

2018

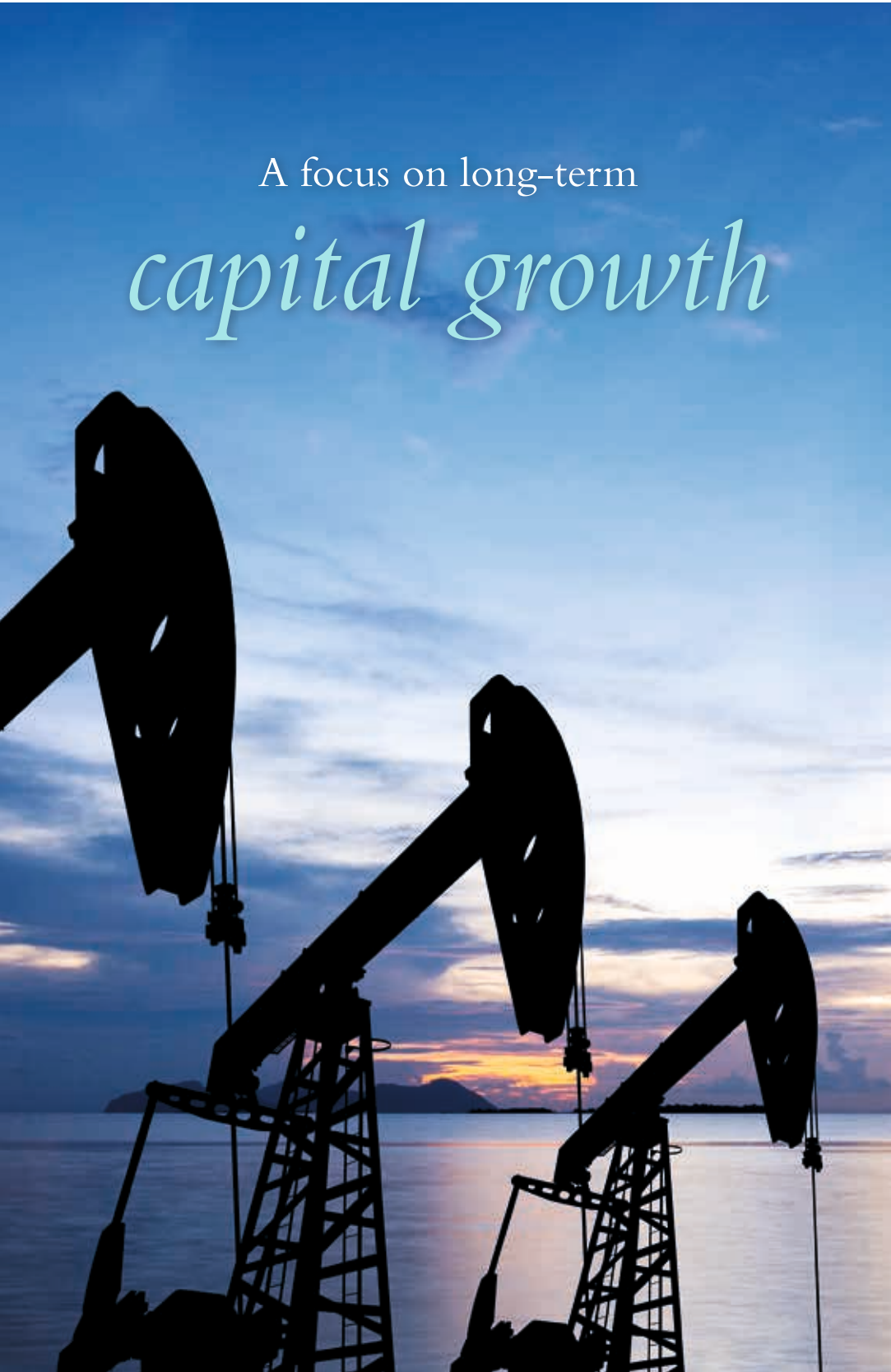
ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2018



Riverstone
Energy
Limited
(LSE: RSE)

A focus on long-term
capital growth



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RIVERSTONE ENERGY LIMITED

The Company's investment manager is Riverstone International Limited, which is majority-owned and controlled by affiliates of Riverstone.

Riverstone is an energy and power-focussed private investment firm founded in 2000 by David M. Leuschen and Pierre F. Lapeyre with approximately \$39 billion of capital raised. Riverstone conducts buyout and growth capital investments in the E&P, midstream, credit, oilfield services, power and renewable sectors of the global energy industry. With offices in New York, London, Houston, Mexico City and Amsterdam, the firm has committed approximately \$39 billion to 175 investments in North America, South America, Europe, Africa, Asia and Australia.

The registered office of the Company is Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY, Channel Islands.

Riverstone Energy Limited seeks to achieve superior risk adjusted returns through investing in the energy sector. The energy sector is global and a significant component of virtually all major economies. Long-term market drivers of economic expansion, population growth, development of markets, deregulation and privatisation will continue to create opportunities globally for investors in energy.

Financial and Operational Highlights⁽¹⁾

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→ Net Committed Capital to Date	\$1,330 million / 101 per cent. of net capital available ⁽²⁾
→ Commitments reduced during the year ended 31 December 2018	Commitments reduced by a total of \$112 million: (i) \$72 million in Three Rivers Natural Resources Holdings III LLC (ii) \$38 million in Riverstone Credit Opportunities, L.P. (iii) \$2 million in Castex Energy 2005, LLC
→ Net Capital Invested to Date	\$1,174 million / 90 per cent. of net capital available ⁽²⁾
→ Investments during the year ended 31 December 2018	Invested a total of \$84 million ⁽³⁾ : (i) \$35 million in ILX Holdings III LLC (ii) \$22 million in Fieldwood Energy LLC (iii) \$10 million in Sierra Oil and Gas Holdings, L.P. (iv) \$7 million in Canadian Non-Operated Resources LP (v) \$6 million in Meritage Midstream Services III, L.P. (vi) \$4 million in Castex Energy 2014 LLC
→ Realised Capital to Date	\$729 million / 44 per cent. of total capital invested
→ Realisations during the year ended 31 December 2018	Realised a total of \$304 million ⁽³⁾ : (i) \$200 million in Three Rivers Natural Resources Holdings III LLC (ii) \$85 million in Centennial Resource Development, Inc. (iii) \$16 million in Carrier Energy Partners II LLC (iv) \$1 million in Rock Oil Holdings, LLC (v) \$1 million in Riverstone Credit Opportunities, L.P. (vi) \$1 million, in aggregate, in Origo Exploration Holding AS and Fieldwood Energy LLC

Key Financials

	2018	2017
NAV as at 31 December	\$1,431 million / £1,123 million⁽⁴⁾	\$1,743 million / £1,290 million ⁽⁴⁾
NAV per Share as at 31 December	\$17.91 / £14.06⁽⁴⁾	\$20.63 / £15.27 ⁽⁴⁾
Market capitalisation at 31 December	\$1,095 million / £860 million⁽⁴⁾	\$1,409 million / £1,043 million ⁽⁴⁾
Share price at 31 December	\$13.71 / £10.76⁽⁴⁾	\$16.68 / £12.35 ⁽⁴⁾
Total comprehensive (loss) / profit for the year ended 31 December	\$(241.0) million	\$44.6 million
Basic (Loss) / Earnings per Share for the year ended 31 December	(286.87) cents	52.82 cents

⁽¹⁾ Amounts shown reflect investment-related activity at the Partnership, not the Company

⁽²⁾ Net capital available of \$1,311 million is based on total capital raised of \$1,320 million, capital utilised for Tender Offer of \$72 million, realised profits and other income net of fees, expenses and performance allocation. The Board, with consultation by the Investment Manager, does not expect to fully fund all commitments in the normal course of business

⁽³⁾ Amounts may vary due to rounding

⁽⁴⁾ Based on exchange rate of 1.274 \$/£ at 31 December 2018 (1.351 \$/£ at 31 December 2017 and 1.606 \$/£ at IPO)

REL's strategy is focussed on the long-term and is well-positioned to take advantage of investment opportunities across sectors.



Chairman's Statement

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The Macro Environment for Energy

Crude oil prices experienced a significant recovery during the first three quarters of 2018, with the West Texas Intermediate ("WTI") price surpassing \$76 per barrel in early October and reaching levels that had not been seen since 2014. The recovery was largely supported by market sentiment around a potential shortage in oil supply as a result of industry underinvestment throughout the downturn and geopolitical factors including sanctions on Iran and instability in Venezuela. However, the market quickly reversed during the last quarter of the year, with the WTI price closing the year at \$45 per barrel. This sharp decline was driven by concerns around potential excess inventory levels as Iran received sanction waivers and U.S. production grew.

The broader equity market also faced headwinds as investors reacted to news of global trade tensions, rising U.S. interest rates and potential slowing economic growth. Energy in particular remained out of favour, with limited inflows to the sector as investors continued to evaluate producers' ability to generate cash flow and operate with capital discipline. As a result, while the S&P Index declined by 6 per cent. over the course of the year, the S&P Oil & Gas E&P Index declined by 28 per cent.

Despite last year's market volatility, recent events suggest that there is potential for an improving macro environment for energy. Demand for oil is expected to continue to grow after surpassing 100 million barrels per day for the first time in 2018. In an effort to bring inventory levels to equilibrium, OPEC and its oil producing allies have continued to signal their support of higher oil prices, agreeing to cut production by 1.2 million barrels per day. Meanwhile, U.S. shale production, a key driver of concerns around oversupply, may face challenges in growing production at levels previously predicted in light of limited energy capital markets activity, depletion of top quality inventory, and a slowdown in technical improvements versus previous years.

The Company and the Investment Manager agree that in order to maintain the attractiveness of the Company to investors in the current macro environment, a sharp and clear focus on both maximising investment performance and maintaining a flexible capital structure is imperative. The Company and the Investment Manager intend to continue prioritising both areas.

REL's Investment Strategy

REL's strategy is to focus on the long-term and invest in companies with attributes that are able to withstand commodity price cycles. For the past year, REL has focussed on meeting its funding commitments for its existing investments and as a result has not participated in new investments made by Riverstone's Global Energy & Power Fund VI.

REL's investment in Sierra is a prime example of its ability to execute in spite of challenges in the macro backdrop. Formed during peak oil prices in 2014, Sierra leveraged Riverstone's global platform – in this case its Mexico City office – to take advantage of a compelling market opportunity resulting from the deregulation of Mexico's energy sector. As an early mover in the region, Sierra was able to secure blocks through exploration tenders and has become the largest independent acreage holder in Mexico, with over 750,000 net acres. The success that Sierra has achieved made it an attractive acquisition prospect, and REL announced the sale of the company at the end of the year.

During the first half of the year, REL also executed a full realisation of Three Rivers III and partial realisation of Centennial. Both of these transactions illustrate REL's ability to capitalise on unique investment opportunities in low-cost basins, supported by operating teams with best-in-class value creation capabilities.

As the current portfolio matures and the pace of realisations increases, REL will continue to seek to reinvest in opportunities that span the entire energy value chain. In order to effect this change to its portfolio construction, we expect that REL will make more investments independently of Riverstone's private funds going forward. This approach should result in a reduction in exposure to the exploration and production sector. In addition to more diversification across subsectors, we expect the portfolio to become less concentrated in individual investments over time and have shorter duration.

Portfolio Performance

REL ended 31 December 2018 with an NAV of \$17.91 (£14.06) per share, a year-on-year decrease in USD of 13 per cent. (in GBP of 8 per cent.) compared to the 31 December 2017 NAV of \$20.63 (£15.27). REL, through the Partnership, finished the period with \$1,174 million net invested (£921 million), equating to 90 per cent. of net capital available, and a cash balance of \$137 million (£107 million).

With an oil-weighted portfolio, REL experienced valuation decreases in several of its E&P investments as a result of declining commodity prices and the performance of public equity comparables. Almost all of the decrease in value occurred during the fourth quarter. The largest drivers of REL's NAV decline during the period were Hammerhead and Centennial. Hammerhead ended the year with a Gross MOIC of 1.5x, compared to 1.9x one year prior. This decline was driven in part by the macro environment, which was particularly challenging in Canada as oil differentials widened materially and peer trading multiples declined even further than the U.S. market. Centennial, which is publicly traded, was marked down to a 1.3x Gross MOIC due to its share price decline.

However, these declines were partially offset by increased valuations in several portfolio companies. Fieldwood experienced the largest multiple uplift, ending the period at a Gross MOIC of 0.7x compared to 0.2x one year prior due to its successful restructuring and REL's participation in the company's equity rights offering which proved to be accretive. Also in the Gulf of Mexico, ILX III increased its Gross MOIC to 1.3x from 1.2x as two of its projects began first oil production. Outside of E&P, Meritage III was able to expand its gathering and processing agreements and moved from a Gross MOIC of 1.8x to 2.0x.

During 2018, REL, through the Partnership, received over \$304 million in gross proceeds from realisations, taking advantage of the ability to monetise positions in two of its investments in the Permian, Three Rivers III and Centennial, at attractive valuations. The largest realisation was the sale of Three Rivers III, which closed in April 2018 and generated nearly \$203 million in gross proceeds, of which \$200 million has been received to-date, representing a 2.2x Gross MOIC. REL also executed the sale of 4.4 million shares of Centennial stock at \$19.50 per share for over \$85 million in gross proceeds. At the end of 2018, REL also announced the sale of Sierra, with proceeds to be received upon close in calendar year 2019.

REL, through the Partnership, invested a total of \$84 million during calendar year 2018, which was primarily in Fieldwood to fund REL's participation in that company's rights offering and ongoing development initiatives at ILX III and Sierra.

From an operational perspective, REL's portfolio continued to progress well over the course of the year. In Canada, Hammerhead grew production to nearly 31,000 boepd, nearly double its level of production at the end of 2016, and executed its third offtake agreement with Meritage III. Meritage III also expanded its gathering and processing agreement with Velvet Energy Ltd., bringing total acres under dedication to over 200,000 from customers other than its anchor Hammerhead. Across the border in the U.S., Centennial continues to grow and is on track to reach its target production of 65,000 bopd in 2020. Importantly, Centennial has also secured sufficient offtake capacity for a majority of its crude oil and essentially all of its natural gas, despite shortages in capacity in the Permian more broadly. Meanwhile, Liberty II drilled 11 total wells and completed 13 wells during the year and also increased its Bakken acreage from 85,000 net acres to 100,000 net acres.

In the Gulf of Mexico, ILX III reached first oil on its LaFemme/Fiji and Durango projects and is expected to bring four additional projects online within the next 16 months. Fieldwood completed its restructuring in April 2018, which significantly decreased leverage and provided liquidity for the company to pursue its growth plans, including the initiation of its deepwater drilling program.

While the macro environment in 2018 was certainly turbulent, REL's portfolio companies continued to focus on execution and operating efficiency in a low oil price environment. These value creation initiatives have positioned the investments for growth and along with a recovery in commodity prices, should support REL's ability to continue pursuing monetizations with attractive returns.

Chairman's Statement (continued)

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The valuation of REL's investments is conducted quarterly by the Investment Manager and is subject to approval by the independent Directors. In addition, the valuations of REL's investments are audited by Ernst & Young LLP in connection with the annual audit of the Company's Financial Statements. The Company's valuation policy is compliant with both IFRS and IPEV Valuation Guidelines and has been applied consistently from period to period since inception. As the Company's investments are generally not publicly quoted, valuations require meaningful judgment to establish a range of values, and the ultimate value at which an investment is realised may differ from its most recent valuation and the difference may be significant. Further information on the Company's valuation policy can be found in the Investment Manager's Report.

Share Price Performance

Facing difficult conditions for energy equities overall, REL's shares traded down 13 per cent. over the 2018 calendar year on a Pounds Sterling basis. However, despite significant commodity price and public equity volatility, REL's shares have performed relatively well compared to the S&P Oil & Gas E&P Index, which declined by 28 per cent. during the period.

REL's shares closed the year at a 23 per cent. discount to NAV.

The Board has been closely monitoring the fact that the Company's shares trade at a significant discount to prevailing Net Asset Value and continues to evaluate options aimed at closing the discount.

During November 2018, the Company repurchased approximately 4.6 million (5.4 per cent.) shares at a price of £12.00 (\$15.60) per share for a total of £55.0 million (\$71.5 million) pursuant to a tender offer made to all Shareholders which resulted in a 1.5 per cent. accretion of \$0.31 (£0.24) to the prevailing 30 September NAV per share. The tender offer was approved overwhelmingly by the Company's Shareholders at the Company's EGM. As the tender offer was over-subscribed and with the potential for further cash to become available from realisations in the near to medium term, the Company continues to evaluate whether similar capital management measures may be in the interests of the Company and its Shareholders during 2019, taking into account new investment opportunities, the outlook for the current portfolio and prevailing market conditions.



Richard Hayden

Chairman
26 February 2019

Riverstone has many years of experience successfully investing in and operating energy businesses through multiple commodity price cycles, with a focus on generating “alpha”.



Investment Manager's Report

Riverstone Energy Limited Annual Report and Financial Statements 2018

Oil price fluctuations persisted as the market continued to seek inventory equilibrium. Geopolitical factors have highly influenced sentiment around both the supply and demand sides of the equation, while recent OPEC actions have signalled the organisation's support in stabilising the market. REL's investments have remained focussed on utilising their operating capabilities to create value during a low oil price environment while also positioning to capitalise on a recovery.

A tumultuous macro environment has continued to weigh on valuations for North American energy companies. There are several reasons for weakness in valuations, which have affected E&P companies in particular. While current commodity prices have been volatile, valuations do not necessarily move in lock-step with the spot market. The more impactful factor has been that the forward curve for oil prices, which underpins valuations, remains at muted levels in the mid-\$50s per barrel. Capital markets activity and as a result, M&A and exit activity, have also stalled. As a result, companies have been largely unable to access public equity to finance growth and acquisitions, while the debt markets have demanded cash flow neutrality and balance sheet discipline. Meanwhile, trading multiples across subsectors have steadily continued to decrease as investors turn their attention away from energy.

However, we believe a number of key factors can steady the market, influence a recovery in valuations and increase deal activity. Inventory supply continues to be an ongoing question and will depend largely on the decisions of OPEC and the rate of U.S. production growth. OPEC has indicated output cuts which could potentially be extended for a more prolonged period in an effort to put pressure on prices. In the U.S., the ability to grow production could potentially be hindered by the lack of capital availability in the public markets as investors prioritise producers' ability to generate cash flow over growth. On the demand side, China will be a key area to watch as it continues to negotiate trade agreements with the U.S. and determines its domestic fiscal policies to support economic development.

Often times, periods of dislocation can actually create attractive opportunities. REL has demonstrated its ability to capitalise on difficult commodity price environments through its investments in the Permian and Western Canada which were executed during a period of industry distress. A key component of Riverstone's investment strategy remains the "build-up" approach. Riverstone and its investment professionals have many years of experience successfully investing in, and operating, energy businesses through multiple commodity price cycles. The firm applies a disciplined approach to maintain maximum operational and financial flexibility to withstand inevitable fluctuations in the macro backdrop.

While energy prices have been particularly volatile since REL's IPO in October 2013, when prices hovered around \$100 per barrel, Riverstone's investment strategy has helped mitigate the impact of commodity price volatility on the portfolio. As a result, REL has deployed capital at a weighted average oil price of approximately \$52 per barrel. Over the same time period, NAV per share has increased by 12 per cent. on a U.S. Dollar basis and the share price has increased by 8 per cent. on a Pounds Sterling basis, compared with a negative 63 per cent. decline for the S&P Oil & Gas E&P Index.

While energy will remain inherently cyclical, REL is well-positioned to generate strong returns in its portfolio over the long-term. 2018 proved to be a year where we were able to execute several successful realisations at attractive valuations, highlighting our ability to generate "alpha". Whether it is through identifying compelling new investments, implementing the best operational practices, or employing creative structuring, Riverstone will leverage its deep experience across energy sub-sectors, geographies, and the capital structure to continue capturing value for Shareholders.

Finally, we believe that having a robust environmental, social, and governance ("ESG") framework that is utilised from initial investment due diligence through to exit is paramount to managing risk and maximising value. Riverstone has established a formal ESG Committee consisting of members of our legal, investment and investor relations teams, as well as external consultants, to provide leadership around best practices and ensure that ESG initiatives are implemented consistently across our investment portfolio. The ESG Committee works with each investment team and portfolio company management team on an ongoing basis to identify and remediate any issues that arise, track key performance metrics (tailored to each specific sector), and improve processes related to ESG. Moving forward, Riverstone is committed to continuously seeking ways to expand and refine its ESG initiatives as the portfolio and market evolve.

Investment Strategy

The Investment Manager's objective is to achieve superior risk adjusted after tax returns by making privately negotiated control investments primarily in the E&P and midstream energy sectors, which is a significant component of virtually all major economies. REL's investment strategy has recently expanded to also focus on the other sectors across the energy value chain including energy services and power. The recent commitment to the acquisition of three refined product tankers in partnership with the Ridgebury Tankers LLC management team, which is further discussed in the Subsequent Events section on page 21, is representative of this modified investment approach. Long-term market drivers of economic expansion, population growth, development of markets, deregulation, and privatisation allied to near-term commodity price volatility are expected to continue to create opportunities globally for Riverstone.

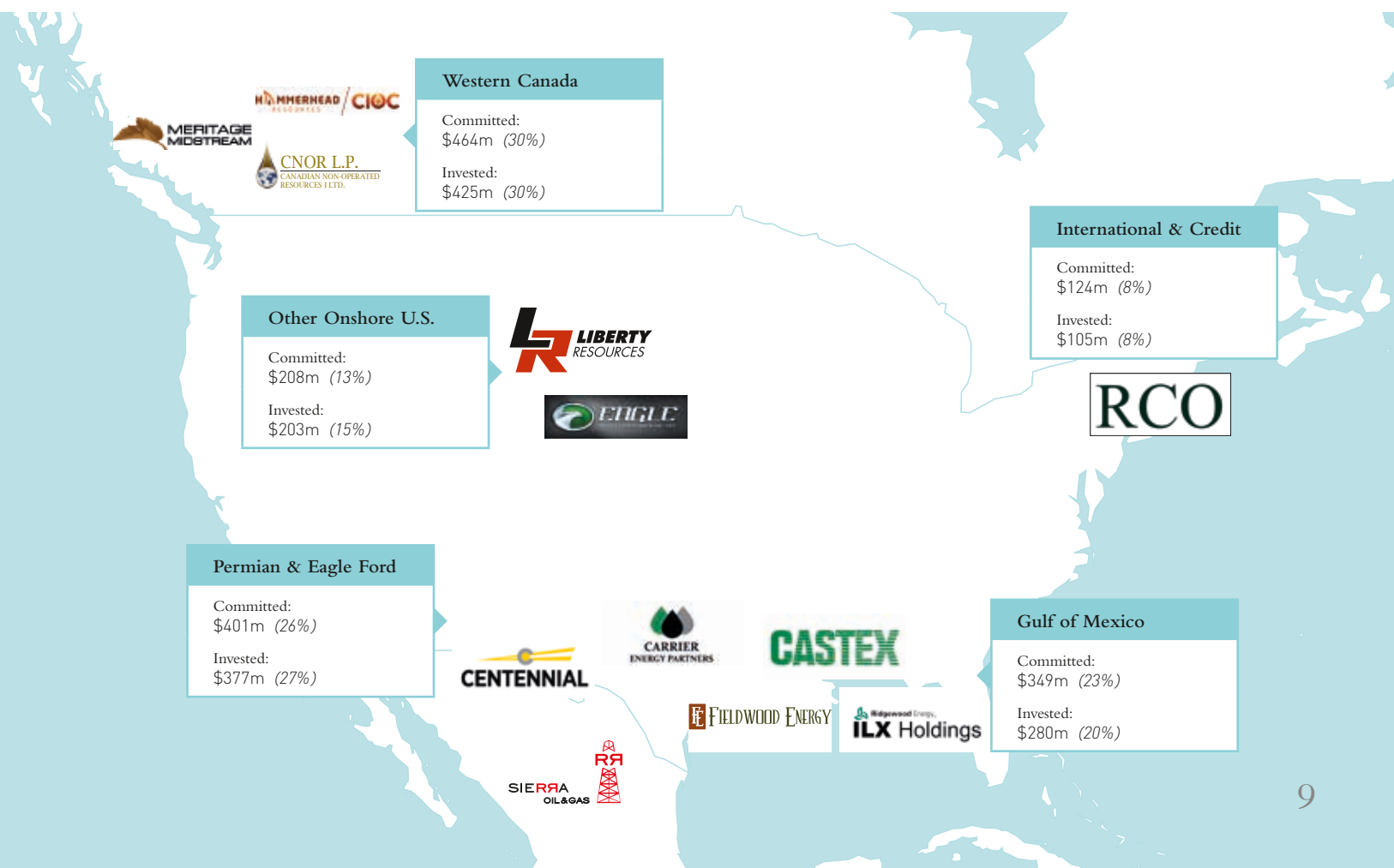
Key Drivers:

- Capital constraints among companies with high levels of leverage;
- Industry distress and pressures to rationalise assets;

- Increases in ability to extract hydrocarbons from oil and gas-rich shale formations; and
- Historical under-investment in energy infrastructure.

