



Annual Report and Financial Statements

Year ended 31 December 2016

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Company Overview

Ascent Resources plc ('Ascent' or 'the Company') is an independent oil and gas exploration and production ('E&P') company that was admitted to trading on AIM in November 2004 (AIM:AST). Ascent has been involved in Slovenia for nearly 10 years and has invested, alongside its partners, almost €45 million in the Slovenian Petišovci tight gas project, which is currently its principal asset. The Company has recently passed a major milestone by bringing well Pg-10 into production, enabling the commercial sale of gas to a local industrial customer and changing Ascent's status from explorer to producer.

Our strategy

The Board firmly believes that the gas field at Petišovci is an outstanding prospect and therefore has focussed all of its resources on this project, directing our available funding towards bringing Petišovci into production.

Now that production has begun the Company will shortly be generating positive operating cash flow.

How we operate

The Company utilises a full range of advanced geophysical, geological and other state-of-the-art technology to evaluate and de-risk projects and to reap maximum benefit from its appraisal, development and production activities.

Our Petišovci project is operated through a local entity in a joint venture. Wherever possible we utilise local companies to provide services to the project effectively and efficiently.

Our people

Ascent has a small management team, implementing a defined development programme. This is supplemented, as the need requires, with regional technical and operational expertise to ensure the highest standards are delivered on our projects.

As an important local employer in our area of operation we take our environmental and social responsibilities seriously and always strive to be a good corporate citizen.

Our markets

Dependency on imported gas is very high throughout the EU, particularly in Slovenia. This, and the history of relatively stable gas prices in Europe underpins our strategy of exploration, development and production in this region.

Our operations are in close proximity to existing processing facilities, intra-field and national pipelines, ensuring low cost connection and easy access to the market.

Chairman's Statement

Progress in the period under review and the first few months of 2017 is probably the greatest in the Company's history.

At the date of the last annual review we were heavily occupied by Slovenia's interpretation of EU environmental regulations; without a market for our gas; and unsure of the productive qualities of our two drilled wells Pg-10 & Pg-11A. However, thanks to surviving on successive equity placements and the support of our principal partners and financial backers, we ended the year on a sound financial footing.

Now, we have demonstrated the productive capabilities of our main well, Pg-10; re-commissioned and constructed connecting pipelines; and signed a contract with INA to sell our gas across the Slovenian border for treatment in Croatia. We are better funded to maximise the opportunities ahead and the ultimate progress is that we are now selling gas, with production and gas sales having started in 2017.

Under the terms of the Petišovci Joint Venture Agreement, we are entitled to retain up to 90% of the income received against historic costs, which to date are €43 million. We therefore anticipate a build-up in the Company's cash reserves over the coming months.

This has all been achieved whilst reducing our general and administrative expenditure from £1.9 million to £1.4 million.

However, much remains to be done.

We remain hopeful of an early decision by the Slovenian authorities to allow the much-delayed environmental permit to be issued. This will enable the construction of a larger gas treatment facility, which will be required to develop the Petišovci project to its fullest potential.

We are indebted to our workforce, led by Chief Executive Colin Hutchinson, all of whom deserve praise for their commitment to the Company. We are also grateful for the continued support and strong working relations with our Slovenian partners Petrol and Nafta Lendava.

I look forward to reporting further progress in the coming months and thank shareholders for their continued support.

Yours faithfully

Clive Carver
Non-executive Chairman

Chief Executive's Review

Introduction

The period under review has been one of the most transformative in the Company's history.

In July 2016, we responded to the surprising decision of the Slovenian Administrative Court to withdraw the IPPC Permit by completing the acquisition of the Slovenian company Trameta and signing a gas sales agreement with INA. These two transactions opened up a significant market for Joint Venture gas.

In October and November 2016, we completed a £4.5 million fund-raising (£3.5 million equity and £1 million of convertible loan notes), which provided the Company with the funding to pay down short-term debt and complete the work programme to bring our wells into production. In February 2017, a further placing of £3.0 million through PrimaryBid provided the Company a significant cash buffer.

Post period end, in January 2017 we successfully recompleted and tested well Pg-10 which flowed at a rate that exceeded Management expectations, by matching rates achieved in 2011. Production at these levels would enable us to comfortably meet the minimum requirement in our INA contract.

In April 2017, the Company commenced the commercial production of gas from well Pg-10. This marked an historic step forward for Ascent after nearly ten years in country and around six years since Pg-10 first indicated the significant potential of the field.

Financial Performance for the year

Despite this increased level of commercial activity, it is pleasing to report that losses for the year decreased compared to the prior year by almost £1 million from £3.6 million to £2.7 million. This has been driven by a £0.5 million reduction in administrative expenditure as cuts made in previous periods materialise and a £0.5 million reduction in finance costs for the period as the value of outstanding loan notes decreased.

The balance sheet has been materially strengthened with year-end cash of over £3 million compared to £32,000 at the end of 2015. Cash from operations primarily relates to the administrative costs incurred. Cash from investing relates to capital expenditure with cash from financing primarily relating to the placings and issue of convertible loan notes in the year. In the period under review £5 million of debt was extinguished with the conversion of loan notes and, since the period, end another £2.5 million of debt has similarly been extinguished with further loan note conversions. Finally, we have benefited from the appreciation of the euro against sterling, as the majority of our assets are euro denominated.

IPPC Permit

Petrol Geoterm, the contractor to our Joint Venture and the entity that filed the original IPPC Environmental Permit Application to build a new processing facility at Petišovci, was informed in May 2016 of the Administrative Court's decision to withdraw the IPPC Permit, which had previously been granted by the Slovenian Environment Agency, in June 2015.

The reason given by the Administrative Court for this decision was that, after the original application had been made in June 2014, the relevant law had changed and the process that had been followed did not comply with the new law. This is despite the new law explicitly stating that, any applications submitted (but not yet resolved) prior to the effective date for the new law should be pursued exclusively under the old rules.

The Administrative Court's decision is not related to objections to the Petišovci project by interest groups but is based solely on the permit application process. It is clear to the Company and its advisers that the decision of the Administrative Court is directly contrary to prevailing Slovenian law.

The Administrative Court referred the case back to the Slovenian Environment Agency to process. After further discussions with the Environment Agency, the Joint Venture submitted additional documentation to satisfy specific points raised by the Administrative Court. This has satisfied the Environment Agency, which has ruled that the Joint Venture will not be required to submit a second full Environmental Impact Assessment ('EIA'), as stipulated by the new law, to progress its application for an IPPC Permit.

We believe it is a flaw in the system that allows one entity to lodge the same discredited arguments against the issue of the Permit time and time again. The big losers here are the Slovenian state and its public who are forced to import virtually all of their gas requirements while Slovenian gas produced from the Petišovci field will be exported to neighbouring Croatia. Inevitably Ascent also suffers from delays and uncertainty as each permitted appeal takes several months.

Given the system it was not a huge surprise that once again the same NGO appealed the decision of the Environment Agency in November 2016. We note though that the Slovenian state may be finally losing patience with this particular objector as its appeal has once again be dismissed as being entirely without merit.

We await confirmation on whether there will be a further appeal to the Court.

Sales agreement with INA

When we became aware that INA, Croatia's leading oil and gas company, was constructing a pipeline to link its field at Medjimurje with a processing facility at Molve, both within Croatia we were clear that the best interest of the Company would be served with an agreement to supply INA with our untreated gas. The Petišovci field, which is some 5 kilometres from the Croatian border, is already connected to Medjimurje by an existing pipeline constructed by INA towards the end of the previous century.

In July 2016, we announced that we had signed a gas sales agreement to run for twelve months from first production while we tested the productivity of the wells and the responsiveness of the gas reservoirs. After twelve months, the agreement can be renewed. Gas will be sold at a price indexed to the day ahead Central European gas hub pricing. We expect to commence supplying INA in Q2 2017.

Acquisition of Trameta

To allow an agreement with INA to move forward we first had to secure the Slovenian section of the existing production pipeline. To do so in July 2016 we acquired 100% of Trameta, a Slovenian company that controlled the land over which the relevant pipelines run.

Under the terms of the Trameta Sale & Purchase Agreement Ascent undertook to issue the Trameta vendors up to 75 million new Ascent shares and options over a further 7.5 million Ascent shares (subject to triggering tranches 1 & 2) as follows:

Tranche / Condition	Event / Date	Shares (millions)
1	On the one-year anniversary of the completion of the SPA following the General Meeting	5.0
2	On the one-year anniversary of the pipeline being certified for the transportation of gas.	20.0
3	On the one-year anniversary of the pipeline being used to transport 1 million cubic metres of natural gas.	22.5
4	On the one-year anniversary of the pipeline being used to transport 50 million cubic metres of natural gas	27.5

In addition, the Seller will be issued with options to subscribe for up to a further 7.5 million subscription shares at the option price of 2 pence per share following the pipeline being certified for the transportation of gas. As at the balance sheet date, conditions 1 & 2 had already been satisfied and options issued in the financial year.

The purchase of Trameta has avoided years of potential delay to the project and the associated legal costs.

Funding

During 2016, the Company raised a total of £6 million gross (£5 million of equity and £1 million of convertible loan notes). The first three issues, which took place during April and June 2016, provided the Company with the funds to finalise the INA and Trameta agreements and to undertake the planning required to carry out the work programmes required for first gas.

In October 2016, the Company announced a fund-raising of up to £4.5 million, which was carried out in tranches. The first for £3,677,500, £2,627,500 of equity and £1,050,000 of convertible loan notes, which included a subscription for £50,000 in loan notes from Directors, was implemented immediately and the second for £871,510 was carried out following the approval of shareholders at a General Meeting held on 15 November 2016. In addition in October 2016 the repayment date of the CLN's was extended to November 2019.

