrate fiscal discipline which further restrained development drilling activity and resulted in less projected supply. Transitioning into the summer, warmer than normal temperature projections in the US, and Hurricane Ida, proved to be catalysts in natural gas market dynamics. Summer demand strengthened and supply concerns intensified due to the hurricane's impact on already-stressed production development projects, leading to a surge in US natural gas prices heading into the winter season.

The momentum of the clean energy transition is playing a role in the market dynamics as well, particularly in the international community where there is a desire for a rapid incorporation of renewable energy sources into the energy grid. This has been most evident in parts of Europe where the inconsistent and variable nature of energy supply from renewables has presented acute reliability challenges and created an environment that is in dire need of natural gas as a means of meeting demand and restabilising the energy grid. The result has propelled regional natural gas price increases of as much as 500% during 2021.

TOTAL SHAREHOLDER RETURN

Rebased at 100 on 3 February 2017 (DEC's IPO)

Accelerating natural gas demand in aggressively transitioning countries to supplement their energy production is strong evidence of the central role natural gas will play in the energy grid of the future, and its status as a key source of reliable energy during the transition. US natural gas is a clear and sensible solution to growing global demand. However, the clean energy transition could present headwinds to new production and transportation investments, particularly when viewed in combination with the longer-term forward curve and the need for attractive returns on natural gas and oil investments. Given the strong global demand pressure on existing production, implied by the variety of factors above, it is anticipated that markets will remain volatile and highly sensitive to weather forecasts, movements in national reserve levels, geopolitical factors and changes in production by OPEC+. Exceptionally cold or warm weather represents a clear catalyst for continued price volatility with the ability to push prices rapidly in either direction.

While pricing and volatility provide opportunity for added profitability, the uncertainty creates added risk to investment capital for new production and perpetuates existing supply and demand imbalances.

Through a consistent and appropriate hedging strategy, we prefer to mitigate revenue volatility and protect cash flows to fund accretive growth and support our commitment to deliver stable dividends for investors while maintaining prudent leverage. As one observes our model against this market backdrop, with a portfolio of existing wells, substantial natural gas reserves, and consistently strong, growing Free Cash Flow, we are positioned as a clear market solution to the needs of the energy transition given our proven ability to extend the lives of existing mature wells and avoid the drilling of new wells.

As we build on our market-leading initiatives to identify and reduce fugitive emissions quickly and efficiently,we further solidify our position as the productive well consolidator of choice in the current environment. In combination with our capability to optimise and extend production from existing wells, our impact on the environment compares favourably with the environmental footprint implied by the traditional hydrocarbon development model and the construction of facilities dedicated to the production of renewable alternatives.

The tight supply/demand market for global natural gas over the last nine months of the year has created higher prices and higher volatility.

We have opportunistically secured hedges at levels that support robust cash margins and allow for responsible debt repayment, a reliable dividend for our shareholders and the further development of a variety of emissions reduction initiatives. The higher commodity price environment also creates a plethora of market opportunities to build on our strategy of value-accretive acquisitions as other companies seek exit strategies to divest non-core assets, creating the necessary capital to drill and develop their core leasehold positions. Looking ahead, we anticipate being active in a strong M&A market consistent with our proven strategy and successful track record of integrating and optimising newly acquired assets.

The future of the Company is bright, and we are a responsible operator and innovator in the energy supply of the future, delivering affordable, sustainable, and reliable energy to the communities we serve.

A Differentiated Business Model

Vertical Integration

ACQUIRE

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

OPTIMISE

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

PRODUCE

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

TRANSPORT

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

RETIRE

As we seek to continuously improve time and cost efficiencies associated with asset retirement, in 2021 we purchased our first plugging rig and established an in-house asset retirement team in West Virginia. Bringing these vertically-integrated operations in-house will allow us to better manage our environmental impact and the retirement methods used. Internal capacity for asset retirement is an element of our operations we anticipate to further grow in the coming years.

Focused Execution

DAILY OPERATING PRIORITIES

SAFETY

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

PRODUCTION

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

EFFICIENCY

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

ENJOYMENT

Have fun delivering great results. Ensuring every dollar we spend protects our employees and communities and grows the investment of our shareholders.

STRATEGY

ACQUIRE

long-life stable assets

OPERATE

our assets in a safe, efficient and responsible manner

GENERATE

reliable Free Cash Flow

RETIRE

assets safely and responsibly

→ Principles (see page 10)
→ ESG (see page 25)
→ Strategy (see page 14)
→ Risk (see page 53)

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 focusses on acquiring existing long-life, low-decline producing wells and, at times, their associated midstream assets, and then efficiently managing the assets to improve or restore production, reduce unit operating costs, reduce emissions and generate consistent Free Cash Flow before safely and permanently retiring those assets at the end of their useful lives.

Value Creation

HEDGE TO SECURE HEALTHY MARGINS

Protect our ability to provide reliable shareholder returns

GENERATE STRONG FREE CASH FLOW

Maintain cash operating margins and low Base LOE per Boe

PAY DIVIDENDS

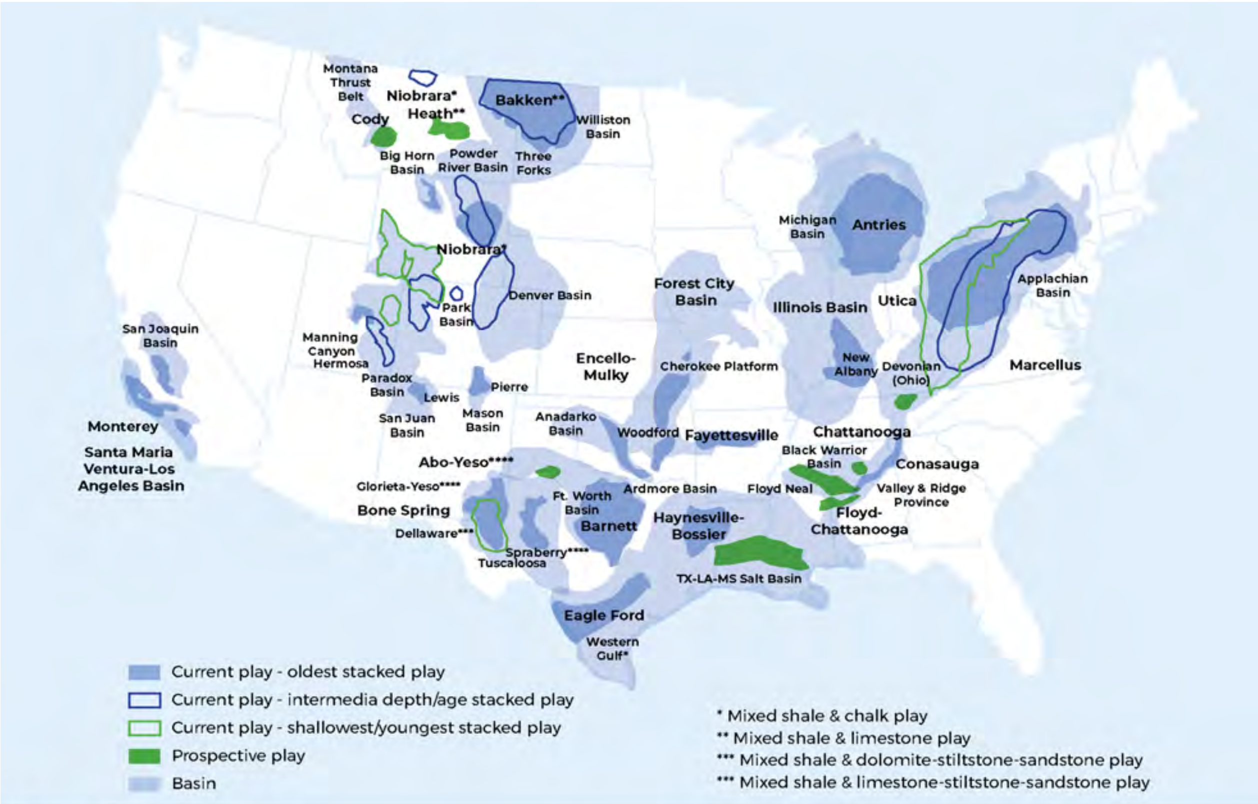
Provide dividend payouts at ~40% of Free Cash Flow

MAINTAIN A HEALTHY BALANCE SHEET

Maintain low leverage, ample liquidity and access to additional capital for opportunistic growth

Geographic Operating Areas

US NATURAL GAS PLAYS



U.S. Energy Administration

DEC's OPERATING AREAS

APPALACHIA

The Appalachian Basin spans Pennsylvania, Virginia, West Virginia, Kentucky, Tennessee and Ohio and consists of two productive unconventional shale formations, the Marcellus Shale and the slightly deeper Utica Shale. Together they accounted for 34% of all US dry natural gas production in the first half of 2021. Exclusively, the Appalachian Basin would be the third-largest natural gas producing country in the world during the first half of 2021, behind Russia and the rest of the US. Diversified began operating here in 2001, more than twenty years ago, firmly establishing the Company as a consolidator of assets and exceptional operator. Appalachia is home to many mature, low decline conventional and unconventional wells matching our target asset profile.

CENTRAL REGION

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

Haynesville, Bossier and Cotton Valley

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

Barnett

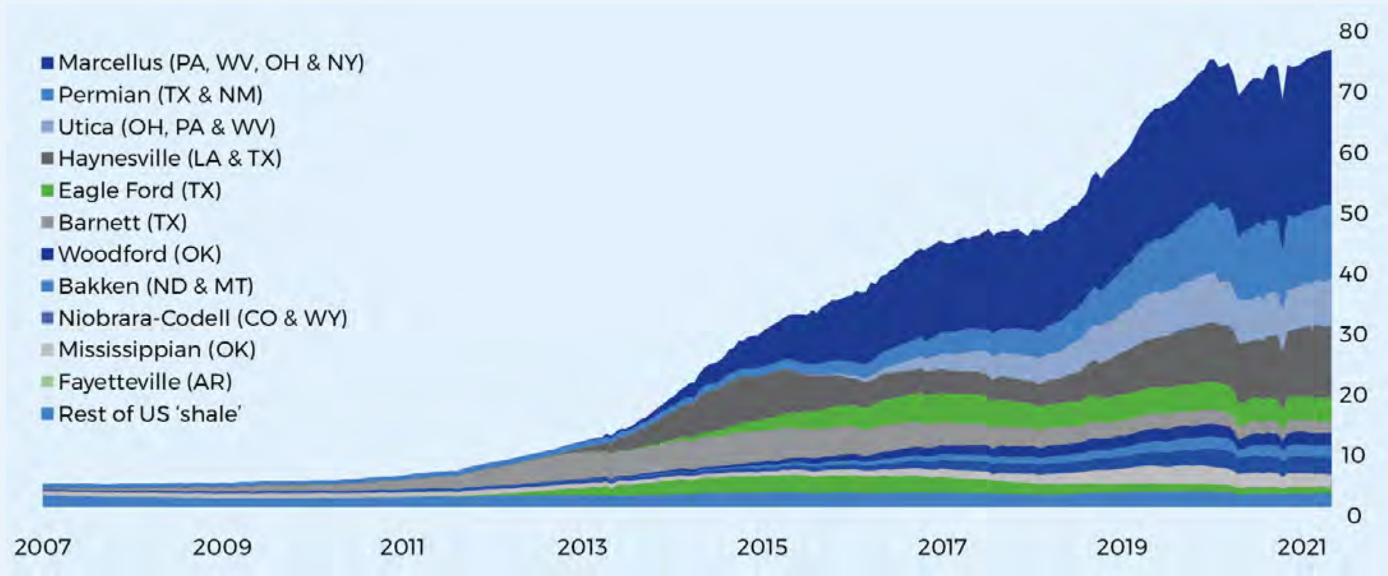
An original shale play in the US, the Barnett shale is located in North Texas and is a geological formation rich in natural gas. The Barnett is home to some of the first horizontal drilling and hydraulic stimulation that occurred in the early 1990s, unlocking the US shale revolution. For a time during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

Mid Continent

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

US DRY SHALE GAS PRODUCTION

billion cubic feet per day

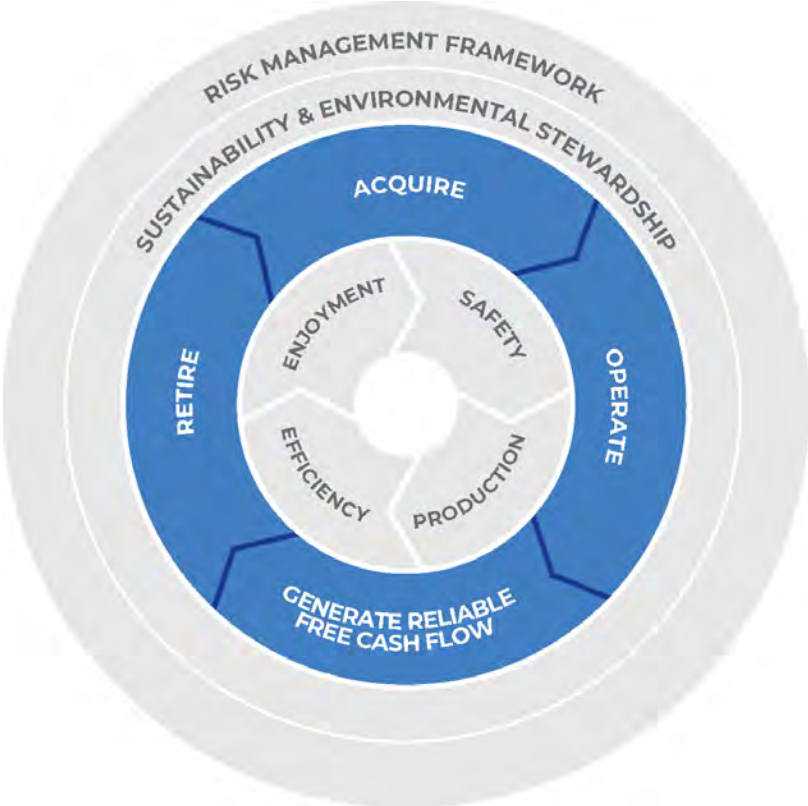


Sources: Graph by the U.S. Energy Administration (EIA) based on state administrative data collected by Enverus. Data are through November 2021 and represent EIA's official tight gas estimates, but are not survey data. State abbreviations indicate primary state(s).

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

Strategy

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



ACQUIRE

ACQUIRE LONG-LIFE STABLE ASSETS

We practice a disciplined approach to Acquire Long-Life Stable Assets by targeting low-decline producing assets that are value accretive, high margin and strategically complementary, while also applying extensive environmental, social, land and legal due diligence.

→ Principles (see page 10)
→ Strategy (see page 14)

OPERATE

OPERATE OUR ASSETS IN A SAFE, EFFICIENT & RESPONSIBLE MANNER

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

→ ESG (see page 25)
→ Risk (see page 53)

GENERATE RELIABLE FCF

GENERATE RELIABLE FREE CASH FLOW

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

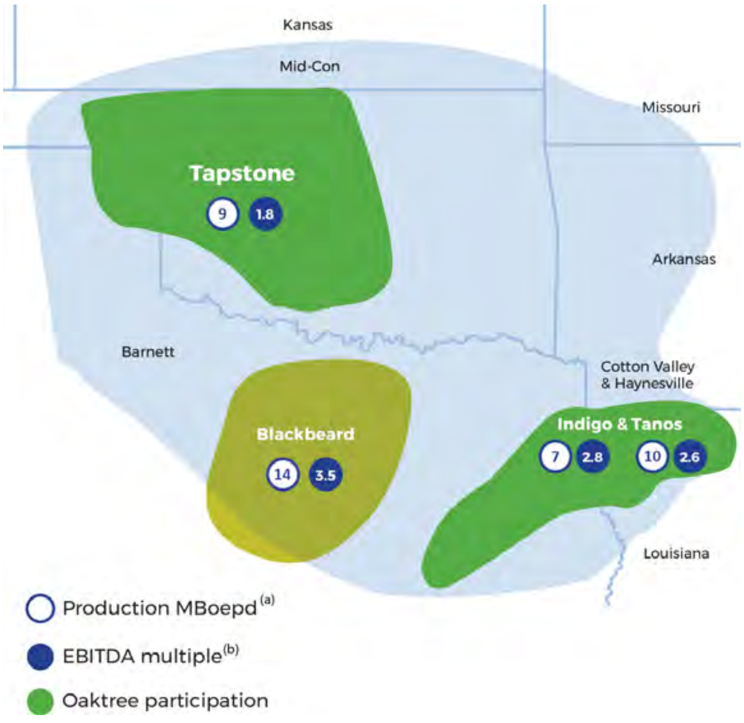
RETIRE

RETIRE ASSETS SAFELY AND RESPONSIBLY

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

Acquire Long-Life Stable Assets

STRATEGIC ENTRY INTO THE CENTRAL REGION



Acquisitions

Four acquisitions in the prolific natural gas producing Central Region

2021: $687 million

Since IPO: $2 billion

Maintaining Leverage

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

Consolidated acquisition EBITDA multiple: 2.5x

2021 Leverage: 2.1x

Growing Production

The addition of the Central Region acquisitions increases our exit rate production by ~29%.

2021 exit rate: 139 MBoepd

2020 exit rate: 103 MBoepd

(a) Represents each acquisition's average daily production for December 2021.

(b) Previously reported.

PRINCIPAL RISKS

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

KEY PERFORMANCE INDICATORS

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

2021 ACHIEVEMENTS

- Completed four acquisitions for $687 million, contributing approximately 40 MBoepd to December 2021 production, while maintaining Leverage below 2.5x.
- Entry into the prolific natural gas producing Central Region with an operating footprint that allows for complementary infill acquisitive growth and margin expansion.
- Completed three successful acquisitions through our strategic partnership with Oaktree establishing a groundwork for additional opportunities in 2022.
- Expanded the acquisition screening process to include robust diligence on emissions allowing us to be proactive in future emissions reduction efforts of acquired assets.

TARGETS FOR 2022

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

Indicates ESG achievements and targets.

Operate our Assets in a Safe, Efficient and Responsible Manner

Goal
Improve safety, optimise production, increase expense efficiency & improve emissions profile

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

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

ONGOING INITIATIVES

1 **Equipment Rationalisation**

2 **Emissions Reduction**

3 **Simplified Operations**

4 **Asset Integrity Enhancements**

5 **Compression Optimisation**

SAM initiatives designed to detect and reduce or eliminate emissions

EXAMPLE SMARTER ASSET MANAGEMENT ACTIVITIES

Well Pressure (Fluid Load)
Plunger Lift, Pumpjack Installation

Wellbore Cleanout
Water, Salt or Soap Stick Treatments

Wellhead Optimisation
Wellhead Configuration, Sensor Equipment Set Up

Compression
Assistance, Right Sizing or Removal

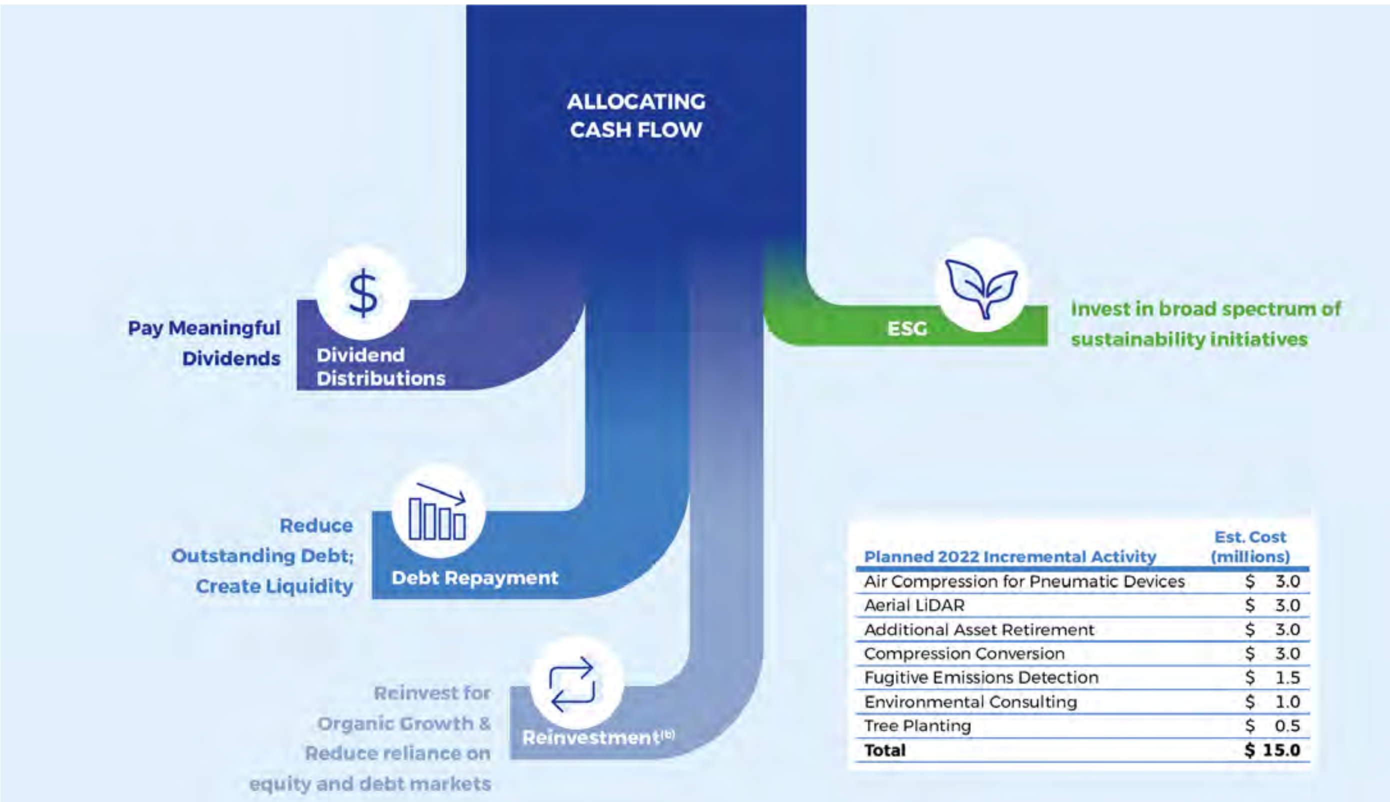
We challenge our teams to look beyond the status quo and **seek innovative, efficient SOLUTIONS**

PRINCIPAL RISKS	– Corporate Strategy and Acquisition Risk – Climate Risk – Cybersecurity Risk – Health and Safety Risk – Regulatory and Political Risk – Financial Strength and Flexibility Risk
KEY PERFORMANCE INDICATORS	– Total Recordable Incident Rate ("TRIR") – Emissions Intensity – Total Cash Cost per Boe – Hedged Adjusted EBITDA per Share
2021 ACHIEVEMENTS	– Continued deployment of SAM and its associated production optimisation techniques which contributed to industry leading declines of approximately 9%, pro forma for 2021 acquisitions. – Enhanced safety focus through multiple platforms, including a Safety Minute video series, Environmental Minute video series, Safety Fast Facts newsletter, Walk the Talk podcast, Cross Roads Training, video channel and the Safe Passages programme to encourage and recognise safe driving habits. As a result of our improved focus in this area our preventable motor vehicle accident rate (accidents to million miles driven) metric declined to 0.72 in 2021 from 1.04 in 2020. Leveraged the audio, visual, and olfactory abilities of our ~1,000 experienced field employees on their ~100,000 site visits every month to maintain our zero tolerance policy for natural gas leaks. Completed an inventory assessment of emissions producing equipment and identified emission reduction opportunities for both upstream and midstream assets.
TARGETS FOR 2022	– Continue to execute our guiding priorities: Safety, Production, Efficiency, and Enjoyment. Expand demonstrated commitment to responsible stewardship through an intense focus on continuous improvement of all aspects of ESG seeking to exceed our stakeholders' expectations. Continue focus on the SAM programme to maintain margins, offset natural declines and realise the expense efficiency opportunities we acquire. – Maintain operational excellence and extract additional value from our existing asset base to drive efficiencies.

Indicates ESG achievements and targets.

Generate Reliable Free Cash Flow

PRUDENT ALLOCATION OF CASH FLOW



Planned 2022 Incremental Activity	Est. Cost (millions)
Air Compression for Pneumatic Devices	$ 3.0
Aerial LiDAR	$ 3.0
Additional Asset Retirement	$ 3.0
Compression Conversion	$ 3.0
Fugitive Emissions Detection	$ 1.5
Environmental Consulting	$ 1.0
Tree Planting	$ 0.5
Total	**$ 15.0**

PRINCIPAL RISKS	– 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 – Emissions Intensity – Total Cash Cost per Boe
2021 ACHIEVEMENTS	– Generated an industry leading dividend yield on the LSE, which is a function of strong cash flows as evidenced by our ability to increase our dividend rate in 2021 and pay a total of $130 million in dividends during the year. – Maintained consistently low leverage at 2.1x in 2021 through our ability to generate reliable Free Cash Flow and reduce borrowings by $67 million while maintaining a low weighted average annual borrowing cost of 4.33%. – Raised our weighted average hedge floor on natural gas production to $2.97 per Mcf at 31 December 2021 from $2.80 per Mcf at 31 December 2020 emphasising our ability to take advantage of an improving commodity market. Announced capital allocation dedicated to ESG and emissions initiatives for 2022 representing 30% of 2021 capital expenditures.
TARGETS FOR 2022	– 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 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. – Continue to secure low cost financing that supports our acquisitive growth while maintaining low leverage and ample liquidity. Secure future capital allocation for ESG initiatives.

412

Indicates ESG achievements and targets.

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

EXPANDING ASSET RETIREMENT COMMITMENTS

2021 — Asset Retirement Programme

- Established an inaugural in-house plugging team in West Virginia
- Achieved an average retirement cost per well of ~$22,500
- Exceeded regulatory plugging requirements by 70%

2022 — Building Internal Capacity

- Acquired Next LVL Energy, a premier Appalachian Basin plugging service provider headquartered in Pennsylvania in 2022
- Enhanced ability to maintain low well retirements costs by reducing reliance on third-party service providers

2023 — Expanding for the Future

- Plans to expand our plugging capabilities to a total of six in-house teams by mid-year 2022
- Commitment to retire at least 200 wells per year across Appalachia by 2023

PRINCIPAL RISKS TO THE ACQUIRE LONG-LIFE STABLE ASSETS STRATEGY	– Health and Safety Risk – Regulatory and Political Risk – Climate Risk – Financial Strength and Flexibility Risk
KEY PERFORMANCE INDICATORS	– Meet or Exceed State Asset Retirement Goals – Emissions Intensity
2021 ACHIEVEMENTS	Established a vertically-integrated asset retirement team in West Virginia to obtain operating efficiencies by bringing the plugging programme in house and reducing the reliance on third parties. Retired 136 wells, exceeding our collective state commitments to retire 80 wells in our primary states of operation for which we have agreements for 10-year (Kentucky and Ohio) and 15-year (Pennsylvania and West Virginia) asset retirement plans. Continued to engage in an active dialogue with our states' legislative and regulatory bodies to collaborate on best practices for the natural gas and oil industry. Created a pilot programme in West Virginia utilising new plugging techniques that maintain the environmental safety of our existing techniques at a reduced time and cost of existing plugging processes.
TARGETS FOR 2022	Continue to safely retire wells and aim to exceed state Safe and Systematic Asset Retirement programme commitments by identifying and plugging wells at the end of their useful lives. Expand internal plugging capabilities and expertise with the addition of internal Pennsylvania and West Virginia teams and continued screening of other options that would significantly increase our capacity to support our own operations as well as those of our fellow operators. Realise vertical integration benefits of expanded internal asset retirement capacity to include reduced reliance on third-party contractors, reduced outsource risk, improved process quality and increased control over environmental remediation and cost. Continue constructive and collaborative dialogue with the states and industry associations to capitalise on and ensure best practices in the well retirement arena.

Indicates ESG achievements and targets.

Key Performance Indicators

In assessing DEC's performance, the Directors use the following key performance indicators ("KPIs") to track the Group's success against its stated strategy. These KPIs focus on corporate and environmental responsibility, consistent per-share returns underpinned by prudent cost management, low leverage and adequate liquidity to protect the sustainability of the business.

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

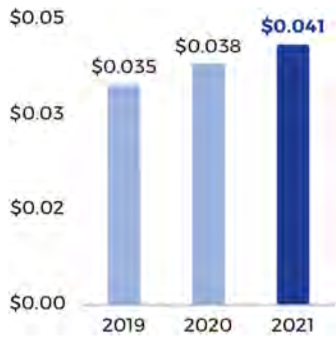
CONSISTENT DIVIDEND PER SHARE

We strive to provide a reliable and consistent, if not growing, dividend to our shareholders while maintaining leverage and liquidity within our targets. We evaluate our success by monitoring the consistency of Dividend per Share alongside other KPIs discussed within this Annual Report. We were pleased to once again validate the ability of our strategy to produce sustainable returns with the higher Free Cash Flow generation from our recent acquisitions which afforded us the ability to increase our Dividend per Share to record levels for the Group.

LINK TO STRATEGY

→ Generate Reliable Free Cash Flow

AVERAGE QUARTERLY DIVIDEND PER SHARE



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

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

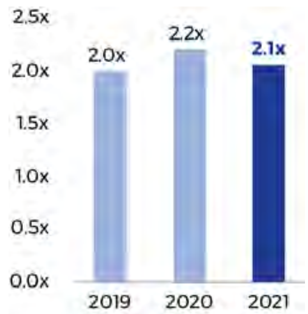
Since 2018, we have funded acquisitive growth through nearly equal portions of debt and equity ($1.0 billion in borrowings and $1.1 billion in equity capital). Our hedge-protected, stable cash flow profile and amortising long-term financing structures support systematic debt repayment, which naturally delever over time, and allow us to maintain a strong balance sheet. Fully-amortising structures, generally 8-10 years at inception, comprise approximately 44% of our borrowings at 31 December 2021 and 93% after the ABS III & IV Notes, completed in February 2022. Through leverage-neutral refinancing of our Credit Facility borrowings into ABS financings, we create low-cost liquidity to fund reinvestment into our business and additional non-dilutive growth.

LINK TO STRATEGY

→ Acquire Long-Life Stable Assets

→ Generate Reliable Free Cash Flow

NET DEBT-TO-PRO FORMA TTM HEDGED ADJUSTED EBITDA



HEDGED ADJUSTED EBITDA PER SHARE

Recognising that acquisitions can 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 our 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 Leverage Ratio, evidencing that we are growing cash flows at the per share level without overextending our balance sheet.

When compared to the prior reporting period our Hedged Adjusted EBITDA per Share decreased modestly. The change primarily related to the timing of the equity issuance and closing of the acquisitions for which the equity proceeds were funding. Specifically, our May equity raise proceeds were used to finance the Indigo and Blackbeard acquisitions which closed in May and July, respectively.

LINK TO STRATEGY

→ Acquire Long-Life Stable Assets

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

→ Generate Reliable Free Cash Flow

HEDGED ADJUSTED EBITDA PER SHARE

CONSISTENT CASH MARGIN

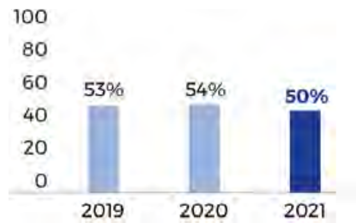
We believe that our Cash Margin is an appropriate measure of our profitability. We protect our Cash Margin and Free Cash Flow generation through our proactive hedging programme and SAM-backed efficient operations. Over the past several years, we have maintained consistent Cash Margins of 50% or better, including in 2021 when we strategically entered a new operating region that, while incurring higher operating costs, benefits from higher realised pricing through access to favourable end markets. We grew both Adjusted Total Revenue by 24% to $687 million and Hedged Adjusted EBITDA by 14% to $343 million. An improved forward price strip for natural gas, NGLs and oil provide the ability to solidify higher prices in our hedge programme and the ability to realise higher unhedged prices, both of which are positive contributors to higher cash margins.

LINK TO STRATEGY

→ Generate Reliable Free Cash Flow

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

CASH MARGIN



TOTAL CASH COST PER BOE

We believe Total Cash Cost per Boe demonstrates the efficiency of our asset management. This metric includes all operating expense and Adjusted G&A, both of which include fixed and variable cost components. Total Cash Cost per Boe for 2021 was $7.95, an increase of 15% compared with 2020 reflective of higher per unit LOE, production tax and transportation cost primarily in the newly entered Central Region. Production taxes in this region are approximately 2x higher than in Appalachia while we are in the early stages of applying our SAM programme to drive improvement in Base LOE and transportation expenses. Working to replicate our cost optimisation in Appalachia creates opportunity for higher future profitability as our operations team works an identified and attractive list of SAM-related projects in this region.

LINK TO STRATEGY

→ Generate Reliable Free Cash Flow

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

TOTAL CASH COST PER BOE

EMISSIONS INTENSITY

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

Through our Project Fresh initiative we made, and continue to make, significant progress on many fronts including developing a more accurate inventory of our emissions producing equipment and utilising actual emissions measurements instead of emissions factors. We further expanded our use of Leak Detection and Repair ("LDAR") equipment, aerial light detection and ranging ("LiDAR") flights and acquisition emissions screening. For more information on Project Fresh and these results please refer to page 31.

LINK TO STRATEGY

→ Acquire Long-Life Stable Assets

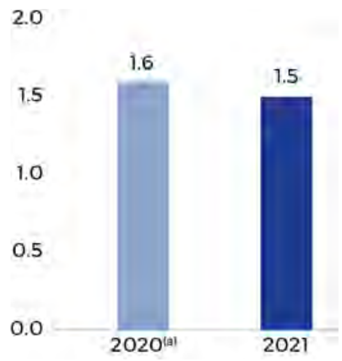
→ Operate Our Assets in a Safe, Efficient and Responsible Manner

→ Generate Reliable Free Cash Flow

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

METHANE EMISSIONS INTENSITY

(MT CO_2e/MMcfe)



[a] Amounts have been revised from our previously reported results to include the results of Project Fresh discussed on page 31. These revisions improve our year-over-year compatibility and limit windfall gains in this critical area.

MEET OR EXCEED STATE ASSET RETIREMENT GOALS

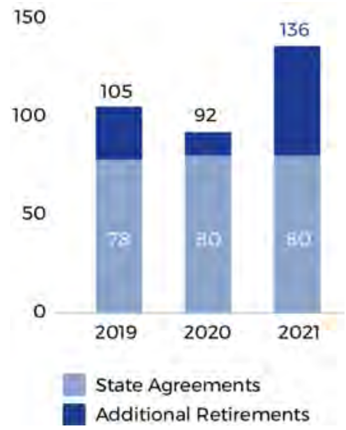
Consistent with our business strategy, we are an established, leading operator with an unwavering commitment to environmental stewardship. We partner our highly skilled personnel with the necessary financial resources to responsibly manage our assets throughout their productive lives and retirement. We strive to meet or exceed our asset retirement obligations under state agreements, and have a growing track record of demonstrating our ability to succeed.

In 2017, after listing in London and accelerating our growth, we proactively began to meet regularly with state officials to develop a long-term plan to retire our growing portfolio of long-life wells. Collaborating with the appropriate regulators, we designed our retirement activities to be equitable for all stakeholders with an emphasis on the environment. During 2021, we permanently retired 136 wells, exceeding our state requirements of 80 wells, providing a highly visible step towards our goal of plugging 200 wells by 2023.

LINK TO STRATEGY

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

WELLS RETIRED BY YEAR



TOTAL RECORDABLE INCIDENT RATE

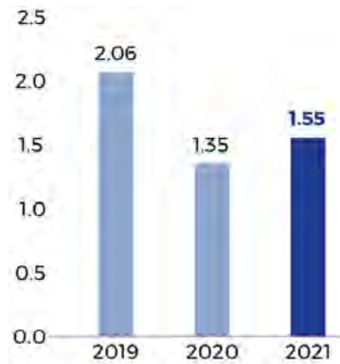
We are committed to fostering a safe workplace as we believe that with proper measures and attention to detail, work-related incidents, illness and injuries are preventable. To that end, we believe TRIR is an appropriate measure of our progress in this important area. TRIR is the sum of lost time injuries, restricted work injuries and medical treatment injuries per 100 full-time workers during a one-year period, and represents all injuries that require medical treatment in excess of simple first aid. While we aspire to achieve a zero-harm working environment and remain steadfast in our commitment to improving safety performance, in 2021, our TRIR increased to 1.55, primarily impacted by a higher frequency of minor incidents throughout the year.

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

LINK TO STRATEGY

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

TRIR



SUSTAINABILITY REVIEW

A Letter from Our VP of ESG & Sustainability

> "Aligned with our values and priorities and delivered through responsible stewardship and efficient operations, sustainability has always been an integral part of Diversified's DNA."

As Vice President of ESG & Sustainability, I am pleased to provide you with a summary of our sustainability and socio-economic efforts during this past year. The Company created this dedicated ESG role to ensure that we continue to meet stakeholders' expectations in developing and enacting comprehensive ESG strategies and in providing robust, transparent disclosures of the same. I hope this report provides you a clear line of sight to our past accomplishments as well as our future expectations.

Aligned with our values and priorities and delivered through responsible stewardship and efficient operations, sustainability has always been an integral part of Diversified's DNA. Just as we have grown through acquisitions during the year so, too, has the desire and commitment of our now more than 1,400 employees to continue driving and delivering meaningful, positive ESG impacts not only for our stakeholders but also society at large.

Designing a Credible Pathway to Net Zero

We made solid progress on our 2021 emissions goals through our internally developed Project Fresh initiative which included, in part, bringing to completion our in-depth work to comprehensively inventory our emissions-producing assets across our enlarged 10-state operating footprint. Our asset inventory work and the related data governance process for reporting emissions allowed us to materially reduce the use of theoretical factors in our emissions reporting through the use of more accurate actual emissions, which was instrumental in reducing our 2021 reported emissions. We have also engaged the services of a third-party to independently verify these reported emissions and hope to release the results soon.

As part of Project Fresh, we also identified a number of projects to analyse with an asset specific Marginal Abatement Cost Curve ("MACC") we are developing for our carbon reduction pathway. We have engaged the expertise of Montrose Environmental ("Montrose"), a leading independent global environmental services consultancy, to work with us in 2022 and over the next few years to formalise a strategic and suitable path to meet our net zero goals.

Using Project Fresh as a stepping stone, and as previously announced in November 2021, we recently expanded our inventory of handheld emissions detection equipment which is enhancing our daily efforts to identify, address and reduce unintended fugitive emissions across our entire footprint. We are also continuing to progress other stated 2022 emissions reductions initiatives. Collectively, these initiatives will continue to decrease actual emissions in the coming year and position us well to achieve our commitment to net zero Scope 1 and Scope 2 GHG emissions by 2040.

Safe and Sustainable Operations

Since our inception 20 years ago, our commitment to safe and sustainable operations has been the driver of our daily actions. This commitment to asset integrity is manifested in our internally developed and well-proven SAM programme which is focused on optimising production and increasing efficiencies and naturally includes a zero-tolerance policy as it relates to unintended natural gas emissions.

We approach our zero-tolerance policy for fugitive emissions from three facets. First, all our field personnel are trained to detect and repair emissions when found using audio, visual and olfactory ("AVO") inspection. Next, we are equipping each of our well tenders with handheld emissions detectors to augment AVO and further enhance the already positive results of our SAM programme. Finally, we've entered a multi-year, multi-million dollar partnership with Bridger Photonics to utilise their state-of-the-art aerial methane emissions location, detection, and quantification services primarily across our midstream footprint to supplement our in-house capabilities.

Our Employees

Our greatest asset is undeniably our employees. In 2021, we conducted our first ever Employee Engagement Survey to better inform the Company on potential areas of improvement that would further strengthen our employees' daily experiences.

I am pleased to report that we had an overall 82% response rate which we believe is a tremendous response to an inaugural survey that included nearly 1,250 employees from nine states. While all but one of the surveyed areas exceeded external benchmarks, with the one area below the benchmark by a single point, we used the survey results to create a cross-functional team that will develop actionable plans for addressing all areas of employee feedback and implementing applicable changes.

As a means of developing the next generation of potential employees, we continued our scholarship programme and further welcomed six university students across multiple functional areas as participants in an inaugural Summer Internship Programme. The programme aims to prepare the students for a corporate work experience upon university graduation, and more specifically to provide them with the opportunity to gain valuable insights into our own business and industry. The overwhelming positive feedback from our interns supports our desire to continue and even expand the programme in the years ahead.

Next Steps

As promised in 2020, we are pleased to include in our 2021 reporting an expanded set of disclosures related to the Task Force on Climate-Related Financial Disclosure framework. Beyond a detailed discussion of the risks and opportunities associated with a transition to a lower-carbon economy, our robust climate scenario analysis revealed that our portfolio remains resilient even under the most aggressive net zero emissions scenario. We are certainly encouraged by these findings and will use the results of the complete analysis to inform our path forward in the energy transition.

As we continue to navigate the ever changing corporate expectations for energy providers, we do so confidently, knowing that companies like Diversified will play critically important roles in the ongoing energy transition. We are excited to take the next step in advancing our commitment to improving our environmental performance and driving real, long-term value for the environment, our current stakeholders and future generations.

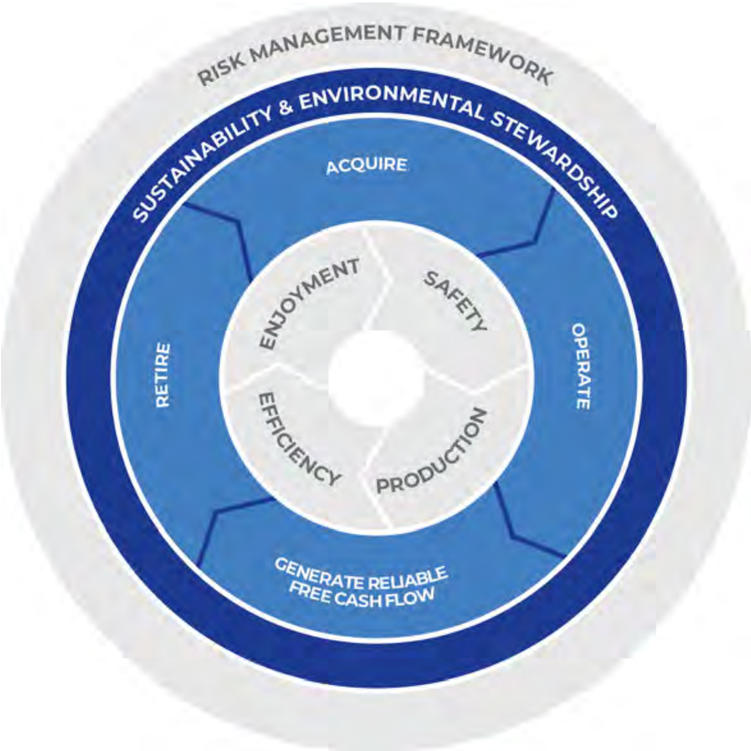
Teresa B. Odom

TERESA B. ODOM
Vice President-ESG & Sustainability

22 March 2022

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

Sustainability in Our Strategy



			
ACQUIRE	**OPERATE**	**GENERATE RELIABLE FREE CASH FLOW**	**RETIRE**

OUR STRATEGY THROUGH AN ESG LENS

Acquire: We apply extensive environmental, social, land and legal due diligence when acquiring natural gas and oil assets and, as applicable, seek to retain personnel from the seller given their hands-on knowledge of and familiarity with the assets.

Operate: 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.

Generate reliable free cash flow: 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 that is used, in part, to fund ongoing ESG and sustainability initiatives.

Retire: Through the carefully planned and state-monitored actions of our well-defined, safe and systematic well retirement programme, we permanently retire end of life wells and eliminate any potential associated emissions.

2021 ACTIVITY

Acquire: As part of our Central Region growth, we:

- Considered standalone and combined emissions profiles of the acquired assets;
- Identified opportunity within the Central Region to reduce emissions intensity;
- Welcomed ~300 new members to the Diversified family; and
- Considered risks and capital requirements of remedial operational and emissions reduction activities as well as future plugging liabilities.

Operate: During the year, we:

- Produced 119 MBoepd (net);
- Returned 362 consent order wells to production in lieu of retiring;
- Completed >6,000 pipeline integrity assessments and enhancements; and
- Removed 18 compressors, or 10,625 horsepower and 53,356 MT CO_2e reported emissions, from our upstream and midstream operations.

Generate reliable free cash flow: During the year, we:

- Paid $103 million in wages & benefits;
- Paid $49 million in federal, state and local taxes;
- Funded $130 million in dividends and $67 million in debt reduction; and
- Funded $3 million in asset retirement activities.

Retire: During the year, we:

- Safely retired 136 wells, exceeding the regulatory requirement of 80 wells;
- Formed an internal West Virginia asset retirement team;
- Commenced formation of additional internal asset retirement teams in Pennsylvania and West Virginia; and
- Completed a successful pilot of modified asset retirement procedures.

OUR APPROACH TO ESG

We periodically conduct a stakeholder materiality assessment to gain a better understanding of both internal and external views on the ESG topics that matter most to our business and corporate strategy. We last conducted this assessment in 2020 and continue to direct our sustainability and stewardship efforts to those identified issues as summarised in our 2020 reporting.

Our approach to ESG management encompasses consideration of our environmental and social impact as well as our responsibility to conduct business in accordance with the highest standards of governance. Our commitment to sound ESG business practices is underpinned by our values, which guide our daily actions, annual plans, investments, relationships and business strategies.

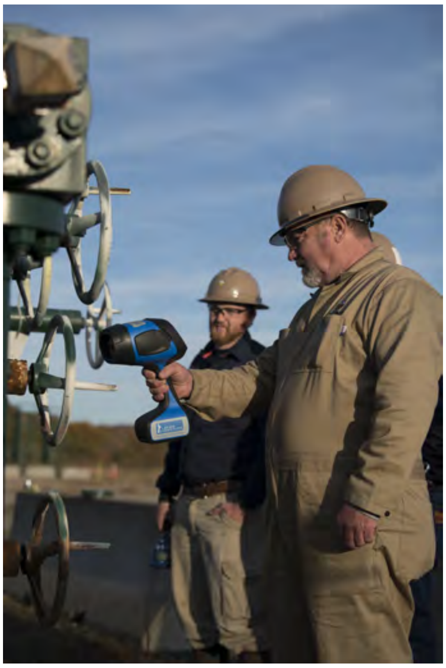
In addition to our guiding values for ESG management, we also utilise the United Nations' ("UN") Sustainable Development Goals ("SDG"), which calls on individuals, corporations and governments to work together towards the ultimate, unified goal of creating a better and more sustainable future for all citizens globally. At Diversified, we challenge ourselves to consider these topics and more when we actionise 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 opportunities for us to make continuous improvement and contribution.

DESIGNING A CREDIBLE PATHWAY TO NET ZERO

Baseline Activities

In the spirit of continuous improvement and transparency, we are committed to providing additional information on our climate journey including updates on our baseline emissions work and our longer-term GHG emissions reductions.

During 2021, we launched Project Fresh, a comprehensive process designed to enhance the understanding of our baseline emissions data, including improved data collection and accuracy.



Strong governance and collaborative participation in this project are key. Under the oversight of our Chief Operating Officer, Brad Gray, and the functional leadership of our Vice President of EHS, Paul Espenan, the project included several cross-functional teams, including both upstream and midstream Field Operations, IT and Finance, sharing best practices and seeking additional ways to improve our processes aimed at reducing absolute emissions.

Equipped with a growing list of potential emissions abatement projects as a result of our collaborative and comprehensive efforts, we enter 2022 focused primarily on achieving our stated short-term goals of 30% and 50% reductions in Scope 1 methane intensity by 2026 and 2030, respectively, while simultaneously working toward long-term reductions in CO_2 and a net zero Scope 1 and 2 GHG position by 2040. In late 2021, we announced our intention to invest $15 million in 2022 to fund the initial projects of our emissions reduction goals. Importantly, our strategic and opportunistic hedging practices provide protection of our cash flows, including these 2022 capital commitments and those that will follow every year thereafter.