The Investment Manager, through its affiliates, has a strong track record of building businesses with management teams and of delivering consistently attractive returns and significant outperformance against both crude oil and natural gas benchmarks. The Company aims to capitalise on the opportunities presented by Riverstone's pipeline of investments.

The Investment Manager, having made 175 investments globally in the energy sector since being founded in 2000, utilises its extensive industry expertise and relationships to thoroughly evaluate investment opportunities and uses its significant experience in conducting due diligence, valuing assets and all other aspects of deal execution, including financial and legal structuring, accounting and compensation design. The Investment Manager also draws upon its extensive network of relationships with industry-focussed professional advisory firms to assist with due diligence in other areas such as accounting, tax, legal, employee benefits, environmental, engineering and insurance.



Investment Manager's Report (continued)

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Current Portfolio

Investment (Initial Investment Date)	Target Basin	Gross Committed Capital (\$mm)	Invested Capital (\$mm)	Gross Realised Capital (\$mm) ⁽¹⁾	Gross Unrealised Value (\$mm) ⁽²⁾	Gross Realised Capital & Unrealised Value (\$mm) ⁽³⁾	31 Dec 2018 Gross MOIC ⁽³⁾	31 Dec 2017 Gross MOIC ⁽³⁾
Hammerhead Resources (formerly CIOC) (27 Mar 2014)	Deep Basin (Canada)	\$307	\$295	\$23	\$416	\$439	1.5x	1.9x
Centennial (6 Jul 2016)	Permian (U.S.)	268	268	172	167	339	1.3x	1.8x
ILX III (8 Oct 2015)	Deepwater GoM (U.S.)	200	151	–	197	197	1.3x	1.2x
Liberty II (30 Jan 2014)	Bakken, PRB (U.S.)	142	142	–	156	156	1.1x	1.3x
Carrier II (22 May 2015)	Permian & Eagle Ford (U.S.)	133	110	16	94	110	1.0x	1.2x
RCO⁽⁴⁾ (2 Feb 2015)	North America	87	87	83	10	93	1.1x	1.1x
Meritage III⁽⁵⁾ (17 Apr 2015)	Western Canada	67	40	–	80	80	2.0x	1.8x
CNOR (29 Aug 2014)	Western Canada	90	90	–	72	72	0.8x	1.0x
Fieldwood (17 Mar 2014)	GoM Shelf (U.S.)	82	81	3	55	58	0.7x	0.2x
Castex 2014 (3 Sept 2014)	Gulf Coast Region (U.S.)	67	47	–	47	47	1.0x	1.0x
Sierra (24 Sept 2014)	Mexico	38	18	–	37	37	2.0x	2.4x
Eagle II (18 Dec 2013)	Mid-Continent (U.S.)	67	62	–	19	19	0.3x	0.9x
Total Current Portfolio⁽⁶⁾		\$1,547	\$1,391	\$297	\$1,349	\$1,646	1.2x	1.4x

Realisations

Investment (Initial Investment Date)	Target Basin	Gross Committed Capital (\$mm)	Invested Capital (\$mm)	Gross Realised Capital (\$mm) ⁽¹⁾	Gross Unrealised Value (\$mm) ⁽²⁾	Gross Realised Capital & Unrealised Value (\$mm) ⁽³⁾	31 Dec 2018 Gross MOIC ⁽³⁾	31 Dec 2017 Gross MOIC ⁽³⁾
Rock Oil⁽⁷⁾ (12 Mar 2014)	Permian (U.S.)	114	114	230	9	239	2.1x	2.1x
Three Rivers⁽⁸⁾ (7 Apr 2015)	Permian (U.S.)	94	94	200	3	203	2.2x	2.2x
Total Realisations⁽⁶⁾		\$209	\$209	\$430	\$12	\$442	2.1x	2.1x
Withdrawn Commitments and Impairments⁽⁹⁾		59	59	1	–	1	0.0x	0.0x
Total Investments⁽⁶⁾		\$1,815	\$1,659	\$729	\$1,360	\$2,089	1.3x	1.5x
Cash and Cash Equivalents					\$137			
Total Investments and Cash and Cash Equivalents					\$1,497			

Note: Please refer to the Investment Portfolio Summary on pages 11 to 20 for additional details on the valuation of the Company's portfolio as of 31 December 2018.

⁽¹⁾ Gross realised capital is total gross proceeds realised on invested capital. Of the \$729 million of capital realised to date, \$427 million is the return of the cost basis, and the remainder is profit

⁽²⁾ Amounts reflect the fair value of the investments held by the Partnership (see Note 6 for further information)

⁽³⁾ Gross Unrealised Value and Gross MOIC are before transaction costs, taxes (approximately 21 to 27.5 per cent. of U.S. sourced taxable income) and 20 per cent. carried interest on gross profits (without a hurdle rate). Since there is no netting of losses against gains, the effective carried interest rate on the portfolio as a whole will be greater than 20 per cent.. In addition, there is a management fee of 1.5 per cent. of net assets (including cash) per annum and other expenses. Given these costs, fees and expenses are in aggregate expected to be considerable, Total Net Value and Net MOIC will be materially less than Gross Unrealised Value and Gross MOIC. Local taxes, primarily on U.S. assets, may apply at the jurisdictional level on profits arising in operating entity investments. Further withholding taxes may apply on distributions from such operating entity investments. In the normal course of business, REL may form wholly-owned subsidiaries, to be treated as C Corporations for U.S. tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. ECI. The C Corporations file U.S. corporate tax returns with the U.S. IRS and pay U.S. corporate taxes on its taxable income

⁽⁴⁾ Credit investment

⁽⁵⁾ Midstream investment

⁽⁶⁾ Amounts may vary due to rounding

⁽⁷⁾ The unrealised value of the Rock Oil investment consists of rights to mineral acres

⁽⁸⁾ The unrealised value of the Three Rivers III investment consists of residual sale proceeds held in escrow

⁽⁹⁾ Withdrawn commitments consist of Origo (\$9 million) and CanEra III (\$1 million), and impairments consist of Castex 2005 (\$48 million)

Investment Portfolio Summary

As of 31 December 2018, REL's portfolio comprised twelve active investments including ten E&P investments, one midstream investment and one credit investment.



HAMMERHEAD

As of 31 December 2018, REL, through the Partnership, has invested \$295.3 million of its \$307.5 million commitment to Hammerhead. Hammerhead is a private E&P company focussed on liquids-rich unconventional resources in Western Canada. Since its establishment in 2010, Hammerhead has aggregated one of the largest and most advantaged land positions in the emerging Montney and Duvernay formations of Western Canada's Deep Basin. The company controls and operates 100 per cent. of this asset base, which comprises over 2,000 net drilling locations across 400,000 net acres in the Montney and Duvernay. Since Riverstone's initial investment, Hammerhead has increased production almost ten-fold to 31,000 boepd and significantly grown reserves to 369 mmbbl.

As of 31 December 2018, REL's interest in Hammerhead, through the Partnership, was valued at 1.5x Gross MOIC⁽¹⁾ or \$438.9 million (Realised: \$23.1 million, Unrealised: \$415.8 million). The Gross MOIC⁽¹⁾ decreased over the period, following a change in net asset value methodology to reflect discounted future cash flows, widening Canadian oil differentials, weaker trading multiples of peers, and a more conservative development plan.



CENTENNIAL

As of 31 December 2018, REL, through the Partnership, has invested in full its \$267.9 million commitment to Centennial. Centennial is an E&P company focussed on the acquisition and development of oil and liquids-rich natural gas resources in the Permian Delaware Basin, West Texas. The company, led by former EOG Resources, Inc. chief executive Mark Papa, has rapidly aggregated an 80,100 net acre position in the Delaware Basin of the Permian. The company's development plan envisages growing oil production from approximately 32,000 bopd as of 1Q 2018 to 65,000 bopd in 2020.

REL, through the Partnership, owns approximately 15.2 million shares which are publicly traded (NASDAQ:CDEV), at a weighted average purchase price of \$11.21.

In 1Q 2018, Centennial completed an underwritten secondary public offering of 25.0 million shares. REL participated by selling 4.4 million shares (equal to its proportional share) at a price of \$19.50 per share. The transaction resulted in gross proceeds to REL of \$85.1 million. Proceeds from the sales were used to repay the \$100 million margin loan secured by REL's investment in Centennial.

As of 31 December 2018, REL's interest in Centennial, through the Partnership, was valued at 1.3x Gross MOIC⁽¹⁾ or \$339.1 million (Realised: \$171.8 million, Unrealised: \$167.3 million). The Gross MOIC⁽¹⁾, which reflects the mark-to-market value of REL's shareholding, decreased over the period as the share price declined from \$19.80 to \$11.02 per share.

⁽¹⁾ Gross MOIC is before transaction costs, taxes (approximately 21 to 27.5 per cent. of U.S. sourced taxable income) and 20 per cent. carried interest on gross profits (without a hurdle rate). Since there is no netting of losses against gains, the effective carried interest rate on the portfolio as a whole will be greater than 20 per cent.. In addition, there is a management fee of 1.5 per cent. of net assets (including cash) per annum and other expenses. Given these costs, fees and expenses are in aggregate expected to be considerable, Net MOIC and Net IRR will be materially less than the Gross MOIC and Gross IRR. Local taxes, primarily on U.S. assets, may apply at the jurisdictional level on profits arising in operating entity investments. Further withholding taxes may apply on distributions from such operating entity investments. In the normal course of business, REL may form wholly-owned subsidiaries, to be treated as C Corporations for U.S. tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. ECI. The C Corporations file U.S. corporate tax returns with the U.S. IRS and pay U.S. corporate taxes on its taxable income

Investment Manager's Report (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

Investment Portfolio Summary (continued)



ILX III

As of 31 December 2018, REL, through the Partnership, has invested \$151.4 million of its \$200.0 million commitment to ILX III. ILX III, based in Houston, Texas, is a repeat joint-venture with Ridgewood Energy Corporation. The new entity maintains the same strategy of acquiring non-operated working interests in oil-focussed exploration projects in the shallow Gulf of Mexico. ILX III acquired offshore leases with 15 defined deepwater prospects at inception, but has since opportunistically farmed into two additional prospects and added 22 additional prospects through numerous lease sales. In 2018, ILX III continued developing its early development projects including an appraisal well at Buckskin, which further confirmed pre-drill reserve estimates and de-risked the project. The company also reached first oil on its LaFemme/Fiji and Durango projects. The company has a 60 per cent. success rate on its 15 wells drilled to date and is currently progressing plans to develop its 9 discoveries.

As of 31 December 2018, REL's interest in ILX III, through the Partnership, was valued at 1.3x Gross MOIC⁽¹⁾ or \$196.8 million. The Gross MOIC⁽¹⁾ increased over the period due to de-risking of one of its projects.



LIBERTY II

As of 31 December 2018, REL, through the Partnership, has invested in full its \$141.7 million commitment to Liberty II. Liberty II established positions in the Williston (Bakken) and Powder River Basins through a series of acquisitions, which benefit from Liberty II's sophisticated and proprietary well completion technology. Liberty II subsequently sold its position in the Powder River Basin and is currently focussed on its Bakken acreage, which has grown to approximately 100,000 net acres through aggressive grassroots leasing efforts in the East Nesson and bolt-on acquisitions. Acquisitions have resulted in an extensive drilling inventory and many contiguous acreage positions of scale.

In 2018, Liberty II drilled 11 wells, completed 13 wells, and is currently producing approximately 6,700 boepd. The Company plans to continue drilling its East Nesson position in the Bakken while considering additional acreage acquisitions on a case-by-case basis.

As of 31 December 2018, REL's interest in Liberty II, through the Partnership, was valued at 1.1x Gross MOIC⁽¹⁾ or \$155.8 million. The Gross MOIC⁽¹⁾ decreased due to weaker trading multiples of peers and a more conservative development schedule.



CARRIER II

As of 31 December 2018, REL, through the Partnership, has invested \$109.6 million of its \$133.3 million commitment to Carrier II. Carrier II is focussed on the acquisition and exploitation of upstream oil and gas assets by partnering with select operators that are developing both unconventional and conventional reservoirs in North America. Shortly after its establishment in May 2015, Carrier II entered into a joint venture agreement with a highly experienced operator group made up of Henry Resources, LLC and PT Petroleum, LLC targeting 19,131 net acres for development in the southern Midland Basin (subsequently increased to 20,260 net acres). In addition, through three separate acquisitions the company has acquired 3,892 net acres in Karnes County in the Eagle Ford basin, targeting the Sugarloaf Project and the Chisholm Project, both operated by Marathon Oil Corp. Carrier II was producing over 7,600 boepd net. at the end of the period.

In 2018, Carrier II distributed \$15.5 million through dividends to REL, through the Partnership. As of 31 December 2018, REL's interest in Carrier II, through the Partnership, was valued at 1.0x Gross MOIC⁽¹⁾ or \$109.6 million. The Gross MOIC⁽¹⁾ decreased over the period due to a more conservative development program.

RCO

RCO

As of 31 December 2018, REL, through the Partnership, has invested in full its \$87.0 million commitment to RCO, of which \$83.4 million has been realised. RCO was formed in January 2015 to take advantage of the dislocation in the leveraged capital markets for energy companies. Since its inception, RCO has made a total of 32 investments, 31 of which have already been fully exited.

As of 31 December 2018, REL's interest in RCO, through the Partnership, was valued at 1.1x Gross MOIC⁽¹⁾ or \$93.1 million (Realised: \$83.4 million, Unrealised: \$9.7 million). The Gross MOIC⁽¹⁾ was unchanged over the period, reflecting the mark-to-market value of RCO's remaining underlying securities.

⁽¹⁾ Gross MOIC is before transaction costs, taxes (approximately 21 to 27.5 per cent. of U.S. sourced taxable income) and 20 per cent. carried interest on gross profits (without a hurdle rate). Since there is no netting of losses against gains, the effective carried interest rate on the portfolio as a whole will be greater than 20 per cent.. In addition, there is a management fee of 1.5 per cent. of net assets (including cash) per annum and other expenses. Given these costs, fees and expenses are in aggregate expected to be considerable, Net MOIC and Net IRR will be materially less than the Gross MOIC and Gross IRR. Local taxes, primarily on U.S. assets, may apply at the jurisdictional level on profits arising in operating entity investments. Further withholding taxes may apply on distributions from such operating entity investments. In the normal course of business, REL may form wholly-owned subsidiaries, to be treated as C Corporations for U.S. tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. ECI. The C Corporations file U.S. corporate tax returns with the U.S. IRS and pay U.S. corporate taxes on its taxable income

Investment Portfolio Summary (continued)



MERITAGE III

As of 31 December 2018, REL, through the Partnership, has invested \$39.8 million of its \$66.7 million commitment to Meritage III. Meritage III is focussed on the construction of gas gathering, gas processing, and oil gathering infrastructure in Western Canada.

Since inception, the company has constructed and commissioned two gas processing facilities, underpinned by gas gathering and processing agreements with Hammerhead and three additional operators. In 2Q 2018, Meritage III executed an additional offtake agreement with Hammerhead which will support the construction of a third gas processing facility and also expanded its gathering and processing agreement with Velvet Energy Ltd. in 3Q 2018.

As of 31 December 2018, REL's interest in Meritage III, through the Partnership, was valued at 2.0x Gross MOIC⁽¹⁾ or \$79.5 million. The Gross MOIC⁽¹⁾ increased over the period, reflecting the company securing a third offtake agreement with Hammerhead.

Please refer to the Subsequent Events section of the Investment Manager's Report on page 21 for additional information on Meritage III.



CNOR

As of 31 December 2018, REL, through the Partnership, has invested in full its \$90.0 million commitment to CNOR. CNOR is a Calgary-based oil and gas company focussed on the Western Canadian Sedimentary Basin. CNOR has invested in a joint venture with Tourmaline Oil Corp. targeting the Peace River High area (126,000 net acres) and is currently also pursuing a delineation programme in the Pipestone Montney, where it has a position of approximately 25,000 net acres. In 4Q 2018, CNOR announced a strategic merger to combine its Pipestone assets with Blackbird Energy Inc..

As of 31 December 2018, REL's interest in CNOR, through the Partnership, was valued at 0.8x Gross MOIC⁽¹⁾ or \$72.0 million. The Gross MOIC⁽¹⁾ decreased over the period due to a decrease in net asset value following a change in valuation methodology, widening Canadian oil differentials, and weaker trading multiples of peers.



FIELDWOOD

As of 31 December 2018, REL, through the Partnership, has invested \$81.0 million of its \$82.4 million commitment to Fieldwood. Riverstone formed Fieldwood in partnership with CEO Matt McCarroll and his team in December 2012. REL made its investment in Fieldwood in 2014, as the company acquired the Gulf of Mexico interests from Apache Corporation and SandRidgeEnergy, Inc.. The company has subsequently made three bolt-on acquisitions.

During 2018, Fieldwood filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The Chapter 11 plan of reorganisation encompassed a comprehensive restructuring of the company's balance sheet through reducing current debt by approximately \$1.6 billion and raising capital of approximately \$525 million through an equity rights offering. The transaction closed in 2Q 2018 with REL participating for its allocation in the equity rights offering. In addition, Fieldwood used the equity rights offering proceeds to acquire the deepwater Gulf of Mexico oil and gas assets of Noble Energy, which complement and enhance the company's existing asset base, operations and technical capabilities. The company is now one of the largest oil and gas producers in the shallow Gulf of Mexico.

As of 31 December 2018, REL's interest in Fieldwood, through the Partnership, was valued at 0.7x Gross MOIC⁽¹⁾ or \$58.0 million (Realised: \$3.0 million, Unrealised: \$55.0 million). The Gross MOIC⁽¹⁾ increased over the period, reflecting an increase in the value of the new capital invested following the restructuring and equity rights offering.



CASTEX 2014

As of 31 December 2018, REL, through the Partnership, has invested \$47.5 million of its \$66.7 million commitment to Castex 2014. Castex 2014 is a Houston-based oil and gas company focussed on gas exploration opportunities in the U.S. Gulf Coast Region, in partnership with Castex 2005. Castex 2014 was formed with a deep inventory of drill-ready and work in-progress prospects and has continued to identify additional high-potential prospects by utilizing its extensive 3D-seismic inventory.

As of 31 December 2018, REL's interest in Castex 2014, through the Partnership, was valued at 1.0x Gross MOIC⁽¹⁾ or \$47.5 million. The Gross MOIC⁽¹⁾ remained unchanged over the period.

⁽¹⁾ Gross MOIC is before transaction costs, taxes (approximately 21 to 27.5 per cent. of U.S. sourced taxable income) and 20 per cent. carried interest on gross profits (without a hurdle rate). Since there is no netting of losses against gains, the effective carried interest rate on the portfolio as a whole will be greater than 20 per cent.. In addition, there is a management fee of 1.5 per cent. of net assets (including cash) per annum and other expenses. Given these costs, fees and expenses are in aggregate expected to be considerable, Net MOIC and Net IRR will be materially less than the Gross MOIC and Gross IRR. Local taxes, primarily on U.S. assets, may apply at the jurisdictional level on profits arising in operating entity investments. Further withholding taxes may apply on distributions from such operating entity investments. In the normal course of business, REL may form wholly-owned subsidiaries, to be treated as C Corporations for U.S. tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. ECI. The C Corporations file U.S. corporate tax returns with the U.S. IRS and pay U.S. corporate taxes on its taxable income

Investment Manager's Report (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

Investment Portfolio Summary (continued)





Investment Portfolio Summary (continued)



SIERRA

As of 31 December 2018, REL, through the Partnership, has invested \$18.3 million of its \$37.5 million commitment to Sierra. Sierra is an independent Mexican energy company established to pursue select upstream and midstream opportunities in Mexico. Sierra's consortiums have won six offshore blocks to date, which makes Sierra the largest independent acreage holder in Mexico's Sureste Basin by net acreage, with over 750,000 net acres. In 2017, a consortium consisting of Sierra, Talos (a Riverstone portfolio company) and Premier Oil plc announced a historic oil discovery in the shallow waters of the Gulf of Mexico. The Zama 1 well, located in Mexico's Block 7, confirmed the presence of a light oil resource estimated to be in the range 1.4 billion and 2.0 billion barrels of oil in place.

In 1Q 2018, the company was awarded a sixth offshore block as part of a consortium. The awarded block is adjacent to three blocks already awarded and has strong synergies.

In December 2018, Riverstone announced that it had agreed to the sale of 100 per cent. of its membership interests in Sierra to DEA Deutsche Erdoel AG ("DEA"), an international independent exploration and production company headquartered in Germany. The transaction is expected to close during the first half of 2019, following approval by Mexico's antitrust and hydrocarbons regulators. The consideration to be received by REL, through the Partnership, is composed of upfront cash (net of interim funding), approximately consistent with its current valuation, as well as subsequent earn-outs and adjustments related to the results of upcoming appraisal and exploration activities, along with the unitization process of the Zama discovery.

As of 31 December 2018, REL's interest in Sierra, through the Partnership, was valued at 2.0x Gross MOIC⁽¹⁾ or \$37.3 million. The Gross MOIC⁽¹⁾ decreased over the period primarily due to an increase in invested capital.



EAGLE II

As of 31 December 2018, REL, through the Partnership, has invested \$61.7 million of its \$66.7 million commitment to Eagle II. The company owns approximately 10,300 net acres in the SCOOP and approximately 13,000 net acres in the Mississippi Lime. Eagle II is currently producing approximately 2,100 boepd.

As of 31 December 2018, REL's interest in Eagle II, through the Partnership, was valued at 0.3x Gross MOIC⁽¹⁾ or \$18.5 million. The Gross MOIC⁽¹⁾ for Eagle II decreased over the year, reflecting weaker trading multiples of peers.

Realised Investments



THREE RIVERS III

Three Rivers III was formed in April 2015 with a focus on oil and gas acquisition and development opportunities in the Permian Basin, similar to Riverstone's two prior successful partnerships with this management team. Through a series of acquisitions, Three Rivers III built a position of approximately 60,000 net acres in the Permian Delaware basin, primarily in Culberson & Reeves counties. The company drilled five wells in the second half of 2017 and was producing approximately 10,000 boepd at the end of January 2018.

In 1Q 2018, REL announced the sale of Three Rivers III. The transaction subsequently closed on 18 April 2018, which will result in gross cash proceeds to REL of approximately \$203 million. This implies a Gross MOIC⁽¹⁾ of 2.2x, a Gross IRR⁽¹⁾ of 48 per cent. and a gain of \$109 million on the Company's investment, through the Partnership, of \$94 million. The realised gain from this transaction was fully offset by net operating losses from prior years, resulting in no tax due. The net proceeds to REL will be \$182 million and result in MOIC and IRR, net of performance allocation, of approximately 1.9x and 40 per cent., respectively. As of 31 December 2018, the Company, through the Partnership, has received \$200.5 million of the gross proceeds. The Investment Manager, through RELCP, subsequently invested the net proceeds of its performance allocation in Ordinary Shares of the Company.

As of 31 December 2018, REL's interest in Three Rivers III, through the Partnership, was valued at 2.2x Gross MOIC⁽¹⁾ or \$203.4 million (Realised: \$200.5 million, Unrealised: \$2.9 million).



ROCK OIL

Rock Oil was formed in March 2014 with the strategy of applying Rock Oil's land and technical expertise to the acquisition and development of assets in top-tier North American plays. Since formation, Rock Oil entered into a series of acquisitions to establish a position of approximately 24,783 net acres in the Midland Basin of the Permian, producing approximately 4,900 boepd.