Recompletion of Pg-10

The recompletion of Pg-10 commenced in November 2016 and completed in January 2017, with a successful three-day flow test.

This was a significant achievement. Pg-10 had previously been tested for only a short period in 2011 and management were therefore happy to be able to report that there had been no deterioration in the flow rates over the subsequent period.

Sales of gas

In April 2017, the joint venture partners commenced commercial production from well Pg-10 for the first time. Production is being processed at the existing processing facility ('CPP') owned by our partner, Petrol Geoterm, and is being sold to a local industrial customer.

This marks the step from explorer to producer and would not have been possible without the faith and perseverance of our employees, partners, contractors and importantly shareholders.

If 2016 was the most transformative year in the Company's history, we believe 2017 is already on track to exceed this.

Colin Hutchinson
 Chief Executive Officer

Operations Review

Slovenia

Ascent Slovenia Ltd 75% (operator), Geoenergo d.o.o. 25% (concession holder)

The Petišovci Tight Gas Project, in a 98 km² area in north eastern Slovenia, targets the development of tight gas reservoirs known to be in Miocene clastic sediments.

Ascent first acquired an interest in the Petišovci project in 2007 and in 2009 an extensive 3D seismic survey was conducted across the Petišovci concession area.

The structure has two sets of reservoirs, the shallower Upper Miocene and the deeper Middle Miocene. The Middle Miocene Badenian reservoirs, or Pg sands, are the focus of Ascent's development objectives; however, the shallow reservoirs, which were extensively developed during the 1960s, are not considered to be fully depleted.

The north-east region of Slovenia has been an oil and gas producing area since the early 1940s and contains much of the infrastructure necessary for processing and exporting produced hydrocarbons.

Two new appraisal wells, Pg-10 and Pg-11, drilled in 2010/2011 to a total vertical depth of 3,497 m and 3,500 m respectively, confirmed gas in all six Middle Miocene Badenian reservoirs ('A' to 'F' Pg sands). Gas flowed for the first time from the shallowest 'A' sands and, in addition, gas and condensate were sampled from the Lower Badenian 'L' to 'Q' sands. Pg-10 proved productive from the 'F' sands and Pg-11A (Pg-11 was side-tracked for technical reasons to Pg-11A) from the deeper 'L' to 'Q' sands. Both wells were successfully fracture stimulated resulting in flow rates of 8 MMscfd from the 'F' sands and 2 MMscfd from the 'L, M and N' sands, proving the commercial potential of both wells.

The data generated from the Pg-11A well, including three 18 m core samples and state-of-the-art wireline logging, supplemented the 2009 3D survey of the project area. The Company has reported independently verified P50 estimate of gas in place of 456 Bcf (13 Bm³; 76 MMboe).

Following the recompletion of Pg-10 in January 2017 a flow test was carried out over a three day period. The maximum stabilised flow rate was 8.8 million standard cubic feet of gas per day ('MMscfd'). Over the course of the 56 hour test the well was open for a total of 37 hours. The well produced total gas of 295,387 cubic metres (10,431,595 cubic feet) along with 28,250 litres of water and 2,930 litres of condensate. The average flowing well head pressure was 271 barg (3,930 psi absolute).

Back-in Rights

Netherlands

As part of the Sale and Purchase Agreement signed in 2013 with Tulip Oil for the Company's former Dutch licences, Ascent has the right to re-purchase a 10% interest in each of the Dutch licences once Tulip has made a final investment decision with respect to the commercial development of the Terschelling-Noord Field.

Switzerland

The permits over which Ascent held back in rights expired during the year.

Strategic report

Section 414C of the Companies Act 2006 ('the Act') requires that the Company inform its members as to how the Directors have performed their duty to promote the success of the Company by way of a Strategic Report.

Fair review of the business

The Act requires the Company to set out in the Directors' Report a fair review of the business of the Company during the financial year ended 31 December 2016 including an analysis of the position of the business at the end of the financial year and a description of the principal risks and uncertainties facing the Company (the 'Business Review'). The purpose of the Business Review is to enable shareholders to assess how the Directors have performed their duties under Section 172 of the Companies Act 2006, being the duty to promote the success of the Company. The Chairman's Statement and the Chief Executives Review, on pages 3 to 6, together with the Operations Review, Corporate Responsibility Statement, corporate governance statements and Principal Risks and Uncertainties section of the Annual Report, which are incorporated herein by reference, are considered to fulfil the requirements of the Business Review.

Principal risks and uncertainties

The Group operates in an industry characterised by a range of business risks. The key risks and uncertainties faced by the Group are summarised below.

- *Strategic* – the achievement of corporate objectives is dependent on the strategy followed by the Group, as well as the interaction with stakeholders and shareholders, good governance and an understanding of economic and market dynamics. This risk is mitigated by the expertise of the Company's Directors and specialists.
- *Operations* – the operations of the Group may be adversely affected by its ability to find and develop adequate gas and oil reserves, to develop and exploit new gas and oil acreage and to recruit and retain management and staff with the right technical skills. This risk is mitigated through the experience and expertise of the Company's Directors, staff, specialists and consultants, the application of appropriate technology and the selection of appropriate prospective exploration and development assets.
- *Financial* – the Group's ability to meet its obligations and achieve objectives is influenced by its liquidity, gearing, movements in commodity prices and costs, movements in foreign exchange and funding. Foreign exchange risk is mitigated by close monitoring of exchange rate movements and holding cash reserves with a variety of different institutions in a variety of currencies being euro, US dollar and British pound. The Group's liquidity risk is set out in Notes 1 and 23 to the financial statements. All other financial risks are mitigated, to the extent possible, by the expertise of the Company's financial staff.
- *Compliance* – the Group must comply with a range of corporate, legal and industry regulations and the nature of its operations necessitates strong controls around contractual arrangements, especially in respect of areas such as joint venture agreements. This risk is mitigated by the expertise of the Company's Directors and advisers.
- *Knowledge* – the Group is dependent on the efficient and effective operation of its information systems, and the management and reporting of project data and reserves information is key. Loss of key personnel may also lead to the potential loss of corporate 'intellectual property'. This risk is mitigated by ensuring all Company information is both readily available to the relevant Company employees and is securely maintained on a regularly backed up, password protected IT system.

Analysis of the development and performance of the business

Information is contained in pages 3 to 6 of the Chairman's statement and Chief Executives Review. The Group incurred a loss of £2.7 million (2015: £3.6 million) arising from £1.4 million (2015: £1.9 million) of administrative

costs and net finance costs of £1.3 million (2015: £1.8 million). Further details of the net finance costs are provided in Note 5.

Analysis of the position of the business

Information is contained in pages 3 to 6 of the Chairman's statement and Chief Executives Review. The exploration and evaluation asset totals £37.5 million (2015: £32.7m) including £1.8 million (2015: £0.7m) of additions and a £3.0 million gain due to the effect of foreign exchange. The Group's borrowings and other liabilities totalled £6.2 million (2015: £11.2m) as detailed in Note 13.

Analysis using other key performance indicators

The Directors consider a range of financial and non-financial key performance indicators. Financial indicators are principally focussed on the regular review of major projects, comparing actual costs with budgets and projections and analysis of expenditure, see Note 2. More detailed assessments are also made of un-risked and risked net present values ('NPVs'), project rates of return and investment ratios such as 'success case investment efficiency'. Monthly trading and cash movements are also reviewed for each of the Group companies. Specific exploration-related key performance indicators include: the probability of geological success (Pg), the probability of commerciality or completion (Pc) and the probability of economic success (Pe). For more details, see Summary of Group Net Oil and Gas Reserves on page 15.

The projected NPV of the Petišovci project is regularly reassessed by management and offers a significant premium to the current market capitalisation of the Company.

Approved for issue by the Board of Directors and signed on its behalf

Clive Carver
Chairman
21 April 2017

Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2016 ('the year').

Principal activities

The principal activities of the Group comprise gas and oil exploration and production. The Company is registered in England and Wales and is quoted on the AIM Market of the London Stock Exchange.

The Group's corporate management is in London and its oil and gas interests are in Slovenia. The Group operates its own undertakings both through subsidiary companies and joint ventures. The subsidiary undertakings affecting the Group's results and net assets are listed in Note 9 to the Financial Statements.

Future developments

The Company has identified the European gas market as a relatively stable and secure arena in which to compete. The European market continues to be a net importer of gas whilst diversity of supply is central to the energy security strategy of most nations. The Petišovci field in Slovenia has the potential to supply a significant proportion of the country's gas requirement for many years.

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in Note 23 of the Financial Statements.

Results and dividends

The loss for the year after taxation was £2.7 million (2015: £3.6 million). The Directors do not recommend the payment of a dividend (2015: Nil).

Post balance sheet events

Recompletion of Pg-10

On 30 January 2017, the Company announced that it had recompleted well Pg-10 and the well had flowed at a peak stabilised rate of 8.8 MMscfd.

Placing on PrimaryBid

On 13 February 2017, the Company announced that it had raised £2,987,750 (£2,838,363 net of costs) through an underwritten offer using the PrimaryBid.com platform. The fundraise included a subscription for 270,270 shares by Colin Hutchinson, Chief Executive. On 16 February 2017, 161,500,000 new ordinary shares were issued and admitted to trading.

Conversion of loan notes

Since the year end a total of £4,065,607 of convertible loan notes ('CLNs') have been converted into 424,912,491 ordinary shares.