Investing in Internal Expertise

In 2021, we expanded our ESG resources by appointing a Vice President of ESG & Sustainability while also increasing our internal expertise within the EHS team. We added critical leak detection and repair ("LDAR") and data analysts that will improve our capacity and data gathering going forward. In total, we now have 26 dedicated and passionate EHS employees, with a total annual resource investment of $3 million and growing, supporting our annual corporate EHS initiatives.

Collaborating with External Experts

Given the size and scale of our operations, we recognise the importance of working with experts to ensure we are defining a credible and meaningful pathway to net zero. The work of our experts includes assurance, net zero strategies and plans, air emissions verification, and expanded reporting under the recommendations of the Task Force on Climate-Related Financial Disclosures framework. We also collaborate with industry experts and groups such as Montrose, The Environmental Partnership and independent producers' forums to share industry best practices, including emission reduction strategies, and to help ensure our work is relevant and on track. Importantly, we have engaged an independent expert to verify the accuracy and completeness of our 2021 reported IPCC emissions.

Deploying Technology

We have a high bias for action to fix any unintended natural gas emissions – that is, we immediately address any identified issues. In 2021, we announced our intent to purchase 500 additional leak detection devices that will allow every well tender to proactively detect emissions as minute as one part per million ("PPM"), well below the EPA's leak definition of 500 PPM. Coupled with an average of ~100,000 site visits per month, the addition of these devices will help ensure that we are consistently and aggressively addressing emissions.

We have 356 facilities that are governed by OOOOA ("Quad OA") EPA rules, and we continue to use these technologies to proactively identify and eliminate emissions of volatile organic compounds ("VOCs") and methane. Additionally, as a result of two inaugural, highly accurate and successful aerial emissions detection flights, we have committed to expanding an aerial surveillance programme primarily for our midstream assets for the next three years.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD")

Our understanding of the strategic significance to our business of climate change and the energy transition has progressed over the past 18 months. In 2021, as part of our year-end 2020 Annual Report and Sustainability Report, we published our first reports aligned with the recommendations of the TCFD. In this year's Annual Report we continue that alignment and have summarised some key components of our inaugural Climate Risk and Resilience Report (found on our website) that, with the help of a team of leading sustainability and energy sector experts, has gone a step further in our disclosures - highlighting our pivotal role in the energy transition, the resilience of our business model, and the measures we are taking to mitigate the climate impact of our operations.

The robustness of our approach is reflected in the results of the scenario analysis work we have carried out this past year to stress test our portfolio. These results show that our business remains resilient and relevant to the future energy sector under all of the scenarios we considered, including the IEA's Net Zero scenario.

Reflecting the importance of transparency in reporting of climate-related information, we have prepared this section in compliance with the recommendations of the TCFD. During the year ended 31 December 2021, the Company complied with the TCFD recommendations, excluding disclosures of Scope 3.

Governance

a) Board oversight of climate-related risks and opportunities
b) Management's role in climate-related risk assessment and management

Strategy

a) Risks and opportunities with time horizon
b) Impact on business, strategy, and planning
c) Resilience of strategy to climate scenarios, including a 2°C or lower scenario.

Risk Management

a) Process for identifying and assessing climate-related risks
b) Process for managing climate-related risks
c) Integration with overall risk management

Metrics and Targets

a) Metrics for climate-related risk assessment
b) Scope 1, 2, and (if needed) 3 emissions and related risks
c) Targets for risks and opportunities and related performance

GOVERNANCE

A Hands-On and Integrated Approach

As a function of our stewardship business model, addressing climate-related risks and advancing opportunities is something we take action on every day. Climate risk is now clearly defined within our enterprise risk universe as a Principal Strategic Risk. It was discussed at several of the 15 Board of Director ("Board") meetings held in 2021 and was a central focus of the six meetings of the Sustainability & Safety Committee. At the same time, we also see climate change, and the associated energy transition, as a significant strategic opportunity, underpinned by a robust demand for natural gas.

Board Oversight

Our Board oversees the development of our climate change strategy which aims to position Diversified at the heart of the energy transition based on responsible stewardship of existing assets and is highly experienced and continuously educated in this important area. The Sustainability & Safety Committee evaluates all issues relating to climate change on behalf of the Board, including changes in regulation and policy and other external, macro-level developments relating to climate change. The Audit & Risk Committee oversees the Enterprise Risk Management ("ERM") process, including assessing and managing climate risk, while the Remuneration Committee is responsible for developing a compensation structure for senior management linked, in part, to ESG and climate metrics. Overseeing the size and composition of the Board, the Nomination Committee is responsible for ensuring the Board's collective skill set is positioned to adequately understand and shepherd climate-related decisions and opportunities for the Company. Climate related matters are also discussed regularly as part of the Group board meetings.

In 2021, the Board approved a number of key initiatives in support of our climate goals. These included:

- Allocating an initial $15 million in 2022 for activities and equipment aimed at reducing our GHG emissions;
- Setting Scope 1 methane emissions intensity (MT CO_2e/MMcfe) reduction goals of 30% by 2026 and 50% by 2030 versus a revised 2020 baseline;
- Supporting an updated commitment to achieving net zero Scope 1 and 2 GHG emissions by 2040 (previously targeted by 2050); and
- Engaging independent consultant Montrose to assist in formalising our 2040 net zero plan.

Management's Role

While our CEO takes ultimate responsibility for developing and delivering our climate change strategy, he is actively supported in this effort by our Chief Operating Officer ("COO"), Chief Financial Officer ("CFO") and the Chair of our Sustainability & Safety Committee.

At a strategic level, the COO is responsible for assessing the climate-related risks and opportunities associated with acquisition targets, both of natural gas producing assets and other commercial opportunities, such as well retirement resources, as part of his 'go/no-go' recommendation to the CEO and Board on acquiring the potential targets. The COO is also responsible for developing and implementing a structured and proactive plan to reduce our carbon intensity in accordance with our emission reduction goals. At the operational level, he oversees all activity related to climate change, including leak detection and repair, well integrity and safety, and well retirement.

Working alongside the CEO and COO, our CFO oversees all areas of financial activity related to climate change, including financial modelling, scenario planning and capital ("Capex") and operating ("Opex") budgeting. He also holds periodic staff meetings with his senior managers to review financial results and to keep aligned with the financial funding and planning of operational activities which may include climate risk and opportunities.

STRATEGY

A Resilient Portfolio and Flexible Business Model

The potential impacts of climate change present a number of opportunities and risks to our business and accordingly have made sustainability a central focus of our Strategy and Business Model as shown on pages 14 and 10, respectively.

In accordance with best practices, we consider climate-related risks and opportunities under two broad headings: transition and physical risks. While transition risks and opportunities can cover a wide range of issues related to the energy transition, those we have identified as being material for Diversified are described in the following Opportunities and Risks tables together with their potential impacts on our strategy.

Strategic Climate-Related Opportunities

		Description	Timeframe(a)	Progress
Opportunities	Market	Potential for the generation of carbon offsets related to early retirement of wells	Medium - Long	• The development of our internal well retirement capacity will enhance our ability not only to retire our own wells but also those of our peer companies and states. We are working with third parties to examine the possibility of creating carbon offsets related to early retirement of wells. • These carbon offsets could provide an opportunity to offset our own emissions and contribute to our goal of net zero Scope 1 and 2 GHG emissions in 2040, or be sold in the growing voluntary offset market.
Opportunities	Technology	Offsetting of Scope 1 & 2 emissions through Carbon Capture, Utilisation and Storage ("CCUS")	Medium - Long	• We had preliminary discussions with a number of companies involved in the development of CCUS schemes. This technology, albeit requiring significant investment, could provide potential for offsetting our Scope 1 and 2 emissions in the future. • We currently own gas storage fields, wells and midstream infrastructure which could be used for CCUS.
Opportunities	Technology	Growth of blue hydrogen market and opportunities for gas resource holders	Long	• While at a nascent stage, we are actively monitoring the development of the market for hydrogen. As a significant resource holder of natural gas, we are keenly aware of the potential opportunity associated with the development of blue hydrogen.
Opportunities	Technology	Utilisation of lower carbon emitting vehicles for production operations	Medium - Long	• We currently have fleet replacement programmes in place aimed at lighter weight, more fuel-efficient vehicles. This could extend to consider the use of longer-range electric vehicles in the future. • We have the ability to reduce vehicle mileage through increased remote monitoring of operations and emissions. We are exploring new technology to advance this possibility. Pilots have been initiated.
Opportunities	Technology	Cost reductions associated with emissions and monitoring equipment	Short - Long	• We continue to invest in emission related technologies including remote leak detection, aerial surveillance, compressor elimination, pneumatic device elimination, and single valve well designs. These technologies will be employed in our $15 million emissions reduction expenditure plan for 2022. • We actively track advances in emissions monitoring technologies and expect to take advantage of technology cost reductions as they develop. We are working with several technology providers to advance pilots. • We are developing a robust MACC project list which is being advanced through partnership with consultants and technology providers.

(a) Timeframes are defined as short-2022, medium-from 2023 to end 2025, and long-2026 and beyond.

Climate-Related Risks

Risk		Type	Impact	Timeframe(a)	Mitigation
Transition	Market	Natural gas & oil price outlook	Reduced demand and price outlook for natural gas & oil has the potential to impact portfolio value	Medium - Long	• Our portfolio is heavily weighted towards natural gas which is expected to fare better than oil in a carbon constrained future. • Low-cost production provides considerable resilience to lower prices (see Portfolio Resilience section on page 28).
Transition	Market	Cost of capital	Increased pressure on investors/lenders to reduce exposure to natural gas and oil assets may impact access to capital and increase cost of capital for the sector	Medium - Long	• Hedging strategy provides significant protection for cash flows in the short - medium term . • Levels of fixed-rate debt and amortising payments provide significant protection in the short - medium term. • Short investment cycle for the business allows rapid response to changing market conditions.
Transition	Policy	Cost of carbon	While a direct carbon tax is unlikely in the states where we operate, it is possible that some form of cost could by applied to carbon emissions (including methane) either directly or indirectly	Medium - Long	• Implementation of carbon measurement and reduction programmes as well as active LDAR programmes. • Strategy of evaluating acquisition targets which ultimately result in a lowering of portfolio carbon intensity. • Continued focus on cost-efficient operations and SAM initiatives. • Use of shadow carbon price in relation to future acquisition programme and other capital allocation decisions. • Work to create offsets through plugging wells and carbon capture use and storage projects.
Transition	Policy	Well retirement policy	Although well retirement commitments with each of the Appalachia states have been agreed for the medium term, accelerated retirement programmes could be required in the future	Medium - Long	• Active participation with regulators regarding natural gas sector well retirement policy. • Existing strategy to retire wells ahead of policy commitments. • Ongoing development of our plugging capacity will help manage future cost risk (eg. our recent acquisition of Next LVL Energy, an Appalachian plugging service provider).
Transition	Technology	Methane loss reduction	Adopting new or existing technologies to retrofit or convert facilities to reduce methane leakage might prove to be costly	Medium - Long	• Enhanced emissions detection using LiDAR equipment and hand held detection devices. • Continuous investment through the SAM programme into repairing and eliminating unintended emissions. • Demonstrated innovative actions to reduce emissions including retrofitting/elimination of existing equipment. • Accelerated well retirement programme. • Currently evaluating responsibly sourced natural gas certifications, including OGMP 2.0.
Transition	Technology	Low carbon energy costs	Reduction in costs associated with low carbon energy technologies drives lower demand for gas and oil	Medium - Long	• Assessment of the resilience of our portfolio under a number of carbon constrained energy scenarios where natural gas and oil demand is curtailed (see Portfolio Resilience section on page 28).
Transition	Reputation		Potential impact on the value of the Company related to changes in shareholder/ societal expectations related to the energy transition	Medium - Long	• Transparency of emissions and climate risk reporting. • Definition and delivery on climate related targets. • Ongoing engagement with shareholders, employees, regulators and other key stakeholders.
Transition	Litigation		Potential litigation tied specifically to the Company's climate-related reporting or actions, or perceived lack thereof	Medium - Long	• We are formalising plans to achieve net zero Scope 1 and 2 GHG emissions by 2040. • Transparent reporting and communication of emissions and climate risks. • Actively involved with state regulators with a demonstrated and ongoing commitment to meet our obligations. • Strong community support in our operating areas.
Physical			Extreme weather events like drought, flooding and storm frequency could impact operations and infrastructure	Medium - Long	• Business continuity and crisis management plans in place. • All assets are located onshore in the US away from coastal influences and wildfire risk. • Minimal requirement for water consumption in current operations. • Physically dispersed asset footprint that mitigates any large-scale disruption to production from events such as tornadoes. • Appropriate levels of insurance to mitigate losses.

[a] Timeframes are defined as short-2022, medium-from 2023 to end 2025, and long-2026 and beyond.

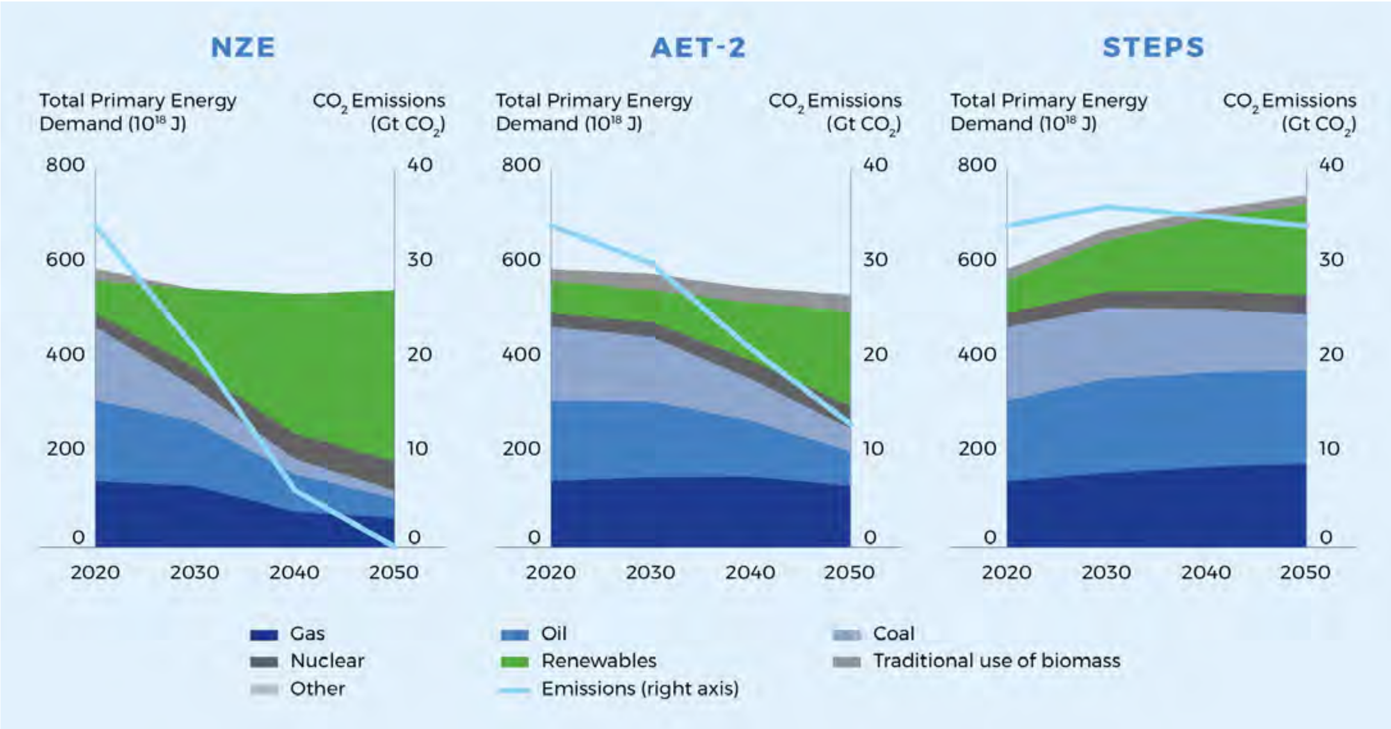
Portfolio resilience

We are well-positioned for the future. We have a natural gas-focused portfolio and a robust business model that seeks to extract the maximum production potential of existing natural gas and oil assets by focusing on efficiently managing late in life assets that otherwise may have remained idle or neglected. We strive to be the most environmentally responsible operator 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 a scenario analysis to stress-test our portfolio in a potentially more carbon-constrained future. To be clear, these scenarios are hypothetical constructs and not forecasts nor predictions about future performance, and no undue reliance should be placed upon them.

Reviewing the results of these theoretical scenarios allow us to model the impact of alternative future demand and supply requirements on our current portfolio and assess possible opportunities to meet those requirements. Accordingly, we have evaluated our portfolio against recognised energy transition scenarios to assess its overall resilience. With different outcomes from a primary energy demand perspective and resultant natural gas and oil price forecasts for each, we have assessed the long-term impact on production and value of our portfolio relative to our Base Case.

We have selected three transition scenarios; firstly, the IEA Net Zero Emissions ("NZE") scenario; secondly, the Wood Mackenzie Accelerated Energy Transition ("AET-2") scenario; and finally, the IEA Stated Policies Scenario ("STEPS"). In addition to the impacts of carbon constrained scenarios on commodity prices, the scenarios also incorporate carbon price outlooks required to achieve the projected energy outcomes.



NZE Source: Based on IEA (2021), Net Zero by 2050, IEA, Paris: Net Zero by 2050 Scenario - Data product - IEA.
STEPS: Source: Based on IEA data from the IEA (2021) World Energy Outlook ("WEO"), www.iea.org/weo

NZE

The NZE scenario is the IEA's latest and most aggressive scenario showing a potential pathway for the global energy sector to achieve net zero CO_2 emissions by 2050, with advanced economies reaching net zero emissions in advance of others. In this scenario, oil demand has peaked and is in decline from ~100 MBoepd in 2021 to ~24 MBoepd by 2050. Oil price also trends downward with prices forecasted to be ~$36.00 per Bbl by 2030 and less than $30.00 per Bbl from 2040 onwards. Global natural gas demand peaks in 2025 and falls well below 2020 levels by 2030. US natural gas prices are forecasted to remain flat through 2050 at approximately $2.00 per MMBtu. The pathway relies on innovation, new technologies, and a change in consumer behaviour away from hydrocarbons.

AET-2

The AET-2 scenario shows a pathway that meets the condition of limiting the rise in global temperatures since pre-industrial times to 2.0°C by the end of this century. It is forecasted that oil demand begins to decline from 2023, and by 2050 falls below 35 MBoepd. Under this scenario, the oil price follows a similar pathway to demand dropping below $40.00 per Bbl by 2025 and continuing to fall to be less than $30.00 per Bbl by 2040 and hitting $10.00 per Bbl by 2050. Natural gas demand continues to rise to 2035 before plateauing and then declining from 2040. US natural gas prices maintain a level of around $4.00 per MMBtu to 2050.

STEPS

The STEPS scenario is the least aggressive of the three. In this scenario, oil demand peaks in the mid-2030s and gradually declines through to 2050 with prices remaining around $85.00 per Bbl. Conversely, natural gas demand continues to grow to 2050, increasing almost 25% from current levels, driving US natural gas prices above $3.50 per MMBtu from 2030 and reaching over $4.00 per MMBtu by 2050.

DEC's Base Case

Our Base Case is consistent with the model disclosed in our Viability Statement; however, rather than a three-year forecast, this model has been extended to 2050 consistent with the scenarios described above. In this model we utilised commodity pricing consistent with the forward curve for the first 12 years of the projection period then increased pricing at a 2% CAGR thereafter until 2050.

Results

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

In each of these models our production outlook remains resilient and would be unchanged under any of the scenarios. Due to our very low cost of production, we have the ability to maintain profitable production even under low commodity price environments, including the most aggressive NZE scenario.

From a value perspective, our portfolio value under all three climate scenarios remains resilient in relation to our Base Case PV-10 at strip.

PORTFOLIO VALUE IMPACT
NPV-10 of climate scenario cash flows through 2050 vs DEC's Base Case

While not modelled into the future cash flow analysis results presented above, we also considered the carbon cost, or carbon tax, that is projected to be imposed on a company's emissions in the NZE and AET-2 models. The STEPS scenario does not incorporate a carbon price in the US. Under the NZE scenario, carbon prices in the US are forecast to rise to $130.00 per MT by 2030 and to $205.00 per MT by 2040. The AET-2 scenario incorporates carbon prices of $110.00 per MT by 2030 and $150.00 per MT by 2040. Using the carbon prices highlighted for each of the scenarios the potential economic impact associated with our methane emissions would be a cost of $0.11 per Mcfe in 2030 under NZE and $0.09 per Mcfe in 2030 under AET-2. There would be no cost to our business under STEPS as this scenario does not incorporate a carbon price in the US. As the plan is to be net zero Scope 1 & 2 GHG emissions by 2040, the cost associated with any future carbon price in 2040 would be zero for both methane and CO_2.

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

RISK MANAGEMENT

Placing Climate Change Mitigation at the Heart of Our Strategy
We recognise that climate change and the energy transition have become key drivers for the global economy and for our business. That is why we have categorised climate risk as a Principal Risk and why climate change considerations increasingly influence our strategic thinking, risk management processes, and operations on a day-to-day basis.

Our processes for identifying and assessing climate-related risks are built on our increasing awareness of the nature of these risks. Led by the Board, the Sustainability & Safety Committee and the Audit & Risk Committee, we have worked diligently over the past 18 months to ensure that the challenges presented by climate change are being communicated across our company.

We now consider each of the broad categories of climate-related risk – transition risk and physical risk – in our ERM programme. This analysis forms the basis for our decision-making about the way we manage climate-related risk and is an integral part of the work of the Audit & Risk Committee which, during 2021, has sought to strengthen controls and risk management processes in relation to our Principal Risks. For more details please refer to Climate Risk in the Risks Management Framework section on pages 54 and 53, respectively, of this Annual Report.

METRICS & TARGETS

Identify, Improve & Monitor
Since a significant proportion of climate-related risk is tied to the climate impact of our own operations, we collect a comprehensive set of metrics that are material to our performance. These metrics, which include our absolute Scope 1 and Scope 2 GHG emissions broken down by type and source and emissions intensity figures, are set out in the table on page 31 of this Annual Report.

When evaluating Scope 1 and Scope 2 GHG emissions we have long stated that we believed our total reported GHG emissions were conservative and likely well overstated given the use of default theoretical factors in our emissions reporting. On this basis, and armed with the knowledge that pneumatics, fugitives and compression make up a significant portion of our total GHG emissions, we initiated a significant scope of work in 2021 which we referred to as Project Fresh. The purpose of Project Fresh was to accurately inventory our emissions producing infrastructure in order to better understand our total GHG footprint and to better ascertain the implications of using prescribed theoretical factors in our emissions calculations rather than actual measurements.

Specifically, Project Fresh enabled the utilisation of actual emissions tied to a more accurate count of pneumatic devices and their associated realised actuation counts. We also installed additional direct measurement devices for our compressor engines. As a result, this more precise calculation has resulted in actual emissions that are notably lower than previously reported emissions. When considering this significant revision we believed it was prudent to apply these same inventory measurements to our 2020 Appalachia emissions in order to produce a more relevant comparison of emissions reductions over time and to limit seemingly material improvements associated in this metric that were not indicative of a physical reduction in emissions. When applying these changes to our previously reported 2020 Appalachia emissions, we revised our 2020 Scope 1 methane intensity from 4.2 to 1.6 MT CO_2e per MMcfe, or 62% with a corresponding reduction in absolute methane emissions. Further, Scope 1 and Scope 2 absolute GHG emissions declined 49% from 1,884 thousand MT CO_2e to a revised 959 thousand MT CO_2e. For more information on the results of Project Fresh please refer to our Sustainability Report which will be available on our website.

When comparing our revised 2020 Scope 1 methane emission intensity of 1.6 MT CO_2e per MMcfe to our 2021 intensity of 1.5 MT CO_2e per MMcfe, we continued our progress and achieved physical reductions in our emission intensity resulting from our expanded use of LDAR, LiDAR flights and acquisition emissions screening,

BUILDING A DISCIPLINED PROCESS: PROJECT FRESH

Standardise process to inventory emissions producing equipment

Objectives:
- Improve the accuracy of GHG emissions with a focus on accurate equipment inventories
- Reduce the use of standard emissions factors, using instead actual emissions measurements
- Identify opportunities for GHG emissions reduction across the portfolio

PROJECT FRESH ACCOMPLISHMENTS

- Developed accurate inventory of emissions producing equipment (master database)
- Developed a robust data governance process to drive reporting efficiencies
- Reduced the percentage of theoretical factors included in our GHG emissions calculation
- Identified emissions reduction opportunities in both upstream and midstream
- Started initial MACC projects

Project Fresh

Setting ambitious emissions reduction targets

While we are pleased with the progress we are making in lowering our reported and actual emissions, our ambition is to go much further. We have set targets to reduce the Scope 1 methane emissions intensity of our operations over the next eight years: 30% by 2026 and 50% by 2030 (relative to our revised 2020 baseline). We have a longer-term goal of achieving net zero Scope 1 and 2 GHG emissions by 2040 and have engaged a leading environmental consultant, Montrose, to assist us in formalising our 2040 Net Zero Plan. We have also aligned executive compensation with the achievement of these goals, more details for which can been seen in the Remuneration Committee's Report on page 84. As we continue our progress we look forward to providing updates and remaining transparent on achieving these ambitious goals through our periodic Investor Relations materials and year-end reports.

INNOVATIVE EMISSIONS REDUCTION

In 2021, our operations team identified an opportunity to reduce the number of times that certain wells vented to the atmosphere by converting the fluids unloading process in each well from a 2-valve system to a 1-valve design. In doing so, we reduced the vented emissions on each well by a factor of at least four times. This inexpensive and innovative change by our well tenders at 220 of our well sites resulted in an actual emissions reduction of 18,150 MT CO_2e, and we continue to evaluate other wells for expanded application.

COMPRESSION ELIMINATION

Our size and scale along with our team's experience and knowledge of the assets have allowed us to identify and execute many opportunities to increase production and improve expense management while simultaneously reducing emissions. During 2021, we continued to successfully consolidate our assets in the Appalachian Basin and through that effort eliminated 10,625 horsepower of compression and reduced annual emissions by 53,356 metric tonnes of CO_2e. Collectively, we have now generated $2 million of direct expense reductions, demonstrating that we can efficiently and effectively run our business while reducing emissions.

GHG Emissions [a]	Unit	2021	2020 [b]
Total Scope 1 and Scope 2 CO_2e[c]	thousand MT CO_2e	1,634	959
Scope 1 Emissions:	thousand MT CO_2e	1,631	958
Carbon Dioxide	thousand MT CO_2e	841	538
Methane[c]	thousand MT CO_2e	790	420
Nitrous Oxide	thousand MT CO_2e	1	1
Scope 2 Emissions - Total Company	thousand MT CO_2e	3	1
Energy consumption[d]	KWh	6,866,564	685,485
Scope 1 and Scope 2 GHG Emissions Intensity	MT CO_2e/MMcfe	3.1	3.8
Scope 1 Methane Emissions Intensity	MT CO_2e/MMcfe	1.5	1.6
Methane Emissions Intensity (NGSI)[e]	%	0.28	0.29
Scope 1 Emissions Attributable to:[c]			
Flared Hydrocarbons	thousand MT CO_2e	–	–
Other Combustion	thousand MT CO_2e	870	537
Process Emissions	thousand MT CO_2e	65	83
Other Vented Emissions	thousand MT CO_2e	295	54
Fugitive Emissions	thousand MT CO_2e	402	283

Air Quality[a]	Unit	2021	2020 [b]
Nitrogen Oxide (NOx, excluding N_2O)	tonnes	4,435	5,809
Carbon Monoxide (CO)	tonnes	3,840	3,451
Sulfur Oxide (SOx)	tonnes	–	–
Volatile Organic Compounds ("VOC")	tonnes	437	796
Particulate Matter (PM Total)	tonnes	24	15

Totals may not sum due to rounding.

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

[b] Amounts have been revised from our previously reported results to include the results of Project Fresh discussed on page 31. These revisions improve our year-over-year comparability and limit windfall gains in this critical area.

[c] Uses a global warming potential of 28 for methane.

[d] Our Scope 2 emissions remain an immaterial portion of our total emissions. However, as we move forward with additional internal projects to convert natural gas compression to electric compression, we can expect to see our total kilowatt hours of consumption and Scope 2 emissions continue to increase with an offsetting decrease to Scope 1 emissions. Akin to our improved data collection efforts with regard to our pneumatic inventory, the year over year increase in energy consumption and Scope 2 emissions is largely attributable to improved data related to prior year acquisitions as well as the inclusion of additional Scope 2 emissions from our 2021 Central Region acquisitions.

[e] Assumes the Natural Gas Sustainability Initiative protocol and calculates methane intensity as methane emissions from Production assets only (therefore, excluding Gathering & Boosting facilities) divided by total gross production.

Disclaimer: GHG emissions results were calculated per IPCC reporting guidance, which permits best engineering estimates for certain emissions metrics and which may vary from the prescriptive measures applied under US EPA reporting standards. The information and data contained in these calculations were accurate, to the best of our knowledge, at the time they were generated. If new data or corrections to existing data are discovered, we may resubmit updated data as permitted and in accordance with industry standards and expectations. Such resubmissions will be posted to our website and may take place without notice.

Definition: Scope 1 – All direct GHG emissions from sources owned or controlled by the Company. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. The intensity rate is defined as metric tonnes (MT) of CO_2e divided by million cubic feet equivalent of production (MMcfe).

Relevance: We understand the importance of achieving lower GHG emissions. Monitoring progress with this goal is essential in terms of our focus on climate-related risks and opportunities. To play our part while strengthening our resilience to the changing market dynamics, we have embarked on an important path to net zero.

SAFE AND SUSTAINABLE OPERATIONS

Smarter Asset Management

Our SAM programme is fully aligned with our commitment to environmental stewardship and overall sustainability. SAM is part of our daily operational efforts, and we see it as simply good business - wise stewardship of existing assets and highly aligned with our goals to have a net positive environmental and social impact. We recognise that no single improvement to an upstream well or midstream pipeline is too small to matter because we know that small daily improvements across our entire asset portfolio can lead to collective gains for the Company, our stakeholders and the environment.

Our daily SAM efforts have always aimed to improve asset integrity and increase operational efficiency. In doing so, we have intentionally and continuously taken actions directed at reducing unintended natural gas emissions. In summary, captured emissions (1) eliminate methane discharges, (2) reduce atmospheric impacts, (3) increase production flowing to the sales meter, (4) increase production tax revenues for states and royalties for landowners, (5) provide affordable, reliable energy to meet the energy demands of our customers, and (6) generate reliable cash flow for our investors.

Our expansion into the Central Region in 2021 increased the opportunity we have in our SAM portfolio to increase efficiencies, improve production and reduce emissions. Similar to projects in the Appalachian Basin, we have already taken advantage of opportunities in the Central Region to optimise wellhead compression, optimise contractor expense to improve productivity and profitability, and partner with third-party midstream operators to lower line pressure to further increase productivity.

For further information on our SAM programme, please refer to our Sustainability Report which will be available on our website.

Safe And Systematic Well Retirement

With safety and environmental stewardship as top priorities, we designed our Safe and Systematic Well Retirement programme to permanently retire wells that have reached the end of their economic lives. The retirement of our predominantly shallow, onshore wells and their small land footprints is far less complex and costly compared to offshore wells with large production platforms and brings with it low environmental and safety risks.

Under the accountability of the Chief Operating Officer and the functional responsibility of the Retirement Operations team, we work closely and cooperatively with the landowners, communities and state regulatory agencies to meet or exceed all expectations when retiring wells and restoring the well sites upon closure. Our retirement process involves carefully planned steps, completed by our experienced teams, partnered at times with appropriate experts, and then reviewed and approved as applicable by state regulators and/or the landowners.

We continue to maintain open and active dialogue with our states' legislative and regulatory bodies to collaborate on best practices for retirement activities within our states of operation and within the broader natural gas and oil industry.

Our current commitment is unmatched as we retire more wells in Appalachia than any other operator. During 2021, we safely and permanently retired 136 wells, exceeding our collective state commitments to retire 80 wells in our primary Appalachian states of operation for which we have 10-year (Kentucky and Ohio) and 15-year (Pennsylvania and West Virginia) asset retirement agreements. The states in which we operate support and value our financial stability and commitment to responsible and safe operations which includes the permanent retirement of wells and the natural restoration of the wells' former small footprints.

Our ability to plug 136 wells in 2021 was driven, in part, by our investment in an internal plugging team in West Virginia. Given the success of that pilot plugging programme, we will further increase our internal commitment and capacity to retire wells by investing in additional plugging personnel and equipment in Pennsylvania and West Virginia in 2022. With the addition of these internal resources, we are targeting an annual plugging commitment of at least 200 wells per year, or 2.5x current state agreements, by 2023.

As we have continued to expand our portfolio of upstream assets, we've done so with the confidence that we have a deep appreciation of the retirement liability associated with those assets and our ability to fund that liability. For example, at the time of acquisition, our PV-10 reserve report of discounted cash flows is fully burdened by future plugging costs and therefore taken into account in determining a purchase price that supports future plugging commitments. After acquisition and integration of the assets, our proactive, strategic hedging programme supports our ability to protect the cash flows from the assets in order to fund associated annual plugging liabilities.

For further information on our well retirement programme, please refer to our Sustainability Report which will be available on our website.

CONSISTENTLY EXCEEDING REGULATORY PLUGGING REQUIREMENTS

TRAINING PROGRAMMES

During 2021, every field employee attended a safety crossroads training, and we continued the expansion of our situational awareness programme 'Be Where Your Boots Are'. We believe these training programmes will positively impact our safety record in future results. We also utilised several online platforms and communication channels to introduce numerous safety programmes, including a video series, newsletters and podcasts, which are all readily accessible on our internal intranet.

BE WHERE YOUR BOOTS ARE

EHS IN FOCUS

We have an experienced and professional workforce; however, we will never allow complacency to have an impact on our safe business practices. EHS management remains a top priority as we demonstrate our commitment to exercise environmental stewardship in the communities in which we live and operate.

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. We take a rigorous approach to managing the potential impacts of production fluid spills, which may include natural gas liquids, oil or produced water. Waste management and biodiversity are of high importance to Diversified, and we continuously work to mitigate or manage any impact from these spills.

Our Board and employees have a shared commitment to be good and trusted stewards of the environment, to ensure that our operations meet or exceed all environmental standards, and to achieve health and safety excellence. Signed by our CEO and overseen by the Board's Sustainability & Safety Committee, our EHS Policy is guided by the principles of corporate accountability and leadership, risk preparedness, collaboration and transparency.

We expect a similar commitment to safety and environmental stewardship from our business partners with whom we conduct business, so we utilise a leading supply chain risk management firm to prescreen for contractors with high safety performance records and then continuously monitor their performance for ongoing compliance with our own expectations as well as with state and federal operating standards.

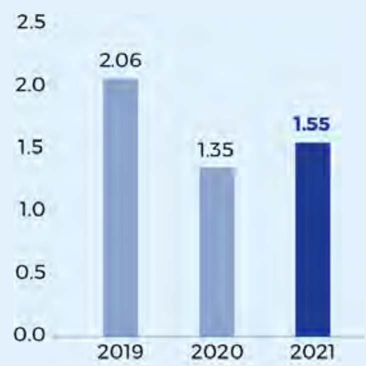
Total Recordable Incident Rate ("TRIR")

We strive to maintain a zero-harm working environment and remain steadfast in our commitment to always improving safety performance throughout our footprint. However, our TRIR in 2021 of 1.55 exceeded both our target for the year of 1.33 and our 2020 results of 1.35 driven by a higher frequency of minor incidents. While we remain encouraged by interim steps taken throughout the year to improve this metric, we also recognise that our growing company and employee base, as a result of 2021 acquisitions, means that we still have work to do to educate all our teams to drive improvements. 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 incidents. These mitigation efforts are shared with all employees, whether new from acquisitions or long-term Diversified employees, to help ensure improved performance in the future.

Definition: TRIR is defined as the number of work-related injuries per 100 full-time employees during a one-year period. The goal of our occupational health and safety programme is to foster a safe and healthy occupational environment for employees and other stakeholders that encounter our operations.

Relevance: Health and safety is a top priority for Diversified and underscores our operating performance, as evidenced by our daily operational goals promoting "Safety - No Compromises".

Total Recordable Incident Rate ("TRIR")



Preventable Motor Vehicle Accident ("MVA") Rate

Our preventable MVA rate saw a material improvement in 2021 at 0.72 accidents per million miles driven. With more than 1,000 employees on the road each day, road safety awareness and safe driving are of paramount importance to us. We are exceptionally proud of this accomplishment given the 18.1 million miles driven during the course of the year largely as a result of the often rural and widespread nature of our asset base and the added staff from our 2021 Central Region acquisitions. The improvement in MVA can be attributed to our widespread emphasis on safety in all aspects of operations, including driving, the use of dedicated training modules and our Safe Passages recognition programme for drivers who achieve an accident-free driving record during the calendar year.

Definition: The preventable MVA rate reflects the rate of preventable accidents that occurred during the year per million miles driven by our field personnel and is useful for tracking and comparing vehicle safety performance over time. Our goal is zero preventable vehicle incidents.

Relevance: Road safety awareness and safe driving are of paramount importance to us. Given our expansive asset portfolio across the Appalachian Basin and Central Region, our well tenders and other field employees can spend a significant portion of their day driving.

Reportable Spills

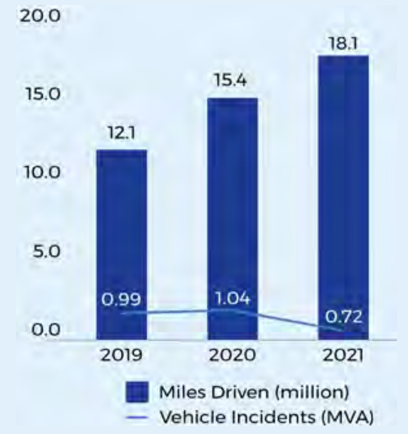
The 2021 addition of assets in the Central Region significantly increased the volumes of produced water we handled as a direct consequence of the geologic nature and profile of the unconventional wells in the Central Region as compared to our more mature, conventional asset base across Appalachia. We incurred an increased absolute volume of reportable spills attributable as a result of this increased water handling. However, our spill intensity rate remained negligible for the year. We aim for zero spills and will seek to enhance process safety procedures and training to manage and reduce the number of spills in the future.

Definition: A spill is the introduction into the environment, other than as authorised and whether intentional or unintentional, of a substance that has the potential to cause adverse effects to the environment, human health or infrastructure. A reportable spill is one that must be disclosed to any regulatory agency where we operate. This intensity rate reflects the reportable volume of oil and produced water spills divided by the total gross volume of oil and produced water handled during the period.

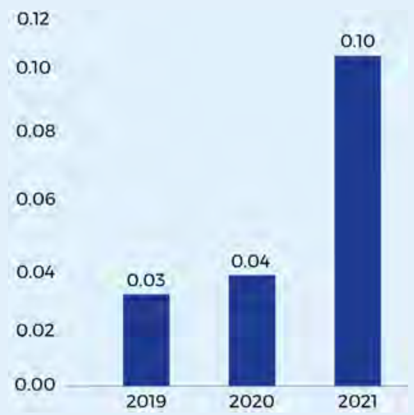
Relevance: Our exposure to significant spills of liquid products is minimal given our current production profile of 90% dry natural gas. Nonetheless, we take a rigorous approach to managing any impact of a potential fluid spill and implement practices and processes to minimise or eliminate such spills.

Our Board and employees have a shared commitment to be good and trusted stewards of the environment, to ensure that our operations meet or exceed all environmental standards, and to achieve health and safety excellence.

VEHICLE SAFETY



REPORTABLE SPILL INTENSITY RATE (PER MBBL)



OUR EMPLOYEES

We have a dynamic culture at Diversified. There is a genuine, top-down interest in employee well-being across the organisation, and leadership is committed to meeting employees in the field or the office to better understand their concerns and priorities. Our employees take pride in the work that they do - feeling ownership of and responsibility for the assets as well as understanding the impact their work has on the business - and our leadership recognises and rewards this work ethic.

Workforce Safety

As safety is our top daily operational goal, compliance with workplace safety regulations is imperative for our operations. Therefore, safety training is regularly and consistently provided to all field employees and is closely monitored to achieve adherence to internal expectations and external requirements. Additional training is developed and provided, as needed, based on identified areas of improvement and following safety incidents.

Workforce Diversity

We continue to grow rapidly through successful acquisitions and, in doing so, we welcomed hundreds of new employees into the Diversified family in 2021. The vast majority of our employee base consists of Production employees which includes our upstream and midstream field personnel. All other employee positions, including back office, administrative and executive positions, comprise Production Support roles.

The percentage of females that made up our entire employee base at 31 December 2021 increased slightly over the prior year to approximately 11% and is largely attributable to the increase in females serving in Production roles. Recent sector studies indicate women make up approximately 15% of the field and technical roles in the natural gas and oil industry. At Diversified, though we have limited technical roles, which are often gender diverse across the industry, the nature of our acquire and operate business model does not require a significant volume of technical roles. Nonetheless, we do still actively seek to generate a diverse candidate pool from which we can identify and hire the most qualified individuals, regardless of gender, to the benefit of the Company and our stakeholders.

As part of a coordinated diversity and engagement strategy within our recruitment processes, we have engaged a number of external agencies across specific geographic areas of focus within our operating footprint in support of driving diversity within the Diversified family. During 2021, the number of minorities that made up our employee base increased to 2.7% from 0.6%.

See the chart below for a breakout of Production and Production Support employees including the total number for each.

Additionally, at 31 December 2021, our Board consisted of three females and five males, and Senior Management, including the executive committee and direct reports and excluding the two Executive Directors, consisted of 82 employees, including 26 females (32%) and 56 males (68%).

PROFESSIONAL DEVELOPMENT PROGRAMME ("PDP")

Our two-year PDP pilot, which started in late 2020, continues with great success as the employees' engagement with the members of management and the Board's Non-Executive Employee Representative has allowed relevant discussion and feedback regarding our culture, policies and actions.

The programme ensures that workforce views and concerns are considered by the Directors, particularly when making decisions that will affect the workforce, and provides a feedback mechanism to inform the workforce of actions management and the Board take to address concerns. Further, the collaborative project work of the programme participants during 2021 has led to the our commitment to increase our community outreach up to $2 million in 2022.

Throughout 2021, the major focus of the PDP was to create consistent and informative internal communications. As a result, we created and now routinely distribute the DEC Connection employee newsletter. Additionally, the programme developed a plan to strengthen community relations in support of our stated 2021 ESG goal to 'Broaden Community Outreach and Support'.

WORKFORCE DIVERSITY

In 2021, we successfully increased the application of technology across our Human Resources functions with the roll out of two important systems. First, we began using an applicant tracking system to measure the diversity of employment applicants. This tracking system is important for our company as we had not previously asked for, nor tracked, diversity and other applicant characteristics in our application process which would have allowed us to disclose these metrics. Additionally, we put in place a company-wide online Performance Management & Goal Setting Platform which permits all employees and their supervisors to establish annual workplace achievement goals and then track employee performance against such goals. This system provides a clear set of expectations for the employees and a means of establishing merit-based compensation from the Company.

Socio-Economic Contribution

Our community investments are designed to make long-lasting, positive impacts on the communities where we operate and live. We want our actions and economic contributions to make a difference. We start with employing local people to do local work. These individuals care about the communities and environment in which they work and live, and that passion shows in how they approach and accomplish their work every day.

As stated in our Corporate Responsibility Policy, we are committed to balancing our business needs with the needs of the communities in which the we and our employees operate. We believe that supporting our communities beyond meeting their energy needs is simply the right thing to do.

In 2021, our PDP team took steps to develop company-wide programmes to enhance our community outreach including formalising a community relations programme, an employee volunteer programme and a charitable donation match programme. In response to the PDP team's community outreach work, beginning in 2022, we have committed to invest up to $2 million per year for community outreach and support programmes.

WAGES, SALARIES & BENEFITS ($ MILLIONS)

Definition: The total cash and non-cash payments (such as 401(k) match and health insurance) we provide for employees in exchange for the work they do for our business

Relevance: As one of the largest natural gas and oil employers in the Appalachian region, we pay competitive, and often higher than average in the area, salaries to our employees while also offering comprehensive healthcare benefits to our employees and their families. The addition of Central Region employees to the Diversified family affords our company the opportunity to have a broader social impact in the communities in which we operate and serve.

FEDERAL, STATE & LOCAL TAXES ($ MILLIONS)

Definition: Federal, state and local taxes, including production and payroll taxes, imposed on the net income of the Company.

Relevance: We are committed to contributing to the social and economic development of the communities where we work and live. We provide key socio-economic benefits through tax payments which help fund municipal governments, education systems, community programmes, and other public services.

EMPLOYEE EXPERIENCE SURVEY

In 2021, we conducted our first Employee Experience Survey in order to establish a foundation from which to further strengthen our employee experience. We are pleased to report that we had a response rate of 82%. We have formally reviewed the insights with independent survey consultants and the executive team and have created a cross-functional team to develop actionable plans to address identified topics and areas of consideration.

INVESTING IN FUTURE LEADERS

In 2021, we welcomed six students representing five different universities to our first Summer Internship Programme. The programme offers students the opportunity to gain key professional work experience while at Diversified as well as develop a valuable, cross-functional insight into our business, culture and industry. The programme was well-received by both participants and the Company, therefore driving our commitment to increasing the number of participants in this programme in 2022.

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 2021:

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 Company and value creation for our stakeholders. Engaging our stakeholders informs our decision-making, including consideration of our long-term strategic objectives and the activities that support these aims, such as merger and acquisition diligence and the management of climate risk.

The following table provides a summary of stakeholder engagements from 2021.

Our Stakeholders

	Stakeholders
	Employees We know our employees represent our greatest asset and are essential to our 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.
	Communities We actively seek to support sustainable socio-economic development in the communities in which we live and work and aim to minimise any potential negative impacts from our operations. From personal and socio-economic investment to strategic academic and educational support, our employees engage and serve their local communities through effective partnerships that make a real difference.
	Land and Mineral Owners We seek to develop and maintain trusted relationships with our land and mineral owners with the recognition that these relationships are key to our business philosophy and ability to achieve our operational goals.
	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.
	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.
	Suppliers and Customers Our production is essential to supporting modern life. We work hard to deliver responsibly produced natural gas, NGLs and oil that satisfy regulatory requirements and meet the energy demands of our local communities and customers. We strive to develop strong relationships with our suppliers that are built on trust, transparency and quality products and services.
	Joint Operating Partners As operator, we work on behalf of our industry partners to safely and efficiently manage the assets and deliver our products.
	Industry Associations Recognising the benefit of collective and collaborative efforts, we are actively involved in leadership and other roles in industry associations within the states in which we operate.