In the third quarter of 2016, Rock Oil agreed to the sale of 100 per cent. of its membership interests to SM Energy Company (NYSE: SM), a U.S. based E&P company. The transaction subsequently closed on 4 October 2016, resulting in gross proceeds to REL of approximately \$230 million. This implies a gross multiple of invested capital of 2.0x, a gross IRR of 78 per cent. and a gain of \$116 million on the Company's investment, through the Partnership, of \$114 million. The MOIC and IRR, net of performance allocation and estimated taxes, are approximately 1.9x and 60 per cent., respectively. The Investment Manager, through RELCP, has subsequently invested the net proceeds of its performance allocation, resulting in the purchase of approximately 590,000 shares in REL.

Approximately \$8.5 million of value is unrealised consisting of escrow payments and mineral acre reserves not included in the sale. As of 31 December 2018, REL's total interest in Rock Oil, through the Partnership, was valued at 2.1x Gross MOIC⁽¹⁾ or \$239.0 million (Realised \$230.5 million, Unrealised \$8.5 million).

⁽¹⁾ Gross MOIC is before transaction costs, taxes (approximately 21 to 27.5 per cent. of U.S. sourced taxable income) and 20 per cent. carried interest on gross profits (without a hurdle rate). Since there is no netting of losses against gains, the effective carried interest rate on the portfolio as a whole will be greater than 20 per cent.. In addition, there is a management fee of 1.5 per cent. of net assets (including cash) per annum and other expenses. Given these costs, fees and expenses are in aggregate expected to be considerable, Net MOIC and Net IRR will be materially less than the Gross MOIC and Gross IRR. Local taxes, primarily on U.S. assets, may apply at the jurisdictional level on profits arising in operating entity investments. Further withholding taxes may apply on distributions from such operating entity investments. In the normal course of business, REL may form wholly-owned subsidiaries, to be treated as C Corporations for U.S. tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. ECI. The C Corporations file U.S. corporate tax returns with the U.S. IRS and pay U.S. corporate taxes on its taxable income

Withdrawn Commitments and Impairments



CASTEX 2005

During 1Q 2018, REL, through the Partnership, wrote-off its investment in Castex 2005 of \$48.0 million after the company completed bankruptcy proceedings.

Valuation

The Investment Manager is charged with proposing the valuation of the assets held by REL through the Partnership. The Partnership has directed that securities and instruments be valued at their fair value. REL's valuation policy is compliant with IFRS and IPEV Valuation Guidelines and has been applied consistently from period to period since inception. As the Company's investments are generally not publicly quoted, valuations require meaningful judgment to establish a range of values, and the ultimate value at which an investment is realised may differ from its most recent valuation and the difference may be significant.

The Investment Manager values each underlying investment in accordance with the Riverstone valuation policy, the IFRS accounting standards and IPEV Valuation Guidelines. The value of REL's portion of that investment is derived by multiplying its ownership percentage by the value of the underlying investment. If there is any divergence between the Riverstone valuation policy and REL's valuation policy, the Partnership's proportion of the total holding will follow REL's valuation policy. There were no valuation adjustments recorded by REL as a result of differences between IFRS and U.S. Generally Accepted Accounting Principles for the year ended 31 December 2018 or in any period to date. Valuations of REL's investments through the Partnership are determined by the Investment Manager and disclosed quarterly to investors, subject to Board approval.

Riverstone values its investments using common industry valuation techniques, including comparable public market valuation, comparable merger and acquisition transaction valuation, and discounted cash flow valuation.

For development-type investments, Riverstone also considers the recognition of appreciation or depreciation of subsequent financing rounds, if any. For those early stage privately held companies where there are other indicators of a decline in the value of the investment, Riverstone will value the investment accordingly even in the absence of a subsequent financing round.

Riverstone reviews the valuations on a quarterly basis with the assistance of the Riverstone Performance Review Team ("PRT") as part of the valuation process. The PRT was formed to serve as a single structure overseeing the existing Riverstone portfolio with the goal of improving operational and financial performance.

The Audit Committee reviews the valuations of the Company's investments held through the Partnership, and makes a recommendation to the Board for formal consideration and acceptance.

Uninvested Cash

As of 31 December 2018, REL, including the Partnership, had uninvested funds of over \$136.7 million held as cash and money market fixed deposits. The Partnership maintains deposit accounts with several leading international banks. In addition, the Partnership invests a portion of its cash deposits in short-term money market fixed deposits. REL's treasury policy seeks to protect the principal value of cash deposits utilising low risk investments with top-tier counterparts. Uninvested cash earned approximately 151 basis points during the year ended 31 December 2018.

As of 31 December 2018, REL, through the Partnership, had unfunded commitments of \$156 million.

In connection with the listing of REL on the London Stock Exchange, all proceeds of the offering were converted to U.S. dollars at an average rate of 1.606 at inception. All cash deposits referred to above are denominated in U.S. dollars. Additionally, REL's functional currency and Financial Statements are all presented in U.S. dollars. The Partnership's commitments are denominated in U.S. dollars, except Hammerhead and CNOR which are denominated in Canadian dollars.

Subsequent Events

In January 2019, REL announced the sale of Meritage III to a newly formed joint venture between SemGroup Corporation (NYSE: SEMG) and KKR & Co. Inc., for aggregate gross proceeds of C\$600 million (US\$449 million). The transaction closed during the first quarter of 2019. The consideration to be received by REL is composed of cash approximately consistent with Meritage III's current valuation. As of 31 December 2018, REL's interest in Meritage III, through the Partnership, was valued at 2.0x Gross MOIC⁽¹⁾ or \$79.5 million.

In February 2019, REL, through the Partnership, approved up to a \$22 million commitment to fund the acquisition of three refined product tankers in partnership with the Ridgebury Tankers LLC management team. This transaction in the energy services sector, in which Private Riverstone Funds will not be investing, is representative of REL's modified investment approach and provides diversification for the portfolio through an opportunity we believe has an attractive return profile.

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26 February 2019

⁽¹⁾ Gross MOIC is before transaction costs, taxes (approximately 21 to 27.5 per cent. of U.S. sourced taxable income) and 20 per cent. carried interest on gross profits (without a hurdle rate). Since there is no netting of losses against gains, the effective carried interest rate on the portfolio as a whole will be greater than 20 per cent.. In addition, there is a management fee of 1.5 per cent. of net assets (including cash) per annum and other expenses. Given these costs, fees and expenses are in aggregate expected to be considerable, Net MOIC and Net IRR will be materially less than the Gross MOIC and Gross IRR. Local taxes, primarily on U.S. assets, may apply at the jurisdictional level on profits arising in operating entity investments. Further withholding taxes may apply on distributions from such operating entity investments. In the normal course of business, REL may form wholly-owned subsidiaries, to be treated as C Corporations for U.S. tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. ECI. The C Corporations file U.S. corporate tax returns with the U.S. IRS and pay U.S. corporate taxes on its taxable income

REL invests exclusively in the global energy industry, with a particular focus on the exploration and production, and midstream sectors. The Company may also make investments in other energy sub-sectors (including energy services and power and coal). REL is well positioned to take advantage of, and benefit from, the large number of investment opportunities being driven by the current commodity price environment, as well as continued growth in global energy demand, the North American energy revolution, asset rationalisation by larger companies, and growing deepwater exploration success rates.

Since REL, through the Partnership, has the right to invest alongside the Private Riverstone Funds in all Qualifying Investments in which the Private Riverstone Funds participate, REL presents a unique opportunity for public market investors to gain exposure to Riverstone's investments in the very attractive global energy sector.

The Investment Manager intends to manage investments for the benefit of all of its investors. If any matter arises that the Investment Manager determines in its good faith judgement constitutes an actual conflict of interest, the Investment Manager may take such actions as may be necessary or appropriate, having regard to all relevant terms of the Investment Management Agreement, to manage the conflict (and upon taking such actions the Investment Manager will be considered to have discharged responsibility for managing such conflict). The Directors are required by the Registered Collective Investment Schemes Rules 2018 issued by the GFSC to take all reasonable steps to ensure that there is no breach of the conflicts of interest requirements of those rules.

Asset Allocation

The Company acquires its interests in each Qualifying Investment at the same time (or as near as practicable thereto) as, and on substantially the same economic and financial terms as, the relevant Private Riverstone Funds.

The Company and the current Private Riverstone Funds, (Fund V and Fund VI) invest in each Qualifying Investment in which the Private Riverstone Funds participate in a ratio of one-third to REL to two-thirds to the Private Riverstone Funds. This investment ratio is subject to adjustment on a case-by-case basis (a) to take account of the liquid assets available to each of the Company and the Private Riverstone Funds for investment at the relevant time and any other investment limitations applicable to either of them or otherwise and (b) if both (i) a majority of the Company's independent Directors and (ii) the Investment Manager agree that the investment ratio should be adjusted for specific Qualifying Investments.

For each Private Riverstone Fund subsequent to Fund V and Fund VI which is of a similar size and has a similar investment policy to the Company, Riverstone will seek to ensure that, subject to the investment capacity of the Company at the time, the Company and the Private Riverstone Fund invest in Qualifying Investments in an investment ratio of one-third to REL to two-thirds to the Private Riverstone Fund or in such other ratio as the Company's independent Directors and the Investment Manager agree at or prior to the first closing of such Private Riverstone Fund.

Such investment ratio may be adjusted by agreement between the Company's independent Directors and the Investment Manager on subsequent closings of a Private Riverstone Fund having regard to the total capital commitments raised by that Private Riverstone Fund during its commitment period, the liquid assets available to the Company at that time and any other investment limitations applicable to either of them.

The Investment Manager typically seeks to ensure that the Company and the Private Riverstone Funds dispose of their interests in Qualifying Investments at the same time, on substantially the same terms, and in the case of partial disposals, in the same ratio as the relevant Qualifying Investment was acquired, but this may not always be the case.

In addition, the Company may at any time make investments consistent with its investment policy independent from Private Riverstone Funds, which may include investments alongside Riverstone employee co-investment vehicles or other Riverstone managed or advised co-investment vehicles. In such cases, approval by the Board is required.

The Company invests in public or private securities, may hold controlling or non-controlling positions in its investments and may make investments in the form of equity, equity-related instruments, indebtedness or derivatives (or a combination of any of them). The Company does not permit any investments to be the subject of stock lending or sale and repurchase of shares.

Diversification

Save for the Company's investment in Hammerhead, which may represent up to 35 per cent. of the Company's gross assets, including cash holdings, measured at the time the investment is made, no one investment made by the Company, through the Partnership, may (at the time of the relevant investment) represent more than 25 per cent. of the Company's gross assets, including cash holdings, measured at the time the investment is made. The Company utilises the Partnership and its subsidiary undertakings or other similar investment holding structures to make investments and this limitation does not apply to its ownership interest in any such subsidiary undertaking (nor, for the avoidance of doubt, to the Company's interest in the Partnership).

Gearing

The Company can, but is not required to, incur indebtedness for investment purposes, to the extent that such indebtedness is a precursor to an ultimate equity investment, working capital requirements and to fund own-share purchases or retentions up to a maximum of 30 per cent. of the last published NAV as at the time of the borrowing unless approved by the Company by an ordinary resolution. This limitation does not apply to portfolio level entities in respect of which the Company is invested but it does apply to all subsidiary undertakings utilised by the Company or the Partnership for the purposes of making investments. The consent of a majority of the Company's Directors shall be required for the Company or the Partnership to enter into any credit or other borrowing facility.

The Company must at all times comply with its published investment policy. For so long as the Ordinary Shares are listed on the Official List, no material change may be made to the Company's investment policy other than with the prior approval of both the Company's Shareholders and a majority of the independent Directors of the Company, and otherwise in accordance with the Listing Rules.

Investment Restrictions

The Company is subject to the following investment restrictions:

- for so long as required by the Listing Rules, it will at all times seek to ensure that the Investment Manager invests and manages the Company's and the Partnership's assets in a way which is consistent with the Company's objective of spreading risk and in accordance with the Company's investment policy;
- for so long as required by the Listing Rules, it must not conduct a trading activity which is significant in the context of the Company and its Investment Undertakings;
- for so long as required by the Listing Rules, not more than 10 per cent. of the value of its total assets will be invested in other UK-listed closed-ended investment funds, except for those which themselves have published investment policies to invest not more than 15 per cent. of their total assets in other UK-listed closed-ended investment funds; and
- any investment restrictions that may be imposed by Guernsey law (although no such restrictions currently exist).

Currency and interest rate hedging transactions will only be undertaken for the purpose of efficient portfolio management and these transactions will not be undertaken for speculative purposes.

Board of Directors

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Richard Hayden (73)
*Chairman and Non-executive
Independent Director*

Appointment: Appointed to the Board in May 2013 and appointed as Chairman in May 2016

Experience: Mr Hayden serves as non-executive Chairman of Tower-Brook Capital Partners Advisory Board and member of the Investment Committee. Prior to joining TowerBrook in 2009, Mr Hayden was Vice Chairman of GSC Group Inc and Global Head of the CLO and Mezzanine Debt business. Previously, Mr Hayden was with Goldman Sachs from 1969 to 1999. Mr Hayden held a variety of senior positions during his time at Goldman Sachs, including Deputy Chairman of Goldman Sachs International Ltd and Chairman of the Global Credit Committee. Mr Hayden has served on a number of corporate and advisory boards and is currently a non-executive Director of CQS. Mr Hayden is also on the Finance and Investment Committee of the Children's Investment Fund Foundation. Mr Hayden is a UK resident.

Committee Membership: Audit Committee Member; Nomination Committee Chairman; Management Engagement Committee Member



Peter Barker (70)
*Non-executive
Independent Director*

Appointment: Appointed to the Board in September 2013

Experience: Mr Barker was California Chairman of JPMorgan Chase & Co., a global financial services firm, from September 2009 until his retirement on 31 January 2013, and a member of its Executive Committee in New York. Mr Barker was also an Advisory Director of Goldman, Sachs & Co. from December 1998 until his retirement in May 2002, and a Partner of Goldman, Sachs & Co. from 1982 to 1998, heading up Investment Banking on the West Coast, having joined Goldman, Sachs & Co. in 1971. Mr Barker is President of the Fletcher Jones Foundation and has held numerous directorships. He is currently on the board of Fluor Corporation, Avery Dennison Corporation, the W. M. Keck Foundation, the Irvine Company, Franklin Resources, Inc., and the Automobile Club of Southern California. Mr Barker is also a Trustee of Claremont McKenna College, having formerly been its Chairman, and was previously Chair of the Los Angeles Area Council of the Boy Scouts of America. Mr Barker is a U.S. resident.

Committee Membership: Audit Committee Member; Nomination Committee Member; Management Engagement Committee Member



Patrick Firth (57)
*Non-executive Senior
Independent Director*

Appointment: Appointed to the Board in May 2013 and appointed as Senior Independent Director in May 2016

Experience: Mr Firth qualified as a Chartered Accountant with KPMG Guernsey in 1991 and is also a member of the Chartered Institute for Securities and Investment. He has worked in the fund industry in Guernsey since joining Rothschild Asset Management (CI) Limited in 1992 before moving to become Managing Director at Butterfield Fund Services (Guernsey) Limited (subsequently Butterfield Fulcrum Group (Guernsey) Limited), a company providing third party fund administration services, where he worked from April 2002 until June 2009. He is a non-executive Director of a number of investment funds and management companies, including GLI Finance Limited, ICG Longbow Senior Secured UK Property Debt Investments Limited, JZ Capital Partners Limited and NextEnergy Solar Fund Limited. Mr Firth is a resident of Guernsey.

Committee Membership: Audit Committee Chairman; Nomination Committee Member; Management Engagement Committee Member



Pierre F. Lapeyre (56)
Non-executive Director

Appointment: Appointed to the Board in May 2013

Experience: Mr Lapeyre is a Founder and Senior Managing Director of Riverstone. He is based in New York. Prior to founding Riverstone, Mr Lapeyre was a Managing Director of Goldman Sachs in its Global Energy and Power Group. Mr Lapeyre joined Goldman Sachs in 1986 and spent his 14-year investment banking career focussed on energy and power, particularly the midstream, upstream and energy service sectors. Mr Lapeyre's responsibilities at Goldman Sachs included client coverage and leading the execution of a wide variety of mergers and acquisitions, IPO, strategic advisory and capital markets financings for clients across all sectors of the industry.

While at Goldman Sachs, Mr Lapeyre served as sector captain for the midstream and energy services segments, led the group's coverage of Asian energy companies and was extensively involved in the origination and execution of energy private equity investments on behalf of the firm. Mr Lapeyre was responsible for managing Goldman Sachs' leading franchise in master limited partnerships. He was also asked to lead the group's agency and principal investment effort in energy/power technology. At Goldman Sachs Mr Lapeyre had relationship and deal execution responsibilities for a broad range of energy clients.

Mr Lapeyre serves on the boards of directors or equivalent bodies of a number of portfolio companies in which Other Riverstone Funds have investment interests. Mr Lapeyre is a U.S. resident.

Committee Membership: None



David M. Leuschen (67)
Non-executive Director

Appointment: Appointed to the Board in May 2013

Experience: Mr Leuschen is a Founder and Senior Managing Director of Riverstone. He is based in New York. Prior to founding Riverstone, Mr Leuschen was a Partner and Managing Director at Goldman Sachs and founder and head of the Goldman Sachs Global Energy and Power Group. Mr Leuschen joined Goldman Sachs in 1977, became head of the Global Energy and Power Group in 1985, became a Partner of that firm in 1986 and remained with Goldman Sachs until leaving to found Riverstone. Mr Leuschen has extensive mergers and acquisitions, financing and investing experience in the energy and power industry.

Mr Leuschen was responsible for building the Goldman Sachs energy and power investment banking practice into one of the leading franchises in the global energy and power industry. During this period, Mr Leuschen and his team participated in a large number of the major energy and power mergers and acquisitions transactions worldwide. Mr Leuschen also was a founder of Goldman Sachs' leading master limited partnership franchise. Mr Leuschen also served as Chairman of the Goldman Sachs Energy Investment Committee, where he was responsible for screening potential capital commitments by Goldman Sachs in the energy and power industry and was responsible for establishing and managing the firm's relationships with senior executives from leading companies in all segments of the energy and power industry.

Mr Leuschen also serves on the boards of directors or equivalent bodies of a number of portfolio companies in which Other Riverstone Funds have investment interests. Mr Leuschen is a U.S. resident.

Committee Membership: None



Jeremy Thompson (63)
*Non-executive
Independent Director*

Appointment: Appointed to the Board in May 2016

Experience: Mr Thompson has sector experience in Finance, Telecoms, Engineering and Oil & Gas. He acts as an independent non-executive director for both listed, including DP Aircraft 1 Limited, and PE funds. Prior to that, he has worked in private equity and was CEO of four autonomous global businesses within Cable & Wireless Plc (operating in both regulated and unregulated markets), and earlier held CEO roles within the Dowty Group. He currently serves as chairman of the States of Guernsey Renewable Energy Team and is a commissioner of the Alderney Gambling Control Commission. He is also an independent member of the Guernsey Tax Tribunal panel. He is a graduate of Brunel (B.Sc), Cranfield (MBA) and Bournemouth (M.Sc) Universities and was an invited member to the UK's senior defence course (Royal College of Defence Studies). He is a member of the IoD and holds the IoD's Certificate and Diploma in Company Direction, is an associate of the Chartered Institute of Arbitration and a chartered Company Secretary. Mr Thompson is a resident of Guernsey and has previously lived and worked in the UK, USA and Germany.

Committee Membership: Audit Committee Member; Nomination Committee Member; Management Engagement Committee Member



Ken Ryan (46)
Non-executive Director

Appointment: Appointed to the Board in May 2016

Experience: Mr Ryan is a Partner of Riverstone and is responsible for corporate development. He is based in New York. Prior to joining Riverstone in 2011, he worked for Gleacher & Company / Gleacher Partners in both London and New York, most recently as Managing Director and Co-head of Investment Banking. Prior to Gleacher, he worked for Goldman Sachs in the European Financial Institutions Group in London, the U.S. Financial Institutions Group in New York, and the European Advisory Group. He received a law degree from University of Dublin, Trinity College.

Mr Ryan also serves on the boards of directors or equivalent bodies of a number of portfolio companies in which Other Riverstone Funds have investment interests. Mr Ryan is a U.S. resident.

Committee Membership: None



Claire Whittet (63)
*Non-executive
Independent Director*

Appointment: Appointed to the Board in May 2015

Experience: Mrs Whittet has 40 years of experience in the financial services industry. After obtaining a MA (Hons) in Geography from the University of Edinburgh, she joined the Bank of Scotland for 19 years and undertook a wide variety of roles including running two city centre offices. She moved to Guernsey in 1996 and was Global Head of Private Client Credit for Bank of Bermuda before joining the Board of Rothschild & Co Bank International Limited in 2003, initially as Director of Lending and latterly as Managing Director and Co-Head until May 2016 when she became a non-executive Director. Mrs Whittet is an ACIB member of the Chartered Institute of Bankers in Scotland, a Chartered Banker, a member of the Chartered Insurance Institute and holds an IoD Diploma in Company Direction. She is a non-executive Director of five other listed funds, being BH Macro Limited, Eurocastle Investment Limited, International Public Partnerships Limited, Third Point Offshore Investors Limited and TwentyFour Select Monthly Income Fund Limited. Mrs Whittet is a Guernsey resident.

Committee Membership: Audit Committee Member; Nomination Committee Member; Management Engagement Committee Chairman

Report of the Directors

Riverstone Energy Limited Annual Report and Financial Statements 2018

The Directors hereby submit the Annual Report and Audited Financial Statements for the Company for the year ended 31 December 2018. This Report of the Directors should be read together with the Corporate Governance Report on pages 33 to 40.

General Information

Riverstone Energy Limited is a company limited by shares, which was incorporated on 23 May 2013 in Guernsey with an unlimited life and registered with the Commission as a Registered Closed-ended Collective Investment Scheme pursuant to the POI Law. It has been listed on the London Stock Exchange since 29 October 2013. The registered office of the Company is Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY, Channel Islands.

Principal Activities

The principal activity of the Company is to act as an investment entity through the Partnership and make privately negotiated equity investments in the energy sector.

The Company's investment objective is to generate long-term capital growth by investing in the global energy sector, with a particular focus on opportunities in the global exploration and production and midstream energy sub-sectors.

Business Review

A review of the Company's business and its likely future development is provided in the Chairman's Statement and in the Investment Manager's Report on pages 8 to 21.

Listing Requirements

Since being admitted on 29 October 2013 to the Official List of the UK Listing Authority, maintained by the FCA, the Company has complied with the applicable Listing Rules.

Results and Dividend

The results of the Company for the year are shown in the audited Statement of Comprehensive Income on page 49.

The Net Asset Value of the Company as at 31 December 2018 was \$1,431 million (31 December 2017: \$1,743 million).

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (31 December 2017: \$Nil).

Share Capital

At incorporation on 23 May 2013, the Company issued one founder Ordinary Share of no par value. On 29 October 2013, the Company issued 71,032,057 Ordinary Shares of no par value at £10 per Ordinary Share in an initial public offering raising a total of \$1,138 million.

KFI, one of the Cornerstone Investors in the Company, paid for and acquired 10 million Ordinary Shares in two equal tranches of £50 million. The first tranche was paid on Admission and the second tranche of 5 million Ordinary Shares was paid on 26 September 2014.

On 11 December 2015, the Company raised £67.6 million (\$102.3 million)⁽¹⁾ through the issuance of 8,448,006 new Ordinary Shares at £8.00 per Ordinary Share.

On 15 October 2018, the Company announced a Tender Offer for £55.0 million in value of the Company's Ordinary Shares. The Company acquired 4,583,333 Ordinary Shares which were cancelled on 23 November 2018.

Following admission of the new Ordinary Shares, and the cancellation of Ordinary Shares from the Tender Offer, the share capital of the Company is 79,896,731 Ordinary Shares in aggregate.

The Company has one class of Ordinary Shares. The issued nominal value of the Ordinary Shares represents 100 per cent. of the total issued nominal value of all share capital. Under the Company's Articles of Incorporation, on a show of hands, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every share held.

Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the surplus assets of the Company. The Company has not declared or paid dividends from inception to 31 December 2018, and has no intention to do so.

The Ordinary Shares have no right to fixed income.