First gas

On 13 April 2017, the Company announced that it had commenced commercial gas production from well Pg-10 for the first time. Production is being processed at the existing processing facility (CPP) owned by our partner, Petrol Geoterm, and is being sold to a local industrial customer

Directors

The Directors of the Company that served during the year, and subsequently, were as follows:

Colin Hutchinson
Clive Nathan Carver
Nigel Sandford Johnson Moore
William Cameron Davies

Relevant details of the Directors, which include committee memberships, are set out on page 13.

Directors' interests

The beneficial and non-beneficial interests in the issued share capital and CLNs of the Company were as follows:

	<i>Ordinary shares of 0.1p each.</i>		<i>Convertible loan notes.</i>	
	At 31 December 2016	At 31 December 2015	At 31 December 2016	At 31 December 2015
Clive Carver	-	-	34,166	17,500
Nigel Moore	5,975	5,975	13,333	-
Cameron Davies	7,500	7,500	13,333	-
Colin Hutchinson	270,270	-	10,001	-

Details of Directors' share options and remuneration are set out in Note 4 to the Financial Statements, under the heading 'Directors' remuneration'.

Directors' emoluments

For details of Directors' emoluments and share options please see Note 4 of the Financial Statements.

Third party indemnity provision

The Company has provided liability insurance for its Directors. The annual cost of the cover is not material to the Group. The Company's Articles of Association allow it to provide an indemnity for the benefit of its Directors which is a qualifying indemnity provision for the purposes of the Companies Act 2006.

Share capital

Details of changes to share capital in the period are set out in Note 17 to the Financial Statements.

As at 20 April 2017 the Company has been notified of the following significant interests in its ordinary shares, being a holding of 3% and above:

	Number of ordinary shares	%
Hargreaves Lansdown (Nominees) Limited <15942>	179,349,892	10.74
Barclayshare Nominees Limited	162,098,057	9.70
HSDL Nominees Limited	136,028,673	8.14
Hargreaves Lansdown (Nominees) Limited <HLNOM>	134,061,697	8.03
TD Direct Investing Nominees (Europe) Limited <SMKTNOMS>	120,773,030	7.23
Hargreaves Lansdown (Nominees) Limited <VRA>	106,802,365	6.39
HSDL Nominees Limited <MAXI>	61,559,470	3.69
Investor Nominees Limited <WRAP>	57,194,921	3.42
TD Direct Investing Nominees (Europe) Limited <SMKTISAS>	53,570,095	3.21

Shareholder communications

The Company has a website, www.ascentresources.co.uk, for the purposes of improving information flow to shareholders, as well as potential investors.

Employees

The Company's Board composition provides the platform for sound corporate governance and robust leadership in implementing the Company's strategies to meet its stated goals and objectives.

The Group's employees and consultants play an integral part in executing its strategy and the overall success and sustainability of the organisation. The Group has a highly skilled and dedicated team of employees and consultants and places great emphasis on attracting and retaining quality staff. As an international oil and gas company, we facilitate the development of leadership from the communities in which we operate. There is a large pool of qualified upstream oil and gas exploration and production professionals in the areas in which we operate, and we are committed to building and developing our teams from these talent pools.

The Group holds its employees and consultants at all levels to high standards and expects the conduct of its employees to reflect mutual respect, tolerance of cultural differences, adherence to the corporate code of conduct and an ambition to excel in their various disciplines.

Disclosure of information to auditors

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant audit information of which the Company's auditors were unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going Concern

The Financial Statements of the Group are prepared on a going concern basis as detailed in Note 1 to the financial statements.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of BDO LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved for issue by the Board of Directors and signed on its behalf

Clive Carver
Chairman
21 April 2017

Board of Directors

Clive Carver

Non-executive Chairman

Clive Carver qualified as a chartered accountant with Coopers & Lybrand in London in 1986. Since then he has focussed on the corporate finance and corporate broking arena, including working for Kleinwort Benson and Price Waterhouse Corporate Finance. He was successively head of corporate finance at broking firms Seymour Pierce, Williams de Broe and finnCap,

He is executive Chairman of Caspian Sunrise PLC and Non-executive Chairman of Tax Systems PLC and 365Agile PLC.

Colin Hutchinson

Chief Executive Officer & Finance Director

Colin Hutchinson is a fellow of the Institute of Chartered Accountants in Ireland, he holds a law degree from the University of Dundee and an MBA from Warwick Business School. Colin previously served as the Company's Finance Director. After completing his accountancy training with Deloitte, he gained significant international experience while working in commercially orientated finance roles with a mix of technology and energy companies. Prior to joining Ascent, he was Group Financial Controller & Company Secretary at Lochard Energy plc and Co-Founder & Finance Director at Samba Communications Ltd.

Nigel Moore

Non-executive Director

Chairman of the Audit Committee and member of the Remuneration Committee

Nigel Moore is a Chartered Accountant and was a former partner at Ernst & Young for thirty years until 2003. For the last ten years at Ernst & Young he specialised in the oil and gas sector, advising a wide range of client companies, providing significant input to strategic options, new opportunities and helping to deliver shareholder value. During the last 14 years Nigel has been a member of a number of Boards focussed on extractive industries and is currently on the Board and Chairman of the Audit Committee of Hochschild Mining PLC.

Cameron Davies

Non-executive Director

Chairman of the Remuneration Committee and member of the Audit Committee

Cameron Davies is an international energy sector specialist and the former Chief Executive of Alkane Energy plc. He has a PhD in Applied Geochemistry from Imperial College, is a Fellow of the Geological Society of London and a member of the European Petroleum Negotiators Group and the PESGB. He has an excellent track record of exploration success and also growing profits in a quoted energy company. His career successes include the discovery of the third largest oilfield in Tunisia. In 1994 he founded Alkane Energy plc and managed the business from original concept, through venture capital funding and an IPO to become a profitable operator of c. 160 MW of gas to power generation plants. In Q4 2015 Alkane was acquired for c.£61 million by Balfour Beatty Infrastructure Partners when Cameron resigned as a director.

Directors and Advisers

Directors	Clive Carver Colin Hutchinson Nigel Moore Cameron Davies
Secretary	Colin Hutchinson
Registered Office	5 New Street Square London EC4A 3TW
Nominated Adviser and Joint Broker	Stockdale Securities Limited Beaufort House 15 St Botolph Street London EC3A 7BB
Joint Broker	Northland Capital Partners Limited 60 Gresham Street, 4 th floor London EC2V 7BB
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
Bankers	Barclays Corporate Banking 1 Churchill Place London E14 5HP
Share Registry	Computershare Investors Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
PR & IR	IFC Advisory Limited 73 Watling Street London EC4M 9BJ
Company's registered number	05239285

Summary of Group Net Oil and Gas Reserves

Net Reserves and Resources

	Net Attributable Reserves (Bcfe)			Net Attributable Contingent Resources (Bcfe)			Net Attributable Prospective Resources (Bcfe)		
	P90	P50	P10	Low	Best	High	Low	Best	High
Slovenia	41	88	173	42	76	140	-	-	-

These figures are based on RPS gas-in-place estimates with a management assumption of a 50% recovery factor and Ascent's 75% participation.

Tested and/or produced commercial sands are included as reserves while untested and unproduced sands remain as resources. The condensate content of gas is not included.

Remaining reserves have been adjusted to take account of historic field production, which to the end of 2016 was 8.8 Bcfe.

Proven Reserves (P90) are those quantities of petroleum which can be estimated with reasonable certainty to be commercially recoverable, from known reservoirs and under current economic conditions, operating methods and government regulations.

Proven + Probable Reserves (P50) includes those unproven reserves which are more likely than not to be recoverable.

For the P90 (P50 and P10) Reserves, there is at least a 90% (50%; 10%) probability that the quantities actually recovered will equal or exceed the estimate.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent resources may include, for example, projects for which there are currently no viable markets or where commercial recovery is dependent on technology under development or where evaluation of the accumulation is insufficient to clearly assess commerciality.

Prospective Resources are those quantities of petroleum which are estimated to be potentially recoverable from undiscovered accumulations.

The range of estimates shown for each category of reserves or resources is a measure of the uncertainty inherent in the estimation of producible volumes and includes the current perceptions of geological, operational and commercial risk.

Summary of Ascent Resources plc's Licence Interests as at 31 December 2016

Permit	Subsidiary	Working Interest (%)	Permit Area Gross (km²)	Net (km²)	Status
<u>Operations</u>					
Slovenia					
Petišovci Concession	Ascent Slovenia Limited	75	98	73	Oil & gas exploitation
<u>Back in rights</u>					
The Netherlands					
M10a/M11	Ascent Resources		110	59	Gas exploration and appraisal
Terschelling-Noord	Netherlands BV				

Glossary

M	Thousand*	cf	Cubic feet
MM	Million*	scf	Standard cubic feet
B	Billion*	scfd	Standard cubic feet per day
km ²	Square kilometres		
m ³	Cubic metres		

* These are 'oilfield' units, as commonly used in the oil and gas industry. Other units conform to the Système International d'unités (SI) convention

Corporate Responsibility

Ascent operates a Management System that embodies Environmental, Health, Safety ('EHS') and Social Responsibility ('SR') principles. This system defines objectives to be met by Ascent, its subsidiaries, affiliates, associates and operated joint ventures (hereinafter collectively referred to as Ascent) in the management of EHS and SR.

The policy of the Board of Ascent is to be fully accountable for the necessary practices, procedures and means being in place so as to ensure that each EHS and SR objective is demonstrated in full and that continuous improvement practices are operating to ensure that the required practices, procedures and means are being monitored, refined and optimised as necessary. The Board will accordingly review and report regularly to external stakeholders as to the achievement of the objectives of this policy.

In accordance with this policy, the Executive Directors of Ascent are directly and collectively responsible to the Board for demonstrating that the EHS and SR objectives are attained throughout Ascent. The Executive Directors have adopted Management System Guidelines as guidance for demonstrating this.

