The Directors
Diversified Gas & Oil PLC
27-28 Eastcastle Street
London
W1W 8DH
United Kingdom

Stifel Nicolaus Europe Limited
150 Cheapside
London
EC2V 6ET

13 May 2020

Dear Ladies and Gentlemen

Diversified Gas & Oil PLC

We report on the financial information for the three years ended 31 December 2019 set out in section B of Part XIV below (the "**Financial Information Table**"). The Financial Information Table has been prepared for inclusion in the prospectus dated 13 May 2020 (the "**Prospectus**") of Diversified Gas & Oil PLC (the "**Company**") on the basis of the accounting policies set out in note 3 to the Financial Information Table. This report is required by item 18.3.1 of Annex 1 to the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial

information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Prospectus dated 13 May 2020, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Regulation Rules 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and we declare that to the best of our knowledge, the information contained in this report is in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 and item 1.2 of Annex 11 to the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B: HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Consolidated statements of comprehensive income

The audited consolidated statements of comprehensive income of the Group for each of the three years ended 31 December 2017, 2018 and 2019 are set out below:

	Note	*(Restated)* Audited Year ended 31 December 2017 $'000	Audited Year ended 31 December 2018 $'000	Audited Year ended 31 December 2019 $'000
Revenue	6	**41,777**	**289,769**	**462,256**
Cost of sales	7	(20,908)	(107,793)	(202,385)
Amortisation, depreciation and depletion	7	(7,536)	(41,988)	(98,139)
Gross profit		**13,333**	**139,988**	**161,732**
(Loss)/gain on derivative financial instruments	23	(441)	17,981	73,854
Gain on bargain purchase	5	37,093	173,473	1,540
Gain on disposal of property and equipment	7	95	4,079	—
Administrative expenses	7	(8,919)	(40,524)	(56,619)
Operating profit		**41,161**	**294,997**	**180,507**
Accretion of asset retirement obligation	18	(1,764)	(7,101)	(12,349)
Finance costs	20	(5,225)	(17,743)	(36,667)
Loss on debt cancellation	20	(4,468)	(8,358)	—
Income before taxation		**29,704**	**261,795**	**131,491**
Taxation	9	(2,250)	(60,676)	(32,091)
Income after taxation		**27,454**	**201,119**	**99,400**
Other comprehensive income – gain on foreign currency conversion		355	1	—
Total comprehensive income for the year		**27,809**	**201,120**	**99,400**
Earnings per Ordinary Share – basic and diluted	10	$0.23	$0.52	$0.15

Consolidated statements of financial position

The audited consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 are set out below:

	Note	*(Restated)* Audited Year ended 31 December 2017 $'000	*(Restated)* Audited Year ended 31 December 2018 $'000	*(Restated)* Audited Year ended 31 December 2019 $'000
ASSETS				
Oil and gas properties	12	215,325	1,092,951	1,490,905
Intangible assets	13	—	2,563	15,980
Property and equipment	14	6,947	325,186	325,866
Restricted cash	3	—	—	6,505
Other non-current assets	15	1,036	22,543	4,191
Indemnification receivable	5	—	2,133	2,133
Non-current assets		**223,308**	**1,445,376**	**1,845,580**
Trade receivables	16	13,917	78,451	73,924
Other current assets	15	513	30,043	83,568
Cash and cash equivalents		15,168	1,372	1,661
Restricted cash	3	744	1,730	1,207
Current assets		**30,342**	**111,596**	**160,360**
Total assets		**253,650**	**1,556,972**	**2,005,940**
EQUITY AND LIABILITIES				
Share capital	17	1,940	7,346	8,800
Share premium	17	76,026	540,655	760,543
Merger reserve		(478)	(478)	(478)
Capital redemption reserve		—	—	518
Share-based payment reserve		59	842	3,907
Retained earnings		30,691	200,498	164,845
Total equity		**108,238**	**748,863**	**938,135**
Asset retirement obligation	18	35,448	140,190	196,871
Lease	19	836	2,694	1,015
Borrowings	20	70,619	482,528	598,778
Deferred tax liability	9	17,399	95,033	124,112
Other non-current liabilities	21	2,278	1,060	18,041
Uncertain tax position	5	—	2,133	2,133
Total non-current liabilities		**126,580**	**723,638**	**940,950**
Trade and other payables	22	2,132	9,383	17,052
Borrowings	20	373	286	23,723
Lease	19	324	842	798
Other current liabilities	21	16,003	73,960	85,282
Total current liabilities		**18,832**	**84,471**	**126,855**
Total liabilities		**145,412**	**808,109**	**1,067,805**
Total equity and liabilities		**253,650**	**1,556,972**	**2,005,940**

Consolidated statements of changes in shareholders' equity

The audited consolidated statements of changes in shareholders' equity of the Group for each of the three years ended 31 December 2017, 2018 and 2019 are set out below:

	Note	Share capital $'000	Share premium $'000	Merger reserve $'000	Capital Redemption reserve $'000	Share-based payment reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2017 (*Restated*)		**669**	**313**	**(478)**	**—**	**—**	**8,658**	**9,162**
Income after taxation		—	—	—	—	—	27,454	27,454
Gain on foreign currency conversion		—	—	—	—	—	355	355
Total comprehensive income		—	—	—	—	—	*27,809*	*27,809*
Issuance of Ordinary Shares, initial offering	17	768	43,550	—	—	—	—	44,318
Issuance of Ordinary Shares, secondary offering	17	503	32,163	—	—	—	—	32,666
Equity compensation		—	—	—	—	59	—	59
Dividends	11	—	—	—	—	—	(5,776)	(5,776)
Transactions with owners		*1,271*	*75,713*	—	—	*59*	*(5,776)*	*71,267*
Balance as at 31 December 2017 (*Restated*)		**1,940**	**76,026**	**(478)**	**—**	**59**	**30,691**	**108,238**
Income after taxation		—	—	—	—	—	201,119	201,119
Gain on foreign currency conversion		—	—	—	—	—	1	1
Total comprehensive income		—	—	—	—	—	*201,120*	*201,120*
Issuance of Ordinary Shares	17	5,406	464,629	—	—	—	—	470,035
Equity compensation		—	—	—	—	783	—	783
Dividends	11	—	—	—	—	—	(31,313)	(31,313)
Transactions with owners		*5,406*	*464,629*	—	—	*783*	*(31,313)*	*(439,505)*
Balance as at 31 December 2018		**7,346**	**540,655**	**(478)**	**—**	**842**	**200,498**	**748,863**
Income after taxation		—	—	—	—	—	99,400	99,400
Total comprehensive income		—	—	—	—	—	*99,400*	*99,400*
Issuance of Ordinary Shares	17	1,972	219,888	—	—	—	—	221,860
Equity compensation		—	—	—	—	3,065	—	3,065
Repurchase of Ordinary Shares	17	(518)	—	—	518	—	(52,902)	(52,902)
Dividends	11	—	—	—	—	—	(82,151)	(82,151)
Transactions with owners		*1,454*	*219,888*	—	*518*	*3,065*	*(135,053)*	*89,872*
Balance as at 31 December 2019		**8,800**	**760,543**	**(478)**	**518**	**3,907**	**164,845**	**938,135**

Consolidated statements of cash flows

The audited consolidated statements of cash flows of the Group for each of the three years ended 31 December 2017, 2018 and 2019 are set out below:

	(Restated) Audited Year ended 31 December 2017 $'000	Audited Year ended 31 December 2018 $'000	Audited Year ended 31 December 2019 $'000
Cash flows from operating activities			
Income after taxation	27,454	201,119	99,400
Cash flow from operations reconciliation:			
Amortisation, depreciation and depletion	7,536	41,988	98,139
Accretion of asset retirement obligation	1,764	7,101	12,349
Income tax charge	2,250	60,676	32,091
Provision for working interest owners receivable	632	—	—
Loss/(gain) on derivative financial instruments	1,965	(32,768)	(20,270)
Asset retirement (plugging)	(78)	(1,171)	(2,541)
Gain on oil and gas program and equipment	(396)	(4,079)	—
Gain on bargain purchase	(37,093)	(173,473)	(1,540)
Finance costs	4,510	17,743	36,677
Loss on early retirement of debt	—	8,358	—
Gain on disposal of property and equipment	95	—	—
Non-cash equity compensation	59	783	3,065
Working capital adjustments:			
Change in trade receivables	(11,464)	(41,225)	4,528
Change in other current assets	798	(6,286)	2,606
Change in other assets	(38)	(1,732)	409
Change in trade and other payables	(2,495)	1,134	7,669
Change in other current and non-current liabilities	11,345	8,396	6,574
Net cash provided by operating activities	**6,844**	**86,564**	**279,156**
Cash flows from investing activities			
Acquisitions	(89,785)	(750,256)	(439,272)
Expenditures on oil and gas properties, intangible assets and property and and equipment	(2,935)	(18,515)	(32,313)
Increase in restricted cash	(627)	(986)	(5,302)
Proceeds on disposal of oil and gas properties	334	4,079	10,000
Net cash used in investing activities	**(93,013)**	**(765,678)**	**(466,887)**
Cash flows from financing activities			
Repayment of borrowings	(42,514)	(280,890)	(618,010)
Proceeds from borrowings	75,000	581,221	765,236
Financing expense	(3,298)	(15,433)	(32,715)
Cost incurred to secure financing	—	(17,176)	(11,574)
Proceeds from lease	1,246	4,401	—
Repayment of lease	(529)	(1,093)	(1,724)
Proceeds from equity issuance, net	76,984	425,601	221,860
Dividends to Shareholders	(5,776)	(31,313)	(82,151)
Repurchase of Ordinary Shares	—	—	(52,902)
Net cash provided by financing activities	**101,113**	**665,318**	**188,020**
Net increase/(decrease) in cash and cash equivalents	**14,944**	**(13,796)**	**289**
Cash and cash equivalents – beginning of the year	*224*	*15,168*	*1,372*
Cash and cash equivalents – end of the year	**15,168**	**1,372**	**1,661**

NOTES TO THE GROUP FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Group is a natural gas and crude oil producer that is focused on acquiring and operating mature producing wells with long lives and slow decline profiles. The Group's assets are exclusively located within the Appalachian Basin of the US. The Group is domiciled in the UK but is headquartered in Birmingham, Alabama, USA with field offices located in the states of Pennsylvania, Ohio, West Virginia and Tennessee.

The Company was incorporated on 31 July 2014 in England and Wales as a private limited company under company number 09156132. The Company's registered office is located at 27/28 Eastcastle Street, London W1W 8DH, United Kingdom.

In February 2017, the Company's Ordinary Shares were admitted to trading on AIM under the ticker "DGOC".

2. BASIS OF PREPARATION AND MEASUREMENT

(a) Basis of preparation

The Group Financial Information has been prepared in accordance with IFRS, issued by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee, and the Companies Act 2006 applicable to companies reporting under IFRS.

Unless otherwise stated, the Group Financial Information is presented in $ which is the Company's 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 unit amounts and where otherwise indicated.

Transactions in foreign currencies are translated into $ at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange ruling at the balance sheet date. This is most applicable for transactions of the Company which has a different functional currency where the resulting gain or loss is reflected within "*Other Comprehensive income – gain on foreign currency conversion*" in the "*Consolidated Statements of Profit or Loss and Other Comprehensive Income*".

The Group Financial Information has been prepared under the historical cost convention.

Going concern basis

The Group Financial Information has been prepared on the going concern basis, which contemplates the continuity of business activity and the realisation of assets and the settlement of liabilities in the normal course of business, taking into account the Directors' assessment of the financial and trading effects of Covid-19. 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 Admission.

COVID-19

The Directors closely monitor and carefully manage the Group's liquidity risk. Cash flow projections are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets. The Group's cash flow projections have been updated in light of COVID-19. There remains significant uncertainty over the impact of COVID-19, however to date, the Group's day-to-day operations continue without being materially affected. To consider any impacts of COVID-19, price volatility or other operational issues, the Directors have prepared a downside sensitivity scenario for each of the years ending 31 December 2020 and 31 December 2021. The downside sensitivity scenario includes, but is not limited to, the following assumptions:

- using the lowest 3-month average commodity price from 2010 to February 2020;
- reducing production by approximately 10 per cent.;
- including the financial impact of the Group's current hedging contracts in place, being approximately 81 per cent. of total production volumes hedged for the year ending 31 December 2020 and 85 per cent. for the year ending 31 December 2021;
- excluding discretionary capital expenditure, but including plugging expenditure; and
- including the scheduled principle and interest payments on the Group's current debt arrangements.

Under this downside sensitivity scenario, the Group remains cash flow positive.