⁽¹⁾ Gross of share issuance costs of \$3.6 million

Shareholdings of the Directors

The Directors with beneficial interests in the shares of the Company as at 31 December 2018 and 2017 are detailed below:

Director	Ordinary Shares held 31 December 2018	Per cent. Holding at 31 December 2018	Ordinary Shares held 31 December 2017	Per cent. Holding at 31 December 2017
Richard Hayden ⁽¹⁾	10,000	0.013	10,000	0.012
Peter Barker ⁽¹⁾⁽²⁾	5,000	0.006	5,000	0.006
Patrick Firth ⁽²⁾⁽³⁾	8,000	0.010	8,000	0.009
Pierre Lapeyre ⁽⁴⁾	50,000	0.063	50,000	0.059
David Leuschen ⁽⁴⁾	–	–	–	–
Ken Ryan ⁽⁴⁾	–	–	–	–
Jeremy Thompson ⁽¹⁾	3,751	0.005	3,751	0.004
Claire Whittet ⁽¹⁾⁽⁵⁾	2,250	0.003	2,250	0.003

⁽¹⁾ Non-executive Independent Director

⁽²⁾ Ordinary Shares held jointly with spouse

⁽³⁾ Senior Independent Director

⁽⁴⁾ Mr Lapeyre, Mr Leuschen and Mr Ryan, as well as other Riverstone senior management, have a beneficial interest in REL Coinvestment, LP, which as at the year-end held 5,000,000 Ordinary Shares, and Riverstone Energy Limited Capital Partners LP, which as at the year-end held 1,579,752 Ordinary Shares

⁽⁵⁾ Ordinary Shares held indirectly with spouse

In addition, the Company also provides the same information as at 15 February 2019, being the most current information available.

Director	Ordinary Shares held 15 February 2019	Per cent. Holding at 15 February 2019
Richard Hayden ⁽¹⁾	10,000	0.013
Peter Barker ⁽¹⁾⁽²⁾	5,000	0.006
Patrick Firth ⁽²⁾⁽³⁾	8,000	0.010
Pierre Lapeyre ⁽⁴⁾	50,000	0.063
David Leuschen ⁽⁴⁾	–	–
Ken Ryan ⁽⁴⁾	–	–
Jeremy Thompson ⁽¹⁾	3,751	0.005
Claire Whittet ⁽¹⁾⁽⁵⁾	2,250	0.003

⁽¹⁾ Non-executive Independent Director

⁽²⁾ Ordinary Shares held jointly with spouse

⁽³⁾ Senior Independent Director

⁽⁴⁾ Mr Lapeyre, Mr Leuschen and Mr Ryan, as well as other Riverstone senior management, have a beneficial interest in REL Coinvestment, LP, which as 15 February 2019 held 5,000,000 Ordinary Shares and Riverstone Energy Limited Capital Partners LP, which as at 15 February 2019 held 1,579,752 Ordinary Shares

⁽⁵⁾ Ordinary Shares held indirectly with spouse

Directors' Authority to Buy Back Shares

At the AGM on 22 May 2018 in St Peter Port, Guernsey, the Company renewed the authority to make market purchases of up to a maximum of 14.99 per cent. of the issued share capital of the Company. Any buy back of the Company's Ordinary Shares will be made subject to Companies Law and within any guidelines established from time to time by the Board. The making and timing of any buy backs will be at the absolute discretion of the Board and not at the option of the Shareholders. Purchases of the Company's Ordinary Shares will only be made through the market for cash at prices below the prevailing Net Asset Value of the Company's Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance Shareholder value. Such purchases will also only be made in accordance with the Listing Rules which provide that the price to be paid must not be more than 5 per cent. above the average of the middle market quotations for the Company's Ordinary Shares for the five business days before the shares are purchased unless previously advised to Shareholders.

In accordance with the Company's Articles of Incorporation and Companies Law, up to 10 per cent. of the Company's Ordinary Shares may be held as treasury shares.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Company.

Substantial Shareholdings

As at 31 December 2018, the Company had been notified, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of the following substantial voting rights as Shareholders of the Company.

Shareholder	Shareholding	Per cent. Holding	Nature of Holding
AKRC Investments LLC ⁽¹⁾	20,198,917	25.28	Indirect
Kendall Family Investments LLC ⁽¹⁾	8,430,490	10.55	Direct
Riverstone Directors of REL and Related Holdings	6,629,752	8.30	Direct
Quilter Investors	6,595,403	8.25	Indirect
Asset Value Investors	4,045,135	5.06	Indirect

⁽¹⁾ Held by a Cornerstone Investor

In addition, the Company also provides the same information as at 15 February 2019, being the most current information available.

Shareholder	Shareholding	Per cent. Holding	Nature of Holding
AKRC Investments LLC ⁽¹⁾	20,198,917	25.28	Indirect
Kendall Family Investments LLC ⁽¹⁾	8,430,490	10.55	Direct
Quilter Investors	6,661,515	8.34	Direct
Riverstone Directors of REL and Related Holdings	6,629,752	8.30	Indirect
Asset Value Investors	4,045,135	5.06	Indirect

⁽¹⁾ Held by a Cornerstone Investor

The Directors confirm that there are no securities in issue that carry special rights with regards to the control of the Company.

The Company's issued share capital consists of 79,896,731 Ordinary Shares. Under the Company's Articles of Incorporation, on a show of hands, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every share held.

Independent External Auditor

Ernst & Young LLP has been the Company's external auditor since incorporation. The Audit Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Company, which includes monitoring the use of the external auditor for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of the external auditor, a resolution will be proposed at the 2019 Annual General Meeting to reappoint Ernst & Young LLP.

Each Director believes that there is no relevant information of which the external auditor is unaware. Each has taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that Ernst & Young LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies Law. Further information on the work of the external auditor is set out in the Report of the Audit Committee on pages 41 to 43.

Articles of Incorporation

The Company's Articles of Incorporation may only be amended by special resolution of the Shareholders. At the AGM on 22 May 2018 the Company adopted Amended and Restated Articles.

Non-mainstream Pooled Investments

The Board has concluded that the Company's Ordinary Shares are not non-mainstream pooled investments for the purposes of the FCA rules regarding the restrictions on the promotion to retail investors of unregulated collective investment schemes and close substitutes, meaning that the restrictions on promotion imposed by the FCA rules do not apply.

It is the Board's intention that the Company conducts its affairs so that these restrictions will continue to remain inapplicable.

AIFMD

REL is regarded as an externally managed non-EEA AIF under the AIFM Directive. RIL is the Investment Manager of the Company as its non-EEA AIFM. The AIFMD outlines the required information which has to be made available to investors in an AIF and directs that material changes to this information be disclosed in the Annual Report of the AIF. All information required to be disclosed under the AIFMD is either disclosed in this Annual Report or is detailed in the Appendix entitled AIFMD Disclosures on page 178 in REL's latest Prospectus which can be obtained through the Company's website www.RiverstoneREL.com. The AIFM has no remuneration within the current or prior year that falls within the scope of Article 22 of the Directive.

RIL provides AIFMD compliant management services to REL. The AIFM acting on behalf of the AIF, has appointed Eterra Depositary Company (UK) Limited to provide depositary services to the AIF. The appointment of the Depositary is intended to adhere to, and meet the conditions placed on the Depositary and the AIFM under Article 21 and other related articles of the AIFMD. The Depositary shall only provide depositary services to the AIF should it admit one or more German and/or Danish investors following marketing activity towards them. At that time, the Depositary shall observe and comply with the Danish and German regulations applying to the provision of depositary services to a non-EEA AIF marketed in Denmark or Germany, as the case may be, by a non-EEA AIFM.

UCITS Eligibility

The Investment Manager is a relying adviser of Riverstone Investment Group LLC. Riverstone Investment Group LLC is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act. As such, the Investment Manager is subject to Riverstone Investment Group LLC's supervision and control, the advisory activities of the Investment Manager are subject to the U.S. Investment Advisers Act and the rules thereunder and the Investment Manager is subject to examination by the SEC.

Accordingly the Company has been advised that its Ordinary Shares should be "transferable securities" and, therefore, should be eligible for investment by authorised funds in accordance with the UCITS Directive or NURS on the basis that:

- the Company is a closed end investment company;
- the Ordinary Shares are admitted to trading on the Main Market of the London Stock Exchange; and
- the Ordinary Shares have equal voting rights.

However, the manager of the relevant UCITS or NURS should satisfy itself that the Ordinary Shares are eligible for investment by the relevant UCITS or NURS.

AEOI Rules

Under AEOI Rules the Company continues to comply with both FATCA and CRS requirements to the extent relevant to the Company.

General Partner's Performance Allocation and Management Fees

The General Partner's Performance Allocation is equal to 20 per cent. of all realised pre-tax profits without regard to realised losses as disclosed in the Company's Prospectuses. In particular, taxes on realised gains from ECI investments, as shown in the Investment Manager's Report, can be substantial at rates up to 27.5 per cent. The Company is not an umbrella collective investment undertaking and therefore has no gross liability. In the normal course of business, REL may form wholly-owned subsidiaries, to be treated as C Corporations for U.S. tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. ECI. The C Corporations file U.S. corporate tax returns with the U.S. IRS and pay U.S. corporate taxes on its taxable income.

The General Partner's Performance Allocation is calculated under the terms of the Partnership Agreement and as described in the Prospectuses.

The Performance Allocation is calculated on a quarterly basis, which is taken into account when calculating the fair value of the Company's investment in the Partnership, as described in Note 10. The fair value of the Company's investment in the Partnership is after the calculation of Management Fees, as described in Note 10.

The financial effect of the General Partner's Performance Allocation, Management Fees and any taxes on ECI investments is shown in Note 6. The Investment Management Agreement continues into perpetuity post the seventh year anniversary.

Change of Control

There are no agreements that the Company considers significant and to which the Company is party that would take effect, alter or terminate upon change of control of the Company following a takeover bid.

Going Concern

The Company's Financial Statements are prepared in accordance with the AIC Code and presented on a going concern basis. As further disclosed in the Corporate Governance Report on pages 33 to 40, the Company is a member of the AIC and complies with the AIC Code. The Directors have assessed the financial prospects of the Company for the next twelve months from the date of approval of the Financial Statements and made an assessment of the Company's ability to continue as a going concern. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next twelve months, as explained below.

The Company retained \$11.5 million of cash in the IPO and Placing and Open Offer, and has received working capital distributions in aggregate of \$12.2 million from the Partnership cumulatively through Q4 2018, of which \$2.1 million remains at 31 December 2018 (31 December 2017: \$0.8 million). This cash balance is sufficient to cover the Company's existing liabilities at 31 December 2018 of \$0.4 million, but the Company will require a distribution of \$2.1 million to cover its forecasted annual expenses for 2019 of approximately \$3.8 million. In accordance with section 4.1(a) of the Partnership Agreement, in the event of the Company requiring additional funds for working capital, it is entitled to receive another distribution from the Partnership.

As at 31 December 2018, the Partnership, including its wholly-owned subsidiaries, REL US Corp and REL US Centennial Holdings, LLC, had \$135 million of uninvested funds held as cash and money market fixed deposits (31 December 2017: \$147 million), and has no material going concern risk. Although the Company's commitments, through the Partnership, exceed its available liquid resources, it is not expected that all commitments will be drawn due to a variety of factors, such as a portfolio company being sold earlier than anticipated or a targeted investment opportunity changing or disappearing. In addition, the board of each underlying portfolio company, more often than not controlled

by Riverstone, has discretion over whether or not that capital is ultimately invested. Moreover, REL's arrangements with Riverstone allow unfunded commitments of \$156 million as at 31 December 2018 (31 December 2017: unfunded commitments of \$353 million) to be amended by the Investment Manager with consideration from the Board.

In light of the above facts, the Directors are satisfied that it is appropriate to apply the going concern basis in preparing the Financial Statements. In reaching this conclusion, the Board has considered budgeted and projected results of the business, projected cash flow and risks that could impact the Company's liquidity over the next twelve months.

Viability Statement

As required by the AIC Code, the Directors have assessed the prospects of the Company over a longer period than required by the going concern provision. The Board chose to conduct a review for a period of three years to 31 December 2021 as it was determined to be an appropriate timeframe based on the historical investment cycle of the Company's investments, through the Partnership, and its financial planning processes. On a rolling basis, the Directors evaluate the outcome of the investments and the Company's financial position as a whole. While an unprecedented and long-term decline in global oil and gas consumption would threaten the Company's performance, it would not necessarily threaten its viability.

In support of this statement, the Directors have taken into account all of the principal risks and their mitigation as identified in the Principal Risk and Uncertainties section of the Corporate Governance Report, the nature of the Company's business; including the cash reserves and money market deposits at the Partnership, the potential of its portfolio of investments to generate future income and capital proceeds, and the ability of the Directors to minimise the level of cash outflows, if necessary. The most relevant potential impacts of the identified Principal Risks and Uncertainties on viability were determined to be:

- An investment's capital requirements may exceed the Company's ability to provide capital; and
- The Company may not have sufficient capital available to participate in all investment opportunities presented.

In addition, the Company's Articles of Incorporation provide that if, on 29 October 2020 (the seventh anniversary of the Company's London listing), both of the following are true:

- the trading price for the Company's Ordinary Shares has not at any time exceeded £14.70 (initially £15.00, subject to adjustments for dividends, stock splits or consolidations and below NAV equity issuances); and
- a gross IRR of 8 per cent. has not been achieved on the Company's capital, calculated by reference to the prevailing valuation or sale proceeds achieved on each of the Company's investments from the date of the initial investment or commitment of capital to that investment and prior to the deduction of fees or taxes,

Report of the Directors (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

then a special resolution must be proposed to the Company's Shareholders to discontinue the Company ("Discontinuation Resolution"). Both tests must be triggered for the requirement to propose a Discontinuation Resolution to apply. If a Discontinuation Resolution is proposed to Shareholders and passed, the Company will be liquidated. The Company has assumed for the purposes of this viability statement that the Discontinuation Resolution is unlikely to be required to be proposed to Shareholders and, if it were, it would not pass. Riverstone and the Company's Cornerstone Investors, respectively, own 8.3 per cent. and 40.5 per cent. of the outstanding Ordinary Shares.

Each quarter, the Directors review threats to the Company's viability utilising the risk matrix and update as required due to recent developments and/or changes in the global market. The Board relies on periodic reports provided by the Investment Manager and Administrator regarding risks faced by the Company. When required, experts are utilised to gather relevant and necessary information, regarding tax, legal, and other factors.

The Investment Manager considers the future cash requirements of the Company before funding portfolio companies. Furthermore, the Board receives regular updates from the Investment Manager on the Company's cash position, which allows the Board to maintain their fiduciary responsibility to the Shareholders and, if required, limit funding for existing commitments

The Board considered the Company's viability over the three year period, based on a working capital model prepared by the Investment Manager. The working capital model forecasts key cash flow drivers such as capital deployment rate, investment returns, Management Fees and operating expenses. In connection with the preparation of the working capital model, capital raises, realisations, and, dividend payments and/or share repurchases were assumed to not occur during the three year period, unless already predetermined. In addition, the Board reviews credit market availability, but no such financing has been assumed.

If factors apart from capital deployment rate remain constant, accelerating the capital deployment rate by 20 per cent., from 36 months to 30 months, would result in the Company being directed by the Board, and the Investment Manager recommending, to preserve working capital and postpone future investments after 24 months, rather than 27 months; unless a financing or capital raise was completed. In both scenarios, the Company is forecasted to maintain sufficient working capital for the three year period.

Based on the aforementioned procedures and the existing internal controls of the Company and Investment Manager, the Board has concluded there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of the assessment.

Financial Risk Management Policies and Objectives

Financial Risk Management Policies and Objectives are disclosed in Note 11 on pages 65 to 69.

Principal Risk and Uncertainties

Principal Risk and Uncertainties are discussed in the Corporate Governance Report on pages 33 to 40.

Subsequent Events

Subsequent Events are disclosed in Note 15 on page 70.

Annual General Meetings

The AGM of the Company will be held at 10:30 am BST on 21 May 2019 at The Old Government House Hotel, St Ann's Place, St Peter Port, Guernsey, Channel Islands. Details of the resolutions to be proposed at the AGM, together with explanations, will appear in the notices of meetings to be distributed to Shareholders listed on the register as at 31 December 2018 together with this Annual Report. As a matter of good practice, all resolutions will be conducted on a poll and the results will be announced to the market as soon as possible after the meeting.

Members of the Board, including the Chairman and the Chairperson of each Committee, will be in attendance at the AGM and will be available to answer Shareholder questions.

By order of the Board



Richard Hayden

Chairman

26 February 2019

Directors' Responsibilities Statement

Riverstone Energy Limited Annual Report and Financial Statements 2018

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

The Companies Law requires the Directors to prepare Financial Statements for each financial year. Under the Companies Law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the Financial Statements comply with Companies Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.RiverstoneREL.com). The work carried out by the external auditor does not involve considerations of these matters and, accordingly, the external auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report under the Disclosure Guidance and Transparency Rules

Riverstone Energy Limited Annual Report and Financial Statements 2018

Each of the Directors whose names are on pages 24 and 25 confirms to the best of their knowledge and belief that:

- the Financial Statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties faced; and
- the Annual Report and Financial Statements include information required by the UK Listing Authority so that the Company complies with the provisions of the Listing Rules, Disclosure Guidance and Transparency Rules of the UK Listing Authority. With regard to corporate governance, the Company is required to disclose how it has applied the principles, and complied with the provisions of the corporate governance code applicable to the Company.

Directors' Statement Under the Corporate Governance Code

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Having taken advice from the Investment Manager, the Directors consider the Annual Report and Financial Statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

By order of the Board



Richard Hayden
Chairman
26 February 2019



Patrick Firth
Director
26 February 2019

Corporate Governance Report

Riverstone Energy Limited Annual Report and Financial Statements 2018

As a UK premium listed Company, Riverstone Energy Limited's governance policies and procedures are based on the principles of the Corporate Governance Code as required under the Listing Rules. The Corporate Governance Code is available on the Financial Reporting Council's website, www.frc.org.uk.

The Company became a member of the AIC effective 15 January 2014 and has therefore put in place arrangements to comply with the AIC Code and, in accordance with the AIC Code, complies with the Corporate Governance Code. The Directors recognise the importance of sound corporate governance, particularly the requirements of the AIC Code. The AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk.

The Company is subject to the GFSC Code, which applies to all companies registered as collective investment schemes in Guernsey. The GFSC has also confirmed that companies that report against the Corporate Governance Code or AIC Code are deemed to meet the GFSC Code.

The Board monitors developments in corporate governance to ensure the Board remains aligned with best practice especially with respect to the increased focus on diversity. The Board acknowledges the importance of diversity, including gender, for the effective functioning of the Board and commits to supporting diversity in the boardroom. It is the Board's ongoing aspiration to have a well diversified representation. The Board also values diversity of business skills and experience because Directors with diverse skills sets, capabilities and experience gained from different geographical backgrounds enhance the Board by bringing a wide range of perspectives to the Company.

The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, by reference to the AIC Guide, provides better information to Shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Corporate Governance Code, except as set out below.

The Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the Corporate Governance Code, the Board considers that the above provisions are not currently relevant to the position of the Company, being an externally managed investment company, which delegates most day-to-day functions to third parties.

The Company does not have a chief executive or any executive directors. The Company has not established a separate remuneration committee as the Company has no executive officers and the Board is satisfied that any relevant issues that arise can be properly considered by the Board.

The Company has no employees or internal operations and has therefore not reported further in respect of these provisions. The need for an internal audit function is discussed in the Audit Committee report.

The Board

The Company is led and controlled by a Board of Directors, which is collectively responsible for the long-term success of the Company. It does so by creating and preserving value, and has as its foremost principle acting in the interests of Shareholders.

The Company believes that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected, as their biographies illustrate, to bring a breadth of knowledge, skills and business experience to the Company. The non-executive Directors provide independent challenge and review, bringing wide experience, specific expertise and a fresh objective perspective.

The Board consists of eight Non-executive Directors (31 December 2017: eight), five of whom, including the Chairman, are independent of the Company's Investment Manager; Mr Hayden, Mr Firth, Mr Barker, Mrs Whittet and Mr Thompson (31 December 2017: five). Mr Lapeyre, Mr Leuschen, and Mr Ryan are not considered independent because of their nomination for appointment to the Board by the Investment Manager, pursuant to a right set out in the Investment Management Agreement. All Directors served throughout the year.

The Chairman of the Board is independent and is appointed in accordance with the Company's Articles of Incorporation. Mr Hayden is considered to be independent because he:

- has no current or historical employment with the Investment Manager;
- has no current directorships or partnerships in any other investment funds managed by the Investment Manager; and
- is not an executive of a self-managed company or an ex-employee who has left the executive team of a self-managed company within the last five years.

New Directors receive an induction from the Investment Manager and all Directors receive other relevant training as necessary.

At each subsequent Annual General Meeting of the Company, each of the Directors at the date of the notice convening the Annual General Meeting shall retire from office and may offer themselves for election or re-election by the Shareholders.

Corporate Governance Report (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

The Board meets at least four times a year for regular, scheduled meetings and should the nature of the activity of the Company require it, additional meetings may be held, some at short notice. At each meeting the Board follows a formal agenda that covers the business to be discussed. The primary focus at Board meetings is a review of investment performance and associated matters such as asset allocation, share price discount/premium management, investor relations, peer group information, gearing, industry issues and principal risks and uncertainties in particular those identified at the end of this report.

Between meetings the Board visits, at least annually, the Investment Manager, and there is regular contact with the Administrator, and the Board requires to be supplied in a timely manner with information by the Investment Manager, the Company Secretary and other advisers in a form and of a quality to enable it to discharge its duties.

The Company has adopted a share dealing code for the Board and will seek to ensure compliance by the Board and relevant personnel of the Investment Manager and other third party service providers with the terms of the share dealing code.

Board Tenure and Re-election

No member of the Board has served for longer than eight years as the Company was incorporated on 23 May 2013. As such no issue has arisen to be considered by the Board with respect to long tenure. In accordance with the AIC Code, when and if any director shall have been in office (or on re-election would at the end of that term of office) for more than nine years the Company will consider further whether there is a risk that such a director might reasonably be deemed to have lost independence through such long service. The Board considers its composition and succession planning on an ongoing basis. All Directors stand for annual re-election at the AGM. Following the recent publication of the 2019 AIC Code, effective 1 January 2019, the Board recognises that Directors serving nine years or more may appear to have their independence impaired. However, the Board may nonetheless consider Directors to remain independent and will provide a clear explanation within future Annual Report and Financial Statements as to its reasoning.

A Director who retires at an Annual General Meeting may, if willing to continue to act, be elected or re-elected at that meeting. If, at a general meeting at which a Director retires, the Company neither re-elects that Director nor appoints another person to the Board in the place of that Director, the retiring Director shall, if willing to act, be deemed to have been re-elected unless at the general meeting it is resolved not to fill the vacancy or unless a resolution for the re-election of the Director is put to the meeting and not passed.

Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its composition and succession planning on an ongoing basis.

Following discussion, it is the opinion of the Management Engagement Committee that the Investment Manager for the year ended 31 December 2018 continues to demonstrate strong performance and as such for the Investment Manager to continue in their appointment on the terms agreed, which would be in the interests of the Shareholders as a whole. The Board is pleased with the performance of the Investment Manager, based on selection of high quality E&P and midstream investments and comparative resilience in weak markets.

Directors' Remuneration

The level of remuneration of the Non-executive Directors reflects the time commitment and responsibilities of their roles. The remuneration of the Non-executive Directors does not include any share options or other performance related elements and there are no plans to seek any Shareholder waivers to deviate from this.

The Chairman is entitled to annual remuneration of £132,000 (31 December 2017: £132,000). The Chairman of the Audit Committee is entitled to annual remuneration of £82,500 (31 December 2017: £82,500) and the Chairman of the Management Engagement Committee is entitled to annual remuneration of £71,500 (31 December 2017: £71,500). The other independent Directors are entitled to annual remuneration of £66,000 (31 December 2017: £66,000). The three non-independent Directors have chosen not to be remunerated by the Company for their services.

During the year ended 31 December 2018 and 31 December 2017, the Directors' remuneration was as follows:

Director	2018 (\$'000)	2017 (\$'000)
Peter Barker ⁽¹⁾	86	79
Patrick Firth ⁽¹⁾⁽²⁾	108	99
Richard Hayden ⁽¹⁾⁽³⁾	173	158
Pierre Lapeyre	–	–
David Leuschen	–	–
Ken Ryan	–	–
Jeremy Thompson ⁽¹⁾	86	79
Claire Whittet ⁽¹⁾⁽⁴⁾	94	86

⁽¹⁾ Non-executive Independent Director

⁽²⁾ Senior Independent Director and Chairman of the Audit Committee

⁽³⁾ Chairman of the Company

⁽⁴⁾ Chairman of the Management Engagement Committee

The above fees due to the Directors are for the year ended 31 December 2018 and 31 December 2017, and none were outstanding at 31 December 2018 (31 December 2017: \$Nil).