The objectives of the Environment, Health, Safety and Social Responsibility Policy are:

- Ascent shall manage all operations in a manner that protects the environment and the health and safety of employees, third parties and the community.
- The Executive Director provides the vision, establish the framework, set the objectives and provide the resources for responsible management of Ascent's operations.
- Leadership and visible commitment to continuous improvement are critical elements of successful operations.
- A process that measures performance relative to policy aims and objectives is essential to improving performance. Sharing best practices and learning from each other promotes improvement.
- Effective business controls ensure the prevention, control and mitigation of threats and hazards to business stewardship.
- Risk identification, assessment and prioritisation can reduce risk and mitigate hazards to employees, third parties, the community and the environment. Management of risk is a continuous process.
- Safe, environmentally sound operations rely on well-trained, motivated people. Careful selection, placement, training, development and assessment of employees and clear communication and understanding of responsibilities are critical to achieving operating excellence.
- The use of internationally recognised standards, procedures and specifications for design, construction, commissioning, modifications and decommissioning activities are essential for achieving operating excellence.
- Operations within recognised and prudent parameters are essential to achieving clear operating excellence. This requires operating, inspection and maintenance procedures and information on the processes, facilities and materials handled, together with systems to ensure that such procedures have been properly communicated and understood.
- Adhering to established safe work practices, evaluating and managing change and providing up-to-date procedures to manage safety and health risks contribute to a safe workplace for employees and third parties.
- The minimisation of environmental risks and liabilities are integral parts of Ascent's operations.
- Third parties who provide materials and services (personnel and equipment) or operate facilities on Ascent's behalf have an impact on EHS and SR excellence. It is essential that third-party services are provided in a manner consistent with Ascent's EHS and SR Policy and Management System Guidelines.
- Compliance with regulatory requirements and company guidelines must be periodically measured and verified as part of the continuous improvement process.

- Preparedness and planning for emergencies are essential to ensuring that all necessary actions are taken if an incident occurs, to protect employees, third parties, the public, the environment, the assets and brand of Ascent.
- Effective reporting, incident investigation, communication and lessons learned are essential to attaining and improving performance.
- Open and honest communication with the communities, authorities and stakeholders with which Ascent operates builds confidence and trust in the integrity of Ascent.

During 2016, the Group was Operator of one project which was closely managed for maintaining the EHS and SR policy aims.

There have been no breaches of any applicable Acts recorded against the Group during the reporting period.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company 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 Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website (www.ascentresources.co.uk) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Independent Auditors Report to the Members of Ascent Resources plc

We have audited the financial statements of Ascent Resources plc for the year ended 31 December 2016 which comprise the consolidated income statement and consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ryan Ferguson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
21 April 2017*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital	Share premium	Equity reserve	Share based payment reserve	Translation reserve	Accumulated Losses	Total
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Balance at 1 January 2015	1,459	55,911	2,576	861	(1,746)	(38,613)	20,448
Comprehensive expense							
Loss for the year	-	-	-	-	-	(3,644)	(3,644)
Other comprehensive expense							
Currency translation differences	-	-	-	-	(1,059)	-	(1,059)
Total comprehensive expense	-	-	-	-	(1,059)	(3,644)	(4,703)
Transactions with owners							
Extinguishment of convertible loan notes	-	-	(4,586)	-	-	4,586	-
Extension of convertible loan notes	-	-	3,481	-	-	-	3,481
EnQuest liability restructured into loan notes	-	-	101	-	-	-	101
Conversion of loan notes	4	1	-	-	-	-	5
Issue of shares during the year net of costs	415	781	-	-	-	-	1,196
Share-based payments and expiry of options	-	-	-	(378)	-	524	146
Balance at 31 December 2015	1,878	56,693	1,572	483	(2,805)	(37,147)	20,674
Balance at 1 January 2016	1,878	56,693	1,572	483	(2,805)	(37,147)	20,674
Comprehensive income							
Loss for the year	-	-	-	-	-	(2,676)	(2,676)
Other comprehensive income							
Currency translation differences	-	-	-	-	2,997	-	2,997
Total comprehensive income	-	-	-	-	2,997	(2,676)	321
Transactions with owners							
Acquisition of Trameta	-	-	-	1,103	-	-	1,103
Extinguishment of convertible loan notes	-	-	(1,572)	-	-	1,572	-
Extension of convertible loan notes	-	-	2,787	-	-	-	2,787
Issue of convertible loan notes	-	-	360	-	-	-	360
Conversion of loan notes	749	2,996	-	-	-	-	3,745
Issue of shares during the year net of costs	1,105	3,584	-	-	-	-	4,689
Share-based payments and expiry of options	-	-	-	94	-	94	188
Balance at 31 December 2016	3,732	63,273	3,147	1,680	192	(38,157)	33,867

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital £ '000s	Share premium £ '000s	Equity reserve £ '000s	Share based payment reserve £ '000s	Accumulated Losses £ '000s	Total parent equity £ '000s
Balance at 1 January 2015	1,459	55,911	2,576	861	(39,566)	21,241
Comprehensive expense						
Loss and total comprehensive expense for the year	-	-	-	-	(4,306)	(4,306)
Transactions with owners						
Extinguishment of convertible loan notes	-	-	(4,586)	-	4,586	-
Extension of convertible loan notes	-	-	3,481	-	-	3,481
EnQuest liability restructured into loan notes	-	-	101	-	-	101
Conversion of loan notes	4	1	-	-	-	5
Issue of shares during the year net of costs	415	781	-	-	-	1,196
Share-based payments	-	-	-	(378)	524	146
Balance at 31 December 2015	1,878	56,693	1,572	483	(38,762)	21,864
Balance at 1 January 2016	1,878	56,693	1,572	483	(38,762)	21,864
Comprehensive income						
Profit and total comprehensive income for the year	-	-	-	-	1,774	1,774
Transactions with owners						
Acquisition of Trameta	-	-	-	1,103	-	1,103
Extinguishment of convertible loan notes	-	-	(1,572)	-	1,572	-
Extension of convertible loan notes	-	-	2,787	-	-	2,787
Issue of convertible loan notes	-	-	360	-	-	360
Conversion of loan notes	749	2,996	-	-	-	3,745
Issue of shares during the year net of costs	1,105	3,584	-	-	-	4,689
Share-based payments	-	-	-	94	94	188
Balance at 31 December 2016	3,732	63,273	3,147	1,680	(35,322)	36,510

Consolidated Statement of Financial Position As at 31 December 2016

		31 December 2016	31 December 2015
	Notes	£ '000s	£ '000s
Assets			
Non-current assets			
Property, plant and equipment		4	3
Exploration and evaluation costs	8	<u>37,541</u>	<u>32,711</u>
Total non-current assets		37,545	32,714
Current assets			
Trade and other receivables	10	32	61
Cash and cash equivalents		<u>3,153</u>	<u>32</u>
Total current assets		<u>3,185</u>	<u>93</u>
Total assets		<u>40,730</u>	<u>32,807</u>
Equity and liabilities			
Attributable to the equity holders of the Parent Company			
Share capital	17	3,732	1,878
Share premium account		63,273	56,693
Equity reserve		3,147	1,572
Share-based payment reserve		1,680	483
Translation reserves		192	(2,805)
Accumulated losses		<u>(38,157)</u>	<u>(37,147)</u>
Total equity		<u>33,867</u>	<u>20,674</u>
Non-current liabilities			
Borrowings	13	6,162	-
Provisions	14	<u>447</u>	<u>386</u>
Total non-current liabilities		6,609	386
Current liabilities			
Trade and other payables	15	254	508
Borrowings	13	<u>-</u>	<u>11,239</u>
Total current liabilities		<u>254</u>	<u>11,747</u>
Total liabilities		<u>6,863</u>	<u>12,133</u>
Total equity and liabilities		<u>40,730</u>	<u>32,807</u>

The Notes on pages 28 to 48 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 21 April 2017 and signed on its behalf by:

Clive Carver,
Chairman
21 April 2017

Company Statement of Financial Position

As at 31 December 2016

	Notes	31 December 2016 £ '000s	31 December 2015 £ '000s
Non-current assets			
Property, plant and equipment		2	1
Investment in subsidiaries and joint ventures	9	15,443	14,340
Inter-company receivables	20	24,239	19,108
Total non-current assets		39,684	33,449
Current assets			
Trade and other receivables	11	10	44
Cash and cash equivalents		3,143	28
Total current assets		3,153	72
Total assets		42,837	33,521
Equity			
Share capital	17	3,732	1,878
Share premium		63,273	56,693
Equity reserve		3,147	1,572
Share-based payment reserve		1,680	483
Accumulated losses		(35,322)	(38,762)
Total equity		36,510	21,864
Non-current liabilities			
Borrowings	13	6,162	-
Total current liabilities		6,162	-
Current liabilities			
Trade and other payables	16	165	418
Borrowings	13	-	11,239
Total current liabilities		165	11,657
Total liabilities		6,327	11,657
Total equity and liabilities		42,837	33,521

The Company profit for the year was £1.8 million (2015: loss of £4.3 million).