(b) Prior period restatement

During the period ended 30 June 2018, the Group finalised the fair value measurement related to the previously reported EnerVest Assets Acquisition and Titan Energy Acquisition discussed in Note 5 "*Acquisitions*" to the Group Financial Information. As a result, the Group retrospectively adjusted previously reported provisional amounts related to the EnerVest Assets Acquisition and the Titan Energy Acquisition in accordance with IFRS 3 "*Business Combinations*". The following tables summarises the impact of these adjustments on the previously reported financial information for the year ended 31 December 2017:

	(Reported) Year ended 31 December 2017 $'000	Revisions $'000	*(Restated)* Year ended 31 December 2017 $'000
Balance sheet accounts impacted			
Oil and gas properties, net	190,358	24,967	215,325
Deferred tax liability	11,011	6,388	17,399
Retained earnings	12,112	18,579	30,691
Income statement accounts impacted			
Amortisation, depreciation and depletion	(7,013)	(523)	(7,536)
Gain on bargain purchase	11,603	25,490	37,093
Income tax benefit/(expense)	4,138	(6,388)	(2,250)

For the year ended 31 December 2017, the cumulative impact of these adjustments resulted in an $18,579,000 increase to the Consolidated Statements of Changes in Equity through retained earnings and did not impact net cash provided by operating activities on the Consolidated Statement of Cash Flow.

(c) Prior period reclassification

As discussed in Note 21 "*Other non-current and current liabilities*" to the Group Financial Information, since the timing of revenue to be distributed that is payable to third-party working interest owners that has not yet been paid due to title, legal, ownership or other issues is unknown, the Group records the balance as non-current liabilities. The Group reclassified prior period amounts of $20,159,000 at 31 December 2018 and $3,486,000 at 31 December 2017 from other non-current liabilities to other current liabilities on the "*Statement of Financial Position*" to conform to current year presentation.

During the year ended 31 December 2019, the Group reclassified its ERP software from property and equipment to intangible fixed assets.

(d) Basis of consolidation

During the year ended 31 December 2019, the Group underwent a restructuring in order to simplify its organisation. Under this restructuring all production entities were merged into Diversified Production, LLC and all midstream entities were merged into Diversified Midstream, LLC. Further, Diversified Energy Marketing, LLC was created to sell the commodities produced by Diversified Production, LLC and certain third parties. There is no financial information impact as a result of the reorganisation.

The Group Financial Information for the year ended 31 December 2019 reflects the following corporate structure of the Group:

- The Company, and its wholly owned subsidiary:
  - Diversified Gas & Oil Corporation ("DGOC"), as well as its wholly owned subsidiaries;
    - Diversified Production, LLC;
      - Diversified ABS Holdings, LLC;
        - Diversified ABS, LLC;
      - Diversified Midstream, LLC; and
      - Diversified Energy Marketing, LLC.

The Group Financial Information for the years ended 31 December 2018 and 31 December 2017 reflects the following corporate structure of the Group:

- The Company, and its wholly owned subsidiary:
  - o Diversified Gas & Oil Corporation ("DGOC") as well as its, direct and indirect, wholly owned subsidiaries:
    - Diversified Resources, Inc.;
    - M & R Investments, LLC;
    - M & R Investments Ohio, LLC;
    - Marshall Gas and Oil Corporation;
    - R&K Oil and Gas, Inc.;
    - Fund 1 DR, LLC;
    - Diversified Oil & Gas, LLC;
    - Alliance Petroleum Corporation
    - Diversified Appalachian Group, LLC;
    - Diversified Energy, LLC;
      - Diversified Partnership Holdings, LLC
      - Diversified Partnership Holdings II, LLC
      - Atlas Energy Tennessee, LLC
        - o Atlas Pipeline Tennessee, LLC
    - Diversified Southern Production, LLC;
    - Diversified Southern Midstream, LLC;
    - Diversified Energy Marketing, LLC; and
    - Core Appalachia Holding Co, LLC;
      - Core Appalachia Compression, LLC
      - Core Appalachia Midstream, LLC
      - Core Appalachia Operating, LLC
      - Core Appalachia Production, LLC

(e) New standards and interpretations

Adopted

IFRS 9 "Financial Instruments"

In July 2014, the IASB issued IFRS 9 "*Financial Instruments*" that replaces IAS 39 "*Financial Instruments: Recognition and Measurement*" and all previous versions of IFRS 9 "*Financial Instruments*". IFRS 9 "*Financial Instruments*" incorporates the three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Financial assets are classified as trading activities (assets that are held for collection of contractual trading and are measured at amortised cost) or financial assets held for future sale (assets that are held for collection of contractual cash flows and are measured at fair value through other comprehensive income). The standard should be applied using the retrospective application. This standard was effective on or after 1 January 2018.

The Company applied the simplified approach permitted by IFRS 9 "*Financial Instruments*" for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group's financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

The Company adopted the new standard on 1 January 2018. The Group is not a financial institution and does not have any complex financial instruments. The Group does not apply hedge accounting and its customers are considered creditworthy and pay consistently within agreed payments terms. As such, other than disclosures, this standard will not have a material impact on its financial information.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 "*Revenue from Contracts with Customers*". The standard requires an entity to recognise revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will supersede all current revenue recognition requirements under IFRS when it becomes effective. The standard can be applied using either the full retrospective approach or a modified retrospective approach at the date of adoptions. This standard was effective on or after 1 January 2018.

The Company adopted the new standard on 1 January 2018, using the modified retrospective method at the date of adoption. The adoption of IFRS 15 "*Revenue from Contracts with Customers*" is not expected to have a material quantitative impact on the financial results of the Group and no adjustment arose on transition. There were no contractual arrangements with customers giving rise to material deferred revenues at 1 January 2018, 31 December 2018 or 31 December 2019. No amounts have been recognised in relation to assets derived from costs to obtain or fulfil customer contracts and no practical expedients have been applied on transition to IFRS 15 "*Revenue from Contracts with Customers*".

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16 "*Leases*". The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard requires all lease transactions (with terms in excess of 12 months) to be recognised on the balance sheet as lease assets and lease liabilities, and to depreciate lease assets separately from interest on lease liabilities in the income statement. IFRS 16 "*Leases*" replaces the previous lease standard, IAS 17 "*Leases*", and related interpretations. This standard became effective on 1 January 2019. Early adoption is permitted only if the Company also applies IFRS 15 "*Revenue from Contracts with Customers*". The standard can be applied using either the full retrospective approach or a modified retrospective approach at the date of adoption.

On transition to IFRS 16 "*Leases*", the Directors elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Directors applied IFRS 16 "*Leases*" only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 "*Leases*" and IFRIC 4 "*Determining Whether an Arrangement Contains a Lease*" were not assessed. Therefore, the definition of a lease under IFRS 16 "*Leases*" has been applied only to contracts entered into on or after 1 January 2019.

Previously, the Directors determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 "*Determining Whether an Arrangement Contains a Lease*". The Directors now assess whether a contract contains a lease based on the new definition of a lease. Under IFRS 16 "*Leases*", a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company adopted IFRS 16 "*Leases*" on 1 January 2019 and its adoption did not have a material impact on the Group Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Group Financial Information in compliance with IFRS requires the Directors to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group Financial Information are disclosed in Note 4 "*Significant judgements, estimates and assumptions*" to the Group Financial Information.

(a) Business combinations

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and equity interests issued by the Group. Acquisition costs are expensed as incurred.

(b) Cash and cash equivalents

Cash on the balance sheet comprises cash at banks. Balances held at banks, at times, exceed federally insured amounts. The Group has not experienced any losses in such accounts and the Directors believe that the Group is not exposed to any significant credit risk on its cash. As at 31 December 2019, the Group's cash balance was $1,661,000 (2018: $1,372,000, 2017: $15,168,000)

(c) Trade receivables

Trade receivables are stated at the historical carrying amount, net of any provisions required. Trade receivables are due from customers throughout the oil and natural gas industry. Although diversified among several companies, collectability is dependent on the financial condition of each individual company as well as the general economic conditions of the industry. The Directors review the financial condition of customers prior to extending credit and generally do not require collateral to support of the Group's trade receivables. Any changes in the Directors' provision for un-collectability of trade receivables during the year is recognised in the "*Statements of Profit or Loss and Other Comprehensive Income*". Trade receivables also include certain receivables from third-party working interest owners. The Directors consistently assess the collectability of these receivables. As at 31 December 2019, the Directors considered a portion of these working interest receivables uncollectable and recorded a provision in the amount of $3,210,000 (2018: $2,200,000 2017: $nil).

(d) 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 income statement over the period of the borrowings using the effective interest method (if applicable).

Interest on borrowings is accrued as applicable to that class of borrowing.

(e) Derivative financial instruments

Derivatives are used as part of the Directors' 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 22 "*Derivatives*" to the Group Financial Information. 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 contract is entered into and re-measured to fair value every balance sheet date. The resulting gain or loss is recognised in the "*Statements of Profit or Loss and Other Comprehensive Income*" in the year incurred.

(f) Restricted cash

Cash held on deposit for bonding purposes is classified as restricted cash and recorded within current and non-current assets. The cash is restricted in use by state governmental agencies to be utilised and drawn upon if the operator should abandon any wells or is being held as collateral by the Group's surety bond providers. As at 31 December 2019, the Group's restricted cash balance was $7,712,000 (2018: $1,730,000 2017: $744,000).

(g) Oil and gas properties

Development and acquisition costs

Expenditures related to the construction, installation or completion of infrastructure facilities, such as platforms and pipelines, and the drilling of development wells, including delineation wells, are capitalised within oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the well asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depletion

Oil and gas properties are depleted on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight- line method is applied. Rights and concessions are depleted on the unit-of-production basis over

the total proven reserves of the relevant area. The unit-of-production rate for the depreciation of field development costs considers expenditures incurred to date, together with sanctioned future development expenditure.

(h) Intangible assets

Development and acquisition costs

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- the Directors intend to complete the software and use or sell it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining software programmes are recognised as an expense as incurred.

Impairment of intangible assets

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Amortisation

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

ERP system	5 years

(i) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Directors.

Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives:

Asset	Useful life
Buildings and leasehold improvements	7 – 15 years
Equipment	10 – 39 years
Motor vehicles	5 – 7 years
Compression assets	13 years
Pipeline assets	15 years
Other property and equipment	3 – 5 years

Property and equipment held under leases are depreciated over the shorter of lease term and estimated useful life.

(j) Impairment of financial assets

IFRS 9 "*Financial Instruments*" 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"*Financial Instruments*" 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 expected credit loss model to trade receivables arising from:

- sales of natural gas, NGLs and crude oil;
- sales of gathering and transportation of third party natural gas; and
- the provision of other services.

(k) Impairment of non-financial assets

At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications do exists, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the Directors consider the asset impaired and write the subject asset down to its recoverable amount. In assessing value-in-use, the Directors discount the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the Directors consider recent market transactions, if available. If no such transactions can be identified, the Directors utilise an appropriate valuation model.

(l) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

(m) Asset retirement obligation

Where a material liability for the removal of production equipment and site restoration at the end of the production life of a well exists, the Group recognises a liability for well asset retirement. The amount recognised is the present value of estimated future net expenditures determined in accordance with local conditions and requirements. The unwinding of the discount on the decommissioning liability is included as accretion of the decommissioning provision. The cost of the relevant property, plant and equipment asset is increased with an amount equivalent to the liability and depreciated on a unit of production basis. The Directors recognise changes in estimates prospectively, with corresponding adjustments to the liability and the associated non-current asset.

The Group currently has no midstream asset retirement obligations.

(n) Taxation

Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group Financial Information. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and 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 2019, 31 December 2018 and 31 December 2017 are 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.

(o) Revenue recognition

Natural gas, NGLs and crude oil

Revenue from sales of natural gas, NGLs and crude oil products 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 fulfills its single performance obligation to its customer under contracts for the sale of natural gas, NGLs and crude oil.

Revenue from the production of oil in which the Group has an interest with other producers is recognised proportionately based on the Group's working interest and the terms of the relevant production sharing contracts. The portion of revenue that is due to minority working interests is included as a liability in Note 21 "*Other non-current and current liabilities*" to the Group Financial Information.

Third-party gathering revenue

Revenue from gathering and transportation of third-party natural gas is recognised when the customer transfers its gas to the entry point in the Group's midstream network and becomes entitled to withdraw an equivalent volume of 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 gas is broadly coterminous with transfer of gas into the Group's midstream network.

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*".

Revenue from the sale of water disposal services to third-parties into the Group's disposal well is recognised as earned in the month the water was physically disposed. 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.

(p) Functional currency and foreign currency translation

The Group Financial Information is presented in $, which is the Company's functional currency.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the "*Statement of Financial Position*";
- income and expenses are translated at average exchange rates (unless this average 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 recognised in other comprehensive income.

On consolidation, the Group recognises in "*other comprehensive income*" the exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future.

(q) Share-based payments

The Group accounts for share-based payments under IFRS 2 "*Share-based payment*". All of the Company's share-based awards are equity settled. The fair value of the awards are determined at the date of grant. As at each of 31 December 2019, 31 December 2018 and 31 December 2017, the Company had two types of share-based payment awards, Restricted Stock Units ("RSUs") and stock options. The fair value of the grant of the Company's RSUs is determined using the stock price at the grant date and uniformly expensed over the vesting period. The fair value of the Company's stock options are calculated using the Black Scholes model as of the grant date. The inputs to the Black Scholes model included:

- the share price at the date of grant;
- exercise price;
- expected volatility;
- expected dividends;
- risk-free rate of interest; and
- patterns of exercise of the plan participants.