Duties and Responsibilities

The Board is responsible to Shareholders for the overall management of the Company. The duties and powers reserved for the Board include decisions relating to the determination of investment policy and approval of investments in certain instances, strategy, capital raising, statutory obligations and public disclosure, financial reporting and entering into any material contracts by the Company.

The Board has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting, compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Directors have access to the advice and services of the Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with Companies Law and applicable rules and regulations of the GFSC and the LSE. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company.

Attendance is further set out below:

Director	Board Meetings (max 4)		Audit Committee Meetings (max 4)		Nomination Committee Meetings (max 1)		Management Engagement Committee Meetings (max 1)		Standing Committee Meetings (max 8) ⁽³⁾		Tenure as at 31 December 2018
	A	B	A	B	A	B	A	B	A	B	
Peter Barker ⁽¹⁾	4	4	4	4	1	1	1	1	n/a	n/a	5 years, 4 months
Patrick Firth ⁽¹⁾⁽²⁾	4	4	4	4	1	1	1	1	8 ⁽³⁾	6	5 years, 8 months
Richard Hayden ⁽¹⁾	4	4	4	4	1	1	1	1	n/a	n/a	5 years, 8 months
Pierre Lapeyre	4	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5 years, 8 months
David Leuschen	4	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5 years, 8 months
Claire Whittet ⁽¹⁾	4	4	4	4	1	1	1	1	8 ⁽³⁾	7	3 years, 8 months
Ken Ryan	4	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2 years, 8 months
Jeremy Thompson ⁽¹⁾	4	4	4	4	1	1	1	1	8 ⁽³⁾	8	2 years, 8 months

⁽¹⁾ Non-executive Independent Director

⁽²⁾ Non-executive Senior Independent Director

⁽³⁾ Under the terms of reference of the Standing Committee attendance is not obligatory. The Standing Committee shall comprise any two or more members of the Board from time to time and does not require full attendance. Meetings of the Standing Committee shall be held in Guernsey or elsewhere outside the United Kingdom, the United States and any other country in which the Company or any of its portfolio companies operate. All members of the Board are appraised of the matters to be discussed by the Standing Committee and, if they are not present, will provide their opinions to the Committee Chairman or participate in pre-meeting discussions held in advance of each Standing Committee meeting

Column A: indicates the number of meetings held during the year

Column B: indicates the number of meetings attended by the Director during the year

A quorum is comprised of any two or more members of the Board from time to time, to perform administrative and other routine functions on behalf of the Board, subject to such limitations as the Board may expressly impose on this committee from time to time.

The Company maintains directors' and officers' liability insurance in respect of legal action against its Directors on an ongoing basis.

The Board's responsibilities for the Annual Report are set out in the Directors' Responsibility Statement. The Board is also responsible for issuing appropriate half-yearly financial reports, quarterly portfolio valuations and other price-sensitive public reports.

Directors' attendance at Board and Committee Meetings:

One of the key criteria the Company uses when selecting Non-executive Directors is their confirmation prior to their appointment that they will be able to allocate sufficient time to the Company to discharge their responsibilities in a timely and effective manner.

The Board formally met four times during the year and the other Board committee meetings were called in relation to specific events or to issue approvals, often at short notice and did not necessarily require full attendance. The Chairman meets privately with the independent Non-executive Directors before each scheduled Board meeting. Directors are encouraged when they are unable to attend a meeting to give the Chairman their views and comments on matters to be discussed, in advance. In addition to their meeting commitments, the Non-executive Directors also liaise with the Investment Manager whenever required and there is regular contact outside the Board meeting schedule.

Committees of the Board

The Board believes that it and its committees have an appropriate composition and blend of skills, experience, independence and diversity of backgrounds to discharge their duties and responsibilities effectively. The Board is of the view that no one individual or small group dominates decision-making. The Board keeps its membership, and that of its committees, under review to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

Each committee of the Board has written terms of reference, approved by the Board, summarising its objectives, remit and powers, which are available on the Company's website (www.RiverstoneREL.com) and reviewed on an annual basis. All committee members are provided with appropriate induction on joining their respective committees, as well as on-going access to training. Minutes of all meetings of the committees (save for the private sessions of committee members at the end of meetings) are made available to all Directors and feedback from each of the committees is provided to the Board by the respective committee Chairmen at the next Board meeting. The Chairman of each committee attends the AGM to answer any questions on their committee's activities.

The Board and its committees are supplied with regular, comprehensive and timely information in a form and of a quality that enables them to discharge their duties effectively. All Directors are able to make further enquiries of management whenever necessary, and have access to the services of the Company Secretary.

Audit Committee

The Audit Committee is chaired by Mr Firth and comprises Mr Barker, Mr Hayden, Mr Thompson and Mrs Whittet. The Chairman of the Audit Committee, the Investment Manager and the external auditor, Ernst & Young LLP, have held discussions regarding the audit approach and identified risks. The external auditors attend Audit Committee meetings and a private meeting is routinely held with the external auditors to afford them the opportunity of discussions without the presence of management. The Audit Committee activities are contained in the Report of the Audit Committee on pages 41 to 43.

Nomination Committee

The Nomination Committee is chaired by Mr Hayden and comprises Mr Barker, Mr Firth, Mr Thompson and Mrs Whittet.

The Nomination Committee meets at least once a year pursuant to its terms of reference and met on 27 February 2018. The Nomination Committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. The Nomination Committee recognises the continuing importance of planning for the future and ensuring that succession plans are in place.

In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and evaluates the balance of skills, experience, independence, and knowledge of each candidate. Appointments are therefore made on personal merit and against objective criteria with the aim of bringing new skills and different perspectives to the Board whilst taking into account the existing balance of knowledge, experience and diversity.

In the case of candidates for Non-executive Directorships, care is taken to ascertain that they have sufficient time to fulfil their Board and, where relevant, committee responsibilities. The Board believes that the terms of reference of the Nomination Committee ensure that it operates in a rigorous and transparent manner. The Board believes that, as a whole, it comprises an appropriate balance of skills, experience and knowledge. The Board also believes that diversity of experience and approach, including gender diversity, amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments.

The Nominations Committee has reviewed the composition, structure and diversity of the Board, succession planning, the independence of the Directors and whether each of the Directors has sufficient time available to discharge their duties effectively. The Committee and the Board confirm that they believe that the Board has an appropriate mix of skills and backgrounds and was selected with that in mind, that a majority of Directors should be considered as Independent in accordance with the provisions of the AIC Code and that all Directors have the time available to discharge their duties effectively.

Notwithstanding that Claire Whittet is a director or chairman of six companies listed on the London Stock Exchange, the Committee noted that she is a full-time non-executive director and that all of the six companies are listed investment companies where the level of complexity and time commitment required is lower than larger trading companies. Further, they noted that Mrs Whittet has attended all Board and main committee meetings, and 7 out of 8 Standing Committee meetings (the quorum for which is two members and, under the terms of reference of the Standing Committee, attendance is not obligatory), during the year and that she has always shown the time commitment to discharge fully and effectively her duties as a Director.

Patrick Firth is a director and Chairman of the Audit Committee of four companies listed on the London Stock Exchange. He is also a full-time non-executive director and all of the four companies are listed investment companies. Mr Firth has also announced that he will shortly be retiring from the board of one of those companies, JZ Capital Partners Limited. Further, they noted that Mr Firth has attended all Board and main committee meetings, and 6 out of 8 Standing Committee meetings (the quorum for which is two members and, under the terms of reference of the Standing Committee, attendance is not obligatory), during the year and that he has always demonstrated the time commitment to discharge fully and effectively his duties as a Director.

Accordingly, the Board recommends that Shareholders vote in favour of the re-election of all Directors at the forthcoming AGM.

Management Engagement Committee

The Management Engagement Committee is chaired by Mrs Whittet and comprises Mr Barker, Mr Hayden, Mr Firth and Mr Thompson. The Management Engagement Committee meets at least once a year pursuant to its terms of reference.

The Management Engagement Committee provides a formal mechanism for the review of the performance of the Investment Manager and the Company's other advisors and service providers. It carries out this review through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisors' appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Shareholders.

Board Performance and Evaluation

In accordance with Principle 7 of the AIC Code which requires a formal and rigorous annual evaluation of its performance, the Board formally reviews its performance annually through an internal process. Internal evaluation of the Board, the Audit Committee, the Nomination Committee, the Management Engagement Committee and individual Directors has taken the form of self-appraisal questionnaires and discussions to determine effectiveness and performance in various areas as well as the Directors' continued independence. During 2018 the Board carried out an internal evaluation of the performance of the Board and the Board Committees. The responses were consolidated and anonymised and common themes identified in order for the Board to determine key actions and next steps for improving Board and Committee effectiveness and performance.

The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement. All Directors participated in the evaluation, and the findings were collectively considered by the Board. No significant areas of weaknesses were highlighted during the evaluation and the Board concluded that it had operated effectively throughout 2018. The Board is confident in its ability to continue effectively to lead the Company and oversee its affairs. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is appropriate to the requirements of the Company.

The Board commissions an independent evaluation of its performance every three years. The next independent evaluation is due in 2019.

New Directors receive an induction on joining the Board and regularly meet with the senior management employed by the Investment Manager both formally and informally to ensure that the Board remains regularly updated on all issues. All members of the Board are members of professional bodies and serve on other Boards, which ensures they are kept abreast of the latest technical developments in their areas of expertise.

The Board arranges for presentations from the Investment Manager, the Company's brokers and other advisors on matters relevant to the Company's business. The Board assesses the training needs of Directors on an annual basis.

Internal Control and Financial Reporting

The Directors acknowledge that they are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss. However, the Board's objective is to ensure that Riverstone Energy Limited has appropriate systems in place for the identification and management of risks. The Directors carry out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The key procedures which have been established to provide internal control are that:

- the Board has delegated the day-to-day operations of the Company to the Administrator and Investment Manager; however, it retains accountability for all functions it delegates;
- the Board clearly defines the duties and responsibilities of the Company's agents and advisors and appointments are made by the Board after due and careful consideration. The Board monitors the ongoing performance of such agents and advisors and will continue to do so through the Management Engagement Committee;
- the Board monitors the actions of the Investment Manager at regular Board meetings and is given frequent updates on developments arising from the operations and strategic direction of the underlying investee companies;
- the Administrator provides administration and company secretarial services to the Company. The Administrator maintains a system of internal control on which they report to the Board; and
- the Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Manager, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external reporting purposes. The Administrator and Investment Manager both operate risk controlled frameworks on a continual ongoing basis within a regulated environment. The Administrator has undertaken an ISAE 3402: Assurance Reports on Controls at a Service Organisation audit and formally reports to the Board quarterly through a compliance report. The Investment Manager formally reports to the Board quarterly including updates within Riverstone and also engages with the Board on an ad-hoc basis as required. No weaknesses or failings within the Administrator or Investment Manager have been identified.

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows therefore that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss. This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements. It is reviewed by the Board and is in accordance with the FRC's internal control publication: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Investment Management Agreement

The Investment Manager is the sole investment manager of the Company and the Partnership. Pursuant to the Investment Management Agreement, the Investment Manager has responsibility for and discretion over investing and managing the Company's and the Partnership's direct and indirect assets, subject to and in accordance with the Company's investment policy. The Investment Manager is entitled to delegate all or part of its functions under the Investment Management Agreement to one or more of its affiliates.

The Company has delegated the provision of all services to external service providers whose work is overseen by the Management Engagement Committee at its regular scheduled meetings. Each year, a detailed review of performance pursuant to their terms of engagement is undertaken by the Management Engagement Committee. In particular, during 2018 the Management Engagement Committee and the Investment Manager discussed fees, termination provisions, capital structure management, the performance of the Company, and the basis of the Company's and the Investment Manager's relationship and alignment of interests at length, including the benefits to the Company of Riverstone's extensive participation in the management of all of the Company's investments and the significant equity commitment of Riverstone to the Company as one of its major shareholders.

In accordance with Listing Rule 15.6.2(2)R and having formally appraised the performance and resources of the Investment Manager, in the opinion of the Directors the continuing appointment of the Investment Manager on the terms agreed is in the interests of the Shareholders as a whole.

Relations with Shareholders

The Board welcomes Shareholders' views and places great importance on communication with its Shareholders. The Company's AGM provides a forum for Shareholders to meet and discuss issues with the Directors of the Company. The Chairman is available to meet with Shareholders at the AGM to hear their views and discuss any issues or concerns, including in relation to board composition, governance and strategy, or at other times, if required. In addition, Mr Firth, as the Senior Independent Director, is also available to Shareholders if they have concerns which contact through the normal channels has failed to resolve or for which such contact would be inappropriate. The Chairman, Senior Independent Director and other Directors are also available to meet with Shareholders at other times, if required.

The Company reports formally to Shareholders in a number of ways; regulatory news releases through the London Stock Exchange's Regulatory News Service, announcements are issued in response to events or routine reporting obligations, an Interim Financial Report is published in August each year, outlining performance to 30 June, which is made available on the Company's website; the Annual Report is published in February each year, for the year ended 31 December, which is made available on the Company's website. In addition, the Company's website (www.RiverstoneREL.com) contains comprehensive information, including company notifications, share information, financial reports, investment objectives and policy, investor contacts and information on the Board and corporate governance. Shareholders and other interested parties can subscribe to email news updates by registering online on the website.

The Investment Manager has regular contact with Shareholders, including the Cornerstone Investors, and any views that they may have are communicated to the Board and vice versa. No sensitive information is provided to the Cornerstone Investors that is not provided to the Shareholders as a whole and at the same time. The Board is also kept fully informed of all relevant market commentary on the Company by the Investment Manager and the Corporate Brokers. Over the year, the Investment Manager's investor relations team and senior management held several roadshows and over 80 meetings with investors and equity research analysts.

Whistleblowing

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Investment Manager or Administrator may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.

Principal Risks and Uncertainties

The Company's assets consist of investments, through the Partnership, within the global energy sector, with a particular focus on opportunities in the global exploration and production and midstream energy sub-sectors. Its principal risks are therefore related to market conditions in the energy sector in general, but also the particular circumstances of the businesses in which it is invested through the Partnership. The Investment Manager seeks to mitigate these risks through active asset management initiatives and carrying out due diligence work on potential targets before entering into any investments.

Each Director is fully aware of the risks inherent in the Company's business and understands the importance of identifying, evaluating and monitoring these risks. The Board has adopted procedures and controls that enable it to carry out a robust assessment of the risks facing the Company, manage these risks within acceptable limits and to meet all of its legal and regulatory obligations. The Board is committed to upholding and maintaining our zero tolerance towards the criminal facilitation of tax evasion.

The Board thoroughly considers the process for identifying, evaluating and managing any significant risks faced by the Company on an ongoing basis and these risks are reported and discussed at Board meetings. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are upheld.

For each material risk, the likelihood and consequence are identified, management controls and frequency of monitoring are confirmed and results reported and discussed at the quarterly Board meetings.

The Company's principal risk factors are fully discussed in the Prospectuses, available on the Company's website (www.RiverstoneREL.com) and should be reviewed by Shareholders.

The key areas of risk faced by the Company are summarised below:

1. The Company intends to only invest in the global energy sector, with a particular focus on oil and gas exploration and production, and midstream investments, which will expose it to concentration risk.
2. The Ordinary Shares may trade at a Discount to NAV per Share for reasons including but not limited to: market conditions, liquidity concerns and actual or expected Company performance. As such, there can be no guarantee that attempts to mitigate such discount will be successful or that the use of discount control mechanisms will be possible, advisable or adopted by the Company.
3. Investments in the exploration and production and midstream sectors of the global energy sector involve a degree of inherent risk.
 - The countries in which the Company invests may be exposed to geopolitical risks.
 - The change in the price of oil could adversely affect the investment valuations through the public market trading and transaction comparables, the discounted cash flow rates, and potentially limit exit opportunities.
 - A change in interest rates could adversely affect efficient access to debt as a source of capital for both portfolio investments and potential buyers of portfolio investments.
 - The regulatory and tax environment of the Company's target investments is potentially subject to change, which may adversely affect the value or liquidity of investments held by the Company or its ability to obtain leverage.
 - The Company will be exposed to increased risk by investing in build-up and early-stage investments that have little or no operating history and are comparably more vulnerable to financial failure than more established companies. The investor should be aware there can be no assurance that losses generated by these types of entities will be offset by gains (if any) realised on the Company's other investments.
 - An investment's requirements for additional capital may require the Company to invest more capital than it had originally planned or result in the dilution of the Company's investment or a decrease in the value of that investment.
 - The Company may not have sufficient "dry powder" to participate in all investment opportunities presented.
 - Current regulations require SIFIs, specifically large banks, to hold sufficient capital as a buffer against trading losses, or CAR / CRAR. Since commodities are more volatile / risky in the current market, it could strip large banks of commodity trading operations to alleviate the capital required to maintain their CAR / CRAR. This could in turn impact the commodity prices and therefore the value of REL's portfolio companies.
 - REL's portfolio companies operate in a hazardous industry, which is highly regulated by safety and health laws. Failure to provide a safe working environment may result in harm to employees and local communities. Governments may force closure of facilities or refuse future drilling right applications.

Corporate Governance Report (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

4. It may be difficult for the Company to terminate its Investment Management Agreement without making significant payments, including if a Discontinuation Resolution were to be proposed and passed by Shareholders following the Company's seventh anniversary or if the Company was otherwise wound up. Further, the Investment Management Agreement does not provide for the Company to terminate the agreement on notice without specific cause, and poor investment performance, the departure of key Riverstone executives or a change of control of Riverstone do not constitute cause for these purposes.
5. Affiliates of the Investment Manager and the Company's Cornerstone Investors would be entitled to vote on any Discontinuation Resolution that may be proposed. As the Investment Manager and its affiliates (and, indirectly, the Cornerstone Investors) receive fees from the Company, they will most probably be incentivised to vote against such resolution. Riverstone and the Company's Cornerstone Investors, in aggregate, own 48.8 per cent. of outstanding Ordinary Shares.
6. Differences in the investment time horizons and fee provisions between the Company and the private funds managed by Riverstone may create conflicts regarding the allocation of investment opportunities and holding periods between the Company and those funds, in particular as a result of step-downs in fees payable by a private fund part way through its duration.

These inherent risks associated with investments in the global energy sector could result in a material adverse effect on the Company's performance and the value of Ordinary Shares.

The Company (as with all companies) continues to be exposed to external cyber-security threats. The Company recognises the increased incidence of cyber-security threats and has recently reviewed its policies, procedures and defences to mitigate associated risks, as well as those of the Investment Manager, Administrator and key service providers; engaging market-leading specialists where appropriate. We continually develop our IT infrastructure, and monitor those of the Investment Manager, Administrator and key service providers, to ensure the Company is resilient to existing and emerging threats.

The above key risks are mitigated and managed by the Board through continual review, policy setting and updating of the Company's risk matrix at each Audit Committee Meeting to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board relies on periodic reports provided by the Investment Manager and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including tax advisors, legal advisors, and environmental advisors.

The Company's financial instrument risks are discussed in Note 11 to the Financial Statements.

By order of the Board



Richard Hayden

Chairman

26 February 2019

Report of the Audit Committee

Riverstone Energy Limited Annual Report and Financial Statements 2018

The Audit Committee, chaired by Mr Firth, operates within clearly defined terms of reference, which are available from the Company's website www.RiverstoneREL.com, and include all matters indicated by Disclosure Guidance and Transparency Rule 7.1, the AIC Code and the Corporate Governance Code. Its other members are Mr Barker, Mr Hayden, Mr Thompson and Mrs Whittet. Members of the Audit Committee must be independent of the Company's external auditor and Investment Manager. The Audit Committee will meet no less than three times in a year, and at such other times as the Audit Committee Chairman shall require, and will meet the external auditor at least once a year.

The Committee members have considerable financial and business experience and the Board has determined that the membership as a whole has sufficient recent and relevant sector and financial experience to discharge its responsibilities and that at least one member has competence in accounting or auditing having a background as a chartered accountant.

Responsibilities

The main duties of the Audit Committee are:

- to monitor the integrity of the Company's Financial Statements and regulatory announcements relating to its financial performance and review significant financial reporting judgements;
- to report to the Board on the appropriateness of the Company's accounting policies and practices;
- to review the valuations of the Company's investments prepared by the Investment Manager, and provide a recommendation to the Board on the valuation of the Company's investments;
- to oversee the relationship with the external auditors, including agreeing their remuneration and terms of engagement, monitoring their independence, objectivity and effectiveness, ensuring that policy surrounding their engagement to provide non-audit services is appropriately applied, and making recommendations to the Board on their appointment, reappointment or removal, for it to put to the Shareholders in general meeting;
- to monitor and consider annually whether there is a need for the Company to have its own internal audit function;
- to keep under review the effectiveness of the Company's internal controls, including financial controls and risk management systems;
- to review and consider the Corporate Governance Code, the AIC Code, the GFSC Code, the AIC Guidance on Audit Committees and the Stewardship Code; and
- to report to the Board on how it has discharged its responsibilities.

The Audit Committee is aware that certain sections of the Annual Report are not subject to formal statutory audit, including the Chairman's Statement and the Investment Manager's Report. Financial information in these sections is reviewed by the Audit Committee.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

The external auditor is invited to attend the Audit Committee meetings at which the Annual Report and Interim Financial Report are considered and at which they have the opportunity to meet with the Committee without representatives of the Investment Manager or Administrator being present at least once per year.

Financial Reporting

The primary role of the Audit Committee in relation to financial reporting is to review with the Administrator, Investment Manager and the external auditor and report to the Board on the appropriateness of the Annual Report and Financial Statements and Interim Financial Report, concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor including going concern and viability statement;
- whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

To aid its review, the Audit Committee considers reports from the Administrator and Investment Manager and also reports from the external auditor on the outcomes of their half-year review and annual audit. The Audit Committee supports Ernst and Young LLP in displaying the necessary professional scepticism their role requires.

Report of the Audit Committee (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

Meetings

During the year ended 31 December 2018, the Audit Committee met formally 4 times and maintained ongoing liaison and discussion between the external auditor and the Chairman of the Audit Committee with regards to the audit approach and the identified risks. The Audit Committee has met on one occasion since the year-end through to the date of this report on 26 February 2019. The matters discussed at those meetings include:

- review of the terms of reference of the audit committee for approval by the Board;
- review of the accounting policies and format of the Financial Statements;
- review and approval of the audit plan of the external auditor;
- discussion and approval of the fee for the external audit;
- detailed review of the valuations of the Company's investment portfolio and recommendation for approval by the Board;
- detailed review of the Annual Report and Financial Statements, Interim Financial Report and quarterly portfolio valuations, and recommendation for approval by the Board;
- assessment of the independence of the external auditor;
- assessment of the effectiveness of the external audit process as described below; and
- review of the Company's key risks and internal controls.

Significant Areas of Judgement Considered by the Audit Committee

The Audit Committee has determined that a key risk of misstatement of the Company's Financial Statements relates to the valuation of the investment in the Partnership at fair value through profit or loss, in the context of the judgements necessary to evaluate market values of the underlying investments held through the Partnership.

The Directors have considered whether any discount or premium should be applied to the net asset value of the Partnership, which is based on the fair value of its underlying investments. In view of the Company's investment in the Partnership and the nature of the Partnership's assets, no adjustment to the net asset value of the Partnership has been made, as this is deemed equivalent to fair value.

The Audit Committee reviews, considers and, if thought appropriate, recommends for the purposes of the Company's Financial Statements, valuations prepared by the Investment Manager in respect of the investments of the Partnership. As outlined in Note 6 to the Financial Statements, the total carrying value of the investment in the Partnership at fair value through profit or loss at 31 December 2018 was \$1,429 million (31 December 2017: \$1,742 million).

Market quotations are not available for this financial asset such that the value of the Company's investment is based on the value of the Company's limited partner capital account with the Partnership, which itself is based on the value of the Partnership's investments as determined by the Investment Manager, along with the cash and fixed deposits held. The valuation for each individual investment held by the Partnership is determined by reference to common industry valuation techniques, including comparable public market valuation, comparable merger and acquisition transaction valuation, and discounted cash flow valuation, as detailed in the Investment Manager's Report and Note 5 to the Financial Statements.

The valuation process and methodology was discussed with the Investment Manager and with the external auditor at the Audit Committee meetings held on 30 October 2018 and 26 February 2019. The Investment Manager has carried out a valuation quarterly and provided a detailed valuation report to the Company at each quarter.