The Notes on pages 28 to 48 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 21 April 2017 and signed on its behalf by:

Clive Carver
Chairman
21 April 2017

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Year ended 31 December 2016 £ '000s	Year ended 31 December 2015 £ '000s
Cash flows from operations		
Loss after tax for the year	(2,676)	(3,644)
DD&A charge	-	(1)
Decrease in receivables	29	37
Decrease in payables	(252)	(222)
Increase in share based payments	188	146
Exchange differences	1	36
Finance income	(159)	(745)
Finance cost	1,453	2,501
Net cash used in operating activities	(1,416)	(1,892)
Cash flows from investing activities		
Interest received	1	1
Payments for fixed assets	(1)	-
Payments for investing in exploration	(677)	(661)
Net cash used in investing activities	(677)	(660)
Cash flows from financing activities		
Interest paid and other finance fees	(73)	(18)
Proceeds from loans	1,400	950
Repayment of loan	(800)	-
Proceeds from issue of shares	4,999	1,252
Share issue costs	(311)	(56)
Net cash generated from financing activities	5,215	2,128
Net increase in cash and cash equivalents for the year	3,122	(424)
Effect of foreign exchange differences	(1)	-
Cash and cash equivalents at beginning of the year	32	456
Cash and cash equivalents at end of the year	3,153	32

Company Cash Flow Statement

For the year ended 31 December 2017

	Year ended 31 December 2016 £ '000s	Year ended 31 December 2015 £ '000s
Cash flows from in operations		
Profit/(loss) after tax for the year	1,774	(4,306)
Depreciation charge	-	-
(Increase) / Decrease in receivables	34	(324)
Increase / (Decrease) in payables	(251)	(94)
Increase in share based payments reserve	188	146
Foreign exchange	(3,921)	1,424
Finance income	(154)	(745)
Finance cost	1,441	2,501
Net cash generated from / (used in) operating activities	(889)	(1,398)
Cash flows from investing activities		
Interest received	-	4
Payments for fixed assets	(1)	-
Advances to subsidiaries	(1,211)	(1,158)
Net cash flows used in investing activities	(1,212)	(1,154)
Cash flows from financing activities		
Interest paid	(73)	(5)
Proceeds from loans	1,400	951
Repayment of loan	(800)	-
Cash proceeds from issue of shares	4,999	1,252
Share issue costs	(311)	(56)
Net cash generated from financing activities	5,215	2,142
Net increase in cash and cash equivalents	3,114	(410)
Cash and cash equivalents at beginning of the year	28	439
Effects of foreign exchange differences	1	(1)
Cash and cash equivalents at end of the year	3,143	28

Notes to the accounts

1 Accounting policies

Reporting entity

Ascent Resources plc ('the Company' or 'Ascent') is a company domiciled and incorporated in England. The address of the Company's registered office is 5 New Street Square, London EC4A 3TW. The consolidated financial statements of the Company for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and joint ventures. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Company is admitted to AIM, a market of the London Stock Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2016 are available from the Company's website at www.ascentresources.co.uk.

Statement of compliance

The Group's and Company's financial statements for the year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 21 April 2017 and the Statements of Financial Position were signed on behalf of the Board by Clive Carver.

Both the Parent Company financial statements and the Group financial statements give a true and fair view and have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('IFRSs').

Basis of preparation

In publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The Company loss for the year was £2.0 million.

Measurement Convention

The financial statements have been prepared under the historical cost convention. The financial statements are presented in sterling and have been rounded to the nearest thousand (£'000s) except where otherwise indicated.

The principal accounting policies set out below have been consistently applied to all periods presented.

Going Concern

The Financial Statements of the Group are prepared on a going concern basis. Following the placings, loan note subscriptions and extension of the maturity of existing loan notes in 2016 the Directors consider the Company has sufficient cash to fund its current obligations for the next 12 months.

New and amended Standards effective for 31 December 2016 year-end adopted by the Group:

- i. The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2016. The adoption of these standards and amendments has had no material effect on the Group's accounting policies.

Standard	Description	Effective date
IAS 19	Defined Benefit Plans: Employee Contributions	1 February 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

- ii. Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date
IFRS 9	Financial instruments	1 January 2018
IFRS15	Revenue from Contracts with Customers	1 January 2018
IFRS 16*	Leases	1 January 2019
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017

* not yet adopted by the European Union

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement.

IFRS 9 introduces significant changes to the classification and measurement requirements for financial instruments. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The Group is currently assessing the impact of these standards and based on the Group's current operations do not expect them to have a material impact on the financial statements.

Critical accounting estimates and assumptions and critical judgements in applying the Group's accounting policies

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on practical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are recorded in the period in which the estimate is revised.

The application of the Group's accounting policies may require management to make judgements, apart from those involving estimates, which can have a significant effect on the amounts amortised in the financial statements. Management judgement is particularly required when assessing the substance of transactions that have a complicated structure or legal form.

The key areas where management judgement has needed to be applied are:

- (a) *Exploration and evaluation assets* – exploration and evaluation costs are initially classified and held as intangible fixed assets rather than being expensed. The carrying value of intangible exploration and evaluation assets are then determined. Management considers these assets for indicators of impairment at least annually based on an estimation of the recoverability of the cost pool from future development and production of the related oil and gas reserves. This assessment requires estimates of gas reserves, production, gas prices, operating and capital costs associated with the field and discount rates (see Note 8);
- (b) *Decommissioning provision* – the cost of decommissioning is estimated by reference to operators and internal specialist staff and requires estimates regarding the cost of decommissioning, inflation, discount rates and the timing of works (see Note 14);
- (c) *New CLNs and modification to existing CLNs* – the Group has entered into a series of significant modifications to the maturity on its CLNs and subscribed to a new convertible loan note. These transactions required judgment in terms of the appropriate accounting treatment. In addition, judgment and estimation was required in determining the fair value of liability and equity components of the loan notes (see Note 13);
- (d) *Commercial reserves* – Commercial reserves are proven and probable oil and gas reserves calculated on an entitlement basis and are integral to the assessment of the carrying value of the exploration and evaluation assets. Estimates of commercial reserves include estimates of the amount of oil and gas in place, assumptions about reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future oil and gas price;
- (e) *The accounting treatment of the Trameta acquisition* which, as it possessed land and pipeline rights but no employees or active business processes was accounted for as an asset acquisition. Estimates were required in determining the fair value of consideration (see Note 22).

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

The results of undertakings acquired or disposed of are consolidated from or to the date when control passes to or from the Group. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Income Statement from the date that control commences until the date that control ceases.

Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies they use into line with those used by the Group.

Business combinations

On acquisition, the assets, liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over net fair values of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the net fair values of the identifiable assets, liabilities and contingent liabilities acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Joint arrangements

The Group is party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either joint ventures, where the Group has rights to only the net assets of the joint arrangement, or joint operations where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

All of the Group's joint arrangements are classified as joint operations. The Group accounts for its interests in joint operations by recognising its assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Oil and Gas Exploration Assets

All licence/project acquisitions, exploration and appraisal costs incurred or acquired on the acquisition of a subsidiary, are accumulated in respect of each identifiable project area. These costs, which are classified as intangible fixed assets are only carried forward to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Pre-licence/project costs are written off immediately. Other costs are also written off unless commercial reserves have been established or the determination process has not been completed. Thus, accumulated cost in relation to an abandoned area are written off in full to the statement of comprehensive income in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are transferred from intangible fixed assets to Property, Plant and Equipment as 'Developed oil and gas assets'.

Impairment of oil and gas exploration assets

Exploration/appraisal assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 'Exploration for and Evaluation of Mineral Resources' and tested for impairment where such indicators exist.

In accordance with IFRS 6 the Group considers the following facts and circumstances in their assessment of whether the Group's oil and gas exploration assets may be impaired:

- whether the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- whether substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- whether exploration for and evaluation of oil and gas reserves in a specific area have not led to the discovery of commercially viable quantities of oil and gas and the Group has decided to discontinue such activities in the specific area; and
- whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted, the Group, as a next step, perform an impairment test in accordance with the provisions of IAS 36. In such circumstances the aggregate carrying value of the oil and gas exploration and assets is compared against the expected recoverable amount of the cash generating unit. The recoverable amount is the higher of value in use and the fair value less costs to sell.

The Group has identified one cash generating unit, the Petišovci project in Slovenia. Any impairment arising is recognised in the Income Statement for the year.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying values or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Decommissioning costs

Where a material obligation for the removal of wells and production facilities and site restoration at the end of the field life exists, a provision for decommissioning is recognised. The amount recognised is the net present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also added to oil and gas exploration assets and depreciated on a unit of production basis once production begins. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

Foreign currency

The Group's strategy is focussed on developing oil and gas projects across Europe funded by shareholder equity and other financial assets which are principally denominated in sterling. The functional currency of the Company is sterling.

Transactions in foreign currency are translated to the respective functional currency of the Group entity at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the functional currency at the rates prevailing on the reporting date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included with net interest payable.

The assets and liabilities of foreign operations are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at the average rate ruling during the period. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Foreign exchange differences arising on inter-company loans considered to be permanent as equity are recorded in equity. The exchange rate from euro to sterling at 31 December 2016 was £1: €1.1722 (2015: £1: €1.3558).

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

Exchange differences on all other transactions, except inter-company foreign currency loans, are taken to operating loss.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the estimated taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the expected tax rate applicable to annual earnings.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Equity-settled share-based payments

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the related share options or share allocations. The cost is based on the fair values of the options and shares allocated determined using the binomial method. The value of the charge is adjusted to reflect expected and actual levels of vesting. Charges are not adjusted for market related conditions which are not achieved. Where equity instruments are granted to persons other than directors or employees the Consolidated Income Statement is charged with the fair value of any goods or services received.

Grants of options in relation to acquiring exploration assets in licence areas are treated as additions to Slovenian exploration costs at Group level and increases in investments at Company level.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Convertible loan notes

Upon issue of a new convertible loan, where the convertible option is at a fixed rate, the net proceeds received from the issue of CLNs are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the CLNs and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity and is not re-measured.

Subsequent to the initial recognition the liability component is measured at amortised cost using the effective interest method.

