Annual Report and Financial Statements

for the year ended 31 December 2016

REL

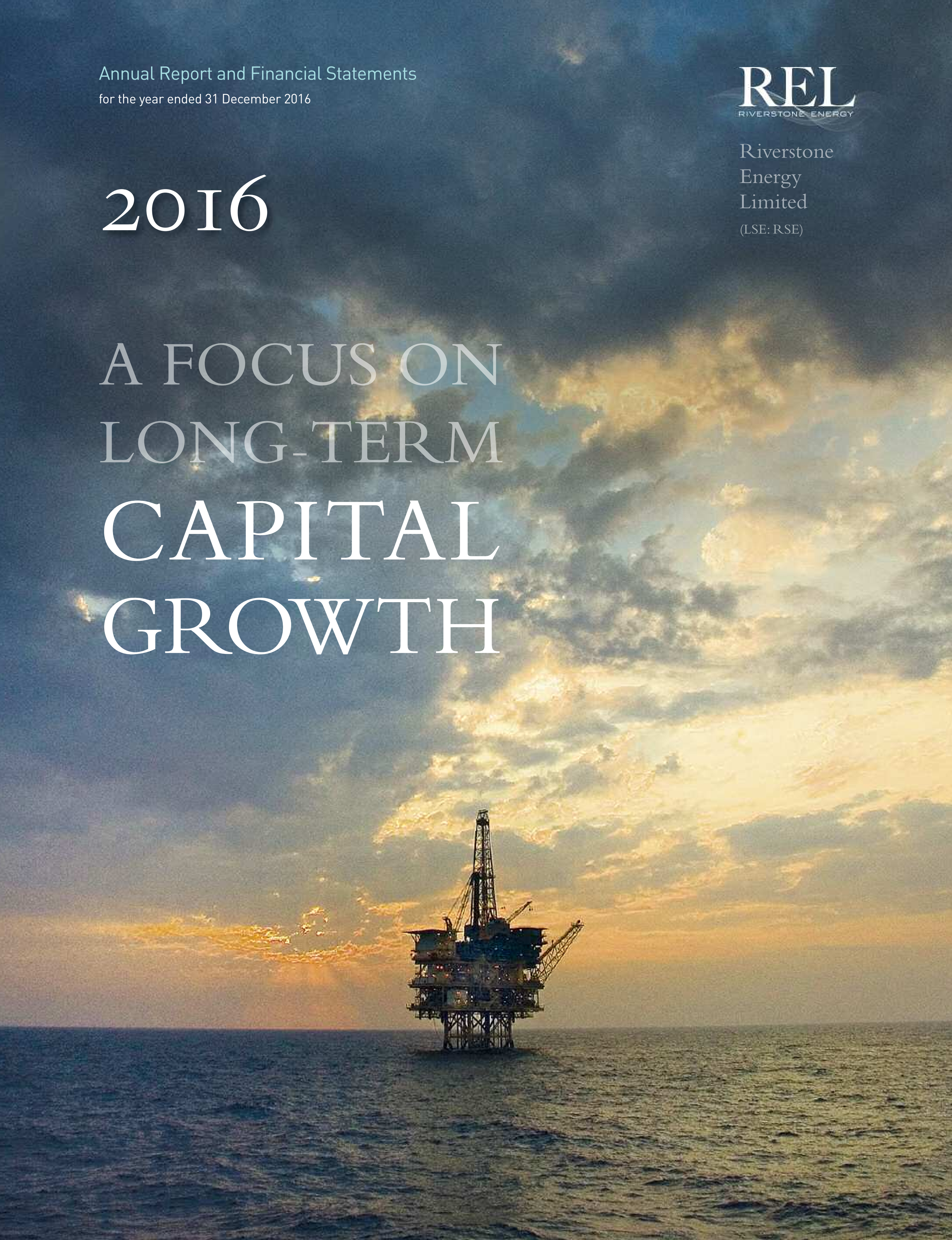
RIVERSTONE ENERGY

Riverstone
Energy
Limited

(LSE: RSE)

2016

A FOCUS ON LONG-TERM CAPITAL GROWTH



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.

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 over $34 billion of equity capital raised across nine private investment funds and related coinvestment entities. Riverstone conducts buyout and growth capital investments in the exploration and production, midstream, credit, oilfield services, power and renewable sectors of the global energy industry. With offices in New York, London, Houston and Mexico City, the firm has committed over $33 billion to more than 120 investments in North America, Latin America, Europe, Mexico, Africa and Asia.

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

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Financial and Operational Highlights

→	Current Committed Capital to Date	$1,928 million / 126 per cent. of net capital available[1]
→	Net commitments during the year ended 31 December 2016	Committed a total of $347 million: (i) $268 million to Centennial Resource Development, Inc. (ii) $100 million to Carrier Energy Partners II LLC (iii) $75 million to Canadian International Oil Corp. (iv) $42 million to Liberty Resources II LLC (v) $33 million to Meritage Midstream Services III, L.P. (vi) $17 million to Eagle Energy Exploration, LLC (vii) ($150) million to Rock Oil Holdings, LLC (viii) ($38) million to Sierra Oil and Gas Holdings, L.P.
→	Current Net Invested Capital to Date	$1,172 million / 76 per cent. of net capital available[1]
→	Art. 105 of the Delegated Regulation 213/2013 – Overview of the Investments as of 31 December 2016	Invested a total of $536 million[2]: (i) $268 million in Centennial Resource Development, Inc. (ii) $73 million in Carrier Energy Partners II LLC (iii) $65 million in Three Rivers Natural Resources Holdings III LLC (iv) $38 million in ILX Holdings III LLC (v) $27 million in Liberty Resources II LLC (vi) $17 million in Rock Oil Holdings, LLC (vii) $13 million in Eagle Energy Exploration, LLC (viii) $12 million in Meritage Midstream Services III, L.P. (ix) $11 million in Riverstone Credit Opportunities, L.P. (x) $6 million in Castex Energy 2014 LLC (xi) $4 million in Fieldwood Energy LLC (xii) $3 million in Origo Exploration Holding AS
→	Current Realised Capital to Date	$311 million / 20 per cent. of net capital available[1]
→	Realisations during the year ended 31 December 2016	Realised a total of $271 million: (i) $216 million in Rock Oil Holdings, LLC (ii) $30 million in Riverstone Credit Opportunities, L.P. (iii) $23 million in Canadian International Oil Corp. (iv) $2 million in Fieldwood Energy LLC

Key Financials

	2016	2015
NAV as at 31 December	**$1,699 million / £1,376 million[3]**	$1,347 million / £914 million[3]
NAV per Share as at 31 December	**$20.11 / £16.29[3]**	$15.95 / £10.82[3]
Market capitalisation at 31 December	**$1,402 million / £1,135 million[3]**	$985 million / £668 million[3]
Share price at 31 December	**$16.59 / £13.44[3]**	$11.65 / £7.91[3]
Total comprehensive profit for the year ended 31 December	**$351.4 million**	$8.4 million
Basic Earnings per Share for the year ended 31 December	**415.97 cents**	11.03 cents

[1] Based on total capital raised of $1,320 million, bank loan, realised profits and other income net of fees, expenses and performance allocation. The Board does not expect to fully fund all commitments in the normal course of business

[2] Amounts may vary due to rounding

[3] Based on exchange rate of 1.234 $/£ at 31 December 2016 (1.473 $/£ at 31 December 2015)

ILX III

Rock Oil


CIOC


Rock Oil

Three Rivers III

CIOC

Well placed to profit from market rebalancing

2016 provided no shortage of surprises for the energy industry. At the time of REL's results last year, the price of oil hovered around $30 per barrel, effectively closing the capital markets for energy producers and driving vast reductions in spending across the industry. Companies with high levels of debt, inadequate hedges or expensive sources of production were forced to take drastic actions to remain afloat, and in some cases, these measures were not enough. However, this dynamic soon proved unsustainable for both North American producers and members of OPEC, with the latter agreeing its first cut to production in eight years, thus bringing the market closer to balance and returning oil to the $50 range.

This cycle has provided a fertile environment for Riverstone to deploy capital, with $537 million of investment across 12 companies in 2016. The prolific, low-cost Permian Basin of Texas attracted more than two-thirds of total capital invested, led by Centennial, a new investment managed by Riverstone partner and former chief executive of EOG, Mark Papa. REL initially invested $175 million through a Riverstone sponsored special purpose acquisition company listed on the NASDAQ stock exchange, which was renamed Centennial upon completion of a marquee asset acquisition consisting of 42,500 net acres in the Delaware Basin of the Permian. Shortly thereafter, the Centennial team identified and completed the acquisition of Silverback Exploration, another Delaware-focussed independent oil and gas company, with 35,000 net acres directly offsetting Centennial's existing position. This created an opportunity for REL to invest an additional $93 million in Centennial. The two acquisitions provide Centennial with a highly attractive, low-cost asset base of over 2,000 identified drilling locations from which the team will look to apply their technical expertise to expand production and grow reserves. Centennial shares closed at $19.72 per share at year end, a 76 per cent. uplift on REL's average cost of $11.21 per share.

The attractiveness of the Permian region reflects the broader shift by industry towards top quality basins, several of which feature prominently in the REL portfolio. Investors in REL have benefited from this environment with the Company's first substantial realisation, which highlights the success of Riverstone's "build-up" approach. Rock Oil was established in March 2014, when oil traded above $100 per barrel, to focus on development-stage acreage positions in well-established North American plays. The company focussed on the Midland Basin of the Permian, where it accumulated a 24,500 net acre position through a series of acquisitions. Having received an unsolicited offer for the company, Riverstone launched a targeted sales process, and swiftly agreed terms for a sale which resulted in a gross return of twice REL's invested capital and a 55 per cent. uplift to its fair market value prior to the announcement. Following completion of the sale, Riverstone re-invested the net proceeds of its performance fee, through the purchases of approximately 590,000 shares in REL in the secondary market, increasing the Investment Manager's ownership, through RELCP, to 6.7 per cent. of the Company.