The grant date fair value of stock options, adjusted for market-based performance conditions, are expensed uniformly over the vesting period.

(r) Segmental reporting

The Company complies with IFRS 8 "*Operating Segments*", to determine its operating segments and has identified one reportable segment that produces natural gas and crude oil in the Appalachian Basin of the US.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Directors have made the following judgments which may have a significant effect on the amounts recognised in the Group Financial Information:

(a) Estimating the fair value of oil and gas properties

The Directors determine the fair value of the Group's oil and gas assets using the income approach based on expected discounted future cash flows from estimated reserve quantities, costs to produce and develop reserves, and oil and natural gas 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. Changes in assumptions related to the Group's asset retirement obligation could result in a material change in the carrying value within the next financial year. Sensitivity analysis on the significant inputs to the fair value to assessment is included in Note 5 "*Acquisitions*" to the Group Financial Information.

(b) Impairment of oil and gas properties

In preparing the Group Financial Information, the Directors consider that a key judgment is whether there is any evidence that the oil and gas properties are impaired. Having identified an impairment indicator relating to the market capitalisation of the Group, the Directors undertook an impairment test in line with the Group's accounting policy. The Directors engaged an expert to prepare a value in use calculation of the Group's oil and gas properties. Having performed this assessment no impairment was recognised.

When applicable, the Group recognises impairment losses of continuing operations in the "*Statement of Profit or Loss and Other Comprehensive Income*" in those expense categories consistent with the function of the impaired asset.

(c) Reserve estimates

Reserves are estimates of the amount of natural gas and crude oil product that can be economically and legally extracted from the Group's properties. To calculate the reserves, 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 economic assumptions used to estimate reserves change 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.

(d) 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 expenditure 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 costs to plug the wells, the economic life of the wells and the discount rate. Changes in assumptions related to the Group's asset retirement obligation could result in a material change in the carrying value within the next financial year. See Note 18 "*Asset retirement obligation*" to the Group Financial Information for more information and sensitivity analysis.

5. ACQUISITIONS

2019 Acquisitions

HG Energy Assets Acquisition

In April 2019, the Group acquired 107 non-conventional wells in the states of Pennsylvania and West Virginia from HG Energy. The Group paid purchase consideration of $384,020,000, excluding customary purchase price adjustments. The Group funded the cash consideration for the purchase with the proceeds from the Company's equity placing of Ordinary Shares in April 2019, as discussed in Note 17 "*Share capital and share premium*" to the Group Financial Information, and a draw from the credit facility discussed in Note 20 "*Borrowings*" to the Group Financial Information. Associated costs of the acquisition were $4,788,000.

The HG Energy Assets Acquisition increased the Group's total production to 90,940 boepd. In the period from its acquisition to 31 December 2019, the HG Energy Assets Acquisition contributed revenue of approximately $34,400,000. The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

As stated in Note 4 "*Significant accounting judgements, estimates and assumptions*" to the Group Financial Information, changes in the Directors' assumptions used as inputs for acquisitions could result in a material change of the fair value of the acquired reserves. The Directors consider 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 of a +/-100 basis point adjustment to the discount rate, commodity price, production and operating expense would have on the fair value of the acquired reserves:

	+100 basis points $'000	-100 basis points $'000
Discount rate		
Adjusted fair value of oil and gas properties	414,044	358,509
Pricing[(a)]		
Adjusted fair value of oil and gas properties	389,477	378,429
Production		
Adjusted fair value of oil and gas properties	389,352	378,553
Operating expense		
Adjusted fair value of oil and gas properties	385,637	382,269

(a) The Directors used a base realised price of $2.83 for natural gas and $63.27 for oil.

As a result of the valuation, the fair value of the reserves held in the assets acquired was $385,651,000, which was derived using a cumulative discount rate of 8 per cent. The estimated fair values of the assets and liabilities assumed were as follows:

	$'000
Total consideration	384,020
Net assets acquired:	
Oil and gas properties	385,671
Oil and gas properties (asset retirement obligation, asset portion)	236
Suspense[(a)]	(1,651)
Asset retirement obligation	(236)
Net assets acquired	**384,020**

(a) Suspense represents the amounts payable to minority working interest owners.

EdgeMarc Energy Assets Acquisition

In September 2019, the Group acquired 12 non-conventional wells and 3 drilled but uncompleted wells in Ohio from EdgeMarc Energy. The Group paid purchase consideration of $48,107,000, excluding customary purchase price adjustments. The Group funded the cash consideration for the purchase from a draw on the credit facility discussed in Note 20 "*Borrowings*" to the Group Financial Information. Associated costs of the acquisition were $747,000.

The acquisition of the EdgeMarc Energy assets increased the Group's total production to 95,940 boepd. In the period from its acquisition to 31 December 2019, the EdgeMarc Energy assets contributed revenue of approximately $6,600,000. The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

As stated in Note 4 "*Significant accounting judgements, estimates and assumptions*" to the Group Financial Information, changes in the Directors' assumptions used as inputs for acquisitions could result in a material change of the fair value of the acquired reserves. The Directors consider the discount rate, commodity pricing, production and operating expense assumptions to be the inputs most sensitive to the fair value, operating expense and the fair value of the acquired reserves. The table below represents the impact of a +/-100 basis point adjustment to the discount rate, commodity price, production and operating expense would have on the fair value of the acquired reserves:

	+100 basis points $'000	-100 basis points $'000
Discount rate		
Adjusted fair value of oil and gas properties	42,394	38,838
Pricing[(a)]		
Adjusted fair value of oil and gas properties	41,293	39,720
Production		
Adjusted fair value of oil and gas properties	41,192	39,822
Operating expense		
Adjusted fair value of oil and gas properties	40,854	40,159

(a) The Directors used a base retained price of $2.27 using Henry Hub Strip prices adjusted for differentials.

As a result of the valuation, the fair value of the reserves held in the assets acquired was $40,507,000, which was derived using a cumulative discount rate of 8.5 per cent. The estimated fair values of the assets and liabilities assumed were as follows:

	$'000
Total consideration	48,107
Net assets acquired:	
Oil and gas properties	40,507
Oil and gas properties (asset retirement obligation, asset portion)	15
Drilled but uncompleted	10,000
Fair value of derivatives	2,213
Asset retirement obligation	(15)
Suspense[(a)]	(2,744)
Taxes payable	(329)
Net assets acquired	**49,647**
Gain on bargain purchase	(1,540)
Purchase price	**48,107**

(a) Suspense represents the amounts payable to minority working interest owners.

The Group recorded a $1,540,000 gain on the acquisition of the EdgeMarc Energy assets which the Directors believe is reasonable given the facts and circumstances of acquisition. The Group entered into a "*stalking-horse*" Asset Purchase Agreement with EdgeMarc Energy, debtors-in-possession under title 11 of the United States Code, pursuant to voluntary petitions for relief filed under Chapter 11 of the United States Bankruptcy Code. Given the circumstances of EdgeMarc Energy, the Directors believe that EdgeMarc Energy was in a distressed position to sell the assets under fair market value.

Acquisition of natural gas gathering systems

In September 2019, the Group acquired certain natural gas gathering systems from Dominion and Equitrans, for total cash consideration of $7,700,000, excluding customary purchase price adjustments. The natural gas gathering systems associated with the acquisitions have been comingled with the Group's existing natural gas gathering systems and it is impractical to provide stand-alone operational results related to these acquired assets. The Group funded the cash consideration of the purchase from a draw on the credit facility discussed in Note 20 "*Borrowings*" to the Group Financial Information. The Group accounted for this acquisition as an asset acquisition under IFRS 3 "*Business combinations*". Associated costs of the Dominion and Equitrans acquisitions were $726,000 and $507,000 respectively.

2018 Acquisitions

Acquisition of the stock of Alliance Petroleum

In March 2018, the Group acquired the entire share capital of Alliance Petroleum, including approximately 13,000 conventional natural gas and oil wells in the states of Pennsylvania, West Virginia and Ohio and all other property and equipment. The Group paid consideration of $80,743,000, excluding customary purchase price adjustments. The Group funded the cash consideration for the purchase with the net proceeds from the Company's equity placing of Ordinary Shares in February 2018, as discussed further in Note 17 "*Share capital and share premium*" to the Group Financial Information. Associated costs of the acquisition were $733,000.

The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

The Directors determined the fair value of the reserves held in the assets acquired to be $129,125,000 which was approximately 9 per cent. cumulative discount reserve valuation derived from a third party engineer at the time of purchase. The estimated fair values of the assets and liabilities assumed were as follows:

	$'000
Total cash consideration	80,743
Less cash received	(8,638)
Cash consideration, net of cash received	72,105
Net assets acquired:	
Current assets	13,403
Oil and gas properties, net	129,125
Property and equipment, net	2,444
Other assets[(a)]	2,133
Current liabilities	(7,576)
Deferred tax liability	(19,852)
Uncertain tax position[(a)]	(2,133)
Debt[(b)]	(25,000)
Other liabilities	(119)
Asset retirement obligation	(20,153)
Net assets acquired	72,272
Gain on bargain purchase	(167)
Purchase price	**72,105**

(a) *At the date of acquisition, the Directors determined that Alliance Petroleum had taken uncertain tax positions, and as a result, an indemnification agreement was executed. The Group recorded an indemnification receivable in the amount of $2,133,000. In accordance with IFRS 3 "Business combinations", the Group assigned acquisition date fair value to the indemnification asset using the same valuation techniques used to determine the acquisition date fair value of the related liability.*

(b) *On the date of acquisition, the Group repaid the debt in full using proceeds from the February 2018 equity placing.*

CNX Assets Acquisition

In March 2018, the Group acquired approximately 11,000 conventional natural gas and oil wells principally in the states of Pennsylvania and West Virginia and other equipment from CNX. The Group paid purchase consideration of $89,296,000 excluding customary purchase price adjustments. The Group funded the cash consideration for the purchase with the proceeds from the Company's equity placing of Ordinary Shares in February 2018, as discussed further in Note 17 "*Share capital and share premium*" to the Group Financial Information. Subsequent to the purchase of these assets, CNX agreed to retain a monthly tariff obligation applicable to the Appalachian assets that requires monthly cash payments to a pipeline transmission company through a portion of calendar year 2022. Tariff payments from the effective date of the purchase through their expiration in 2022 totalled $27,000,000. In exchange for CNX retaining this $27,000,000 pipeline tariff obligation, the Group paid CNX $17,000,000. This one-time payment allowed the Group to retain complete and uninterrupted access to the applicable pipeline system and eliminates the $27,000,000 tariffs the Group would have paid over the remaining term. Associated costs of the acquisition were $1,590,000, of which $14,000 were recognised in the year ended 31 December 2019 and $1,576,000 in the year ended 31 December 2018.

The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

The Directors determined the fair value of the reserves held in the assets acquired to be $130,500,000 which was approximately 9 per cent. cumulative cash flow discount reserve derived from a third-party engineer at the time of purchase. The fair values of the assets and liabilities assumed were as follows:

	$'000
Oil and gas properties	130,500
Oil and gas properties (asset retirement obligation, asset portion)	14,332
Asset retirement obligation	(14,332)
Other liabilities	(4,790)
Gain on bargain purchase	(36,414)
Purchase price	**89,296**

The Group recorded a $36,414,000 gain on the CNX Assets Acquisition which the Directors believe is reasonable given the facts and circumstances of CNX Assets Acquisition. The Directors believe that CNX was motivated to divest of assets it considered as being non-core to their operations and was willing to sell the assets at under fair market value.

EQT Assets Acquisition

In July 2018, the Group acquired approximately 11,250 conventional natural gas wells and a wholly-owned midstream gathering and a compression system with approximately 6,400 miles of pipeline and 59 compressor stations in the states of Kentucky, West Virginia and Virginia and other equipment from EQT. The Group paid purchase consideration of $527,158,000 excluding customary purchase price adjustments. The Group funded the cash consideration for the purchase with the proceeds from a placing of the Company's Ordinary Shares in July 2018, discussed in Note 17 "*Share capital and share premium*" to the Group Financial Information, and a draw of $336,200,000 from the debt facility discussed in Note 20 "*Borrowings*" to the Group Financial Information. Associated costs of the acquisition were $13,949,000, of which $785,000 were recognised in the year ended 31 December 2019 and $13,164,000 in the year ended 31 December 2018.