When there are amendments to the contractual loan note terms these terms are assessed to determine whether the amendment represents an inducement to the loan note holders to convert. If this is considered to be the case the estimate of fair value adjusted as appropriate and any loss arising is recorded in the income statement.

Where there are amendments to the contractual loan note terms that are considered to represent a significant modification to the loan note, without representing an inducement to convert, the Group treats the transaction as an extinguishment of the existing convertible loan note and replaces the instrument with a new convertible loan note. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of the conversion right is recorded as an increase in equity. The previous equity reserve is reclassified to accumulated loss. Any gain or loss arising on the extinguishment of the instrument is recorded in the income statement, unless the transaction is with a counterparty considered to be acting in their capacity as a shareholder whereby the gain or loss is recorded in equity.

Non-derivative financial instruments

Non-derivative financial instruments comprise of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Where a financial liability is extinguished and replaced by a convertible loan note and the counterparty is acting in their capacity as a debt holder, the liability is derecognised and replaced with a new convertible loan note (see above). Any gain or loss arising on the extinguishment is recorded in the income statement.

Equity

Equity instruments issued by the Company are recorded at the proceeds received, net of any direct issue costs.

Investments and loans

Shares and loans in subsidiary undertakings are shown at cost. Provisions are made for any permanent diminution in value when the fair value of the assets is assessed as less than the carrying amount of the asset. Inter-company loans are repayable on demand but are included as non-current as the realisation is not expected in the short term.

Segment 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 has been identified as the Chief Executive Officer ('CEO').

2 Segmental Analysis

The Group has two reportable segments, an operating segment and a head office segment, as described below. The operations and day to day running of the business are carried out on a local level and therefore managed separately. The operating segment reports to the UK head office which evaluates performance, decide how to allocate resources and make other operating decisions such as the purchase of material capital assets and services. Internal reports are generated and submitted to the Group's CEO for review on a monthly basis.

The operations of the Group as a whole are the exploration for, development and production of oil and gas reserves.

The two geographic reporting segments are made up as follows:

Slovenia	-	exploration and development
UK	-	head office

The costs of exploration and development works are carried out under shared licences with joint ventures and subsidiaries which are co-ordinated by the UK head office. Segment revenue, segment expense and segment results include transfers between segments. Those transfers are eliminated on consolidation.

Information regarding the current and prior year's results for each reportable segment is included below. Initial performance is measured by the results that arise from the exploration and development works carried out. Once producing, other production performance measures are based on the production revenues achieved. This is reported to the Group's CEO by the level of capitalised exploration costs and the results from studies carried out at the individual locations of the wells. The CEO uses these measures to evaluate project viability within each operating segment. There is no revenue in the current year from continuing operations.

2016	UK	Slovenia	eliminations	Total
	£ '000s	£ '000s	£ '000s	£ '000s
Inter-company sales	160		(160)	-
Total revenue	160	-	(160)	-
Administrative expenses	(870)	(665)	153	(1,382)
Material non-cash items				
Net finance costs	(1,296)	(5)	7	(1,294)
Reportable segment loss before tax	(2,006)	(670)	-	(2,676)
Taxation	-	-	-	-
Reportable segment loss after taxation	(2,006)	(670)	-	(2,676)
Reportable segment assets				
Opening carrying value of exploration assets	-	32,711	-	32,711
Additions to exploration assets	-	1,779	-	1,779
Effects of exchange rate movements	-	3,051	-	3,051
Total plant and equipment	2	2	-	4
Total non-current assets	2	37,543	-	37,545
Other assets	27,382	31	(24,228)	3,185
Consolidated total assets	27,384	37,574	(24,228)	40,730
Reportable segmental liabilities				
Trade payables	(84)	(64)	-	(148)
External loan balances	(6,162)	-	-	(6,162)
Inter-group borrowings	-	(27,382)	27,382	-
Other liabilities	(81)	(472)	-	(553)
Consolidated total liabilities	(6,327)	(27,918)	27,382	(6,863)

2015	UK	Slovenia	elims	Total
	£ '000s	£ '000s	£ '000s	£ '000s
Inter-company sales	276	-	(276)	-
Total revenue	276	-	(276)	-
Administrative expenses	(1,466)	(698)	276	(1,888)
Material non-cash items				
Net finance costs	(1,741)	(15)	-	(1,756)
Reportable segment loss before tax	(2,931)	(713)	-	(3,644)
Taxation	-	-	-	-
Reportable segment loss after taxation	(4,482)	(1,116)	(25)	(3,644)
Reportable segment assets				
Carrying value of exploration assets	-	33,166	-	33,166
Additions to exploration assets	-	661	-	661
Effects of exchange rate movements	-	(1,116)	-	(1,116)
Total plant and equipment	1	2	-	3
Total non-current assets	1	32,713	-	32,714
Other assets	19,180	368	(19,455)	93
Consolidated total assets	19,181	33,081	(19,455)	32,807
Reportable segmental liabilities				
Trade payables	(418)	(90)	-	(508)
External loan balances	(11,239)	-	-	(11,239)
Inter-group borrowings	-	(20,662)	20,662	-
Other liabilities	-	(386)	-	(386)
Consolidated total liabilities	(11,657)	(21,138)	20,662	(12,133)

3 Operating loss is stated after charging:

	Year ended	Year ended
	31 December	31 December
	2016	2015
	£ '000s	£ '000s
Employee costs (see Note 4)	560	702
Termination payments	-	279
Share based payment charge	188	147
Foreign Exchange differences	-	3
Included within Admin Expenses		
Audit Fees	60	59
Fees payable to the company's auditor other services	2	3
	62	62

4 Employees and directors

a. Employees

The average number of persons employed by the Company and Group, including Executive Directors, was:

	Year ended	Year ended
	31 December	31 December
	2016	2015
Management and technical	6	7

b. Directors and key management remuneration

	Year ended 31 December 2016 £ '000s	Year ended 31 December 2015 £ '000s
Employees & Executive Directors		
Wages and salaries	439	550
Termination payments	-	279
Social security costs	81	113
Pension costs	37	36
Share-based payments	188	147
Taxable benefits	2	3
	747	1,128

c. Directors remuneration

2016	Salary/fees £	Pension contributions £	2016 Total £	
Executive Directors				
C Hutchinson	154,500	16	154,516	
Non-executive Directors				
C Carver	60,000	-	60,000	
C Davies	30,000	-	30,000	
N Moore	30,000	-	30,000	
Total	274,500	16	274,516	

2015	Salary/fees £	Termination payments paid in the year £	Termination payments accrued in the year	2015 Total £
Executive Directors				
L Reece *	146,667	127,318	151,828	425,813
C Hutchinson	137,500	-	-	137,500
Non-executive Directors				
C Carver	60,000	-	-	60,000
C Davies	30,000	-	-	30,000
N Moore	30,000	-	-	30,000
Total	404,167	127,318	151,828	683,313

*Len Reece resigned on 14 August 2015

The highest paid Director in the year ended 31 December 2016 was Colin Hutchinson earning £154,516 (2015: L Reece earning £146,667 excluding termination payments). Colin Hutchinson (2015: Nil) is a member of the defined contribution pension scheme which commenced in December 2016.

d. Directors' incentive share options

2016	As at 01-Jan-16	Granted/ (Lapsed)	As at 31-Dec-16	Date Granted	Share Price at Grant*	Exercise Price*	Exercise Period Start	Exercise Period End
C Carver	1,328,443	-	1,328,443	30-Apr-13	16.40p	20p	30-Apr-16	30-Apr-23
C Carver	-	13,985,884	13,985,884	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Hutchinson	265,688	-	265,688	23-May-13	13.00p	20p	23-May-16	30-Apr-23
C Hutchinson	-	34,964,709	34,964,709	05-May-16	1.58p	1.58p	05-May-19	06-May-26
N Moore	-	6,992,942	6,992,942	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Davies	-	6,992,942	6,992,942	05-May-16	1.58p	1.58p	05-May-19	06-May-26

2015	As at 01-Jan-15	Impact of capital reorganisation	Granted/ (Lapsed)	As at 31-Dec-15	Date Granted	Share Price at Grant	Exercise Price	Exercise Period Start	Exercise Period End
L Reece	69,079,066	(65,625,113)	-	3,453,953	30-Apr-13	16.40p	20p	30-Apr-16	30-Apr-23
C Carver	26,568,871	(25,240,428)	-	1,328,443	30-Apr-13	16.40p	20p	30-Apr-16	30-Apr-23
C Hutchinson	5,313,774	(5,048,086)	-	265,688	23-May-13	13.00p	20p	23-May-16	23-May-23
N Moore	500,000	-	(500,000)	-	17-Nov-10	5.25p	7.313p	17-Nov-11	17-Nov-15
N Moore	500,000	-	(500,000)	-	17-Nov-10	5.25p	15p	17-Nov-11	17-Nov-15
C Davies	500,000	-	(500,000)	-	17-Nov-10	5.25p	7.313p	17-Nov-11	17-Nov-15
C Davies	500,000	-	(500,000)	-	17-Nov-10	5.25p	15p	17-Nov-11	17-Nov-15

* Post share consolidation. Refer to Note 18.

5 Finance income and costs recognised in the year

	Year ended 31 December 2016 £ '000s	Year ended 31 December 2015 £ '000s
Finance income		
Income on bank deposits	-	1
Foreign exchange movements realised	6	3
Other income	153	-
Gain on EnQuest liability restructuring	-	741
	<u>159</u>	<u>745</u>
Finance cost		
Interest payable on borrowings	(51)	(11)
Accretion charge on convertible loan notes	(1,380)	(1,440)
Loan fees	(16)	(4)
Bank Charges	(6)	(1)
Unwinding of EnQuest liability	-	(186)
Foreign exchange movements realised	-	(3)
Loss on extinguishment of convertible loan notes	-	(856)
	<u>(1,453)</u>	<u>(2,501)</u>

Please refer to Note 13 for a description of financing activity during the year.