The Audit Committee reviewed the Investment Manager's Report.

The external auditor explained the results of their audit work on valuations. There were no adjustments proposed that were material in the context of the Annual Report and Financial Statements as a whole.

The Audit Committee has reviewed going concern and has considered management's forecasts. Following this review and a discussion of the sensitivities, we confirmed that it continues to be appropriate to follow the going concern basis of accounting in the Financial Statements. Further detail on the basis of the going concern assessment by the Directors is set out on page 29.

For the Viability Statement, the Audit Committee endorsed the selection of a three year time horizon as a basis for the statement and the approach to its development. Further detail on the assessment of viability and the viability statement are set out on pages 29 and 30.

Risk Management

The Board is accountable for carrying out a robust assessment of the principal risks facing the Company, including those threatening its business model, future performance, solvency and liquidity. On behalf of the Board, the Audit Committee reviews the effectiveness of the Company's risk management processes. The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit Committee. The work of the Audit Committee was driven primarily by the Company's assessment of its principal risks and uncertainties as set out in the Corporate Governance Report. The Audit Committee receives reports from the Investment Manager and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified.

Internal Audit

The Audit Committee shall consider at least once a year whether or not there is a need for an internal audit function. Currently, the Audit Committee does not consider there to be a need for an internal audit function, given that there are no employees in the Company and all outsourced functions are with parties who have their own internal controls and procedures.

External Audit

Ernst & Young LLP has been the Company's external auditor since the Company's incorporation. This is the sixth year of audit.

The external auditor is required to rotate the audit partner every five years. The current Ernst & Young lead audit partner, David Moore, started his tenure in 2018 and his current rotation will end with the audit of the 2022 Annual Report and Financial Statements. There are no contractual obligations restricting the choice of external auditor and the Company will put the audit services contract out to tender at least every ten years. Under Companies Law, the reappointment of the external auditor is subject to Shareholder approval at the Annual General Meeting. The Audit Committee will continue to monitor the performance of the external auditor on an annual basis and will consider their independence and objectivity, taking account of appropriate guidelines. In addition, the Committee Chairman will continue to maintain regular contact with the lead audit partner outside the formal Committee meeting schedule, not only to discuss formal agenda items for upcoming meetings, but also to review any other significant matters.

The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor, with particular regard to the level of non-audit fees. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Audit Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. This precludes Ernst & Young LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that Ernst & Young LLP should only be engaged for non-audit services where Ernst & Young LLP are best placed to provide the non-audit service for example, the interim review and reporting accountant services. Note 14 details services provided by Ernst & Young LLP.

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee considers:

- discussions with or reports from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

To assess the effectiveness of the external auditor, the committee reviews:

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit; and
- feedback from other service providers evaluating the performance of the audit team.

The Audit Committee is satisfied with Ernst & Young LLP's effectiveness and independence as external auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above, and having satisfied itself that the external auditor remains independent and effective, the Audit Committee has recommended to the Board that Ernst & Young LLP be reappointed as external auditor for the year ending 31 December 2019.

The Audit Committee has provided the Board with its recommendation to the Shareholders on the re-appointment of Ernst & Young LLP as external auditor for the year ending 31 December 2019. Accordingly, a resolution proposing the reappointment of Ernst & Young LLP as our external auditor will be put to Shareholders at the Annual General Meeting.

On behalf of the Audit Committee



Patrick Firth

Chairman of the Audit Committee
26 February 2019

Independent Auditor's Report to the Members of Riverstone Energy Limited

Riverstone Energy Limited Annual Report and Financial Statements 2018

Opinion

We have audited the Financial Statements of Riverstone Energy Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRS').

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 39 and 40 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on pages 39 and 40 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

- the Directors' statement set out on page 31 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 29 and 30 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters:

We have determined that misstatement or manipulation of the valuation of the Company's investment in Riverstone Energy Investment Partnership, L.P. ("the Partnership") is the only key audit matter for the current year.

Audit scope:

We have audited the Financial Statements of Riverstone Energy Limited for the year ended 31 December 2018.

The audit was led from Guernsey. The audit team included individuals from the Guernsey and New York offices of Ernst & Young LLP and operated as an integrated audit team. In addition, we engaged our oil and gas industry valuation specialists from the Houston office of Ernst & Young in the U.S. who assisted us in auditing the valuation of unquoted investments. The scope of their work was consistent with the prior year. The audit partner and senior members of the engagement team from the Guernsey office, together with members of the team from New York and valuation specialists from Houston, visited the Investment Manager's offices in New York and held discussions with, and assessed the work performed by, the Investment Manager who were responsible for valuing the investments held through the Partnership on behalf of the Board of Directors.

Materiality:

Our materiality was \$28.6 million (2017: \$35 million), which is approximately 2 per cent. of equity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Misstatement or manipulation of the valuation of the Company's investment in the Partnership (\$1,429 million; 2017 \$1,742 million)</p> <p>The fair value of the Company's investment in the Partnership is based on the Net Asset Value of the Partnership which, in turn, is based on the fair values of its net assets including the underlying investments held by the Partnership through the investment structures. Most of the underlying investments, are level three investments as defined in the IFRS hierarchy. Valuing such investments requires significant judgement and estimation as explained in Note 3 to the Financial Statements and in the Audit Committee Report on page 42. It also requires significant industry expertise.</p> <p>The fair values of underlying investments may be misstated or manipulated by applying inappropriate valuation methodologies or metrics or by using inappropriate inputs to the valuation calculations.</p> <p>There is also a risk that proper adjustments are not made in the fair value calculations for the effects that tax and General Partner performance allocation will have on realised and unrealised gains of underlying investments.</p>	<p>Our audit procedures consisted of:</p> <ul style="list-style-type: none"> Updating and confirming our understanding of the Company's processes and methodologies, including the use of industry specific measures, and policies for valuing investments held by Riverstone Energy Investment Partnership, L.P. ("the Partnership"); Obtaining and inspecting the valuation papers and supporting data to assess whether the data used is appropriate and relevant, and challenging the assumptions made by the Investment Manager and Board of Directors of the Company as to whether the fair value of the Company's investment in the Partnership approximates to the net asset value of the Partnership; Attending fair value discussions in relation to 30 September and 31 December 2018 valuations. This included the Investment Manager, EY Guernsey and EY New York audit teams, and EY Houston valuations team; Vouching valuation inputs that do not require specialist knowledge to independent sources and testing the arithmetical accuracy of the Company's calculations; For a sample of investments, engaging EY Houston as valuation specialists to: <ul style="list-style-type: none"> a) use their knowledge of the market to corroborate and challenge the Investment Manager's mark, and their related judgements and valuation inputs including discount rates, forward oil price, production values and recent relevant transaction data; b) assist us to determine whether the methodologies used to value investments were in accordance with methods, particularly those specific to the industry, usually used by market participants; and c) perform procedures to assess whether, in light of market data, it was appropriate to value certain investments at cost. Updating our previous discussions with the Investment Manager with respect to the qualitative factors and other information used to value investments; Performing roll forward procedures to capture fair value changes between 30 September and 31 December 2018, with specific focus on changes in macro factors such as oil prices, geopolitical events and company specific events; Assessing levels of taxation and performance fee/incentive accruals in investment valuations; Reporting to the Audit Committee on the calibration of investment valuations against EY's ranges and comment on those ranges against other market participants. In addition, comment on any specific movements of valuation marks in those ranges in comparison with prior periods; and Identifying the key unobservable inputs to valuations, and reviewing and assessing the reasonableness of the sensitivity workings and disclosures, comparing the Investment Adviser's position with EY's range of acceptable inputs. 	<p>We reported to the Audit Committee that overall there were no material matters arising from our audit work on the valuation of the Company's investment in the Partnership that we wished to bring to their attention.</p> <p>In addition, we reported to the Audit Committee that the weighting applied to the various valuation methodologies used to value the investments could be flexed according to their individual development stages.</p>

Independent Auditor's Report to the Members of Riverstone Energy Limited (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We consider size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

"Materiality" is the magnitude of omissions or misstatements that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be \$28.6 million (2017: \$35 million), which is approximately 2 per cent. (2017: 2 per cent.) of equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We used equity as a basis for determining planning materiality because the Company's primary performance measures for internal and external reporting are based on equity.

Performance materiality

"Performance materiality" is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Based on our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75 per cent. of materiality, namely \$21.5 million (2017: 75 per cent. of materiality, namely \$26.25 million). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the Financial Statements did not exceed our materiality level.

Reporting threshold

"Reporting threshold" is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all audit differences in excess of \$1.4 million (2017: \$1.8 million) which is set at 5 per cent. of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and considering other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report regarding our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 32**
– the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting set out on pages 41 to 43**
– the section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 32**
– the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Financial Statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Robert John Moore, ACA

For and on behalf of Ernst & Young LLP
Guernsey
26 February 2019

Notes:

- (1) The maintenance and integrity of the Company's website is the sole responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
- (2) Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Statement of Financial Position As at 31 December 2018

Riverstone Energy Limited Annual Report and Financial Statements 2018

		31 December 2018 \$'000	31 December 2017 \$'000
	Notes		
Assets			
Non-current assets			
Investment at fair value through profit or loss	6	1,428,985	1,742,457
Total non-current assets		1,428,985	1,742,457
Current assets			
Trade and other receivables		579	545
Cash and cash equivalents	7	2,132	789
Total current assets		2,711	1,334
Total assets		1,431,696	1,743,791
Current liabilities			
Trade and other payables		435	612
Total current liabilities		435	612
Total liabilities		435	612
Net assets		1,431,261	1,743,179
Equity			
Share capital	8	1,246,559	1,317,496
Retained earnings		184,702	425,683
Total equity		1,431,261	1,743,179
Number of Shares in issue at year end	8	79,896,731	84,480,064
Net Asset Value per Share (\$)	13	17.91	20.63

The Financial Statements of the Company were approved and authorised for issue by the Board of Directors on 26 February 2019 and signed on its behalf by:



Richard Hayden
Chairman



Patrick Firth
Director

The accompanying notes on pages 52 to 70 form an integral part of the Company's Financial Statements.

Statement of Comprehensive Income For the year ended 31 December 2018

Riverstone Energy Limited Annual Report and Financial Statements 2018

		1 January 2018 to 31 December 2018 \$'000	1 January 2017 to 31 December 2017 \$'000
	<i>Notes</i>		
Investment (loss) / gain			
Change in fair value of investment at fair value through profit or loss	6	(236,408)	48,151
Expenses			
Directors' fees and expenses	10	(1,077)	(945)
Legal and professional fees		(269)	(271)
Other operating expenses	14	(2,392)	(2,347)
Total expenses		(3,738)	(3,563)
Operating (loss) / profit for the financial year		(240,146)	44,588
Finance (expense) / income			
Foreign exchange (loss) / gain		(849)	23
Interest income		14	10
Total finance (expense) / income		(835)	33
(Loss) / profit for the year		(240,981)	44,621
Total comprehensive (loss) / earnings for the year		(240,981)	44,621
Basic (Loss) / Earnings per Share (cents)	13	(286.87)	52.82
Diluted (Loss) / Earnings per Share (cents)	13	(286.87)	52.82

All activities derive from continuing operations.

The accompanying notes on pages 52 to 70 form an integral part of the Company's Financial Statements.

Statement of Changes in Equity For the year ended 31 December 2018

Riverstone Energy Limited Annual Report and Financial Statements 2018

	Notes	Share capital \$'000	Retained earnings \$'000	Total Equity \$'000
As at 1 January 2018		1,317,496	425,683	1,743,179
Loss for the financial year		–	(240,981)	(240,981)
Total comprehensive expense for the year		–	(240,981)	(240,981)
Transaction with owners				
Cancellation of shares	8	(70,937)	–	(70,937)
Total transaction with owners		(70,937)	–	(70,937)
As at 31 December 2018		1,246,559	184,702	1,431,261

	Notes	Share capital \$'000	Retained earnings \$'000	Total Equity \$'000
As at 1 January 2017		1,317,496	381,062	1,698,558
Profit for the financial year		–	44,621	44,621
Total comprehensive income for the year		–	44,621	44,621
As at 31 December 2017		1,317,496	425,683	1,743,179

The accompanying notes on pages 52 to 70 form an integral part of the Company's Financial Statements.

Statement of Cash Flows For the year ended 31 December 2018

Riverstone Energy Limited Annual Report and Financial Statements 2018

		1 January 2018 to 31 December 2018 \$'000	1 January 2017 to 31 December 2017 \$'000
	Notes		
Cash flow (used in) / generated from operating activities			
Operating (loss) / profit for the financial year		(240,146)	44,588
Adjustments for:			
Net finance income		14	10
Change in fair value of investment at fair value through profit or loss	6	236,408	(48,151)
Movement in trade receivables		(34)	-
Movement in trade payables		(177)	(11)
Net cash used in operating activities		(3,935)	(3,564)
Cash flow generated from investing activities			
Distribution from the Partnership		77,064	1,100
Net cash generated from investing activities		77,064	1,100
Cash flow used in financing activities			
Buyback of shares	8	(70,937)	-
Net cash used in financing activities		(70,937)	-
Net movement in cash and cash equivalents during the year		2,192	(2,464)
Cash and cash equivalents at the beginning of the year		789	3,230
Effect of foreign exchange rate changes		(849)	23
Cash and cash equivalents at the end of the year		2,132	789

The accompanying notes on pages 52 to 70 form an integral part of the Company's Financial Statements.

1. General information

Riverstone Energy Limited is a company limited by shares, which was incorporated on 23 May 2013 in Guernsey with an unlimited life and registered with the GFSC as a Registered Closed-ended Collective Investment Scheme pursuant to the POI Law. The Company's Ordinary Shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its IPO which completed on 29 October 2013. The registered office of the Company is Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY, Channel Islands.

The Company makes its investments through the Partnership, a Cayman Islands registered exempted limited partnership, in which the Company is the sole limited partner. The principal place of business of the Partnership is the Cayman Islands. Both the Company and the Partnership are subject to the Investment Management Agreement with the Investment Manager, a company registered in the Cayman Islands.

The Partnership invests alongside Private Riverstone Funds in all Qualifying Investments in which the Private Riverstone Funds participate. These funds are managed and advised by affiliates of the Investment Manager. Further detail of these investments is provided in the Investment Manager's Report.

2. Accounting policies

Basis of preparation

The Financial Statements for the year ended 31 December 2018 have been prepared in accordance with IFRS and with the Companies Law.

In the preparation of these Financial Statements, the Company followed the same accounting policies and methods of computation as compared with those applied in the previous year.

The new standards or amendments to existing standards and interpretations, effective from 1 January 2018, did not have a material impact of the Company's Financial Statements, as detailed in the Company's Interim Financial Report.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017. However, there was no financial impact and no change to the comparative information for 2017 due to the application of IFRS 9.

(a) Classification and measurement

The Company continues to classify its investment in the Partnership at fair value through profit or loss under IFRS 9. The Company continues to classify its trade receivables and payables at amortised cost under IFRS 9. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI criterion").

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The only assets subject to the ECL model are trade and other receivables and the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The adoption of the ECL model has not given rise to a material change in impairment.

2. Accounting policies (continued)

(c) *Hedge accounting*

The Company does not use hedge accounting.

(d) *Transition disclosures*

The application of IFRS 9 did not change the measurement and presentation of the current financial instruments and therefore there is no impact on the Financial Statements.

IFRS 15 Revenue from Contracts with Customers

The Company considers that it does not have any material revenue streams that fall within the scope of IFRS 15 Revenue from Contracts with Customers and hence that the implementation of IFRS 15 did not have a material impact on its Financial Statements.

Foreign currencies

The functional currency of the Company is U.S. Dollars reflecting the primary economic environment in which the Company operates, that being the exploration and production and midstream energy sectors, where most transactions are expected to take place in U.S. Dollars.

The Company has chosen U.S. Dollars as its presentation currency for financial reporting purposes.

Transactions during the year, including purchases and sales of investments, income and expenses are translated into U.S. Dollars at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than U.S. Dollars are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a currency other than U.S. Dollars are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a currency other than U.S. Dollars are translated using the exchange rates at the date when the fair value was determined. Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the Statement of Comprehensive Income as part of the "Change in fair value of investments at fair value through profit or loss". Exchange differences on other financial instruments are included in profit or loss in the Statement of Comprehensive Income as "Foreign exchange (loss) / gain".

Financial instruments

In accordance with IFRS 9, financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets

When financial assets are recognised initially, they are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

a) *Investment at fair value through profit or loss*

i. *Classification*

The Company's investment in the Partnership has been classified at fair value through profit or loss.

ii. *Measurement*

Investments made by the Company in the Partnership are measured initially and subsequently at fair value, with changes in fair value taken to the Statement of Comprehensive Income.

2. Accounting policies (continued)

iii. Fair value estimation

A summary of the more relevant aspects of IPEV valuations is set out below:

Marketable (Listed) Securities – where an active market exists for the security, the value is stated at the bid price on the last trading day in the period. Marketability discounts are not generally applied unless there is some contractual, governmental or other legally enforceable restriction preventing realisation at the reporting date.

Unlisted Investments – are carried at such fair value as the Investment Manager considers appropriate, and as approved or adjusted by the Board, taking into account the performance of each investee company and the exercise of ratchets, options or other incentive schemes. Methodologies used in arriving at the fair value include prices of recent investment, earnings multiples, net assets, discounted cash flows analysis and industry valuation benchmarks. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (examples include discount rates, forward oil prices, production multiples and multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted for differences between the investment and the referenced comparable.

The Company has determined that the fair value of its investment in the Partnership is \$1,429 million (31 December 2017: \$1,742 million) and is calculated in accordance with applicable IFRS accounting standards and IPEV Valuation Guidelines. No adjustment to the net asset value of the Partnership has been made, as this is deemed equivalent to fair value.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

c) Trade receivables

Trade receivables are classified as financial assets at amortised cost. They are measured at amortised cost less impairment assessed using the simplified approach of the expected credit loss model based on experience of previous losses and expectations of future losses.

A financial asset is derecognised (in whole or in part) either:

- when the Company has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

Financial liabilities

a) Trade payables

Trade payables are classified as financial liabilities at amortised cost.

Equity

The Company's Ordinary Shares are classified as equity and upon issuance, the fair value of the consideration received is included in equity, net of share issue costs (excluding share issue costs of the IPO). All formation and initial expenses of the Company, including the share issue costs of its IPO, which are otherwise chargeable to equity, have been borne by the Investment Manager. In the event that the Investment Management Agreement terminates, the Company would become liable for those costs. For further details please see Note 9.

Finance income

Interest income is recognised on a time apportioned basis.

2. Accounting policies (continued)

Expenses

Expenses include legal, accounting, auditing and other operating expenses. They are recognised on an accruals basis in the Statement of Comprehensive Income in the period in which they are incurred.

Amended standards and interpretations not applied by the Company

The following are relevant amended standards and interpretations in issue effective from 1 January 2019:

Amended standards and interpretations

IAS 12	Income taxes (Amendments resulting from the Annual Improvements: 2015-2017 cycle)	1 January 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments regarding long-term interests in associates and joint ventures)	1 January 2019
IFRS 9	Financial instruments (Amendments on prepayments feature with negative compensation)	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IAS 19	Employee benefits (Amendments on curtailment or settlement)	1 January 2019
IFRS 16	Leases	1 January 2019

3. Significant accounting judgements, estimates and assumptions

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Financial Statements:

Assessment as an Investment Entity

The Company meets the definition of an investment entity on the basis of the following criteria:

1. the Company obtains funds from multiple investors for the purpose of providing those investors with investment management services;
2. the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
3. the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

To determine that the Company meets the definition of an investment entity, further consideration is given to the characteristics of an investment entity that are demonstrated by the Company.

Assessment of control over the Partnership

The Company makes its investments through the Partnership in which it is the sole limited partner.

The Board has assessed whether the Company has all the elements of control as prescribed by IFRS 10 in relation to the Company's investment in the Partnership and has concluded that although the Company is the sole limited partner, it does not control the Partnership but instead has significant influence and therefore accounts for the Partnership as an investment in associate at fair value in accordance with IAS 28.

3. Significant accounting judgements, estimates and assumptions (continued)

Assessment of the Partnership as a structured entity

The Company considers the Partnership to be a structured entity under IFRS 12. Transfer of funds by the Partnership to the Company is determined by the General Partner (see Note 10). The risks associated with the Company's investment in the Partnership are disclosed in Note 11. The summarised financial information for the Company's investment in the Partnership is disclosed in Note 6.

Going concern

The Financial Statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In reaching this conclusion, the Board has considered budgeted and projected results of the business, including projected cash flows, and the risks that could impact the Company's liquidity over the next 12 months from the date of approval of the Financial Statements.

Estimates and assumptions

The area involving a high degree of judgement or complexity and where assumptions and estimates are significant to the Financial Statements has been identified as the risk of misstatement of the valuation of the investment in the Partnership (see Note 5). Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The Board's determination that no discount or premium should be applied to the net asset value of the Partnership involves a degree of judgement due to the nature of the Partnership's investments and other assets and liabilities (see Note 2: Financial assets a) iii.) and the valuation techniques and procedures adopted by the Partnership.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

4. Taxation

The Company has made an election to, and currently expects to conduct its activities so as to be treated as a partnership for U.S. federal income tax purposes. Therefore, the Company expects that it generally will not be liable for U.S. federal income taxes. In the normal course of business, REL may form wholly owned subsidiaries, to be treated as C Corporations for U.S. tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. ECI. The C Corporations file U.S. corporate tax returns with the U.S. IRS and pay U.S. corporate taxes on its income. Each of the Company's Shareholders who are liable for U.S. taxes will take into account its respective share of the Company's items of income, gain, loss and deduction in computing its U.S. federal income tax liability as if such Shareholder had earned such income directly, even if no cash distributions are made to the Shareholder.

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 2008 and is charged an annual exemption fee of £1,200.

The Cayman Islands at present impose no taxes on profit, income, capital gains or appreciations in value of the Partnership. There are also currently no taxes imposed in the Cayman Islands by withholding or otherwise on the Company as a limited partner of the Partnership on profit, income, capital gains or appreciations in respect of its partnership interest nor any taxes on the Company as a limited partner of the Partnership in the nature of estate duty, inheritance or capital transfer tax.

Local taxes may apply at the jurisdictional level on profits arising in operating entity investments. Further taxes may apply on distributions from such operating entity investments. The company is structured, and has structured its investments, to eliminate the incurrence of ECI by REL's investors. Based upon the current commitments and investments in Liberty II, Eagle II, Rock Oil, Fieldwood, Castex 2014, Carrier II, ILX III, and Centennial, the future U.S. tax liability on profits is expected to be in the range of 21 to 27.5 per cent. (31 December 2017: 21 to 27.5 per cent.).

5. Fair value

IFRS 13 'Fair Value Measurement' requires disclosure of fair value measurement by level. The level in the fair value hierarchy within which the financial assets or financial liabilities are categorised is determined on the basis of the lowest level input that is significant to the fair value measurement, adjusted if necessary.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company's only financial instrument carried at fair value is its investment in the Partnership which has been classified within Level 3 as it is derived using unobservable inputs. Amounts classified under Level 3 for the year ended 31 December 2018 were \$1,429 million (31 December 2017: \$1,742 million).

The fair value of all other financial instruments approximates to their carrying value.

Transfers during the period

There have been no transfers between levels during the year ended 31 December 2018 (31 December 2017: Nil).

Any transfers between the levels will be accounted for on the last day of each financial period. Due to the nature of the investment in the Partnership, it is always expected to be classified under Level 3.

Valuation methodology and process

The Directors base the fair value of the investment in the Partnership on the value of its limited partnership capital account received from the General Partner, which is determined on the basis of the fair value of its assets and liabilities, adjusted if necessary, to reflect liquidity, future commitments, and other specific factors of the Partnership and Investment Manager. This is based on the components within the Partnership, principally the value of the Partnership's investments in addition to cash and short-term money market fixed deposits. Any fluctuation in the value of the Partnership's investments in addition to cash and short-term money market fixed deposits held will directly impact on the value of the Company's investment in the Partnership.

The Partnership's investments are valued using the techniques described in the Company's valuation policy. The Investment Manager's assessment of fair value of investments held by the Partnership, through Investment Undertakings, is determined in accordance with IPEV Valuation Guidelines. When valuing the Partnership's investments, the Investment Manager reviews information provided by the underlying investee companies and other business partners and applies IPEV methodologies, to estimate a fair value as at the date of the Statement of Financial Position, subject to Board approval.