Key Areas of Focus	Action and Engagement
– Incident management and emergency response – Process, personal and driver safety – Diversity and equal opportunity policies – Employee training, education, performance reviews and development – Workplace culture	We conducted our first Employee Experience Survey generating an 82% response rate and providing valuable feedback on opportunities to strengthen future employee engagement and initiatives. As part of our PDP leadership programme, Board Representative, Sandra M. Stash, continued to host cross functional employee groups and report to the Board the group's comments on business strategy, corporate culture and remuneration policies. The PDP group shared with management its 2022 recommendations on community outreach initiatives. In 2021, we began using an applicant tracking system to measure the diversity of employment applicants. During the year, 9% of our total applicants were female while 14% of total hires were female. During the year, 10% of our total applicants were minorities while 7% of total hires were minorities.
– Incident management and emergency response – Effective grievance mechanisms – Protection of the local environment – Socio-economic investment – Local hiring	As part of our community outreach efforts, we provided approximately $1 million in financial support to numerous organisations, including children's hospitals and welfare services, local food banks and school lunch programmes, educational programmes and municipal services. Of particular note, we supported the US Marine Corps' annual Toys for Tots toy drive across our entire operating footprint through our volunteered time, more than 1,600 donated toys and additional financial resources. We also matched employee contributions to support relief efforts in Kentucky following a tornado.
– Royalty payments – Incident Management and Emergency Response – Effective grievance mechanisms – Protection of the local environment	During the year, our employees responded to more than 4,600 enquiries from our land and mineral owners and recorded ~380 personal visits with landowners. We also distributed approximately $136 million in royalty payments during 2021.
– Emissions control and reduction – Climate risk and energy transition – Incident management and emergency response – Risk identification, assessments, communication and discipline – Corporate Governance – Financial stability	We regularly provides financial, operational and ESG performance updates to our equity and debt investors. These updates may be in the form of investor relations presentations, RNS announcements, website updates, or direct calls and meetings, inclusive of the CEO, CFO, COO, VP-ESG & Sustainability and/or Board Chairman, as applicable. The Annual General Meeting also provides an opportunity for all shareholders to engage with the Board and Executive Management. Our increasing participation in energy conferences, industry events and roadshows has provided added opportunities for discussions with current and potential credit facility lenders and ABS investors particularly interested in our ESG strategies, activities and results. This year, we also held our inaugural Capital Markets Day providing a detailed assessment of our strategic plans and ESG efforts.
– Compliance with state and federal laws and regulations – Tax payment to governments – Safe and efficient asset retirement – Emissions control and reduction – Risk identification, assessment, communication and discipline – Protection of the local environment	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 also proactively engage with state regulatory agencies throughout the year to keep them appraised of our well retirement activities and to provide objective and measurable progress indicators. With risk identification and protection of the local environment in mind, ahead of our Bradley pipeline project, we engaged all applicable federal and state regulatory agencies to ensure transparent dialogue, and we completed all required environmental assessments before commencing the project.
– Incident management and emergency response – Process safety – Procurement management – Access to funding	We use local suppliers and vendors in each of the states in which we conduct our operations. We engage the expertise and capability of a leading supply chain risk management firm to continuously screen and monitor contractor safety performance and compliance through stringent operating guidelines. With a network of approximately 400 suppliers, 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 support ongoing agreements with those suppliers who satisfy our safety thresholds.
– Access to funding – Risk identification, assessment, communication and discipline – Personal and process safety – Accident management and prevention	We fulfil our responsibility as operator by responsibly managing the wells, ensuring payment of related expenses, and promptly distributing the revenues and royalties from the wells' commodity sales.
– 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	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, a member of our executive team was admitted to the executive committee of The Petroleum Alliance of Oklahoma. Our leadership's participation in industry associations includes participation in associations in the states of West Virginia, Virginia, Kentucky, Pennsylvania, Ohio and Louisiana. We are especially proud of employees' involvement and leadership roles in organisations like the Women's Energy Network of West Virginia which seeks to empower women across the energy value chain.

NON-FINANCIAL INFORMATION STATEMENT

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

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

Reporting Requirement	Policies	Reference within this Annual Report	Page
Environmental Matters	Corporate Responsibility	Retire Assets Safely and Responsibly and Restore the Environment to its Natural State	18
	EHS		
	Climate Change	Our Approach to ESG	25
	Business Partners	TCFD	26
		EHS in Focus	34
		Our Approach to Governance	66
Employees	Employee Relations	A Differentiated Business Model	10
	Anti-Bribery	Our Approach to ESG	25
	Compliance Hotline & Whistleblowing	Our Employees	36
	Corporate Responsibility	Our Approach to Governance	66
	Human Rights		
	Share Dealing Code		
Human Rights	Corporate Responsibility	A Differentiated Business Model	10
	Human Rights	Our Employees	36
	Modern Slavery	Our Approach to Governance	66
	Business Partners		
Social Matters	Corporate Responsibility	Sustainability in our Strategy	24
	EHS	Our Approach to ESG	25
	Human Rights	TCFD	26
		EHS in Focus	34
		Our Employees	36
		Our Approach to Governance	66
Anti-Corruption & Anti-Bribery	Anti-Bribery	Our Approach to ESG	25
	Compliance Hotline & Whistleblowing	Our Approach to Governance	66
Business Model	Corporate Responsibility	Business Model	14
		Strategy	14
		Our Approach to Governance	66
Principal Risks and Uncertainties	Compliance Hotline & Whistleblowing	Our Approach to ESG	25
		Our Approach to Governance	66
		Principal Risks and Uncertainties	71
Non-Financial KPIs	Corporate Responsibility	Meet or Exceed State Asset Retirement Goals	22
	EHS		
	Climate Change	TRIR	22
		Our Approach to Governance	66

FINANCIAL REVIEW

A Message from Our Chief Financial Officer

Looking back on 2021, I'm proud of what our team accomplished. We furthered our record of generating strong free cash flows and financial performance while leveraging our Appalachian experience through expansion into a new operating region.

Our entry into the Central Region added approximately 40 MBoepd to our production, representing approximately 29% of our average 2021 December production, and serves as a strong foothold in the region to replicate the synergies we achieved in Appalachia as we build scale and further capitalise on our partnership with Oaktree.

Importantly, we acquired these long-life, high-quality assets at an aggregate Hedged Adjusted EBITDA multiple of just 2.5x using a balanced mix of debt and equity, ensuring our leverage discipline as we remain below our elective leverage limit of 2.5x Net Debt-to-Hedged Adjusted EBITDA or less. These new assets now add to our Hedged Adjusted EBITDA and Free Cash Flow in 2021 enabling us to increase our per share dividend for the tenth time since our IPO just five years ago and by more than 6% from $0.0400 to $0.0425 per quarter.

During 2021 and through several strategic transactions, we solidified our presence within the Central Region through the Indigo, Blackbeard, Tanos and Tapstone acquisitions with Oaktree co-investing along side in most of these.

Demonstrating our ability to realise value, I'd highlight our year-end divestiture of certain predominantly undeveloped Haynesville acreage that we acquired in the Tanos transaction. The sale proceeds effectively reduced our purchase multiple on the Tanos acquisition from 3.3x to just 2.7x Hedged Adjusted EBITDA, and effectively covered the cost of unwinding Tanos' hedge portfolio and allowed us to capture higher prices within our enlarged and consolidated hedge portfolio. Accordingly, we aggregate the acquisition consideration, the hedge book termination and this asset monetisation throughout our investor materials as a measure of our investment.

Turning to asset performance, we realise similar Hedged Adjusted EBITDA margins in both operating areas with higher Central regional natural gas pricing through access to Gulf Coast markets offsetting the Central Region's higher operating costs compared to Appalachia. We are in the early stages of leveraging synergies and implementing our Smarter Asset Management programme, and have identified an attractive pipeline of optimisation opportunities to further improve already healthy cash margins.

Turning to our 2021 financial performance, we navigated significant commodity price volatility, with the effects reflected in our IFRS results. Multi-year high natural gas prices drove a significant increase in our unhedged revenue and our non-cash derivative mark-to-market losses on the Consolidated Statement of Comprehensive Income.

Designed to generate consistent Free Cash Flow and healthy Hedged Adjusted EBITDA margins in any price environment, we prudently protect our cash flows with hedges to deliver reliable returns to our stakeholders including dividends to our investors, debt principal payments to our lenders and investments in environmentally-friendly initiatives to improve the GHG emissions profile of our assets.

After just five years as a listed company, with the past two as a Premium Listing on the Main Market, Diversified offers one of the most sustained dividends on the LSE having never reduced our distributions - either in absolute terms or on a per-share basis. In fact, and for the second consecutive year, we yielded in excess of 10%, representing the highest yield of any FTSE 250 company in our sector.

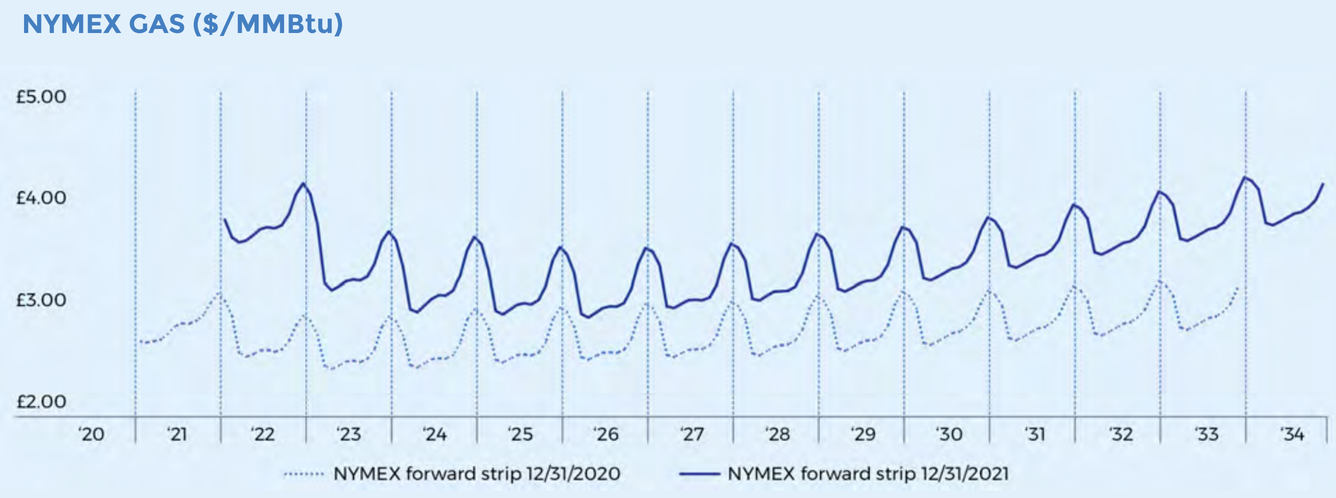
Our financial diligence and proven strategy has produced dividend income results that are principally unmatched in today's equity markets.

> "We built Diversified on established, predictable assets that, when matched with prudent hedging, generate consistent free cash flows that benefit all stakeholders."

The second half of 2021 produced some significant commodity price upswings that allowed us to opportunistically hedge at higher prices, effectively raising the price of the downside protection afforded by our hedge portfolio. These price upswings have continued in 2022 and as a result since 31 December 2021, we have hedged an additional 15% of 2022 and 15% of 2023 natural gas production at average floor prices of $4.55/Mcf and $3.71/Mcf, respectively.

This incremental hedging has increased total hedged natural gas production to ~90% at a floor price of $3.19/Mcf for 2022 and ~70% at a floor price of $3.06/Mcf for 2023.

While we benefit from rising prices on our unhedged volumes, higher prices can generate non-cash mark-to-market valuation losses on hedged volumes, particularly those contracts that are long-dated with added time-related option value. When adjusting our multi-year derivative portfolio to its fair value as of 31 December 2021, we recognised a pre-tax $652 million non-cash charge in current earnings that primarily relates to the higher natural gas prices on the forward price curve.



> "Our accomplishments in 2021 position us well for continued success. I expect 2022 will shape up to be another exceptional year for Diversified."

This cumulative non-cash charge to current earnings turns our $549 million of gross profit into a $551 million pre-tax net loss. Excluding this long-dated derivative portfolio non-cash valuation loss, other customary adjustments and non-cash gains and losses, we generated Hedged Adjusted EBITDA of $343 million and Adjusted Net Income of $153 million for the year ended 31 December 2021.

Higher prices also substantially increase the PV-10 value of our reserves, net of our non-cash mark-to-market hedge losses, though under IFRS, we do not increase the carrying values of our reserves within our Consolidated Balance Sheet.

Ever mindful of our commitment to provide tangible returns to our shareholders through our quarterly dividend, our strategy has accrued significant distributable reserves providing substantial headroom for our ability to make distributions.

As we enter 2022, we do so encouraged by higher commodity prices and a strong balance sheet underpinned by low 2.1x leverage, pro forma for our 2021 acquisitions. Our recent success refinancing a portion of the borrowings on our Credit Facility into long-term, fixed-rate, fully-amortising, investment-grade Asset-Backed Securitisations significantly increased our liquidity to a record $412 million in February 2022. This liquidity, combined with the Free Cash Flow we organically produce, provides significant growth capital without the need to raise additional equity, demonstrating the true sustainability of our unique business model.

In summary, our accomplishments in 2021 position us well for continued success. I expect 2022 will shape up to be another exceptional year for Diversified.

ERIC WILLIAMS
Chief Financial Officer
22 March 2022

RESULTS OF OPERATIONS

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

	Year Ended			
	31 December 2021	31 December 2020	Change	% Change
Net production				
Natural gas (MMcf)	234,643	199,667	34,976	18 %
NGLs (MBbls)	3,558	2,843	715	25 %
Oil (MBbls)	592	417	175	42 %
Total production (MBoe)	**43,257**	**36,538**	**6,719**	**18 %**
Average daily production (Boepd)	118,512	99,831	18,681	19 %
% Natural gas (Boe basis)	90 %	91 %		
Average realised sales price (excluding impact of derivatives settled in cash)				
Natural gas (Mcf)	$ 3.49	$ 1.72	$ 1.77	103 %
NGLs (Bbls)	32.53	8.15	24.38	299 %
Oil (Bbls)	65.26	36.12	29.14	81 %
Total (Boe)	**$ 22.50**	**$ 10.45**	**$ 12.05**	**115 %**
Average realised sales price (including impact of derivatives settled in cash)				
Natural gas (Mcf)	$ 2.36	$ 2.33	$ 0.03	1 %
NGLs (Bbls)	15.52	13.95	1.57	11 %
Oil (Bbls)	71.68	52.97	18.71	35 %
Total (Boe)	**$ 15.08**	**$ 14.40**	**$ 0.68**	**5 %**
Revenue (in thousands)				
Natural gas	$ 818,726	$ 343,425	$ 475,301	138 %
NGLs	115,747	23,173	92,574	399 %
Oil	38,634	15,064	23,570	156 %
Total commodity revenue	**$ 973,107**	**$ 381,662**	**$ 591,445**	**155 %**
Midstream revenue	31,988	25,389	6,599	26 %
Other revenue	2,466	1,642	824	50 %
Total revenue	**$ 1,007,561**	**$ 408,693**	**$ 598,868**	**147 %**
Gain (loss) on derivative settlements (in thousands)				
Natural gas	$ (263,929)	$ 121,077	$ (385,006)	(318)%
NGLs	(60,530)	16,498	(77,028)	(467)%
Oil	3,803	7,025	(3,222)	(46)%
Net gain (loss) on commodity derivative settlements	**$ (320,656)**	**$ 144,600**	**$ (465,256)**	**(322)%**
Adjusted Total Revenue	**$ 686,905**	**$ 553,293**	**$ 133,612**	**24 %**
Per Boe Metrics				
Average realised sales price				
(including impact of derivatives settled in cash)	$ 15.08	$ 14.40	$ 0.68	5 %
Other revenue	0.80	0.74	0.06	8 %
Base LOE	(2.76)	(2.53)	(0.23)	9 %
Midstream operating expense	(1.40)	(1.45)	0.05	(3)%
Adjusted G&A	(1.21)	(1.33)	0.12	(9)%
Production taxes	(0.71)	(0.38)	(0.33)	87 %
Transportation expense	(1.86)	(1.24)	(0.62)	50 %
Operating Margin	**$ 7.94**	**$ 8.21**	**$ (0.27)**	**(3)%**
% Operating Margin	50 %	54 %		
Other financial metrics (in thousands)				
Adjusted Net Income	$ 152,862	$ 174,786	$ (21,924)	(13)%
Operating profit (loss)	$ (467,064)	$ (77,568)	$ (389,496)	502 %
Net income (loss)	$ (325,206)	$ (23,474)	$ (301,732)	1,285 %

Production, Revenue and Hedging

Total revenue in the year ended 31 December 2021 of $1,008 million increased 147% from $409 million reported for the year ended 31 December 2020, primarily due to a 115% increase in the average realised sales price and 18% higher production. Including commodity hedge settlement losses of $321 million and gains of $145 million in 2021 and 2020, respectively, Total Adjusted Revenue increased by 24% to $687 million in 2021 from $553 million in 2020.

While higher prices certainly played a role in our improved hedged revenues, leading to $25 million in added hedged revenues for the year ended 31 December 2021, the full impact of the higher price environment will not be realised until 2022 and 2023 when the increase in our hedged floor is more apparent. The majority of the increase in revenues, or $101 million, was driven by added volumes. We sold approximately 43,257 MBoe in 2021 versus approximately 36,538 MBoe in 2020. The increase in volumes was due to the following: 1) an increase due to the full integration of the Carbon and EQT assets acquired in May 2020; and 2) an increase due to the the Indigo, Blackbeard and Tanos assets acquired in May, July and August 2021, respectively, as well as approximately a month of uplift from the Tapstone assets acquired in December 2021.

The following table summarises average commodity prices for the periods presented:

	Year Ended			
	31 December 2021	31 December 2020	$ Change	% Change
Henry Hub	$ 3.84	$ 2.08	$ 1.76	85 %
Mont Belvieu	47.49	21.85	25.64	117 %
WTI	68.26	39.61	28.65	72 %

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

Commodity Revenue

The following table reconciles the change in commodity revenue (excluding the impact of hedges settled in cash) for the year ended 31 December 2021 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 2020	**$ 343,425**	**$ 23,173**	**$ 15,064**	**$ 381,662**
Volume increase (decrease)	60,159	5,827	6,321	72,307
Price increase (decrease)	415,142	86,747	17,249	519,138
Net increase (decrease)	475,301	92,574	23,570	591,445
Commodity revenue for the year ended 31 December 2021	**$ 818,726**	**$ 115,747**	**$ 38,634**	**$ 973,107**

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

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

	Year Ended 31 December 2020							
(In thousands, except per unit data)	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**

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

Expenses

	Year Ended							
		Per		Per	Total Change		Per Boe Change	
(In thousands, except per unit data)	31 December 2021	Boe	31 December 2020	Boe	$	%	$	%
Base LOE [(a)]	$ 119,594	$ 2.76	$ 92,288	$ 2.53	$ 27,306	30 %	$ 0.23	9 %
Production taxes [(b)]	30,518	0.71	13,705	0.38	16,813	123 %	0.33	87 %
Midstream operating expense [(c)]	60,481	1.40	52,815	1.45	7,666	15 %	(0.05)	(3)%
Transportation expense [(d)]	80,620	1.86	45,155	1.24	35,465	79 %	0.62	50 %
Total operating expense	**$ 291,213**	**$ 6.73**	**$ 203,963**	**$ 5.58**	**$ 87,250**	**43 %**	**$ 1.15**	**21 %**
Base G&A [(e)]	56,812	1.31	47,181	1.29	9,631	20 %	0.02	2 %
Costs associated with acquisitions [(f)]	31,335	0.72	10,465	0.29	20,870	199 %	0.43	148 %
Other adjusting costs [(g)]	6,779	0.16	14,581	0.40	(7,802)	(54)%	(0.24)	(60)%
Non-cash equity compensation [(h)]	7,400	0.17	5,007	0.14	2,393	48 %	0.03	21 %
Total operating and G&A expense	**$ 393,539**	**$ 9.09**	**$ 281,197**	**$ 7.70**	**$ 112,342**	**40 %**	**$ 1.39**	**18 %**
Depreciation, depletion and amortisation	167,644	3.88	117,290	3.21	50,354	43 %	0.67	21 %
Allowance for credit losses [(g)]	(4,265)	(0.10)	8,490	0.24	(12,755)	(150)%	(0.34)	(142)%
Total expenses	**$ 556,918**	**$ 12.87**	**$ 406,977**	**$ 11.14**	**$ 149,941**	**37 %**	**$ 1.73**	**16 %**

(a) Base LOE 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) 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, fees for audit and other professional services, and legal compliance.

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

(g) Other adjusting costs for 2021 are primarily associated with one-time projects and contemplated financing arrangements. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon acquisition. For 2020, other adjusting costs are associated with legal and professional fees related to the up-list to the Premium Segment of the Main Market of the LSE.

(h) Non-cash equity compensation in 2021 and 2020, reflect the expense recognition related to share-based compensation provided to certain key members of the management team.

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

We experienced increases in per unit operating expense of 21%, or $1.15 per Boe, resulting from:

- Higher per Boe Base LOE that increased 9%, or $0.23 per Boe, primarily resulting from increases in costs from the acquired Indigo, Blackbeard, Tanos and Tapstone assets;
- Higher per Boe production taxes that increased 87%, or $0.33 per Boe, primarily attributable to an increase in severance taxes as a result of an increase in unhedged revenue due to higher commodity prices and sold volumes and an increase in property taxes related to the acquired Indigo, Blackbeard, Tanos and Tapstone assets; and
- Higher per Boe transportation expense related to increases in third-party midstream rates and midstream costs related to the acquired Indigo, Blackbeard, Tanos and Tapstone assets.

Partially offsetting the per unit total operating expense increase was a decrease due to:

- Lower per Boe midstream operating expense that declined 3%, or $0.05 per Boe. While costs increased due to the growth of our midstream workforce to meet the needs of the expanded midstream capabilities gained in the Carbon and EQT acquisitions in May 2020, the midstream costs are spread across a larger base of producing assets including production from the Indigo, Blackbeard, Tanos and Tapstone assets.

G&A expense increased due to:

- Investments made in staff and systems to support our enlarged operation; and
- An increase in acquisition cost as a result of increased activity when compared to the prior year. During 2021, we incurred costs related to the integration of the the Indigo, Blackbeard, Tanos and Tapstone assets acquired in May, July, August, and December 2021, respectively.

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

- Higher depreciation expense attributable to an increase of property, plant & equipment resulting from acquisitions and maintenance capital expenditures; and
- Higher depletion expense due to an 18% increase in production attributable to an increased number of producing wells from acquisitions.

Allowance for credit losses decreased due to:

- Anticipated credit losses on joint interest owner receivables are impacted by pricing due to the direct relationship with distributions to individual owners. As the pricing environment improved in 2021 so did the underlying well economics, and as a result, in 2021 we were able to collect on many of our previously anticipated credit losses and improve the outlook of future collection.

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

Derivative Financial Instruments

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

	Year Ended			
(In thousands)	31 December 2021	31 December 2020	$ Change	% Change
Net gain (loss) on commodity derivatives settlements [a]	$ (320,656)	$ 144,600	$ (465,256)	(322)%
Net gain (loss) on interest rate swap [a]	(530)	(202)	(328)	162 %
Gain (loss) on foreign currency hedges [a]	(1,227)	–	(1,227)	(100)%
Total gain (loss) on settled derivative instruments	**$ (322,413)**	**$ 144,398**	**$ (466,811)**	**(323)%**
Gain (loss) on fair value adjustments of unsettled financial instruments [b]	(652,465)	(238,795)	(413,670)	173 %
Total gain (loss) on derivative financial instruments	**$ (974,878)**	**$ (94,397)**	**$ (880,481)**	**933 %**

[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 2021, the total loss on derivative financial instruments of $975 million increased by $880 million compared to a loss of $94 million in 2020. Adjusting our unsettled derivative contracts to their fair values drove a loss of $652 million in 2021, an increase of $414 million, when compared to a loss of $239 million in 2020.

While the change in fair value is significant and reflective of higher prices on the forward price curve, we use derivative contracts to insulate our cash flow from commodity price volatility and bolster our ability to pay dividends and scheduled debt repayments. Additionally, a portion of the unsettled hedge loss relates to the time option value of our long-dated portfolio. Specifically, approximately $27 million of the $807 million net liability reflected on our Consolidated Statement of Financial Position relates to the time value rather than their settlement value based on the current futures price strip.

For the year ended 31 December 2021, the total cash loss on settled derivative instruments was $322 million, a decrease of $467 million over 2020. The loss on settled derivative instruments relates to higher commodity market prices than we secured through our derivative contracts. With dividend distributions and scheduled debt principal payments central to our strategy, to protect our downside risk we routinely hedge at levels that, based on our operating and overhead costs, provide a healthy cash margin even if it means forgoing potential price upside.

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

Gains on Bargain Purchases

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

	Year Ended			
(In thousands)	31 December 2021	31 December 2020	$ Change	% Change
Gains on bargain purchases	$ 58,072	$ 17,172	$ 40,900	238 %

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

The $32 million and $26 million gains on bargain purchases are associated with the Tanos and Tapstone transactions, respectively, for the year ended 31 December 2021 and the Carbon acquisition in 2020. Bargain purchase gains are not recorded for transactions that are considered an acquisition of assets rather than a business combination under IFRS. The degree to which the fair value of assets is concentrated is a key consideration when making this determination. Refer to Note 5 in the Notes to the Group Financial Statements for additional information regarding acquisitions and bargain purchase gains.

Finance Costs

	Year Ended			
(In thousands)	31 December 2021	31 December 2020	$ Change	% Change
Interest expense, net of capitalised and income amounts [a]	$ 42,370	$ 34,391	$ 7,979	23 %
Amortisation of discount and deferred finance costs	8,191	8,334	(143)	(2)%
Other	67	602	(535)	(89)%
Total finance costs	$ 50,628	$ 43,327	$ 7,301	17 %

[a] Includes payments related to borrowings and leases.

For the year ended 31 December 2021, interest expense of $42 million increased by $8 million compared to $34 million in 2020, primarily due to the increase in borrowings to fund our 2021 acquisitions as well as incurring a full year of interest on borrowings associated with the 2020 acquisitions. Offsetting these increases is a decrease in interest expense for repaid principal of $62 million on the ABS Notes and Term Loan as these borrowings are repaid monthly due to their amortising structures.

As of 31 December 2021 and 2020, total borrowings were $1,042 million and $746 million, respectively. For the period ended 31 December 2021, the weighted average interest rate on borrowings was 4.33% as compared to 4.70% as of 31 December 2020. This decrease resulted from a change in the mix of our financing year-over-year attributable to a larger portion of our borrowings on the Credit Facility in 2021 compared to 2020. In February 2022, the Credit Facility borrowing base was downsized from $825 million to $500 million concurrent to the completion of the ABS III and ABS IV Notes, carrying interest rates of 4.88% and 4.95%, respectively.

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

Taxation

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

	Year Ended			
(In thousands)	31 December 2021	31 December 2020	$ Change	% Change
Income (loss) before taxation	**$ (550,900)**	**$ (136,740)**	**$ (414,160)**	**303 %**
Income tax benefit (expense)	225,694	113,266	112,428	99 %
Effective tax rate	**41.0 %**	**82.8 %**		

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

	Year Ended	
	31 December 2021	31 December 2020
Expected tax at statutory US federal income tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	4.4 %	5.4 %
Federal credits	15.4 %	58.8 %
Other, net	0.2 %	(2.4)%
Effective tax rate	**41.0 %**	**82.8 %**

For the year ended 31 December 2021, we reported a tax benefit of $226 million, a change of $112 million, compared to a benefit of $113 million in 2020 which was a result of the change in the loss before taxation and a change in the amount of tax credits generated relative to the pre-tax loss. The resulting effective tax rates for the years ended 31 December 2021 and 2020 were 41.0% and 82.8%, respectively. The effective tax rate is primarily impacted by recognition of the marginal well tax credit available to qualified producers. The federal government provides these credits to encourage companies to continue operating lower-volume wells during periods of low prices to maintain the underlying jobs they create and the state and local tax revenues they generate for communities to support schools, social programmes, law enforcement and other similar public services.

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

Operating Profit, Net Income, EPS, Adjusted Net Income, Adjusted EPS and Hedged Adjusted EBITDA

	Year Ended			
(In thousands, except per unit data)	31 December 2021	31 December 2020	$ Change	% Change
Operating profit (loss)	$ (467,064)	$ (77,568)	$ (389,496)	502 %
Net income (loss)	(325,206)	(23,474)	(301,732)	1,285 %
Adjusted Net Income	152,862	174,786	(21,924)	(13)%
Hedged Adjusted EBITDA	343,145	300,590	42,555	14 %
Earnings (loss) per share - basic and diluted	$ (0.41)	$ (0.03)	$ (0.38)	1,267 %
Adjusted EPS - diluted [a]	0.19	0.25	(0.06)	(24)%
Hedged Adjusted EBITDA per Share - diluted [a]	0.43	0.44	(0.01)	(2)%

[a] Utilises the diluted number of weighted average shares outstanding had the Group not been in a Net loss position. See Note 10 in the Notes to the Group Financial Statements for additional information regarding Earnings (loss) per share.

For the year ended 31 December 2021, we reported a net loss of $325 million and loss per share (basic) of $0.41 compared to net loss of $23 million and loss per share (basic) of $0.03 in 2020, an increase of 1,285% and 1,267%, respectively. We also reported an operating loss of $467 million compared with an operating loss of $78 million for the years ended 31 December 2021 and 2020, respectively. This year-over-year increase in net loss was primarily attributable to a mark-to-market loss of $652 million, discussed above in this Strategic Review.

Excluding the mark-to-market loss as well as other customary non-cash, adjusting and acquisition related items, we reported Adjusted Net Income of $153 million and Adjusted EPS of $0.19 per share compared to Adjusted Net Income of $175 million and Adjusted EPS of $0.25 per share in 2020, decreases of 13% and 24%, respectively.

Additional adjustments for depletion, depreciation, amortisation, interest, and taxes resulted in Hedged Adjusted EBITDA of $343 million and Hedged Adjusted EBITDA per Share of $0.43 compared to $301 million and $0.44 in 2020, representing an increase of 14% and a decrease of 2%, respectively. The decline in this metric at the share level is a result of the timing of the equity issuance and realisation of earnings from the acquisitions. While the nature of this calculation considers the weighted average number of diluted shares during the period it does not consider that the May 2021 equity issuance financed both the Indigo and Blackbeard transactions, which closed in May and July, respectively, creating a mismatch in the issuance and the associated earnings and diluting the metric during 2021.

Refer to Note 9 in the Notes to the Group Financial Statements 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 afford us low borrowing rates and also provide a visible path for reducing leverage as we make scheduled principal payments. For larger value-adding acquisitions, and to ensure we maintain a leverage profile that we believe is appropriate for the type of assets we acquire, we will also raise equity proceeds through a secondary offering.

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

	Year Ended			
(In thousands)	31 December 2021	31 December 2020	$ Change	% Change
Net cash provided by operating activities	$ 320,182	$ 241,710	$ 78,472	32 %
Net cash used in investing activities	(625,874)	(257,756)	(368,118)	143 %
Net cash provided by financing activities	316,871	15,764	301,107	1,910 %
Net change in cash and cash equivalents	**$ 11,179**	**$ (282)**	**$ 11,461**	**(4,064)%**

Net Cash Provided by Operating Activities
For the year ended 31 December 2021, net cash provided by operating activities of $320 million increased by $78 million, or 32%, when compared to $242 million in 2020. The increase in net cash provided by operating activities was predominantly attributable to the following:

- An increase in Adjusted Total Revenues, which marginally offset the increases in expenses described above. This net increase in Hedged Adjusted EBITDA was then offset by the increases in cost associated with acquisitions noted above as well as increases in hedge modification payments that were made to take advantage of the higher price environment we are currently operating in; and
- Working capital inflows have also increased meaningfully, driven by increasing accounts payable balances. This increase in accounts payable is a function of the increase in hedge settlement payments, as discussed earlier, and increases as a result of our growth through acquisitions.

Production, realised prices, operating expenses, and G&A are discussed above in this Strategic Review.

Net Cash Used in Investing Activities
For the year ended 31 December 2021, net cash used in investing activities of $626 million increased by $368 million, or 143%, from outflows of $258 million in 2020. The change in net cash used in investing activities was primarily attributable to the following:

- An increase in cash outflows of $356 million for acquisition and divestiture activity provided cash outflows associated with acquisitions and divestitures was $580 million during the year ended 31 December 2021 when compared to $224 million for the year ended 31 December 2020. Refer to Note 5 in the Notes to the Group Financial Statements for additional information regarding acquisitions and divestitures;
- Capital expenditures were $50 million for the year ended 31 December 2021 compared to $22 million for the year ended 31 December 2020. This increase in capital expenditures is primarily driven by our growth through acquisitions year-over-year; and
- Restricted cash outflows decreased by $14 million year-over-year as a result of the establishment of the interest reserve required by our long-term financing agreements for the ABS II Note and Term Loan I in the prior year. These reserves naturally decline over time with the amortising nature of the financing structure.

Net Cash Provided by Financing Activities
For the year ended 31 December 2021, net cash provided by financing activities of $317 million increased by $301 million, or 1,910%, as compared to $16 million in 2020. This change in net cash provided by financing activities was primarily attributable to the following:

- Credit Facility activity resulted in net proceeds of $357 million in 2021 versus net repayments of $223 million in 2020, with much of the increase attributable to the expanded borrowing base for acquisition activity.
- Structured debt facilities resulted in repayments of $62 million in 2021, as compared to net proceeds of $318 million (proceeds of $353 million and repayments of $35 million) in 2020. The increase in repayments is a result of the May 2020 issuance of the ABS II Note and Term Loan I and a partial year of amortising principal repayments in 2020.
- An increase of $132 million in proceeds from equity issuances that raised $214 million in 2021 as compared to $81 million raised in 2020. The additional proceeds were used to finance acquisition activity.
- An increase of $32 million in dividends paid in 2021 as compared to 2020; and
- A decrease of $16 million in the repurchase of shares as there were none in 2021 as compared to 2020.

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

Net Debt

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

(In thousands)	Year Ended 31 December 2021	Year Ended 31 December 2020
Cash	$ 12,558	$ 1,379
Restricted cash	19,102	20,350
Credit Facility	(570,600)	(213,400)
ABS I Note	(155,266)	(180,426)
ABS II Note	(169,320)	(191,125)
Term Loan I	(137,099)	(156,805)
Other	(9,380)	(4,730)
Net Debt	**$ (1,010,005)**	**$ (724,757)**

The table below represents our liquidity position as of the reporting date after considering the impact of ABS III and ABS IV. The retrospective pro forma liquidity position following the completion of the ABS III Note and ABS IV Note is meant to illustrate the impact of the ABS III and ABS IV transactions. This illustration does not consider any hedge restructuring or borrowing and repayment activity between the reporting date and the completion of the ABS III Note and ABS IV Note:

(In thousands)	Year Ended 31 December 2021	Year Ended Pro Forma
Cash	$ 12,558	$ 12,558
Available borrowings under the Credit Facility [a]	222,263	399,163
Liquidity	**$ 234,821**	**$ 411,721**

[a] Represents available borrowings under the Credit Facility less outstanding letters of credit of $32 million as of the reporting date. Debt issuance cost of $7 million and the restricted cash interest reserve of $16 million were reduced from the gross proceeds of the ABS III and ABS IV note issuance when determining pro forma available borrowings.

Credit Facility

We maintain a revolving Credit Facility with a lending syndicate which redetermines the borrowing base semi-annually or as needed based on acquisitions, divestitures, refinancing or similar activities. The borrowing base is primarily a function of the value of the natural gas and oil properties that collateralise the lending arrangement and will fluctuate with changes in said collateral, which may occur as a result of acquisitions or through the establishment of other secured lending structures that result in changes to the Credit Facility collateral base.

In August 2021, the Credit Facility borrowing base was upsized from $425 million to $625 million for the acquisition of the Indigo Assets, Blackbeard Assets and Tanos Assets and the maturity of the Credit Facility was extended by two years to August 2025. Further, in December 2021, the borrowing base under the Credit Facility Agreement was again increased from $625 million to $825 million as part of our semi-annual borrowing base redetermination and in connection with the acquisition of the Tapstone Assets. In February 2022, the Credit Facility borrowing base was downsized from $825 million to $500 million concurrent to the completion of the ABS III and ABS IV Notes, detailed below.

The Credit Facility is secured by natural gas and oil properties and had a weighted average borrowing rate of 3.36% for the year ended 31 December 2021. Available borrowing capacity under the Credit Facility was $222 million as of 31 December 2021. Currently, the secured assets under the Credit Facility (the “Restricted Group”) comprise $2.5 billion of our $3.8 billion in PV-10 reserve value as of 31 December 2021, inclusive of our 2021 acquisitions and Oaktree’s participation. The Restricted Group contributed 78 MBoepd to December 2021 production and $201 million in Hedged Adjusted EBITDA to our consolidated results for the period ended 31 December 2021. Had the ABS III and ABS IV Notes closed in 2021 and the associated collateral been moved out of the Credit Facility, the Restricted Group would have had $1.6 billion in PV-10 reserve value to our consolidated results and contributed 46 MBoepd to December 2021 production.

Under the terms of the Term Loan I, ABS I Note, ABS II Note, ABS III Note and ABS IV Note, excess cash generated from the assets secured under these financing arrangements (the “Unrestricted Group”), as described below, is available to be contributed back to the Credit Facility to repay borrowings. Cash contributed from the Unrestricted Group to the Restricted Group was $51 million for the year ended 31 December 2021. When including the cash contributions from the Unrestricted Group, Hedged Adjusted EBITDA for the Restricted Group increases to $252 million for the year ended 31 December 2021.

Term Loan I

In May 2020, we formed DP Bluegrass LLC (“Bluegrass”), a limited-purpose, bankruptcy-remote, wholly owned subsidiary of the Company to enter into a securitised financing agreement for $160 million, which was structured as a secured term loan. We issued the Term Loan I at a 1% discount, generating proceeds of $158 million.

The Term Loan I is secured by our 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. During the years ended 31 December 2021 and 2020, we incurred $10 million and $6 million in interest related to the Term Loan I, respectively.

ABS I Note
In November 2019, we formed Diversified ABS LLC (“ABS I”), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary of DEC to enter into a securitised financing agreement for $200 million which was issued at par through a BBB- rated bond. The ABS I Note is secured by certain of our Appalachian assets.

Interest and principal payments on the ABS I Note are payable on a monthly basis. During the years ended 31 December 2021 and 2020, we incurred $8 million and $10 million 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 5.00% 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, we are required to pay down additional principal with the remaining proceeds remaining with us.

ABS II Note
In April 2020, we formed Diversified ABS Phase II LLC (“ABS II”), a limited-purpose, bankruptcy-remote, wholly owned subsidiary of DEC to enter into a securitised financing agreement for $200 million. The ABS II Note is BBB rated and was issued at a 2.775% discount generating proceeds of $184 million, net of discount, capital reserve requirement, and debt issuance costs. The ABS II Note is secured by of certain of our Appalachian assets.

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. During the years ended 31 December 2021 and 2020, we incurred $11 million and $8 million in interest related to the ABS II Note, respectively. 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, we are required to pay down additional principal with the remaining proceeds remaining with us.

SUBSEQUENT EVENTS

ABS III Note
In February 2022, we formed Diversified ABS III LLC (“ABS III”), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary of DEC to enter into a securitised financing agreement for $365 million which was issued at par through a BBB rated bond. The ABS III Note is secured by certain of our Appalachian assets.

Interest and principal payments on the ABS III Note are payable on a monthly basis. The legal final maturity date is April 2039 with an amortising maturity of November 2030. The ABS III Note accrues interest at a stated 4.875% rate. In the event that ABS III has cash flow in excess of the required payments, 25% to 100% of the excess cash, contingent on certain performance metrics, we are required to pay down additional principal with the remaining proceeds remaining with us.

ABS IV Note
In February 2022, we formed Diversified ABS IV LLC (“ABS IV”), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary of DEC to enter into a securitised financing agreement for $160 million which was issued at par through a BBB rated bond. The ABS IV Note is secured by the Blackbeard acquisition assets.

Interest and principal payments on the ABS IV Note are payable on a monthly basis. The legal final maturity date is February 2037 with an amortising maturity of September 2030. The ABS IV Note accrues interest at a stated 4.95% rate. In the event that ABS IV has cash flow in excess of the required payments, 25% to 100% of the excess cash, contingent on certain performance metrics, we are required to pay down additional principal with the remaining proceeds remaining with us.

Risk Management Framework

Our Enterprise Risk Management ("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 our 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 in late 2020 and early 2021, we engaged external experts to meet with our Senior Leadership Team and business unit leaders across the Company 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.

2021 RISK ASSESSMENT

As part of our ongoing assessment process during 2021, 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)

RISK UNIVERSE

Categories of risk

STRATEGIC RISKS

OPERATIONAL RISKS

LEGAL, REGULATORY, ENVIRONMENTAL & REPUTATIONAL RISKS

FINANCIAL RISKS

ENTERPRISE RISK ASSESSMENT REVIEW

(Senior Management Team led with business unit leader support)

PRINCIPAL RISKS

Corporate Strategy and Acquisition Risk

Cybersecurity Risk

Health and Safety Risk

Regulatory and Political Risk

Climate Risk

Commodity Price Volatility

Financial Strength and Flexibility Risk

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.

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

- 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

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

Response/Mitigation
- Disciplined commitment to our core strategy of acquiring low-cost, long-life, 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 which includes an analysis of the target's emissions profile.
- Feedback and evaluation of external experts in the diligence process.
- Strong balance sheet with significant liquidity to fund growth through acquisitions.

Climate Risk
Climate related issues continue to gain momentum in the market and are becoming more broadly supported. Their rapid onset, however, does present a risk to the Company that environmental regulations, climate change concerns, and investor driven change may result in (i) increases to the cost of doing business, (ii) hinder our ability to continue executing our strategy, or (iii) restrict access to certain markets or investors.

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

- Emissions Intensity
- Maintain Net Debt-to-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

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

Response/Mitigation
- Our Board oversees the development of our climate change strategy which aims to position us at the heart of the energy transition based on responsible stewardship of existing natural gas assets. The Board's decision-making is informed by regular climate subject matter updates from each of our key Board committees.
- 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. 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.
- We have a zero tolerance policy for fugitive emissions and have an active EHS group that strives for quality LDAR processes.
- 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.

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 Company.

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

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

Risk Indicators

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

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

Link to Strategy

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

Response/Mitigation

- Employees are our first line of defence against these attacks and we promote secure behaviours to help mitigate this growing risk. We focus on practical rules that we promote through robust mandatory annual training and e-learning sessions delivered by our digital security team. One of these rules addresses phishing and reminds staff to 'think before they click'.
- We engage with key technology partners and suppliers to ensure potentially vulnerable systems are identified and secured.
- We test our cybersecurity crisis management and business continuity plans, recognising the evolving nature and pace of the threat landscape.
- Continuous implementation and monitoring of our IT Security Policy, which includes measures to protect against cyberattacks.
- Advanced network security detection which includes regular threat testing.
- Control and protection of confidential information.
- 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 Company's network security systems and enhanced employee trainings.

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 Hedged Adjusted EBITDA, regardless of our operating performance.

Risk Indicators

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

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

Link to Strategy

- Generate Reliable Free Cash Flow

Response/Mitigation

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

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

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

- Maintain Net Debt-to-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

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

Response/Mitigation
- Our Senior Leadership Team actively monitors debt levels and available borrowing capacity on our Credit Facility.
- Our Senior Leadership Team updates the Board at least 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 2021 redetermination was reaffirmed unanimously by our 16-Bank Group Syndicate.
- Maintain access to multiple avenues of funding beyond our Credit Facility: equity issuance, asset-backed securitisations, and bond issuance.
- Proactive hedge programme to protect against commodity price volatility and stabilise operating cash flows.
- Continuous management review of the funding and financing alternatives available to us to ensure sufficient access to capital is available to meet our future needs.

LEGAL, REGULATORY AND REPUTATIONAL 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.

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

- 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
- Emissions Intensity
- Meet or Exceed State Asset Retirement Goals
- TRIR

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

Response/Mitigation
- Operate to the highest industry standards with regulators and monitor compliance with our contracts, 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.

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

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

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

Link to Strategy

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

Response/Mitigation

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

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

Viability and Going Concern

In accordance with Provision 31 section 4 of the UK Corporate Governance Code, and taking into account our current financial position and 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.

While uncertainty remains regarding the impact of the Covid-19 pandemic and commodity prices, our day-to-day operations continue to be materially unaffected.

STRATEGY, BUSINESS MODEL AND MARKET CONTEXT

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

During 2021, we continued to grow and generate significant operating cash flows from both our Appalachian and recently acquired assets. Our focus on acquiring assets from which we can generate robust Free Cash Flow in any price environment remains central to our business model. We apply a disciplined approach to valuing and acquiring assets, protecting the associated cash flows with a proactive hedge programme, all while diligently working to enhance the assets' productivity and reduce expenses and emissions to ensure we create a sustainable return to our shareholders. 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 quarterly dividends. We also use a significant portion of our Free Cash Flow to repay debt on our amortising borrowing structures and Credit Facility.

During this period of economic uncertainty, amplified by the pandemic and post pandemic recovery, already volatile commodity markets have only increased in their levels of volatility. We were well positioned for the volatility in 2021. Our consistent and reliable cash flow model allowed us to not only grow our cash flows, but also to increase our dividend and opportunistically layer on additional derivative contracts at high pricing levels to secure our cash flows at elevated levels in the future. Additionally, the recent higher commodity price environment has created a plethora of market opportunities to build on the our strategy of value-accretive acquisitions as other companies seek exit strategies to divest non-core assets creating the necessary capital to drill and develop their core leasehold positions. While uncertainty remains regarding the impact of the Covid-19 pandemic and commodity prices, 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 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. This has proved very successful and we had no interruptions in our business. Further we are considered an essential service and fall 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, our employees are exempt from any lockdown in the US.

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 the Occupational Safety and Health Administration ("OSHA"). We continue to monitor the changing risk landscape and will respond proactively to ensure the health and safety of our employees.

ASSESSMENT PROCESS AND KEY ASSUMPTIONS

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

The outputs from the business planning process include a set of key performance objectives, an assessment of the Company's primary risks, the anticipated operational outlook and a set of financial forecasts that consider the sources of funding available to the Company (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 Company regularly produces 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 Company's operating and liquidity risks.

Based on our financial scenario planning process, the Directors and Senior Leadership Team believe that stress testing forecast results over the Base Plan for a three-year period (January 2022 to December 2024) forms a reasonable expectation of the Company's viability. At least annually, the Company performs its three-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 Base Plan, and the Company'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%, 70%, and 55% of total production volumes hedged for the years ending 31 December 2022, 2023 and 2024, 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 continuation of $15 million a year in emissions reductions initiatives.

To assess the Company'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 Company also considered the additional capital requirements that the following downside scenarios could place on it. Conservatively, our viability statement considered the combined impact of all three listed scenarios in:

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

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

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

The Directors and Senior Leadership Team consider the impact that these principal risks could, in certain circumstances, have on the Company'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 Company will be able to continue to operate, meet our liabilities as they mature, and continue to pay dividends to shareholders in accordance with our 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 Company's consolidated financial statements for the year ended 31 December 2021.

Corporate Governance


DIVERSIFIED
DIVERSIFIED

The Chairman's Governance Statement

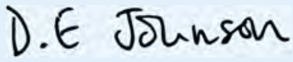
"As a Board we have been driving our governance standards towards meeting or exceeding best practice."

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.

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 admission to the Main Market of the London Stock Exchange and to the premium segment of the Official List of the Financial Conduct Authority on 18 May 2020 and inclusion in the FTSE 250 on 21 September 2020.



DAVID E. JOHNSON
Chairman of the Board

22 March 2022

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 and manage any risks associated with delivery of that strategy.

BOARD AGENDA AND ACTIVITIES DURING THE YEAR

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

- Approval of the Group's strategic plan;
- Review of the performance of the Group's strategy, objectives, business plans and budgets;
- Review and assess the Group's sustainability and ESG goals, including the Group's GHG emission intensity reduction targets;
- Approval of the Group's operating and capital expenditure budgets and any material changes to them;
- 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

REMUNERATION COMMITTEE	SUSTAINABILITY AND SAFETY COMMITTEE	NOMINATION COMMITTEE	AUDIT AND RISK COMMITTEE
Responsible for the Group's remuneration policy, and for setting pay levels and bonuses for senior management in line with individual performance. Ensures safety and ESG KPIs are included in remuneration packages.	Monitors the Group's social, ethical, environmental and safety performance, and oversees all sustainable development issues on behalf of the Board.	Ensures a balance of skills, knowledge, independence, experience and diversity on the Board and its committees.	Supports the Board in monitoring the integrity of the Group's financial statements and reviews the effectiveness of the Group's system of internal controls and risk management systems.