The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

At the time of acquisition, the Group engaged a third party valuation firm to further substantiate the Directors' valuation assumptions. As a result of this valuation, the fair value of the reserves held in the assets acquired was $363,300,000 which was derived using a cumulative discount rate of 10.5 per cent. The tangible assets acquired were determined to have a fair value of $272,343,000 which was derived using a cumulative discount rate of 9.5 per cent. The fair values of the assets and liabilities assumed were as follows:

	$'000
Oil and gas properties	363,300
Oil and gas properties (asset retirement obligation, asset portion)	26,257
Pipelines	205,810
Compressors	46,634
Mobile equipment	8,562
Rights of way	3,250
Buildings	620
Land	2,420
Inventory	5,047
Asset retirement obligation	(26,257)
Suspense[a]	(4,764)
Other	(3,428)
Gain on bargain purchase	(100,293)
Purchase price	**527,158**

(a) *Suspense represents the amounts payable to minority working interest owners.*

The Group recorded a $100,293,000 gain on the EQT Assets Acquisition which the Directors believe is reasonable given the facts and circumstances of the EQT Assets Acquisition. The Directors believe that EQT was motivated to divest of assets it considered as being non-core to its operations and was willing to sell the assets at under fair market value.

Acquisition of the stock of Core

In October 2018, the Group acquired Core, which included approximately 5,000 conventional natural gas wells and a wholly-owned midstream gathering and compression system with approximately 4,100 miles of pipeline and 47,000 horsepower of compression in the states of Kentucky, West Virginia and Virginia. The Group funded the acquisition with approximately $46,000,000 of cash and the issue of 35,000,000 Ordinary Shares (at an assumed offering price of $1.41 per Ordinary Share (1.07 pence), which was the last reported sale price of the Ordinary Shares on the acquisition date) discussed further in Note 17 "*Share capital and share premium*" to the Group Financial Information. Associated costs of the acquisition were $5,536,000, of which $1,644,000 were recognised in the year ended 31 December 2019 and $3,892,000 in the year ended 31 December 2018.

The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

At the time of acquisition, the Group engaged a third party valuation firm to further substantiate management's valuation assumptions. As a result of this valuation, the fair value of the reserves held in the assets acquired was $176,860,000 which was derived using a cumulative discount rate of 10.5 per cent. The tangible assets acquired were determined to have a fair value of $48,812,000 which was derived using a cumulative discount rate of 9 per cent. The fair values of the assets and liabilities assumed were as follows:

	$'000
Cash consideration	45,938
Less cash received	(4,454)
Fair value of stock consideration	49,159
Total consideration	90,643
Net assets acquired:	
Oil and gas properties	176,860
Oil and gas properties (asset retirement obligation, asset portion)	19,214
Pipelines	27,797
Compressors	6,401
Mobile equipment	4,206
Buildings	3,880
Land	6,440
Other	88
Accounts receivable	11,506
Other current assets	3,754
Other long-term assets	6,617
Asset retirement obligation	(19,214)
Accounts payable	(5,586)
Taxes payable	(7,020)
Notes payable assumed	(93,246)
Other current liabilities	(12,259)
Other long-term liabilities	(1,898)
Net assets acquired	**127,540**
Gain on bargain purchase	(36,897)
Purchase price	**90,643**

The Group recorded a $36,897,000 gain on the Core Acquisition which the Directors believe is reasonable given the facts and circumstances of the Core Acquisition. The Directors believe that the owners of Core were interested in purchasing the EQT assets discussed above. The Directors believe that Core recognised that they lost the opportunity to increase in scale in the region after losing the bid and, therefore, Core was willing to divest of its assets at under fair market value.

Other acquisitions

In July 2018, the Group purchased for $20,212,000 additional working interests in certain wells it already operated. These assets were previously held in seven limited partnerships with working interest ranges from 54 per cent. to 82 per cent. to which the Group served as the managing general partner. The Group funded the cash consideration for the purchase with a draw on its debt facility. The working interests associated with the acquisitions have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired working interests.

2017 Acquisitions

EnerVest Assets Acquisition

In April 2017, the Group acquired approximately 1,300 conventional natural gas and oil wells in Ohio and equipment from EnerVest. The Group paid in cash the consideration totalling $1,750,000. Associated costs of the acquisition were immaterial.

The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

The Directors considered the fair value of the reserves held in the assets acquired to be $8,500,000, which was the 30 per cent. cumulative cash flow discount reserve valuation derived from a third-party engineer at the time of purchase. During 2018, the Group finalised the fair value measurement of the EnerVest Assets Acquisition. As a result, Group retrospectively adjusted previously reported amounts related to the acquisition in accordance with IFRS 3 "*Business combinations*". The fair values of the assets and liabilities assumed were as follows:

	$'000
Oil and gas properties	8,500
Oil and gas properties (decommissioning provision, asset portion)	2,406
Decommissioning liability	(2,406)
Gain on bargain purchase	(6,750)
Purchase price	**1,750**

Acquisition of assets from Titan Energy

In June 2017, the Group acquired approximately 8,380 producing conventional natural gas and oil wells in the states of Pennsylvania, Ohio, and Tennessee (including approximately 1,140 non-operated wells) and equipment from Titan Energy. The Group paid total consideration of $77,343,000 excluding customary purchase price adjustments. The cash consideration for the purchase was funded by a new $110,000,000 senior secured loan facility, of which, $64,000,000 was drawn at closing on 30 June 2017, and an equity placing of Ordinary Shares. The Company placed 39,300,000 Ordinary Shares at $0.89 per Ordinary Share with certain existing and new institutional investors to raise $35,020,000. The equity placing occurred in two tranches of 11,400,000 Ordinary Shares which raised $10,158,000 and 27,900,000 Ordinary Shares were placed with the second tranche, which raised $24,862,000. Associated costs of the acquisition were $3,621,000, of which $272,000 were recognised in the year ended 31 December 2018 and $3,349,000 in the year ended 31 December 2017.

The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

The Directors determined the fair value of the reserves held in the assets acquired on 30 June 2017 to be $108,011,000. The fair values of the assets and liabilities assumed were as follows:

	$'000
Oil and gas properties	108,011
Oil and gas properties (decommissioning provision, asset portion)	16,366
Other PPE	1,752
Asset retirement obligation	(16,366)
Other liabilities	(2,279)
Gain on bargain purchase	(30,141)
Purchase price	**77,343**

Acquisition of assets from NGO

In November 2017, the Group acquired approximately 550 wells in Central Ohio from NGO. The Group paid cash consideration totalling $3,114,000. Associated costs of the acquisition were immaterial.

The properties associated with the acquisition have been comingled with the Group's existing properties and it is impractical to provide stand-alone operational results related to these acquired properties.

The Directors determined the fair value of the reserves held in the assets acquired to be $3,003,000, which was approximately 25 per cent. cumulative cash flow discount reserve valuation derived from a third-party engineer at the time of purchase. The fair values of the assets and liabilities assumed were as follows:

	$'000
Oil and gas properties	3,003
Oil and gas properties (decommissioning provision, asset portion)	818
Other PPE	352
Decommissioning liability	(818)
Other liabilities	(39)
Gain on bargain purchase	(202)
Purchase price	**3,114**

6. REVENUE

The Group extracts and sells natural gas, NGLs and crude oil to various customers in addition to operating a majority of these oil and natural gas 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 United States. The following table reconciles the Group's revenue for the periods presented:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Natural gas	30,463	219,189	384,121
NGL	1,043	41,854	33,685
Oil	8,047	19,117	20,474
Total natural gas, NGL and oil	39,553	280,160	438,280
Midstream revenue	—	7,315	22,166
Other	2,224	2,294	1,810
Total revenue	**41,777**	**289,769**	**462,256**

A significant portion of the Group's trade receivables represent receivables related to either sales of natural gas, NGL and oil or operational services, all of which are generally un-collateralised, and collected within 30 to 60 days depending on the commodity, location and well-type.

During the year ended 31 December 2019, one customer individually totalled more than 10 per cent. of total revenues, totalling 13 per cent. (2018: two customers totalling 24 per cent. and 18 per cent., 2017: two customers totalling 25 per cent. and 17 per cent.).

7. EXPENSES BY NATURE

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Employees and benefits (operations)	8,539	35,061	55,947
Well operating expenses, net	6,380	25,315	29,643
Automobile	1,441	5,569	10,504
Insurance	491	4,698	6,208
Production taxes (severance, property and other)	1,345	11,978	16,427
Gathering, compression and transportation	2,712	25,172	83,656
Total operating expense[(a)]	**20,908**	**107,793**	**202,385**
Amortisation	—	212	1,629
Depreciation	862	10,981	21,939
Depletion	6,674	30,795	74,571
Total amortisation, depreciation and depletion	**7,536**	**41,988**	**98,139**
Employees and benefits	2,655	12,653	20,914
Other administrative[(b)]	1,611	1,834	7,383
Professional fees[(c)]	360	5,070	5,212
Auditors' remuneration			
Fees payable to the Company's auditor for the audit of the Group and the Company's annual accounts	55	95	350
Fees payable to the Company's auditor and its associates for other services:			
Audit of accounts of subsidiaries	125	310	1,092
Other assurance services	73	142	225
Total auditors' remuneration	253	547	1,667
Rent	—	—	896
Recurring administrative expenses	**4,879**	**20,104**	**36,072**
Non-recurring costs associated with acquisitions[(d)]	3,349	19,637	9,210
Other non-recurring costs[(e)]	—	—	7,542
Provision for working interest owners receivable[(f)]	632	—	730
Non-cash equity compensation[(g)]	59	783	3,065
Non-recurring administrative expenses	**4,040**	**20,420**	**20,547**
Total administrative expenses	**8,919**	**40,524**	**56,619**
Total expenses	**37,363**	**190,305**	**357,143**

Staff costs

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Aggregate remuneration (including Directors):			
Wages and salaries	8,272	30,238	68,226
Payroll taxes	729	1,972	2,869
Benefits	2,252	4,323	5,766
Total employees and benefits expense	**11,253**	**36,533**	**76,861**

The average monthly number of employees was as follows:

	Year ended 31 December 2017 #	Year ended 31 December 2018 #	Year ended 31 December 2019 #
Field operations	229	488	790
Administration *(including Directors)*	260	112	128
Total employees	**489**	**600**	**918**

The Directors consider that the Group's key management personnel comprise the Directors. Directors' remuneration was as follows:

	Year ended 31 December 2017 #	Year ended 31 December 2018 #	Year ended 31 December 2019 #
Executive Directors			
Salary	767	682	775
Taxable benefits	—	8	11
Bonus	393	205	1,124
	1,160	**895**	**1,910**
Non-Executive Directors			
Salary	485	208	374
	485	**208**	**374**
Total remuneration	**1,645**	**1,103**	**2,284**

(a) Total operating expense increased due to a full year of operating expenses related to the EQT Assets Acquisition and the Core Acquisition. In addition, the year ended 31 December 2019 includes eight months of costs related to the HG Energy Assets Acquisition and three months of costs related to the EdgeMarc Energy assets acquired. See Note 5 "Business acquisitions" to the Group Financial Information for additional information.

(b) Other administrative expense includes general liability insurance, information technology services, other office expenses and travel.

(c) Professional fees include legal fees, marketing fees, payroll fees, consultation fees and costs associated with being a public company.

(d) Non-recurring costs associated with acquisitions primarily relate to legal and consulting costs directly related to the acquisitions.

(e) Other non-recurring costs include costs associated with early buyouts of long-term firm transportation agreements, severance packages, temporary service agreements for onboarding of acquired assets and consolidation of the Group's corporate structure.

(f) Provision for working interest owners' receivable reflects a portion of receivables from working interest owners that the Directors consider uncollectable.

(g) Non-cash equity issuances in each of the years ended 31 December 2019, 31 December 2018 and 31 December 2017 reflect the expense recognition related to stock compensation provided to certain key managers.

8. ADJUSTED EBITDA

Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged) are a non-IFRS financial measure that is defined as operating profit plus or minus items detailed in the table below, which is of particular interest to the industry and the Directors, as it is essentially the cash generated from operations that the Group has free for interest payments capital investments, and dividend payments. Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged) should not be considered as an alternative to operating profit/(loss), comprehensive income, cash flow from operating activities or any other financial performance or liquidity measure presented in accordance with IFRS.

The Directors believe Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged) are a useful measure because it enables a more effective way to evaluate operating performance and compare the results of operations from period-to-period and against its peers without regard to the Company's financing methods or capital structure. The Directors exclude the items listed in the table below from operating profit in arriving at Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged) for the following reasons:

- certain amounts are non-recurring from the operation of the business such as:
  - the gain on foreign currency hedge;
  - costs associated with acquisitions or other one-time events; or
  - costs associated with gains on oil & gas properties or equipment.

- certain amounts are non-cash such as:
  - o amortisation, depreciation and depletion; and
  - o gains or losses on the valuation of derivative instruments; and
  - o equity issuance costs included in administrative expenses.