It is the opinion of the Directors, that the IPEV valuation methodology used in deriving a fair value is generally not different from the fair value requirements of IFRS 13. In the event that there is a difference, the requirements of IFRS 13 override the IPEV requirements.

Initially, acquisitions are valued at the price of recent investment. Subsequently, and as appropriate, the Investment Manager values the investments on a quarterly basis using common industry valuation techniques, including comparable public market valuation, comparable merger and acquisition transaction valuation and discounted cash flow valuation. For early stage private investments, Riverstone's investment due diligence process includes assumptions about short-term financial results in determining the appropriate purchase price for the investment. The techniques used in determining the fair value of the Company's investments through the Partnership are selected on an investment by investment basis so as to maximise the use of market based observable inputs.

Notes to the Financial Statements For the year ended 31 December 2018

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5. Fair value (continued)

REL's valuation policy is compliant with both IFRS and IPEV Valuation Guidelines and is applied consistently from period to period. As the Company's investments are generally not publicly quoted, valuations require meaningful judgment to establish a range of values, and the ultimate value at which an investment is realised may differ from its most recent valuation and the difference may be significant.

For the year ended 31 December 2018, the valuations of the Company's investments, through the Partnership, are detailed in the Investment Manager's Report.

Quantitative information about Level 3 fair value measurements as at 31 December 2018

Industry: Energy

Fair value of Level 3 investments (in thousands)	Valuation technique(s)	Unobservable input(s)	Range		Weighted Average ⁽¹⁾	Sensitivity of the input to fair value of Level 3 investments	Fair value of Level 3 investments affected by unobservable input ⁽²⁾ (in thousands)
			Low ⁽¹⁾	High ⁽¹⁾			
\$1,055,421	Public comparables	1P Reserve multiple (\$/Boe)	\$12	\$13	\$12	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$352,337
		2P Reserve multiple (\$/Boe)	\$5	\$6	\$6	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$487,771
	Transaction comparables	Acreage Multiple (\$/Boepd per Acre)	\$2,800	\$11,700	\$5,800	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$756,162
		2P / 2C Reserve multiple (\$/BOE) ⁽³⁾	\$7	\$12	\$10	25% weighted average change in the input would result in 2% change in the total fair value of Level 3 investments	\$196,806
	Discounted cash flow	Oil Price Curve (\$/bbl)	\$57	\$68	\$63	20% weighted average change in the input would result in 22% change in the total fair value of Level 3 investments	\$1,055,421
		Gas Price Curve (\$/mcf)	\$3	\$3	\$3	10% weighted average change in the input would result in 3% change in the total fair value of Level 3 investments	\$852,102
		Discount Rate	16%	20%	17%	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$215,313
\$137,689	Other						
\$1,193,110	Total						

5. Fair value (continued)

Quantitative information about Level 3 fair value measurements as at 31 December 2017

Industry: Energy

Fair value of Level 3 investments (in thousands)	Valuation technique(s)	Unobservable input(s)	Range		Weighted Average ⁽¹⁾	Sensitivity of the input to fair value of Level 3 investments	Fair value of Level 3 investments affected by unobservable input ⁽²⁾ (in thousands)
			Low ⁽¹⁾	High ⁽¹⁾			
\$1,260,861	Public comparables	1P Reserve multiple (\$/Boe)	\$12	\$17	\$16	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$234,453
		2P Reserve multiple (\$/Boe) ⁽³⁾	\$7	\$13	\$10	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$760,781
		EV / 2018E EBITDA multiple ⁽³⁾	3.9x	10.1x	6.9x	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$921,913
		EV / 2018E Production multiple (\$/Boepd) ⁽³⁾	\$37,300	\$66,400	\$48,500	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$854,062
	Transaction comparables	Acreage Multiple (\$/Boepd per Acre)	\$2,600	\$12,100	\$5,900	10% weighted average change in the input would result in 1% change in the total fair value of Level 3 investments	\$854,062
	Discounted cash flow	Oil Price Curve (\$/bbl)	\$48	\$57	\$55	10% weighted average change in the input would result in 5% change in the total fair value of Level 3 investments	\$801,465
		Gas Price Curve (\$/mcf)	\$2	\$3	\$3	10% weighted average change in the input would result in 3% change in the total fair value of Level 3 investments	\$801,465
		Discount Rate	16%	25%	19%	10% weighted average change in the input would result in 0.4% change in the total fair value of Level 3 investments	\$217,937
\$233,308	Other						
\$1,494,169	Total						

⁽¹⁾ Calculated based on fair values of the Partnership's Level 3 investments⁽²⁾ Each of the Partnership's Level 3 investments are valued using one or more of the techniques which utilise one or more of the unobservable inputs, so the amounts in the "Fair value of Level 3 investments" column will not aggregate to the total fair value of the Partnership's Level 3 investments⁽³⁾ As at 31 December 2018, the sensitivity of these unobservable inputs to the total fair value of Level 3 investments was determined to be significant by applying the same methodology that determined it not to be significant as at 31 December 2017

Notes to the Financial Statements For the year ended 31 December 2018

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5. Fair value (continued)

The Board reviews and considers the fair value of each of the Partnership's investments arrived at by the Investment Manager before incorporating such values into the fair value of the Partnership. The variety of valuation bases adopted, quality of management information provided by the underlying investee companies and the lack of liquid markets for the investments mean that there are inherent difficulties in determining the fair value of these investments and such difficulties cannot be eliminated. Therefore the amounts realised on the sale of investments may differ from the fair values reflected in these Financial Statements and the differences may be significant.

The Board approves the valuations performed by the Investment Manager and monitors the range of reasonably possible changes in significant observable inputs on a regular basis.

The Directors have considered whether a discount or premium should be applied to the net asset value of the Partnership. In view of the investment in the Partnership and the nature of the Partnership's assets, no adjustment to the net asset value of the Partnership has been deemed to be necessary (see Note 3).

6. Investment at fair value through profit or loss

The movement in fair value is derived from the fair value movements in the underlying investments held by the Partnership, net of income and expenses of the Partnership and its related Investment Undertakings, including any Performance Allocation and applicable taxes.

REL US Centennial Holdings, LLC, a wholly-owned subsidiary of the Partnership, borrowed \$100 million under the terms of the Margin Loan Agreement to finance the Company's additional investment in Centennial, through the Partnership. The Margin Loan Agreement, dated 27 December 2016, was for a term of 18 months to 27 June 2018 and had an annual interest rate cost of 3 month LIBOR plus 3.25 per cent. A security interest was granted by REL US Centennial Holdings, LLC over the shares in Centennial, as collateral for any amounts which may have become due under the Margin Loan Agreement. The principal and interest owed under the Margin Loan Agreement was repaid in full on 6 April 2018.

	31 December 2018 \$'000	31 December 2017 \$'000
Cost		
Brought forward	1,302,335	1,303,435
Distribution from the Partnership	(77,064)	(1,100)
Carried forward	1,225,271	1,302,335
Fair value adjustment through profit or loss		
Brought forward	440,122	391,971
Fair value movement during the year – see Summary Income Statement below	(236,408)	48,151
Carried forward	203,714	440,122
Fair value at year end	1,428,985	1,742,457

Summary financial information for the Partnership

	31 December 2018 \$'000	31 December 2017 \$'000
Summary Balance Sheet		
Investments at fair value (net)	1,307,117	1,683,127
Cash and cash equivalents ⁽¹⁾	40,479	28,166
Money market fixed deposits ⁽¹⁾	87,000	37,501
Management fee payable – see Note 10	(5,367)	(6,537)
Other net assets	(244)	200
Fair value of REL's investment in the Partnership	1,428,985	1,742,457

⁽¹⁾ These figures are comprised of \$127.5 million held at the Partnership and \$7.1 million held at REL US Corp. Based on current and cumulative earnings and profit, the distribution of cash from REL US Corp to the Partnership for the year ended 31 December 2018 is subject to the U.S. federal tax rate of 5%, or \$4.5 million as of 31 December 2018

6. Investment at fair value through profit or loss (continued)

Summary financial information for the Partnership (continued)

	31 December 2018 \$'000	31 December 2017 \$'000
Reconciliation of Partnership's investments at fair value		
Investments at fair value – Level 1 (gross)	167,283	392,504
Investments at fair value – Level 3 (gross) – see Note 5	1,193,109	1,494,169
Investments at fair value (gross)	1,360,392	1,886,673
Margin Loan Agreement – see above	–	(100,000)
Accrued General Partner performance allocation – see Note 10	(55,863)	(138,151)
Provision for taxation – see Note 4	(4,500)	(46,433)
Cash and cash equivalents	7,088	81,038
Partnership's investments at fair value (net)	1,307,117	1,683,127
	1 January 2018 to 31 December 2018 \$'000	1 January 2017 to 31 December 2017 \$'000
Summary Income Statement		
Unrealised and realised (loss) / gain on Partnership's investments (net)	(210,941)	79,280
Interest and other income	2,871	1,339
Management fee expense – see Note 10	(25,008)	(25,729)
Other operating expenses	(3,330)	(6,739)
Portion of the operating (loss) / profit for the year attributable to REL's investment in the Partnership	(236,408)	48,151
	1 January 2018 to 31 December 2018 \$'000	1 January 2017 to 31 December 2017 \$'000
Reconciliation of unrealised and realised (loss) / gain on Partnership's investments		
Unrealised loss on Partnership's investments (gross)	(375,237)	(16,690)
Realised gain on Partnership's investments (gross)	67,168	32,317
Income from Partnership's investments (gross)	1,573	5,864
General Partner's performance allocation – see Note 10	53,611	(16,288)
Release of provision for taxation – see Note 4	41,944	74,077
Unrealised and realised (loss) / gain on Partnership's investments (net)	(210,941)	79,280

7. Cash and cash equivalents

These comprise cash and short-term bank deposits available on demand. The carrying amounts of these assets approximate to their fair value.

Notes to the Financial Statements For the year ended 31 December 2018

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8. Share capital

	31 December 2018 \$'000	31 December 2017 \$'000
Authorised:		
Ordinary Shares of no par value	Unlimited	Unlimited
	Total No.	Total No.
Issued and fully paid:		
Unlimited Shares of no par value		
Shares as at inception	-	-
Issued on 23 May 2013	1	1
Issued on 29 October 2013	71,032,057	71,032,057
Issued on 10 October 2014	5,000,000	5,000,000
Issued on 11 December 2015	8,448,006	8,448,006
Cancelled on 23 November 2018	(4,583,333)	-
Shares as at year end	79,896,731	84,480,064
Share capital	\$'000	\$'000
Share capital brought forward	1,317,496	1,317,496
Movements for the period:		
Cancellation of shares	(70,937)	-
Share capital as at year end	1,246,559	1,317,496

The Company has one class of Ordinary Shares. The issued nominal value of the Ordinary Shares represents 100 per cent. of the total issued nominal value of all share capital. Under the Company's Articles of Incorporation, on a show of hands, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every Share held.

Shareholders are entitled to all dividends paid by the Company and, on a winding up, providing the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the surplus assets of the Company. The Ordinary Shares have no right to fixed income.

On 15 October 2018, the Company announced a Tender Offer for £55.0 million in the value of the Company's Ordinary Shares. The Company acquired 4,583,333 Ordinary Shares which were cancelled on 23 November 2018.

Following the cancellation of Ordinary Shares from the Tender Offer, the share capital of the Company is 79,896,731 Ordinary Shares in aggregate.

9. Contingent liabilities

Contingent liabilities are potential future cash outflows where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

Formation and initial expenses

The formation and initial expenses of the Company totalling \$22.5 million have been paid in full by the Investment Manager. However, if the Investment Management Agreement is terminated by the Company on or before the seventh anniversary of Admission (other than for a material breach by the Investment Manager attributable to its fraud) the Company will be required to reimburse the Investment Manager in respect of the formation and initial expenses of the Company and the costs and the expenses of the Issue to the full extent that such costs and expenses were borne by the Investment Manager. At this time, the Directors consider the likelihood of the Investment Management Agreement being terminated by the Company to be remote.

10. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

Directors

The Company has eight Non-executive Directors (31 December 2017: eight). The Chairman is entitled to annual remuneration of £132,000 (31 December 2017: £132,000). The Chairman of the Audit Committee is entitled to annual remuneration of £82,500 (31 December 2017: £82,500) and the Chairman of the Management Engagement Committee is entitled to annual remuneration of £71,500 (31 December 2017: £71,500). The other independent Directors are entitled to annual remuneration of £66,000 (31 December 2017: £66,000). The three non-independent Directors (31 December 2017: three) have chosen not to be remunerated by the Company for their services.

Directors' fees and expenses for the year ended 31 December 2018 amounted to \$1,077,392 (31 December 2017: \$944,878), \$Nil of Directors' expenses were outstanding at year-end (31 December 2017: \$409).

Messrs Lapeyre and Leuschen are senior executives of Riverstone and have direct or indirect economic interests in affiliates and/or related parties of the Investment Manager, which holds the founder Ordinary Share of the Company, the General Partner, the general partner of Fund V, Riverstone Equity Partners, Riverstone Investment Group LLC, REL Coinvestment, LP and Other Riverstone Funds. REL Coinvestment, LP was subject to lock-up restrictions for two years from admission.

Messrs Barker and Hayden have direct or indirect economic interests in Other Riverstone Funds as investors.

Investment Manager

The Investment Manager, an affiliate of Riverstone, provides advice to the Company and the Partnership on the origination and completion of new investments, on the management of the portfolio and on realisations, as well as on funding requirements, subject to Board approval. For the provision of services under the Investment Management Agreement, the Investment Manager is paid in cash out of the assets of the Partnership an annual Management Fee equal to 1.5 per cent. per annum of the Company's Net Asset Value (including cash). The fee is payable quarterly in arrears and each payment is calculated using the quarterly Net Asset Value as at the relevant quarter end.

The Investment Manager has agreed to deduct from its annual Management Fee all fees, travel costs and related expenses of the Directors exceeding the following annual limits:

Portion of NAV	Limit (as a percentage of the then last published NAV)
Up to and including £500 million	0.084 per cent.
From £500 million to and including £600 million	0.084 per cent. at £500 million and thereafter adjusted downwards proportionately to NAV to 0.07 per cent. at £600 million
From £600 million to and including £700 million	0.07 per cent. at £600 million and thereafter adjusted downwards proportionately to NAV to 0.06 per cent. at £700 million
Above £700 million	0.06 per cent.

The above limits are subject to adjustment by agreement between the Investment Manager and the Company acting by its independent Directors. Based on the last published NAV as of 31 December 2018, the maximum amount of annual fees, travel and related expenses of the Directors is \$1,231,550 (31 December 2017: \$1,212,307). During the year ended 31 December 2018, fees and expenses of the Directors amounted to \$1,077,392 (31 December 2017: \$944,878), therefore no reduction in the 31 December 2018 quarter-end management fee (31 December 2017: no reduction of the quarter-end management fee).

During the year ended 31 December 2018, the Partnership incurred Management Fees of \$25,008,427 (31 December 2017: \$25,728,585) of which \$5,367,224 remained outstanding as at the year-end (31 December 2017: \$6,536,923). In addition, the Company and Partnership, in aggregate, reimbursed the Investment Manager \$1,201,087 in respect of its expenses for the year (31 December 2017: \$1,581,732).

10. Related party transactions (continued)

The circumstances in which the Company and the Investment Manager may terminate the Investment Management Agreement are as follows:

Event	Notice period	Consequences of termination ⁽²⁾
By the Company if the Investment Manager is in material breach which has not been rectified	12 months	The General Partner is entitled to receive a payment equal to four times the quarterly Management Fee payable to the Investment Manager on the basis of the Company's most recent Net Asset Value and an amount equal to the Performance Allocation due on the Company's investments on the basis, at the Company's option, of the latest quarterly valuation or the actual realisation value for each investment.
By the Investment Manager if the Company is in material breach which has not been rectified	12 months	The General Partner is entitled to receive a payment equal to twenty times the quarterly Management Fee payable to the Investment Manager on the basis of the Company's most recent Net Asset Value and an amount equal to the Performance Allocation due on the Company's investments on the basis, at the General Partner's option, of the latest quarterly valuation or the actual realisation value for each investment.
By the Company if the Investment Manager becomes insolvent or resolves to wind up or if the Investment Manager commits an act of fraud or wilful default in relation to the Company which results in material harm to the Company	Immediate	No payment to be made to the Investment Manager or the General Partner.
By the Investment Manager if the Company becomes insolvent or resolves to wind up, undergoes a change of control and delists, ceases to maintain its Guernsey regulatory approval or, if in each case if the consent of the Investment Manager is not obtained, the Company materially changes its investment policy, raises new equity, makes a distribution or acquires or disposes of an investment	Immediate	The General Partner is entitled to receive a payment equal to twenty times the quarterly Management Fee payable to the Investment Manager on the basis of the Company's most recent Net Asset Value and an amount equal to the Performance Allocation due on the Company's investments on the basis, at the General Partner's option, of the latest quarterly valuation or the actual realisation value for each investment.
If a Discontinuation Resolution ⁽¹⁾ is passed	Immediate	The General Partner will be entitled to receive a payment equal to twenty times the quarterly Management Fee payable to the Investment Manager on the basis of the Company's most recent Net Asset Value and an amount equal to the Performance Allocation due on the Company's investments on the basis, at the General Partner's option, of the latest quarterly valuation or the actual realisation value for each investment.

⁽¹⁾ If, on 29 October 2020 (the seventh anniversary of the Company's London listing), both of the following are true:

- the trading price for the Company's Ordinary Shares has not at any time exceeded €14.70 (initially €15.00, subject to adjustments for dividends, stock splits or consolidations and below NAV equity issuances); and
- a gross IRR of 8 per cent. has not been achieved on the Company's capital, calculated by reference to the prevailing valuation or sale proceeds achieved on each of the Company's investments from the date of the initial investment or commitment of capital to that investment and prior to the deduction of fees or taxes,

then a special resolution must be proposed to the Company's Shareholders to discontinue the Company ("Discontinuation Resolution"). Both tests must be triggered for the requirement to propose a Discontinuation Resolution to apply.

⁽²⁾ In addition, if the Investment Management Agreement is terminated on or before 29 October 2020 other than for a material breach by the Investment Manager attributable to its fraud, the Company is required to reimburse the Investment Manager (or its associates) in full in respect of all expenses relating to the formation and initial listing of the Company incurred by the Investment Manager and its associates.

The Investment Management Agreement cannot be terminated by either the Company or the Investment Manager without cause.

If a Discontinuation Resolution is proposed and not passed, or if, on 29 October 2020, the tests requiring a Discontinuation Resolution are not triggered, the Investment Management Agreement will thereafter continue in perpetuity subject to the termination for cause provisions described above.

10. Related party transactions (continued)

General Partner

The General Partner makes all management decisions, other than investment management decisions, in relation to the Partnership and controls all other actions by the Partnership and is entitled to receive a Performance Allocation, calculated and payable at the underlying investment holding subsidiary level, equal to 20 per cent. of the gross realised profits (if any) in respect of a disposal, in whole or in part, of any underlying asset of the Company, subject to aggregation and clawback of any over-payments in the case of partial disposals of investments.

The General Partner is entitled to receive its Performance Allocation in cash, all of which, after tax, Riverstone, through its affiliate RELCP, reinvests in Ordinary Shares of the Company on the terms summarised in Part I and Part VIII of the IPO Prospectus.

During the year ended 31 December 2018, the Partnership paid Performance Allocations of \$28,677,639 (31 December 2017: \$10,301,397) of which \$55,862,746 remained outstanding as at the year end (31 December 2017: \$138,151,089).

Cornerstone Investors

Each of the Cornerstone Investors has acquired an indirect economic interest in each of the General Partner and the Investment Manager depending on the size of their commitment and the total issue size, up to an aggregate maximum indirect economic interest of 20 per cent. in each, for nominal consideration. These interests entitle the Cornerstone Investors to participate in the economic returns generated by the General Partner, including from the Performance Allocation, and the Investment Manager, which receives the Management Fee.

11. Financial risk management

Financial risk management objectives

The Company's investing activities, through its investment in the Partnership, intentionally expose it to various types of risks that are associated with the underlying investee companies of the Partnership. The Company makes the investment in order to generate returns in accordance with its investment policy and objectives.

The most important types of financial risks to which the Company is exposed are market risk (including price, interest rate and foreign currency risk), liquidity risk and credit risk. The Board of Directors has overall responsibility for the determination of the Company's risk management and sets policy to manage that risk at an acceptable level to achieve those objectives. The policy and process for measuring and mitigating each of the main risks are described below.

The Investment Manager and the Administrator provide advice to the Company which allows it to monitor and manage financial risks relating to its operations through internal risk reports which analyse exposures by degree and magnitude of risks. The Investment Manager and the Administrator report to the Board on a quarterly basis.

Categories of financial instruments

	31 December 2018 \$'000	31 December 2017 \$'000
Financial assets		
<i>Investment at fair value through profit or loss:</i>		
Investment in the Partnership	1,428,985	1,742,457
<i>Other financial assets:</i>		
Cash and cash equivalents	2,132	789
Trade and other receivables	579	545
Financial liabilities		
<i>Financial liabilities:</i>		
Trade and other payables	(435)	(612)

11. Financial risk management (continued)

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the capital return to Shareholders. The capital structure of the Company consists of issued share capital and retained earnings, as stated in the Statement of Financial Position.

In order to maintain or adjust the capital structure, the Company may buy back shares or issue new shares. There are no external capital requirements imposed on the Company.

During the year ended 31 December 2018 and 2017, the Company itself had no borrowings. However, as disclosed in note 6, REL US Centennial Holdings, LLC had borrowed \$100 million under the terms of the Margin Loan Agreement, which was repaid during the year.

The Company's investment policy is set out in the Investment Policy section of the Annual Report.

Market risk

Market risk includes price risk, foreign currency risk and interest rate risk.

(a) Price risk

The underlying investments held by the Partnership present a potential risk of loss of capital to the Partnership and hence to the Company. The Company invests through the Partnership. Price risk arises from uncertainty about future prices of underlying financial investments held by the Partnership, which at year-end was \$1,360,392 (31 December 2017: \$1,886,673). Please refer to Note 5 on pages 58 and 59 for quantitative information about the fair value measurements of the Partnership's Level 3 investments.

The Partnership is exposed to a variety of risks which may have an impact on the carrying value of the Company's investment in the Partnership. The Partnership's risk factors are set out in (a)(i) to (a)(iii) below.

(i) Not actively traded

The Partnership's investments are not generally traded in an active market but are indirectly exposed to market price risk arising from uncertainties about future values of the investments held. The underlying investments of the Partnership vary as to industry sub-sector, geographic distribution of operations and size, all of which may impact the susceptibility of their valuation to uncertainty.

Although the investments are in the same industry, this risk is managed through careful selection of investments within the specified limits of the investment policy. The investments are monitored on a regular basis by the Investment Manager.

(ii) Concentration

The Company, through the Partnership, invests in the global energy sector, with a particular focus on businesses that engage in oil and gas exploration and production and midstream investments in that sector. This means that the Company is exposed to the concentration risk of only making investments in the global energy sector, which concentration risk may further relate to sub-sector, geography, and the relative size of an investment or other factors. Whilst the Company is subject to the investment and diversification restrictions in its investment policy, within those limits, material concentrations of investments have arisen.

The Board and the Investment Manager monitor the concentration of the investment in the Partnership on a quarterly basis to ensure compliance with the investment policy.

(iii) Liquidity

The Company's underlying investments through the Partnership are dynamic in nature. The Partnership will maintain flexibility in funding by keeping sufficient liquidity in cash and cash equivalents which may be invested on a temporary basis in line with the cash management policy as agreed by the Board from time to time.

As at 31 December 2018, \$135⁽¹⁾ million or 9.4 per cent. (31 December 2017: \$147 million or 8.4 per cent.) of the Partnership's financial assets, including those held by its wholly-owned subsidiaries, REL US Corp and REL US Centennial Holdings, LLC, were money market fixed deposits and cash balances held on deposit with several, A or higher rated, banks. All of these assets have maturities of less than one year.

⁽¹⁾ This figure is comprised of \$127.5 million held at the Partnership and \$7.1 million held at REL US Corp. Based on current and cumulative earnings and profit, the distribution of cash from REL US Corp to the Partnership for the year ended 31 December 2018 is subject to the U.S. federal tax rate of 5%, or \$4.5 million as of 31 December 2018

11. Financial risk management (continued)

(b) Foreign currency risk

The Company has exposure to foreign currency risk due to the payment of some expenses in Pounds Sterling. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than the U.S. Dollar. Any exposure to foreign currency risk at the underlying investment level is captured within price risk.