CEO

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

Climate Change

CHIEF OPERATING OFFICER	CHIEF FINANCIAL OFFICER	GENERAL COUNSEL	CHIEF COMMERCIAL OFFICER
Description of role Coordinates operating activities and sustainability initiatives to ensure transparency and long-term value for DEC's stakeholders.	**Description of role** Manages the finance and accounting activities of the Company and ensures that its financial reports are accurate and completed in a timely manner.	**Description of role** Responsible for legal and compliance, government, policy engagement, community engagement and land and mineral owner engagement.	**Description of role** Responsible for identifying and valuing acquisition targets and for developing and implementing a commodity marketing strategy to maximise commodity revenues.
Area of Responsibility Operations EHS ESG	**Area of Responsibility** Treasury Accounting & Financial Reporting Investor Relations	**Area of Responsibility** Legal & Compliance Regulatory Land Policy Engagement Community Relations	**Area of Responsibility** Acquisitions Marketing
Risk Management Guidelines Employee Handbook, EHS Policy & Field Operating Guidelines, Corporate Responsibility Policy	**Risk Management Guidelines** Employee Handbook, EHS Policy & Field Operating Guidelines, Corporate Responsibility Policy	**Risk Management Guidelines** Employee Handbook, Anti-Bribery & Corruption Policies	**Risk Management Guidelines** Employee Handbook, Anti-Bribery & Corruption Policies
Stakeholder Engagement Responsibility Communities Employees Suppliers Joint Operating Partners	**Stakeholder Engagement Responsibility** Debt & Equity Investors Rating Agencies Financial Institutions	**Stakeholder Engagement Responsibility** Land & Mineral Owners Government & Regulators Industry Associations Communities	**Stakeholder Engagement Responsibility** Customers

BOARD EFFECTIVENESS, COMPOSITION AND INDEPENDENCE

As of 31 December 2021, the Board is comprised of eight Directors being the Group's CEO, the Executive Vice President and COO, the Non-Executive Chairman (who was independent upon appointment and whom the Group continues to consider independent) and five other Non-Executive Directors, of whom four are deemed Independent Non-Executive Directors under the Code.

On 11 October 2021, Sylvia Kerrigan was appointed to the Board as an independent non-executive director and also joined the Nomination Committee. Ms. Kerrigan was also appointed to the Remuneration Committee in early 2022. Ms. Kerrigan brings to the Board a range of professional experience, most importantly her expertise in ESG, merger and acquisitions, regulatory, risk management, cybersecurity and information privacy matters.

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

With a Non-Executive Chairman, who was independent upon appointment and whom the Group continues to consider independent, and four other Independent Non-Executive Directors, over half of the Board is independent and the Audit and Risk and Remuneration Committees are fully independent. Female representation at the Board level has significantly and materially improved from 0% in late-2019 to 38% as of 31 December 2021 (three out of eight Board members now being female).

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

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

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

All Directors have access to the advice and services of the Group's solicitors and the 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 Annual General Meeting ("AGM") and offer themselves for re-election.

The Board delegates certain of its responsibilities to the Board committees, listed below, which have clearly defined terms of reference. These terms of reference are reviewed annually to ensure they remain fit for purpose and can be viewed on the Group's website.

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 and acknowledges the guidelines and recommendations set forth in the Parker Review, 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.

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

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 is of the opinion that it 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 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, who was independent as of his appointment and whom the Group continues to consider independent, and the Senior Independent Director is David J. Turner, Jr. The Board also considers Sandra M. Stash, David J. Turner, Jr., Melanie A. Little and Sylvia Kerrigan to meet the independence criteria set out in the Corporate Governance Code, and is very pleased with the continued steps it has taken over the last two years to increase independence by appointing Melanie A. Little, Sandra M. Stash and Sylvia Kerrigan.

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

The Group acknowledges that some persons may question the independence of a Board chair post-appointment, notwithstanding the fact that the Group's Board deems Mr. Johnson as being fully independent under Principle F of the Corporate Governance Code. Were Mr. Johnson to be deemed not independent due to his role as Chair, the composition of the Remuneration Committee and Nomination Committees in 2021 would not technically be in line with Provisions 32 and 17 of the Corporate Governance Code, respectively. The Group highlights the inconsistent logic and application of excluding a chair from the Board independence calculation, but not the committee independence calculation, and notes that if the approach to Board independence was applied to committee independence, the Group would have had a majority of independent members serving on the Remuneration Committee in 2021.

Furthermore, the Group believes it is appropriate for the Chairman to serve on the Remuneration Committee and Nomination Committee considering his role as Chairman of the Board, his strong leadership on diversity and inclusion and the role of ESG in remuneration, and the Group's view of his independence. As highlighted elsewhere in this Annual Report, the Group added an additional Independent Non-Executive Director to the Board in 2021, which increased the independence of both the Board and the Nomination Committee. In addition, an additional Independent Non-Executive Director, Sylvia Kerrigan, was appointed to the Remuneration Committee in early 2022, further increasing its independence and demonstrating the Board's commitment to high standards of corporate governance. The Board will continue to review and evaluate Board and committee composition and intends to continue further progress with independence and diversity per the requirements set forth in the Parker Review.

OUR APPROACH TO GOVERNANCE

As of the date of this Annual Report, our Board is made up of eight Directors: two Executive Directors and six 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 2021 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 2021

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 in 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 solidifying its governance framework for its rapidly expanding

business. The Board concluded that overall compliance with governance best practice has improved during the year under review, with the following having been achieved:

- The Board re-approved several key governance policies including the following: Securities Dealing Code, Compliance Hotline and Whistleblowing Policy, Anti-Bribery Policy, Corporate Responsibility Policy, Modern Slavery Policy and EHS Policy. Additionally, in early 2022 the Board reviewed and approved the following new governance policies: Climate Change Policy,Employee Relations Policy, Human Rights Policy and Business Partners Policy.
- The Board achieved further progression of the Group's overall corporate governance framework and practices.
- The Nomination Committee led the search process for a new independent, non-executive director (together with a best-in-class third party advisor), which included assessing the qualifications and experience of the candidates, conducting numerous interviews, and ultimately nominating Sylvia Kerrigan for recommendation to the Board.
- The Audit and Risk Committee is fully independent and continues to adopt best practice.
- The Remuneration Committee is also fully independent and, together with a third-party consultant, conducted a thorough review of the remuneration policy and practices and undertook a consultation exercise with the Group's largest shareholders.
- With the appointment of Ms. Kerrigan, the independence and gender diversity of the Board and Nomination Committee increased.

Board of Directors

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

DAVID E. JOHNSON
Non-Executive Chairman, Independent upon Appointment
Age 61
Appointed 3 February 2017 and as Chair of the Board on 30 April 2019

Committee Membership:

N R S

Experience:

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

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

Current External Roles:
Chelverton Equity Partners (Director), an AIM-listed holding company.

RUSTY HUTSON, JR.
Co-Founder and Chief Executive Officer
Age 52
Appointed 31 July 2014

None

Mr. Hutson is the fourth generation in his family to immerse himself in the natural gas and oil industry, with family roots dating back to the early 1900s. Mr. Hutson spent many summers of his youth working with his father and grandfather in the oilfields of West Virginia. He graduated from Fairmont State College (WV) with a degree in accounting. After college, Mr. Hutson spent 13 years steadily progressing into multiple leadership roles at well-known banking institutions such as Bank One and Compass Bank. His final years in the banking industry were spent as CFO of Compass Financial Services. Building upon his experiences in the natural gas and oil industry, as well as the financial sector, Mr. Hutson established Diversified Energy Company in 2001. After years of refining his strategy, 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:
Vice Chairman of Board of Governors of Fairmont State University

BRADLEY G. GRAY
Executive Vice President and Chief Operating Officer
Age 53
Appointed 24 October 2016

S

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

MELANIE A. LITTLE
Independent Non-Executive Director
Age 52
Appointed 19 December 2019

A S R
CHAIR

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

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

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

Committee memberships

A Audit and Risk

N Nomination

R Remuneration

S Sustainability and Safety

SANDRA M. STASH
Independent Non-Executive Director and Non-Executive Director Employee Representative
Age 62
Appointed 21 October 2019

Committee Membership:

A R S
CHAIR

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 on 1 April 2020. During her time in these industries, Ms. Stash developed deep business and operations experience across six continents and is recognised for her unique capabilities in bridging the extractive sector to external stakeholders – in government, civil society and at the community level. Her distinguished professional career also included roles at ARCO, TNK-BP, BP, Anaconda and Talisman Energy, and spanned top leadership positions in general management, commercial negotiations, operations and engineering, supply chain management, government and public affairs, sustainability and HSE. Ms. Stash holds a Directorship Certification through the National Association of Corporate Directors. 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; employee engagement

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

MARTIN K. THOMAS
Non-Executive Vice Chair
Age 57
Appointed 1 January 2015

Committee Membership:

N
CHAIR

Experience:

Mr. Thomas is a consultant in the corporate team of the law firm Wedlake Bell LLP in London. During a legal career of over 35 years, Mr. Thomas has specialised in advising on IPOs and secondary offerings of equity and debt on the London capital markets, corporate governance requirements for UK listed companies, corporate finance and M&A work (including cross-border transactions). Previously named one of The Lawyer's "UK Hot 100 Lawyers" and ranked by both Chambers and Partners and Legal 500, Mr. Thomas has advised clients operating in a variety of sectors, including oil and gas, renewable energy, natural resources and mining, climate change, financial services and early stage technology. Mr. Thomas has also held senior management positions including 7 years as the European Managing Partner of a global law firm headquartered in the United States.

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

Current External Roles:
Wedlake Bell LLP (Consultant) and Jasper Consultants Limited (Director).

DAVID J. TURNER, JR.
Senior Independent Non-Executive Director
Age 58
Appointed 27 May 2019

Committee Membership:

A N
CHAIR

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).

SYLVIA KERRIGAN
Independent Non-Executive Director
Age 56
Appointed 11 October 2021

Committee Membership:

N R

Experience:

Ms. Kerrigan serves as the Executive Director for the Kay Bailey Hutchinson Energy Center for Law, Business and Policy at the University of Texas ("KBH Center"). Prior to joining the KBH Center in January 2017, she worked for Marathon Oil Corporation in various roles including compliance, public policy, corporate communications and information governance and most recently served as Executive Vice President, General Counsel and Secretary until her retirement in 2017. Prior to her dynamic roles at Marathon, Ms. Kerrigan served in various domestic and international corporate, government and legal roles, including an appointment to the United Nations Security Council in Geneva, Switzerland. She holds a Bachelor of Arts degree in Philosophy, Political Economy and English from Southwestern University and a Doctor of Jurisprudence degree from the University of Texas.

Key Strengths:
ESG, corporate law, merger and acquisition, regulatory, risk management, cybersecurity and information privacy matters.

Current External Roles:
Kay Bailey Hutchinson Center for Energy, Law and Business at the University of Texas (Executive Director) and Team Industrial Services (Lead Director).

Directors' Report

The Directors present their report on the Group, together with the audited Group Financial Statements, for the year ended 31 December 2021.

BOARD OF DIRECTORS

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

- David E. Johnson - Non-Executive Chair, Independent upon Appointment
- 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
- Sylvia Kerrigan - Independent Non-Executive Director

INCORPORATION AND LISTING

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

REVIEW OF BUSINESS, OUTLOOK AND DIVIDENDS

The Group is a natural gas, NGLs and oil producer and midstream operator and is focused on acquiring and

operating mature producing wells with long lives and low-decline profiles. The Group's assets have historically been located within the Appalachian Basin, but more recently the Group has acquired assets expanding its footprint into the Central Region, consisting of the states of Louisiana, Texas and Oklahoma. The Group is headquartered in Birmingham, Alabama, US, and has field offices located throughout the states in which it operates.

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

RESULTS

The Group's reported statutory loss for 2021 was $325 million, or $0.41 per basic share and $0.41 per diluted share, and when adjusted for certain non-cash items, it reported Hedged Adjusted EBITDA of $343 million, or $0.43 per diluted share. The Group's Hedged Adjusted EBITDA for 2020 was $301 million, or $0.44 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 Statements 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 2021, the Group paid a dividend of $0.0400 per share on 24 September 2021. For the three months ended 30 June 2021, the Group paid a dividend of $0.0400 per share on 17 December 2021. For the three months ended 30 September 2021, the Group expects to pay a dividend of $0.0425 per share on 28 March 2022. For the three months ended 31 December 2021, the Group expects to pay a dividend of $0.0425 per share on 30 June 2022.

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

DIRECTORS' INTERESTS IN SHARES

The Directors' beneficial interests in the Group's share capital, including family interests, on 31 December 2021 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	21,172,899	2.49%
Bradley G. Gray	24 October 2016	2,369,782	0.28%
Martin K. Thomas	1 January 2015	2,165,000	0.25%
David E. Johnson	3 February 2017	400,000	0.05%
David J. Turner, Jr.	27 May 2019	371,500	0.04%
Sandra M. Stash	21 October 2019	–	–%
Melanie A. Little	19 December 2019	40,000	–%
Sylvia Kerrigan	11 October 2021	–	–%
		26,519,181	3.11%

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 Statements.

Employee Benefit Trust

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

FINANCIAL INSTRUMENTS

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

RISK MANAGEMENT

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

SECURITIES DEALING CODE

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

OTHER CORPORATE GOVERNANCE POLICIES

The Board reviewed and reaffirmed several key governance policies in 2021, including the following:

- ***Compliance Hotline and Whistleblowing Policy*** - aims to provide guidance as to how individuals may raise their concerns and to ensure that they may do so confidently and confidentially.
- ***Anti-Bribery Policy*** - acknowledges the Group's commitment to right and ethical practices and addresses bribery and corruption risk as a part of the Group's overall risk management strategy.
- ***Corporate Responsibility Policy*** - affirms the Group's commitment to being recognised as a leader in the field of corporate responsibility and recognises the added value for our shareholders.
- ***Modern Slavery Policy*** - recognises that modern slavery is a significant global human rights issue and has many forms including human trafficking, forced labour, child labour, domestic servitude, people trafficking and workplace abuse. The Group is committed to respecting internationally recognised human rights, including ensuring that we are in no way involved or associated with the issue of forced or involuntary labour and that modern slavery and human trafficking are not taking place in any part of our business.
- ***EHS Policy*** - guides activities to protect employees, contractors, the public and the environment.

Recently, the Board also reviewed and adopted the following governance policies:

- ***Climate Change Policy*** - recognises the importance of addressing climate change and reducing the Group's impact by investing in processes, equipment and capabilities.
- ***Employee Relations Policy*** - acknowledges the value of the Group's employees and highlights the Group's commitments to promote employee safety, health and well being.
- ***Human Rights Policy*** - recognises the Group's commitment and responsibility to ensure that human rights are upheld in every of its business operations and to promote human rights where it can make a positive contribution.
- ***Business Partners Policy*** - provides the standards the Group expects from its consultants, outsourced providers, subcontractors, vendors and suppliers to adhere to in their business activities with the Group.

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

SUBSEQUENT EVENTS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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 2021:

Type of Meeting	Number of Meetings Required to be Held	Number of Meetings Held
Board of Directors	–	15
Audit & Risk Committee	3	7
Nomination Committee	2	6
Remuneration Committee	2	8
Sustainability and Safety Committee	2	6

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

Director	Committee Seats	Board	Audit and Risk Committee	Nomination Committee	Safety and Sustainability Committee	Remuneration Committee
Rusty Hutson, Jr.	None	15	–	–	–	–
Bradley G. Gray	S	15	–	–	6	–
David E. Johnson	N R S	15	–	6	6	8
Martin K. Thomas	N (CHAIR)	15	–	6	–	–
Melanie A. Little	A S R (CHAIR)	14	7	–	6	8
Sandra M. Stash	A R S (CHAIR)	15	7	–	6	8
David J. Turner, Jr.	A (CHAIR) N	15	7	6	–	–
Sylvia Kerrigan [(a)]	N R	1	–	–	–	–

[(a)] Appointed to the Board on 11 October 2021 and thus was eligible to attend only one Board meeting in 2021.

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.

Substantial Shareholders

As at 15 March 2022, the following shareholders hold greater than 3% of the Group's issued shares with voting rights:

Shareholders [(a)]	Number of Shares	% of Issued Share Capital
M&G Investment Management Ltd	65,225,353	7.67%
Abrdn Investment Management Ltd	60,612,715	7.13%
JO Hambro Capital Management Ltd	50,806,341	5.98%
BlackRock	45,800,671	5.39%
GLG Partners LP	43,302,685	5.09%
AXA Framlington Investment Managers	42,867,866	5.04%
Pelham Capital Management LLP	42,569,009	5.01%
Columbia Management Investment Advisers LLC	28,565,498	3.36%

[(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 LSE, and from periodic third-party share register reports it receives.

Independent Auditors

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 Statement

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

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 2021, the Group had 1,426 full-time employees, with 1,143 production employees and 283 production support employees located in ten states in the US.

Employee participation in professional development planning ("PDP") meetings provides a forum for feedback to management and an opportunity for direct engagement with the Non-Executive Director Employee Representative. PDP meetings were held twice in 2021, each over the course of three days, and allowed for team building that fostered productive and honest discussions and feedback regarding the Group's culture, policies and actions. Such discussion and feedback, whether provided informally by progamme participants or during the programme's Q&A sessions, is particularly valuable and taken into consideration when making decisions that will affect the workforce and addressing employee concerns.

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 AGM provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Group maintains a corporate website at www.div.energy where information on the Group is regularly updated, including Annual and Interim Reports and all announcements.

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

Environmental Information

The Group adheres to best-in-class operating standards, with a strong focus on EHS to ensure the safety of its employees. There is extensive coverage of these issues within the Group's 2021 Sustainability Report which will be available on its website at www.div.energy and in the Sustainability and Safety Committee's Report within this Annual Report.

Diversity

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

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

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 26 April 2022. Full details of these proposals are set out in a separate Notice of AGM that are being sent to all shareholders.

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

Additional Disclosures

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

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

Directors' Confirmations

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

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

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

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

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

This Annual Report was approved by the Board of Directors and authorised for issue on 22 March 2022.

On behalf of the Board:

D.E. Johnson

DAVID E. JOHNSON
Chairman of the Board
22 March 2022

The Nomination Committee's Report

COMMITTEE COMPOSITION

MARTIN K. THOMAS (57)
Non-Executive Director (Chair)
Strength: Legal
Independence from:
Other Interests

DAVID E. JOHNSON (61)
Non-Executive Director, Independent upon Appointment
Strength: Finance
Independence from:
Management &
Other interests

DAVID J. TURNER JR. (58)
Independent Non-Executive Director
Strength: Finance
Independence from:
Management &
Other interests

SYLVIA KERRIGAN (56)
Independent Non-Executive Director
Strength: Industry
Independence from:
Management &
Other interests

KEY OBJECTIVE

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.

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 board performance review process, using Leadership Advisor Group as an outside resource, over the course of the year, which included (i) an evaluation of the structure, agendas and outcomes of Board meetings and (ii) a comprehensive report and roundtable exercise with the entire Board;
- Took steps with senior management to develop a training regime for the entire Board for the 2021 year and beyond, with training from internal personnel and external resources on topical subjects such as governance, oversight and director responsibilities;
- Led the search process for a new independent, non-executive director (together with a best-in-class third party advisor), which included assessing the qualifications and experience of the candidates, conducting numerous interviews, and ultimately nominating Sylvia Kerrigan for recommendation to the Board;
- Conducted (together with senior management) a committee-by-committee assessment process to evaluate and provide feedback to each committee chair;
- Worked with the Senior Independent Director and senior management to facilitate the Senior Independent Director's review of the Chairman; and
- Worked with the Chairman and senior management to facilitate the Senior Independent Director's review of the CEO.

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

On 11 October 2021, Sylvia Kerrigan was appointed to the Board as an independent non-executive director and also joined the committee. The committee is comprised of Martin K. Thomas, the Nomination Committee Chairperson, David E. Johnson (who was independent upon appointment and whom the Board continues to consider independent), and David J. Turner, Jr. and Sylvia Kerrigan, both of whom are Independent Non-Executive Directors. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

MEETINGS AND ATTENDANCE

The Nomination Committee met six times in 2021 and once in 2022.

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

Diversified made a marked improvement in 2021 in its gender balance across the Group including at the Board level. Evidencing this improvement, the FTSE Women Leaders Review 2022 indicated Diversified ranks in 61st place (2020: 184th) among the FTSE 250. It also recognised 38% female representation at Board level and 30% in the executive committee and direct reports category (which is comprised of 26 females and 58 males). Within the energy sector, the Group moved from 7th place to 4th place in 2021. The FTSE Women Leaders Review is an independent framework supported by the Government that builds on the excellent work of both the Hampton-Alexander and Davies Reviews which ensures that talented women at the top of business are recognised, promoted and rewarded.

The committee also acknowledges the 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.

BOARD PERFORMANCE REVIEW

Consistent with last year, the Nomination Committee selected Leadership Advisor Group as an independent consultant to assist with the Board Performance Review process based on the positive experience the committee had last year.

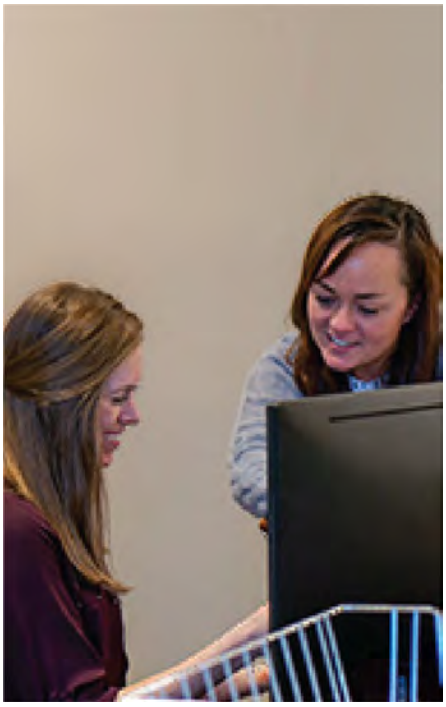
The Board Performance Review focused on the following topics, among other things:

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

The Board Performance Review utilised a variety of methods, including a bespoke, online questionnaire, analysis of how time is spent during Board meetings, Board composition mapping and Board composition benchmarking. The evaluation, analysis and reporting took place from May to November 2021.

MARTIN K. THOMAS
Chair of the Nomination Committee

22 March 2022



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.

The Audit and Risk Committee's Report

This report covers the activities of the Audit and Risk Committee in 2021 and in the period up to the approval of the Annual Report and accounts for the year ended 31 December 2021.

COMMITTEE COMPOSITION

DAVID J. TURNER JR. (58)

Independent Non-Executive Director (Chair)

Strength: Finance

Independence from:

Management &

Other interests

SANDRA M. STASH (62)

Independent Non-Executive Director

Strength: Industry

Independence from:

Management &

Other interests

MELANIE A. LITTLE (52)

Independent Non-Executive Director

Strength: Industry

Independence from:

Management &

Other interests

KEY OBJECTIVE

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

KEY MATTERS DISCUSSED BY THE COMMITTEE

Main Activities

- Reviewed and challenged interim and annual financial reporting;
- Reviewed and approved the Group's Financial Reporting Procedures Manual;
- Reviewed the Group's system of internal controls and assessed its effectiveness;
- Reviewed and assessed the diligence processes surrounding the Central Region acquisitions and associated equity capital raise and asset securitisation;
- Reviewed tax management requirements with external tax advisors;
- Reviewed the Enterprise Risk Management control strategy and function;
- Closely monitored the continued effects of the Covid-19 pandemic upon the industry and 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 audit team.

Independence

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

Committee Effectiveness

- The committee completed a critical review of its operations and effectiveness during 2021 as part of its annual self-review process. An independent third-party conducted interviews with members of the committee to obtain feedback. No significant areas of concern were raised.

Areas of Focus in 2022

- Review the Group's procedures in relation to maintaining high standards across all ethics and compliance matters; 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 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 seven times in 2021 and once in 2022. For committee meeting attendance for each Director see the Directors' Report within this Annual 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

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 auditors. The Chair of the committee keeps in close contact with the General Counsel, the finance team and the external auditors between committee meetings.

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

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

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

In 2021, 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 2021 included:

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

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

ACTIONS UNDERTAKEN DURING THE YEAR

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

Review of the Financial Statements

The Audit and Risk Committee monitored the integrity of the annual financial statements and reviewed the significant financial reporting matters and accounting policies and disclosures in the financial reports. The external auditors attended an Audit and Risk Committee meeting as part of the full-year accounts approval process. The process included the consideration of reports from the external auditors in respect of the 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 2021 and the unaudited results for the six months ended 30 June 2021 to ensure they were fair, balanced and understandable, when taken as a whole. The results were assessed to ensure they provide sufficient information for shareholders and other users of the accounts to assess the Group's position and performance, business model and strategy. In conducting this review, particular focus was given to the disclosures included in the basis of preparation in Note 2 in the Notes to the Group Financial Statements in relation to the Group's funding position and the suitability of the going concern assumption.

The committee reviewed the significant judgments associated with the 2021 financial statements, including "key audit matters", and also reviewed the supporting evidence for the Group being a going concern. The committee is comfortable that the overall disclosures in the Annual Report and Accounts are fair, balanced and understandable, when taken as a whole.

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

Attention continues to be paid to the presentation of the results and financial position in the Annual Report and Accounts as well as APMs as

The committee reviewed the presentation of the Group's audited results for the year ended 31 December 2021 and the unaudited results for the six months ended 30 June 2021 to ensure they were fair, balanced and understandable, when taken as a whole.

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

Management Override of Internal Controls

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

The Committee performed the following actions during 2021:

- Reviewed management's report on the Group's fraud prevention framework and the key controls in place in its operations designed to prevent and detect fraud, as well as future plans for enhancement of the relevant controls.
- Discussed the steps management had taken, including designing a fraud detection process for the specific fraud risks identified.
- Assessed the measures in place, including segregation of duties ensuring independent review, to mitigate against the risk of management override of controls.
- Reviewed PwC's audit procedures, including the results of their conclusions relating to fraud risk in revenue recognition with a particular focus on ensuring the existence of revenue transactions.
- The Committee challenged management on the robustness of the controls.
- Reviewed the overall robustness of the control environment, including consideration of the Group's whistleblowing and compliance arrangements.

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

Valuation of Natural Gas and Oil Properties and Related Assets

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

The committee also considered management's determination of the fair values of the acquisitions made during 2021 and challenged management. It reviewed management's assumptions and judgements, which were also reviewed by the external auditors, and challenged the bargain purchase gains. The committee was satisfied with the fair values calculated.

Viability and Going Concern

Management presented to the committee an assessment of the Group's future cash forecasts and profit projections, available facilities, facility headroom, banking covenants and the results of a sensitivity analysis. Detailed discussions were held with management concerning the matters outlined in the Viability and Going Concern section in the Strategic Report and the basis of preparation in Note 2 in the Notes to the Group Financial Statements within this Annual Report, 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 Energy Company PLC have been prepared on a going concern basis.

The committee reviewed and challenged management's process and assessment of viability by considering various scenarios on forecasted cash flows, including a base case and downside scenario analysis which reflects more severe impact of the principle risks and includes future climate change impacts. In reaching its view, the committee also considered: (i) financial forecasts and the appropriate period for the viability outlook; (ii) the Group's financing facilities including covenant tests and future funding plans; (iii) the Group's ability to pay dividends and (iv) the external auditor's findings and conclusions on this matter. The committee also considered the adequacy and accuracy of the disclosures in the 2021 Annual Report in respect of the Group's future viability. Following this thorough assessment, the committee considered the extent of the assessment made by management to be appropriate and recommended the viability statement and related disclosures (for inclusion in the 2021 Annual Report) for approval by the Board.

Risk Management

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

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

Internal Audit

Although the Group does not currently have an internal audit function, the Group is committed to building this function over time. 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 with audit experience and an additional staff auditor. 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 Auditors

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

- The Audit and Risk Committee carries out an annual review of the external auditors regarding their independence from the Group 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 auditors. A tax adviser separate from the external auditors is engaged to provide tax related services;
- The external auditors may only provide non-audit services permitted by the FRC's Revised Ethical Standard 2019 (the "Ethical Standard") which was issued in December 2019. These services include audit-related services such as regulatory and statutory reporting as well as formalities relating to shareholder and other circulars;
- The committee reviews all fees paid for audit and audit-related services on a regular basis to assess the reasonableness of fees, value of delivery and any independence issues that may have arisen or may potentially arise in the future;
- The external auditors report to the Directors and the Audit and Risk Committee regarding their independence in accordance with relevant standards;
- Non-audit services carried out by the external auditors are limited to work that is closely related to the annual audit or where the work is of such a nature that a detailed understanding of the business is beneficial, and utilises subject matter experts not conducting audit services;
- The committee monitors costs for non-audit services in absolute terms and in the context of the audit fee for the year to ensure that the potential to affect the independence and objectivity of the auditors does not arise. During 2021, non-audit services included work around acquisitions which did not affect the independence and objectivity of the auditors;
- Information related to audit fees for 2021 is detailed in Note 7 in the Notes to the Group Financial Statements.

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

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

Responsibility for the External Audit

The committee is responsible for oversight and for managing the relationship with our external auditors. The objectivity and independence of the external auditors 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 auditors.

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 Statements 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.;
- The management of risk by reviewing evidence of risk assessment and management; and
- Any action taken to manage critical risks or to remedy any control failings or weaknesses identified, ensuring these are managed through to closure.

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM FEATURES

Risk Management Control System

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

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

Internal Control Systems

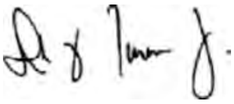
The committee is responsible for overseeing management's establishment and maintenance of the Group's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Group and the particular risks to which it is exposed. The Board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

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

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

SUMMARY

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



DAVID J. TURNER, JR.
Chair of the Audit and Risk Committee

22 March 2022

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

The Remuneration Committee's Report

Letter from Chairman of the Remuneration Committee

On behalf of the Board, I am pleased to present our 2021 Directors' Remuneration Report. Included within this report is a proposed update to the Directors' Remuneration Policy. The revised policy, together with the Annual Statement and Annual Report on Directors' Remuneration, will be presented to shareholders for approval at the 2022 Annual General Meeting.

COMMITTEE COMPOSITION

MELANIE A. LITTLE (52)

Independent Non-Executive Director (Chair)

Strength: Industry

Independence from: Management & Other interests

DAVID E. JOHNSON (61)

Non-Executive Director, Independent upon Appointment

Strength: Finance

Independence from: Management & Other interests

SANDRA M. STASH (62)

Independent Non-Executive Director

Strength: Industry

Independence from: Management & Other interests

SYLVIA KERRIGAN (56)

Independent Non-Executive Director

Strength: Industry

Independence from: Management & Other interests

KEY OBJECTIVE

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

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

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

DEC's Performance in 2021

2021 was a year of exceptional progress and development. In addition to celebrating our first anniversary as a Premium Listed company, the Group marked another major milestone by expanding its successful strategy beyond Appalachia into a newly defined Central Region, completing acquisitions and divestitures with Indigo, Blackbeard, Tanos, Tapstone and others totalling $1 billion, including a comparable co-investment by Oaktree in certain transactions. In addition, the Group completed an equity raise in May 2021 which yielded $225 million in gross proceeds and successfully maintained and grew its Credit Facility. The Group also implemented key ESG initiatives, including additional investments in methane emissions detection equipment and aerial emissions scanning activities, as well as an accelerated commitment to achieve Scope 1 and 2 GHG net zero by 2040.

With respect to the 2021 annual bonus, as reported elsewhere in this Annual Report, DEC's Hedged Adjusted EBITDA for 2021 was $343 million. This equated to Hedged Adjusted EBITDA per Share of $0.43. The target Hedged Adjusted EBITDA per Share ($0.41) was established using the 2021 budget, with the stretch metric ($0.46) achievable from over-performing in production, management of costs, and/or executing on acquisitions.

The committee awarded 29.75% for this metric out of a potential 35%. The committee awarded 9% of the 15% bonus production metric. The core assets' (excluding the 2021 acquisitions) production was 220,456 Mcfe versus a target of 225,270 Mcfe and the committee also considered the approximate 350 inactive and non-producing wells returned to service in 2021.

Under the cost metric, the Group achieved Total Cash Cost of $1.14 per Mcfe for the core Appalachia assets, excluding production taxes and 2021 acquisitions, which was favourable to the stretch metric of $1.18 per Mcfe, 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 of 15%, which included: Base LOE, transportation, production taxes, midstream operating and Adjusted G&A (excluding taxes).

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 (31.25% of potential 35%). The Group's overall performance resulted in awards of 127.5% of salary out of a maximum of 150% of salary being awarded to the Executive Directors under the annual bonus plan.

The 2021 financial year was also the end of the performance period for two tranches of stock options ("Options") for the Executive Directors.

- The 2nd tranche of Options granted in 2018 are anticipated to vest at 90%. 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 1st tranche of the Options granted in 2019 are anticipated to vest at 0%. These Options vest in three tranches based on performance ending 2021, 2022, 2023 and are subject to an Adjusted EPS condition and Absolute TSR condition.

The committee exercised its discretion to determine that it would be appropriate for 2021 annual bonus outcomes to payout as described above and for the Options to vest as described above as these outcomes were valid reflections of the overall performance by the Group. There were no other exercise of judgment or discretion by the committee save as detailed in this report.

KEY MATTERS DISCUSSED BY THE COMMITTEE

The key activities carried out by the committee in 2021 with the support of key management team individuals including the Chief Operating Officer, General Counsel, and Head of Human Resources, included:

- Commissioning an independent review of the Executive Directors' and Non-Executive Directors' compensation;
- Undertaking a consultation exercise with the Company's largest shareholders;
- Developing a revised Policy to be proposed to shareholders at the 2022 AGM;
- Determining 2021 annual bonus outcomes for the Executive Directors;
- Determining base salaries of the Executive Directors for the period starting January 2022;
- Reviewing the annual total remuneration of the Group's executives;
- Reviewing and approving an update to the annual award documents for the Short-Term Incentive Programme;
- Reviewing the Group's benefits plans;
- Reviewing and approving the 2022 Executive Director Bonus Plan and Performance Share Award targets;
- Determination that the remuneration policy for 2021 operated as intended; and
- Preparing the Directors' Remuneration Report.

Directors' Remuneration Policy for 2022

Diversified is an established, independent owner and operator of natural gas and oil wells in multiple regions of the United States. It has grown rapidly in the last few years to be the largest owner and operator of producing wells in the US by capitalising on opportunities to acquire and enhance producing assets within its primary areas of focus and leveraging the operating efficiencies that come with increased scale. Since its AIM IPO in

2017, it has delivered outstanding levels of shareholder returns and financial growth, including:

- Compound annual TSR growth of 23% from its IPO to year-end 2021;
- Compound annual growth in Hedged Adjusted EBITDA per share of 34% from its IPO to year-end 2021; and
- Progressive increases in dividends per share, with dividends in 2018, 2019, 2020 and 2021 of $0.1123, $0.1392, $0.1525 and $0.1650, respectively.

At the same time as delivering this superior performance, in 2020, Diversified completed a move from AIM to the main market of the London Stock Exchange, where it is a FTSE 250 constituent, and successfully integrated a number of acquisitions with headcount growth of 22% in 2020 and 29% in 2021. The Group has also increasingly integrated climate-related considerations into operational and portfolio-related matters.

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

The current policy was approved by shareholders in a binding vote at the 2021 AGM with over 96% of votes cast in favour. The main features of the current package are as follow:

- Base salaries which are broadly in-line with UK norms;
- A standard package of benefits but no pension provision;
- Annual bonus opportunity of 150% of salary of which any bonus in excess of 100% of salary is deferred for one year;
- Annual awards of performance shares with a face value of 200% of salary that vest three years after grant, subject to the achievement of performance conditions, and are subject to a post-vesting holding period; and
- A shareholding requirement set at 200% of salary whilst in employment.

This policy was designed to ensure that the remuneration of our Executive Directors was competitive with the UK market and met the best practice expectations of our shareholders following the move to the main market from AIM.

Since that time, the Committee has engaged an independent subject matter expert to conduct a detailed review of the remuneration arrangements to ensure that they are appropriate in light of the performance of the business and our current strategy. Of particular concern for the committee was the need to ensure that going forward the policy is capable of delivering competitive rewards in the US, where all of Diversified's executives and employees are based, whilst meeting the expectations of our UK investor base in terms of the design and structure of the arrangements and ensuring the interests of our shareholders and executives are aligned.

The key conclusions of the independent third party review were that:

- Current levels of total remuneration for the Executive Directors, specifically with respect to the CEO, are competitive with UK companies within our sector that are of a similar size but are significantly below the lowest quartile in talent markets in the US;
- Market salary levels in the UK and US are broadly comparable and so the key differentiator is levels of variable pay opportunity, which is higher in the US; and
- Most significantly, the difference with respect to long-term incentives shows US lowest quartile awards levels around four times the size of grants made at Diversified.

In addition to the review, the committee also notes the following:

- Whilst there is no intention to match US levels of remuneration for our Executive Directors, the current policy would prevent us from being able to attract candidates with the skills and experience necessary to continue the Group's success, and we are proposing some revisions in the new policy to reduce the gap to the US so that, if in the future the Company needs to recruit a new Executive Director, it is more likely to be able to offer a package that is within the competitive range;
- The proposed changes will also enable us to more readily retain and attract at the key senior management levels;
- Continue to integrate our goal of becoming a net zero Scope 1 and 2 GHG emitter by 2040 into our long-term incentive arrangements;
- Targets for the ROE and absolute TSR metrics used for LTI awards made to date have been more stretching than those of our UK peers who also use these metrics, and when setting the targets for future awards we would continue this approach to target setting, taking account of prevailing forecasts for the Company at the time of grant as well as the increase in award levels;
- Any increase in total remuneration should be primarily delivered through long-term incentives; and
- Effective in 2022, the Long-Term Incentive Plan ("LTIP") for the Group's below Board executives will be adjusted for a higher payout potential due to market peer competitiveness in the US, where all are based.

Shareholder consultation regarding proposed changes to remuneration

The policy proposals were developed and consulted upon with a significant number of shareholders and proxy advisors (the majority of whom were supportive). The committee would like to thank those who provided constructive feedback, which enabled it to re-assess its proposals and refine them where appropriate (demonstrating that this was a genuine consultation exercise given the amendments made to the original proposals, including a reduction in the proposed Performance Share Award levels). It should be noted that with the adoption of the proposed remuneration policy for 2022, the CEO's total direct compensation in 2023 when all changes are implemented will still remain at only around half of the median level of US peers. See Part A: Directors' Remuneration Policy for a list of the main changes from the previous policy.

	2022 Base Salary			2022 Total Target Remuneration			2023 Total Target Remuneration		
		Ratio to the Market Data Median			Ratio to the Market Data Median			Ratio to the Market Data Median	
Executive Director	$'000	UK	US	$'000	UK	US	$'000	UK	US
Rusty Hutson, Jr.	$ 721	104 %	100 %	$ 2,457	126 %	49 %	$ 2,821	130 %	51 %
Bradley G. Gray	$ 438	90 %	112 %	$ 1,343	100 %	75 %	$ 1,454	104 %	78 %

CEO

COO

Fixed remuneration
For 2022, the committee proposes to increase the CEO's salary by 4% and the COO's by 2.7%. This compares to increases across the Group ranging from 0% to 5.4% based on performance, with an average of 2.7%. The CEO's increase is therefore in-line with the increases for other higher performing employees at Diversified. It is anticipated that increases for the remainder of the life of the policy will be in-line with the range of the workforce. As such, they are not felt to be excessive.

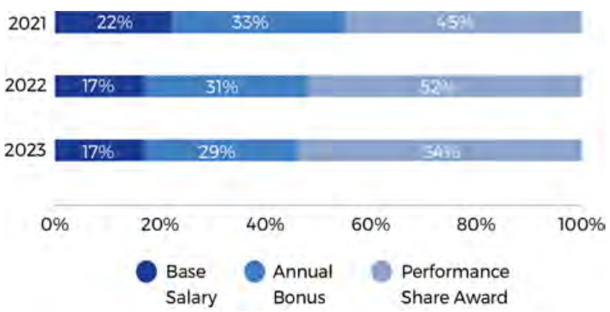
Annual Bonus
No change is proposed to the annual bonus opportunity of the COO which will remain at 150% of salary. For the CEO, it is proposed that the maximum bonus would increase from 150% to 175% of salary in 2022 to reflect the contribution of the CEO and bring the level of his incentive opportunity closer to the level (but still significantly below that) of our US peers.

Long-term incentives
It is proposed that the policy maximum LTI award is increased from 200% of salary to 325% of salary for the CEO and 275% of salary for the COO to bring the level of incentive opportunity closer to the level (but still significantly below that) of our US peers. In order to mitigate the effect of a one-off increase in quantum, these increases would be phased in over two years with:

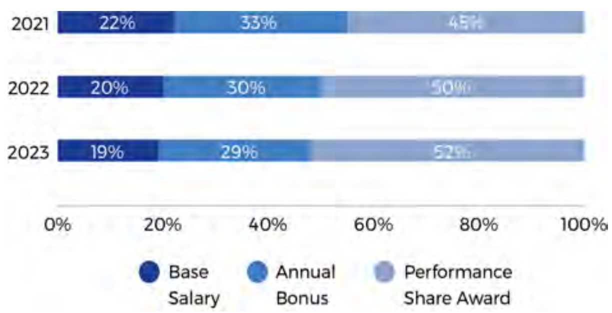
- The CEO's award increasing to 300% in 2022 and to 325% in 2023; and
- The COO's award increasing to 250% in 2022 and to 275% in 2023.

These proposed increases to the LTI result in the proportion of total remuneration being based on stretching long-term targets:

CEO TOTAL MAXIMUM REMUNERATION



COO TOTAL MAXIMUM REMUNERATION



Recognising investors' wish that increases in quantum should be accompanied by more stretching targets, the level of vesting for threshold performance would be reduced from 25% of the maximum to 15% of the maximum. The existing metrics of Average ROE and TSR (currently measured both on an absolute and a relative basis) will be retained; however, the percentage of each component may be adjusted annually based on our strategic priorities.

In order to further increase the stretch in the LTI targets and reflect our goal of a 30% reduction in Scope 1 methane emissions intensity by 2026 and becoming a net zero Scope 1 and 2 GHG emitter by 2040, the committee is also proposing to introduce an additional performance measure based on stretching quantifiable and externally verifiable emissions reductions which is measurable and auditable.

The committee's existing overall discretion to scale back the LTI awards, including to zero, based on its assessment of the "health" of the Group will be retained.

The weighting of metrics for the 2022 LTI awards will therefore be as follows:

	Average ROE	TSR	Emissions
Weighting (% of total award)	40%	40%	20%
Threshold vesting %	15%	15%	15 %
Maximum vesting %	100%	100%	100%

The details of the performance conditions for each metric are outlined in the Implementation of Policy for 2022 section in the Annual Report on Remuneration.

SHARE OWNERSHIP GUIDELINES

In order that Executive Directors interests are further linked with those of shareholders, the shareholding that Directors are expected to build up and maintain in the Group are being increased to align with the market. The current in-employment guideline of 200% of salary will be increased to 300% of salary for the CEO and 250% of salary for the COO. Also, a two-year post cessation shareholding guideline is being introduced.

IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY FOR 2022

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 2022 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 Directors' Remuneration Report other than Part A.

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 2022 AGM.

Melanie A. Little

MELANIE A. LITTLE
Chair of the Remuneration Committee

22 March 2022

MEMBERSHIP

The committee is comprised of: Melanie A. Little, the Remuneration Committee Chairperson, Sandra M. Stash, both of whom are independent Non-Executive Directors, and David E. Johnson, the Non-Executive Chairman, who was Independent upon appointment and whom the Group continues to consider independent, and served as members of the committee throughout the year. Sylvia Kerrigan was appointed to the committee in early 2022, further increasing the committee's independence and demonstrating the Board's commitment to high standards of corporate governance. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

MEETINGS AND ATTENDANCE

The Remuneration Committee met formally eight 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:

- Discussing and determining the Group's framework for executive remuneration;
- Determining the remuneration for each of the Executive Directors;
- Reviewing remuneration for other members of the Senior Leadership Team;
- Reviewing and recommending to the Board the remuneration of the Non-Executive Directors; and
- Overseeing and reviewing the structure and operation of the remuneration policy.

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

ROLE OF MANAGEMENT

The Group's Human Resources Department assists the Remuneration Committee and its independent compensation consultant (as applicable) in gathering the information needed for their respective reviews of the Group's compensation programme with respect to the Senior Leadership Team. This assistance includes assembling requested compensation data. The CEO develops pay recommendations for members of the Senior Leadership Team for review and discussion by the committee. The committee, in 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

During the year, FIT Remuneration Consultants LLP ("FIT"), signatories to the Remuneration Consultants Group's Code of Conduct, provided advice to the committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and, accordingly, the committee was satisfied that the advice provided by FIT was objective and independent. The committee selected FIT based on the positive experience with FIT last year, among other factors. FIT's fees in respect of 2021 were $61,863 (GBP: £44,967), plus value added tax. FIT's fees were charged on the basis of the firm's standard terms of business for advice provided. During 2022 the committee commissioned an independent review of the Executive and Non-Executive Directors' compensation and Senior Leadership Team compensation from Alvarez & Marsal Holdings LLC ("A&M"). A&M's fees in respect of 2021 were $272,764 (GBP: £198,266). A&M provided no other services to the Group and, accordingly, the committee was satisfied that the advice provided by A&M was objective and independent. The committee selected A&M based on their excellent reputation, among other factors.

Remuneration at a Glance

PROPOSED REMUNERATION POLICY AND IMPLEMENTATION

Stated Objective	Overview of Proposed Policy	Proposed Implementation for 2022
Base salary	Reviewed annually. Consideration given to the performance of the Group, the individual's performance, the individual responsibilities or scope of the role, and pay practices in relevant comparator companies in both the UK and US.	Executive Directors[a] (in thousands): – CEO: Rusty Hutson, Jr.: $721 – COO: Bradley G. Gray: $438
Pension and benefits	The current Executive Directors do not receive a pension contribution and any future provision will be aligned to the wider workforce. 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. Benefits consist of standard car and health/insurance related benefits.	The current Executive Directors do not receive a pension contribution. With limited exceptions, the US Section 401(k) defined contribution plan currently provides company matching contributions up to a maximum of $26k per annum.
Annual bonus	Maximum of 175% of salary for Rusty Hutson, Jr. and 150% of salary for Bradley G. Gray. Paid in cash up to 100% of base salary; Outcomes above this level deferred as either shares or cash for one year provided continued service. Subject to the achievement of relevant performance conditions, both qualitative and quantitative. Subject to malus and clawback provisions.	Potential awards for 2022 performance period: – Rusty Hutson Jr.: 175% of salary – Bradley G. Gray: 150% of salary – Performance conditions, which will have defined Threshold, Target, and Stretch payout criteria: Hedged Adjusted EBITDA per Share (50%), Total Cash Costs per Mcfe (15%), Acquisition and Company Operations Funding (5%) and ESG/EHS (30%)
Long-term incentives	Performance Share Awards, subject to service and performance over a three-year period, and eligible for payment of applicable Dividend Equivalent Rights during the vesting period. Maximum award of 325% of salary for Rusty Hutson, Jr. and 275% of salary for Bradley G Gray with the increases phased in over two years. Subject to malus and clawback provisions.	Potential awards for 2022: – Rusty Hutson Jr.: 300% of salary – Bradley G. Gray: 250% of salary – Performance conditions: Return on Equity (40%), Absolute Total Shareholder Return ("TSR") (30%), Relative TSR (10%) & Emissions (20%). Potential awards for 2023: – Rusty Hutson Jr.: 325% of salary – Bradley G. Gray: 275% of salary
Share ownership requirements	Rusty Hutson, Jr.: 300% of salary Bradley G. Gray: 250% of salary Continues to apply for first year post-employment, reducing to 200% of salary for the second year. For the incremental share ownership requirement above 200% of salary (as required by the prior policy), only shares from LTI awards vesting after the adoption of the policy will count towards the post-employment requirement.	Rusty Hutson Jr. and Bradley G. Gray both meet these requirements.