The Board continues to be excited about Western Canada, which accounts for 27 per cent. of REL's invested capital to date. In December, REL held an EGM in order to approve a change in investment policy to allow CIOC to comprise up to 35 per cent. of the Company's gross assets. I am pleased to report that this change was approved by 98 per cent. of votes cast, which will allow the Company to exercise its warrants, which are due to expire in March, at a significant discount to the current valuation. The proceeds will allow CIOC to continue development of its extensive asset base in the prolific Montney and Duvernay plays in Western Canada.

While the portfolio overall has benefited from the stabilisation in energy prices, the fair market values for two companies remain below cost. Castex 2005 is valued at 10 per cent. of cost due to its weak balance sheet and focus on Gulf Coast and Gulf of Mexico shelf gas-production, while the fair market value for Origo has been reduced to approximately 50 per cent. of cost due to the challenging environment in the North Sea.

Fortunately, REL's capital exposure remains limited, with the two investments in aggregate accounting for approximately 4 per cent. of total capital deployed. REL's capital discipline, conservative balance sheet management and focus on low-cost resources have allowed the portfolio overall to deliver strong results despite challenges facing these particular investments.

During the year, REL announced changes to its Board as Sir Robert Wilson and James Hackett stepped down from the Board at the Company's AGM in order to focus on other activities. On behalf of the Board, I would like to thank them again for their contribution. While their contributions will be missed, Jeremy Thompson and Ken Ryan have joined the Board and we are very pleased to have their wealth of energy and investment sector experience and expertise.

Performance //

REL closed 2016 with NAV of $20.11 per share. This equates to an increase of $4.16 dollars (26.1 per cent.), when compared to NAV per share at 31 December 2015. The impact of Brexit through the devaluation of Pounds Sterling contributed to the Sterling NAV per share increasing by £5.47 (50.5 per cent.) over the same period. The strong NAV growth was driven primarily by the sale of Rock Oil and valuation uplifts by several large investments, including CIOC, Three Rivers III and Centennial. Altogether, these three investments now account for close to two-thirds of the portfolio's gross unrealised value.

Shares in REL performed very well in 2016, with a 70 per cent. increase during the calendar year. The Company's share price has increased by 34 per cent. from IPO through the end of 2016, significantly outperforming benchmarks such as the FTSE 350 Oil & Gas Producers Index and the S&P Oil & Gas E&P Index. While the discount to NAV at which shares trade has narrowed, the Board will continue to monitor the discount and evaluate open market purchases as authorised by the Shareholders at the AGM.

In addition to the new investment in Centennial mentioned earlier, REL increased commitments to existing portfolio companies CIOC, Carrier II, Liberty II, Meritage III and Eagle II by $267 million in total. These commitments are focussed on North American energy production and midstream services, and will support these businesses as they continue to execute their strategies. In addition, REL released $188 million of commitments throughout the year. As of 31 December 2016, REL has commitments of $1,928 million to 16 current investments, equating to 126 per cent. of net capital available[1].

We believe it is appropriate for the Company to maintain a level of over-commitment, in order to optimise the level of invested capital. Commitments are structured to maximise flexibility, and portfolio companies are often fully or partially monetised prior to drawing the full committed amounts. Furthermore, the Company actively monitors funding requirements to maintain maximum flexibility in deploying capital, as evidenced by the sale of interests in Sierra, a loan interest in CIOC and utilising a bank loan for Centennial's follow-on investment. At year end, REL, including the Partnership, had a cash balance of over $270 million.

In total, REL has net invested $1,172 million, equating to 76 per cent. of net capital available at the end of 2016. This was an increase of $536 million over the course of the year as REL continued to take advantage of opportunities presented by market distress. Over 80 per cent. of capital invested in 2016 was deployed to the onshore U.S. to support acquisitions by companies such as Centennial, Three Rivers III and Carrier II, and provide funding for initial drilling and delineation programmes.

I am pleased to report that the portfolio continued to make strong operational progress in 2016. The successful completion of Meritage III's initial midstream infrastructure in Western Canada has allowed CIOC to continue to grow production. In addition, Meritage III has signed an agreement with a third party which will support volumes as the company invests in additional infrastructure. Eagle II and Three Rivers III have commenced their initial drilling programmes in the SCOOP and Delaware Basin, respectively, with encouraging initial results. In the Gulf of Mexico, ILX III made two additional discoveries in the fourth quarter, helping drive a 75 per cent. success rate for the eight wells drilled since inception. Fieldwood completed a comprehensive debt restructuring in the first half of the year and made strong progress with recompletions and workover activity to maintain production at approximately 85,000 boepd.

Throughout another year of immense upheaval for the energy industry, REL's best-in-class management teams continued to take advantage of attractive opportunities, execute their strategies and deliver value for shareholders. This is the result of thoughtful capital deployment towards basins with low costs of production, prudent balance sheet management and an unwavering focus on operational excellence. With the stabilisation in energy prices and a recovery in North American production underway, shareholders in REL remain well placed to reap rewards.

Richard Hayden

Richard Hayden
Chairman
28 February 2017

[1] Based on total capital raised of $1,320 million plus realised profits and other income net of fees, expenses and accrued performance allocation. The Board does not expect to fully fund all commitments in the normal course of business

Low-Cost Portfolio Well Positioned to Benefit from Market Recovery

The oil market is shifting closer to equilibrium following two years of sharp declines in upstream investment and an agreement by OPEC to reduce production. However, the nascent recovery has not benefited all energy companies equally. Low prices have driven a focus on low production costs, and capital has flowed disproportionally to the premium basins with the best economics, several of which feature prominently in the REL portfolio.

The uneven distribution of the market recovery is evident in drilling activity, measured by oil rigs, which peaked with over 1,600 rigs deployed across the United States in late 2014. The ensuing collapse in oil prices and reductions in capital expenditure resulted in the rig count declining by 80 per cent. from peak to trough, in May 2016. Producers have slowly resumed drilling activity, but are focusing primarily on locations where they can apply advances in horizontal drilling techniques to extract hydrocarbons at the lowest cost. For this reason, areas such as the Permian Basin of Texas with its multiple layers of oil-bearing shale are seeing significantly increased rig activity and growing production, while activity in higher-cost regions remains muted.

Energy producers have unsurprisingly targeted acquisitions in these prolific regions as they seek to grow production at the lowest cost. Approximately one-third of all U.S. onshore oil and gas transactions last year occurred in the Permian, where REL is particularly active and benefits from Riverstone's extensive experience and industry relationships developed through seventeen years of investing in energy.

By establishing investment platforms early in the cycle, and backing experienced and focussed management teams with significant line of equity commitments, REL has been well positioned to move quickly as attractive assets became available. Examples of this include Rock Oil, Three Rivers III, Carrier II and Centennial, where the management teams identified strategic assets in the Permian basin, and built up positions through a series of asset and corporate level acquisitions over a 12-24 month period. In the case of Rock Oil, these acquisitions resulted in sufficient scale to allow REL to capitalise upon corporate interest in the region, and sell the company at an attractive valuation, resulting in a strong return to investors.

The "build-up" approach highlighted above is a key component of Riverstone's investment strategy. Riverstone and its investment professionals have 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 through any commodity price environment. 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 portfolio valuation. As a result, the REL portfolio has deployed capital at a weighted average oil price of approximately $55 per barrel. Over the same time period, NAV per share has increased by 25 per cent. and the share price by 34 per cent., compared with a negative 38 per cent. total shareholder return for the U.S. E&P Index.

While we are confident that the outlook for the sector remains favourable following successive years of under-investment, we expect the energy market to continue to be volatile in the short term given uncertainties over global economic growth and the velocity at which North American oil production returns to the market. We continue to manage risk through diversifying across geographies and energy segments, while consistently focusing on build-up strategies, partnering with experienced, operationally-focussed management teams, hedging cash flows from producing assets, using moderate levels of debt with flexible covenant structures, and maintaining sufficiently high levels of liquidity to take advantage of attractive acquisition opportunities. With 15 management teams and substantial positions in North America's most attractive basins, REL is well positioned for continued value growth.

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 exploration and production and midstream energy sectors, which is a significant component of virtually all major economies. 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 exceptional 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 over 125 investments globally in the energy sector over the past 17 years, 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 Portfolio Summary //

As of 31 December 2016, fifteen exploration and production investments, one midstream investment and one credit investment have been completed as further discussed below.

CIOC

As of 31 December 2016, REL, through the Partnership, has invested $232 million of its $307 million commitment to CIOC. CIOC is a private E&P company focussed on liquids-rich unconventional resources in Western Canada. Since its establishment in 2010, CIOC 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 of just under 400,000 net acres in the Montney and Duvernay. CIOC has more than quadrupled production to over 13,000 boepd since time of entry.

In 2016, REL increased its commitment to CIOC by $75 million and sold a second lien loan interest in CIOC, resulting in $21 million in proceeds. Both measures were taken to support the exercise of warrants in CIOC held by REL, which once exercised, will be used to fund drilling for continued development and delineation of its asset base.

→ As of 31 December 2016, REL's interest in CIOC, through the Partnership, was valued at 2.0x Gross MOIC[(1)] or $471 million (Realised: $23 million, Unrealised: $448 million).

CIOC
Canadian International Oil Corp.

CENTENNIAL

As of 31 December 2016, REL, through the Partnership, has invested in full its $268 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 chief executive Mark Papa, has completed two acquisitions which have resulted in an approximately 77,500 net acre position, 2,000 identified drilling locations and 8,900 boepd net production.

REL, through the Partnership, owns approximately 23.9 million shares, which are publicly traded (NASDAQ:CDEV), at a weighted average share price of $11.21. REL, through the Partnership, has financed $93 million of its investment through a bank loan secured by REL's investment in Centennial. In addition, REL has interests in approximately $6 million of sponsor warrants.