6 Income tax expense

	Year ended 31 December 2016 £ '000s	Year ended 31 December 2015 £ '000s
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense for the year	<u>-</u>	<u>-</u>

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
	£ '000s	£ '000s
Loss for the year	(2,676)	(3,644)
Income tax using the Company's domestic tax rate at 20% (2015: 20%)	(535)	(729)
Effects of:		
Net increase in unrecognised losses c/f	666	782
Change in unrecognised temporary differences	-	-
Effect of tax rates in foreign jurisdictions	20	29
Other non-taxable items	(195)	(186)
Other non-deductible expenses	44	104
Total tax expense for the year	-	-

7 Loss per share

	31 December 2016	31 December 2015
	£ '000s	£ '000s
Result for the year		
Total loss for the year attributable to equity shareholders	2,676	3,644
Weighted average number of ordinary shares	Number	Number
For basic earnings per share	544,270,848	88,160,768
Loss per share (pence)	(0.49)	(4.13)

As the result for the year was a loss no diluted EPS is disclosed. At 31 December 2016, potentially dilutive instruments in issue were 973,469,828 (2015: 1,362,874,079). Dilutive shares arise from share options and CLNs issued by the Company and from the deferred consideration on the Trameta transaction (see page 5).

8 Exploration and evaluation costs – Group

Exploration Costs - Group Cost	Slovenia	Total
At 1 January 2015	33,166	33,166
Additions	661	661
Effects of exchange rate movements	(1,116)	(1,116)
At 31 December 2015	32,711	32,711
At 1 January 2016	32,711	32,711
Additions	1,779	1,779
Effects of exchange rate movements	3,051	3,051
At 31 December 2016	37,541	37,541
Carrying value		
At 31 December 2016	37,541	37,541
At 31 December 2015	32,711	32,711
At 1 January 2015	33,166	33,166

For the purposes of impairment testing the intangible oil and gas assets are allocated to the Group's cash-generating unit, which represent the lowest level within the Group at which the intangible oil and gas assets are measured for internal management purposes, which is not higher than the Group's operating segments as reported in Note 2.

In the year, the Company has accounted for the Trameta transaction as the acquisition of land and pipeline rights. relating to the exploration project. This acquisition has been valued at £1.1 million, see Note 22.

The amounts for intangible exploration assets represent costs incurred on active exploration projects. Amounts capitalised are assessed for impairment indicators under IFRS 6 at each period end as detailed in the Group's accounting policy. In addition, the Group routinely reviews the economic model and reasonably possible sensitivities and considers whether there are indicators of impairment. As at 31 December 2016 and 2015 the net present value significantly exceeded the carrying value of the assets. The key estimates associated with the economic model net present value are detailed in Note 1. The outcome of ongoing exploration, and therefore whether the carrying value of intangible exploration assets will ultimately be recovered, is inherently uncertain.

9 Investment in subsidiaries – Company

		£ 000s		
At 1 January & 31 December 2015		<u>14,340</u>		
At 1 January 2016		14,340		
Acquisition of Trameta		<u>1,103</u>		
At 31 December 2016		15,443		

Name of company	Principal activity	Country of incorporation	% of share capital held 2016	% of share capital held 2015
Ascent Slovenia Limited Arias Fabrega & Fabrega Trust Co. BVI Limited Level 1, Palm Grove House Wickham's Cay 1, Road Town Tortola, British Virgin Islands	Oil and Gas exploration	British Virgin Islands	100%	100%
Ascent Resources doo Glavna ulica 7 9220 Lendava-Lendva Slovenia	Oil and Gas exploration	Slovenia	100%	100%
Trameta doo Glavna ulica 7 9220 Lendava-Lendva Slovenia	Infrastructure owner	Slovenia	100%	-
Ascent Resources Netherlands BV c/o Ascent Resources plc c/o Taylor Wessing LLP 5 New Street Square London EC4A 3TW	Oil and Gas exploration	Netherlands	100%	100%

All subsidiary companies are held directly by Ascent Resources plc.

10 Trade and other receivables – Group

	2016 £ '000s	2015 £ '000s
VAT recoverable	26	31
Other receivables	-	15
Prepayments & accrued income	6	15
	<u>32</u>	<u>61</u>

11 Trade and other receivables – Company

	2016 £ '000s	2015 £ '000s
VAT recoverable	4	14
Other receivables	-	15
Prepayments & accrued income	6	15
	<u>10</u>	<u>44</u>

12 Deferred tax – Group & Company

	2016 £ '000s	2015 £ '000s
Group		
Total tax losses	(31,203)	(27,896)
Unrecorded deferred tax asset at 17% (2015: 20%)	<u>(5,305)</u>	<u>(5,858)</u>
Company		
Total tax losses	(10,322)	(9,834)
Unrecorded deferred tax asset at 17% (2015: 20%)	<u>(1,755)</u>	<u>(1,967)</u>

No deferred tax asset has been recognised in respect of the tax losses carried forward as the recoverability of this benefit is dependent on the future profitability of the Company, the timing of which cannot reasonably be foreseen.

13 Borrowings – Group & Company

	2016 £ '000s	2015 £ '000s
Group		
Current		
Short-term loan facility	-	461
Convertible loan notes	-	10,778
	<u>-</u>	<u>11,239</u>
Company		
Current		
Short-term loan facility	-	461
Convertible loan notes	-	10,778
	<u>-</u>	<u>11,239</u>
Group & Company		
Non-current		
Convertible loan notes	6,162	-
	<u>6,162</u>	<u>-</u>
Convertible Loan Note	2016	2015
	£ '000s	£ '000s
Liability brought forward	10,778	9,624
Interest expense	1,380	1,346
Modification to existing notes - de-recognition November 2016 (viii)	(8,140)	-
Modification to existing notes - recognition of amended note - November 2016 (viii)	5,352	-
Fair value of new loan notes issued in November 2016 (vii)	690	-
Convertible notes drawn in the period (ii)	-	500
Modification to existing notes - de-recognition February 2015 (iii)	-	(9,983)
Modification to existing notes - recognition of amended note - February 2015 (iii)	-	8,829
EnQuest debt liability restructured into loan notes (iv)	-	2,038
Modification to existing notes - de-recognition November 2015 (v)	-	(12,021)
Modification to existing notes - recognition of amended note - November 2015 (v)	-	10,449
Converted notes (ix)	(3,745)	(4)
Other movements	(153)	-
	<u>6,162</u>	<u>10,778</u>
Liability at 31 December	6,162	10,778

There were several transactions during 2015 & 2016 in relation to CLNs:

(i) Background

The Group issued £5 million of 9 per cent 2013 CLNs during 2012 and 2013, convertible at any time at the discretion of the holder, into Ordinary Shares at 200 Ordinary Shares per £1 principal of loan note, an effective conversion price of between 0.1p and 0.5p per Ordinary share depending on whether the balance could be sold to independent third party investors. The CLNs were due to mature in January 2015.

On 5 February 2014, the Group agreed with Henderson to create a new £5 million class of 9 per cent CLNs with a maturity date of December 2014, convertible at any time at the discretion of the holder, into Ordinary Shares at 100 Ordinary Shares per £1 principal of loan note, an effective conversion price of 1 pence per Ordinary share. The first £2 million available under these 2014 CLNs was drawn immediately with the balance intended for sale to independent third party investors, with the intention that the pricing of all the 2014 CLNs would be reset to the lowest price paid by these new investors.

(ii) Variation of terms in 2014

On 8 September 2014, by when it had become clear that it would not be possible to secure investment from new third party subscribers for the £3 million balance outstanding under the 2014 CLNs, the Company agreed with Henderson to vary the terms of the 2014 CLNs whereby Henderson agreed to subscribe for a further £2 million in principal of 2014 CLNs convertible into Ordinary Shares at 500 Ordinary Shares per £1 principal of loan note, an effective conversion price of 0.2p. Additionally, Henderson was granted security in the form of a charge over the Company's assets. The variation to the loan note terms was considered to be an inducement to convert and resulted in a one-off charge to the income statement of £2,520,000 in 2014. The Company drew £1.5 million between September and December 2014. At 31 December 2014, the carrying value of the loan notes stood at £9,624,000. On 5 February 2015, the Company drew the final £500,000 available under the loan notes.

(iii) First variation of terms in 2015

On 19 February 2015, the shareholders and note holders approved the variation of the terms on the 2013 and 2014 CLNs. In total £5 million had been drawn under the 2013 CLNs and £4 million had been drawn under the 2014 CLNs; including accrued interest some £10 million was due for repayment, in part on 23 December 2014 and in part on 31 January 2016. In return for extending the maturity date of the CLNs to 19 November 2015 and terminating the accrual of further interest, the Board of Ascent agreed to adjust the conversion price in respect of both the 2013 and 2014 CLNs from 0.5p and 0.2p respectively to 0.1p (pre-share consolidation) for all loan notes. The 2013 and 2014 CLNs were extinguished and replaced with the amended convertible loan. On initial recognition, the liability and equity element of the CLNs were fair valued. As part of this transaction, a loss on extinguishment of £856,000 was recognised as a finance cost as the loan note holder was considered to be acting in its capacity as a debt holder. The loan was recognised at a discount rate of 15% and the interest charge accretes over the loan period.