[a] Effective 10 January 2022 and represents a 4% increase for Rusty Hutson, Jr. and 2.7% increase for Bradley G. Gray over 2021. This compares to increases across the Group ranging from 0% to 5.4% based on performance, with an average of 2.7%. The CEO's increase is therefore in-line with the increases for other higher performing employees at Diversified. It is anticipated that increases for the remainder of the life of the policy will be in-line with the range of the workforce.

INTRODUCTION

Part A: Represents the proposed policy which will take effect, subject to the approval of the shareholders, immediately after the 2022 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

The Directors’ Remuneration Policy below sets out the information required by Part 4 of Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

If approved by Shareholders at the forthcoming AGM on 26 April 2022, the Directors’ Remuneration Policy set out below will replace the existing policy for which shareholder approval was obtained at the 2021 AGM, and will become binding immediately thereafter.

The main changes from the previous policy are:

- Annual Bonus maximum for the CEO is to be increased to 175% of salary
- Performance Share Awards maximum is to be increased to 325% per annum for the CEO and 275% of salary for the COO with the increase phased in over two years
- Performance Share Awards threshold vesting percentage is to be reduced to 15% of the maximum award
- The introduction of a new emissions metric accounting for 20% of the Performance Share Awards to align with the Group’s emissions commitments
- An increase to the in-employment shareholding requirements and the introduction of a post-employment shareholding requirement
- Incorporating the long-standing approach of using the average share price for the five days following the announcement of the Company’s result when determining the number of shares subject to a Performance Share Award
- Confirmation that upon a change of control awards will normally vest at that time and the level of vesting will be determined by the extent to which any performance criteria have been met and the time elapsed since grant (i.e. prorated), amongst other things

The following table summarises the Group's policies in respect of the key elements of our Directors' remuneration:

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Base salary This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.	Base salaries will typically be reviewed annually, with consideration given to the performance of the Group and the individual, any changes in responsibilities or scope of the role and pay practices in relevant US and UK comparator companies of a broadly similar size and complexity, with due account taken of both market capitalisation and turnover. The committee does not strictly follow benchmark pay data, but instead uses it as one of a number of reference points when considering, in its judgment, the appropriate level of salary. Base salary is paid monthly in cash.	It is anticipated that salary increases will generally be in line with those awarded to the general workforce. That said, in certain circumstances (including, but not limited to, changes in role and responsibilities, market levels, individual and Group performance), the committee may make larger salary increases to ensure they are market competitive. The rationale for any such increase will be disclosed in the relevant Annual Report.	n/a
Benefits To provide benefits valued by recipients.	The Executive Directors currently receive standard car and health/ insurance related benefits. Where appropriate, the Group will meet certain costs relating to Executive Director relocations. In line with the approach taken for all employees, the Group offers a retirement plan in accordance with subsection 401(k) of the Internal Revenue Code in which Executive Directors may make voluntary pre-tax contributions toward their own retirement. The Group matches Executive Directors' contributions up to $26k per annum. The committee reserves the discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice.	It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year to year. Relocation expenses are subject to a maximum limit of 100% of base salary, provided that such expenses may be paid only in the year of appointment and for a further two financial years. With limited exceptions, the US Section 401(k) defined contribution plan currently provides company matching contributions up to a maximum of $26k per annum. The committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than what the committee considers appropriate in all the circumstances.	n/a
Pension To provide retirement benefits.	Currently, no element of the Directors' remuneration is pensionable, and the Group does not operate any pension scheme or other scheme providing retirement or similar benefits. The committee reserves the discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice.	The current Executive Directors do not receive a pension contribution. Any future pension provision will be limited to levels aligned to the contribution levels for the majority of the workforce.	n/a

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Annual bonus plan 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.	Annual bonus plan levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other major transactions where the committee considers it to be necessary in its opinion to make appropriate adjustments. Annual bonus plan outcomes can be paid in cash up to 100% of base salary. Outcomes above this level will be deferred as either cash or shares for one year provided continued service. During the deferral period, the value of any dividends (if deferred as shares) will be paid in cash or shares. Clawback provisions apply to the annual bonus plan, and malus and clawback will apply to deferred shares in accordance with the Group's clawback and malus policies.	The maximum level of annual bonus plan outcomes is 175% of base salary for the CEO and 150% of base salary for the COO for the duration of this policy.	The performance measures applied may be financial or non-financial; quantitative and qualitative; and corporate, divisional or individual and with such weightings as the committee considers appropriate.The metrics and weightings applicable in 2022 are as follows: Hedged Adjusted EBITDA per Share (50%), Total Cash Cost per Mcfe (15%), Acquisition and Company Operations Funding (5%), and ESG/ EHS (30%). Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a payout of more than 25% of the maximum portion of the overall annual bonus attributable to that measure, with a sliding scale to full payout for maximum performance. However, the annual bonus plan remains a discretionary arrangement and the committee retains a standard power to apply its discretion to adjust the outcome of the annual bonus plan for any performance measure (from zero to any cap), should it consider that to be appropriate.
Long-term incentives To motivate and incentivise the delivery of sustained performance over the long-term, and to promote alignment with shareholders' interests, the Group grants Performance Share Awards.	Performance Share Awards vest over a period of three years, with awards vesting to the extent that performance conditions are satisfied. Vested awards for Executive Directors will be subject to a further two-year holding period during which time awards may not normally be exercised or released but are no longer contingent on performance conditions or future employment. After the vesting period (and the additional holding period), the value of any dividends on performance vested shares will be paid in cash. Clawback and malus provisions apply to Performance Share Awards.	Performance Share Awards may be granted with a maximum value of 325% of base salary per financial year to the CEO and 275% of salary to the COO with such increases phased in over two years (2022 and 2023). In determining the number of shares subject to an award, the market value of a share shall, unless the Committee determines otherwise, be assumed to be the average share price for the five days following the announcement of the Company's results for the previous financial year.	The Committee may set such performance conditions on Performance Share Awards as it considers appropriate, whether financial or non-financial and whether corporate, divisional or individual. Performance periods may be over such periods as the Committee selects at grant, which will not be less than, but may be longer than, three years. The metrics and weightings applicable in 2022 are as follows: Return on Equity (40%), Absolute TSR (30%), Relative TSR (10%) and Emissions (20%). No more than 15% of awards vest for attaining the threshold level of performance conditions. The Committee also has a standard power to apply its judgment to adjust the formulaic outcome of all performance measures to take account of any circumstances (including the performance of the Group, any individual or business) should it consider that to be appropriate.

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Share ownership guidelines To further align the interests of Executive Directors with those of shareholders.	Executive Directors are expected to build up a prescribed level of shareholding. Minimum shareholding is 300% of base salary for the CEO and 250% of base salary for the COO. The committee reserves the power to amend, but not reduce, these levels in future years. To the extent that the prescribed level has not been reached, Executive Directors will be expected to retain a proportion of the shares vesting under the Group's share plans until the guideline is met. Any vested Performance Share Award shares subject to a holding period and any shares awarded in connection with annual bonus deferral will be included for the purpose of the guidelines (discounted for anticipated tax liabilities). A post-employment shareholding requirement normally applies to Performance Share Award shares vesting after the effective date of the Directors' Remuneration Policy for 2022. The policy requires Executive Directors to hold the shares equivalent to their share ownership guideline at that date, for a period of one year post-employment and reducing to 200% of salary for the second year post-employment.	n/a	n/a
Chairman's and Non-Executive Directors' fees To enable the Group to recruit and retain a Chairman of the Board and Non-Executive Directors of the highest caliber.	The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other US and UK listed peers of equivalent size and complexity. The fees payable are determined by the Board, and will include incremental Committee Chair and additional responsibility fees (as applicable). Directors do not participate in decisions regarding their own fees. Non-Executive Directors are reimbursed all necessary and reasonable expenses incurred in connection with the performance of their duties and any tax thereon in accordance with the Group's Non-Executive Director Expense Reimbursement Policy. No other benefits are envisaged for the Chairman and Non-Executive Directors, but the Group reserves the right to provide benefits, including company related travel and office support.	Fees are paid monthly in cash. A proportion of each Non-Executive Directors' fees may be required to be used for the acquisition of Company shares which must then be held until they cease to be a Director. The aggregate fees and any benefits of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Group's Articles of Association for such fees. Any increases actually made will be appropriately disclosed.	n/a

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 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	
Sylvia Kerrigan	11 October 2021	

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 or bonus payment.

Travel and Hospitality

The committee has been advised that corporate hospitality, whether paid for by the Group or another, and travel for Directors (and in exceptional circumstances their families) and any tax thereon 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 or the reimbursement of these expenses 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;
- 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 and resulting vesting/bonus pay-outs.

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, although, depending on the circumstances, different metrics and or targets may be set in the first year of appointment. 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 and entitlements 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.

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:

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. The rationale is to ensure that the Executive Directors remain with the Group through completion of the change in control, so as to affect an orderly transition for the Group.

Deferred bonus awards may be 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. The committee may exercise its discretion to allow awards to vest early on cessation in suitable cases. In the event the participant dies or suffers a disability during the holding period, the holding period may be accelerated.

Performance share awards will normally vest in the event of a change of control and shall take into account, amongst other things, the extent to which any performance criteria have been met (over the shortened performance periods) and the time elapsed since grant (i.e. prorated).

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.

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 and how executive remuneration aligns with the wider company pay policy and the Group's strategy and objectives.

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. Specifically in connection with the proposed remuneration policy for 2022, the committee communicated with major shareholders in late-2021 and into 2022 to collect feedback and gauge shareholder response. 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

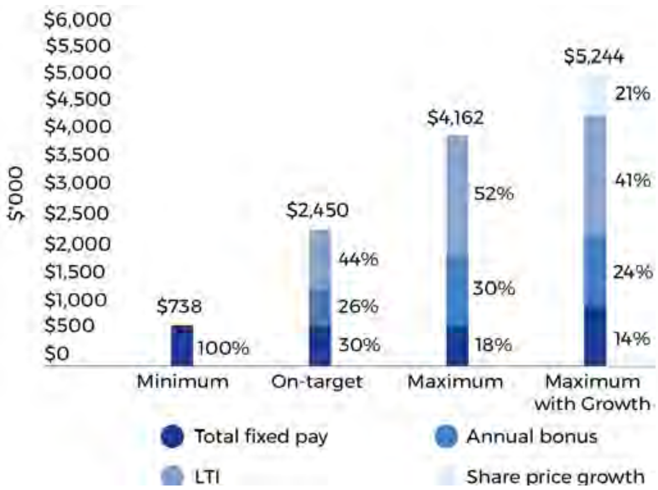
The following charts show how the remuneration policy for Executive Directors will be applied in 2022 using the assumptions shown overleaf:

Minimum	– Consists of base salary, benefits and pension. – Base salary is the salary to be paid in 2022. – Benefits are the value received in 2021. – No pension is provided, only 401(k) match to the extent applicable.
Target	Based on what the Executive Director would receive if performance was on-target (excluding share price appreciation and dividends): – Annual bonus: consists of the target bonus (50% of maximum opportunity used for illustrative purposes). – LTI: consists of the target level of vesting (50% vesting) of Performance Share Awards (at 300% of salary for Rusty Hutson, Jr. and 250% of salary for Bradley G. Gray).
Maximum	Based on the maximum remuneration receivable (excluding share price appreciation and dividends): – Annual bonus: consists of maximum bonus of 175% of base salary for Rusty Hutson, Jr. and 150% of salary for Bradley G. Gray. – LTI: consists of full vesting of Performance Share Awards (at 300% of salary for Rusty Hutson, Jr. and 250% of salary for Bradley G. Gray).
Maximum with share price growth	Based on the Maximum scenario set out above but with a 50% share price increase applied to the value of LTI awards.

($ thousands)	Base Salary	Benefits	Benefit Plan(a)	Total Fixed
Rusty Hutson, Jr.	$ 721	$ 10	$ 35	$ 766
Bradley G. Gray	$ 438	$ 12	$ 37	$ 487

[a] Reflects amounts received under the Group's 401(k) contribution plan and health insurance benefits.

RUSTY HUTSON JR.



BRADLEY G. GRAY

PART B: ANNUAL REPORT ON REMUNERATION

The remuneration for the Executive and Non-Executive Directors of the Group who performed qualifying services during the year is detailed below. The Non-Executive Directors received no remuneration other than their annual fee.

Directors' remuneration for the year ended 31 December 2021 (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.	$ 693	$ 10	$ 35	$ –	$ 738	$ 884	$ 573	$ 1,456	$ 2,195
Bradley G. Gray	426	12	37	–	475	543	262	805	1,280
Non-Executive Directors									
David E. Johnson	$ 168	$ –	$ –	$ –	$ 168	$ –	$ –	$ –	$ 168
Martin K. Thomas	127	–	–	–	127	–	–	–	127
David J. Turner, Jr.	134	–	–	–	134	–	–	–	134
Sandra M. Stash	127	–	–	–	127	–	–	–	127
Melanie A. Little	127	–	–	–	127	–	–	–	127
Sylvia Kerrigan [f]	22	–	–	–	22	–	–	–	22

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

(b) Reflects matching contributions under the Group's 401(k) plan and health insurance benefits.

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

(d) Further details of the bonus outcome for 2021 can be found in the 2021 Annual Bonus for Executive Directors section within this Annual Report. The bonus totals for Rusty Hutson, Jr., and Bradley G. Gray represent 127.5% 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 and May 2019 with a performance period that ended on 31 December 2021 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 2021 (£1.076 per share) and the respective exercise prices of £0.84 (April 2018 grants) and £1.20 (May 2019 grants) using an exchange rate of £1:$1.3481.

(f) Appointed to the Board from 11 October 2021.

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	$ 35	$ –	$ 712	$ 952	$ 643	$ 1,595	$ 2,307
Bradley G. Gray	415	14	37	–	466	585	295	880	1,346
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) Reflects matching contributions under the Group's 401(k) plan and health insurance benefits. Note that the figures reported in the 2020 Annual Report did not include matching contributions under the Group's 401(k) plan.

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

(d) The bonus totals for Rusty Hutson, Jr., and Bradley G. Gray represent 141% of base salary, respectively. The amounts above 100% of salary were deferred compulsorily into either cash or shares for one year provided continued service, without additional performance conditions.

(e) The notional gain on the Options granted in April 2018 with a performance period that ended on 31 December 2020 has been updated based on the actual share price on vesting (£1.258 per share) rather than the three-month average used in the 2020 Annual Report (£1.087 per share).

(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).

2021 ANNUAL BONUS FOR EXECUTIVE DIRECTORS (AUDITED)

For 2021 the overall bonus plan for Executive Directors maximum was 150% of base salary with an actual achieved formulaic bonus of 127.5%. The Group delivered a strong operational performance in 2021. The following table summarises the performance targets and outcomes which led to the committee's decisions as to the payout percentages.

The targets were as follows:

Measure	Threshold	Target [a][b]	Maximum (100% Payout)	Actual	% of Total Bonus	Payout %
Hedged Adjusted EBITDA per Share	$ 0.39	$ 0.41	$ 0.46	$ 0.43	35%	29.75%
Production (Mcfe) [c]	–	225,270	–	220,456	15%	9%
Total Cash Cost per Mcfe [d]	$ 1.22	$ 1.20	$ 1.18	$ 1.14	15%	15%
Funding	(See below)				10%	10%
ESG and EHS	(See below)				25%	21.25%
Total % of Maximum						85%
Total % of Salary						127.5%

[a] Target was 75% but stretch allowed inclusion of acquisitions.

[b] For the production measure 7.5% of the total bonus is based on a production metric excluding acquisitions. A further 7.5% of the total bonus is based on a metric incorporating the increased production from acquisitions and returning inactive/underperforming wells to service/increased production.

[c] These numbers reflect production of the Group's core Appalachia assets and exclude acquisition production and production taxes.

[d] Actual results for the Total Cash Cost per Mcfe measure were based on the core Appalachia assets, excluding production taxes and 2021 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		% of Total Bonus	Payout %
FUNDING			
Target	**Performance**	**10%**	**10%**
Maintain a robust syndicate of banks	Further strengthened the capacity and capabilities of our bank group by adding several bulge bracket banks		
Complete RBL Redetermination	Completed three successful redeterminations including two with a borrowing base upsizing		
Source and complete acquisition funding maintaining stated leverage metrics	Completed a successful equity raise of approximately $225 million and executed three financings with Oaktree Capital with our acquisitions of Indigo, Tanos and Tapstone		
ESG AND EHS			
Target	**Performance**	**25%**	**21.25%**
Develop an executable 3-5-year plan to reduce emissions/carbon intensity (Threshold) that gives consideration to financial impact(s). Achieve actual reduction (Target: 1% reduction; Stretch: 5% reduction) in carbon intensity realised in 2021 via operational improvements.	The Group's Capital Markets Day presentation provides a detailed plan to detect and reduce emissions. The Group made significant progress with Project Fresh providing improved inventory and metrics and anticipates further revisions of calculated emissions from improved data. The Group attained actual emission intensity reductions through plunger lift and compressor elimination via our continued SAM programme. The committee recommended paying the full amount of the eligible 5%.	5.00%	5.00%

Map and execute a multiyear plan to incorporate the tenets of TFCD into the business and its processes in service of net zero aspirations by the third quarter of 2021 (Target) and deliver practical carbon considerations/ metrics toward 2050 net zero aspiration as a lens for incorporation in portfolio (acquisition/divestment) decisions by the end of the third quarter of 2021, and begin utilisation of process for decision making in the second half of 2021 (Stretch)	The Group's Capital Markets Day presentation provides a clear multiyear plan. The Group accelerated its net zero Scope 1 and 2 GHG emissions aspiration from 2050 to 2040. Working with an external advisor, the Group completed a robust and expanded TCFD disclosures and processes. Considerations of emissions profile was implemented into the Group's acquisition criteria and an acquisitions screening tool was developed to determine emissions impact to the Group. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%
Design a targeted, programmatic approach for socio-economic/ community investment and set input/output/impact measures for use to measure progress 2022 and beyond (e.g., utilisation of local businesses by percentage, STEM-oriented degrees granted via local, DEC-sponsored scholarships, etc.)	DEC's management development - PDP team designed and successfully implemented a multifaceted community investment programme to include qualitatively assessing impact(s). Significant investment with West Virginia University as the official energy provider with focus on women sports. The Group hired six diverse interns for numerous disciplines and continued its senior scholarships programme at Marietta College, Fairmont University, and Indiana University. In 2021, the Group invested approximately $1 million in community support programmes. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%
Along with the delivery of other programmes to promote diversity, equality, and inclusion in the workforce, strive to interview diverse candidate pools for job openings and/or provide data that the local (geographic) employees represent the demographics of that area/region and industry workforce.	The Group's Human Resource Talent Acquisition Manager completed diversity training programmes with Cornell University and the University of South Florida and the Group implemented the Cornerstone applicant tracking system which allows for the monitoring of candidate diversity. The Group increased the diversity of its corporate support functions with positions in IT, Call Center Operations, and Production and Reserve Engineering. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%
Reduce TRIR Rate from the three-year average of 1.77. Threshold: 1.50; Target: 1.33; Stretch: 1.15.	The Group's TRIR rate for 2021 was 1.55 which was a 12.4% improvement from the three-year average, yet was higher than the Threshold entry point objective of 1.50. While there were zero fatalities due to work related issues, the committee recommended paying 0% of the eligible 3.75% due to not achieving the TRIR goals.	3.75%	0.00%
Reduce MVA from the two-year average of 1.02. Threshold: 0.97; Target: 0.92; Stretch: 0.87.	The Group's MVA for 2021 was 0.72 which was a 29.4% improvement from the two-year average. The Group implemented a new driver training programme that was beneficial to its results. The EHS team and field leadership team continued to stress the importance of safe driving. The committee recommended paying the full amount of the eligible 3.75%	3.75%	3.75%
Of the Top Tier Enterprise Risks identified in 2021 that are not at Target risk, assess the progress to achieve Target risk	The Top Risks evaluated in 2021 were Corporate Strategy, Health & Safety, Cybersecurity, Financial Strength & Stability, Commodity Price and Differentials Volatility, ESG and Climate Change. An assessment to progress to Target level risk was completed for these Top Risks and progress was made in each risk category. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%
Score improvement of ESG scores from reporting agencies.	The Group appointed Teresa Odom as VP of ESG & Sustainability during 2021. She was integral in the preparation of the Capital Markets Day materials and programme and is responsible for engaging with ESG rating agencies. Additionally, the Group refreshed and added numerous corporate policies further enhancing its corporate governance. As a result of changes implemented during the year, the Group achieved improved scores from three different global ESG rating agencies. The committee recommended paying the full amount of the eligible 2.5%.	2.50%	2.50%

Long-Term Incentives Outcome (Audited)

2018 Options

The performance period in respect of the second tranche of the Options granted in 2018 came to an end on 31 December 2021. Performance conditions were Adjusted EPS, Annualised TSR and Time/Service on an equally weighted basis. The targets and outcomes are set out below:

	Threshold	Maximum	Achieved	Vesting % of Component
Adjusted EPS	£ 0.11	£ 0.14	£ 0.14	100%
Annualised TSR	10%	20%	16%	70%
Time/Service	Employed on vesting date		Yes	100%

The number of shares expected to vest in March 2022 is shown below:

	Exercise Price	Number of Shares in Tranche	Vesting %	Number of Shares Vesting
Rusty Hutson, Jr.	£ 0.84	2,000,000	90%	1,800,000
Bradley G. Gray	£ 0.84	916,667	90%	825,001

2019 Options

The performance period in respect of the first tranche of the Options granted in 2019 came to an end on 31 December 2021. Performance conditions were Adjusted EPS and Annualised TSR on an equally weighted basis. The targets and outcomes are set out below:

	Threshold	Maximum	Achieved	Vesting % of Component
Adjusted EPS	£ 0.15	£ 0.18	£ 0.14	0%
Annualised TSR	10%	20%	2%	0%

The number of shares expected to vest in March 2022 is shown below:

	Exercise Price	Number of Shares in Tranche	Vesting %	Number of Shares Vesting
Rusty Hutson, Jr.	£ 1.20	800,000	0%	0
Bradley G. Gray	£ 1.20	366,667	0%	0

SHARE AWARDS GRANTED IN 2021 (AUDITED)

2021 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 2023, 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%	$ 1,386,450	832,653
Bradley G. Gray	200%	852,410	511,927

In line with the ongoing policy, the share price used to calculate the award was £1.198, being the average share price over the five-day period commencing on 8 March 2021, the date that the Group issued its final 2020 results. The awards are based upon a GBP:USD exchange rate of 1:1.3899, which was the exchange rate at the date of grant. The date of grant was 15 March 2021. The LTIP Awards will vest following completion of the performance period (1 January 2021 - 31 December 2023), and no later than 15 March 2024, 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 (40%) and Relative TSR (20%) targets measured over three years as described below. These measures encourage the generation of sustainable long-term returns to shareholders. In determining the level of vesting, the Remuneration Committee will consider that the outcome of the measurement reflects the underlying performance or financial health of the Group.

RETURN ON EQUITY (40% OF TOTAL AWARD)

Three-Year Average ROE	% of that Part of the Award that Vests
Below 17% per annum	0%
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 (40% OF TOTAL AWARD)

Three-Year TSR	% of that Part of the Award that Vests
Below 10% per annum	0%
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	0%
Median	25%
Upper quartile or above	100%
Median to upper quartile	Pro rata straight-line between 25% and 100%

2021 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 2020 Annual Report and Accounts (as the 2020 bonus paid out above 100% of the Executive Directors 2020 base salary).

		Face Value of Award ($)	Number of Shares	Vesting Date
Rusty Hutson, Jr.	$	277,247	166,206	26 February 2022

The share price used to calculate the award was £1.198, being the average share price over the five-day period commencing on 8 March 2021, the date that the Group issued its final 2020 results. The RSUs are based upon a GBP:USD exchange rate of 1:1.3924.

OUTSTANDING EXECUTIVE DIRECTOR SHARE PLAN AWARDS (AUDITED)

Details of all outstanding share awards as at 31 December 2021 made to Executive Directors are set out below:

	Award Type	Exercise Price (£)	Grant Date	Interest at 1 January 2021	Awards Granted in the Year	Awards Exercised in the Year	Interest at 31 December 2021 [(a)]	Exercise/Vesting Period
Rusty Hutson, Jr.	PSU		15 March 2021	–	832,653	–	832,653	March 2024 [(b)]
	RSU		8 March 2021	–	166,206	–	166,206	February 2022 [(c)]
	PSU		23 June 2020	1,699,011	–	–	1,699,011	March 2023 [(d)]
	RSU		14 April 2020	78,351	–	78,351	–	February 2021 [(e)]
	Options	£ 1.20	9 May 2019	2,400,000	–	–	2,400,000	May 2022 [(f)]
	Options	£ 0.84	14 April 2018	6,000,000	–	–	6,000,000	May 2021 [(g)]
Bradley G. Gray	PSU		15 March 2021	–	511,927	–	511,927	March 2024 [(b)]
	PSU		23 June 2020	1,044,577	–	–	1,044,577	March 2023 [(d)]
	RSU		14 April 2020	64,524	–	64,524	–	February 2021 [(e)]
	Options	£ 1.20	9 May 2019	1,100,000	–	–	1,100,000	May 2022 [(f)]
	Options	£ 0.84	14 April 2018	2,750,000	–	–	2,750,000	May 2021 [(g)]

[(a)] 2,000,000 of the awards granted to Mr. Hutson and 916,667 of the awards granted to Mr. Gray in 2018 vested in 2021 but remain unexercised. All of the other awards are unvested as at 31 December 2021.

[(b)] See Share Awards Granted in 2021 section above for details of performance conditions.

[(c)] RSUs granted in March 2021 were granted in accordance with the Group's annual bonus award as set out in the Group's 2020 Annual Report and Accounts with no further performance conditions.

[(d)] See Group's 2020 Annual Report and Accounts for details of performance conditions.

[(e)] RSUs granted in April 2020 were 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.

[(f)] Options granted on 9 May 2019 with an exercise price of £1.20 per share with a three-year ratable vesting period. 100% of the Options are subject to performance conditions.

[(g)] Options granted on 14 April 2018 with an exercise price of £0.84 per share with a three-year ratable vesting period. Two-thirds of the Options are subject to performance conditions.

During the year ended 31 December 2021, the highest closing price of the Group's shares was £1.310 and the lowest closing price was £0.977. At 31 December 2021 the closing share price was £1.044.

The aggregate gains by all Directors during 2021 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 2021:

	Shareholding	Shareholding Required (% of Salary)	Compliance With Share Ownership Guidelines	Share Interests
Rusty Hutson, Jr.	21,172,899	200%	✓	11,097,870 [(a)]
Bradley G. Gray	2,369,782	200%	✓	5,406,504 [(b)]
David E. Johnson	400,000	-	-	–
Martin K. Thomas	2,165,000	-	-	–
David J. Turner, Jr.	371,500	-	-	–
Sandra M. Stash	–	-	-	–
Melanie A. Little	40,000	-	-	–
Sylvia Kerrigan	–	-	-	–

[(a)] 2,000,000 of the awards granted to Mr. Hutson in 2018, vested in 2021, but remain unexercised. All the other awards are unvested as at 31 December 2021.

[(b)] 916,667 of the awards granted to Mr. Gray in 2018 vested in 2021 but remain unexercised. All of the other awards are unvested as at 31 December 2021.

The shareholdings and awards set out above include those held by Directors and their respective connected persons. On 26 February 2022, certain RSUs issued under the Group's equity incentive plan vested, including 184,274 RSUs for Mr. Hutson. As a result of the vesting, Mr. Hutson's share interest has increased to 21,274,422. There were no other changes in Directors' interests between 31 December 2021 and the date of this Annual Report.

PAYMENTS TO PAST DIRECTORS (AUDITED)

Robert Post retired as a Board member in April 2020. Mr. Post continued to provide advice to the Board post-retirement as a consultant, receiving fees in 2021 of £97,500.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

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

EXECUTIVE DIRECTORS SERVING AS NON-EXECUTIVE DIRECTORS OF OTHER COMPANIES

During the year none of the Executive Directors served as a non-executive director of any other company in respect of which any board-related remuneration was received.

PERFORMANCE GRAPH AND CEO REMUNERATION TABLE

The Directors' Remuneration Report Regulations 2002 require a line graph showing the TSR on a holding of shares in the Group since admission to the Premium Segment of the Main Market of the LSE to the most recent financial year end following such admission, as well as the TSR for a hypothetical holding of shares in a broad equity market index for the same period. The Group was admitted to the Main Market on 18 May 2020 and the graph below covers that period, comparing the Group's TSR to that of the FTSE 250 (excluding Investment Trusts), an index of which the Group is a constituent.

TOTAL SHAREHOLDER RETURN

Rebased at 100 on 18 May 2020

Source: Datastream (a Refintiv product)

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

(In Thousands)

Year	CEO		Single Figure of Total Remuneration	Annual Bonus Pay-Out Against Maximum %	Long-Term Incentive Vesting Rates Against Maximum Opportunity %
2021	Rusty Hutson, Jr.	$	2,195	85 %	45 %
2020	Rusty Hutson, Jr.	$	2,307	94 %	100 %

Annual Change in Remuneration of Each Director Compared to Employees

The table below presents the year-on-year (2020-2021) percentage change in remuneration for each director and all employees of the Group:

Name	Change in Salary/Fee	Change in Annual Bonus	Change in Taxable Benefits
Rusty Hutson, Jr.	3 %	(7)%	400 %
Bradley G. Gray	3 %	(7)%	(14)%
David E. Johnson	3 %	– %	– %
Martin K. Thomas	2 %	– %	– %
David J. Turner, Jr.	3 %	– %	– %
Sandra M. Stash	2 %	– %	– %
Melanie A. Little	2 %	– %	– %
Sylvia Kerrigan [a]	100 %	– %	– %
All employees, excluding Directors	11 %	(2)%	– %

[a] Sylvia Kerrigan was appointed to the Board on 11 October 2021.

CEO TO EMPLOYEE PAY RATIO

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

Year	Method	25th Percentile Pay Ratio	Average Pay Ratio	75th Percentile Pay Ratio
2021	Option A	44:1	30:1	28:1
2020	Option A	55:1	30:1	14:1

Notes to the CEO to employee pay ratio:

1. We have used Option A, following guidance that this is the preferred approach of some proxy advisors and institutional shareholders. Option A captures all relevant pay and benefits for all employees in line with the single figure for remuneration calculated for Executive Directors.
2. The ratios shown are representative of the 25th percentile, median and 75th percentile pay for all employees within the Group during the 2021 calendar year.
3. 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.
4. The figures for the 2020 CEO to Employee Pay Ratio slightly differ from the previously reported figures due to a calculation error.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below details the change in total employee pay between 2020 and 2021, compared with distributions to shareholders by way of dividend or share buybacks.

(In thousands)	2021	2020	% Change
Total gross employee pay	$ 83,790	$ 75,719	11%
Dividends/share buybacks	130,239	114,161	14 %

The number of employees as of 31 December 2021 was 1,426, as compared to 1,107 employees as of 31 December 2020.

Statement of Voting at General Meeting

The following table shows the results of the binding Remuneration Policy and the advisory Directors' Remuneration Report vote at the 27 April 2021 AGM.

	(Binding Vote)		(Advisory Vote)	
	Approval of the Directors' Remuneration Policy		Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	539,780	96.78%	536,242	96.14%
Against	17,984	3.22%	21,514	3.86%
Vote withheld	76	–	84	–

IMPLEMENTATION OF POLICY FOR 2022

Base Salary

The Executive Directors' base salaries for 2022 will be as follows:

- Rusty Hutson, Jr: $720,954
- Bradley G. Gray: $437,713

For 2022, the Committee proposes to increase the CEO's salary by 4% and the COO's by 2.7%. This compares to increases across the Group ranging from 0% to 5.4% based on performance, with an average of 2.7%. The CEO's increase is therefore in-line with the increases for other higher performing employees at Diversified. It is anticipated that increases for the remainder of the life of the policy will be in-line with the range of the workforce.

Pension

The Executive Directors do not receive a pension provision.

Benefits

The Executive Directors receive life insurance and automobile benefits, and matching contributions under the Group's 401(k) plan. There is no current intention to introduce additional benefits in 2022.

Annual Bonus

The overall 2022 bonus plan maximum will be 175% of base salary for Rusty Hutson, Jr. and 150% of base salary for Bradley G. Gray.

The bonus will be based on a range of targets relating to Hedged Adjusted EBITDA per Share (50%), Total Cash Cost per Mcfe (15%), Acquisition and Company Operations Funding (5%), and ESG/EHS (30%).

Due to issues of commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Committee is committed to adhering to principles of transparency in terms of retrospective annual bonus target disclosure and will, therefore, provide appropriate and relevant levels of disclosure for the bonus targets applied to the 2022 bonus (and performance against these targets) in next year's Directors' Remuneration Report.

Bonuses are payable in cash for outcomes up to 100% of base salary, with any outcomes above this level made as awards of deferred shares or cash which vests after one year.

Long-Term Incentives

Performance Share Awards will be made in 2022 to Rusty Hutson, Jr. with shares worth 300% of salary and to Bradley G. Gray with shares worth 250% of salary. The share price used to calculate the number of shares subject to the award will be based on the average share price over the five-day period commencing on the date that the Group issues its final 2021 results. These awards will vest three years after grant, and will also be subject to a further two-year holding period after the initial three-year period to vesting.

The performance conditions for the performance share award will be a mix of Return on Equity (40%), Absolute TSR (30%), Relative TSR (10%) and Emissions (20%) targets measured over three years as described below. These are measures which encourage the generation of sustainable long-term returns to shareholders. The introduction of the new Emissions metric is to align with the Group's emissions commitments and the change in the weighting of the TSR measures recognises the Board's continued commitment to absolute shareholder returns which represents a core principle of our strategy. When determining the level of vesting the committee will also consider that the outcome of the measurement reflects the underlying performance or financial health of the Group.

Remuneration Committee

RETURN ON EQUITY (40% OF TOTAL AWARD)

Three-Year Average ROE	% of that Part of the Award that Vests
Below 15% per annum	–%
15% per annum	15%
25% per annum or above	100%
15% to 25% per annum	Pro rata straight-line between 15% and 100%

ABSOLUTE TSR (30% OF TOTAL AWARD)

Three-Year TSR	% of that Part of the Award that Vests
Below 10% per annum	–%
10% per annum	15%
20% per annum or above	100%
10% to 20% per annum	Pro rata straight-line between 15% and 100%

RELATIVE TSR (10% OF TOTAL AWARD)

Three-Year TSR v FTSE 250	% of that Part of the Award that Vests
Below median	–%
Median	15%
Upper quartile or above	100%
Median to upper quartile	Pro rata straight-line between 15% and 100%

EMISSIONS (20% OF TOTAL AWARD)

Emissions	% of that Part of the Award that Vests
Below median	–%
Median	15%
Upper quartile or above	100%
Median to upper quartile	Pro rata straight-line between 15% and 100%

NON-EXECUTIVE DIRECTORS' FEES

In 2022, the Chairman's fee will increase to £174,000 (from £125,000) and the base fees for the Non-Executive Directors will increase to £105,000 (from £75,000), with a requirement to use the increase in fees (after receipt, and net of taxes and withholdings) to purchase Group shares that must be held until retirement from the Board. This increase reflects the challenges of recruiting Non-Executive Directors with the requisite experience in the US market in which the Group operates, where overall Non-Executive Directors fee levels are significantly higher and would include a mix of cash and shares; and the additional time and disturbance required of Non-Executive Directors who are expected to frequently travel across the Atlantic to Board and other Group meetings as international travel normalises. In addition, with respect to the increase in the Chairman's fees, this increase reflects the significantly greater time commitment associated with his role, particularly since the Group has moved to the main list from AIM and is now a constituent of the FTSE 250 index.

The resulting 2022 annual fees for the Chairman and each Non-Executive Director are shown below, including any additional responsibility fees, which remain unchanged from 2021 levels (table in thousands, except rates):

		GBP	Exchange Rate		USD
David J. Turner, Jr. [(a)]	£	135	1.34	$	181
Sandra M. Stash [(b)]		125	1.34		168
Melanie A. Little [(c)]		125	1.34		168
David E. Johnson		174	1.34		233
Martin K. Thomas [(d)]		125	1.34		168
Sylvia Kerrigan		105	1.34		141
Total	£	**789**		$	**1,057**

(a) Includes Senior Independent Director fee of £10,000 (or $13,400) and Audit & Risk Committee Chair fee of £20,000 (or $26,800).

(b) Includes Sustainability & Safety Committee Chair fee of £20,000 (or $26,800).

(c) Includes Remuneration Committee Chair fee of £20,000 (or $26,800).

(d) Includes Nomination Committee Chair fee of £20,000 (or $26,800).

Melanie A. Little

MELANIE A. LITTLE
Chair of the Remuneration Committee

22 March 2022

The Sustainability and Safety Committee's Report

COMMITTEE COMPOSITION

SANDRA M. STASH (62)

Independent Non-Executive Director (Chair)

Strength: Industry

Independence from: Management &

Other interests

DAVID E. JOHNSON (61)

Non-Executive Director, Independent upon Appointment

Strength: Finance

Independence from: Management &

Other interests

MELANIE A. LITTLE (52)

Independent Non-Executive Director

Strength: Industry

Independence from: Management &

Other interests

BRADLEY G. GRAY (53)

Executive Vice President & Chief Operating Officer

Strength: Industry

Independence from: Other Interests

KEY OBJECTIVE

The Sustainability and Safety Committee acts on behalf of the Board and the shareholders to oversee the practices and performance of the Group with respect to health and safety, business ethics, business conduct and responsibility, social affairs, the environment (including climate change) and broader sustainability issues. As part of the Group's overall ESG actions, the committee oversees the Group's climate scenario analysis planning and performance against goals and ensures adherence to the recommended TCFD disclosures for use by investors, lenders, insurers and other stakeholders.

OVERVIEW

The committee assesses the Group's overall sustainability performance and provides input into the Annual Report and disclosures on sustainability. It also advises the Remuneration Committee on metrics relating to sustainable development, GHG ad other emissions, regulatory compliance, diversity, equity and inclusion, community engagement and other social goals, as well as health and safety that apply to executive remuneration.

The committee endorses the Group's ESG and Safety plans and reviews execution of the plan and audit outcomes.

In addition, the committee reviews and considers external stakeholder perspectives in relation to the Group's business, and reviews how the Group addresses issues of public and stakeholder concern that could affect its reputation and licence to operate.

The overall accountability for sustainability and safety is with the Chief Operating Officer and the Senior Leadership Team, including the Vice President of ESG & Sustainability and the Senior Vice President of Human Resources, who are assisted by the EHS team.

KEY MATTERS DISCUSSED BY THE COMMITTEE

Main Accomplishments Over the Course of 2021

- Established and reviewed the Group's sustainability and safety strategies and assessed Group performance;
- Engaged with the leadership of the Group and approved of the Group's GHG emission intensity reduction targets and accelerated commitment to achieve net zero Scope 1 and 2 GHG emissions by 2040, a decade earlier than the Group's previously stated commitment;
- Reviewed the structural changes made to the leadership of the Group, including the appointment of a new Vice President of ESG and Sustainability;
- Commenced a review programme to align executive management remuneration with key EHS and ESG performance indicators and metrics, including factoring GHG reductions into long-term incentives, that will be communicated to the Remuneration Committee;
- Engaged with 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 2020 Sustainability Report and preparation for issuance of a 2021 Sustainability Report.

Committee Activities by Focus Area

During 2021, the committee met regularly to review and discuss a range of prioritised topics. These topics included (i) the safe and responsible operation of the Group's upstream and midstream assets; (ii) environmental protection and conservation activities; (iii) the Group's approach to diversity, equity and inclusion; and (iv) the Group's approach to managing climate risk. The committee also focussed on the following:

As part of the Group's overall ESG actions, the committee oversees the Group's climate scenario analysis planning and performance against goals and ensures adherence to the recommended TCFD disclosures for use by investors, lenders, insurers and other stakeholders.

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

- The committee reviewed the quantitative and qualitative drivers impacting the Group's personnel safety, emissions and asset retirement metrics that support performance analysis.

ESG Rating Agency Engagement

- The committee reviewed the Group's various third party ESG rating scores, including analysis of the process and review of scorecards to determine targeted areas of improvement.

Climate Risk

- The committee engaged the support of industry and internationally significant consultants to help the Group advance its scenario analysis and TCFD disclosures for use in 2021 year-end reporting in order to continue 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 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

- Adding emphasis to its oversight of the Group's investment activities, the committee requested an emissions screening tool to aid in its assessment that acquisitions and other capital investments have on its consolidated emissions profile. The committee engaged with management during the planning and implementation of this emissions screening tool.

- Management implemented the requested screening tool and used its recent acquisitions from Indigo, Blackbeard, Tanos and Tapstone to calibrate its output for the Committee's use. Prospectively, the Group will complete these assessments for the Committee's review to fully inform their oversight. The Committee will then share its findings with the Full Board as part of their holistic review of an acquisition or capital investment's alignment with the Group's strategy.

High Potential Incidents

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

Diversity, Equity and Inclusion

- The Senior Vice President of Human Resources presented analysis of the Group's employee demographic and other key people management statistics to formulate plans to support the Group's diversity, equity and inclusion aspiration.

Areas of Focus for 2022 and Beyond

- Support the Group in meeting increasing ESG oversight, reporting and disclosure expectations of the Group's stakeholders, including short, medium and long-term metrics and objectives tied to executive compensation for reducing GHG emissions (including formalising a roadmap to be net zero Scope 1 and 2 GHG emissions by 2040);

- Support management with effective oversight and advice as the Group executes and reports on the recommendations of the TCFD;

- Provide advice and guidance on potential further EHS enhancements and reporting metrics; and

- Support the Group in its diversity, equity and inclusion aspirations.

Committee Effectiveness

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

MEMBERSHIP

The formation of a Sustainability and Safety Committee is not a recommendation under the current UK Corporate Governance Code. The Group and the Board, however, consider such a committee to be an imperative given the operational footprint of the business and the evolving operational, regulatory, social and investment markets within which the Group operates.

The committee is comprised of the Non-Executive Chairman, who was independent upon appointment, two 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 2021 and one time in 2022. The committee also 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 Chairperson of the committee keeps in close contact with the General Counsel, the Vice President of ESG and Sustainability, the Vice President of EHS and the EHS team and external consultants between meetings of the committee.

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 ESG and Sustainability)
- Mark Kirkendall (Senior Vice President of Human Resources)
- 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

22 March 2022

The committee has extensive and relevant experience in EHS and social matters through their other business activities.

Group Financial Statements


DIVERSIFIED

Independent auditors' report to the members of Diversified Energy Company PLC (previously Diversified Gas & Oil PLC)

Report on the audit of the financial statements

Opinion

In our opinion:

- Diversified Energy Company PLC (previously Diversified Gas & Oil PLC)'s Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have 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 statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and the Company Statements of Financial Position as at 31 December 2021; 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 Group, and to the Company financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

In establishing the overall approach to the Group audit, we determined the type of work required to be performed for the consolidated financial statements by the Group audit team, or through involvement of our component auditors in the USA. The Group's assets and operations are located in the USA and all financial reporting is undertaken there. Our component audit team, under the Group team's direction and supervision, performed walkthroughs to understand and evaluate the key financial processes and controls across the Group. Where work was performed by our component auditors in the USA, we determined the level of our involvement in the audit work for the consolidated Group in order to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. As part of our year end audit, the Group team's involvement included a visit to Birmingham, Alabama during the execution phase of the audit, as well as conference calls, review of component auditor work papers and key meetings and other forms of communication as considered necessary.

As part of our audit, we made enquiries of management to understand their process to assess the extent of the potential impact of climate change risks on the Group and its financial statements. We used our knowledge of the Group to consider the completeness of the risk assessment performed by management, giving consideration to both physical and transition risks, and management's own public reporting and announcements.

Management has also outlined within their Strategic Report its ESG and sustainability goals, with an investment of $15m in 2022, a focus on reduction in methane intensity in the short-term and an ambition to work towards a net zero Scope 1 and Scope 2 carbon position by 2040. These goals do not directly impact the current financial reporting, as management is still developing its pathway to deliver on these goals and will only model the impact when such a pathway has been developed.

Whilst the impact is uncertain, we particularly considered the impact of both physical and transition risks arising due to climate change, as well as the climate targets announced by the Group on the recoverable value of the Group's gas and oil properties; there were no indications that the useful lives of those properties had been impacted by climate change as disclosed in Note 11. We concur with management's assessment that there are no indications.

We also read the disclosures made in relation to climate change, in the other information within the Annual Report, and considered their consistency with the financial statements and our knowledge from our audit.

Overview

Audit scope

- The Group's assets and operations are based in the Appalachian and Central regions of the USA. For the consolidated Group, we conducted a full scope audit over one significant component based on its size and risk characteristics. This component related to the legacy Diversified Energy Company business incorporating the Indigo, Blackbeard and Tanos assets and includes the Parent Company. These legacy entities were treated as one single component in line with how the Group is managed and the organisation of the Group financial reporting system. The other two components, relating to Tapstone, were not considered significant for the purposes of the Group audit; however, as part of our work on the acquisition of gas and oil properties, we have audited the opening balances. Financial reporting is undertaken for the consolidated Group at the head office in Birmingham, Alabama. Our scope enabled us to obtain 98% coverage of consolidated revenue, 89% of the Group's absolute profit before tax, 86% of consolidated total assets and 84% of absolute consolidated net assets for the Group.

Key audit matters

- Accounting for Acquisitions of Gas and Oil Properties (Group)
- Carrying Value of Investments in Subsidiaries (Company)

Materiality

- Overall Group materiality: US$8.4m (2020: US$7.4m) based on 2.5% of hedged adjusted EBITDA, excluding non-cash equity compensation.
- Overall Company materiality: £5.9m (2020: £5.1m) based on 1% of Total Assets but capped at 95% of overall Group materiality.
- Performance materiality: US$6.3m (2020: US$3.7m) (Group) and £4.4m (2020: £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 statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impairment of Natural Gas and Oil Properties (Group) and Consideration of the Impact of COVID-19 (Group and Company), which were key audit matters last year, are no longer included because of changes made to our risk assessment. The risk of Impairment of Natural Gas and Oil Properties was reduced from significant to normal given there were no triggering events identified. In addition, as we emerge from the pandemic, because of the relatively insignificant financial and operational impact of COVID-19 on the Group in the year under audit, we have no longer included a KAM on the Consideration of the Impact of COVID-19. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accounting for Acquisitions of Gas and Oil Properties (Group) Refer to Note 3 (Significant Accounting Policies), Note 4 (Significant Accounting Judgments and Estimates) and Note 5 (Acquisitions and Divestitures). During 2021, the Group completed four significant acquisitions: • Indigo Minerals LLC ("Indigo") for cash consideration of $117m; • Blackbeard Operating LLC ("Blackbeard") for cash consideration of $171m; • Tanos Energy Holdings III, LLC ("Tanos") for cash consideration of $116m; and • Tapstone Energy Holdings LLC ("Tapstone") for cash consideration of $177m. Accounting for these significant acquisitions is complex and involves judgement including around the assessment of the fair value of assets acquired and liabilities assumed. The valuation of identified tangible and intangible assets can be a subjective process and there is a risk that the accounting treatment may be incorrect and as such this was an area of focus for us. IFRS 3 (amended), 'Business Combinations' allows for an optional concentration test that, if met, allows an entity to account for the	Our audit procedures in respect of all acquisitions comprised the following: • Reading the sale and purchase agreements to gain an understanding of the assets acquired, liabilities assumed and the overall nature of the transactions; • Ensuring the accounting is in accordance with IFRS 3 (amended), in particular that the Indigo and Blackbeard acquisitions met the optional concentration test permitting these acquisitions to be accounted for as asset acquisitions as opposed to a business combination; and • Agreeing cash consideration to bank statements. For the Tanos and Tapstone acquisitions, 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: • Tested management's valuation of producing assets by comparing the assumptions used within the valuation models to approved budgets and business plans and other evidence of future intentions for the relevant assets; • Compared reserves and production profiles and operating expenditure forecasts to Group approved budgets, operator estimates or reserve reports;

acquisition as an asset acquisition rather than as a business combination.