→ As of 31 December 2016, REL's interest in Centennial, through the Partnership, was valued at 1.8x Gross MOIC[(1)] or $477 million.

CENTENNIAL

[(1)] Gross MOIC is Gross Multiple of Invested Capital before transaction costs, taxes, 20 per cent. carried interest on gross profit, management fees of 1.5 per cent. of net assets per annum and other expenses. Given these costs and expenses are in aggregate expected to be considerable, Net MOIC will be materially less than the Gross MOIC

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 has 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, 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 1.6x and 44 per cent., respectively. The Investment Manager, through RELCP, subsequently invested the net proceeds of its performance allocation, resulting in the purchase of approximately 590,000 shares.

→ Approximately $24 million of value is unrealised consisting of escrow payments, balance of cash and mineral acre reserves not included in the sale. As of 31 December 2016, REL's total interest in Rock Oil, through the Partnership, was valued at 2.1x Gross MOIC[(1)] or $240 million (Realised $216 million, Unrealised $24 million).

Three Rivers III

As of 31 December 2016, REL, through the Partnership, has invested $76 million of its $167 million commitment to Three Rivers III. Similar to Riverstone's two prior successful partnerships with this management team, Three Rivers III focuses on oil and gas acquisition and development opportunities in the Permian Basin. Through a series of acquisitions in 2015 and first half 2016, Three Rivers III has built a position of over 55,000 net acres in the Permian Delaware basin, primarily in Culberson & Reeves counties. The company began its drilling programme in the fourth quarter with the successful completion of one well and two additional wells awaiting completion.

→ As of 31 December 2016, REL's interest in Three Rivers III, through the Partnership, was valued at 2.5x Gross MOIC[(1)] or $190 million.

CARRIER II

As of 31 December 2016, REL, through the Partnership, has invested $104 million of its $133 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 and PT Petroleum targeting 19,131 net acres for development in the southern Midland Basin. Subsequently through three separate acquisitions the company has acquired 3,489 net acres in Karnes County in the Eagle Ford basin, targeting the Sugarloaf Project and the Chisholm Project, both operated by Marathon Oil Corp. As of year end, Carrier II was producing approximately 7,000 boepd net.

→ As of 31 December 2016, REL's interest in Carrier II, through the Partnership, was valued at 1.3x Gross MOIC[1] or $132 million.

CARRIER
ENERGY PARTNERS

LIBERTY II

As of 31 December 2016, REL, through the Partnership, has invested $120 million of its $142 million commitment to Liberty II. Since formation in January 2014, Liberty has established a c. 61,000 net acre position in the Williston and Powder River Basins through a series of acquisitions, which benefit from Liberty's sophisticated and proprietary well completion technology. Liberty has an inventory of over 150 gross drilling locations, and is currently producing approximately 5,200 boepd.

→ As of 31 December 2016, REL's interest in Liberty II, through the Partnership, was valued at 1.0x Gross MOIC[1] or $120 million.

LIBERTY
RESOURCES

[1] Gross MOIC is Gross Multiple of Invested Capital before transaction costs, taxes, 20 per cent. carried interest on gross profit, management fees of 1.5 per cent. of net assets per annum and other expenses. Given these costs and expenses are in aggregate expected to be considerable, Net MOIC will be materially less than the Gross MOIC

RCO

As of 31 December 2016, REL, through the Partnership, has invested $87 million of its $125 million commitment to RCO, of which $70 million has been realised to result in $17 million of remaining unrealised invested capital. 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, 25 of which have already been fully exited.

→ As of 31 December 2016, REL's interest in RCO, through the Partnership, was valued at 1.3x Gross MOIC[(1)] or $112 million (Realised: $70 million, Unrealised: $42 million).

RCO

ILX III

As of 31 December 2016, REL, through the Partnership, has invested $67 million of its $200 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 12 additional prospects through the 2016 central Gulf of Mexico Lease Sale.

ILX III drilled five wells in 2016, of which four were discoveries. The company has an 80 per cent. success rate on its eight wells drilled to date and is currently progressing plans to develop its discoveries.

→ As of 31 December 2016, REL's interest in ILX III, through the Partnership, was valued at 1.3x Gross MOIC[(1)] or $88 million.

Ridgewood Energy
ILX Holdings

CNOR

As of 31 December 2016, REL, through the Partnership, has invested $73 million of its $90 million commitment to CNOR. CNOR is a Calgary-based oil and gas company focussed on the Western Canadian Sedimentary Basin. CNOR is currently investing actively in new wells through its joint venture with Tourmaline Oil in the Peace River High area, which ended 2016 with approximately 13,600 boepd of gross production.

→ As of 31 December 2016, REL's interest in CNOR, through the Partnership, was valued at 1.0x Gross MOIC[(1)] or $73 million.

CNOR

Fieldwood

As of 31 December 2016, REL, through the Partnership, has invested $58 million of its $82 million commitment to Fieldwood. Riverstone formed Fieldwood in partnership with CEO Matt McCarroll and his team in December 2012 with a commitment from Fund V. Fieldwood has made two material acquisitions (Apache and SandRidge), with three further bolt-on acquisitions, and now has an interest in approximately 500 leases covering over two million gross acres and over 1,000 wells in the Gulf of Mexico, making it the largest oil and gas producer in the shallow Gulf of Mexico.

In the first half of 2016, Fieldwood completed a debt restructuring, resulting in the elimination of borrowing base re-determinations until May 2018. Fieldwood continued to make strong operational progress, with 51 recompletions and 93 workovers in 2016, which maintained and replaced production throughout the year. The company produced an average of approximately 85,000 boepd in 2016.

→ As of 31 December 2016, REL's interest in Fieldwood, through the Partnership, was valued at 1.0x Gross MOIC[(1)] or $58 million (Realised: $2 million, Unrealised: $56 million).

Fieldwood Energy

[(1)] Gross MOIC is Gross Multiple of Invested Capital before transaction costs, taxes, 20 per cent. carried interest on gross profit, management fees of 1.5 per cent. of net assets per annum and other expenses. Given these costs and expenses are in aggregate expected to be considerable, Net MOIC will be materially less than the Gross MOIC

Eagle II

As of 31 December 2016, REL, through the Partnership, has invested $56 million of its $67 million commitment to Eagle II. The company owns approximately 15,000 net acres in the SCOOP and approximately 14,500 net acres in the Mississippi Lime, and is currently producing approximately 2,300 boepd.

Eagle's commitment was increased by $17 million in 2016 to fund a delineation drilling program. The initial results are favourable following the drilling and completion of two wells in the company's SCOOP position, with two additional wells awaiting completion at year end.

→ As of 31 December 2016, REL's interest in Eagle II, through the Partnership, was valued at 1.0x Gross MOIC[(1)] or $56 million.

Castex 2014

As of 31 December 2016, REL, through the Partnership, has invested $36 million of its $67 million commitment to Castex 2014. Castex 2014 is a Houston-based oil and gas company focussed on testing and developing the current and future portfolio of exploration opportunities in the U.S. Gulf Coast Region, in partnership with Castex 2005. Castex 2014 has achieved a 100 per cent. success rate on the five exploration prospects drilled since inception and is drilling additional prospects in 2017.

→ As of 31 December 2016, REL's interest in Castex 2014, through the Partnership, was valued at 1.0x Gross MOIC[(1)] or $36 million.

Meritage III

As of 31 December 2016, REL, through the Partnership, has invested $29 million of its $67 million commitment to Meritage III. REL's investment to date is related to construction of gas gathering, gas processing, and oil gathering infrastructure in support of CIOC's drilling program in Western Canada. In April 2016, Meritage's Patterson Creek plant entered service.

REL, through the Partnership, increased its commitment in Meritage III by $33 million in 2016 as it seeks to develop additional infrastructure for CIOC and third parties in Western Canada. In December, Meritage III executed a 10-year gas gathering and processing agreement with a third party, which should result in additional volumes flowing through Meritage's system.

→ As of 31 December 2016, REL's interest in Meritage III, through the Partnership, was valued at 1.1x Gross MOIC[1] or $32 million.

MERITAGE MIDSTREAM

Castex 2005

As of 31 December 2016, REL, through the Partnership, has invested $48 million of its $50 million commitment to Castex 2005. Castex 2005 is a partnership focussed on a portfolio of properties in Southern Louisiana and the Gulf of Mexico Shelf which produce approximately 75 mmcfepd, as well as a seismic-driven exploration program. Castex is managed by Castex Energy Inc., which has a 27 year operating history in exploration and development in the region.

→ As of 31 December 2016, REL's interest in Castex 2005, through the Partnership, was valued at 0.1x Gross MOIC[1] or $5 million, reflecting its balance sheet and the challenging environment for gas-focussed producers in the Gulf Coast and Gulf of Mexico shelf.

CASTEX

[1] Gross MOIC is Gross Multiple of Invested Capital before transaction costs, taxes, 20 per cent. carried interest on gross profit, management fees of 1.5 per cent. of net assets per annum and other expenses. Given these costs and expenses are in aggregate expected to be considerable, Net MOIC will be materially less than the Gross MOIC

Origo

As of 31 December 2016, REL, through the Partnership, has invested $8 million of its $67 million commitment to Origo.

Origo is a Norway-based oil and gas company focussed on exploration on the Norwegian and UK continental shelves. Since inception, Origo has reviewed over 250 potential farm-in opportunities, and completed seven farm-in transactions, and made three discoveries from seven exploration wells drilled.

→ As of 31 December 2016, REL's interest in Origo, through the Partnership, was valued at 0.5x Gross MOIC(1) or $4 million, reflecting the challenging environment for North Sea E&P.

Sierra

As of 31 December 2016, REL, through the Partnership, has invested $1 million of its $38 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 four offshore blocks to date in the first and fourth tenders of round 1. These awards make Sierra the third-largest non-state owned E&P company in Mexico by net acreage, with approximately 507,000 net acres.