The following table reconciles operating profit to Adjusted EBITDA (hedged) and Adjusted EBITDA (unhedged):

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Operating profit	41,161	294,997	180,507
Amortisation, depreciation and depletion	7,536	41,988	98,139
Gain on bargain purchase	(37,093)	(173,473)	(1,540)
Gain on oil and gas programme and equipment	(95)	(4,079)	—
Loss/(gain) on derivative financial instruments	1,965	(33,636)	(20,270)
Non-recurring costs associated with acquisitions	3,349	19,637	9,210
Provision for working interest owners receivable	632	—	730
Other non-recurring costs	—	—	7,542
Non-cash equity issuance included in administrative expenses	59	783	3,065
Gain on foreign currency hedge	—	—	(4,117)
Total adjustments	**(23,647)**	**(148,780)**	**92,579**
Adjusted EBITDA (hedged)	**17,514**	**146,217**	**273,266**
Cash portion of settled hedges	(1,524)	15,655	(53,584)
Adjusted EBITDA (unhedged)	**15,990**	**161,872**	**219,682**
Weighted average Ordinary Shares – basic	120,136	386,559	641,666
Weighted average Ordinary Shares – diluted	120,269	387,925	644,782
Adjusted EBITDA (hedged) per Ordinary Share – basic	**$0.15**	**$0.38**	**$0.43**
Adjusted EBITDA (hedged) per Ordinary Share – diluted	**$0.15**	**$0.38**	**$0.42**

9. TAXATION

The Group files a consolidated US federal tax return, multiple state tax returns, and a separate UK tax return for the Company. Income taxes are provided for the tax effects of transactions reported in the Group Financial Information and consist of taxes currently due, plus deferred taxes related to differences between the basis of assets and liabilities for financial and income tax reporting.

For the taxable year ending 31 December 2019, the Group had a tax expense of $32,091,000 (2018: tax expenses of $60,676,000, 2017: $2,250,000). The effective tax rate was 24.4 per cent. (2018: 23.2 per cent., 2017: 7.5 per cent.) for the same periods. The effective tax rate was primarily impacted by recognition of federal tax credits, capital loss carryovers for which no deferred tax asset was recognised, state taxes, other deferred tax and permanent differences, such as meals and entertainment.

The components of the provision for taxation on income included in the "*Statements of Profit or Loss and Other Comprehensive Income*" for the periods presented are summarised below:

	Year ended 31 December 2017 $'000	**Year ended 31 December 2018 $'000**	**Year ended 31 December 2019 $'000**
Current income tax expense			
Federal	—	—	654
State	—	2,894	2,217
Foreign – UK	—	—	142
Total current income tax expense	**—**	**2,894**	**3,013**
Deferred income tax expense			
Federal	883	47,554	22,252
State	1,367	10,228	6,825
Total deferred income tax expense	**2,250**	**57,782**	**29,079**
Total income tax expense	**2,250**	**60,676**	**32,091**

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

	2019	
	$'000	
Expected tax at statutory US federal income tax rate	27,613	21.0%
Increase/(decrease) in tax resulting from:		
State income taxes, net of federal tax benefit	7,946	6.0%
Federal credits	(7,000)	(5.3%)
Other – net	3,532	2.7%
	32,091	**24.4%**

	2018	
	$'000	
Expected tax at statutory US federal income tax rate	54,954	21.0%
Increase/(decrease) in tax resulting from:		
State income taxes, net of federal tax benefit	12,515	4.8%
Federal credits	(7,084)	(2.7%)
Other – net	291	0.1%
	60,676	**23.2%**

	2017	
	$'000	
Expected tax at statutory US federal income tax rate	10,212	34.0%
Increase/(decrease) in tax resulting from:		
State income taxes, net of federal tax benefit	862	2.9%
Federal and state rate changes due to TCJA	(8,526)	(28.4%)
Federal credits	(250)	(0.8%)
Other – net	(48)	(0.2%)
	2,250	7.5%

The Group's effective tax rate was higher for the year ended 31 December 2019 compared to 31 December 2018 primarily due to the Group acquiring assets (through various 2019 asset acquisitions) in higher US state tax rate jurisdictions, including Pennsylvania, and for capital loss carryovers for which no deferred tax asset was recognised.

The Group had a net deferred tax liability of $124,112,000 at 31 December 2019 (2018: $95,033,000, 2017: $17,399,000). The deferred tax liability increased by $29,079,000, primarily due to acquisitions during the year ended 31 December 2019, whereby immediate expensing of the fair value of oil and gas properties acquired subsequent to purchase for federal tax purposes. Additionally, the net deferred tax liability increased due to unrealised gains for unsettled derivatives and due to an increase of US federal and state net operating losses utilised.

The components of the net deferred income tax liability included in noncurrent liabilities are as follows:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Deferred tax assets			
Decommissioning provision, asset	9,133	46,893	52,254
Derivative adjustment	742	—	—
Allowance for doubtful accounts	166	577	841
Net operating loss carryforward	1,056	53,904	41,199
State net operating loss	216	3,177	2,063
Federal tax credits carryover	250	14,365	19,502
Capital loss carryover	—	1,988	4,610
Valuation allowance	—	(1,988)	(4,610)
Other	83	1,334	2,344
Total deferred tax assets	**11,646**	**120,250**	**118,203**
Deferred tax liabilities			
Amortisation and depreciation	(29,045)	(206,795)	(228,004)
Foreign currency translation adjustment	—	(8,488)	(14,311)
Total deferred tax liabilities	**(29,045)**	**(215,283)**	**(242,315)**
Net deferred tax liabilities	**(17,399)**	**(95,033)**	**(124,112)**

The Group reported the effects of deferred tax expense as follows for the year ended 31 December 2019:

	Opening balance $'000	Income statement $'000	Closing balance $'000
Decommissioning provision, liability	46,893	5,361	52,254
Allowance for doubtful accounts	577	264	841
Net operating loss carryforward	53,904	(12,704)	41,200
State net operating loss	3,177	(1,114)	2,063
Federal tax credits carryover	14,365	5,138	19,503
Premises, equipment and oil and gas properties	(206,795)	(21,210)	(228,005)
Derivative adjustment	(8,488)	(5,823)	(14,311)
Other	1,334	1,009	2,343
Total deferred tax liabilities	**(95,033)**	**(29,079)**	**(124,112)**

The Group reported the effects of deferred tax expense as follows for the year ended 31 December 2018:

	Opening balance $'000	Income statement $'000	Acquisitons $'000	Closing balance $'000
Decommissioning provision, liability	9,133	29,607	8,153	46,893
Allowance for doubtful accounts	166	411	—	577
Net operating loss carryforward	1,056	52,848	—	53,904
State net operating loss	216	2,961	—	3,177
Federal tax credits carryover	250	7,085	7,030	14,365
Premises, equipment and oil and gas properties	(29,045)	(142,599)	(35,151)	(206,795)
Derivative adjustment	742	(9,230)	—	(8,488)
Other	83	1,135	116	1,334
Total deferred tax liabilities	**(17,399)**	**(57,782)**	**(19,852)**	**(95,033)**

The Group reported the effects of deferred tax expense as follows for the year ended 31 December 2017:

	Opening balance $'000	Income statement $'000	Closing balance $'000
Decommissioning provision, liability	4,696	4,437	9,133
Allowance for doubtful accounts	—	166	166
Net operating loss carryforward	1,677	(621)	1,056
State net operating loss	—	216	216
Federal tax credits carryover	—	250	250
Premises, equipment and oil and gas properties	(21,563)	(7,482)	(29,045)
Derivative adjustment	360	382	742
Foreign currency translation adjustment	(319)	319	—
Other	—	83	83
Total deferred tax liabilities	**(15,149)**	**(2,250)**	**(17,399)**

The Group's deferred tax assets and liabilities all arise in the US.

For US federal tax purposes, the Group is taxed as one consolidated entity, which includes the Company. The Company is subject to additional taxes in its home jurisdiction of the UK. For the year ended 31 December 2019, the Company incurred $100,000 of income tax liability in the UK (2018: $nil, 2017: $nil).

On 22 December 2017, the President of the United States signed into law the TCJA tax reform legislation. This legislation makes significant change in US tax law including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate AMT. The legislation reduced the US corporate tax rate from the current rate of 34 per cent. to 21 per cent. for the year ended 31 December 2018.

As at 31 December 2019, the Group continued to maintain the $2,100,000 uncertain tax position liability related to uncertain tax positions that Alliance Petroleum had taken in years prior to the Group acquiring Alliance Petroleum. The Group recorded an indemnification receivable in the same amount of $2,100,000 because the purchase agreement between the Group and Alliance Petroleum's former owners provided a specific indemnification for these uncertain tax positions. The Group does not have any other uncertain tax positions as of 31 December 2019.

As at 31 December 2019, the Group had US federal net operating loss carryforwards of approximately $196,200,000. The remaining US federal net operating loss carryforward of $196,200,000 generated in the year ended 31 December 2018 does not have an expiration date. Additionally, the Group has US state net operating loss carryforwards of approximately $40,600,000, which expire in the years 2036 through 2038.

As at 31 December 2019, the Group had US federal marginal well tax credit carryforwards of approximately $19,500,000, which expire in the years 2036 through 2039.

At 31 December 2019, the Group had US federal capital loss carryovers of $17,600,000, which expire in the years 2020 through 2023. The Group does not expect to utilise these carryovers, and therefore, a deferred tax asset for these carryovers has not been recorded.

The Group completed a Section 382 study through 31 December 2019 in accordance with the Internal Revenue Code of 1986, as amended. The study concluded that the Group has experienced ownership changes as defined by Section 382 on 3 February 2017 and on 6 March 2018. This causes the Group's utilisation of its US federal and state net operating loss and US federal tax credit carryforwards to be subject to annual limitations. The Directors expect the Group's net operating loss carryforwards to be fully available for utilisation by 31 December 2019 and tax credit carryforwards to be fully available for utilisation by 2024. The Group's ability to utilise its US federal and state net operating loss and US federal tax credit carryforwards may be further limited as a result of subsequent ownership changes. All such limitations could result in the expiration of carryforwards before they are utilised.

10. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per Ordinary Share is based on the income after taxation available to Shareholders and on the weighted average number of Ordinary Shares outstanding during the period. The calculation of diluted earnings per Ordinary Share is based on the income after taxation available to Shareholders and the weighted average number of Ordinary Shares outstanding plus the weighted average number of Ordinary Shares that would be issued if dilutive options and warrants were converted into Ordinary Shares on the last day of the reporting period. Basic and diluted earnings per Ordinary Share is calculated as follows:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Income after taxation *(a)*	27,454	201,119	99,400
Weighted average number of Ordinary Shares – basic (#'000) *(b)*	120,316	386,559	641,666
Weighted average number of Ordinary Shares – diluted (#'000) *(c)*	120,269	387,925	644,782
Earnings per Ordinary Share basic *(=a/b)*	**$0.23**	**$0.52**	**$0.15**
Earnings per Ordinary Share diluted *(=a/c)*	**$0.23**	**$0.52**	**$0.15**
Adjusted EBITDA per Ordinary Share basic (Note 10 "Earnings per Ordinary Share" to the Group Financial Information)	**$0.15**	**$0.38**	**$0.43**
Adjusted EBITDA per Ordinary Share diluted (Note 10 "Earnings per Ordinary Share" to the Group Financial Information)	**$0.15**	**$0.38**	**$0.42**

11. DIVIDENDS

The following table summarises the Company's dividends paid and declared:

Date declared	$	£	Record date	Pay date	Ordinary Shares outstanding	Gross dividend paid $'000
Dividend declared 15 June 2017	0.0199	0.0155	07 July 2017	31 July 2017	145,076	2,888
Dividend declared 11 September 2017	0.0199	0.0149	17 November 2017	20 December 2017	145,076	2,888
Dividends paid during the year ended 31 December 2017						**5,776**
Dividend declared 30 April 2018	0.0345	0.0251	11 May 2018	25 May 2018	311,476	10,746
Dividend declared 29 June 2018	0.0173	0.0131	13 July 2018	24 September 2018	311,476	5,373
Dividend declared 11 September 2018	0.0280	0.0223	30 November 2018	19 December 2018	542,633	15,194
Dividends paid during the year ended 31 December 2018						**31,313**
Dividend declared 14 December 2018	0.0330	0.0253	8 March 2019	29 March 2019	542,654	17,908
Dividend declared 28 February 2019	0.0340	0.0239	12 April 2019	28 June 2019	542,654	18,450
Dividend declared 13 June 2019	0.0342	0.0278	6 September 2019	27 September 2019	663,636	22,696
Dividend declared 8 August 2019	0.0350	0.0269	29 November 2019	20 December 2019	659,903	23,097
Dividends paid during the year ended 31 December 2019						**82,151**

On 10 December 2019, the Company announced a dividend of $0.035 per Ordinary Share. The dividend will be paid on 27 March 2020 to Shareholders on the register as at 6 March 2020. No liability is recorded in the Group Financial Information in respect of this dividend as it was not approved by the Shareholders as at 31 December 2019.