In relation to Indigo and Blackbeard, the assets and processes acquired will be operated by the Group's existing operational and marketing team. The initial value of the gross assets acquired across both acquisitions is largely attributable to the proved developed wells which are considered similar in nature and therefore can be treated as a group of similar identifiable assets in relation to the concentration test under IFRS 3 (amended). As such Indigo and Blackbeard have been accounted for as asset acquisitions with fair values of $117m and $171m attributed to the acquired assets and liabilities, respectively. Acquisition costs have also been capitalised as part of total consideration.

In July 2021, subsequent to the acquisition of Indigo in May 2021, the Group divested a 48.75% proportionate working interest in the assets to Oaktree Capital Management, L.P. ("Oaktree") for consideration of $52m. As the fair value of assets divested was higher than the consideration received, the Group has recorded a loss on natural gas and oil property and equipment of $1.5m.

In relation to Tanos, the Group, in partnership with Oaktree, acquired a majority operating working interest in certain upstream assets, field infrastructure, equipment and facilities. The Group and Oaktree each acquired 51.25% and 48.75% of these working interests, respectively. The majority of the initial fair value of the gross assets acquired was distributed across the proved developed wells and some undeveloped acreage, which was subsequently divested in December 2021. In light of the value attributable to the undeveloped acreage, the acquisition of Tanos did not meet the concentration test as there was more than one single group of identifiable assets acquired. Since the Group had acquired an identifiable set of inputs, processes and outputs it was concluded that the acquisition of Tanos was a business combination. Accordingly, all assets acquired, and liabilities assumed, have been recorded at fair value on the date of acquisition. The total identifiable net assets acquired were $149m which was greater than the total consideration paid of $116m. As a result, a gain on bargain purchase of $32m has been recognised.

In December 2021, the Group acquired the equity of Tapstone Energy LLC and other working interests from a Tapstone related party. This resulted in the Company acquiring a majority operating working interest, in partnership with Oaktree, in certain upstream assets, field infrastructure, and facilities. The Company and Oaktree each acquired 51.25% and 48.75% of these working interests, respectively. In light of the values attributable to the different groups of assets acquired, the concentration test was not met, and it was concluded that the Group had acquired an identifiable set of inputs, processes and outputs. The Tapstone acquisition has therefore been treated as a business combination. As a result of this treatment, all assets acquired, and liabilities assumed, have been recorded at fair value on the date of acquisition. The total identifiable net assets acquired were $213m which was greater than the total consideration of $187m. As a result, a gain on bargain

- 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;
- Challenged management on the recognition of the gains on bargain purchase, benchmarked their explanations to available third-party data and performed additional work to ensure completeness of assets and liabilities recognised to corroborate 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 completeness of assets and liabilities included within the valuation and the inclusion or exclusion of certain tax balances and agreed that all relevant balances have been included.

For the Indigo and Blackbeard acquisitions, we assessed the reasonableness of the allocation of the purchase consideration to the gas and oil properties and other assets acquired.

Where Oaktree was involved in acquiring a 48.75% working interest in the assets acquired from Indigo, Tanos and Tapstone, we reviewed the agreements and confirmed the appropriate accounting treatment was applied.

Where there were differences between the results of our audit work and those of management's external valuation expert, we sought explanations for them.

Based on our audit procedures performed, we consider the accounting for all four acquisitions and the related valuation of gas and oil properties and other assets acquired, and liabilities assumed, to be reasonable. We also reviewed the related disclosures in the notes to the financial statements for compliance with accounting standards and consistency with the results of our work, with no matters arising.

purchase of $26m has been recognised. For both the Tanos and Tapstone acquisitions, management used an external valuation expert to calculate the fair values of the assets acquired and liabilities assumed.	
Carrying Value of Investments in Subsidiaries (Company) Refer to Note 2 (Accounting Policies), Note 3 (Significant Accounting Judgments and Estimates) and Note 4 (Investments) of the Company financial statements. Impairment assessments require significant judgement and there is a risk that the valuation of the assets may be incorrect, and any potential impairment charge or reversal miscalculated. As such, this was a key area of focus for our audit due to the size of the balance. As disclosed in Note 4 to the Company financial statements, the Company has investments of £897m in its subsidiaries. There is a risk that the performance of the subsidiary undertakings is not sufficient to support their carrying value and the assets may be impaired. The Directors have considered the recoverability of the Investments in Subsidiaries at 31 December 2021 to determine whether there are indicators that may suggest the asset is impaired. The Directors compared the carrying amount of the investment value to the recoverable amount of the underlying assets. Having performed this assessment, no impairment was recognised.	We obtained management's impairment of Investment in Subsidiaries assessment and: • Verified that the inputs to the assessment were mathematically accurate; • Compared the carrying value of the investment to the recoverable amount of the underlying assets. Based on our analysis of the assessment of the recoverable amount, we concur that the carrying value of the Investment in Subsidiaries is supportable. We found that the Directors' view that there was no impairment to recognise appropriate. We also consider the associated disclosures to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group audit team, or by our PwC component audit team in the USA. The Group's assets and operations are based in the Appalachian and Central regions of the USA. Financial reporting is undertaken at the head office in Birmingham, Alabama. For the consolidated Group financial information, we have identified three components. The legacy Diversified Energy Company Group incorporating the Indigo, Blackbeard and Tanos assets has been identified as a significant component. The other two components, being the Tapstone Group and the Chesapeake Granite Wash Trust are not considered significant for the purpose of the audit. Audit work on the consolidated Group was carried out by our US component audit team. The audit of Diversified Energy Company PLC (the Company) was conducted from the UK.

Where the work was performed by the component audit team, we determined the level of involvement we needed to ensure sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial information as a whole. We spent time with our component team in Birmingham, Alabama during the execution phase of the audit. In addition to this site visit we conducted our oversight of our component audit team through regular dialogue via conference calls, video conferencing and other forms of communication as considered necessary. We performed remote and in-person working paper reviews to satisfy ourselves as to the appropriateness of audit work performed by our component audit team. We also attended key meetings virtually and in person with local management and our component audit team. Further specific audit procedures over the Group consolidation, selected financial 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 statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements - Group	Financial statements - Company
Overall materiality	US$8.4m (2020: US$7.4m).	£5.9m (2020: £5.1m).
How we determined it	2.5% of hedged adjusted EBITDA, excluding non-cash equity compensation	1% of Total Assets but capped at 95% of overall Group materiality
Rationale for benchmark applied	We have concluded that hedged adjusted EBITDA, excluding non-cash equity compensation, is the most appropriate benchmark as it is a primary measure used by shareholders in assessing the performance of the Group. The 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 75% (2020: 50%) of overall materiality, amounting to US$6.3m (2020: US$3.7m) for the Group financial statements and £4.4m (2020: £2.5m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $0.42m (Group audit) (2020: $0.37m) and £0.29m (Company audit) (2020: £0.25m) 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 FY22 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 statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and 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 statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors’ confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors’ statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group’s and 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 statements;
- 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 statements 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 statements and our knowledge obtained during the audit:

- The Directors’ statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group’s and the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors’ statement relating to the Company’s compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the London Stock Exchange Listing Rules, UK and US tax legislation and employment law, state and federal laws and regulations and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate EBITDA, accounting for large or unusual transactions outside the normal course of business and management bias in key accounting estimates. The Group engagement team shared this risk assessment with the component 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 component auditors included:

- Enquiries of Directors, management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- 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 Indigo, Blackbeard, Tanos and Tapstone acquisitions; and
- Identifying and testing journal entries based on our risk assessment.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Remuneration Committee's Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 15 April 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2020 and 31 December 2021.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Timothy McAllister (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

22 March 2022

Consolidated Statement of Comprehensive Income

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

	Notes	Year Ended 31 December 2021	Year Ended 31 December 2020
Revenue	6	$ 1,007,561	$ 408,693
Operating expense	7	(291,213)	(203,963)
Depreciation, depletion and amortisation	7	(167,644)	(117,290)
Gross profit		**$ 548,704**	**$ 87,440**
General and administrative expense	7	(102,326)	(77,234)
Allowance for expected credit losses	15	4,265	(8,490)
Gain (loss) on natural gas and oil property and equipment	11,12	(901)	(2,059)
Gain (loss) on derivative financial instruments	14	(974,878)	(94,397)
Gains on bargain purchases	5	58,072	17,172
Operating profit (loss)		**$ (467,064)**	**$ (77,568)**
Finance costs	22	(50,628)	(43,327)
Accretion of asset retirement obligation	20	(24,396)	(15,424)
Other income (expense)	25	(8,812)	(421)
Income (loss) before taxation		**$ (550,900)**	**$ (136,740)**
Income tax benefit (expense)	8	225,694	113,266
Net income (loss)		**$ (325,206)**	**$ (23,474)**
Other comprehensive income (loss)		51	(28)
Total comprehensive income (loss)		**$ (325,155)**	**$ (23,502)**
Net income (loss) attributable to:			
Diversified Energy Company PLC		$ (325,509)	$ (23,474)
Non-controlling interest		303	–
Net income (loss)		**$ (325,206)**	**$ (23,474)**
Earnings (loss) per share - basic and diluted	10	**$ (0.41)**	**$ (0.03)**
Weighted average shares outstanding - basic and diluted	10	793,542	685,170

The notes on pages 131 to 175 are an integral part of the Group Financial Statements.

Consolidated Statement of Financial Position

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

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets:			
Natural gas and oil properties, net	11	$ 2,530,078	$ 1,755,085
Property, plant and equipment, net	12	413,980	382,103
Intangible assets	13	14,134	19,213
Restricted cash	3	18,069	20,100
Derivative financial instruments	14	219	717
Deferred tax asset	8	176,955	14,777
Other non-current assets	16	3,635	4,213
Total non-current assets		**$ 3,157,070**	**$ 2,196,208**
Current assets:			
Trade receivables, net	15	$ 282,922	$ 66,991
Cash and cash equivalents	3	12,558	1,379
Restricted cash	3	1,033	250
Derivative financial instruments	14	1,052	17,858
Other current assets	16	39,574	7,996
Total current assets		**$ 337,139**	**$ 94,474**
Total assets		**$ 3,494,209**	**$ 2,290,682**
EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	17	$ 11,571	$ 9,520
Share premium	17	1,052,959	841,159
Share based payment and other reserves		14,156	8,797
Retained earnings (accumulated deficit)		(431,277)	27,182
Non-controlling interest	5	16,541	–
Total equity		**$ 663,950**	**$ 886,658**
Non-current liabilities:			
Asset retirement obligations	20	$ 522,190	$ 344,242
Leases	21	18,177	13,865
Borrowings	22	951,535	652,281
Deferred tax liability	8	–	15,746
Derivative financial instruments	14	556,982	168,524
Other non-current liabilities	24	7,775	12,860
Total non-current liabilities		**$ 2,056,659**	**$ 1,207,518**
Current liabilities:			
Trade and other payables	23	$ 62,418	$ 19,366
Leases	21	9,627	5,013
Borrowings	22	58,820	64,959
Derivative financial instruments	14	251,687	15,858
Other current liabilities	24	391,048	91,310
Total current liabilities		**$ 773,600**	**$ 196,506**
Total liabilities		**$ 2,830,259**	**$ 1,404,024**
Total equity and liabilities		**$ 3,494,209**	**$ 2,290,682**

The notes on pages 131 to 175 are an integral part of the Group Financial Statements.

The Group Financial Statements were approved and authorised for issue by the Board on 22 March 2022 and were signed on its behalf by:

D.E Johnson

DAVID E. JOHNSON
Chairman of the Board

22 March 2022

Consolidated Statement of Changes in Equity

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

	Notes	Share Capital	Share Premium	Share Based Payment and Other Reserves	Retained Earnings (Accumulated Deficit)	Non-Controlling Interest	Total Equity
Balance as of 31 December 2020		**$ 9,520**	**$ 841,159**	**$ 8,797**	**$ 27,182**	**$ –**	**$ 886,658**
Net Income (loss)		–	–	–	(325,509)	303	(325,206)
Other comprehensive income (loss)		–	–	–	51	–	51
Total comprehensive income (loss)		–	–	–	(325,458)	303	(325,155)
Non-controlling interest	5	–	–	–	–	16,238	16,238
Issuance of share capital	17	2,044	211,800	–	–	–	213,844
Equity compensation		7	–	6,788	(2,762)	–	4,033
Dividends	19	–	–	–	(130,239)	–	(130,239)
Cancellation of warrants	17	–	–	(1,429)	–	–	(1,429)
Transactions with shareholders		**2,051**	**211,800**	**5,359**	**(133,001)**	**16,238**	**102,447**
Balance as of 31 December 2021		**$ 11,571**	**$1,052,959**	**$ 14,156**	**$ (431,277)**	**$ 16,541**	**$ 663,950**

	Notes	Share Capital	Share Premium	Share Based Payment and Other Reserves	Retained Earnings (Accumulated Deficit)	Non-Controlling Interest	Total Equity
Balance as of 31 December 2019		**$ 8,800**	**$ 760,543**	**$ 3,947**	**$ 164,845**	**$ –**	**$ 938,135**
Net income (loss)		–	–	–	(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**	**4,850**	**(114,161)**	**–**	**(27,975)**
Balance as of 31 December 2020		**$ 9,520**	**$ 841,159**	**$ 8,797**	**$ 27,182**	**$ –**	**$ 886,658**

The notes on pages 131 to 175 are an integral part of the Group Financial Statements.

Consolidated Statement of Cash Flows

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

	Notes	Year Ended 31 December 2021	31 December 2020
Cash flows from operating activities:			
Income (loss) after taxation		**$ (325,206)**	**$ (23,474)**
Cash flows from operations reconciliation:			
Depreciation, depletion and amortisation	7	167,644	117,290
Accretion of asset retirement obligations	20	24,396	15,424
Income tax (benefit) expense	8	(225,694)	(113,266)
(Gain) loss on fair value adjustments of unsettled financial instruments	14	652,465	238,795
Plugging costs of asset retirement obligations	20	(2,879)	(2,442)
(Gain) loss on natural gas and oil properties and equipment	5,11,12	901	1,356
(Gains) on bargain purchases	5	(58,072)	(17,172)
Finance costs	22	50,628	43,327
Revaluation of contingent consideration	5	8,963	567
Hedge modifications	14	(10,164)	(7,723)
Non-cash equity compensation	7	7,400	5,007
Working capital adjustments:			
Change in trade receivables	15	(122,724)	2,390
Change in other current assets	16	(4,233)	1,958
Change in other assets	16	(556)	(1,173)
Change in trade and other payables	23	9,307	(4,772)
Change in other current and non-current liabilities	24	158,886	(8,532)
Cash generated from operations		**$ 331,062**	**$ 247,560**
Cash paid for income taxes		(10,880)	(5,850)
Net cash provided by operating activities		**$ 320,182**	**$ 241,710**
Cash flows from investing activities:			
Consideration for business acquisitions, net of cash acquired	5	$ (286,804)	$ (100,138)
Consideration for asset acquisitions	5	(287,330)	(122,953)
Proceeds from divestitures	5	86,224	–
Payments associated with potential acquisitions	16	(25,002)	–
Acquisition related debt and hedge extinguishments	5, 14	(56,466)	–
Expenditures on natural gas and oil properties and equipment	11,12	(50,175)	(21,947)
(Increase) decrease in restricted cash		1,838	(12,637)
Proceeds on disposals of natural gas and oil properties and equipment	11,12	2,663	3,712
Other acquired intangibles	13	–	(2,900)
Contingent consideration payments	5	(10,822)	(893)
Net cash used in investing activities		**$ (625,874)**	**$ (257,756)**
Cash flows from financing activities:			
Repayment of borrowings	22	$ (1,432,566)	$ (705,314)
Proceeds from borrowings	22	1,727,745	799,650
Cash paid for interest	22	(41,623)	(34,335)
Debt issuance cost	22	(10,255)	(7,799)
Proceeds from equity issuance, net	17	213,844	81,407
Principal element of lease payments	21	(8,606)	(3,684)
Cancellation of warrants	17	(1,429)	–
Dividends to shareholders	19	(130,239)	(98,527)
Repurchase of shares	17	–	(15,634)
Net cash provided by financing activities		**$ 316,871**	**$ 15,764**
Net change in cash and cash equivalents		$ 11,179	$ (282)
Cash and cash equivalents, beginning of period		1,379	1,661
Cash and cash equivalents, end of period		**$ 12,558**	**$ 1,379**

The notes on pages 131 to 175 are an integral part of the Group Financial Statements.

Notes to the Group Financial Statements

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

INDEX TO THE NOTES TO THE GROUP FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

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

Diversified Energy Company PLC (the "Parent"), formerly Diversified Gas & Oil PLC, and its wholly owned subsidiaries (the "Group") is an independent energy company engaged in the production, marketing and transportation of primarily natural gas related to its synergistic US onshore upstream and midstream assets. The Group's assets are located within the Appalachian Basin of the US and more recently have expanded into the Central Region, consisting of the Cotton Valley, Haynesville and Barnett shales located in the states of Louisiana, Texas and Oklahoma.

The Parent was incorporated on 31 July 2014 in the United Kingdom and is registered in England and Wales under the Companies Act 2006 as a public limited company under company number 09156132. The Group's registered office is located at 4th floor 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. With the change in corporate name in 2021, the Group's shares listed on the LSE began trading on 7 May 2021 as Diversified Energy Company PLC under the new ticker "DEC".

NOTE 2 - BASIS OF PREPARATION

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

Basis of Preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in the Group's consolidated financial statements (the "Group Financial Statements") on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The Group Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The principal accounting policies set out below have been applied consistently throughout the year and are consistent with prior year unless otherwise stated.

Unless otherwise stated, the Group Financial Statements are presented in 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 rate at the date of the Consolidated Statement of Financial Position. Where the Group has a different functional currency, its results and financial position are translated into the presentation currency as follows:

- Assets and liabilities in the Consolidated Statement of Financial Position are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
- Income and expenses in the Consolidated Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are reflected within other comprehensive income in the Consolidated Statement of Comprehensive Income.

The Group Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) held at fair value through profit and loss or through other comprehensive income.

Segment Reporting

The Group is an independent owner and operator of producing natural gas and oil wells with properties located in the states of Tennessee, Kentucky, Virginia, West Virginia, Ohio, Pennsylvania, Oklahoma, Texas and Louisiana. The Group's strategy is to acquire long-life producing assets, efficiently operate those assets to generate Free Cash Flow for shareholders and then to retire assets safely and responsibly at the end of their useful life. The Group's assets consist of natural gas and oil wells, pipelines and a network of gathering lines and compression facilities which are complementary to the Group's assets. The Directors acquire and manage these assets in a complementary fashion to vertically integrate and improve margins rather than as separate operations. 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 US.

Going Concern
The Group Financial Statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of this Annual Report.

The Directors closely monitor and carefully manage the Group's liquidity risk. Our financial outlook is assessed primarily through the annual business planning process, however it is also carefully monitored on a monthly basis. This process includes regular Board discussions, led by Senior Leadership, at which the current performance of, and outlook for, the Group are assessed. The outputs from the business planning process include a set of key performance objectives, an assessment of the Group's primary risks, the anticipated operational outlook and a set of financial forecasts that consider the sources of funding available to the Group (the "Base Plan").

The Base Plan incorporates key assumptions which underpin the business planning process. These assumptions are as follows:

- Projected operating cash flows are calculated using a production profile which is consistent with current operating results and decline rates;
- Assumes commodity prices are in line with the current forward curve which considers basis differentials;
- Operating cost levels stay consistent with historical trends;
- The financial impact of our current hedging contracts in place, being approximately 90%, 70%, and 55% of total production volumes hedged for the years ending 31 December 2022, 2023 and 2024 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 continuation of $15 million a year in emissions reductions initiatives.

The Directors and Senior Leadership also consider further scenarios around the Base Plan that primarily reflect a more severe, but plausible, downside impact of the principal risks, both individually and in the aggregate, as well as the additional capital requirements that downside scenarios could place on us.

Scenario 1:	A sharp and sustained decline in pricing resulting in a 10% reduction to net realised prices.
Scenario 2:	A operational stoppage or regulatory event occurs which results in reduced production by approximately 5%.
Scenario 3:	A market or regulatory event triggers an increase in operating and midstream expenses by approximately 5%.

Under these downside sensitivity scenarios, the Group remains cash flow positive. The Group meets its working capital requirements, which presently primarily consist of derivative liabilities that, when settled, will be funded utilising the higher commodity revenues from which the derivative liability was derived. The Group will also continue to meet the covenant requirements under its Credit Facility as well as its other existing borrowing instruments, and continue to return cash flows to shareholders.

The Directors and Senior Leadership consider the impact that these principal risks could, in certain circumstances, have on the Group's prospects within the assessment period, and accordingly appraise the opportunities to actively mitigate the risk of these severe, but plausible, downside scenarios. In addition to its modelled downside going concern scenarios, the Board has 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.

In addition to the scenarios above, 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. Further, the Group has not experienced any shutdown of this nature to date, and the Group's 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. Accordingly no principal risk associated with Covid-19 was identified.

Based on the above the Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of the Group Financial Statements.

Prior Period Reclassifications and Changes in Presentation
The Group has reclassified certain amounts in its prior year Consolidated Statement of Cash Flows to conform to its current period presentation. These changes in classification do not affect total comprehensive income previously reported the Consolidated Statement of Cash Flows.

Reclassifications in the Consolidated Statement of Cash Flows. During the year ended 31 December 2020, the Group reclassified $893 in "Contingent consideration payments" from "Cash flows from financing activities" to "Cash flows from investing activities".

Changes in Presentation. During the year ended 31 December 2020, the Group combined $478 in "Merger reserve," $592 in "Capital redemption reserve," and $8,683 in "Share-based payment reserve" into the combined ending balance of $8,797. These balances have now been presented under the new financial statement line item "Share based payment and other reserves" on the Consolidated Statement of Financial Position and the Consolidated Statement of Changes in Equity.

Basis of Consolidation

The Group Financial Statements for the year ended 31 December 2021 reflect the following corporate structure of the Group:

The Group, and its 100% wholly owned subsidiaries:

- Diversified Energy Company PLC ("DEC") as well as its wholly owned subsidiaries
- Diversified Gas & Oil Corporation
  - > Diversified Production, LLC
    - Diversified ABS Holdings LLC
      - > Diversified ABS LLC
    - Diversified ABS Phase II Holdings LLC
      - > Diversified ABS Phase II LLC
    - Diversified ABS Phase III Holdings LLC[a]
    - Diversified ABS Phase IV Holdings LLC[a]
      - > Diversified ABS Phase IV LLC
    - DP Bluegrass Holdings LLC
      - > DP Bluegrass LLC
- BlueStone Natural Resources II LLC
- Chesapeake Granite Wash Trust[b]
- Tapstone Energy Holdings, LLC
  - > Tapstone Energy Holdings II, LLC
  - > Tapstone Energy Holdings III, LLC
  - > Tapstone Energy, LLC
    - Tapstone Manager, LLC
    - Tapstone Management Company, LLC[c]
    - Tapstone Midstream, LLC
    - Giant Land, LLC[d]
    - Beehive Land, LLC[d]
    - Castle Land, LLC[d]
    - Daisy Land, LLC[d]
    - Eureka Land, LLC[d]
    - Link Land, LLC[d]
    - Old Faithful Land, LLC[d]
    - Rift Land, LLC[d]
    - Riverside Land, LLC[d]
    - Spendid Land, LLC[d]
  - > Diversified Midstream LLC
    - Cranberry Pipeline Corporation
    - Coalfield Pipeline Company
    - DM Bluebonnet LLC
  - > Diversified Energy Marketing LLC
  - > DGOC Holdings LLC
    - DGOC Holdings Sub III LLC

[a] These legal entities were formed prior to 31 December 2021, however, the ABS III and ABS IV transactions did not close until subsequent to 31 December 2021.

[b] Diversified Production, LLC holds 50.8% of the issued and outstanding common shares of Chesapeake Granite Wash Trust.

[c] Owned 99.9% by Tapstone Energy LLC and 0.1% by Tapstone Manager LLC.

[d] Owned 55% by Tapstone Energy LLC.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of the Group Financial Statements in compliance with UK-adopted international accounting standards requires management to make estimates and exercise judgment in applying the Group's accounting policies. In preparing the Group Financial Statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are disclosed in Note 4.

Business Combinations and Asset Acquisitions

The Group performs an assessment of each acquisition to determine whether the acquisition should be accounted for as an asset acquisition or a business combination. For each transaction, the Group may elect to apply the concentration test under the IFRS 3 amendment to determine if the fair value of assets acquired is substantially concentrated in a single asset (or a group of similar assets). If this concentration test is met, the acquisition qualifies as an acquisition of a group of assets and liabilities, not of a business.

Accounting for business combinations under IFRS 3 is applied once it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues.

When less than the entire interest of an entity is acquired, the choice of measurement of the non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis.

More information regarding the judgments and conclusions reached with respect to business combinations and asset acquisitions is included in Notes 4 and 5.

Oaktree Capital Management, L.P. ("Oaktree") Participation Agreement
In October 2020, the Group entered into a definitive participation agreement with funds managed by Oaktree to jointly identify and fund future proved developed producing acquisition opportunities ("PDP acquisitions") that the Group identifies. The Oaktree Funding Commitment provides for up to $1,000,000 in aggregate over three years for mutually agreed upon PDP acquisitions with transaction valuations typically greater than $250,000. The Group and Oaktree each funded 50% of the net purchase price in exchange for proportionate working interests of 51.25% and 48.75%, respectively, in the acquired assets. The Group's greater share reflects the upfront promote it will receive from Oaktree (2.5% of Oaktree's investment) which is intended to compensate the Group for the increase in general and administrative expenses needed to operate an entity that increases with acquired growth. Additionally, upon Oaktree achieving a 10.0% unlevered internal rate of return, Oaktree will convey a back-end promote to the Group which will increase the Group's working interest to 60%. The Group also maintains the right of first offer to acquire Oaktree's interest if and when Oaktree decides to divest. The Group and Oaktree each have the right to participate in a sale by the other party with a third-party upon comparable terms.

Inventory
Natural gas inventory is stated at the lower of cost and net realisable value, cost being determined on a weighted average cost basis. Inventory also consists of material and supplies used in connection with the Group's maintenance, storage and handling. Inventory is stated at the lower of cost or net realizable value.

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. As of 31 December 2021 and 2020, the Group's cash balance was $12,558 and $1,379, 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 the recoverability of the Group's trade receivables. Any changes in the Directors' allowance for current expected credit losses during the year are recognised in the Consolidated Statement of Comprehensive Income. Trade receivables also include certain receivables from third-party working interest owners. The Group consistently assesses the collectability of these receivables. As of 31 December 2021 and 2020, the Group considered a portion of these working interest receivables uncollectable and recorded an allowance for credit losses in the amount of $6,141 and $11,082, 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.

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 in the Gain (loss) on derivative financial instruments line item.

Restricted Cash

Cash held on deposit for bonding purposes is classified as restricted cash and recorded within current and non-current assets. The cash (1) is restricted in use by state governmental agencies to be utilised and drawn upon if the operator should abandon any wells, or (2) is being held as collateral by the Group's surety bond providers. Additionally, the Group is required to maintain certain reserves for interest payments related to its asset backed securitisations discussed in Note 22. These reserves approximate seven and a half months of interest and any associated fees. The Group classifies restricted cash as current or non-current based on the classification of the associated asset or liability to which the restriction relates.

	31 December 2021	31 December 2020
Cash restricted by asset backed securitisations	$ 18,069	$ 20,100
Other restricted cash	1,033	250
Total restricted cash	**$ 19,102**	**$ 20,350**

Natural Gas and Oil Properties

Development and Acquisition Costs

Expenditures related to the construction, installation or completion of infrastructure facilities, such as platforms, and the drilling of development wells, including delineation wells, are capitalised within natural gas and oil properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the initial estimate of the asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depletion

Natural gas and oil properties are depleted on a unit-of-production basis over the proved reserves of the geographic region concerned, except in the case of assets whose useful life is shorter than the lifetime of the region, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proven reserves of the relevant area. The unit-of-production rate for the depreciation of development costs considers expenditures incurred to date, together with sanctioned future development expenditure.

Intangible Assets

Software Development 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 suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Amortisation
The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

	Range in Years
Software	3 - 5
Other acquired intangibles	3

Property, Plant and Equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Directors.

Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives:

	Range in Years
Buildings and leasehold improvements	10 - 40
Equipment	5 - 10
Motor vehicles	5
Midstream assets	10 - 15
Other property and equipment	5 - 10

Property, plant and equipment held under leases are depreciated over the shorter of lease term or estimated useful life.

Impairment of Non-Financial Assets
At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications exist, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash generating unit's, fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the Directors consider the asset impaired and write the asset down to its recoverable amount. In assessing value-in-use, the Directors discount the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the Directors consider recent market transactions, if available. If no such transactions can be identified, the Directors will utilise an appropriate valuation model.

Leases
The Group recognises a right-of-use asset and a lease liability at the commencement date of contracts (or separate components of a contract) which convey to the Group the right to control the use of an identified asset for a period of time in exchange for consideration, when such contracts meet the definition of a lease as determined by IFRS 16, Leases ("IFRS 16"). The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date.

The Group initially measures the lease liability at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease. When this rate can not be readily determined, the Group uses its incremental borrowing rate. After the commencement date, the lease liability is reduced for payments made by the lessee and increased for interest on the lease liability.

Right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee; and
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease unless those costs are incurred to produce inventories.

Subsequent to the measurement date, the right-of-use asset is depreciated on a straight line basis for a period of time that reflects the life of the underlying asset, and also adjusted for the remeasurement of any lease liability.

Asset Retirement Obligations

Where a liability for the retirement of a well, removal of production equipment and site restoration at the end of the production life of a well exists, the Group recognises a liability for asset retirement. The amount recognised is the present value of estimated future net expenditures determined in accordance with our anticipated retirement plans as well as with local conditions and requirements. The unwinding of the discount on the decommissioning liability is included as accretion of the decommissioning provision. The cost of the relevant property, plant and equipment asset is increased with an amount equivalent to the liability and depreciated on a unit of production basis. The Group recognises changes in estimates prospectively, with corresponding adjustments to the liability and the associated non-current asset.

As of 31 December 2021 and 2020, 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 Statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Income Taxation

Current income tax assets and liabilities for the years ended 31 December 2021 and 2020 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. As of 31 December 2021 and 2020, the Group had three types of share-based payment awards: restricted stock units ("RSUs"), performance stock units ("PSUs") and Non-Qualified Stock Options ("Options"). The fair value of the Group's RSUs is measured using the stock price at the grant date. The fair value of the Group's PSUs is measured using a Monte Carlo simulation model. The inputs to the Monte Carlo simulation model included:

- The share price at the date of grant;
- Expected volatility;
- Expected dividends;
- Risk free rate of interest; and
- Patterns of exercise of the plan participants.

The fair value of the Group's Options are calculated using the Black-Scholes model as of the grant date. The inputs to the Black-Scholes model included:

- The share price at the date of grant;
- Exercise price;
- Expected volatility;
- Risk-free rate of interest.

The grant date fair value of share-based awards, adjusted for market-based performance conditions, are expensed uniformly over the vesting period.

New Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. None of these new standards or interpretations are expected to have a material impact on the consolidated financial statements of the Group.

NOTE 4 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

In application of the Group's accounting policies, described in Note 3, the Directors have made the following judgments and estimates which may have a significant effect on the amounts recognised in the Group Financial Statements.

Significant Judgments

Business Combinations and Asset Acquisitions

The Group follows the guidance in IFRS 3, Business Combinations ("IFRS 3") for determining the appropriate accounting treatment for acquisitions. IFRS 3 permits an initial fair value assessment to determine if substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets. If the initial screening test is not met, the asset is considered a business based on whether there are inputs and substantive processes in place. Based on the results of this analysis and conclusion on an acquisition's classification of a business combination or an asset acquisition, the accounting treatment is derived.

If the acquisition is deemed to be a business, the acquisition method of accounting is applied. Identifiable assets acquired and liabilities assumed at the acquisition date are recorded at fair value. When the fair value exceeds the consideration transferred, a bargain purchase gain is recognised. Conversely, when the consideration transferred exceeds the fair value, goodwill is recorded. If the transaction is deemed to be an asset purchase, the cost accumulation and allocation model is used whereby the assets and liabilities are recorded based on the purchase price and allocated to the individual assets and liabilities based on relative fair values. As a result, 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 judgment is included in Note 5.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable judgment by management. The most significant variables in these valuations are discount rates and other assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates based on the risk inherent in the acquired assets, specific risks, industry beta and capital .structure of guideline companies. The valuation of an acquired business is based on available information at the acquisition date and assumptions that are believed to be reasonable. However, a change in facts and circumstances as of the acquisition date can result in subsequent adjustments during the measurement period, but no later than one year from the acquisition date.

Significant Estimates

Estimating the Fair Value of Natural Gas and Oil Properties

The Group determines the fair value of its natural gas and oil properties acquired in business combination using the income approach based on expected discounted future cash flows from estimated reserve quantities, costs to produce and develop reserves, and natural gas and oil forward prices. The future net cash flows are discounted using a weighted average cost of capital as well as any additional risk factors. Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Sensitivity analysis on the significant inputs to the fair value is included in Note 5.

Impairment of Natural Gas and Oil Properties

In preparing the Group Financial Statements the Directors considered that a key judgment was whether there was any evidence that the natural gas and oil properties were impaired. When making this assessment, producing assets are reviewed for indicators of impairment at the balance sheet date. Indicators of impairment for the Group's producing assets can include significant or prolonged:

- Decreases in commodity pricing or other negative changes in market conditions;
- Downward revisions of reserve estimates; or
- Increases in operating costs.

The Group reviews the carrying value of its natural gas and oil properties annually or when an indicator of impairment is identified. The impairment test compares the carrying value of natural gas and oil properties to their recoverable amount based on the present value of estimated future net cash flows from the proved natural gas and oil reserves. The future cash flows are calculated using estimated reserve quantities, costs to produce and develop reserves, and natural gas and oil forward prices. The fair value of proved reserves is estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. When the carrying value is in excess of the fair value, the Group recognises an impairment by writing down the value of its natural gas and oil properties to their fair value. No such impairments were recorded during the years ended 31 December 2021 and 2020.

Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period when there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior years. No such recoveries were recorded during the years ended 31 December 2021 and 2020. 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.

Taxation

The Group makes certain estimates in calculating deferred tax assets and liabilities, as well as income tax expense. These estimates often involve judgment regarding differences in the timing and recognition of revenue and expense for tax and financial reporting purposes as well as the tax basis of our assets and liabilities at the balance sheet date before tax returns are completed. Additionally, the Group must assess the likelihood that it will be able to recover or utilise its deferred tax assets and record a valuation allowance against deferred tax assets when all or a portion of that asset is not expected to be realised. In evaluating whether a valuation allowance should be applied, the Group considers evidence such as future taxable income, among other factors, both positive and negative. This determination involves numerous judgments and assumptions and includes estimating factors such as commodity prices, production and other operating conditions. If any of those factors, assumptions or judgments change, the deferred tax asset could change and, in particular, decrease in a period where the Group determines it is more likely than not that the asset will not be realised. Alternatively, a valuation allowance may be reversed where it is determined it is more likely than not that the asset will be realised.

Asset Retirement Obligation Costs

The ultimate asset retirement obligation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, significant estimates and assumptions are made in determining the provision for asset retirement. These assumptions include the cost to 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 AND DIVESTITURES

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

The assets acquired in all acquisitions include the necessary permits, rights to production, royalties, assignments, contracts and agreements that support the production from wells and operation of pipelines. The Group determines the accounting treatment of acquisitions using IFRS 3.

As part of the Group's corporate strategy it actively seeks to acquire assets complementary to its existing asset base when the assets meet the acquisition criteria stated in the Acquire Long-Life Stable Assets pillar of the corporate strategy discussed in the Strategy section of the Strategic Report within this Annual Report.

Acquisitions

Tapstone Energy Holdings LLC ("Tapstone") Business Combination

On 7 December 2021, the Group acquired a proportionate 51.25% working interest in certain upstream assets, field infrastructure, equipment, and facilities within the Central Region from Tapstone in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. The acquisition also included 6 wells which were under development at the time of close which will be completed by by the Group. DEC will serve as the sole operator of the assets. When evaluating the transaction, DEC determined it did not have significant asset concentration and as a result it had acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The Group paid purchase consideration of $177,496, inclusive customary purchase price adjustments. Transaction costs associated with the acquisition were $4,039 and have been expensed. The Group funded the purchase with proceeds from the Credit Facility.

In connection with the acquisition the Group also acquired the beneficial ownership in the Chesapeake Granite Wash Trust ("the GWT"). The Group consolidates the GWT as it has determined that it controls the GWT because it (1) possesses power over the GWT, (2) has exposure to variable returns from its involvement with the GWT, and (3) has the ability to use its power over the GWT to affect its returns. The elements of control are achieved through the Group's operating a majority of the natural gas and oil properties that are subject to the conveyed royalty interests, marketing of the associated production, and through its ownership of 50.8% of the outstanding common units of the GWT. The common units of the GWT owned by third parties have been reflected as a non-controlling interest in the consolidated financial statements. Common units outstanding as of 7 December 2021 were 46,750,000 with the Group's beneficial interests in the GWT representing 50.8%. The GWT is publicly traded and the GWT's market capitalisation was utilised when determining the value of the non-controlling interests.

The GWT's non-controlling interest is heavily concentrated in the acquired Tapstone natural gas and oil properties and as a result the Group has consolidated $16,087 into its natural gas and oil properties associated with this non-controlling interest as of 31 December 2021. The remaining amounts in the Group's Consolidated Statement of Financial Position associated with non-controlling interest are immaterial and working capital in nature.

The provisional fair value of the assets and liabilities acquired exceeded the consideration transferred and resulted in a bargain purchase gain of $25,589. The gain is a function of Tapstone recently undergoing a troubled debt restructuring with its bank group and having sufficient motivation to sell.

In the period from its acquisition to 31 December 2021, the acquisition of Tapstone increased the Group's production by 289 MBoe with average 2021 December production of 9 MBoepd. Revenues and operating expenses in this period were $12,844 and $2,271 respectively.

The group utilised a discount rate of 9.5%, as determined by a third party specialist, when determining the fair value of the Tapstone natural gas and oil properties. The provisional fair value of the assets acquired and liabilities assumed were as follows:

Consideration paid		
Cash consideration	$	177,496
Non-controlling interest		16,238
LESS: Cash acquired		(6,752)
Total consideration	$	186,982
Net assets acquired		
Natural gas and oil properties	$	313,001
Natural gas and oil properties (asset retirement obligation, asset portion)		16,814
Property, plant and equipment [(a)]		4,739
Restricted cash		590
Other non-current assets		127
Trade receivables, net		48,298
Other current assets		2,343
Asset retirement obligation, liability portion		(16,814)
Leases		(700)
Borrowings		(3,801)
Deferred tax liability		(85,415)
Other non-current liabilities		(3,083)
Trade and other payables		(36,254)
Other current liabilities		(27,274)
Net assets acquired	$	212,571
Gain on bargain purchase		(25,589)
Purchase price	$	186,982

(a) Includes $700 in right of use assets associated with the acquired leases.

As stated in Note 4, changes in the Group's assumptions used 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 to be the assumptions most sensitive to the fair value of the acquired reserves. The table below represents the impact a 10% change 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	+10%	-10%
Discount rate	(13,600)	15,200
Pricing [(a)]	48,000	(46,200)
Production	37,100	(37,000)
Operating expense	(8,400)	8,400

(a) The Group performed the sensitivity analysis for changes in pricing by evaluating a 10% basis point change in the forward curve as of the acquisition date.

Tanos Energy Holdings III, LLC ("Tanos") Business Combination

On 18 August 2021, the Group acquired a 51.25% working interest in certain upstream assets, field infrastructure, equipment and facilities within the Central Region from Tanos, in conjunction with Oaktree, via the previously disclosed participation agreement between the two parties. The Group will serve as the sole operator of the assets. When evaluating the transaction, DEC determined it did not have significant asset concentration and as a result it had acquired an identifiable set of inputs, processes and outputs and concluded the transaction was a business combination. The Group paid purchase consideration of $116,061, including customary purchase price adjustments. Transaction costs associated with the acquisition were $2,384 and have been expensed. DEC funded the purchase with proceeds from a drawdown on the Credit Facility.

As part of the acquisition, the Group obtained the option to novate or extinguish the Tanos hedge book. In conjunction with the closing settlement, DEC elected to extinguish their share of the Tanos hedge book. The cost to terminate was $52,666. This payment relieved the termination liability established on the Group's Consolidated Statement of Financial Position in purchase accounting and has been presented as an investing activity on the Consolidated Statement of Cash Flows given its connection to the Tanos acquisition. New contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets.

The provisional fair value of the assets and liabilities acquired exceeded the consideration transferred and resulted in a bargain purchase gain of $32,482. The gain is a function of Tanos being in a forbearance position with its bank group and having sufficient motivation to sell.

In the period from its acquisition to 31 December 2021 the acquisition of Tanos increased the Group's production by 1,533 Mboe with average 2021 December production of 10 MBoepd. The properties associated with the acquisition have been integrated with the Group's existing operations and it is impractical to provide stand-alone operational results related to these acquired properties for the twelve month period ended 31 December 2021.

The group utilised a discount rate of 9.5%, as determined by a third party expert, when determining the fair value of the Tanos natural gas and oil properties. The provisional fair value of the assets acquired and liabilities assumed were as follows:

Consideration paid		
Cash consideration	$	116,061
Total consideration	$	116,061
Net assets acquired		
Natural gas and oil properties [a]	$	203,495
Natural gas and oil properties (asset retirement obligation, asset portion)		18,379
Property, plant and equipment		6,216
Trade receivables, net		1,377
Asset retirement obligation, liability portion		(18,379)
Other non-current liabilities		(2,111)
Other current liabilities [b]		(60,434)
Net assets acquired	$	148,543
Gain on bargain purchase		(32,482)
Purchase price	$	116,061

(a) Includes undeveloped acreage of $33,911.

(b) Includes the hedge book extinguishment liability of $52,666.

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	+10%	-10%
Discount rate	(7,200)	8,000
Pricing [a]	(29,400)	29,600
Production	(28,400)	28,400
Operating expense	10,900	(10,900)

(a) The Group performed the sensitivity analysis for changes in pricing by evaluating a 10% basis point change in the forward curve as of the acquisition date.

Blackbeard Operating LLC ("Blackbeard") Asset Acquisition
On 5 July 2021, the Group acquired certain upstream assets and related gathering infrastructure in the Central Region from Blackbeard. Given the concentration of assets this transaction was considered an asset acquisition rather than a business combination. When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of $170,523, including customary purchase price adjustments and transaction costs. Transaction costs associated with the acquisition were $3,644 and have been capitalised to natural gas and oil properties. The Group funded the purchase with proceeds from the May 2021 equity placement and a draw on the Credit Facility, discussed in Notes 17 and 22, respectively.

In the period from its acquisition to 31 December 2021 the acquisition of Blackbeard increased the Group's production by 2,681 MBoe with average 2021 December production of 14 MBoepd.

The assets acquired and liabilities assumed were as follows:

Consideration paid		
Cash consideration	$	170,523
Total consideration	$	170,523
Net assets acquired		
Natural gas and oil properties	$	167,338
Natural gas and oil properties (asset retirement obligation, asset portion)		22,890
Property, plant and equipment [a]		8,461
Trade receivables, net		471
Asset retirement obligation, liability portion		(22,890)
Leases		(917)
Other current liabilities		(4,830)
Net assets acquired	**$**	**170,523**

[a] Includes $917 in right of use assets associated with the acquired leases.

Indigo Asset Acquisition

On 19 May 2021, the Group acquired certain upstream assets and related gathering infrastructure in the Central Region from Indigo. Given the concentration of assets this transaction was considered an acquisition of assets rather than a business combination.

When making this determination management performed an asset concentration test considering the fair value of the acquired assets. The Group paid purchase consideration of $117,352, including customary purchase price adjustments and transaction costs. Transaction costs associated with the acquisition were $473 and have been capitalised to natural gas and oil properties. The Group funded the purchase with proceeds from the May 2021 equity placement and a draw on the Credit Facility, discussed in Notes 17 and 22, respectively.

In the period from its acquisition to 31 December 2021 the acquisition of Indigo increased the Group's production by 2,011 MBoe with average 2021 December production of 7 MBoepd.

The assets acquired and liabilities assumed were as follows:

Consideration paid		
Cash consideration	$	117,352
Total consideration	**$**	**117,352**
Net assets acquired		
Natural gas and oil properties	$	131,771
Natural gas and oil properties (asset retirement obligation, asset portion)		33,695
Property, plant and equipment [a]		6,545
Other non-current assets		575
Derivative financial instruments, net		(5,248)
Trade receivables, net		25
Leases		(6,445)
Asset retirement obligation, liability portion		(33,695)
Other current liabilities		(9,871)
Net assets acquired	**$**	**117,352**

[a] Includes $6,445 in right of use assets associated with the acquired leases.

Divestitures

Indigo Minerals LLC ("Indigo") Divestiture

On 9 July 2021, the Group divested to Oaktree a non-operating 48.75% proportionate working interest in the Indigo assets that were previously acquired (as disclosed above) by the Group on 19 May 2021. The initial consideration received was $52,314, or 50% of the Group's net purchase price on the Indigo assets which is consistent with the terms of the previously disclosed participation agreement between the Group and Oaktree. The Group will continue to serve as the sole operator of the assets. The Group used the proceeds to reduce outstanding balances on the Credit Facility.

In June 2021 the average production of the divested assets was 7 MBoepd. The book value of the assets and liabilities divested, and provisional fair value of assets and liabilities assumed from the transaction were as follows:

Net assets divested		
Natural gas and oil properties	$	(63,341)
Natural gas and oil properties (asset retirement obligation, asset portion)		(16,500)
Asset retirement obligation, liability portion		16,500
Other current liabilities		4,139
Net assets divested	$	(59,202)

In connection with the divestiture, the Group entered into a swap contract with Oaktree where the Group receives a market price and pays a fixed weighted average swap price of $2.86 per Mcfe. When considering the fair value of the swap arrangement as well as the value of the upfront promote received from Oaktree at the date of close the Group realised a loss of $1,461 on the divestiture.

Other Divestitures

On 23 December 2021, the Group divested certain predominantly undeveloped Haynesville Shale acreage in Texas, acquired as part of the Tanos acquisition. The total consideration received was $66,168 with DEC's 51.25% interest through joint ownership with Oaktree generating net proceeds of $33,911 to DEC inclusive of customary purchase price adjustments.

2020 Acquisitions

Carbon Energy Corporation ("Carbon") Business Combination

On 26 May 2020, the Group acquired certain upstream and midstream assets in the states of Kentucky, West Virginia and Tennessee from Carbon. When evaluating the transaction, the Group determined it had 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 an additional $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 annually on 5 January through 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 2021 the fair value of the contingent consideration was $14,992 and no contingent consideration payments have been made.