In the third quarter, REL, through the Partnership, transferred 50 per cent. of its funded and unfunded commitment in Sierra to a separate investment vehicle managed by Riverstone and funded primarily by Mexican pension funds. This transfer is in line with REL's stated strategy of periodically reviewing its unfunded commitment levels.

→ As of 31 December 2016, REL's interest in Sierra, through the Partnership, was valued at 1.1x Gross MOIC(1) or $2 million.

CanEra III

As of 31 December 2016, REL, through the Partnership, has invested $1 million of its $60 million commitment to CanEra III. CanEra III is a private Calgary-based oil and gas company formed to pursue oil and gas exploration and production opportunities in the Western Canadian Sedimentary Basin. CanEra III focuses on the acquisition, exploitation and exploration of large hydrocarbon deposits in the Western Canada Sedimentary Basin. Due to the lack of attractive opportunities for this strategy at the current time, REL intends to release its commitment to CanEra III.

→ As of 31 December 2016, REL's interest in CanEra III, through the Partnership, was valued at 1.0x Gross MOIC[1] or $1 million.

CanEra resources inc

[1] Gross MOIC is Gross Multiple of Invested Capital before transaction costs, taxes, 20 per cent. carried interest on gross profit, management fees of 1.5 per cent. of net assets per annum and other expenses. Given these costs and expenses are in aggregate expected to be considerable, Net MOIC will be materially less than the Gross MOIC

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 follows IFRS and IPEV Valuation Guidelines. The Investment Manager values each underlying investment in accordance with the Riverstone valuation policy, the IFRS accounting standards and IPEV Valuation Guidelines. The Investment Manager has applied Riverstone's valuation policy consistently quarter to quarter since inception. 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 in IFRS and U.S. Generally Accepted Accounting Policies for the year ended 31 December 2016 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 valuation committee as part of the valuation process.

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 2016, REL, including the Partnership, had uninvested funds of over $270 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 82 basis points during the year ended 31 December 2016.

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 CIOC, CNOR and CanEra III which are denominated in Canadian dollars.

Riverstone International Limited
28 February 2017

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, invests 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 judgment 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 2015 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 CIOC, 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.

"The Company invests in the global energy sector, which is undergoing significant transformation driven in large part by a revolution in horizontal drilling and completion technology."

Richard Hayden (71),
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 Haymarket Financial LLP. Prior to joining Haymarket Financial LLP 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, became a Partner in 1980, and was Chairman prior to joining GSC Group Inc in 2000. 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 LLP and Chairman of the TowerBrook Capital Partners Advisory Board. Mr Hayden is a UK resident. Mr Hayden is also on the Finance and Investment Committee of the Children's Fund Foundation.

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

Peter Barker (68),
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 (55),
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 DW Catalyst Fund Limited (formerly BH Credit Catalysts Fund 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 (54),
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 (65),
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

Ken Ryan (44),
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 serves on the investment committee of Riverstone Credit Partners and on the Board of Directors of TrailStone and HES International. He received a law degree from University of Dublin, Trinity College. Mr Ryan is a U.S. resident.

Committee Membership: None

Jeremy Thompson (61),
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 directorship for both listed and PE funds. Between 2005 and 2009, he was a director of multiple businesses within a UK based private equity group. This entailed board participation on both private, listed and SPV companies with highly successful exits. Prior to that, he 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) and Cranfield (MBA) Universities and was an invited member to the UK's senior defence course (Royal College of Defence Studies). He was awarded the IoD's Certificate and Diploma in Company Direction and is an associate of the Chartered Institute of Arbitration. He has recently completed an M.Sc in Corporate Governance (2016). 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

Claire Whittet (61),
Non-executive Independent Director

Appointment: Appointed to the Board in May 2015

Experience: Mrs Whittet has nearly 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 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 four other listed funds. Mrs Whittet is a Guernsey resident.

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

The Directors hereby submit the Annual Report and Audited Financial Statements for the Company for the year ended 31 December 2016. This Report of the Directors should be read together with the Corporate Governance Report on pages 31 to 38.

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 19.

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 48.

The Net Asset Value of the Company as at 31 December 2016 was $1,699 million (31 December 2015: $1,347 million).

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (31 December 2015: $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 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.

Following admission of the new Ordinary Shares, the share capital of the Company is 84,480,064 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 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 2016 and 2015 are detailed below:

	Ordinary Shares held 31 December 2016	Per cent. Holding at 31 December 2016	Ordinary Shares held 31 December 2015	Per cent. Holding at 31 December 2015
Richard Hayden[(1)]	10,000	0.012	10,000	0.012
Peter Barker[(1)(2)]	5,000	0.006	5,000	0.006
Patrick Firth[(2)(3)]	4,000	0.005	4,000	0.005
Pierre Lapeyre[(4)]	50,000	0.059	–	–
David Leuschen[(4)]	–	–	–	–
Ken Ryan[(4)(5)]	–	–	–	–
Jeremy Thompson[(5)]	–	–	–	–
Claire Whittet[(1)]	–	–	–	–
Sir Robert Wilson[(6)]	20,000	0.024	20,000	0.024
James Hackett[(6)]	–	–	–	–

(1) Non-executive Independent Director

(2) Ordinary Shares held jointly with spouses

(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 504,298 Ordinary Shares

(5) Appointed to the Board on 19 May 2016

(6) Stepped down from his duties on the Board on 19 May 2016

In addition, the Company also provides the same information as at 24 February 2017, being the most current information available.

Director	Ordinary Shares held 24 February 2017	Per cent. Holding at 24 February 2017
Richard Hayden[(1)]	10,000	0.012
Peter Barker[(1)(2)]	5,000	0.006
Patrick Firth[(2)(3)]	8,000	0.009
Pierre Lapeyre[(4)]	50,000	0.059
David Leuschen[(4)]	–	–
Ken Ryan[(4)]	–	–
Jeremy Thompson	3,751	0.004
Claire Whittet[(1)(2)]	2,250	0.003

(1) Non-executive Independent Director

(2) Ordinary Shares held jointly with spouses

(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 24 February 2017 held 5,000,000 Ordinary Shares and Riverstone Energy Limited Capital Partners LP, which as at 24 February 2017 held 591,031 Ordinary Shares

Directors' Authority to Buy Back Shares //

At the AGM on 19 May 2016 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. The Company did not purchase any shares for treasury or cancellation up to the date of this report.

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 2016, the Company had been notified, in accordance with Chapter 5 of the Disclosure 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)]	23,974,368	28.4%	Indirect
Kendall Family Investments LLC[(1)]	10,000,000	11.8%	Direct
REL Coinvestment, LP	5,000,000	5.9%	Direct

(1) Held by a Cornerstone Investor

In addition, the Company also provides the same information as at 24 February 2017, being the most current information available.

Shareholder	Shareholding	Per cent. Holding	Nature of Holding
AKRC Investments LLC[1]	23,974,368	28.4%	Indirect
Kendall Family Investments LLC[1]	10,000,000	11.8%	Direct
REL Coinvestment, LP	5,000,000	5.9%	Direct

[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 84,480,064 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 2017 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 39 to 42.

Articles of Incorporation //

The Company's Articles of Incorporation may only be amended by special resolution of the Shareholders.

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 Heritage 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 US 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 US 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 40 per cent. The Company is not an umbrella collective investment undertaking and therefore has no gross liability.

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.

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 31 to 38, 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 received a $5.5 million distribution from the Partnership in Q1 2016, of which $3.2 million remains at 31 December 2016 (31 December 2015: $2.5 million). This cash balance is sufficient to cover the Company's existing liabilities at 31 December 2016 of $0.6 million, but the Company will require a distribution of $1.1 million to cover its forecast annual expenses for 2017 of approximately $3.7 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 2016, the Partnership had $268 million of uninvested funds held as cash and money market fixed deposits (31 December 2015: $554 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 excess commitments 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 2019 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.

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 "dry powder" to participate in all investment opportunities presented.

Each quarter, 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 made financial commitments to each portfolio company. However, the Company evaluates the ongoing suitability of each investment prior to funding and may or may not agree to fund an investment. In the event the Company is unable, or elects, not to fund an existing investment, Riverstone may seek other funding alternatives.

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 were assumed to not occur during the three year period, unless already predetermined.

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 12 months, rather than 18 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. 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.

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 and the Investment Manager's Report on pages 8 to 19.

Principal Risk and Uncertainties //

Principal Risk and Uncertainties are discussed in the Corporate Governance Report on pages 31 to 38.

Subsequent Events //

Subsequent Events are disclosed in Note 15 on page 67.

Annual General Meetings //

The AGM of the Company will be held at 10.30 am GMT on 23 May 2017 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 2016 together with this Annual Report.

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

Richard Hayden
Chairman
28 February 2017

Directors' Responsibilities Statement

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 and Transparency Rules

Each of the Directors, whose names are on pages 22 to 23, 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

Richard Hayden
Chairman
28 February 2017

Patrick Firth
Director
28 February 2017

All companies with a premium listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Corporate Governance Code in their Annual Report and Financial Statements. The Directors recognise the importance of sound corporate governance, particularly the requirements of the AIC Code.

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, voluntarily complies with the Corporate Governance Code. 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 AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk. The Corporate Governance Code is available on the Financial Reporting Council's website, www.frc.org.uk.

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 Board consists of eight Non-executive Directors (31 December 2015: 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 2015: 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, save for Mr. Thompson and Mr. Ryan who were appointed as a Non-executive Independent Director and a Non-executive Director, respectively, at the AGM on 19 May 2016. In addition, Sir Robert Wilson and Mr Hackett served as a Non-executive Independent Director and Non-executive Director, respectively, until the Company's AGM on 19 May 2016 at which point they did not seek re-election.

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.

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 there is regular contact with the Investment Manager and 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 to date. 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.