12. OIL AND GAS PROPERTIES

The following table summarises the Group's oil and gas properties for each of the periods presented:

	$'000
Cost as at 1 January 2017	94,608
Additions[(a)]	145,527
Disposals	(321)
Cost as at 31 December 2017	**239,814**
Additions[(a)]	908,514
Disposals	(93)
Cost as at 31 December 2018	**1,148,235**
Additions[(a)]	482,525
Disposals[(b)]	(10,000)
Cost as at 31 December 2019	**1,620,760**
Accumulated depletion and impairment at 1 January 2017	(17,815)
Charge for the year	(6,674)
Disposals	—
Accumulated depletion and impairment at 31 December 2017	**(24,489)**
Charge for the year	(30,795)
Disposals	—
Accumulated depletion and impairment at 31 December 2018	**(55,284)**
Charge for the year	(74,571)
Disposals	—
Accumulated depletion and impairment at 31 December 2019	**(129,855)**
Net book value as at 31 December 2017	**215,325**
Net book value as at 31 December 2018	**1,092,951**
Net book value as at 31 December 2019	**1,490,905**

(a) See Note 5 "Business acquisitions" to the Group Financial Information for more information about the Group's acquisitions.

(b) In November 2019, the Group sold the 3 drilled but uncompleted wells that were acquired in the EdgeMarc Energy Acquisition set out in Note 5 "Business acquisitions" to the Group Financial Information. The carrying value of the 3 drilled but uncompleted wells at the time of sale was $10,000,000.

The Directors have reviewed the carrying value of the Group's oil and gas properties as at 31 December 2019. Based on this review, the carrying value oil and gas properties is not impaired.

13. INTANGIBLE ASSETS

	Total $'000
Cost as at 1 January 2017	**—**
Additions	—
Cost as at 31 December 2017	**—**
Additions	2,775
Cost as at 31 December 2018	**2,775**
Additions	15,046
Cost as at 31 December 2019	**17,821**
Accumulated amortisation at 1 January 2017	**—**
Charge for the year	—
Accumulated amortisation at 31 December 2017	**—**
Charge for the year	(212)
Accumulated amortisation at 31 December 2018	**(212)**
Charge for the year	(1,629)
Accumulated amortisation at 31 December 2019	**(1,841)**
Net book value as at 31 December 2017	**—**
Net book value as at 31 December 2018	**2,563**
Net book value as at 31 December 2019	**15,980**

Additions during the period under review relate to costs associated with the Group's ERP project.

14. PROPERTY AND EQUIPMENT

	Total $'000
Cost as at 1 January 2017	5,223
Additions	4,595
Disposals	(142)
Cost as at 31 December 2017	**9,676**
Additions[(a)]	328,084
Disposals	(142)
Cost as at 31 December 2018	**337,618**
Additions[(b)]	22,619
Disposals	—
Cost as at 31 December 2019	**360,237**
Accumulated depreciation at 1 January 2017	(1,875)
Charge for the year	(862)
Disposals	8
Accumulated depreciation at 31 December 2017	**(2,729)**
Charge for the year	(10,981)
Disposals	1,278
Accumulated depreciation at 31 December 2018	**(12,432)**
Charge for the year	(21,939)
Disposals	—
Accumulated depreciation at 31 December 2019	**(34,371)**
Net book value as at 31 December 2017	**6,947**
Net book value as at 31 December 2018	**325,186**
Net book value as at 31 December 2019	**325,866**

(a) *Of the $328,084,000 in additions, $318,848,000 relates to equipment purchased through acquisitions discussed further in Note 5 "Business acquisitions" to the Group Financial Information.*

(b) *Of the $22,619,000 in additions, $7,700,000 relates to equipment purchased through the Dominion and Equitrans acquisitions discussed further in Note 5 "Business acquisitions" to the Group Financial Information.*

Additions relate to routine capital projects on the Group's compressor and gathering systems, vehicle and equipment additions.

15. OTHER NON-CURRENT AND CURRENT ASSETS

The following table includes a detail of other assets as at the periods presented:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Other non-current assets			
Derivative financial instruments	—	21,745	3,803
Other non-current assets	1,036	798	388
Total other non-current assets	**1,036**	**22,543**	**4,191**
Other current assets			
Prepaid expenses	513	2,996	4,317
Derivative financial instruments	—	17,573	73,705
Other current assets	—	4,171	383
Inventory	—	5,303	5,163
Total other current assets	**513**	**30,043**	**83,568**

16. TRADE RECEIVABLES

The majority of trade receivables are current and the Directors believe these receivables are collectible. Trade receivables also include certain receivables from third-party working interest owners. The Directors consistently assess the collectability of these receivables. As at 31 December 2019, the Directors considered a portion of these working interests receivables uncollectable and recorded a provision in the amount of $3,210,000 (2018: $2,200,000, 2017: $nil).

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Trade receivables	13,917	78,451	73,924

17. SHARE CAPITAL AND SHARE PREMIUM

In February 2017, the Company placed 61,000,000 Ordinary Shares at 65 pence per Ordinary Share to raise gross proceeds of $49,589,000 (approximately £39,650,000). The Company used the funds raised for the repurchase of bonds, repayment of existing debt facilities, costs of admission to AIM and working capital requirements of the Group. Following this initial placing, in June 2017, the Company issued an additional 39,300,000 Ordinary Shares at 70 pence per Ordinary Share to raise additional gross proceeds of $35,020,000 (approximately £27,510,000) to fund part of the purchase price for the Titan acquisition.

In February 2018, the Company placed 166,400,000 Ordinary Shares at $1.13 per Ordinary Share (80 pence) to raise gross proceeds of $188,775,000 (approximately £133,120,000). Associated costs of the placing were $8,241,000. The Company used the net proceeds to fund the Alliance Petroleum Acquisition and the CNX Assets Acquisition discussed in Note 5 "*Business acquisitions*" to the Group Financial Information.

In July 2018, the Company placed 195,330,000 Ordinary Shares at $1.28 per Ordinary Share (97 pence) to raise gross proceeds of $250,005,000 (approximately £189,470,000). Associated costs of the placing were $10,171,000. The Company used the net proceeds to partially fund the EQT Assets Acquisition discussed in Note 5 "*Business acquisitions*" to the Group Financial Information.

In October 2018, the Company placed 35,000,000 Ordinary Shares at an assumed offering issue price of $1.41 per Ordinary Share (£1.07) (which was the last reported sale price on the acquisition date) for an assumed value of $49,159,000 to partially fund the Core Acquisition. See further discussion surrounding the acquisition in Note 5 "*Business acquisitions*" to the Group Financial Information.

In April 2019, the Company placed 151,515,000 Ordinary Shares at $1.52 per Ordinary Share (£1.17) to raise gross proceeds of $230,676,000 (approximately £177,278,000). Associated costs of the placing were $8,817,000. The Company used the net proceeds to fund the HG Energy Assets Acquisition set out in Note 5 "*Business acquisitions*" to the Group Financial Information.

In April 2019, the Company announced the terms of a share buyback program. During the year ended 31 December 2019, the Company repurchased 38,662,000 Ordinary Shares at an average price of $1.36 per Ordinary Share, totalling $52,902,000. The Company has accounted for the repurchase of these Ordinary Shares as a direct reduction to retained earnings. All repurchased shares will be cancelled.

The following table summarises the Company's share capital for the periods presented:

	Note	Number of Ordinary Shares '000	Total share capital $'000	Total share premium $'000
Balance as of 1 January 2017		44,210	669	313
Issuance – initial offering		61,381	768	43,550
Issuance – secondary offering		39,485	503	32,163
Balance as at 31 December 2017		**145,076**	**1,940**	**76,026**
Issuance		166,400	2,359	178,301
Issuance	*(a)*	195,330	2,575	236,621
Issuance		35,000	463	49,159
Other issues		848	9	548
Balance as at 31 December 2018		**542,654**	**7,346**	**540,655**
Issuance of Ordinary Shares		151,515	1,972	219,888
Repurchase of Ordinary Shares		(38,662)	(518)	—
Other issues	*(b)*	223	—	—
Balance as at 31 December 2019		**655,730**	**8,800**	**760,543**

(a) *In November 2018, the Company issued 162,619 restricted stock units to certain members of management and 685,231 Ordinary Shares upon conversion of stock warrants granted to Smith and Williamson relating to the initial public offering. The restricted stock units had no impact on share capital or share premium. The conversion of the warrants resulted in a $9,000 increase to share capital and a $548,000 increase to share premium.*

(b) *During the year ended 31 December 2019, the Company issued 223,000 restricted stock units to certain members of management. The issuance of these Ordinary Shares had no impact on share capital or share premium for the year ended 31 December 2019. See further information regarding DGO's share-based compensation in Note 7 "Expenses by nature".*

18. ASSET RETIREMENT OBLIGATION

The Group records a liability for future cost of decommissioning its oil and gas properties, which it expects to incur over the long producing life of its wells (the Group presently expects all of its existing wells to have reached the end of their economic lives by 2093). The Group also records a liability for the future cost of decommissioning its production facilities and pipelines if required by contract or statute. The decommissioning liability represents the present value of estimated future decommissioning costs.

In estimating the present value of future decommissioning costs of the Group's oil and gas properties, the Directors take 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 they believe is a reasonable basis upon which to estimate the Group's 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, which makes the determination dependent upon future oil and gas prices, which are inherently uncertain.

The Directors apply a contingency allowance for annual cost increases and discounts the resulting cash flows using a credit adjusted risk free discount rate. The Directors consider the Bloomberg 15-year US Energy BB bond to most closely align with the underlying long-term and unsecured liability and have derived their risk adjusted rate by reference to that. The risk discount rate used in the calculation of the Group's decommissioning liability for the year ended 31 December 2019 was 7.3 per cent. (2018: 8.0 per cent., 2017: 8.0 per cent.) and the allowance for annual cost increases 2.3 per cent. (2018: 2.2 per cent., 2017: 2.2 per cent.) resulting in a net rate of 5.0 per cent. (2018: 5.8 per cent., 2017: 5.8 per cent.).

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

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Total provision brought forward	*12,265*	*35,448*	*142,725*
Additions	21,497	96,508	252
Accretion	1,764	7,101	12,349
Disposals	(78)	(1,161)	(2,541)
Revisions to estimate[a]	—	4,829	46,736
Total provision carried forward	**35,448**	**142,725**	**199,521**
Less: Current decommissioning provision	—	(2,535)	(2,650)
Non-current decommissioning provision	**35,448**	**140,190**	**196,871**

(a) *During the year ended 31 December 2019, the Directors revised the Group's asset retirement obligation to more closely align estimated plugging costs with historical costs incurred to plug and abandon wells, which resulted in a $4,086,000 increase to the liability. Additionally, as at 31 December 2019, the Directors revised the applicable discount rate from 8.0 per cent. as at 31 December 2018 to 7.3 per cent. as at 31 December 2019 and the allowance for annual cost increases from 2.2 per cent. as at 31 December 2018 to 2.3 per cent. as at 31 December 2019, resulting in a net decrease in the rate from 5.8 per cent. as at 31 December 2018 to 5.0 per cent. as at 31 December 2019. This revision resulted in a $46,736,000 increase to the liability. The remaining increase was related to a revision in the costs associated with plugging wells. With respect to the year ended 31 December 2018, the Directors retained the applicable discount rate at 8.0 per cent. as used for the year ended 31 December 2017. The increase of $4,829,000 was a result of a revision in the costs associated with plugging wells.*

Changes to the Directors' assumptions used as inputs for the estimation of the Group's asset retirement obligation could result in a material change in the carrying value of the liability. A one hundred basis point increase in the gross discount rate could have an approximately $74,000,000 impact on the Group's asset retirement obligation as at 31 December 2019.

19. LEASES

The Group leased automobiles, equipment and real estate under leases as at 31 December 2019, 31 December 2018 and 31 December 2017. Future minimum lease payments for the periods under review were as follows:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Not later than one year	324	842	798
Later than one year and not later than five years	971	2,694	1,015
Later than five years	—	—	—
Total minimum lease payments	**1,295**	**3,536**	**1,813**
Less amount representing interest	(135)	(351)	—
Present value of minimum lease payments	**1,160**	**3,185**	**1,813**

Reconciliation of leases arising from financing activities:

	Total present value of minimum lease payments $'000
As at 1 January 2017	443
Net cash flows	717
As at 31 December 2017	**1,160**
Net cash flows	2,025
As at 31 December 2018	**3,185**
Net cash flows	(1,372)
As at 31 December 2019	**1,813**

20. BORROWINGS

The Group's borrowings consist of the following amounts for the periods presented:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Individuals and institutional investor bonds, interest rate of 8.50%, maturing June 2020, unsecured	81	86	—
Financial institution, interest rate of 2.00% plus LIBOR (2019), 2.25% plus LIBOR (2018) and 8.25% plus LIBOR (2017), secured by oil and gas properties	73,249	495,284	436,700
Securitised note, interest rate of 5.00%, secured by 21.60% of Diversified Production LLC's working interest	—	—	200,000
Miscellaneous, primarily for real estate, vehicles and equipment	495	2,537	8,219
Total borrowings	**73,825**	**497,907**	**644,919**
Less current portion of long-term debt	(373)	(286)	(23,510)
Less deferred financing costs	(2,833)	(15,093)	(22,631)
Total non-current borrowings, net	**70,619**	**482,528**	**598,778**

In March 2018, the Group closed a $500,000,000 five-year credit facility, initially subject to a borrowing limit of $140,000,000. Following the closing of the CNX Assets Acquisition in March 2018, as discussed in Note 5 "*Business acquisitions*" to the Group Financial Information, the borrowing limit increased to $200,000,000.