EQT Corporation ("EQT") Asset Acquisition

On 21 May 2020, the Group acquired upstream assets and related gathering infrastructure in the states of Pennsylvania and West Virginia from EQT. Given the concentration of assets this transaction was considered an 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 an additional $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.

EQT may earn additional contingent consideration of up to $20,000 in the aggregate. The contingent consideration is 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 of 31 December 2021 the fair value of the contingent consideration was $7,511. The Group made contingent consideration payments of $10,561 and $893 during the years ended 31 December 2021 and 2020,

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.

NOTE 6 - REVENUE

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

The Group extracts and sells natural gas, NGLs and oil to various customers in addition to operating a majority of these natural gas and oil wells for customers and other working interest owners. In addition, the Group provides gathering and transportation services 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 2021	31 December 2020
Natural gas	$ 818,726	$ 343,425
NGLs	115,747	23,173
Oil	38,634	15,064
Total commodity revenue	**$ 973,107**	**$ 381,662**
Midstream	31,988	25,389
Other	2,466	1,642
Total revenue	**$ 1,007,561**	**$ 408,693**

A significant portion of the Group's trade receivables represent receivables related to either sales of natural gas, NGLs and oil or operational services, all of which are uncollateralised, and are collected within 30 - 60 days.

During the year ended 31 December 2021, two customers individually comprised more than 10% of total revenues, representing 22% of consolidated revenues, while during the year ended 31 December 2020, two customers individually comprised more than 10% of total revenues, representing 22% of consolidated revenues.

NOTE 7 - EXPENSES BY NATURE

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

The following table provides a detail of the Group's expenses for the periods presented:

	Year Ended			
	31 December 2021		31 December 2020	
Base LOE [a]	$	119,594	$	92,288
Production taxes [b]		30,518		13,705
Midstream operating expense [c]		60,481		52,815
Transportation expense [d]		80,620		45,155
Total operating expense [e]	$	291,213	$	203,963
Depreciation and amortisation		44,841		33,673
Depletion		122,803		83,617
Total depreciation, depletion and amortisation	$	167,644	$	117,290
Employees and benefits (administrative)		32,038		28,843
Other administrative [f]		13,885		9,650
Professional fees [g]		7,567		6,259
Auditors' remuneration [h]		3,322		2,429
Base G&A	$	56,812	$	47,181
Costs associated with acquisitions [i]		31,335		10,465
Other adjusting costs [j]		6,779		14,581
Non-cash equity compensation [k]		7,400		5,007
Total G&A	$	102,326	$	77,234
Non-recurring allowance for credit losses		–		6,931
Recurring allowance for credit losses		(4,265)		1,559
Total allowance for credit losses [l]	$	(4,265)	$	8,490
Total expense	$	556,918	$	406,977
Aggregate remuneration (including Directors):				
Wages and salaries	$	83,790	$	75,719
Payroll taxes		7,137		5,383
Benefits		19,083		14,926
Total employees and benefits expense	$	110,010	$	96,028

(a) Base LOE 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 additional operating expense related to the Tapstone, Tanos, Blackbeard and Indigo acquisitions in 2021 and the EQT and Carbon acquisitions, both acquired in 2020. Refer to Note 5 for additional information regarding acquisitions.

(f) Other administrative expense includes general liability insurance, IT services, rent, 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 auditors 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) The Group generally incurs costs related to the integration of acquisitions which will vary for each acquisition. For acquisitions considered to be a business combination, these costs will include transaction costs directly associated with a successful acquisition transaction. These costs will also include costs associated with transition service arrangements with acquirees where the Group pays the acquirees a fee to handle various G&A functions until the Group has fully integrated the assets onto its system. In addition, these costs will also include costs related to integrating IT systems and consulting as well as internal workforce costs directly related to integrating acquisitions into the Group's systems.

(j) Other adjusting costs for 2021 are primarily associated with one-time projects and contemplated financing arrangements. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon acquisition. For 2020, other adjusting costs are associated with legal and professional fees related to the up-list to the Premium Segment of the Main Market of the LSE.

(k) Non-cash equity compensation in 2021 and 2020, reflect the expense recognition related to share-based compensation provided to certain key members of the management team.

(l) Allowance for credit losses consists of the recognition and reversal of credit losses. Refer to Note 15 for additional information regarding credit losses.

The number of employees was as follows for the years presented:

	Year Ended	
	31 December 2021	31 December 2020
Number of production support employees, including Directors	283	183
Number of production employees	1,143	924
Workforce	1,426	1,107

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 2021	31 December 2020
Executive Directors		
Salary	$ 1,119	$ 1,090
Taxable benefits [(a)]	22	16
Benefit plan [(b)]	71	71
Bonus [(c)]	1,427	1,537
Total Executive Directors' remuneration	2,639	2,714
Non-Executive Directors		
Salary	683	763
Total Non-Executive Directors' remuneration	683	763
Total remuneration	$ 3,322	$ 3,477

(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 2021 can be found in the Remuneration Committee's Report within this Annual Report.

Details of the highest paid Director's aggregate emoluments and amounts receivable under long-term incentive schemes are disclosed in the Remuneration Committee's Report within this Annual Report.

Auditors' remuneration for the Group was as follows for the periods presented:

	Year Ended	
	31 December 2021	31 December 2020
Auditors' remuneration (PwC)		
Fees payable to the Group's external auditors and their associates for the audit of the consolidated financial statements	$ 1,694	$ 1,196
Audit-related assurance services [(a)]	1,628	1,146
Other assurance services	–	87
Total auditors' remuneration (PwC)	$ 3,322	$ 2,429

(a) Fees incurred associated with the Group's capital market activity which is outside the scope of the audit of the consolidated financial statements.

SUBSEQUENT EVENTS

In February 2022 we paid $28,345 to terminate a fixed price purchase contract associated with certain Barnett volumes acquired during the Blackbeard acquisition. The contract extended through March 2024 and as a result of the termination we will realise more favourable pricing over this period and positioned us to refinance these assets as part of the Asset Backed Securitisation financing we announced in late February 2022 at a low 4.95%. The termination also enhanced our liquidity by eliminating the need for a $20,000 letter of credit on our Credit Facility.

NOTE 8 - TAXATION

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

The Group files a consolidated US federal tax return, multiple state tax returns, and a separate UK tax return for the Parent entity. The consolidated taxable income includes an allocable portion of income from the Group's co-investments with Oaktree and its investment in the Chesapeake Granite Wash Trust. Income taxes are provided for the tax effects of transactions reported in the Group Financial Statements and consist of taxes currently due plus deferred taxes related to differences between the basis of assets and liabilities for financial and income tax reporting.

For the taxable years ended 31 December 2021 and 2020, the Group had a tax benefit of $225,694 and $113,266, respectively. The effective tax rate used for the year ended 31 December 2021 was 41.0%, compared to 82.8% for the year ended 31 December 2020. The effective tax rate is primarily impacted by the Group's recognition of the US marginal well tax credit available to qualified producers in 2021, who operate lower-volume wells during a low commodity pricing environment. The federal government provides these credits to encourage companies to continue operating lower-volume wells during periods of low prices to maintain the underlying jobs they create and the state and local tax revenues they generate for communities to support schools, social programmes, law enforcement and other similar public services. The US marginal well tax credit is prescribed by Internal Revenue Code Section 45I and is available for certain natural gas production from qualifying wells. In June 2021, the US Internal Revenue Service released Notice 2021-34 which quantified the amount of credit per Mcf of qualified natural gas production for tax years beginning in 2020 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 2021	31 December 2020
Current income tax expense		
Federal	$ 25,738	$ 233
State	11,958	4,923
Foreign - UK	(52)	616
Total current income tax expense	37,644	5,772
Deferred income tax (benefit) expense		
Federal	(233,679)	(108,627)
State	(29,597)	(10,411)
Foreign - UK	(62)	–
Total deferred income tax (benefit) expense	(263,338)	(119,038)
Total income tax (benefit) expense	$ (225,694)	$ (113,266)

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 2021	31 December 2020
Income (loss) before taxation	**$ (550,900)**	**$ (136,740)**
Income tax benefit (expense)	225,694	113,266
Effective tax rate	**41.0 %**	**82.8 %**

	Year Ended	
	31 December 2021	31 December 2020
Expected tax at statutory US federal income tax rate	21.0%	21.0 %
State income taxes, net of federal tax benefit	4.4%	5.4 %
Federal credits	15.4%	58.8 %
Other, net	0.2%	(2.4)%
Effective tax rate	**41.0%**	**82.8 %**

The Group had a net deferred tax asset of $176,955 at 31 December 2021 compared to a net deferred tax liability of $969 at 31 December 2020. The change was primarily due to unrealised losses for unsettled derivatives not recognised for tax purposes, the recognition of federal tax credits, and deferred tax liabilities acquired as part of acquisition purchase accounting. The presentation in the balance sheet takes into consideration the offsetting of deferred tax assets and deferred tax liabilities within the same tax jurisdiction, where permitted. The overall deferred tax position in a particular tax jurisdiction determines if a deferred tax balance related to that jurisdiction is presented within deferred tax assets or deferred tax liabilities.

The following table presents the components of the net deferred income tax asset included in non-current assets and net deferred income tax asset included in non-current assets as at the periods presented:

	31 December 2021	31 December 2020
Deferred tax asset		
Asset retirement obligations	$ 114,182	$ 90,949
Derivative financial instruments	202,802	46,237
Allowance for doubtful accounts	1,735	2,968
Net operating loss carryover	562	474
Federal tax credits carryover	183,460	99,117
Other	13,306	4,160
Total deferred tax asset	**516,047**	**243,905**
Deferred tax liability		
Amortisation and depreciation	(266,988)	(244,874)
Investment in partnerships	(72,104)	–
Total deferred tax liability	**(339,092)**	**(244,874)**
Net deferred tax liability	**$ 176,955**	**$ (969)**
Balance sheet presentation		
Deferred tax asset	$ 176,955	$ 14,777
Deferred tax liability	–	(15,746)
Net deferred tax asset (liability)	**$ 176,955**	**$ (969)**

In assessing the realisability of deferred tax assets, the Group considers whether it is probable that some or all the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or before credits expire. The Group considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Group has determined, at this time, it will have sufficient future taxable income to recognise its deferred tax assets.

The Group reported the effects of deferred tax expense as at and for the year ended 31 December 2021:

		Opening Balance		Consolidated Statement of Comprehensive Income		Other [a]		Closing Balance
Asset retirement obligations	$	90,949	$	19,052	$	4,181	$	114,182
Allowance for doubtful accounts		2,968		(1,320)		86		1,734
Net operating loss carryover		474		(1,655)		1,743		562
Federal tax credits carryover		99,117		84,343		–		183,460
Property, plant, and equipment and natural gas and oil properties		(244,874)		65,910		(88,023)		(266,987)
Derivative financial instruments		46,237		156,565		–		202,802
Investment in partnerships		–		(67,379)		(4,726)		(72,105)
Other		4,160		7,822		1,324		13,306
Total deferred tax asset (liability)	**$**	**(969)**	**$**	**263,338**	**$**	**(85,415)**	**$**	**176,954**

[a] Amounts primarily relate to deferred taxes acquired as part of acquisition purchase accounting.

The Group 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 asset (liability)	**$**	**(124,112)**	**$**	**119,038**	**$**	**4,105**	**$**	**(969)**

[a] Amounts primarily relate to deferred taxes acquired as part of acquisition purchase accounting.

The Group's material deferred tax assets and liabilities all arise in the US.

For US federal tax purposes, the Group is taxed as one consolidated entity. The Group's co-investments with Oaktree and its investment in the Chesapeake Granite Wash Trust are taxed as partnerships that pass through to the Group's consolidated return. The Group is subject to additional taxes in its domiciled jurisdiction of the UK. For the years ended 31 December 2021 and 2020, the Group incurred a benefit of $52 and expense of $616 in the UK, respectively.

The Group had no uncertain tax position liability at 31 December 2021 compared to a liability of $1,837 at 31 December 2020. The former uncertainty was in relation to a carried over tax position from the Alliance Petroleum acquisition for which the Group was indemnified. During 2021 the statute of limitations associated with the uncertain tax position was met and the Group is no longer subject to the potential tax liability. As a result, the provision for the uncertain tax position and the indemnification receivable were removed.

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 2021.

At 31 December 2021, the Group had US federal net operating loss carryforwards ("NOLs") of approximately $1,629, which are subject to limitation. Additionally, the Group had US state NOLs of approximately $3,729, which expire in the years 2034 through 2036.

The Group had US marginal well tax credit carryforwards of approximately $183,460 at 31 December 2021 compared to $99,117 at 31 December 2020. 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 in 2020, the Group generated $84,958 of federal tax credits and utilised $2,445 for the year ended 31 December 2021. The tax credits expire in the years 2037 through 2041.

Group had US federal capital loss carryforwards of $9,904 at 31 December 2021 and 31 December 2020. For the year ended 31 December 2021, no 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 2021 in accordance with the Internal Revenue Code of 1986, as amended. If the Group experiences an ownership change, tax credit carryforwards can be utilised but are limited each year and could expire before they are fully utilised. The study concluded that the Group has not experienced an ownership change as defined by Section 382 since the last ownership change that occurred on 31 January 2018. The Directors expect its tax credit carryforwards, limited by the 31 January 2018 ownership change, to be fully available for utilisation by 2024.

NOTE 9 - ADJUSTED NET INCOME AND HEDGED ADJUSTED EBITDA

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

Adjusted Net Income and Hedged Adjusted EBITDA are Alternative Performance Metrics 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 expenses, gains and losses, costs associated with acquisitions as well as other adjusting costs described in Note 7. 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. This metric is of particular interest to the Group's bank syndicate as well as many investors. 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 UK-adopted international accounting standards.

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 not comparable period over period given their transaction specific nature or are not considered to be part of the core operation of the business. Examples include;

- Gains or losses on foreign currency hedges;
- Costs associated with acquisitions or other one-time events; or
- Gains or losses on natural gas and oil property and equipment

Certain amounts are non-cash such as;

- Amortisation, depreciation and depletion;
- Gains or losses on the valuation of unsettled financial instruments; or
- Equity compensation costs included in G&A.

The following table reconciles income (loss) available to shareholders after taxation to Adjusted Net Income and Hedged Adjusted EBITDA for the periods presented:

	Year Ended	
	31 December 2021	31 December 2020
Income (loss) available to shareholders after taxation	**$ (325,206)**	**$ (23,474)**
Allowance for joint interest owner receivables	–	6,931
Gains on bargain purchases	(58,072)	(17,172)
(Gain) loss on fair value adjustments of unsettled financial instruments	652,465	238,795
(Gain) loss on natural gas and oil property and equipment	901	2,059
Costs associated with acquisitions	31,335	10,465
Other adjusting costs	6,779	14,581
Non-cash equity compensation	7,400	5,007
(Gain) loss on foreign currency hedge	1,227	–
Net (gain) loss on interest rate swap	530	202
Tax effect on adjusting items [(a)]	(164,497)	(62,608)
Adjusted Net Income	**$ 152,862**	**$ 174,786**
Less: Tax effect on adjusting items to Adjusted Net Income	164,497	62,608
Depreciation, depletion and amortisation	167,644	117,290
Finance costs	50,628	43,327
Accretion of asset retirement obligations	24,396	15,424
Other (income) expense	8,812	421
Income tax (benefit) expense	(225,694)	(113,266)
Hedged Adjusted EBITDA	**$ 343,145**	**$ 300,590**
Less: Net (gain) loss on commodity derivative settlements	**320,656**	**(144,600)**
Unhedged Adjusted EBITDA	**$ 663,801**	**$ 155,990**
Weighted average shares outstanding - basic	793,542	685,170
Weighted average shares outstanding - diluted [(b)]	800,034	688,348
Adjusted EPS - basic	**$ 0.19**	**$ 0.26**
Adjusted EPS - diluted [(c)]	**$ 0.19**	**$ 0.25**
Hedged Adjusted EBITDA per Share - basic	**$ 0.43**	**$ 0.44**
Hedged Adjusted EBITDA per Share - diluted [(c)]	**$ 0.43**	**$ 0.44**

[(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 presented. Refer to Note 8 for additional information regarding expected statutory rates.

[(b)] The diluted number of weighted average shares outstanding had the Group not been in a Net loss position. See Note 10 for additional information regarding Earnings (loss)per share.

[(c)] Utilises the diluted number of weighted average shares outstanding had the Group not been in a Net loss position. See Note 10 for additional information regarding Earnings (loss) per share.

NOTE 10 - EARNINGS (LOSS) PER SHARE

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

The calculation of basic earnings (loss) per share is based on 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:

		Year Ended	
	Calculation	31 December 2021	31 December 2020
Net income (loss)	A	**$ (325,206)**	**$ (23,474)**
Weighted average shares outstanding - basic and diluted	B	793,542	685,170
Earnings (loss) per share - basic and diluted	= A/B	**$ (0.41)**	**$ (0.03)**

Due to the Group's Net loss for the years ended 31 December 2021 and 2020, 6,493 and 3,178 potential shares were not included in the computation of diluted EPS because their effect would have been anti-dilutive.

NOTE 11 - NATURAL GAS AND OIL PROPERTIES

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

The following table summarises the Group's natural gas and oil properties for the periods presented:

	Year Ended	
	31 December 2021	31 December 2020
Costs		
Beginning balance	$ 1,968,557	$ 1,625,884
Additions [(a)]	1,012,691	346,385
Disposals [(b)]	(114,895)	(3,712)
Ending balance	$ 2,866,353	$ 1,968,557
Depletion and impairment		
Beginning balance	$ (213,472)	$ (129,855)
Period changes	(122,803)	(83,617)
Disposals	–	–
Ending balance	$ (336,275)	$ (213,472)
Net book value	**$ 2,530,078**	**$ 1,755,085**

(a) For the year ended 31 December 2021, the Group added $907,383 related to acquisitions and $78,156 resulting from normal revisions to the Group's asset retirement obligations. The remaining change is primarily attributable to recurring capital expenditures and the revaluation of the EQT contingent consideration. For the year ended 31 December 2020, the Group added $228,223 related to acquisitions. The remaining change is primarily attributable to revisions in the Group's asset retirement obligations as a result of changes in the discount rate. Refer to Notes 5 and 20 for additional information regarding acquisitions and asset retirement obligations, respectively.

(b) For the year ended 31 December 2021, the Group divested $113,752 in natural gas and oil properties related to the Indigo and Tanos undeveloped acreage transactions. Refer to Note 5 for additional information regarding divestitures. For the year ended 31 December 2020 the Group divested 662 wells in McKean, Forest, and Warren Counties, Pennsylvania.

Impairment Assessment for Natural Gas and Oil Properties

For the period ended 31 December 2021, the Directors assessed the indicators of impairment, noting strong pricing along the forward curve and an improving economic outlook for the Group. This assessment also included a comparison of the carrying value of the Group's natural gas and oil properties to their fair values and an assessment of the projected impact of climate change on the Group. As a result of their assessments no impairment indicators were identified.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

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

The following tables summarise the Group's property, plant and equipment for the periods presented:

	Year Ended 31 December 2021					
	Buildings and Leasehold Improvements	Equipment	Motor Vehicles	Midstream Assets	Other Property and Equipment	Total
Costs						
Beginning balance	$ 28,190	$ 6,768	$ 35,129	$ 367,331	$ 5,600	$ 443,018
Additions [a][b]	13,494	2,737	12,700	31,485	10,439	70,855
Disposals	–	(13)	(2,267)	(153)	–	(2,433)
Ending balance [c]	$ 41,684	$ 9,492	$ 45,562	$ 398,663	$ 16,039	$ 511,440
Accumulated depreciation						
Beginning balance	$ (1,007)	$ (2,860)	$ (12,409)	$ (43,597)	$ (1,042)	$ (60,915)
Period changes	(1,071)	(1,231)	(9,259)	(25,928)	(564)	(38,053)
Disposals	–	2	1,482	24	–	1,508
Ending balance	$ (2,078)	$ (4,089)	$ (20,186)	$ (69,501)	$ (1,606)	$ (97,460)
Net book value	**$ 39,606**	**$ 5,403**	**$ 25,376**	**$ 329,162**	**$ 14,433**	**$ 413,980**

	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	–	(85)	(3,097)	–	–	(3,182)
Ending balance [c]	$ 28,190	$ 6,768	$ 35,129	$ 367,331	$ 5,600	$ 443,018
Accumulated depreciation						
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**

[a] Of the $70,855 in 2021 additions, $25,961 was related to acquisitions and $16,482 was associated with right-of-use asset additions for new and acquired leases. Of the $91,267 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. Refer to Note 5 for additional information regarding acquisitions and divestitures.

[b] Remaining additions are related to routine capital projects on the Group's compressor and gathering systems, vehicle and equipment additions.

[c] Buildings and Leasehold Improvements and Motor Vehicles are inclusive of right-of-use assets associated with the Group's leases. Refer to Note 21 for additional information regarding leases.

The Group continued to utilise certain fully depreciated assets during the years ended 31 December 2021 and 31 December 2020 with an original cost basis of $5,597 and $3,313, respectively.

NOTE 13 - INTANGIBLE ASSETS

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

Intangible assets consisted of the following for the periods presented:

	Year Ended 31 December 2021		
	Software	Other Acquired Intangibles	Total
Costs			
Beginning balance	$ 24,271	$ 2,900	$ 27,171
Additions [a]	3,824	–	3,824
Disposals	–	–	–
Ending balance	$ 28,095	$ 2,900	$ 30,995
Accumulated amortisation			
Beginning balance	$ (7,246)	$ (712)	$ (7,958)
Period changes	(7,946)	(957)	(8,903)
Disposals	–	–	–
Ending balance	$ (15,192)	$ (1,669)	$ (16,861)
Net book value	**$ 12,903**	**$ 1,231**	**$ 14,134**

	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**

[a] For the year ended 31 December 2021 additions were related to software enhancements. For the year ended 31 December 2020 additions were related to software enhancements and $2,900 in other acquired intangibles.

NOTE 14 - DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group is exposed to volatility in market prices and basis differentials for natural gas, NGLs and oil, which impacts the predictability of its cash flows related to the sale of those commodities. The Group 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 2021, the Group's derivative financial instruments consisted of swaps, collars, basis swaps, stand-alone put and call options, and swaptions. A description of the Group's derivative financial instruments is provided below:

- **Swaps:** If the Group sells a swap, it receives a fixed price for the contract and pays a floating market price to the counterparty.
- **Collars:** Arrangements that contain a fixed floor price (purchased put option) and a fixed ceiling price (sold call option) based on an index price which, in aggregate, have no net costs. At the contract settlement date, (1) if the index price is higher than the ceiling price, the Group pays the counterparty the difference between the index price and ceiling price, (2) if the index price is between the floor and ceiling prices, no payments are due from either party, and (3) if the index price is below the floor price, the Group will receive the difference between the floor price and the index price.

  Certain collar arrangements may also include a sold put option with a strike price below the purchased put option. Referred to as a three-way collar, the structure works similar to the above description, except that when the index price settles below the sold put option, the Group pays the counterparty the difference between the index price and sold put option, effectively enhancing realised pricing by the difference between the price of the sold and purchased put option.

- **Basis swaps:** Arrangements that guarantee a price differential for commodities from a specified delivery point. If the Group sells a basis swap, it receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract.
- **Put options:** The Group purchases and sells put options in exchange for a premium. If the Group purchases a put option, it receives from the counterparty the excess (if any) of the market price below the strike price of the put option at the time of settlement, but if the market price is above the put's strike price, no payment is due from either party.
- **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)	Weighted Average Price per Mcfe [a] Swaps	Sold Puts	Purchased Puts	Sold Calls	Purchased Calls	Basis Differential	Fair Value at 31 December 2021
2022								
Swaps	202,199	$ 2.91	$ –	$ –	$ –	$ –	$ –	$ (169,964)
Collars	7,300	–	–	4.63	5.28	–	–	4,606
Stand-Alone Calls	35,650	–	–	–	2.97	3.00	–	(32,916)
Basis Swaps	159,549	–	–	–	–	–	(0.42)	13,581
Total 2022 contracts	**404,698**							**$ (184,693)**
2023								
Swaps	127,747	$ 2.85	$ –	$ –	$ –	$ –	$ –	$ (88,147)
Three-Way Collars	5,400	–	2.14	2.81	3.58	–	–	(4,585)
Stand-Alone Calls	70,792	–	–	–	2.95	–	–	(57,253)
Basis Swaps	42,875	–	–	–	–	–	(0.71)	383
Total 2023 contracts	**246,814**							**$ (149,602)**
2024								
Swaps	86,319	$ 2.66	$ –	$ –	$ –	$ –	$ –	$ (54,636)
Stand-Alone Calls	37,698	–	–	–	2.90	–	–	(26,388)
Total 2024 contracts	**124,017**							**$ (81,024)**
2025								
Swaps	65,864	$ 2.55	$ –	$ –	$ –	$ –	$ –	$ (44,066)
Stand-Alone Calls	21,900	–	–	–	3.00	–	–	(13,119)
Total 2025 contracts	**87,764**							**$ (57,185)**
2026								
Swaps	42,454	$ 2.53	$ –	$ –	$ –	$ –	$ –	$ (29,116)
2027								
Swaps	33,820	$ 2.50	$ –	$ –	$ –	$ –	$ –	$ (23,546)
2028								
Swaps	32,190	$ 2.49	$ –	$ –	$ –	$ –	$ –	$ (24,576)
2029								
Swaps	29,190	$ 2.48	$ –	$ –	$ –	$ –	$ –	$ (24,093)
2030								
Swaps	5,450	$ 2.43	$ –	$ –	$ –	$ –	$ –	$ (5,535)
Swaptions								
1/10/2024-30/9/2028 [b]	14,610	$ –	$ –	$ –	$ 2.91	$ –	$ –	$ (7,178)
1/1/2025-31/12/2029 [c]	36,520	–	–	–	2.77	–	–	(20,403)
1/4/2026-31/3/2030 [d]	97,277	–	–	–	2.57	–	–	(70,681)
1/4/2030-31/3/2032 [e]	42,627	–	–	–	2.57	–	–	(45,230)
Total 2025-2032 contracts	**334,138**							**$ (250,358)**
Total natural gas contracts	**1,197,431**							**$ (722,862)**

Rates have been converted from Btu to Mcfe using a Btu conversion factor of 1.07.

[a] Option expires on 6 September 2024.

[b] Option expires on 23 December 2024.

[c] Option expires on 23 March 2026.

[a] Option expires on 22 March 2030.

NGLs CONTRACTS

		Weighted Average Price per Bbl						
	Volume (MBbls)	Swaps	Sold Puts	Purchased Puts	Sold Calls	Purchased Calls	Basis Differential	Fair Value at 31 December 2021
2022								
Swaps	3,791	$ 31.97	$ –	$ –	$ –	$ –	$ –	$ (60,192)
2023								
Swaps	1,882	$ 36.78	$ –	$ –	$ –	$ –	$ –	$ (6,014)
Stand-Alone Calls	365	–	–	–	24.78	–	–	(5,159)
Total NGLs contracts	**6,038**							**$ (71,365)**

OIL CONTRACTS

		Weighted Average Price per Bbl						
	Volume (MBbls)	Swaps	Sold Puts	Purchased Puts	Sold Calls	Purchased Calls	Basis Differential	Fair Value at 31 December 2021
2022								
Sold Swaps	1,000	$ 67.12	$ –	$ –	$ –	$ –	$ –	$ (5,306)
2023								
Swaps	428	$ 60.75	$ –	$ –	$ –	$ –	$ –	$ (2,421)
Sold Calls	117	–	–	–	53.20	–	–	(2,213)
2024								
Swaps	64	$ 37.00	$ –	$ –	$ –	$ –	$ –	$ (1,610)
2025								
Swaps	56	$ 37.00	$ –	$ –	$ –	$ –	$ –	$ (1,249)
2026								
Swaps	13	$ 37.00	$ –	$ –	$ –	$ –	$ –	$ (281)
Total oil contracts	**1,678**							**$ (13,080)**

INTEREST

	Principal Hedged	Fixed-Rate	Fair Value at 31 December 2021
2022			
LIBOR Interest Rate Swap	$ 150,000	0.45%	$ (91)
Net fair value of derivative financial instruments at 31 December 2021			**$ (807,398)**

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 2021	31 December 2020
Assets:			
Non-current assets	Derivative financial instruments	$ 219	$ 717
Current assets	Derivative financial instruments	1,052	17,858
Total assets		**$ 1,271**	**$ 18,575**
Liabilities			
Non-current liabilities	Derivative financial instruments	$ (556,982)	$ (168,524)
Current liabilities	Derivative financial instruments	(251,687)	(15,858)
Total liabilities		**$ (808,669)**	**$ (184,382)**
Net assets (liabilities):			
Net assets (liabilities) - non-current	Other non-current assets (liabilities)	$ (556,763)	$ (167,807)
Net assets (liabilities) - current	Other current assets (liabilities)	(250,635)	2,000
Total net assets (liabilities)		**$ (807,398)**	**$ (165,807)**

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 of 31 December 2021		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
Non-current assets	$ 29,767	$ (29,548)	$ 219
Current assets	62,144	(61,092)	1,052
Total assets	**$ 91,911**	**$ (90,640)**	**$ 1,271**
Non-current liabilities	(586,584)	29,602	(556,982)
Current liabilities	(312,725)	61,038	(251,687)
Total liabilities	**$ (899,309)**	**$ 90,640**	**$ (808,669)**
Total net assets (liabilities)	**$ (807,398)**	**$ –**	**$ (807,398)**

	As of 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)**

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 2021	31 December 2020
Net gain (loss) on commodity derivatives settlements [(a)]	$ (320,656)	$ 144,600
Net gain (loss) on interest rate swaps [(a)]	(530)	(202)
Gain (loss) on foreign currency hedges [(a)]	(1,227)	–
Total gain (loss) on settled derivative instruments	**$ (322,413)**	**$ 144,398**
Gain (loss) on fair value adjustments of unsettled financial instruments [(b)]	(652,465)	(238,795)
Total gain (loss) on derivative financial instruments	**$ (974,878)**	**$ (94,397)**

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

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

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

Commodity Derivative Contract Modifications and Extinguishments

From time to time such as when acquiring producing assets, completing ABS financing arrangements or navigating changing price environments, the Group will opportunistically modify, offset, extinguish or add certain existing hedge positions. Modifications include the volume of production subject to contracts, the swap or strike price of certain derivative contracts and similar elements of the derivative contract.

In August 2021 as part of the Tanos acquisition, the Group obtained the option to novate or extinguish the Tanos hedge book. In conjunction with the closing settlement, DEC elected to extinguish their share of the Tanos hedge book. The cost to terminate was $52,666. This payment relieved the termination liability established on the Group's Consolidated Statement of Financial Position in purchase accounting and has been presented as an investing activity in the Consolidated Statement of Cash Flows given its connection to the Tanos acquisition. New derivative contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets in an elevated price environment.

In May 2021, subsequent to the close of the Indigo acquisition, market dynamics began shifting to a more favourable commodity price environment. Given the favourable forward curve, the Group elected to early terminate certain legacy Indigo derivative positions resulting in a cash payment of $6,797 which the Group recorded on its Consolidated Statement of Financial Position. Since this extinguishment occurred subsequent to the acquisition date the Group has presented this payment as an operating activity on the Consolidated Statement of Cash Flows. New derivative contracts were subsequently entered into for more favourable pricing in order to secure the cash flows associated with these producing assets in an elevated price environment.

Other commodity derivative contract modifications made during the normal course of business for the year ended 31 December 2021 totalled $3,367 which the Group recorded on its Consolidated Statement of Financial Position. As these modifications were made in the normal course, the Group has presented these as an operating activity in the Consolidated Statement of Cash Flows.

SUBSEQUENT EVENTS

The Group maintains distinct, long-dated derivative contract portfolios for its ABS financings and Term Loan I. The Group also maintains a separate derivative contract portfolio related to its assets collateralised by the Credit Facility. In February 2022, the Group adjusted 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 for the completion of the ABS III and ABS IV financing arrangements. The Group completed these portfolio adjustments by entering into new derivative commodity contracts and novating certain derivative contracts to the legal entities holding the ABS III and ABS IV notes. The Group incurred $41,896 for these portfolio adjustments including long dated puts purchased for ABS III and ABS IV that collectively increased the value of the Company's derivative position by an equal amount. The Group recorded payments for offsetting positions as new derivative financial instruments and applied extinguishment payments against the existing commodity contracts on its Consolidated Statement of Financial Position.

NOTE 15 - TRADE AND OTHER RECEIVABLES

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

Trade receivables include amounts due from customers, entities that purchase the Group's natural gas, NGLs and oil production, and also include amounts due from joint interest owners, entities that own a working interest in the properties operated by the Group. The majority of trade receivables are current and the Group believes these receivables are collectible. The following table summarises the Group's trade receivables. The fair value approximates the carrying value as at the periods presented:

	31 December 2021	31 December 2020
Commodity receivables [a]	$ 275,295	$ 70,199
Other receivables	13,768	7,874
Total trade receivables	**$ 289,063**	**$ 78,073**
Allowance for credit losses [b]	(6,141)	(11,082)
Total trade receivables, net	**$ 282,922**	**$ 66,991**

[a] The increase in commodity receivables reflects the increase in commodity pricing over the course of 2021 which is explained in more detail in the Market Review section of this annual report as well as our growth through acquisitions.

[b] The allowance for credit losses is primarily related to amounts due from joint interest owners.

NOTE 16 - OTHER ASSETS

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

The following table includes details of other assets as of the periods presented:

	31 December 2021	31 December 2020
Other non-current assets		
Other non-current assets	$3,635	$ 2,376
Indemnification receivable [a]	–	1,837
Total other non-current assets	**$3,635**	**$ 4,213**
Other current assets		
Prepaid expenses	$5,126	$ 1,681
Other assets [b]	25,004	–
Inventory	9,444	6,315
Total other current assets	**$39,574**	**$7,996**

[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 uncertain tax position liability and indemnification receivable for the amount of $1,837 as of 31 December 2020. During 2021 the statute of limitations associated with the uncertain tax position was met and the Group is no longer subject to the potential tax liability associated with the tax position. As a result, the provision for the uncertain tax position and the indemnification receivable were removed.

[b] Primarily consists of payments associated with potential acquisitions. These costs include deposits, right of first refusal or option agreement costs, and other acquisition related payments.

SUBSEQUENT EVENTS

Acquiring long life stable assets is central to the Group's strategy. At times, due to changing macro economic conditions, commodity price volatility and/or findings observed during the Company's deal diligence efforts, the Group incurs breakage and or deal sourcing fees. Subsequent to 31 December 2021 and due to decisions the Group made in the first quarter of 2022, the Group wrote off of $25,000 in certain acquisition related costs related to these items.

NOTE 17 - SHARE CAPITAL

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

Share capital represents the nominal (par) value of shares (£0.01) that have been issued. Share premium includes any premiums received on issue of share capital above par. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related income tax benefits. The components of share capital include:

Issuance of Share Capital

In May 2021, the Group placed 141,541 new shares at $1.59 per share (£1.12) to raise gross proceeds of $225,050 (approximately £158,526). Associated costs of the placing were $11,206. The Group used the proceeds to pay down the Credit Facility and partially fund the Indigo and Blackbeard acquisitions, discussed in Notes 22 and 5, respectively.

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.

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. The Group has accounted for the repurchase of these shares as a direct reduction to retained earnings.

All repurchased treasury shares have been cancelled.

Cancellation of Warrants

In January 2021, the Group entered into an agreement to cancel 2,377 warrants (the "Warrants") held by Mirabaud Securities Limited ("Mirabaud") and certain former Mirabaud employees for an aggregate principal amount of approximately $1,429 (approximately £1,040). Mirabaud and its former employees surrendered the Warrants to the Group for cancellation. Following this purchase, 1,123 warrants remain outstanding.

The following tables summarise the Group's share capital, net of customary transaction costs, for the periods presented:

	Number of Shares		Total Share Capital		Total Share Premium
Balance as of 31 December 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 as of 31 December 2020	**707,377**	**$**	**9,520**	**$**	**841,159**
Issuance of share capital	141,541	$	2,044	$	211,800
Repurchase of shares	–		–		–
Other issues [(a)]	737		7		–
Balance as of 31 December 2021	**849,655**	**$**	**11,571**	**$**	**1,052,959**

[(a)] During the years ended 31 December 2021 and 2020, the Group issued 737 and 324 RSUs, respectively, to certain key managers. The RSUs had no impact on share premium.

NOTE 18 - NON-CASH SHARE-BASED COMPENSATION

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

Equity Incentive Plan

The 2017 Equity Incentive Plan (the "Plan"), as amended through 27 April 2021, authorised and reserved for issuance 65,681 shares of common stock, which may be issued upon exercise of vested Options or the vesting of RSUs and PSUs, that are granted under the Plan. As of 31 December 2021, 1,783 shares have vested and been issued to Plan participants, 33,057 shares have been granted but remain unvested and 1,960 dividend equivalent units "DEUs" have accrued and remain unvested. As of 31 December 2020, 1,023 shares have vested and been issued to Plan participants, 31,110 shares have been granted but remain unvested and 785 DEUs have accrued and remain unvested.

Options Awards

The following table summarises Options award activity for the respective periods presented:

	Number of Options		Weighted Average Grant Date Fair Value per Share
Balance as of 31 December 2019	**23,670**	**$**	**0.42**
Granted	–		–
Exercised	–		–
Forfeited	(650)		0.37
Balance as of 31 December 2020	**23,020**	**$**	**0.43**
Granted	–		–
Exercised	(833)		0.33
Forfeited	(300)		0.59
Balance as of 31 December 2021	**21,887**	**$**	**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 was calculated using the Black-Scholes model as of the grant date and is uniformly expensed over the vesting period. No Options were awarded during the years ended 31 December 2021 and 2020.

RSU Awards

The following table summarises RSU equity award activity for the respective periods presented:

	Number of Shares		Weighted Average Grant Date Fair Value per Share
Balance as of 31 December 2019	**1,252**	**$**	**1.20**
Granted	2,641		1.17
Vested	(470)		1.08
Forfeited	–		–
Balance as of 31 December 2020	**3,423**	**$**	**1.19**
Granted	1,536		1.59
Vested	(760)		1.16
Forfeited	(74)		1.32
Balance as of 31 December 2021	**4,125**	**$**	**1.34**

RSUs cliff- or ratably-vest based on service conditions. The number of units that will vest can range between 0 % and 100% of the award. The fair value of the Group's RSUs is determined using the stock price at the grant date and uniformly expensed over the vesting period.

PSU Awards
The following table summarises PSU equity award activity for the respective periods presented:

	Number of Shares		Weighted Average Grant Date Fair Value per Share
Balance as of 31 December 2019	–	$	–
Granted	4,667		1.19
Vested	–		–
Forfeited	–		–
Balance as of 31 December 2020	**4,667**	**$**	**1.19**
Granted	2,465		1.08
Vested	–		–
Forfeited	(87)		1.15
Balance as of 31 December 2021	**7,045**	**$**	**1.15**

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 PSUs is calculated using a Monte Carlo simulation model as of the grant date and is uniformly expensed over the vesting period. The inputs to the Monte Carlo model included the following for PSUs granted during the respective periods presented:

	31 December 2021
Risk-free rate of interest	0.2 %
Volatility [a]	35 %
Correlation with comparator group range	0.02 - 0.36

[a] Volatility utilises the historical volatility for the Group's share price.

Share-Based Compensation Expense
The following table presents share-based compensation expense for the respective periods presented:

		31 December 2021		31 December 2020
Options	$	2,115	$	2,553
RSUs		2,346		1,367
PSUs		2,939		1,116
Total share-based compensation expense	**$**	**7,400**	**$**	**5,036**

NOTE 19 - DIVIDENDS

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

The following table summarises the Group's dividends declared and paid on the dates indicated:

	Dividend per Share					Gross
Date Dividends Declared/Paid	USD	GBP	Record Date	Pay Date	Shares Outstanding	Dividends Paid
Declared on 29 October 2020	$ 0.0400	£ 0.0285	5 March 2021	26 March 2021	707,525	$ 28,301
Declared on 8 March 2021	$ 0.0400	£ 0.0281	28 May 2021	24 June 2021	849,434	33,970
Declared on 30 April 2021	$ 0.0400	£ 0.0288	3 September 2021	24 September 2021	849,603	33,984
Declared on 5 August 2021	$ 0.0400	£ 0.0299	26 November 2021	17 December 2021	849,603	33,984
Paid in the year ended 31 December 2021						**$ 130,239**
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 in the year ended 31 December 2020						**$ 98,527**

On 28 October 2021 the Group proposed a dividend of $0.0425 per share. The dividend will be paid on 28 March 2022 to shareholders on the register on 4 March 2022. This dividend was not approved by shareholders, thereby qualifying it as an "interim" dividend. No liability was recorded in the Group Financial Statements in respect of this interim dividend as at 31 December 2021.

SUBSEQUENT EVENTS

On 22 March 2022 the Directors recommended a dividend of $0.0425 per share. The dividend will be paid on 30 June 2022 to shareholders on the register on 27 May 2022, subject to shareholder approval at the AGM. Provided this dividend was not approved by shareholders as of the reporting date, this represents an "interim" dividend. No liability has been recorded in the Group Financial Statements in respect of this dividend as at 31 December 2021.

NOTE 20 - ASSET RETIREMENT OBLIGATIONS

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

The Group records a liability for the future cost of decommissioning its natural gas and oil properties, which it expects to incur at the end of the long-producing life of a well. Productive life varies within the Group's well portfolio and presently the Group expects all of its existing wells to have reached the end of their economic lives by approximately 2095. The Group also records a liability for the future cost of decommissioning its production facilities and pipelines if required by contract, statute, or constructive obligation. 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 years ended 31 December 2021 and 2020.

In estimating the present value of future decommissioning costs of natural gas and oil properties the Group takes into account the number and state jurisdictions of wells, current costs to decommission by state and the average well life across its portfolio. The Directors' assumptions are based on the current economic environment and represent what the Directors believe is a reasonable basis upon which to estimate the future liability. However, actual decommissioning costs will ultimately depend upon future market prices at the time the decommissioning services are performed. Furthermore, the timing of decommissioning will vary depending on when the fields cease to produce economically, making the determination dependent upon future natural gas and oil prices, which are inherently uncertain.

The Group applies a contingency allowance for annual inflationary cost increases to its current cost expectations then discounts the resulting cash flows using a credit adjusted risk free discount rate. The inflationary adjustment is a US long-term 10-year rate sourced from consensus economics. When determining the discount rate of the liability, the Group evaluates the Bloomberg 15-year US Energy BB bond which economically aligns with the underlying long-term and unsecured liability. Based on this evaluation the net discount rate used in the calculation of the decommissioning liability in 2021 and 2020 was 2.9% and 3.7%, 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 2021		31 December 2020	
Balance at beginning of period	**$**	**346,124**	**$**	**199,521**
Additions [(a)]		96,292		26,995
Accretion		24,396		15,424
Plugging costs		(2,879)		(2,442)
Disposals [(a)]		(16,500)		(3,838)
Revisions to estimate [(b)(c)]		78,156		110,464
Balance at end of period	**$**	**525,589**	**$**	**346,124**
Less: Current asset retirement obligations		3,399		1,882
Non-current asset retirement obligations	**$**	**522,190**	**$**	**344,242**

(a) Refer to Note 5 for additional information regarding acquisitions and divestitures.

(b) At 31 December 2021, the Group performed normal revisions to its asset retirement obligations, which resulted in a $78,156 increase in the liability. This increase was comprised of a $109,306 increase attributable to the lower discount rate which was then offset by a $27,038 reduction in anticipated ARO cost. The remaining change was attributable to timing. The lower discount rate was a result of macroeconomic factors spurred by the Covid-19 recovery, which reduced bond yields and increased inflation. Cost reductions are a result of the expansion of the Group's internal plugging programme and efficiencies gained.

(c) 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 retire wells.

Changes to assumptions for the estimation of the Group's asset retirement obligations could result in a material change in the carrying value of the liability. A reasonably possible 10% change in assumptions could have the following impact on the Group's asset retirement obligations as at 31 December 2021.

ARO Sensitivity		+10%		-10%
Discount rate	$	(49,218)	$	55,843
Timing		(40,378)		43,751
Cost		52,547		(52,547)

NOTE 21 - LEASES

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

The Group leased automobiles, equipment and real estate for the periods presented below. A reconciliation of leases arising from financing activities and the balance sheet classification of future minimum lease payments as of the reporting periods presented were as follows:

	Present Value of Minimum Lease Payments	
	31 December 2021	31 December 2020
Balance at beginning of period	**$18,878**	**$1,813**
Additions [(a)]	16,482	19,820
Interest expense [(b)]	1,050	929
Cash outflows	(8,606)	(3,684)
Balance at end of period	**$27,804**	**$18,878**
Classified as:		
Current liability	$9,627	$5,013
Non-current liability	18,177	13,865
Total	**$27,804**	**$18,878**

(a) Of the $16,482 in lease additions in 2021, $6,445, $917 and $700 was attributable to the Indigo, Blackbeard and Tapstone acquisitions. Of the $19,820 in lease additions in 2020, $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. Refer to Note 5 for additional information regarding acquisitions.

(b) Included as a component of finance cost.

Set out below is the movement in the right-of-use assets:

	Right-of-Use Assets	
	31 December 2021	31 December 2020
Balance at beginning of period	**$18,026**	**$1,868**
Additions [(a)]	16,554	19,558
Depreciation	(7,672)	(3,400)
Balance at end of period	**$26,908**	**$18,026**
Classified as:		
Motor vehicles	$19,149	$14,614
Midstream	6,502	2,496
Buildings and leasehold improvements	1,257	916
Total	**$26,908**	**$18,026**

(a) Of the $16,554 in lease additions in 2021, $6,445, $917 and $700 was attributable to the Indigo, Blackbeard and Tapstone acquisitions. Of the $19,558 in lease additions in 2020, $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. Refer to Note 5 for additional information regarding acquisitions.

The range of discount rates applied in calculating right-of-use assets and related lease liabilities, depending on the lease term, is presented below:

	31 December 2021	31 December 2020
Discount rates range	1.8% - 3.3%	1.8% - 3.3%

Expenses related to short-term and low-value lease exemptions applied under IFRS 16 are primarily associated with compressor rentals and were $15,362 and $9,799 for the years ended 31 December 2021 and 2020 respectively. These amounts have been included in the Group's operating expenses and are primarily concentrated in Base LOE.

The following table reflects the maturity of leases as of the periods presented:

	31 December 2021	31 December 2020
Not Later Than One Year	$9,627	$5,013
Later Than One Year and Not Later Than Five Years	18,177	13,865
Later Than Five Years	–	–
Total	**$27,804**	**$18,878**

NOTE 22 - BORROWINGS

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

The Group's borrowings consist of the following amounts as of the reporting date as follows:

	31 December 2021	31 December 2020
Credit Facility (Weighted average interest rate of 3.36% and 2.96%, respectively)	$ 570,600	$ 213,400
ABS I Note (Interest rate of 5.00%)	155,266	180,426
ABS II Note (Interest rate of 5.25%)	169,320	191,125
Term Loan I (Interest rate of 6.50%)	137,099	156,805
Miscellaneous, primarily for real estate, vehicles and equipment	9,380	4,730
Total borrowings	**$ 1,041,665**	**$ 746,486**
Less: Current portion of long-term debt	(58,820)	(64,959)
Less: Deferred financing costs	(26,413)	(23,068)
Less: Original issue discounts	(4,897)	(6,178)
Total non-current borrowings, net	**$ 951,535**	**$ 652,281**

Credit Facility

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

In August 2021, the Credit Facility borrowing base was upsized from $425,000 to $625,000 for the Indigo, Blackbeard and Tanos acquisitions and the maturity of the Credit Facility was extended by two years to August 2025. In December 2021, the borrowing base under the Credit Facility was further increased from $625,000 to $825,000 as part of the Group's semi-annual borrowing base redetermination and in connection with the Tapstone acquisition.