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 performance of the Investment Manager for the year ended 31 December 2016 was satisfactory and the continuing appointment of the Investment Manager on the terms agreed is in the interests of the Shareholders as a whole. The Board consider the performance of the Investment Manager, based on selection of high quality E&P and midstream investments and comparative resilience in weak markets, to be satisfactory.

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 £120,000 (31 December 2015: £120,000). The Chairman of the Management Engagement Committee is entitled to annual remuneration of £65,000 (31 December 2015: £60,000) and the Chairman of the Audit Committee is entitled to annual remuneration of £75,000 (31 December 2015: £60,000).The other independent Directors are entitled to annual remuneration of £60,000 (31 December 2015: £60,000). The three non-independent Directors have chosen not to be remunerated by the Company for their services.

During the year ended 31 December 2016 and 31 December 2015, the Directors' remuneration was as follows:

	2016 ($'000)	2015 ($'000)
Peter Barker[(1)]	**79**	88
Patrick Firth[(1)(2)]	**91**	88
Richard Hayden[(1)(3)]	**126**	88
Pierre Lapeyre	**–**	–
David Leuschen	**–**	–
Ken Ryan[(4)]	**–**	–
Jeremy Thompson[(1)(4)]	**47**	–
Claire Whittet[(1)(5)]	**83**	56
Sir Robert Wilson[(6)]	**65**	177
James Hackett[(6)]	**–**	–
Dr Tidu Maini[(7)]	**–**	32

(1) Non-executive Independent Director

(2) Senior Independent Director appointed on 19 May 2016 and Chairman of the Audit Committee appointed on 19 May 2016

(3) Chairman of the Company appointed on 19 May 2016

(4) Appointed to the Board on 19 May 2016

(5) Chairman of the Management Engagement Committee appointed on 19 May 2016

(6) Stepped down from his duties on the Board on 19 May 2016

(7) Stepped down from his duties on the Board on 13 May 2015

The above fees due to the Directors are for the year ended 31 December 2016 and 31 December 2015, and none were outstanding at 31 December 2016 (31 December 2015: $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. 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 make themselves available to management whenever required and there is regular contact outside the Board meeting schedule.

Attendance is further set out below:

Director	Scheduled Board Meetings (max 4)	Audit Committee Meetings (max 4)	Nomination Committee Meetings (max 2)	Management Engagement Committee Meetings (max 2)	Board Committee Meetings (max 6)
Peter Barker(1)	4	4	1	2	n/a
Patrick Firth(1)(2)	4	4	2	2	6
Richard Hayden(1)(4)	4	4	n/a	1	n/a
Pierre Lapeyre	4	n/a	n/a	n/a	n/a
David Leuschen	4	n/a	n/a	n/a	n/a
Claire Whittet(1)	4	4	2	2	6
Ken Ryan(3)	3	n/a	n/a	n/a	n/a
Jeremy Thompson(1)(3)(5)	3	2	n/a	1	5
Sir Robert Wilson(6)	2	n/a	1	1	n/a
James Hackett(6)	1	n/a	n/a	n/a	n/a

(1) Non-executive Independent Director

(2) Non-executive Senior Independent Director

(3) Mr Ryan and Mr Thompson were appointed to the Board from 19 May 2016, at which point one Board Meeting had already taken place

(4) Mr Hayden was appointed as Chairman of the Nomination Committee from 19 May 2016 at which point two Nomination Committee Meetings had already taken place

(5) Mr Thompson was appointed to the Audit Committee, Nomination Committee and Management Engagement Committee from 10 August 2016, at which point two Audit Committee Meetings, two Nomination Committee Meetings, one Management Engagement Committee Meeting and one Board Committee Meeting had already taken place

(6) Stepped down from his duties on the Board on 19 May 2016

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.

Committees of the Board //

The Board believes that it and its committees have an appropriate composition and blend of backgrounds, skills and experience to discharge their duties effectively. 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 and Mrs Whittet, who held office throughout the year, as well as Mr Thompson, who was appointed to the Audit Committee on 10 August 2016, following his election to the Board at the AGM on 19 May 2016. 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 39 to 42.

Nomination Committee

The Nomination Committee is chaired by Mr Hayden and comprises Mr Barker, Mr Firth, and Mrs Whittet, who held office throughout the year, as well as Mr Thompson, who was appointed to the Nomination Committee on 10 August 2016, following his election to the Board at the AGM on 19 May 2016. At a Board meeting on 19 May 2016, the Nomination Committee recommended to the Board that Mr. Thompson be added as an additional Director to the Board, which the Board approved. In advance of making their proposal, the Nomination Committee, which utilises the Directors' existing network rather than an external search consultancy or open advertising, presented the two most suitable candidates to the Chairman of the Board for an interview. The Nomination Committee had confirmed to the Board that the proposed candidates were independent, resident in Guernsey, and had relevant experience with listed businesses, similar in both size and composition to the Company. The Chairman advised that following the interview process, candidates on the short list had met with the Directors either in person or had spoken with them on the telephone.

The Nomination Committee meets at least once a year pursuant to its terms of reference and met on 28 February 2017. The Nomination Committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. 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. 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 Board is satisfied with the current composition and functioning of its members. When appointing Board members, its priority is based on merit, but will be influenced by the strong desire to maintain board diversity, including gender.

All Directors are subject to annual re-election by Shareholders at the AGM.

Management Engagement Committee

The Management Engagement Committee is chaired by Mrs Whittet and comprises Mr Hayden, Mr Barker, and Mr Firth, who held office throughout the year, as well as Mr Thompson, who was appointed to the Management Engagement Committee on 10 August 2016, following his election to the Board at the AGM on 19 May 2016. 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.

The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement. In 2016, an externally-facilitated review of the Board, its Committees and individual Directors (including the Chairman) was undertaken. The Board evaluation was facilitated by Optimus Group Limited. The 2016 Board effectiveness review took the form of a structured questionnaire which covered a range of key topics including composition, skills, knowledge and experience of the Board, the respective roles and responsibilities of the Non-executive and Executive Directors, quality of strategic and risk debate, the effectiveness of decision making and interactions with management together with one to one discussions between Optimus and each of the Directors, including the Chairman.

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 2016 and 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.

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. 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.

Investment Management Agreement //

The Investment Manager has been appointed as 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 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 announcements are issued in response to events or routine reporting obligations, an Interim 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.

The Investment Manager has regular contact with Shareholders, in particular 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.

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 to the Partnership 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 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.
   - The recent regulatory proposals 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 (particularly Goldman Sachs and Morgan Stanley) 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.

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 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

Richard Hayden
Chairman
28 February 2017

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 and Transparency Rule 7.1, the AIC Code and the Corporate Governance Code. Its other members are Mr Hayden, Mr Barker, Mrs Whittet and Mr Thompson. Mr Thompson was formally appointed to the Audit Committee from 10 August 2016. 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 varied backgrounds of the committee's members, and their collective skills, experience and knowledge of the Company, allows them to fulfil the Committee's remit and to oversee the Company's auditors. The Board has taken note of the requirement that at least one member of the Audit Committee should have recent and relevant financial experience and is satisfied that the Audit Committee is properly constituted in that respect, with all members being highly experienced and in particular, one member 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 several 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.

Meetings //

During the year ended 31 December 2016, the Audit Committee met formally four 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 two occasions since the year end through to the date of this report on 28 February 2017. 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 Investment Undertakings of the Partnership.

The Directors have considered whether any discount or premium should be applied to the net asset value of the Partnership. 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 2016 was $1,695 million (31 December 2015: $1,345 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 an Audit Committee meeting held on 28 February 2017. 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 Investment Manager confirmed to the Audit Committee that the external auditor's work had not identified any errors or inconsistencies that were material in the context of the Annual Report and Financial Statements as a whole.

The external auditor explained the results of their review of the valuations, including their assessment of management's valuation of those Investment Undertakings remaining at 1.0x Gross MOIC. On the basis of their audit work, 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 27.

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 page 27 and 28.

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 fourth year of audit.

The external auditor is required to rotate the audit partner every five years. The current partner is in his fourth year of tenure. 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 in line with the FRC's suggestions on audit tendering for FTSE 350 companies. This will be considered further when the audit partner rotates every five 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.

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 2017.

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 2017. 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
28 February 2017

Our opinion on the Financial Statements //

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008 ("the Companies Law").

What we have audited //

The Company's Financial Statements comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year ended 31 December 2016;
- the Statement of Changes in Equity for the year ended 31 December 2016;
- the Statement of Cash Flows for the year ended 31 December 2016; and
- related Notes 1 to 15 to the Financial Statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the EU.

Overview of our audit approach //

Risk of material misstatement:

We have determined that misstatement or manipulation of the valuation of the Company's investment in the Partnership is the only risk of material misstatement for the current year.

In previous years, while the Company was building up its investment portfolio through the Partnership, we identified a risk that the Company may not have good title to its investment in the Partnership or good title to the underlying investments. The Company's investing structure is now well established and has not changed significantly in the last two years. Accordingly, we no longer consider ownership of investments to be a significant risk as we no longer consider it probable that a misstatement can occur.

Audit scope:

We have audited the Financial Statements of Riverstone Energy Limited for the year ended 31 December 2016.

The audit was led from Guernsey. The audit team mainly included individuals from the Guernsey office of Ernst & Young LLP and from the New York office of Ernst & Young LLP in the U.S. and utilised oil and gas industry valuation experts from the Houston office of Ernst & Young LLP in the U.S. We operated as an integrated audit team and we performed audit procedures and responded to the risks identified as described below.

Materiality:

Overall materiality of $34.0 million (2015: $26.9 million), which is approximately 2 per cent. of equity.

Our assessment of risk of material misstatement //

We identified the risk of material misstatement described below as that which had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing this risk, we have performed the procedures below which were designed in the context of the Financial Statements as a whole and, consequently, we do not express any opinion on this individual area.