In July 2018, in conjunction with the EQT Assets Acquisition, the Group closed on an enlarged $1 billion, five-year secured revolving credit facility with an initial borrowing base of $600,000,000 which replaced the existing $200,000,000 facility.

In November 2018, following the October 2018 acquisition of Core, the Group closed on a further-enlarged $1.5 billion, five-year senior secured credit facility. The enlarged facility consolidated the Group's previous $1 billion facility with Core's facility and has an initial borrowing base of $725,000,000. The facility maintains the maturity date of the previous $1 billion facility of July 2023. In December 2018, the Group extinguished $93,000,000 of debt assumed with the Core Acquisition. The facility has an initial interest rate of 2.75 per cent. plus the one-month LIBOR and is subject to a grid that fluctuates from 2.25 per cent. to 3.25 per cent. plus LIBOR based on utilisation.

In April 2019, the Group increased its borrowing base on the $1.5 billion five-year senior secured credit facility from $725,000,000 to $950,000,000. The April 2019, the HG Energy Assets Acquisition, as set out in Note 5 "*Business acquisitions*", was funded partially by a $152,000,000 draw on the upsized credit facility. The facility has an initial interest rate of 2.50 per cent. plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00 per cent. to 3.00 per cent. plus LIBOR based on utilisation.

In June 2019, the Group entered into a fleet financing agreement for $7,700,000, with an implied interest rate of 2 per cent.

On 13 November 2019, the Group formed Diversified ABS, LLC, a limited-purpose, bankruptcy-remote, wholly-owned subsidiary of the Company to enter into a securitised financing agreement for $200,000,000 which was issued through a BBB-rated bond. The Group used the net proceeds of $191,000,000 to pay down its revolving credit facility. The note is secured by 21.6 per cent. of the Group's producing assets, excluding the acquired EdgeMarc Energy assets set out in Note 5 "*Business acquisitions*". Natural gas production associated with the 21.6 per cent. working interest was hedged at 85 per cent. at the close of the agreement, using a 10-year swap and rolling two-year basis hedge. Interest and principal payments on the note are payable on a monthly basis beginning 28 February 2020. During the year ended 31 December 2019, the Group accrued $1,600,000 of interest related to the notes. The legal final maturity date is January 2037, with an amortising maturity of December 2029. The note accrues interest at a stated 5 per cent. rate per annum. In the event that Diversified ABS, LLC has cash flow in excess of the required payments, 25 per cent. to 100 per cent. of the excess cash, contingent on certain performance metrics, is required to pay down additional principal with the remaining proceeds remaining with the Group. The note is subject to a series of covenants and restrictions customary for transactions of this type, including:

- that the Issuer maintains specified reserve accounts to be used to make required interest payments in respect of the note;
- provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the note under certain circumstances;
- certain indemnification payments in the event, among other things, that the assets pledged as collateral for the note is used in stated ways defective of ineffective; and
- covenants related to recordkeeping, access to information and similar matters.

The 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 manager termination events, and event of default and the failure to repay of refinance the note on the applicable scheduled maturity date. The note is also 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 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 at 31 December 2019, 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 for each of the periods presented:

	Year ended 31 December 2017 $'000	**Year ended 31 December 2018 $'000**	**Year ended 31 December 2019 $'000**
Not later than one year	373	286	23,510
Later than one year and not later than five years	73,452	497,621	515,620
Later than five years	—	—	105,789
Total borrowings	**73,825**	**497,907**	**644,919**

The following table represents the Group's finance costs for each of the periods presented:

	Year ended 31 December 2017 $'000	**Year ended 31 December 2018 $'000**	**Year ended 31 December 2019 $'000**
Interest	3,298	15,433	32,662
Amortisation of deferred finance cost	1,212	2,230	3,875
Other	715	80	130
Total finance costs	**5,225**	**17,743**	**36,667**
Loss on retirement of debt	**4,468**	**8,358**	**—**

Reconciliation of borrowings arising from financing activities:

	Year ended 31 December 2017 $'000	**Year ended 31 December 2018 $'000**	**Year ended 31 December 2019 $'000**
At the beginning of the year	37,294	70,992	482,814
Acquired as part of business combination	—	118,223	—
Proceeds from new borrowings	75,000	581,221	765,236
Repayments of borrowings	(42,514)	(275,115)	(618,010)
Financing fees paid	—	(17,176)	(11,574)
Amortisation of financing fees	1,212	4,812	3,875
Interest paid in cash	(3,298)	(15,433)	(32,715)
Finance cost	3,298	15,290	32,662
At the end of the year	**70,992**	**482,814**	**622,288**

21. OTHER NON-CURRENT AND CURRENT LIABILITIES

The following table includes a detail of other liabilities as at the periods presented:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Other non-current liabilities			
Customer deposits	52	—	—
Derivative financial instruments	1,943	—	15,706
Other non-current liabilities	283	1,060	2,335
Total other non-current liabilities	**2,278**	**1,060**	**18,041**
Other current liabilities			
Accrued expenses	2,300	21,852	23,645
Revenue to be distributed[(a)]	3,486	20,159	30,321
Taxes payable	—	13,854	19,379
Net revenue clearing[(b)]	6,472	9,299	9,287
Asset retirement obligation	—	2,535	2,650
Derivative financial instruments	961	—	—
Other current liabilities	2,784	6,261	—
Total other current liabilities	**16,003**	**73,960**	**85,282**

(a) 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. Prior year amounts have been reclassified to current liabilities to conform to current year presentation.

(b) Net revenue clearing is estimated revenue that is a payable to third-party working interest owners.

22. TRADE AND OTHER PAYABLES

The following table includes a detail of trade and other payables as at the periods presented:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Trade payables	1,811	9,360	16,700
Other payables	321	23	352
Total trade and other payables	**2,132**	**9,383**	**17,052**

23. DERIVATIVES

The following table summarises the Group's calculated fair value of derivative financial instruments:

(Liabilities)/assets	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Natural gas			
Swaps	28	4,053	69,242
Collars	311	131	3,882
Basis swaps	(965)	(1,720)	(2,455)
Put options	—	7,292	(24,783)
Total natural gas financial derivative contracts	**(626)**	**9,756**	**45,886**
NGLs			
Swaps	—	26,208	15,859
Total NGLs financial derivative contracts	**—**	**26,208**	**15,859**
Oil			
Swaps	(56)	676	(323)
Collars	(2,222)	2,929	380
Total oil financial derivative contracts	**(2,278)**	**3,605**	**57**
Total financial derivative contracts	**(2,904)**	**39,569**	**61,802**

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 for the periods presented:

Derivative financial instruments	Statement of Financial Position line item	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Non-current assets	*Other non-current assets*	—	21,745	3,803
Current assets	*Other current assets*	—	17,573	73,705
Total assets		**—**	**39,318**	**77,508**
Non-current liabilities	*Other non-current liabilities*	(1,943)	—	(15,706)
Current liabilities	*Other current liabilities*	(961)	—	—
Total liabilities		**(2,904)**	**—**	**(15,706)**
Net (liabilities)/assets – non-current		(1,943)	21,745	(11,903)
Net (liabilities)/assets – current		(961)	17,573	73,705
Net (liabilities)/assets		**(2,904)**	**39,318**	**61,802**

The Group recorded the following gain/(loss) on derivative financial instruments in the "*Statements of Profit or Loss and Other Comprehensive Income*" for the periods presented:

	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Net gain/(loss) on settlements[(a)]	1,524	(15,655)	49,467
Gain on foreign currency hedge	—	—	4,117
Total gain/(loss) on settled derivative instruments	**1,524**	**(15,655)**	**53,584**
Net (loss)/gain on fair value adjustments on unsettled financial instruments[(b)]	(1,965)	33,636	20,270
Total (loss)/gain on derivative financial instruments	**(441)**	**17,981**	**73,854**

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

(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.

24. FAIR VALUE AND FINANCIAL INSTRUMENTS

(a) 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 marked (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Directors utilise 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*" 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:

- observable prices in active markets for similar assets;
- prices for identical assets in markets that are not active;
- directly observable market inputs for substantially the full term of the asset; and
- market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3: Unobservable inputs which reflect the Director's best estimates of what market participants would use in pricing the asset at the measurement date.

The Group does not hold derivatives for speculative or trading purposes and the derivative contracts held by the Group do not contain any credit-risk related contingent features. The Directors have not elected to apply hedge accounting to derivative contracts.

Netting the fair values of derivative assets and liabilities for financial reporting purposes is permitted if such assets and liabilities are with the same counterparty and a legal right of set-off exists, subject to a master netting arrangement. The Directors have elected to present derivative assets and liabilities net when these conditions are met. When derivative assets and liabilities are presented net, the fair value of the right to reclaim collateral assets (receivable) or the obligation to return cash collateral (payable) is also offset against the net fair value of the corresponding derivative. As at each of 31 December 2019, there were no collateral assets or liabilities associated with derivative assets and liabilities 2018: $nil, 2017: $nil).

Derivatives expose the Group to counterparty credit risk. The derivative contracts have been executed under master netting arrangements which allow the Group, in the event of default by its counterparties, to elect early termination. The Directors monitor the creditworthiness of the Group's counterparties but are not able to predict sudden changes and hence may be limited in their ability to mitigate an increase in credit risk.

Possible actions would be to transfer the Group's positions to another counterparty or request a voluntary termination of the derivative contracts, resulting in a cash settlement in the event of non-performance by the counterparty. For each of the fiscal years ended 31 December 2019, 31 December 2018 and 31 December 2017, the counterparties for all of the Group's derivative financial instruments were lenders under formal credit agreements.

The derivative instruments consist of non-financial instruments considered normal purchases and normal sales.

For recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (ex: changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it.

All financial instruments measured at fair value use Level 2 valuation techniques for the each of the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

Level 2 fair value measurements are those including inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. The fair value of the swap commodity derivatives is calculated using a discounted cash flow model and the fair value of the option commodity derivatives are calculated using a relevant option pricing model, which are calculated from relevant market prices and yield curves at the balance sheet date and are therefore based solely on observable price information. These instruments are not directly quoted in active markets and are accordingly classified as Level 2 in the fair value hierarchy.

There were no transfers between fair value levels during the year ended 31 December 2019 (2018: $nil, 2017: $nil).

(b) Financial instruments

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 "*Financial Instruments*", which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

The Group is not a financial institution. The Group does not apply hedge accounting and its customers are considered creditworthy and pay consistently within agreed payments terms.

A classification of the Group's financial instruments for the periods presented is included in the table below:

At	Year ended 31 December 2017 $'000	Year ended 31 December 2018 $'000	Year ended 31 December 2019 $'000
Cash and cash equivalents held at amortised cost	15,168	1,372	1,661
Trade receivables and accrued income held at amortised cost	13,917	78,451	73,924
Financial assets at amortised cost	1,036	7,952	771
Financial liabilities at amortised cost	(15,377)	(56,328)	(35,267)
Fair value through profit or loss	(2,904)	39,319	61,802
Borrowings, net of deferred financing costs	(70,990)	(482,613)	(622,288)
Total	**(59,150)**	**(411,847)**	**(519,397)**

25. FINANCIAL RISK MANAGEMENT

The Group's financial steering framework is built upon the principles of operational efficiency, capital efficiency, financing efficiency and sustainable portfolio management with a focus on strengthening The Group's balance sheet, delivering positive free cash flow and growing its profitability to create value for Shareholders.

The Directors manage the Group's capital structure to safeguard the Group's capital base in order to preserve investor, creditor and market confidence, as well as to provide a sustainable financial foundation for the future operational development of the Group. The Directors' financing strategy focuses on cash flow and financial stability. Principal targets are positive free cash flow after dividends, a strong leverage ratio and a healthy balance sheet.

The Group's principal financial liabilities comprise of borrowings and trade and other payables, which it uses 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 transactions, which depending on market dynamics are recorded as assets or liabilities. To assist with its hedging program design and composition, the Directors engage a specialist firm with the appropriate skills and experience to manage the Group's risk management derivative-related activities.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises 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 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.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is subject to this risk exposure as it relates to changes in interest rates on its variable rate borrowings. As discussed in Note 20 "*Borrowings*" to the Group Financial Information, the Group had $437,000,000 of total debt outstanding as at 31 December 2019 (2018; $495,000,000, 2017: $73,249,000) on its senior secured credit facility with interest rate of 2.00 per cent. plus LIBOR. In April 2019, the Group increased its borrowing base on the $1,500,000,000, five-year senior secured credit facility from $725,000,000 to $950,000,000. The facility has an initial interest rate of 2.50 per cent. plus the one-month LIBOR and is subject to a pricing grid that fluctuates from 2.00 per cent. to 3.00 per cent. plus LIBOR based on utilisation. The securitised note discussed further in Note 20 "*Borrowings*", has a stated 5 per cent. interest rate and is not subject to interest rate risk.