The Credit Facility has an interest rate of LIBOR plus an additional spread that ranges from 2.75% to 3.75% based on utilisation. Interest payments on the Credit Facility are paid on a monthly basis. The next redetermination is in May 2022. Available borrowings under the Credit Facility were $222,263 as of 31 December 2021 which considers the impact of $32,137 in letters of credit issued to certain vendors.

The Credit Facility contains certain customary representations and warranties and affirmative and negative covenants, including covenants relating to: maintenance of books and records; financial reporting and notification; compliance with laws; maintenance of properties and insurance; and limitations on incurrence of indebtedness, liens, fundamental changes, international operations, asset sales, certain debt payments and amendments, restrictive agreements, investments, restricted payments and hedging. It also requires the Group to maintain a ratio of total debt to EBITDAX of not more than 3.25 to 1.00 and a ratio of current assets (with certain adjustments) to current liabilities of not less than 1.00 to 1.00 as of the last day of each fiscal quarter. As of 31 December 2021 the Group was in compliance with all financial covenants. The fair value of the Credit Facility approximates the carrying value as at 31 December 2021.

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, 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 years ended 31 December 2021 and 2020, the Group incurred $9,860 and $6,371 in interest related to the Term Loan I, respectively, 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 2021.

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 2021 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 2.78% 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 certain Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

The ABS II 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 years ended 31 December 2021 and 2020, the Group incurred $10,530 and $7,563 in interest related to the ABS II Note, respectively, 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, the Group 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 2021.

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 2021 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 certain Appalachian assets. Natural gas production associated with these assets was hedged at 85% at the close of the agreement with long-term derivative contracts.

Interest and principal payments on the ABS I Note are payable on a monthly basis beginning 28 February 2020. During the years ended 31 December 2021 and 2020, the Group incurred $8,460 and $9,661 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, the Group 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 2021.

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 are 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 2021 the Group was in compliance with all financial covenants.

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 2021	31 December 2020
Not later than one year	$ 58,820	$ 64,959
Later than one year and not later than five years	811,964	450,503
Later than five years	170,881	231,024
Total borrowings	**$ 1,041,665**	**$ 746,486**

The following table represents the Group's finance costs for each of the periods presented:

	Year Ended	
	31 December 2021	31 December 2020
Interest expense, net of capitalised and income amounts [(a)]	$ 42,370	$ 34,391
Amortisation of discount and deferred finance costs	8,191	8,334
Other	67	602
Total finance costs	**$ 50,628**	**$ 43,327**

[(a)] Includes payments related to borrowings and leases.

Reconciliation of borrowings arising from financing activities:

	Year Ended	
	31 December 2021	31 December 2020
Balance at beginning of period	**$ 717,240**	**$ 622,288**
Acquired as part of a business combination	3,801	–
Proceeds from borrowings	1,727,745	799,650
Repayments of borrowings	(1,436,367)	(705,314)
Costs incurred to secure financing	(10,255)	(7,799)
Amortisation of discount and deferred financing costs	8,191	8,334
Cash paid for interest	(41,623)	(34,335)
Finance costs and other	41,623	34,416
Balance at end of period	**$ 1,010,355**	**$ 717,240**

SUBSEQUENT EVENTS

In February 2022, the Group completed two asset-backed security financings, the ABS III Note and the ABS IV Note, to raise gross proceeds of $365,000 and $160,000, respectively. As a result, the borrowing base under the Credit Facility was redetermined to $500,000 in February 2022 to account for movement of asset collateral value securitised by the ABS III and ABS IV Notes.

ABS III Note

In February 2022, the Group formed Diversified ABS III LLC ("ABS III"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary of DEC to enter into a securitised financing agreement for $365,000 which was issued at par through a BBB rated bond.

The ABS III Note is secured by certain Appalachian assets of the Group.

Interest and principal payments on the ABS III Note are payable on a monthly basis. The legal final maturity date is April 2039 with an amortising maturity of November 2030. The ABS III Note accrues interest at a stated 4.875% rate. In the event that ABS III has cash flow in excess of the required payments, 25% to 100% of the excess cash, contingent on certain performance metrics, we are required to pay down additional principal with the remaining proceeds remaining with the Group.

ABS IV Note

In February 2022, the Group formed Diversified ABS IV LLC ("ABS IV"), a limited-purpose, bankruptcy-remote, wholly-owned subsidiary of DEC to enter into a securitised financing agreement for $160,000 which was issued at par through a BBB rated bond.

The ABS IV Note is secured by certain of the Blackbeard acquisition assets.

Interest and principal payments on the ABS IV Note are payable on a monthly basis. The legal final maturity date is February 2037 with an amortising maturity of September 2030. The ABS IV Note accrues interest at a stated 4.950% rate. In the event that ABS IV has cash flow in excess of the required payments, 25% to 100% of the excess cash, contingent on certain performance metrics, we are required to pay down additional principal with the remaining proceeds remaining with the Group.

NOTE 23 - TRADE AND OTHER PAYABLES

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

The following table includes details of trade and other payables. The fair value approximates the carrying value as at the periods presented:

	31 December 2021	31 December 2020
Trade payables	$ 61,612	$ 19,218
Other payables	806	148
Total trade and other payables	**$ 62,418**	**$ 19,366**

Trade and other payables are unsecured, non-interest bearing and paid as they become due.

NOTE 24 - OTHER LIABILITIES

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

The following table includes details of other liabilities as of the periods presented:

	31 December 2021	31 December 2020
Other non-current liabilities		
Uncertain tax position [a]	$ –	$ 1,837
Other non-current liabilities [b]	7,775	11,023
Total other non-current liabilities	**$ 7,775**	**$ 12,860**
Other current liabilities		
Accrued expenses [c]	$ 139,648	$ 28,582
Taxes payable [d]	53,629	18,025
Net revenue clearing [e]	137,366	12,561
Asset retirement obligations - current	3,399	1,882
Revenue to be distributed [f]	57,006	30,260
Total other current liabilities	**$ 391,048**	**$ 91,310**

[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 uncertain tax position liability and indemnification receivable for the amount of $1,837 as of 31 December 2020. During 2021 the statute of limitations associated with the uncertain tax position was met and the Group is no longer subject to potential tax liability associated with the tax position. As a result, the provision for the uncertain tax position and the indemnification receivable were removed.

[b] Other non-current liabilities primarily represents the long-term portion of the value associated with the upfront promote received from Oaktree. The upfront promote allows DEC to obtain a 51.25% interest in the net assets associated with the acquisition while only paying 50% of the total consideration. The upfront promote is intended to compensate DEC for the administrative expansion necessary with acquired growth and is amortised to general and administrative expense over the life of the promote.

[c] Accrued expenses primarily consist of the $22,503 for the Carbon and EQT contingent consideration and $44,085 for hedge settlements payables. The remaining balance consists of accrued capital projects and operating expenses which have naturally increased with our growth. Please refer to the Financial Review section of this Annual Report for more information on year-over-year changes in operating expenses and their fixed and variable nature.

[d] The increase in taxes payable year-over-year is primarily attributable to a $33,526 capital gain payable on the Tapstone acquisition resulting from this transaction being treated as a stock deal for tax purposes. The Group received a purchase price concession from Oaktree as a result of this tax treatment to share the payable between the parties. Remaining taxes payable are attributable to the Group's customary operations.

[e] Net revenue clearing is estimated revenue that is payable to third-party working interest owners. The year over year increase, similar to commodity receivables, is a result of higher commodity prices year over year, our growth from acquisitions and Oaktree's 48.75% participation in the acquisitions of Indigo, Tanos and Tapstone.

[f] Revenue to be distributed is revenue that is payable to third-party working interest owners, but has yet to be paid due to title, legal, ownership or other issues. The Group releases the underlying liability as the aforementioned issues become resolved. As the timing of resolution is unknown, the Group records the balance as a current liability. Revenue to be distributed increased $14,429 year-over-year as a result of the Central Region acquisitions while the remaining change is attributable to recurring operating activity and increases in commodity prices.

NOTE 25 - FAIR VALUE AND FINANCIAL INSTRUMENTS

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

FAIR VALUE

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Group utilises valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. IFRS 13, Fair Value Measurement ("IFRS 13") establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs (other than quoted prices included in Level 1 can include the following):

(1) Observable prices in active markets for similar assets;

(2) Prices for identical assets in markets that are not active;

(3) Directly observable market inputs for substantially the full term of the asset; and

(4) Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3: Unobservable inputs which reflect the Directors' best estimates of what market participants would use in pricing the asset at the measurement date.

The carrying values of cash and cash equivalents, trade receivables, other current assets, accounts payable and other current liabilities in the Consolidated Statement of Financial Position approximate fair value because of their short-term nature. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, Financial Instruments ("IFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

For borrowings, derivative financial instruments, and leases the following methods and assumptions were used to estimate fair value:

Borrowings

The fair values of the Group's ABS I Note, ABS II Note and Term Loan I are considered to be a Level 2 measurement on the fair value hierarchy. The carrying values of the borrowings under the Group's Credit Facility (to the extent utilised) approximates fair value because the interest rate is variable and reflective of market rates. The Group considers the fair value of its Credit Facility to be a Level 2 measurement on the fair value hierarchy.

Derivative Financial Instruments
The Group measures the fair value of its derivative financial instruments based upon a pricing model that utilises market-based inputs, including, but not limited to, the contractual price of the underlying position, current market prices, natural gas and liquids forward curves, discount rates such as the LIBOR curve, and volatility factors.

The Group has classified its derivative financial instruments into the fair value hierarchy depending upon the data utilised to determine their fair values. The Group's fixed price swaps (Level 2) are estimated using third-party discounted cash flow calculations using the NYMEX futures index for natural gas and oil derivatives and OPIS for NGLs derivatives. The Group utilises discounted cash flow models for valuing its interest rate derivatives (Level 2). The net derivative values attributable to the Group's interest rate derivative contracts as of 31 December 2021 are based on (i) the contracted notional amounts, (ii) active market-quoted LIBOR yield curves and (iii) the applicable credit-adjusted risk-free rate yield curve.

The Group's call options, put options, collars and swaptions (Level 2) are valued using the Black-Scholes model, an industry standard option valuation model that takes into account inputs such as contract terms, including maturity, and market parameters, including assumptions of the NYMEX and OPIS futures index, interest rates, volatility and credit worthiness. Inputs to the Black-Scholes model, including the volatility input are obtained from a third-party pricing source, with independent verification of the most significant inputs on a monthly basis. A change in volatility would result in a change in fair value measurement, respectively.

The Group's basis swaps (Level 2) are estimated using third-party calculations based upon forward commodity price curves.

Leases
The Group initially measures the lease liability at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease. When this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Contingent consideration
These liabilities represent the estimated fair value of potential future payments the Group may be required to remit under the terms of historical purchase agreements entered into for asset acquisitions and business combinations. In instances when the contingent consideration relates to the acquisition of a group of assets, the Group records changes in the fair value of the contingent consideration through the basis of the asset acquired rather than through Other income (expense) in the Consolidated Statement of Comprehensive Income as it does for business combinations. During the years ended 31 December 2021 and 2020 the Group recorded $9,482 and $2,402, respectively, in revaluations related to contingent consideration associated with asset acquisitions and $8,963 and $567, respectively, associated with business combinations.

The Group remeasures the fair value of the contingent consideration at each reporting period. This estimate requires assumptions to be made, including forecasting the NYMEX Henry Hub natural gas settlement prices relative to stated floor and target prices in future periods. In determining the fair value of the contingent consideration liability, the Group used the Monte Carlo simulation model, which considers unobservable input variables, representing a Level 3 measurement. While valued under this technique presently these items are classified as current and approximate the maximum payment under the terms of the consideration agreements.

There were no transfers between fair value levels for the year ended 31 December 2021.

FINANCIAL INSTRUMENTS
The following table includes the Group's financial instruments as at the periods presented:

	31 December 2021	31 December 2020
Cash and cash equivalents	$ 12,558	$ 1,379
Trade receivables and accrued income	282,922	66,991
Other non-current assets [(a)]	3,635	2,376
Other current assets [(b)]	25,004	–
Other non-current liabilities [(c)]	(7,775)	(11,023)
Other current liabilities [(d)]	(334,020)	(71,403)
Derivative financial instruments at fair value	(807,398)	(165,807)
Leases	(27,804)	(18,878)
Borrowings	(1,041,665)	(746,486)
Total	**$ (1,894,543)**	**$ (942,851)**

[(a)] Excludes indemnification receivables.

[(b)] Excludes prepaid expenses, deposits and inventory

[(c)] Excludes uncertain tax positions.

[(d)] Excludes taxes payable and asset retirement obligations.

NOTE 26 - FINANCIAL RISK MANAGEMENT

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

The Group is exposed to a variety of financial risks such as market risk, credit risk, liquidity risk, capital risk and collateral risk. The Group manages these risks by monitoring the unpredictability of financial markets and seeking to minimise potential adverse effects on 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. As of 31 December 2021 and 2020, the Group had $570,600 and $436,700, respectively, outstanding under its Credit Facility that maintained an average interest rate of 3.36% and 2.96%, respectively. Refer to Note 22 for additional information regarding 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	$ 5,706	$ (5,706)

The Group principally manages this risk by entering into fixed-rate borrowing obligations with amortising structures. 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 2021 and 2020, the Group had an interest rate swap ("IR swap") that fixed $150,000 of variable LIBOR interest rate risk, respectively. Refer to Note 14 for additional information regarding derivative financial instruments.

The Group has also evaluated the potential risks associated with the anticipated transition from LIBOR to SOFR and does not anticipate the impact will be material.

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 2021 and 2020, the Group's commodity revenue was $973,107 and $381,662, respectively.

The Group enters into derivative financial instruments to mitigate the risk of fluctuations in commodity prices. The total volumes hedged through the use of derivative financial instruments varies from period to period, but generally the Group's objective is to hedge at least 65% for the next 12 months, at least 50% in months 13 to 24, and a minimum of 30% to 40% in months 25 to 36, of its anticipated production volumes for the next 36 months. Refer to Note 14 for additional information regarding derivative financial instruments.

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. The Group had one customer over 10% as of 31 December 2021 and 2020, that made up 13% and 11%, respectively, of the Group's total trade receivables from customers. As of 31 December 2021 and 2020, the Group's trade receivables from customers were $268,375 and $66,908, respectively.

The Group is also exposed to credit risk from joint interest owners, entities that own a working interest in the properties operated by the Group. Joint interest receivables are classified in trade receivables, net in the Consolidated Statement of Financial Position. The Group has the ability to withhold future revenue payments to recover any non-payment of joint interest receivables. Given the historical low pricing environment in 2020, however, the Group recorded a non-recurring increase in the reserve of joint interest owner receivables for the allowance for credit losses of $6,931 as of 31 December 2020. During 2021 commodity markets improved and with them so did the Group's ability to withhold receivables from revenue distributions. As a result the Group's allowance for credit losses from joint interest decreased by 45%. As of 31 December 2021 and 2020, the Group's joint interest receivables were $14,547 and $83, 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 maintaining adequate cash reserves through the use of cash from operations and borrowing capacity on the Credit Facility. The Group also continuously monitors its forecast and actual cash flows to ensure it maintains an appropriate amount of liquidity. The amounts disclosed in the table are the contractual cash flows. Balances due within 12 months equal their carrying balances, because the impact of discounting is not significant.

	Not Later Than One Year	Later Than One Year and Not Later Than Five Years	Later Than Five Years	Total
For the year ended 31 December 2021				
Trade and other payables	$ 62,418	$ –	$ –	$ 62,418
Borrowings	58,820	811,964	170,881	1,041,665
Leases	9,627	18,177	–	27,804
Asset retirement obligation	3,399	13,675	508,515	525,589
Other liabilities [(a)]	277,014	7,775	–	284,789
Total	**$ 411,278**	**$ 851,591**	**$ 679,396**	**$ 1,942,265**
For the year ended 31 December 2020				
Trade and other payables	$ 19,366	$ –	$ –	$ 19,366
Borrowings	64,959	450,503	231,024	746,486
Leases	5,013	13,865	–	18,878
Asset retirement obligation	1,882	6,764	337,478	346,124
Other liabilities [(a)]	41,143	11,023	–	52,166
Total	**$ 132,363**	**$ 482,155**	**$ 568,502**	**$ 1,183,020**

[(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. Refer to Note 9 for more additional information regarding Hedged Adjusted EBITDA.

COLLATERAL RISK

The Group has pledged 30% of its natural gas and oil properties, in Appalachia to fulfil the collateral requirements for borrowings under the ABS I Note, ABS II Note, and Term Loan I transactions. The remaining natural gas and oil properties collateralise the Group's Credit Facility. The fair value of the borrowings collateral is based on a third-party engineering reserve calculation using a 10% cumulative discount cash flow and a commodities futures price schedule. Refer to Notes 5 and 22 for additional information regarding acquisitions and borrowings, respectively.

NOTE 27 - CONTINGENCIES

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

Litigation And Regulatory Proceedings
The Group is involved in various pending legal issues that have arisen in the 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 2021 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.

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 it was in compliance as of 31 December 2021. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect its operations. The Group can offer no assurance regarding the significance or cost of compliance associated with any such new environmental legislation once implemented.

NOTE 28 - RELATED PARTY TRANSACTIONS

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

UK Legal Counsel
Martin K. Thomas is a partner at Wedlake Bell LLP, the former UK legal advisor to the Group.

	Year Ended			
	31 December 2021		31 December 2020	
Fees paid to related party legal advisor	$ –	£ –	$ 41	£ 33

NOTE 29 - SUBSEQUENT EVENTS

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

The Group determined the need to disclose the following material transactions that occurred subsequent to 31 December 2021, which have been described within each relevant footnote as follows:

Description	Footnote
Expenses by Nature	Note 7
Derivative Financial Instruments	Note 14
Other Assets	Note 16
Dividends	Note 19
Borrowings	Note 22

Company Financial Statements


DIVERSIFIED

Company Statement of Financial Position

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

		Audited			
	Note	31 December 2021		31 December 2020	
ASSETS					
Non-current assets:					
Investments in subsidiaries	4	£	897,082	£	729,569
Other non-current assets			45		–
Total non-current assets		**£**	**897,127**	**£**	**729,569**
Current assets:					
Cash and cash equivalents			483		459
Other current assets			332		220
Total current assets		**£**	**815**	**£**	**679**
Total assets		**£**	**897,942**	**£**	**730,248**
EQUITY AND LIABILITIES					
Shareholders' equity:					
Share capital	5		8,492		7,071
Share premium	5		802,889		653,160
Share based payment and other reserves			11,320		7,246
Retained earnings			73,198		62,267
Total equity		**£**	**895,899**	**£**	**729,744**
Current liabilities:					
Trade and other payables			2,043		504
Total current liabilities		**£**	**2,043**	**£**	**504**
Total liabilities		**£**	**2,043**	**£**	**504**
TOTAL EQUITY & LIABILITIES		**£**	**897,942**	**£**	**730,248**

The profit for the 2021 financial year of the Company was £106,980 (2020: £135,665).

The notes on pages 180 to 183 are an integral part of the Company Financial Statements.

The Company Financial Statements were approved by the Board of Directors and authorised for issuance on 22 March 2022 and were signed on its behalf by:

D.E Johnson

DAVID E. JOHNSON
Chairman of the Board
Registered in England and Wales, No. 9156132

Company Statement of Changes in Equity

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

	Note	Share Capital	Share Premium	Share-Based Payment and Other Reserves	Retained Earnings	Non-Controlling Interest	Total Equity
Balance as of 1 January 2021		**£ 7,071**	**£ 653,160**	**£ 7,246**	**£ 62,267**	**£ –**	**£ 729,744**
Income after taxation		–	–	–	106,980		106,980
Other comprehensive income (loss)		–	–	–	–		–
Total comprehensive income (loss)		**£ –**	**£ –**	**£ –**	**£ 106,980**	**£ –**	**£ 106,980**
Issuance of share capital	5	1,416	149,729	–	–		151,145
Equity compensation		5	–	5,114	(2,058)		3,061
Repurchase of shares	5	–	–	–	–		–
Dividends	6	–	–	–	(93,991)		(93,991)
Cancellation of warrants		–	–	(1,040)	–		(1,040)
Transactions with shareholders		**£ 1,421**	**£ 149,729**	**£ 4,074**	**£ (96,049)**	**£ –**	**£ 59,175**
Balance as of 31 December 2021		**£ 8,492**	**£ 802,889**	**£ 11,320**	**£ 73,198**	**£ –**	**£ 895,899**

	Note	Share Capital	Share Premium	Share-Based Payment and Other Reserves	Retained Earnings	Non-Controlling Interest	Total Equity
Balance as of 1 January 2020		**£ 6,556**	**£ 587,632**	**£ 2,309**	**£ 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**	**£ 4,937**	**£ (88,817)**	**£ –**	**£ (17,837)**
Balance as of 31 December 2020		**£ 7,071**	**£ 653,160**	**£ 7,246**	**£ 62,267**	**£ –**	**£ 729,744**

The notes on pages 180 to 183 are an integral part of the Company Financial Statements.

Registered in England and Wales, No. 9156132

Notes to the Company Financial Statements

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

INDEX TO THE NOTES TO THE COMPANY FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

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

Diversified Energy Company PLC (the "Parent" or "Company"), formerly Diversified Gas & Oil PLC, and its wholly owned subsidiaries (the "Group") is an independent energy company engaged in the production, marketing and transportation of primarily natural gas related to its synergistic US onshore upstream and midstream assets. The Group's assets are located within the Appalachian Basin of the US and more recently have expanded into the Central Region, consisting of the Cotton Valley/ Haynesville area and Barnett Shale located in the states of Louisiana, Texas and Oklahoma.

The Parent was incorporated on 31 July 2014 in the United Kingdom and is registered in England and Wales under the Companies Act 2006 as a public limited company under company number 09156132. The Group's registered office is located at 4th floor 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 "DEC." 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

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

BASIS OF PREPARATION

The Company Financial Statements have been prepared in accordance with Financial Reporting Standard 102 "FRS 102" and the Companies Act 2006 under the historical cost basis. The preparation of Company Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgment in applying the Company's accounting policies (see Note 3).

The Company Financial Statements are presented in British pound sterling ("£") and rounded to the nearest thousand, unless otherwise stated.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in the Company Financial Statements. The Company has also taken advantage of the following disclosure exemptions in preparing the Company Financial Statements, 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 Statements have been prepared on the going concern basis, which contemplates the health of the Company, as well as the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Directors have reviewed the Company's overall position and outlook and are of the opinion that it is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of the Company Financial Statements.

Prior Period Reclassification

There have been no reclassifications of amounts in the prior period.

New Standards and Interpretations - Not Yet Adopted

At the date of authorisation of the Company Financial Statements, the Directors have reviewed the standards in issue by the FRC. 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 2021 and 2020, 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 is determined using the stock price at the grant date while the fair value of the Company's PSUs are determined using a Monte Carlo simulation model as of the grant date. The fair value of the Company's Options are calculated using the Black-Scholes model as of the grant date. The fair value of each award is expensed uniformly over the vesting period.

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

In preparing the Company Financial Statements, the Directors considered that the key judgment is the evaluation of the carrying value of the investments in subsidiaries for impairment. Investments in subsidiaries were £897,082 and £729,569 for 31 December 2021 and 2020, respectively. When considering indicators for impairment of the Company's investments the Directors evaluate the impairment indicators for the Group's financial information on the basis that the Group's subsidiaries hold the natural gas and oil properties which generate the Group's cash flows. These cash flows are ultimately linked to the subsidiaries ability to pay dividends back to the Company.

At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications do exist, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. The Directors undertook an impairment trigger assessment in line with their accounting policy. Given the viability of the investments is dependent on the cash flows from the subsidiaries which are generated from the underlying natural gas properties the Directors have compared the carrying value of the Group's natural gas and oil properties as at 31 December 2021 to their fair values. In considering the result of this assessment the Directors also evaluated the borrowing obligations of the subsidiaries and their ability to produce cash flows which generate distributable reserves. Based on this review, the carrying value of natural gas and oil properties was not impaired and there were no indications the subsidiaries would be unable to repay any borrowing obligations. No other impairment indicators were identified. Having performed this assessment, no impairment was recognised.

NOTE 4 - INVESTMENTS

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

The Company owns in its entirety the issued share capital of Diversified Gas & Oil Corporation, a company incorporated in Delaware, US. The carrying value at 31 December 2021 and 2020 of investments held was £897,082 and £729,569, respectively. The year-over-year increase is primarily attributable to additional capital contributions to subsidiaries as a result of the issuance and repurchase of share capital and dividend payments.

A list of the subsidiaries of the Company is set out in Note 2 to the Group Financial Statements. The registered office of Diversified Gas & Oil Corporation and all of the subsidiaries owned by that entity is 1600 Corporate Drive, Birmingham, Alabama, USA.

NOTE 5 - SHARE CAPITAL

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

The following table summarises the Company's share capital for the periods presented. The Company used the proceeds to partially fund acquisitions as discussed in Note 5 to the Group Financial Statements. For more information on changes in share capital please refer to Note 17 to the Group Financial Statements.

	Number of Shares		Total Share Capital		Total Share Premium
Balance as of 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 as of 31 December 2020	**707,377**		**7,071**		**653,160**
Issuance of share capital	141,541		1,416		149,729
Repurchase of shares	–		–		–
Other issues [(a)]	737		5		–
Balance as of 31 December 2021	**849,655**	£	**8,492**	£	**802,889**

[(a)] During the years ended 31 December 2021 and 2020, the Group issued 737 and 324 RSUs, respectively, to certain key managers. The RSUs had no impact on share premium. See Note 17 to the Group Financial Statements for additional information.

NOTE 6 - DIVIDENDS

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

The following table summarises the Company's dividends paid and declared on the dates indicated below. For more information on dividends please refer to Note 11 to the Group Financial Statements.

Date Dividends Declared/Paid		Dividend per Share (GBP)	Record Date	Pay Date	Shares Outstanding		Gross Dividends Paid
Declared on 29 October 2020	£	0.0285	5 March 2021	26 March 2021	707,525	£	20,195
Declared on 8 March 2021		0.0281	28 May 2021	24 June 2021	849,434		23,899
Declared on 30 April 2021		0.0288	3 September 2021	24 September 2021	849,603		24,455
Declared on 5 August 2021		0.0299	26 November 2021	17 December 2021	849,603		25,442
Paid in the year ended 31 December 2021						£	**93,991**
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 in the year ended 31 December 2020						£	**76,271**

NOTE 7 - OPERATING EXPENSES

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

Details of Directors' remuneration is included in Remuneration at a Glance within this Annual Report. Auditors' remuneration is included in Note 7 to the Group Financial Statements.

NOTE 8 - TAXATION

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

The tax assessed for the year is the same as the UK corporate tax rate of 19% for both of the years ending 31 December 2021 and 2020.

	Year Ended	
	31 December 2021	31 December 2020
Profit on ordinary activities before tax	**£ 106,875**	**£ 136,151**
Standard UK corporate tax rate of 19% on profits for the period	20,306	25,869
Non-taxable income	(21,341)	(26,632)
Permanent differences	990	1,235
Other	(60)	14
Total tax charge for the year	**£ (105)**	**£ 486**

Non-taxable income for 2021 and 2020 relates to dividend income received from US subsidiaries in the amount £112,320 and £140,169, respectively. The Company had a £45 unrecognised tax loss carryforward at 31 December 2021.

The UK corporation tax rate will increase from 19 to 25 percent effective 1 April 2023. The Company does not expect a material impact to the financial statements.

Additional Information

Payments to Governments Report 2021 (Unaudited)

(Amounts in thousands)

This report provides a consolidated overview of the payments to governments made by the Group for the year 2021 as required under Disclosure and Transparency Rule 4.3A issued by the UK's Financial Conduct Authority ("DTR 4.3A") and in accordance with The Reports on Payments to Governments Regulations 2014 (as amended in 2015) ("the UK Regulations"). DTR 4.3A requires companies listed on a stock exchange in the UK and operating in the extractive industry to publicly disclose payments to governments in the countries where they undertake exploration, prospection, discovery, development and extraction of natural gas and oil deposits or other materials.

BASIS OF PREPARATION

Under the UK Regulations, the Group prepares a disclosure on payments made to governments for each financial year in relation to relevant activities of both the Group and any of its subsidiary undertakings included in the Group Financial Statements.

ACTIVITIES WITHIN THE SCOPE OF THE DISCLOSURE

Payments made to governments that relate to the Group's activities involving the exploration, development, and production of natural gas and oil reserves ("extractive activities") are included in this disclosure. Payments made to governments that relate to activities other than extractive activities are not included in this disclosure as they are not within the scope of extractive activities as defined by the UK Regulations.

GOVERNMENT

"Government" includes any national, regional or local authority of a country, and includes a department, agency or entity that is a subsidiary of a government.

CASH BASIS

Payments are reported on a cash basis, meaning that they are reported in the period in which they are paid, as opposed to being reported on an accrual basis, meaning that they are reported in the period in which the liabilities arise.

PROJECT DEFINITION

The UK Regulations require payments to be reported by project (as a sub category within a country). They define a "project" as the operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. If these agreements are substantially interconnected, then they can be treated as a single project. Under the UK Regulations "substantially interconnected" means forming a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. The number of projects will depend on the contractual arrangements within a country and not necessarily on the scale of activities. Moreover, a project will only appear in this disclosure where relevant payments occurred during the year in relation to that project. The UK Regulations acknowledge that for some payments it may not be possible to attribute a payment to a single project and therefore such payments may be reported at the country level. Corporate income taxes, which are typically not levied at a project level, are an example of this.

MATERIALITY LEVEL

For each payment type, total payments below £86 to a government are excluded from this report.

EXCHANGE RATE

Payments made in currencies other than USD are translated for this report based on the foreign exchange rate at the relevant quarterly average rate.

PAYMENT TYPES

The UK Regulations define a "payment" as an amount paid whether in money or in kind, for relevant activities where the payment is of any one of the types listed below:

PRODUCTION ENTITLEMENTS

Under production-sharing agreements ("PSA") the production is shared between the host government and the other parties to the PSA. The host government typically receives its share or entitlement in kind rather than being paid in cash. For the year ended 31 December 2021, DEC had no reportable production entitlements to a government.

TAXES
This report includes taxes levied on income, personnel, production or profits withheld from dividends, royalties and interest received by DEC. Taxes levied on consumption, sales, procurement (contractor's withholding taxes), environmental, property, customs and excise are not reportable under the UK Regulations.

ROYALTIES
Payments for the rights to extract natural gas and oil resources, typically at a set percentage of revenue less any deductions that may be taken, and may be paid in cash or in kind (valued in the same way as production entitlement).

DIVIDENDS
Dividend payments other than dividends paid to a government as a shareholder of an entity unless paid in lieu of production entitlements or royalties. For the year ended 31 December 2021, DEC had no reportable dividend payments to a government.

BONUSES
Signature, discovery and production bonuses and other bonuses payable under licences or concession agreements are included in this report. These are usually paid upon signing an agreement or a contract, or when a commercial discovery is declared, or production has commenced or production has reached a milestone. For the year ended 31 December 2021, DEC had no reportable bonus payments to a government.

FEES
In preparing this report, DEC has included licence fees, rental fees, entry fees and all other payments that are paid in consideration for new and existing licences and or concessions. Fees paid to governments for administrative services are excluded.

INFRASTRUCTURE IMPROVEMENTS
Payments which relate to the construction of infrastructure (road, bridge or rail) not substantially dedicated for the use of extractive activities. Payments which are of a social investment in nature, for example building of a school or hospital, are excluded.

PAYMENTS OVERVIEW

The tables below show the relevant payments to governments made by DEC in the year ended 31 December 2021 shown by country and payment type.

Of the seven payment types required by the UK Regulations, DEC did not pay any production entitlements, dividends, bonuses, fees and or infrastructure improvements therefore those categories are not shown.

Summary of Payments to Governments

(Amounts in thousands)

Countries	Production Entitlements	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure Improvements	Total
United Kingdom	$ –	$ 567	$ –	$ –	$ –	$ –	$ –	$ 567
United States	–	49,042	1,581	–	–	–	–	50,623
Total	**$ –**	**$ 49,609**	**$ 1,581**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 51,190**

UNITED KINGDOM

Governments	Production Entitlements	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure Improvements	Total
Oil and Gas Authority	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
HM Revenue and Customs	–	567	–	–	–	–	–	567
The Crown Estate Scotland	–	–	–	–	–	–	–	–
Total	**$ –**	**$ 567**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 567**

UNITED STATES

Governments	Production Entitlements	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure Improvements	Total
Commonwealth of Pennsylvania	$ –	$ 4,808	$ –	$ –	$ –	$ –	$ –	$ 4,808
Commonwealth of Virginia	–	1,336	–	–	–	–	–	1,336
General Land Office	–	–	–	–	–	–	–	–
Internal Revenue Service	–	11,509	–	–	–	–	–	11,509
Office of Natural Resources Revenue	–	–	1,316	–	–	–	–	1,316
State of Kentucky	–	6,828	–	–	–	–	–	6,828
State of Louisiana	–	7,463	–	–	–	–	–	7,463
State of Ohio	–	1,763	–	–	–	–	–	1,763
State of Oklahoma	–	1,547	172	–	–	–	–	1,719
State of Tennessee	–	456	–	–	–	–	–	456
State of Texas	–	2,211	93	–	–	–	–	2,304
State of West Virginia	–	11,121	–	–	–	–	–	11,121
Total	**$ –**	**$ 49,042**	**$ 1,581**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 50,623**

Alternative Performance Measures

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

DEC uses APMs to improve the comparability of information between reporting periods and to more accurately evaluate cash flows, either by adjusting for uncontrollable or transactional factors that are not comparable period over period, or by aggregating measures, to aid the users of this Annual Report in understanding the activity taking place across DEC. APMs are used by the Directors for planning and reporting and should not be considered an IFRS replacement. The measures are also used in discussions with the investment analyst community and credit rating agencies.

Average Quarterly Dividend per Share

Average Quarterly Dividend per Share is reflective of the average of the dividends per share declared throughout the 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.

	Year Ended	
	31 December 2021	31 December 2020
Declared on first quarter results	$ 0.0400	$ 0.0350
Declared on second quarter results	0.0400	0.0375
Declared on third quarter results	0.0425	0.0400
Declared on fourth quarter results	0.0425	0.0400
Average Quarterly Dividend per Share	**$ 0.0413**	**$ 0.0381**
Total Dividends per Share	**$ 0.1650**	**$ 0.1525**

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 DEC's hedge portfolio.

The Directors believe these metrics are useful to investors because they provide a meaningful measure of DEC's profitability before recording certain items whose timing or amount cannot be reasonably determined.

	Year Ended	
	31 December 2021	31 December 2020
Income (loss) available to shareholders after taxation	**$ (325,206)**	**$ (23,474)**
Allowance for joint interest owner receivables	–	6,931
Gains on bargain purchases	(58,072)	(17,172)
(Gain) loss on fair value adjustments of unsettled financial instruments	652,465	238,795
(Gain) loss on natural gas and oil property and equipment	901	2,059
Costs associated with acquisitions	31,335	10,465
Other adjusting costs	6,779	14,581
Non-cash equity compensation	7,400	5,007
(Gain) loss on foreign currency hedge	1,227	–
Net (gain) loss on interest rate swap	530	202
Tax effect on adjusting items [(a)]	(164,497)	(62,608)
Adjusted Net Income	**$ 152,862**	**$ 174,786**
Adjusted EPS - basic	**$ 0.19**	**$ 0.26**
Adjusted EPS - diluted [(a)]	**$ 0.19**	**$ 0.25**

(a) The tax effect on adjusting items to Adjusted Net Income is calculated using DEC's expected federal and state statutory rates for the periods presented.

(b) Utilises the diluted number of weighted average shares outstanding had the Group not been in a Net loss position.

Hedged Adjusted EBITDA and Unhedged Adjusted EBITDA	As used herein, EBITDA represents earnings before interest, taxes, depletion, depreciation and amortisation. Hedged Adjusted EBITDA includes adjusting items that are comparable period over period, non-cash items such as gains on the sale of assets, acquisition related expenses and integration costs, mark-to-market adjustments related to DEC'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 DEC'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 DEC'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 DEC'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 DEC's Credit Facility financial covenants; and (4) is used by the Directors as a performance measure in determining executive compensation.

	Year Ended	
	31 December 2021	31 December 2020
Operating profit (loss)	**$ (467,064)**	**$ (77,568)**
Depreciation, depletion and amortisation	167,644	117,290
Loss on joint and working interest owners receivable	–	6,931
Gain on bargain purchase	(58,072)	(17,172)
(Gain) loss on fair value adjustments of unsettled financial instruments	652,465	238,795
(Gain) loss on natural gas and oil property and equipment	901	2,059
Costs associated with acquisitions	31,335	10,465
Other adjusting costs	6,779	14,581
Non-cash equity compensation	7,400	5,007
(Gain) loss on foreign currency hedge	1,227	–
Net (gain) loss on interest rate swap	530	202
Total adjustments	**810,209**	**378,158**
Hedged Adjusted EBITDA	**$ 343,145**	**$ 300,590**
Less: Net (gain) loss on commodity derivative settlements	320,656	(144,600)
Unhedged Adjusted EBITDA	**$ 663,801**	**$ 155,990**

Net Debt and 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 DEC's current portion of debt, Credit Facility borrowings and secured financing borrowings. Net Debt is a useful indicator of DEC's leverage and capital structure. As used herein, Net Debt-to-Hedged Adjusted EBITDA, or "Leverage" or "Leverage Ratio", is measured as Net Debt divided by pro forma Hedged Adjusted EBITDA. The Directors believe that this metric is a key measure of DEC's financial liquidity and flexibility and is used in the calculation of a key metric in one of DEC's Credit Facility financial covenants.

	Year Ended	
	31 December 2021	**31 December 2020**
Cash	$ 12,558	$ 1,379
Restricted cash	19,102	20,350
Credit Facility	(570,600)	(213,400)
ABS I Note	(155,266)	(180,426)
ABS II Note	(169,320)	(191,125)
Term Loan I	(137,099)	(156,805)
Other	(9,380)	(4,730)
Net Debt	**$ (1,010,005)**	**$ (724,757)**
Hedged Adjusted EBITDA	**$ 343,145**	**$ 300,590**
Pro forma TTM Hedged Adjusted EBITDA [(a)]	**$ 490,978**	**$ 330,071**
Net Debt-to-Pro forma TTM Hedged Adjusted EBITDA	**2.1x**	**2.2x**

(a) Pro forma TTM Hedged Adjusted EBITDA includes adjustments for the trailing twelve months ended 31 December 2021 for the Indigo, Blackbeard, Tanos and Tapstone acquisitions as well as Oaktree's subsequent participation in the Indigo transaction to pro forma their results for a full twelve months of operations. Similar adjustments were made for the trailing twelve months ended 31 December 2020 for the EQT and Carbon acquisitions as well as in the trailing twelve months ended 31 December 2020 for the EQT, Carbon and Utica Shale acquisitions.

Hedged Adjusted EBITDA per Share	The Directors believe that Hedged Adjusted EBITDA per Share provides direct line of sight into DEC'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 so as to not disproportionately weight the calculation for equity issued for acquisitive growth at varying periods throughout the year.

	Year Ended	
	31 December 2021	**31 December 2020**
Weighted average shares outstanding - diluted [(a)]	800,034	688,348
Hedged Adjusted EBITDA	$343,145	$300,590
Hedged Adjusted EBITDA per Share [(b)]	**$ 0.43**	**$0.44**

(a) The diluted number of weighted average shares outstanding had the Group not been in a Net loss position. See Note 10 for additional information regarding Earnings (loss) per share.

(b) Utilises the diluted number of weighted average shares outstanding had the Group not been in a Net loss position.

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 DEC'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 DEC's Cash Operating Margin. The Directors believe that Cash Operating Margin is a useful measure of DEC'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 DEC's profitability and efficiency as well as its earnings quality.

	Year Ended	
	31 December 2021	31 December 2020
Total revenue	**$ 1,007,561**	**$ 408,693**
Net gain (loss) on commodity derivative settlements	(320,656)	144,600
Adjusted Total Revenue	**$ 686,905**	**$ 553,293**
LESS: Operating expense	(291,213)	(203,963)
Total Cash Operating Income	**$ 395,692**	**$ 349,330**
LESS: Adjusted G&A	(56,812)	(47,181)
LESS: Allowance for credit losses - recurring	4,265	(1,559)
Hedged Adjusted EBITDA	**$ 343,145**	**$ 300,590**
Cash Margin	**50 %**	**54%**
Cash Operating Margin	**58 %**	**63%**

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, cash interest expense and cash paid for income taxes. The Directors believe that Free Cash Flow is a useful indicator of DEC'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 DEC's total market capitalisation. The Directors believe that, like Free Cash Flow, Free Cash Flow Yield is an indicator of financial stability and reflects DEC's operating strength relative to its size as measured by market capitalisation.

	Year Ended	
	31 December 2021	31 December 2020
Hedged Adjusted EBITDA	**$ 343,145**	**$ 300,590**
LESS: Recurring capital expenditures	(35,490)	(15,981)
LESS: Plugging and abandonment costs	(2,879)	(2,442)
LESS: Cash interest expense	(41,623)	(34,335)
LESS: Cash paid for income taxes	(10,880)	(5,850)
Free Cash Flow	**$ 252,273**	**$ 241,982**
Average share price	$ 1.54	$ 1.21
Weighted average shares outstanding - diluted [(a)]	800,034	688,348
Free Cash Flow Yield	**20 %**	**29%**

[(a)] The diluted number of weighted average shares outstanding had the Group not been in a Net loss position. See Note 10 for additional information regarding Earnings (loss) per share.

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.

	Year Ended	
	31 December 2021	31 December 2020
Total production (MBoe)	**43,257**	**36,538**
Total operating expense	$ 291,213	$ 203,963
Adjusted G&A	52,547	48,740
Total Cash Cost	**$ 343,760**	**$ 252,703**
Total Cash Cost per Boe	**$ 7.95**	**$ 6.92**

Base G&A	As used herein, Base G&A represents total administrative expenses excluding cost associated with acquisitions, other adjusting costs and non-cash expenses. 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.

	Year Ended	
	31 December 2021	31 December 2020
Total G&A	**$ 102,326**	**$ 77,234**
LESS: Costs associated with acquisitions [(a)]	(31,335)	(10,465)
LESS: Other adjusting costs [(b)]	(6,779)	(14,581)
LESS: Non-cash equity compensation [(c)]	(7,400)	(5,007)
Base G&A [(d)]	**$ 56,812**	**$ 47,181**
Recurring allowance for expected credit losses	(4,265)	1,559
Adjusted G&A [(e)]	**$ 52,547**	**$ 48,740**

(a) DEC generally incurs costs related to the integration of acquisitions which will vary for each acquisition. For acquisitions considered to be a business combination, these costs will include transaction costs directly associated with a successful acquisition transaction. These costs will also include costs associated with transition service arrangements with acquirees where DEC pays the acquirees a fee to handle various G&A functions until DEC has fully integrated the assets onto its system. In addition, these costs will also include costs related to integrating IT systems and consulting and internal workforce costs directly related to integrating acquisitions into DEC's systems.

(b) Other adjusting costs for 2021 are primarily associated with one-time projects and contemplated financing arrangements. Also included are expenses associated with an unused firm transportation agreement acquired as part of the Carbon acquisition. For 2020, other adjusting costs are associated with legal and professional fees related to the up-list to the Premium Segment of the Main Market of the LSE.

(c) Non-cash equity compensation in 2021 and 2020, reflect the expense recognition related to share-based compensation provided to certain key members of the management team.

(d) 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.

(e) Adjusted G&A includes Base G&A and recurring allowance for expected credit losses.

Officers and Professional Advisors

Directors	David E. Johnson (Non-Executive Chairman (Independent upon appointment)) 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) Sylvia Kerrigan (Independent Non-Executive Director)
Registered Number	09156132 (England and Wales)
Registered Office	4th floor Reading Bridge House George Street Reading, Berkshire, RG1 8LS United Kingdom
Headquarters	1600 Corporate Drive Birmingham, Alabama 35242 United States
Company Secretary	Throgmorton Secretaries LLP 6th Floor 125 Wood Street London EC2V 7AN United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
Legal Advisor, United Kingdom	Latham & Watkins (London) LLP 99 Bishopsgate London ECM2 3XF United Kingdom
Legal Advisor, United States	Benjamin Sullivan 414 Summers Street Charleston, WV 25301 United States
Competent Person	Netherland, Sewell & Associates, Inc. 2100 Ross Avenue, Suite 2200 Dallas, Texas 75201 United States
Share Registrar	ComputerShare Investor Services PLC The Pavilions, Bridgewater Road Bristol, BS13 8AE United Kingdom
Brokers	Tennyson Securities 23rd Floor, 20 Fenchurch Street London EC3M 3BY United Kingdom Stifel Nicolaus Europe Limited 150 Cheapside London, EC2V 6ET United Kingdom

Glossary of Terms

£	British pound sterling
$	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 Measure
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
Blue hydrogen	Natural gas that is split into hydrogen and CO_2, but the CO_2 is captured and then stored. As GHG is captured, this mitigates the environmental impacts on the planet.
Board	Board of Directors
Boe	Barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of natural gas. The ratio of one barrel of oil or NGLs to six Mcf of natural gas is commonly used in the industry and represents the approximate energy equivalence of oil or NGLs to natural gas, and does not represent the economic equivalency of oil and NGLs to natural gas. The sales price of a barrel of oil or NGLs is considerably higher than the sales price of six Mcf of natural gas.
Boepd	Barrels of oil equivalent per day
Btu	A British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.
CAGR	Compound annual growth rate
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.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
DD&A	Depreciation, depletion and amortisation
E&P	Exploration and production
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expense
EPA	Environmental Protection Agency
EPS	Earnings per share
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EU	European Union
Free Cash Flow	Free Cash Flow is an APM. Please refer to the APM section in Additional Information within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.
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
G&A	General and administrative expense

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.
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LIBOR	London Inter-bank Offered Rate
LOE	Lease operating expense is defined as Base LOE, 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
MBoepd	Thousand barrels of oil equivalent per day
Mcf	Thousand cubic feet of natural gas
Mcfe	Thousand cubic feet of natural gas equivalent
Midstream	Midstream activities include the processing, storing, transporting and marketing of natural gas, NGLs and oil.
MMBoe	Million barrels of oil equivalent
MMBtu	Million British thermal units
MMcf	Million cubic feet of natural gas
MMcfe	Million cubic feet of natural gas equivalent
Mont Belvieu	A mature trading hub with a high level of liquidity and transparency that sets spot and futures prices for NGLs.
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, or "Leverage" or "Leverage Ratio", is an APM. Please refer to the APM section in Additional Information within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.
Net Zero	Achieving an overall balance between carbon emissions produced and carbon emissions taken out of the atmosphere, which includes making changes to reduce emissions to the lowest amount and offsetting as a last resort.
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
OPEC+	The Organization of the Petroleum Exporting Countries
OPIS	Oil Price Information Service
Pro Forma TTM 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.
Pro Forma Net Debt-to-Pro Forma TTM Hedged Adjusted EBITDA (inclusive of acquisition activity subsequent to the reporting date)	Pro Forma Net Debt-to-Pro Forma TTM Hedged Adjusted EBITDA (inclusive of acquisition activity subsequent to the reporting date) is an APM. Please refer to the APM section in Additional Information within this Annual Report for information on how this metric is calculated and reconciled to IFRS measures.
PV-10	A calculation of the present value of estimated future natural gas and oil revenues, net of forecasted direct expenses, and discounted at an annual rate of 10%. This calculation does not consider income taxes and utilises a pricing assumption consistent with the forward curve at 31 December 2021.
Realised price	The cash market price less all expected quality, transportation and demand adjustments.
TCFD	Task Force on Climate-Related Financial Disclosures
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.
TTM	Trailing twelve months
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.

Diversified Energy Company PLC
1600 Corporate Drive
Birmingham, Alabama, 35242
USA

www.div.energy