Risk	Our response to the risk	Key Observations
Misstatement or manipulation of the valuation of the Company's investment in the Partnership ($1,695 million, 2015 $1,345 million) 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 investing structure. Most of the underlying investments, which are primarily in early stage exploration and production companies in the oil and gas industry, 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 Report of the Audit Committee on pages 40 and 41. It also requires significant industry expertise. 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. The fair values may also be misstated or manipulated by selecting inappropriate values from the range of reasonable values indicated by different valuations techniques. There is also a risk that proper adjustments are not made in the fair value calculations for the tax and General Partner performance allocation consequences of realised and unrealised gains of underlying investments.	We confirmed our understanding of the processes, policies and methodologies used by the Investment Manager for valuing level three investments held by the Partnership, and the processes used by the Board to review these valuations. We assessed whether such valuations had been done in accordance with IFRS and the Company's accounting policies. We selected a sample of all level three underlying investments with a fair value in excess of our Reporting Threshold of $1.7 million. This sample is more extensive than the sample required by our methodology but we extended the sample size at the request of the Audit Committee. Other level 3 investments amounted to only $2.8 million in total. We engaged our own internal oil and gas industry valuation experts to: a) use their knowledge of the market to assess and corroborate management's market related judgements and valuation metrics (including discount rates, current and future oil and gas prices, valuation multiples and recent relevant transaction data) by reference to our expert's knowledge of comparable transactions, to independently compiled databases / indices and to information reported by comparable public companies; and b) assist us to determine whether the methodologies used to value investments were in accordance with methods, particularly those specific to the oil and gas industry, usually used by market participants; and c) assist us to determine whether appropriate judgements had been applied in selecting point estimates from the range of reasonable estimates indicated by different valuation techniques. We agreed significant valuation inputs used by the Investment Manager (including production and acreage data and EBITDA and other financial performance measures) to information from underlying investees and we tested the arithmetical accuracy of the valuation calculations. We engaged our own tax professionals to assess whether the mechanisms in place for capturing the tax effects of realised and unrealised gains reflected the likely tax outcomes and their effect on fair value. We checked that the General Partner performance allocation calculation had been performed in accordance with the terms of the agreement and that the calculation correctly reflected both realised and unrealised gains. We assessed the Company's analysis of whether the fair value of its investment in the Partnership was equivalent to the Net Asset Value of the Partnership by testing whether the data used in the analysis was appropriate and relevant and had been appropriately extracted from independent sources.	We confirmed that there were no material instances of use of inappropriate policies or methodologies and that the valuation of the underlying level three investments was not materially misstated. We also confirmed that there were no material matters arising from our audit work on the value of the Company's investment in the Partnership that we wanted to bring to the attention of the Audit Committee.

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 and the allocation of work between the audit team and internal valuation experts. Taken together, this enables us to form an opinion on the Financial Statements.

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 an omission or misstatement that, individually or in the 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 $34.0 million (2015: $26.9 million), which is approximately 2 per cent. (2015: 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.

During the course of our audit, we reassessed initial materiality and noted no factors leading us to amend materiality levels from those originally determined at the audit planning stage.

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.

On the basis of 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 $25.5 million (2015: 75 per cent. of materiality, namely $20.2 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 $1.7 million (2015: $1.3 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 in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the Financial Statements //

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and auditor //

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies Law. 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.

Matters on which we are required to report by exception //

ISAs (UK and Ireland)

We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' Statement that they consider the Annual Report and accounts 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 whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

- the Directors' Statement in relation to going concern and longer-term viability, set out on pages 27 and 28; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Companies Law requirements

We are required to report to you if, in our opinion:

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

We have no exceptions to report.

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity //

ISAs (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation 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 disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' Statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the 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; and
- the Directors' explanation 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.

We have nothing material to add or to draw attention to.

Michael Bane
For and on behalf of Ernst & Young LLP
Guernsey
28 February 2017

(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 2016

	Notes	31 December 2016 $'000	31 December 2015 $'000
Assets			
Non-current assets			
Investment at fair value through profit or loss	6	1,695,406	1,345,150
Total non-current assets		1,695,406	1,345,150
Current assets			
Trade and other receivables		545	683
Cash and cash equivalents	7	3,230	2,539
Total current assets		3,775	3,222
Total assets		1,699,181	1,348,372
Current liabilities			
Trade and other payables		623	1,183
Total current liabilities		623	1,183
Total liabilities		623	1,183
Net assets		1,698,558	1,347,189
Equity			
Share capital	8	1,317,496	1,317,537
Retained earnings		381,062	29,652
Total equity		1,698,558	1,347,189
Number of Shares in issue at year end	9	84,480,064	84,480,064
Net Asset Value per Share ($)	13	20.11	15.95

The Financial Statements of the Company were approved and authorised for issue by the Board of Directors on 28 February 2017 and signed on their behalf by:

Richard Hayden
Chairman

Patrick Firth
Director

The accompanying notes on pages 51 to 67 form an integral part of the Company's Financial Statements.

Statement of Comprehensive Income For the year ended 31 December 2016

	Notes	1 January 2016 to 31 December 2016 $'000	1 January 2015 to 31 December 2015 $'000
Investment gain			
Change in fair value of investment at fair value through profit or loss	6	**355,756**	12,737
Expenses			
Directors' fees and expenses	10	**(922)**	(898)
Legal and professional fees		**(496)**	(697)
Other operating expenses	14	**(2,514)**	(2,554)
Total expenses		**(3,932)**	(4,149)
Operating profit for the financial year		**351,824**	8,588
Finance income and expenses			
Foreign exchange loss		**(414)**	(149)
Interest income		**–**	2
Total finance income and expenses		**(414)**	(147)
Profit for the year		**351,410**	8,441
Total comprehensive income for the year		**351,410**	8,441
Basic Earnings per Share (cents)	13	**415.97**	11.03
Diluted Earnings per Share (cents)	13	**415.97**	11.03

All activities derive from continuing operations.

The accompanying notes on pages 51 to 67 form an integral part of the Company's Financial Statements.

Statement of Changes in Equity For the year ended 31 December 2016

	Notes	Share capital $'000	Retained earnings $'000	Total Equity $'000
As at 1 January 2016		1,317,537	29,652	1,347,189
Profit for the financial year		–	351,410	351,410
Other comprehensive income		–	–	–
Total comprehensive income for the year		–	351,410	351,410
Transactions with owners				
Share issue costs	8	(41)	–	(41)
Total transactions with owners		(41)	–	(41)
As at 31 December 2016		1,317,496	381,062	1,698,558

	Notes	Share capital $'000	Retained earnings $'000	Total Equity $'000
As at 1 January 2015		1,218,811	21,211	1,240,022
Profit for the financial year		–	8,441	8,441
Other comprehensive income		–	–	–
Total comprehensive income for the year		–	8,441	8,441
Transactions with owners				
Issue of Shares	8	102,349	–	102,349
Share issue costs	8	(3,623)	–	(3,623)
Total transactions with owners		98,726	–	98,726
As at 31 December 2015		1,317,537	29,652	1,347,189

The accompanying notes on pages 51 to 67 form an integral part of the Company's Financial Statements.

	Notes	1 January 2015 to 31 December 2016 $'000	1 January 2014 to 31 December 2015 $'000
Cash flow used in operating activities			
Operating profit for the financial year		**351,824**	8,588
Adjustments for:			
Net finance income		**–**	2
Change in fair value of investment at fair value through profit or loss	6	**(355,756)**	(12,737)
Movement in trade receivables		**138**	(137)
Movement in trade payables		**(560)**	637
Net cash used in operating activities		**(4,354)**	(3,647)
Cash flow generated from (used in) investing activities			
Distribution from the Partnership		**5,500**	–
Investment in the Partnership	6	**–**	(98,117)
Net cash generated from (used in) investing activities		**5,500**	(98,117)
Cash flow (used in) generated from financing activities			
Proceeds from issue of Shares	8	**–**	102,349
Share issue costs	8	**(41)**	(3,623)
Net cash (used in) generated from financing activities		**(41)**	98,726
Net movement in cash and cash equivalents during the year		**1,105**	(3,038)
Cash and cash equivalents at the beginning of the year		**2,539**	5,726
Effect of foreign exchange rate changes		**(414)**	(149)
Cash and cash equivalents at the end of the year		**3,230**	2,539

The accompanying notes on pages 51 to 67 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. 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.

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 2016 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.

New and amended standards and interpretations not applied by the Company

The following are new and amended standards and interpretations in issue effective from 1 January 2017:

IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 7	Statement of Cash Flows – Disclosure initiative (amendments to IAS 7)	1 January 2017

The Company has not early adopted these standards and their impact is yet to be fully assessed however, the impact of these standards is not expected to be significant.

2. Accounting policies (continued)

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 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".

Going concern

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.

Financial instruments

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 has elected to classify its investment in the Partnership as at fair value through profit or loss.

ii. Measurement

Investments made by the Company in the Partnership are measured at fair value.

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. Privately held investments may also be valued at cost for a period of time (not exceeding one year) after an acquisition as the best indicator of fair value.

The Company has determined that the fair value of its investment in the Partnership is $1,695 million and is calculated in accordance with applicable IFRS accounting standards and IPEV Valuation Guidelines.

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.

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.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Finance income

Interest income is recognised on a time apportioned basis using the effective interest method.

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.

3. Critical accounting judgement and estimation uncertainty

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.

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.)

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

Investment Entities

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.

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 resulting in its classification as a structured entity in accordance with IFRS 12, and accounted as an investment in associate at fair value in accordance with IAS 28. The Partnership is financed solely by the funds raised in the IPO and Placing and Open Offer of the Company.

Transfer of funds by the Partnership to the Company is determined by the General Partner (see Note 10). The risks associated with the investment in the Partnership are the same as that of the Company, which are further disclosed in Note 11. The summarised financial information for the investment in the Partnership is disclosed in Note 6, which is prepared on the same basis as the financial information of the Company.