As at 31 December 2019, the Directors had elected not to enter an interest rate swap (2018: none, 2017: none).

(c) Commodity price risk

The prices for natural gas and crude oil can be volatile and sometimes experience fluctuations as a result of relatively small changes in supply, weather condition, economic conditions and government actions. The Group's revenues are primarily derived from the sale of its natural gas, NGLs and crude oil production and, as such, the Group is subject to this commodity price risk. During the year ended 31 December 2019, the Group's revenue was $384,121,000, $33,685,000 and $20,474,000 in relation to the sale of natural gas, NGLs and crude oil respectively (2018: $219,189,000, $41,854,000 and $19,117,000, 2017: $30,463,000, $1,043,000 and $8,047,000).

To help manage natural gas and oil price risk, the Group has entered into various direct/physical purchase contracts with gas purchasers and entered into various gas and oil financial contracts with BP Energy Company and Cargill. In March 2018, and concurrent with establishing the revolving credit facility with KeyBank (see Note 20 "*Borrowings*" to the Group Financial Information), the Group novated its existing financial hedge contracts from BP Energy Company and Cargill to KeyBank and Huntington Bank. Further, during the year

ended 31 December 2019, the Group worked with other financial institutions to broaden its network of financially stable financial hedge counterparties. See Note 20 "*Borrowings*" to the Group Financial Information for more information on the Group's financial hedge contracts.

The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on petroleum exchanges and keep options and swaps in place for approximately 36 months on approximately 50 per cent. to 75 per cent. of its anticipated production volumes to minimise commodity risk and create stabilised and predictable cash flow important to funding its operation and stated dividend for Shareholders.

(d) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will not meet its obligations under a contract and arises primarily from the Group's cash in banks and trade receivables.

(e) Cash and cash equivalents

The credit risk from its cash and cash equivalents is limited because the counter parties are banks with high credit ratings and have not experienced any losses in such accounts.

(f) Trade receivables

Trade receivables are due from customers throughout the oil and natural gas industry and collectability is dependent on the financial condition of each individual company as well as the general economic conditions of the industry. The Directors review the financial condition of customers prior to extending credit and generally does not require collateral in support of the Group's trade receivables. The majority of trade receivables are current and the Directors believe these receivables are collectible. As at 31 December 2019, the Group had three customers that individually accounted for more than 10 per cent. of total receivables, totalling 41 per cent. of total trade receivables (2018: two customers that individually accounted for more than 10 per cent. of total receivables, totalling 35 per cent., 2017: two customers that individually accounted for more than 10 per cent. of total receivables, totalling 35 per cent.).

Receivables from joint interest owners, classified in other non-current assets, are generally with other oil and natural gas companies that own a working interest in the properties operated by the Group. The Directors have the ability to withhold future revenue payments to recover any non-payment of joint interest receivables.

(g) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they are due. The Directors manage this risk by:

- maintaining adequate cash reserves through the use of the Group's cash from operations and bank borrowings; and
- continuously monitoring projected and actual cash flows to ensure the Group maintains an appropriate amount of liquidity.

For the year ended 31 December 2019:

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Trade and other payables	17,052	—	—	—	17,052
Borrowings[(a)]	684	23,039	469,453	105,602	598,778
Lease	226	656	931	—	1,813
Other liabilities	13,078	39,233	18,041	—	70,352
Asset retirement obligation	663	1,988	6,401	190,469	199,521
Total	**31,703**	**64,916**	**494,826**	**296,071**	**887,516**

For the year ended 31 December 2018:

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Trade and other payables	9,383	—	—	—	9,383
Borrowings[(a)]	32	254	495,709	1,711	497,706
Lease	123	719	2,694	—	3,536
Other liabilities	21,852	29,646	21,219	—	72,717
Asset retirement obligation	211	2,324	12,675	124,980	140,190
Total	**31,601**	**32,943**	**532,297**	**126,691**	**723,532**

For the year ended 31 December 2017:

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Trade and other payables	2,130	2	—	—	2,132
Borrowings[(a)]	266	107	70,619	—	70,992
Lease	54	270	971	—	1,295
Other liabilities	7,978	3,578	3,821	—	15,377
Total	**10,428**	**3,957**	**75,411**	**—**	**89,796**

(a) Future borrowings represented in the tables above do not include future interest payments.

(h) Capital risk

The Directors' 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 promotes year-on-year growth. The Directors use the Group's Net Debt/Adjusted EBITDA to monitor its capital risk and maintain a target of below 2.5x. See Note 8 "*Adjusted EBITDA*" to the Group Financial Information for more information on Adjusted EBITDA.

(i) Collateral risk

The Group has pledged its oil and gas properties to fulfil the collateral requirements for borrowing credit facilities with its senior secured lenders 21.6 per cent. of the Group's oil and gas properties, excluding the EdgeMarc Energy Acquisition set out in Note 5 "*Business acquisitions*" to the Group Financial Information, are pledged as collateral for the asset backed securitisation discussed in Note 20 "*Borrowings*" to the Group Financial Information. The fair value is based on a third-party engineering reserve calculation using a 10 per cent. cumulative discount cash flow and a commodities futures price schedule.

26. CONTINGENCIES AND PROVISIONS

The Group is involved in various pending legal issues that have arisen in the normal course of business. The Group may be subject to a withholding tax of a maximum of $8,800,000 payable to the US tax authorities in relation to its share buyback programme discussed in Note 17 "*Share capital and share premium*" to the Group Financial Information. At the date of of approval of the Group Financial Information, there is no formal tax assessment or audit from the US tax authorities in relation to this and the Directors are assessing the interpretation of the relevant tax rule to identify if the Group is subject to it. As the share buyback transactions are recognised outside profit or loss, should the outcome of the determination process be that the Group is found to be liable to pay an amount of withholding tax, any necessary adjustment would be recognised through equity. The Company has no other contingent liabilities that would have any material impact on the Group's financial position or results of operations.

The Group's operations are subject to environmental regulation in all the jurisdictions in which it operates. The Directors are 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 the Group's operations. The Directors can offer no assurance regarding the significance or cost of compliance associated with any such new environmental legislation once implemented.

27. RELATED PARTY TRANSACTIONS

(a) UK legal counsel

During the year ended 31 December 2019, Martin Thomas was a partner at Wedlake Bell LLP, the UK legal advisor to the Group. The total billings from Wedlake Bell LLP to the Group totalled $195,000 (approximately £150,000) for the year ended 31 December 2019 (2018: Watson Farley & Williams LLP fees of $423,000 (approximately £324,000), 2017: Watson Farley & Williams LLP fees of $834,000 (approximately £661,000)).

(b) Office space lease

During each of the years ended 31 December 2018 and 31 December 2017, the Group leased its corporate headquarters in Birmingham, Alabama (US) from Diversified Real Estate Holdings, LLC, a company owned by Rusty Hutson, Jr., a Director of the Company, and by Robert Post, a Director of the Company at that time. During the year ended 31 December 2018, the Group terminated the lease to purchase a new corporate headquarters. During the year ended 3 December 2018, the Group incurred related party costs in relation to this lease of $106,000 (2017: $86,000). The Directors believe the terms of this lease were reasonable and reflected market rates for a facility of this type.

(c) Dividend payments

For each of the years ended 31 December 2019, 31 December 2018 and 31 December 2017, the Directors became aware that aggregate dividends totalling £94.5m paid during this period had been made otherwise than in accordance with the Companies Act 2006, as unaudited interim accounts had not been filed at Companies House prior to the dividend payments. At a General Meeting of Shareholders held on 15 April 2020, a resolution was passed which authorised the appropriation of distributable profits to the payment of the relevant dividends and removed any right for the Company to pursue Shareholders or Directors for repayment. This constituted a related party transaction under IAS 24 "*Related Party Disclosures*". The overall effect of the resolution being passed was to return all parties so far as possible to the position they would have been in had the relevant dividends been made in full compliance with the Companies Act 2006.

28. SUBSEQUENT EVENTS

Dividends

On 10 December 2019, the Company announced a dividend of $0.035 per Ordinary Share. The dividend was paid on 27 March 2020 to Shareholders on the register as at 6 March 2020. No liability is recorded in the Group Financial Information in respect of this dividend as it was not approved by the Shareholders as at 31 December 2019.

Covid-19

Whilst the Group cannot predict the effect of COVID-19 in the US or elsewhere, it does not believe that COVID-19 will impact the working capital requirements of the Group. It is possible that if the outbreak of COVID-19 in the US increases further, then this may lead to the disruption of the Group's operations in the US. An increase in the number of confirmed COVID-19 cases in the US may lead to the US government imposing travel restrictions and other similar restrictions on economic activities within the US. Such restrictions have the potential to impact the Group's operations until such time as such restrictions are lifted and, as such, the Group's operating results may be affected adversely. As part of the Directors' review over going concern, the Group's cash flow projections have been updated in light of COVID-19. Refer to Note 2.

Acquisitions

On 7 April 2020, Diversified Gas & Oil Corporation, a subsidiary of the Company, executed a conditional Carbon PSA with Carbon in connection with the possible acquisition of the Carbon Assets. If the acquisition were to complete, the Company currently estimates that the consideration payable would comprise: (i) approximately $110,000,000, payable in cash at closing; and (ii) a further payment of up to $15,000,000, subject to the achievement of certain conditions with respect to future gas prices, payable over a period of up to three years after closing. However, the final consideration payable may be less than currently estimated and will be determined post completion of due diligence by the Company and satisfaction of the other conditions under the Carbon PSA.

The potential acquisition of the Carbon Assets is subject to a significant number of conditions. The satisfaction of certain of these conditions are within the sole control of the Group such as completion of due diligence

(including all title, environmental, contractual, credit, litigation, and regulatory diligence) to the Company's satisfaction and the Company's right to not complete the acquisition if there is a material change in the conditions, assets, or operational matters of the Carbon Assets prior to completion of the acquisition. In addition, the acquisition is also conditional upon satisfaction of various other conditions, including receipt of all necessary shareholder consents, approvals, authorisations and permits (including any authorisations required from the Federal Energy Regulatory Commission and various State Public Service Commissions).

Carbon has provided customary commercial representations and warranties on the Carbon Assets, which are also conditional upon satisfaction of the conditions under the Carbon PSA and completion of the acquisition.

Under the terms of the Carbon PSA, the Company has a right to exclusivity pursuant to which Carbon has agreed to not enter into any negotiations or discussions with any third party in connection with the disposal of the Carbon Assets for a period ending on 30 June 2020 to enable the Company to complete its due diligence and for the satisfaction of all the conditions under the Carbon PSA. If completed, the Carbon PSA will have an effective date of 1 January 2020.

On 11 May 2020, the Company executed a conditional purchase and sale agreement with certain subsidiaries of EQT in connection with the possible acquisition of the EQT Corporation Assets. If the acquisition were to complete, the Company currently estimates that the consideration payable would comprise: (i) approximately $125,000,000, payable in cash at closing; and (ii) a further payment of up to $20,000,000, subject to the achievement of certain conditions with respect to future gas prices, payable over a period of up to three years after closing. However, the final consideration payable may be less than currently estimated and will be determined post completion of due diligence by the Company and satisfaction of the other conditions under the EQT PSA.

The potential acquisition of the EQT Corporation Assets is subject to a significant number of conditions. The satisfaction of certain of these conditions are within the sole control of the Group such as completion of due diligence (including all title, environmental, contractual, credit, litigation, and regulatory diligence) to the Company's satisfaction and the Company's right to not complete the acquisition if there is a material change in the conditions, assets, or operational matters of the EQT Corporation Assets prior to completion of the acquisition. In addition, the acquisition is also conditional upon satisfaction of various other conditions, including receipt of all necessary shareholder consents, approvals, authorisations and permits.

EQT has provided customary commercial representations and warranties on the EQT Corporation Assets, which are also conditional upon satisfaction of the conditions under the EQT PSA and completion of the acquisition.

Under the terms of the EQT PSA, the Company has a right to exclusivity pursuant to which EQT has agreed to not enter into any negotiations or discussions with any third party in connection with the disposal of the EQT Corporation Assets for a period ending on 28 May 2020 to enable the Company to complete its due diligence and for the satisfaction of all the conditions under the EQT PSA. If completed, the EQT PSA will have an effective date of 1 January 2020.

Equity Placing

On 11 May 2020, the Company and the Banks entered into a placing agreement for the conditional placing of 61,813,500 Ordinary Shares at a price of 108 pence per Ordinary Share pursuant to which the Banks agreed, subject to certain conditions, to use their reasonable endeavours to procure subscribers for the placing shares pursuant to the Placing. The Placing Agreement is conditional upon certain conditions that are typical for an agreement of this nature, including Admission of the placing shares having become effective by not later than 8.00 a.m. on 18 May 2020.

29. ULTIMATE CONTROLLING PARTY

As at 31 December 2019, the Company did not have any one identifiable controlling party.

30. NATURE OF THE GROUP FINANCIAL INFORMATION

The Group Financial Information presented above does not constitute statutory financial statements for the periods under review.