The following tables sets out, in U.S. Dollars, the Company's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

Assets	\$ \$'000	£ \$'000	€ \$'000	Total \$'000
Non-current assets				
Investment in the Partnership ⁽¹⁾	1,428,985	–	–	1,428,985
Total non-current assets	1,428,985	–	–	1,428,985
Current assets				
Trade and other receivables	579	–	–	579
Cash and cash equivalents	1,306	826	–	2,132
Total current assets	1,885	826	–	2,711
Current liabilities				
Trade and other payables	205	230	–	435
Total current liabilities	205	230	–	435
Total net assets	1,430,662	599	–	1,431,261

As at 31 December 2017

Assets	\$ \$'000	£ \$'000	€ \$'000	Total \$'000
Non-current assets				
Investment in the Partnership ⁽¹⁾	1,742,457	–	–	1,742,457
Total non-current assets	1,742,457	–	–	1,742,457
Current assets				
Trade and other receivables	545	–	–	545
Cash and cash equivalents	667	122	–	789
Total current assets	1,212	122	–	1,334
Current liabilities				
Trade and other payables	128	454	30	612
Total current liabilities	128	454	30	612
Total net assets	1,743,541	(332)	(30)	1,743,179

The Directors do not consider that the foreign currency exchange risk at the balance sheet date is material and therefore sensitivity analysis for the foreign currency risk has not been provided.

⁽¹⁾ Includes the fair value of two investments held through the Partnership, Hammerhead and CNOR, denominated in CAD and therefore subject to foreign currency risk. These two investments had an aggregate fair value of \$487.8 million as at 31 December 2018 (31 December 2017: \$621.5 million)

11. Financial risk management (continued)

(c) Interest Rate Risk

The Company's exposure to interest rate risk relates to the Company's cash and cash equivalents held through the Partnership. The Company is subject to risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. As at the date of the Statement of Financial Position, the majority of the Company's cash and cash equivalents were held on interest bearing fixed deposit accounts at the Partnership. Any exposure to interest rate risk at the underlying investment level is captured within price risk.

The Company has no other interest-bearing assets or liabilities as at the reporting date. As a consequence, the Company is only exposed to variable market interest rate risk. Management does not expect any significant change in interest rates that would have a material impact on the financial performance of the Company in the near future, therefore sensitivity analysis for the interest rate risk has not been provided.

	31 December 2018 \$'000	31 December 2017 \$'000
Non-interest bearing		
Cash and cash equivalents	2,132	789

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors.

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price.

The Company adopts a prudent approach to liquidity management and through the preparation of budgets and cash flow forecasts maintains sufficient cash reserves to meet its obligations. The Company received working capital distributions of \$5.7 million from the Partnership in 2018 (2017: \$1.1 million), to meet its forecasted liabilities. Additionally, the Company received a \$71.5 million distribution from the Partnership to settle the share buyback in Q4 2018. In accordance with section 4.1(a) of the Partnership Agreement, in the event of the Company requiring additional funds for working capital, it is entitled to receive another distribution from the Partnership.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Any exposure to credit risk at the underlying investment level is captured within price risk.

The carrying value of the investment in the Partnership as at 31 December 2018 was \$1,429 million (31 December 2017: \$1,742 million).

Financial assets mainly consist of cash and cash equivalents and investments at fair value through profit or loss. The Company's risk on liquid funds is reduced because it can only deposit monies with institutions with a minimum credit rating of "single A". The Company mitigates its credit risk exposure on its investment at fair value through profit or loss by the exercise of due diligence on the counterparties of the Partnership, its General Partner and the Investment Manager.

The table below shows the material cash balances and the credit rating for the counterparties used at the year-end date:

Counterparty	Location	Rating	31 December 2018 \$'000	31 December 2017 \$'000
ABN Amro (Guernsey) Limited	Guernsey	A	2,132	789

11. Financial risk management (continued)

The Company's maximum exposure to loss of capital at the year-end is shown below:

	Carrying Value and Maximum exposure \$'000
31 December 2018	
Investment at fair value through profit or loss:	
Investment in the Partnership	1,428,985
Other financial assets (including cash and cash equivalents but excluding prepayments)	2,132
	Carrying Value and Maximum exposure \$'000
31 December 2017	
Investment at fair value through profit or loss:	
Investment in the Partnership	1,742,457
Other financial assets (including cash and cash equivalents but excluding prepayments)	789

Gearing

As at the date of these Financial Statements the Company itself has no gearing. The Company may have indirect gearing through the operations of the underlying investee companies.

12. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, as a whole. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the Total Return on the Company's Net Asset Value and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the Financial Statements.

For management purposes, the Company is organised into one main operating segment, which invests in one limited partnership.

All of the Company's income is derived from within Guernsey and the Cayman Islands.

All of the Company's non-current assets are located in the Cayman Islands.

Due to the Company's nature, it has no customers.

13. Earnings per Share and Net Asset Value per Share

Earnings per Share

	31 December 2018		31 December 2017	
	Basic	Diluted	Basic	Diluted
(Loss) / profit for the year (\$'000)	(240,981)	(240,981)	44,621	44,621
Weighted average numbers of Shares in issue	84,002,895	84,002,895	84,480,064	84,480,064
EPS (cents)	(286.87)	(286.87)	52.82	52.82

Notes to the Financial Statements For the year ended 31 December 2018

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13. Earnings per Share and Net Asset Value per Share (continued)

The Earnings per Share is based on the profit or loss of the Company for the year and on the weighted average number of Shares the Company had in issue for the year ended 31 December 2018.

The weighted average number of Shares during the year is 84,002,895 and due to the cancellation of 4,583,333 Ordinary Shares on 23 November 2018 the quantity of Shares in issue as at 31 December 2018 is 79,896,731.

There are no dilutive Shares in issue as at 31 December 2018.

Net Asset Value per Share

	31 December 2018	31 December 2017
NAV (\$'000)	1,431,261	1,743,179
Number of Shares in issue	79,896,731	84,480,064
Net Asset Value per Share (\$)	17.91	20.63
Net Asset Value per Share (£)	14.06	15.27
Discount to NAV (per cent.)	23.45	19.15

The Net Asset Value per Share is arrived at by dividing the net assets as at the date of the Statement of Financial Position by the number of Ordinary Shares in issue at that date. The Discount to NAV is arrived at by calculating the percentage discount of the Company's Net Asset Value per Share to the Company's closing Share price as at the date of the Statement of Financial Position.

14. Auditor's Remuneration

Other operating expenses include all fees payable to the auditor, which can be analysed as follows:

	2018 \$'000	2017 \$'000
Ernst & Young LLP Audit fees	378	434
	2018 \$'000	2017 \$'000
Ernst & Young LLP (United Kingdom) Interim Review fees	146	136
Ernst & Young Business Services S.à r.l Non-Assurance services	57	30
Ernst & Young (United States) Tax Compliance fees	25	–
Ernst & Young ISAE 3000 fee	52	–
Ernst & Young Non-Audit fees	280	166

15. Subsequent Events

In January 2019, REL announced the sale of Meritage III to a newly formed joint venture between SemGroup Corporation (NYSE: SEMG) and KKR & Co. Inc., for aggregate gross proceeds of C\$600 million (US\$449 million). The transaction closed during the first quarter of 2019. The consideration to be received by REL is composed of cash approximately consistent with Meritage III's current valuation. As of 31 December 2018, REL's interest in Meritage III, through the Partnership, was valued at 2.0x Gross MOIC⁽¹⁾ or \$79.5 million.

In February 2019, REL, through the Partnership, approved up to a \$22 million commitment to fund the acquisition of three refined product tankers in partnership with the Ridgebury Tankers LLC management team. This transaction in the energy services sector, in which Private Riverstone Funds will not be investing, is representative of REL's modified investment approach and provides diversification for the portfolio through an opportunity we believe has an attractive return profile.

Glossary of Capitalised Defined Terms

Riverstone Energy Limited Annual Report and Financial Statements 2018

"1P reserve" means proven reserves;

"2P reserve" means proven and probable reserves;

"Administrator" means Estera International Fund Managers (Guernsey) Limited;

"Admission" means admission, on 29 October 2013, to the Official List and/or admission to trading on the London Stock Exchange, as the context may require, of the Ordinary Shares becoming effective in accordance with the Listing Rules and/or the LSE Admission Standards as the context may require;

"AEI Rules" means Automatic Exchange of Information;

"AIC" means the Association of Investment Companies;

"AIC Code" means the AIC Code of Corporate Governance;

"AIC Guide" means the AIC Corporate Governance Guide for Investment Companies;

"AIF" means Alternative Investment Funds;

"AIFM" means AIF Manager;

"AIFMD" means EU Alternative Investment Fund Managers Directive (No. 2011/61EU);

"Annual General Meeting" or **"AGM"** means the general meeting of the Company;

"Annual Report and Financial Statements" means the annual publication of the Company provided to the Shareholders to describe their operations and financial conditions, together with their Financial Statements;

"Articles of Incorporation" or **"Articles"** means the articles of incorporation of the Company, as amended from time to time;

"Audit Committee" means a formal committee of the Board with defined terms of reference;

"bbl" means barrel of crude oil;

"Board" or **"Directors"** means the directors of the Company;

"boepd" means barrels of equivalent oil per day;

"bopd" means barrels of oil per day;

"CAD" or **"C\$"** means Canadian dollar;

"CanEra III" means CanEra Inc.;

"CAR" means Capital Adequacy Ratio;

"Carrier II" means Carrier Energy Partners II LLC;

"Castex 2005" means Castex Energy 2005 LLC;

"Castex 2014" means Castex Energy 2014 LLC;

"Centennial" means Centennial Resource Development, Inc.;

"CNOR" means the Canadian Non-Operated Resources LP;

"Companies Law" means the Companies (Guernsey) Law, 2008, (as amended);

"Company" or **"REL"** means Riverstone Energy Limited;

"Company Secretary" means Estera International Fund Managers (Guernsey) Limited;

"Cornerstone Investors" means those investors who have acquired Ordinary Shares and acquired a minority economic interest in the General Partner and in the Investment Manager, being AKRC Investments LLC, Casita, L.P., KFI, Hunt and McNair;

"Corporate Brokers" means JP Morgan Cazenove and Numis Securities Limited (effective from 26 February 2019);

"Corporate Governance Code" means The UK Corporate Governance Code 2016 as published by the Financial Reporting Council;

"C Corporations" means a C Corporation, under U.S. federal income tax law, being a corporation that is taxed separately from its owners;

"CRAR" means Capital to Risk (Weighted) Assets Ratio;

"CRS" means Common Reporting Standard;

"Depository" means Estera Depository Company (UK) Limited;

"Discontinuation Resolution" means a special resolution that must be proposed to the Company's Shareholders to discontinue the Company within six weeks of the seventh anniversary of the Company's first Admission if the trading price has not met the Target Price, and the Invested Capital Target Return has not been met;

"Discount to NAV" means the situation where the Ordinary shares of the Company are trading at a price lower than the Company's Net Asset Value;

Glossary of Capitalised Defined Terms (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

“Disclosure Guidance and Transparency Rules” or “DTRs” mean the disclosure guidance published by the FCA and the transparency rules made by the FCA under section 73A of FSMA;

“E&P” means exploration and production;

“Eagle II” means Eagle Energy Exploration, LLC;

“Earnings per Share” or “EPS” means the Earnings per Ordinary Share and is expressed in U.S. dollars;

“EBITDA” means earnings before interest, taxes, depreciation and amortisation;

“ECI” means effectively connected income, which refers to all income from sources within the United States connected with the conduct of a trade or business;

“ECL” means expected credit loss;

“EEA” means European Economic Area;

“EGM” means an Extraordinary General Meeting of the Company;

“EU” means the European Union;

“EV” means enterprise value;

“FATCA” means Foreign Account Tax Compliance Act;

“FCA” means the UK Financial Conduct Authority (or its successor bodies);

“Fieldwood” means Fieldwood Energy LLC;

“Financial Statements” means the audited financial statements of the Company, including the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and associated notes;

“FRC” means Financial Reporting Council;

“Fund V” means Riverstone Global Energy & Power Fund V, L.P.;

“Fund VI” means Riverstone Global Energy & Power Fund VI, L.P.;

“General Partner” means REL IP General Partner LP (acting through its general partner, REL IP General Partner Limited), the general partner of the Partnership and a member of the Riverstone group;

“GFSC” or “Commission” means the Guernsey Financial Services Commission;

“GFSC Code” means the GFSC Finance Sector Code of Corporate Governance;

“GoM” means the Gulf of Mexico;

“Gross IRR” means an aggregate, annual, compound, gross internal rate of return on investments. Gross IRR does not reflect expenses to be borne by the relevant investment vehicle or its investors including, without limitation, carried interest, management fees, taxes and organisational, partnership or transaction expenses;

“Gross MOIC” means gross multiple of invested capital;

“Hammerhead” means Hammerhead Resources Inc. (formerly Canadian International Oil Corp.);

“Hunt” means Hunt REL Holdings LLC together with various members of Ray L. Hunt’s family and their related entities;

“IAS” means international accounting standards as issued by the Board of the International Accounting Standards Committee;

“IFRS” means the International Financial Reporting Standards, being the principles-based accounting standards, interpretations and the framework by that name issued by the International Accounting Standards Board, as adopted by the EU;

“ILX III” means ILX Holdings III LLC;

“Interim Financial Report” means the Company’s half yearly report and unaudited interim condensed financial statements for the period ended 30 June;

“Investment Manager” or “RIL” means Riverstone International Limited which is majority-owned and controlled by Riverstone;

“Investment Management Agreement” means the investment management agreement dated 24 September 2013 between RIL, the Company and the Partnership (acting through its General Partner) under which RIL is appointed as the Investment Manager of both the Company and the Partnership;

“Invested Capital Target Return” means, as defined in the Articles, the Gross IRR of 8 per cent. on the portion of the proceeds of the Issue (as such term is defined in the Company’s Prospectus) that have been invested or committed to an investment (“Invested Capital”) in respect of the period from the dates of investment or commitment of that Invested Capital (being the dates from which a Management Fee has been paid in respect of that Invested Capital) to the seventh anniversary of the first Admission, calculated by reference to the prevailing U.S. dollar valuations (as of the seventh anniversary of the first Admission (or earlier disposal)) of the investment acquired with that Invested Capital and sales proceeds of investments that have been disposed of prior to such seventh anniversary and taking account of any distributions made on those investments prior to the seventh anniversary of the first Admission;

“Investment Undertaking” means the Partnership, any intermediate holding or investing entities that the Company or the Partnership may establish from time to time for the purposes of efficient portfolio management and to assist with tax planning generally and any subsidiary undertaking of the Company or the Partnership from time to time;

“IPEV Valuation Guidelines” means the International Private Equity and Venture Capital Valuation Guidelines;

“IPO” means the initial public offering of shares by a private company to the public;

“IRS” means the Internal Revenue Service, the revenue service of the U.S. federal government;

“ISAE 3402” means International Standard on Assurance Engagements 3402, “Assurance Reports on Controls at a Service Organisation”;

“ISA” means International Standards on Auditing (UK);

“ISIN” means an International Securities Identification Number;

“KFI” means Kendall Family Investments, LLC, a cornerstone investor in the Company;

“Liberty II” means Liberty Resources II LLC;

“Listing Rules” means the listing rules made by the UK Listing Authority under section 73A Financial Services and Markets Act 2000;

“London Stock Exchange” or **“LSE”** means London Stock Exchange plc;

“LSE Admission Standards” means the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the Official List;

“M&A” means mergers and acquisitions;

“Management Engagement Committee” means a formal committee of the Board with defined terms of reference;

“Management Fee” means the management fee to which RIL is entitled;

“Margin Loan Agreement” means the margin loan agreement dated 27 December 2016 entered into by REL US Centennial Holdings, LLC;

“McNair” means RCM Financial Services, L.P. for the purposes of acquiring Ordinary Shares and Palmetto for the purposes of acquiring a minority economic interest in the General Partner and the Investment Manager;

“Meritage III” means Meritage Midstream Services III, L.P.;

“mmboe” means million barrels of oil equivalent;

“mcfe” means thousand cubic feet equivalent (natural gas);

“NASDAQ” means National Association of Securities Dealers Automated Quotations Stock Market;

“NAV per Share” means the Net Asset Value per Ordinary Share;

“Net Asset Value” or **“NAV”** means the value of the assets of the Company less its liabilities as calculated in accordance with the Company’s valuation policy and expressed in U.S. dollars;

“Net IRR” means an aggregate, annual, compound, gross internal rate of return on investments, net of taxes and carried interest on gross profit;

“Net MOIC” means gross multiple of invested capital net of taxes and carried interest on gross profit;

“Nomination Committee” means a formal committee of the Board with defined terms of reference;

“NURS” means non-UCITS retail schemes;

“NYSE” means The New York Stock Exchange;

“Official List” is the list maintained by the Financial Conduct Authority (acting in its capacity as the UK Listing Authority) in accordance with Section 74(1) of the Financial Services and Markets Act 2000;

“OPEC” means Organisation of the Petroleum Exporting Countries;

“Ordinary Shares” means redeemable ordinary shares of no par value in the capital of the Company issued and designated as “Ordinary Shares” and having the rights, restrictions and entitlements set out in the Articles;

“Origo” means Origo Exploration Holding AS;

“Other Riverstone Funds” means other Riverstone-sponsored, controlled or managed entities, including Fund V/VI, which are or may in the future be managed or advised by the Investment Manager or one or more of its affiliates, excluding the Partnership;

“Partnership” or **“RELIP”** means Riverstone Energy Investment Partnership, LP, the Investment Undertaking in which the Company is the sole limited partner;

“Partnership Agreement” means the partnership agreement in respect of the Partnership between inter alios the Company as the sole limited partner and the General Partner as the sole general partner dated 23 September 2013;

Glossary of Capitalised Defined Terms (continued)

Riverstone Energy Limited Annual Report and Financial Statements 2018

“Performance Allocation” means the Performance Allocation to which the General Partner is entitled;

“Placing and Open Offer” means the issuance of 8,448,006 new Ordinary Shares at £8.00 per Ordinary Share on 11 December 2015;

“POI Law” means the Protection of Investors (Bailiwick of Guernsey) Law, 1987;

“Private Riverstone Funds” means Fund V and all other private multi-investor, multi-investment funds that are launched after Admission and are managed or advised by the Investment Manager (or one or more of its affiliates) and excludes Riverstone employee co-investment vehicles and any Riverstone managed or advised private co-investment vehicles that invest alongside either Fund V or any multi-investor multi-investment funds that the Investment Manager (or one or more of its affiliates) launches after Admission;

“Prospectuses” means the prospectus published on 24 September 2013 by the Company in connection with the IPO of Ordinary Shares and further prospectus published on 23 November 2015;

“PRT” means Riverstone Performance Review Team;

“Qualifying Investments” means all investments in which Private Riverstone Funds participate which are consistent with the Company’s investment objective where the aggregate equity investment in each such investment (including equity committed for future investment) available to the relevant Private Riverstone Fund and the Company (and other co-investees, if any, procured by the Investment Manager or its affiliates) is \$100 million or greater, but excluding any investments made by Private Riverstone Funds where both (a) a majority of the Company’s independent directors and (b) the Investment Manager have agreed that the Company should not participate;

“RCO” means Riverstone Credit Opportunities, L.P.;

“RELCP” means Riverstone Energy Limited Capital Partners, LP (acting by its general partner Riverstone Holdings II (Cayman) Ltd.) a Cayman exempted limited partnership controlled by affiliates of Riverstone;

“RIL” or **“Investment Manager”** means Riverstone International Limited;

“Riverstone” means Riverstone Holdings LLC and its affiliated entities (other than the Investment Manager and the General Partner), as the context may require;

“Rock Oil” means Rock Oil Holdings, LLC;

“S&P Index” means the Standard & Poor’s 500 Index;

“S&P Oil & Gas E&P Index” means the Standard & Poor’s Oil & Gas Exploration & Production Select Industry Index;

“SCOOP” means South Central Oklahoma Oil Province;

“SEC” means the U.S. Securities and Exchange Commission;

“Sierra” means Sierra Oil and Gas Holdings, L.P.;

“SIFI” means Systemically Important Financial Institutions;

“Shareholder” means the holder of one or more Ordinary Shares;

“SPPI” means solely payments of principal and interest;

“Standing Committee” means a formal committee of the Board with defined terms of reference;

“Stewardship Code” means the UK Stewardship Code;

“Target Price” means, as defined in the Articles, £15.00, subject to (a) downward adjustment in respect of the amount of all dividends and other distributions, stock splits and equity issuances below the prevailing NAV per Ordinary Share made following the first Admission and (b) upward adjustment to take account of any share consolidations made following the first Admission;

“Tender Offer” means up to £55,000,000 in value of the Company’s Ordinary Shares, to be acquired at a single price;

“Three Rivers III” means Three Rivers Natural Resources Holdings III LLC;

“Total Return of the Company’s Net Asset Value” means the capital appreciation of the Company’s Net Asset Value plus the income received from the Company in the form of dividends;

“UCITS” means undertakings for collective investment in transferable securities;

“United States Bankruptcy Code” means the source of bankruptcy law in the United States Code;

“United States Code” means the consolidation and codification by subject matter of the general and permanent laws of the United States;

“UK” or **“United Kingdom”** means the United Kingdom of Great Britain and Northern Ireland;

“UK Listing Authority” or **“UKLA”** means the Financial Conduct Authority;

“U.S.” or **“United States”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“WTI” means West Texas Intermediate which is a grade of crude oil used as a benchmark in oil pricing;

“£” or **“Pounds Sterling”** or **“Sterling”** means British pound sterling and **“pence”** means British pence; and

“\$” means United States dollars and **“cents”** means United States cents.

Directors and General Information

Riverstone Energy Limited Annual Report and Financial Statements 2018

Directors

Richard Hayden (Chairman)
Peter Barker
Patrick Firth
Pierre Lapeyre
David Leuschen
Ken Ryan
Jeremy Thompson
Claire Whittet

Audit Committee

Patrick Firth (Chairman)
Peter Barker
Richard Hayden
Jeremy Thompson
Claire Whittet

Management Engagement Committee

Claire Whittet (Chairman)
Peter Barker
Patrick Firth
Richard Hayden
Jeremy Thompson

Nomination Committee

Richard Hayden (Chairman)
Peter Barker
Patrick Firth
Jeremy Thompson
Claire Whittet

Investment Manager

Riverstone International Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

Investment Manager's Performance Review Team

Pierre Lapeyre
David Leuschen
Baran Tekkora
James Hackett
Carl Williams
Managing Director – Rotating Member

Website:

www.RiverstoneREL.com
ISIN: GG00BBHXCL35
Ticker: RSE

Administrator and Company Secretary

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St Peter Port
Guernsey
GY1 4HY
Channel Islands

Registered office

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Le Marchant Street
St Peter Port
Guernsey
GY1 4HY
Channel Islands

Registrar

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65 Gresham Street
London
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United Kingdom

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United States of America

Independent auditor

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St Peter Port
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Channel Islands

Corporate Brokers

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Canary Wharf
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E15 5JP
United Kingdom

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT
United Kingdom
(effective from 26 February 2019)

Swiss Supplement

Additional Information for Investors in Switzerland

This Swiss Supplement is supplemental to, forms part of and should be read in conjunction with the Audited Financial Statements for the year ended 31st December 2018 for RIVERSTONE ENERGY LIMITED (the “Fund”).

Effective from 20th July 2015, the Fund had appointed Société Générale as Swiss Representative and Paying Agent. The current Prospectus, the Memorandum and Articles of Association and the annual report of the Fund can be obtained free of charge from the representative in Switzerland, Société Générale, Paris, Zurich Branch, Talacker 50, P.O. Box 5070, CH-8021 Zurich. The paying agent of the Fund in Switzerland is Société Générale, Paris, Zurich Branch, Talacker 50, P.O. Box 5070, CH-8021 Zurich. In respect of the Shares distributed in and from Switzerland, the place of performance and jurisdiction is the registered office of the Swiss Representative.

Cautionary Statement

The Chairman's Statement and Investment Manager's Report have been prepared solely to provide additional information for Shareholders to assess the Company's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Chairman's Statement and Investment Manager's Report may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager, concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

Subject to their legal and regulatory obligations, the Directors and the Investment Manager expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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