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. Instead, each of the Company's Shareholders who are liable to 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. Based upon the current commitments and investments in Liberty II, Eagle II, Rock Oil, Fieldwood, Castex 2014, Castex 2005, Three Rivers III, Carrier II, ILX III, and Centennial, the future U.S. tax liability on profits is expected to be in the range of 35 to 41.5 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 has unobservable inputs and is not traded. Amounts classified under Level 3 for the year ended 31 December 2016 was $1,695 million (31 December 2015: $1,345 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 2016. Any transfers between the levels will be accounted for on the last day of each financial period. Due to the nature of the investments, they are 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.

For the year ended 31 December 2016, the valuations of the Company's investments, through the Partnership, are detailed in the Investment Manager's Report.

5. Fair value (continued)

Quantitative information about Level 3 fair value measurements

Industry	Fair value (in thousands) 31/12/2016	Valuation technique(s)	Unobservable input(s)	Range Low[1]	Range High[1]	Weighted average[1]	Sensitivity of the input to total fair value of investments	# of investments[2]
Energy	$1,241,851	Public comparables	1P Reserve multiple ($/Boe)	$3	$13	$12	10% weighted average change in the input would result in 1% change in the total fair value of investments	7
			EV / 2017E EBITDA multiple	6.6x	11.2x	7.7x	10% weighted average change in the input would result in 1% change in the total fair value of investments	4
		Transaction comparables	Acreage Multiple ($/Boepd per Acre)	$2,200	$16,800	$6,300	10% weighted average change in the input would result in 2% change in the total fair value of investments	4
		NAV analysis	Oil Price Curve ($/bbl)	$43	$54	$51	20% weighted average change in the input would result in 10% change in the total fair value of investments	6
			Gas Price Curve ($/mcfe)	$3	$3	$3	20% weighted average change in the input would result in 4% change in the total fair value of investments	4
	$1,389	Last round of financing						
	$65,494	Other						
	$1,308,734	**Total**						

(1) Calculated based on fair values

(2) Each of the Partnership's investments are valued using one or more of the techniques which utilise one or more of the unobservable inputs, so the amounts in the "# of investments" column will not aggregate to the total number of the Partnership's investments

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 has 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 is for a term of 18 months and has an annual interest rate cost of 3 month LIBOR plus 3.25 per cent.. A security interest has been granted by REL US Centennial Holdings, LLC over the shares in Centennial, as collateral for any amounts which may become due under the Margin Loan Agreement.

	31 December 2016 $'000	31 December 2015 $'000
Cost		
Brought forward	1,308,935	1,210,818
Distribution from the Partnership	(5,500)	–
Investment in the Partnership	–	98,117
Carried forward	1,303,435	1,308,935
Fair value adjustment through profit or loss		
Brought forward	36,215	23,478
Fair value movement during the year	355,756	12,737
Carried forward	391,971	36,215
Fair value at year end	1,695,406	1,345,150

Summary financial information for the Partnership

Summary Balance Sheet	31 December 2016 $'000	31 December 2015 $'000
Investments at fair value (net)	1,461,145	966,610
Cash and cash equivalents	147,882	52,295
Money market deposits	91,786	405,000
Investments payable	–	(74,008)
Management fee payable – see Note 10	(6,370)	(5,052)
Other net assets	963	305
Fair value of REL's investment in the Partnership	1,695,406	1,345,150

Reconciliation of Partnership's investments at fair value	31 December 2016 $'000	31 December 2015 $'000
Investment at fair value – Level 1 (gross)	476,591	–
Investments at fair value – Level 3 (gross) – see Note 5	1,308,734	895,606
Investments at fair value (gross)	1,785,325	895,606
Margin Loan Agreement – see Note 6 above	(100,047)	–
Accrued General Partner performance allocation – see Note 10	(132,164)	(26,159)
Provision for taxation	(120,785)	–
Cash and cash equivalents	28,816	97,163
Partnership's investments at fair value (net)	1,461,145	966,610

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

Summary Income Statement	1 January 2016 to 31 December 2016 $'000	1 January 2015 to 31 December 2015 $'000
Unrealised gain on Partnership's investments (net)	**377,481**	27,750
Interest and other income	**1,833**	5,345
Management fee expense – see Note 10	**(22,370)**	(17,858)
Other operating expenses	**(1,188)**	(2,500)
Portion of the operating profit for the year attributable to REL's investment in the Partnership	**355,756**	12,737

Reconciliation of unrealised and realised gain on Partnership's investments	31 December 2016 $'000	31 December 2015 $'000
Unrealised gain on Partnership's investments (gross)	**530,833**	34,085
Realised gain on Partnership's investments (gross)	**87,220**	3,156
Income from Partnership's investments (gross)	**6,520**	979
General Partner's performance allocation	**(126,307)**	(16,498)
Provision for taxation	**(120,785)**	6,028
Unrealised and realised gain on Partnership's investments (net)	**377,481**	27,750

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.

8. Share capital

	31 December 2016 $'000	31 December 2015 $'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
Shares as at year end	**84,480,064**	84,480,064

Share capital	$'000	$'000
Share capital brought forward	**1,317,537**	1,218,811
Movements for the period:		
Issue of Ordinary Shares	**–**	102,349
Share issue costs	**(41)**	(3,623)
Share capital as at year end	**1,317,496**	1,317,537

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.

KFI, one of the Cornerstone Investors in the Company, paid for and acquired its Ordinary Shares in two equal tranches of £50 million. The first tranche was paid on Admission at which time 5 million Ordinary Shares were issued to KFI. The second tranche was paid on 26 September 2014 and issued on 10 October 2014 upon the Company being 50 per cent. committed of the aggregate net proceeds of the Issue, calculated using KFI's total subscription monies.

On 11 December 2015, the Company raised £67.6 million ($102.3 million) (based on an exchange rate of 1.5144 $/£ and gross of share issuance costs of $3.6 million) through the issuance of 8,448,006 new Ordinary Shares at £8.00 per Ordinary Share.

Following admission of the new Ordinary Shares, the share capital of the Company is 84,480,064 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 2015: eight). The Chairman is entitled to annual remuneration of £120,000, (31 December 2015: £120,000). The Chairman of the Management Engagement Committee is entitled to annual remuneration of £65,000 (31 December 2015: £60,000) and the Chairman of the Audit Committee is entitled to annual remuneration of £75,000 (31 December 2015: £60,000). The other independent Directors are entitled to annual remuneration of £60,000 (31 December 2015: £60,000). The three non-independent Directors (31 December 2015: three) have chosen not to be remunerated by the Company for their services.

Directors' fees and expenses for the year ended 31 December 2016 amounted to $922,379 (31 December 2015: $897,601), £4,137 of which was outstanding at year end (31 December 2015: none).

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.

10. Related party transactions (continued)

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. The fee is payable quarterly in arrears and each payment is calculated using the quarterly Net Asset Value as at the relevant quarter end. Notwithstanding the foregoing, no Management Fee is paid on the cash proceeds of the Issue to the extent that they have not yet been invested or committed to an investment. Amounts not forming part of a commitment to an investment that are invested in cash deposits, interest-bearing accounts or sovereign securities directly or indirectly, are not considered to have been invested or committed for these purposes.

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 2016, the maximum amount of annual fees, travel and related expenses of the Directors is $1,093,763 (31 December 2015: $935,051). During the year ended 31 December 2016, fees and expenses of the Directors amounted to $922,379 (31 December 2015: $897,601), therefore no reduction in the 31 December 2016 quarter-end management fee (31 December 2015: no reduction of the quarter-end management fee).

During the year ended 31 December 2016, the Partnership incurred Management Fees of $22,370,296 (31 December 2015: $17,858,354) of which $6,369,594 remained outstanding as at the year end (31 December 2015:$5,051,958).

The Investment Manager's appointment cannot be terminated by the Company with less than 12 months' notice. The Company may terminate the Investment Management Agreement with immediate effect if the Investment Manager has committed an act of fraud or wilful misconduct in relation to the Company which has resulted in material harm to the Company's business. The Investment Manager may terminate their appointment immediately if either the Company or the Partnership is in material breach of any of its material obligations under the Investment Management Agreement.

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 realised profits (if any) on the sale of any underlying asset of the Company.

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

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 2016 $'000	31 December 2015 $'000
Financial assets		
Investment at fair value through profit or loss:		
Investment in the Partnership	**1,695,406**	1,345,150
Loans and receivables:		
Cash and cash equivalents	**3,230**	2,539
Trade and other receivables	**545**	683
Financial liabilities		
Financial liabilities:		
Trade and other payables	**(623)**	(1,183)

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 2016 and 2015, the Company itself had no borrowings. However, as disclosed in Note 6, REL US Centennial Holdings, LLC has borrowed $100 million under the terms of the Margin Loan Agreement.

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 $1,777,012.

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 2016, $268 million or 15.8 per cent. (31 December 2015: $554 million or 41.2 per cent.) of the Partnership's financial assets 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.

(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.

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:

As at 31 December 2016

Assets	**$ $'000**	**£ $'000**	**Total $'000**
Non-current assets			
Investment in the Partnership	**1,695,406**	**–**	**1,695,406**
Total non-current assets	**1,695,406**	**–**	**1,695,406**
Current assets			
Trade and other receivables	**545**	**–**	**545**
Cash and cash equivalents	**1,801**	**1,429**	**3,230**
Total current assets	**2,346**	**1,429**	**3,775**
Current liabilities			
Trade and other payables	**215**	**408**	**623**
Total current liabilities	**215**	**408**	**623**
Total net assets	**1,697,537**	**1,021**	**1,698,558**

As at 31 December 2015

Assets	$ $'000	£ $'000	Total $'000
Non-current assets			
Investment in the Partnership	1,345,150	–	1,345,150
Total non-current assets	1,345,150	–	1,345,150
Current assets			
Trade and other receivables	683	–	683
Cash and cash equivalents	544	1,995	2,539
Total current assets	1,227	1,995	3,222
Current liabilities			
Trade and other payables	289	894	1,183
Total current liabilities	289	894	1,183
Total net assets	1,346,088	1,101	1,347,189

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

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.

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 2016 $'000	31 December 2015 $'000
Non-interest bearing		
Cash and cash equivalents	**3,230**	2,539

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. In Q1 2016, the Company received a $5.5 million distribution from the Partnership to meet its forecasted liabilities. In the event of the Company requiring additional funds, it is expected 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.

The carrying value of the investment in the Partnership as at 31 December 2016 was $1,695 million (31 December 2015: $1,345 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 2016 $'000	31 December 2015 $'000
ABN Amro (Guernsey) Limited	**Guernsey**	**A**	**3,230**	2,539

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

31 December 2016	**Carrying Value and Maximum exposure $'000**
Investment at fair value through profit or loss:	
Investment in the Partnership	**1,695,406**
Loans and receivables (including cash and cash equivalents but excluding prepayments)	**3,230**

31 December 2015	Carrying Value and Maximum exposure $'000
Investment at fair value through profit or loss:	
Investment in the Partnership	1,345,150
Loans and receivables (including cash and cash equivalents but excluding prepayments)	2,539

Gearing

As at the date of these Financial Statements the Company itself has no gearing; however, the Partnership had approximately $11 million of letter of credit outstanding as part of a $200 million line of credit agreement and REL US Centennial Holdings, LLC has borrowed $100 million under the terms of the Margin Loan Agreement. The Company may have additional 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, as calculated under IFRS, 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 2016 Basic	31 December 2016 Diluted
Profit for the year ($'000)	**351,410**	**351,410**
Weighted average numbers of Shares in issue	**84,480,064**	**84,480,064**
EPS (cents)	**415.97**	**415.97**

	31 December 2015 Basic	31 December 2015 Diluted
Profit for the year ($'000)	8,441	8,441
Weighted average numbers of Shares in issue	76,494,962	76,494,962
EPS (cents)	11.03	11.03

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 2016.

There are no dilutive Shares in issue as at 31 December 2016.

Net Asset Value per Share

	31 December 2016	31 December 2015
NAV ($'000)	**1,698,558**	1,347,189
Number of Shares in issue	**84,480,064**	84,480,064
Net Asset Value per Share ($)	**20.11**	15.95

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.

14. Auditors' Remuneration

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

	2016 $'000	2015 $'000
Ernst & Young LLP Audit fees	335	465

	2016 $'000	2015 $'000
Ernst & Young LLP Interim Review fees	108	105
Ernst & Young LLP Tax Compliance fees	25	25
Ernst & Young LLP Reporting Accounting Services	–	302
Ernst & Young LLP Non-Audit fees	133	432

15. Subsequent Events

There are no material events after the year end to the date on which these Financial Statements were approved.

"**1P reserve**" means proven reserves;

"**2P reserve**" means proven and probable reserves;

"**Administrator**" means Heritage International Fund Managers 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;

"**AEOI**" 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;

"**AQRT**" means Audit Quality Review Team of the Financial Reporting Council;

"**Articles of Incorporation**" or "**Articles**" means the articles of incorporation of the Company;

"**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;

"**CAD**" 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.;

"**CIOC**" means Canadian International Oil Corp.;

"**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 Heritage International Fund Managers 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 Goldman Sachs International and JP Morgan Cazenove;

"**Corporate Governance Code**" means The UK Corporate Governance Code 2014 as published by the Financial Reporting Council;

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

"**CRS**" means Common Reporting Standard;

"**Depositary**" means Heritage Depositary Company (UK) Limited;

"**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;

"**EBITDAX**" means earnings before interest, taxes, depreciation, amortisation and exploration expenses;

"**ECI**" means effectively connected income;

"**EEA**" means European Economic Area;

"**EGM**" means an Extraordinary General Meeting of the Company;

"**EU**" means the European Union;

"**EV**" means enterprise value;

"**farm-in**" means an arrangement whereby an operator buys in or acquires an interest in a lease owned by another operator on which oil or gas has been discovered or is being produced;

"**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;

"**FTSE 350**" means Financial Times Stock Exchange 350 Index;

"**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;

"**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;

"**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;

"**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;

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

"**ISA**" means International Standards on Auditing (UK and Ireland);

"**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;

"**LTM**" means last twelve months;

"**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);

"**mmcfepd**" means million cubic feet equivalent (natural gas) per day;

"**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;

"**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;

"**PV-10**" means present value of estimated future oil and gas revenues, net of estimated direct expenses, at an annual discount rate of 10 per cent.;

"**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.;

"**recompletions**" means the action and techniques of re-entering a well and redoing or repairing the original completion to restore a well's productivity;

"**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;

"**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;

"**Stewardship Code**" means the UK Stewardship Code;

"**Three Rivers III**" means Three Rivers Natural Resources Holdings III LLC;

"**UCITS**" means undertakings for collective investment in transferable securities;

"**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;

"**workover**" means an oil well intervention involving invasive techniques, such as wireline, coiled tubing or snubbing, to pull and replace a completion;

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

"**£**" or "**Pounds 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

Directors
Richard Hayden (Chairman, effective from 19 May 2016)
Peter Barker
Patrick Firth
Pierre Lapeyre
David Leuschen
Claire Whittet
Ken Ryan (Appointed 19 May 2016)
Jeremy Thompson (Appointed 19 May 2016)

James Hackett (Resigned 19 May 2016)
Sir Robert Wilson (Resigned 19 May 2016)

Audit Committee
Patrick Firth (Chairman, effective from 19 May 2016)
Peter Barker
Richard Hayden
Claire Whittet
Jeremy Thompson (Appointed 10 August 2016)

Management Engagement Committee
Claire Whittet (Chairman, effective from 19 May 2016)
Peter Barker
Patrick Firth
Richard Hayden (Appointed 19 May 2016)
Jeremy Thompson (Appointed 10 August 2016)

Nomination Committee
Richard Hayden (Chairman, effective 19 May 2016)
Peter Barker
Patrick Firth
Claire Whittet
Jeremy Thompson (Appointed 10 August 2016)

Investment Manager
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Website: www.RiverstoneREL.com
ISIN: GG00BBHXCL35
Ticker: RSE

Investment Manager's Valuation Committee
Pierre Lapeyre
David Leuschen
Mark Papa (effective from 31 March 2016)
Ken Ryan (effective from 19 May 2016)
Tom Walker (effective from 31 March 2016)

Administrator and Company Secretary
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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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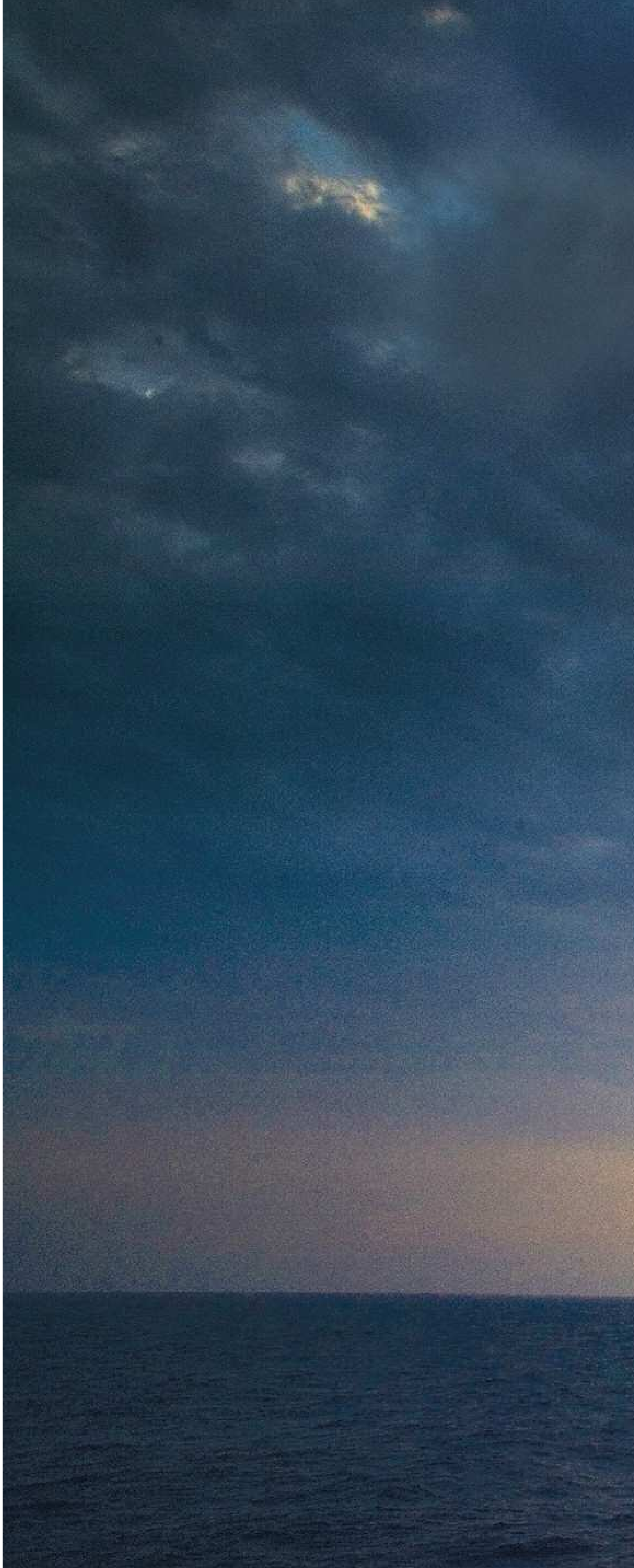

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