(iv) EnQuest convertible loan note

On 9 July 2015, the Company agreed to restructure other payables due to EnQuest as deferred consideration on the acquisition of their 48.75% interest in the Petišovci project in 2010. In total £3,024,000 was due to be payable to EnQuest on 19 December 2015. As at July 2015, the liability stood at £2,779,000 and would have accreted this up to the full amount payable during the year had this restructuring not occurred. The entire debt payable was restructured into a £2,038,000 convertible loan note. The terms of these CLNs are identical to the £4 million of notes issued in 2015 to Henderson and benefit from security over the Company's shareholding in Ascent Slovenia Limited which owns an interest in the Petišovci concession. On initial recognition, the liability and equity element of the CLNs were fair valued. The loan was recognised at a discount rate of 15% and the interest charge accretes over the loan period. The extinguishment of the previous liability gave rise to a £741,000 gain recorded in finance income as EnQuest was considered to be acting in its capacity as a debt holder.

(v) Second variation of loan note terms in 2015

In November 2015, prior to the notes falling due for repayment, the holders of the CLNs agreed to extend the maturity to 19 November 2016 in exchange for the conversion price being rebased from 0.1 pence to 0.05 pence. The carrying value of the CLN liabilities at 19 November 2015 was £12,021,000. The CLNs were extinguished and replaced with amended convertible loans. On initial recognition, the liability and equity element of the CLNs were fair valued. The loans were recognised at a discount rate of 15% (equating to £10,449,000) and the interest charge will accrete over the loan period.

The fair value attributable to the equity portion were recorded in equity (£1,572,000), representing the fair value of the conversion option and the difference between the previous and new liability which represented a capital contribution by shareholders as the loan note holders were considered to be acting in their capacity as shareholders. The loan amount was convertible at any time into ordinary shares of the Company.

Unlike the previous position in relation to the 2013 and 2015 CLN's the notes are no longer subject to a waiver of the provisions of Rule 9 of the City Code on Takeovers and Mergers. Accordingly, if Henderson or any other holder of the 2013 and 2015 CLN's exercise their right of conversion and they hold equal to or more than 30 per cent of the total voting rights of the Company, such holder will be required to make a mandatory bid for the remaining ordinary shares in the capital of the Company not held by them.

(vi) Capital reorganisation – November 2015

On 30 November 2015 shareholders approved a placing, amendment to convertible loan note terms and a capital reorganisation. The capital reorganisation reduced the nominal share price from 0.1 pence to 0.01 pence and subsequently to consolidate ordinary shares by a factor of 20 thereby increasing the nominal share price to 0.2 pence. The conversion price on the loan notes was similarly adjusted by a factor of 20 to 1 pence.

(vii) Issue of loan notes pursuant to the placing – November 2016

On 27 October 2016 shareholders approved a placing which included the issuance of £1,050,000 of new convertible loan notes ('The 2016 CLN's'), £50,000 of which were subscribed for by the Directors of the Company. The notes were to be on identical terms to the 2013 & 2014 CLNs.

On initial recognition, the liability and equity element of the CLNs have been fair valued. The loans have been recognised at a discount rate of 15% (equating to £690,000) and the interest charge will accrete over the loan period.

The fair value attributable to the equity portion has been recorded in equity (£360,000), representing the fair value of the conversion option. The loan amount is convertible at any time into ordinary shares of the Company, £1 million of which was converted post period end.

(viii) Variation of loan note terms in 2016

In November 2016, prior to the notes falling due for repayment, the holders of the CLNs agreed to extend the maturity to 19 November 2019 with no adjustment to the conversion price or any other terms. The carrying value of the CLN liabilities at 19 November 2016 was £8,140,000. The CLNs were extinguished and replaced with amended convertible loans. On initial recognition, the liability and equity element of the CLNs have been fair valued. The loans have been recognised at a discount rate of 15% (equating to £5,352,000) and the interest charge will accrete over the loan period.

The Directors consider that the carrying amount of the loans approximates to their fair value. The weighted average coupon interest rate of the convertible loan is 0% as interest ceased to accrue on the convertible notes in January 2015.

The fair value attributable to the equity portion has been recorded in equity (£2,788,000) representing the fair value of the conversion option. The loan amount is convertible at any time into ordinary shares of the Company.

The notes are not subject to a waiver of the provisions of Rule 9 of the City Code on Takeovers and Mergers. Accordingly, if Henderson or any other holder of the 2013 and 2015 CLN's exercise their right of conversion and the hold equal to or more than 30 per cent of the total voting rights of the Company, such holder will be required to make a mandatory bid for the remaining ordinary shares in the capital of the Company not held by them.

(ix) Conversions

There were a number of loan note conversions carried out during the periods:

	2016	2016	2015	2015
	Notes converted (including rolled up interest)	Shares issued	Notes converted (including rolled up interest)	Shares issued
January	-	-	-	-
February	-	-	-	-
March	-	-	139	138,520
April	1,088,390	108,838,990	473	473,030
May	463,113	46,311,258	-	-
June	1,273,923	127,392,263	-	-
July	-	-	244	244,392
August	845,053	84,505,321	-	-
September	563	56,312	2,747	2,746,912
October	-	-	-	-
November	73,455	7,345,491	-	-
December	357	35,702	1,014	101,362
Total	3,744,853	374,485,337	4,616	3,704,216

(x) £7 million short- term funding facility

On 12 May 2015, the Company announced that it had agreed a £7 million loan facility (the 'Loan') for general corporate purposes with Henderson. The Loan was capable of being drawn at any time from signing to 30 June 2016 at the discretion of Henderson.

The Loan accrued interest at the rate of 7.5% per annum on the amount drawn and this was added to the amount of the Loan. The Loan was subject to a drawdown fee of 1.75% per tranche which was deducted from the funds advanced. The Loan was also

subject to a repayment fee of 1.25% on any amounts repaid by the Company. The balance outstanding was repayable on demand at any time.

As at 31 December 2015 the Company had drawn £450,000 from the facility on which £11,000 of interest had accrued; a further £250,000 was drawn from this facility during January 2016 and another £100,000 during March 2016.

In November 2016 following the approval of a placing by shareholders at a general meeting the outstanding balance of £871,510 was repaid in full. This consisted of £800,000 principal, £61,510 of accrued interest and a £10,000 repayment fee.

14 Provisions – Group

	£000s
At 1 January 2015	410
Foreign exchange movement	(24)
At 31 December 2015	386
At 1 January 2016	386
Foreign exchange movement	61
At 31 December 2016	447

The amount provided for decommissioning costs represents the Group's share of site restoration costs for the Petišovci field in Slovenia. The most recent estimate is that the year-end provision will become payable after 2022.

15 Trade and other payables – Group

	2016	2015
	£ '000s	£ '000s
Trade payables	147	166
Tax and social security payable	10	22
Other payables	-	152
Accruals and deferred income	97	168
	254	508

16 Trade and other payables – Company

	2016	2015
	£ '000s	£ '000s
Trade payables	84	114
Tax and social security payable	10	22
Other Payables	-	152
Accruals and deferred income	70	130
	164	418

17 Called up share capital

	2016	2015
	£ '000s	£ '000s
Authorised		
10,000,000,000 ordinary shares of 0.2pence each	10,000	10,000
Allotted, called up and fully paid		
1,084,074,224 (2015: 157,306,900) ordinary shares of 0.2 pence each		
(2015: 0.2p each) and 1,737,110,494 (2015: 1,737,110,494) deferred shares of 0.09p each	3,732	1,878

	2016	2015
	Number	Number
Reconciliation of share capital movement		
At 1 January	157,306,900	1,458,507,909
Capital Reorganisation	-	(1,650,255,225)
Loan note conversions	374,485,337	3,704,216
Placings		
April	35,714,294	-
May	-	275,000,000
June	166,666,666	-
October & November	349,901,027	70,350,000
At 31 December	1,084,074,224	157,306,900

Shares issued during the year

There were a number of conversion requests processed during the year; for the details please see Note 13.

The Company also raised funds through placings during the year:

- On 12 April 2016, the Company raised £500,000 (£477,500 net of costs) via the Placing of 35,714,285 Ordinary Shares with investors using the PrimaryBid.com platform.
- On 7 June 2016, the Company raised £500,000 (£477,500 net of costs) via the Placing of 83,333,333 Ordinary Shares with investors using the PrimaryBid.com platform.
- On 15 June 2016, the Company raised £500,000 (£500,000 net of costs) via the Placing of 83,333,333 Ordinary Shares to Henderson Global Investors.
- On 31 October 2016, the Company raised £2,627,500 (£2,402,434 net of costs) via the Placing of 262,750,000 Ordinary Shares.
- On 7 November 2016, the Company raised £871,510 (£871,510 net of costs) via the Placing of 87,151,027 Ordinary Shares to Henderson Global Investors.

Shares issued during the prior year

There were a number of conversion requests processed during the prior year; for the details please see Note 13.

The Company also raised funds through placings during the prior year:

- In May 2015, the Company raised £550,000 (£525,250 net of costs) via the Placing of 275,000,000 Ordinary Shares with investors using the PrimaryBid.com platform.
- In November 2015, the Company raised £703,000 (£671,843 net of costs) via the Placing of 70,350,000 Ordinary Shares with investors using the PrimaryBid.com platform.

Reserve description and purpose

The following describes the nature and purpose of each reserve within owners' equity:

- Share capital: Amount subscribed for share capital at nominal value.
- Equity reserve: Amount of proceeds on issue of convertible debt relating to the equity component and contribution on modification of the convertible loan notes, i.e. option to convert the debt into share capital.
- Share premium: Amounts subscribed for share capital in excess of nominal value less costs of shares associated with share issues.
- Share-based payment reserve: Value of share options granted and calculated with reference to a binomial pricing model. When options lapse or are exercised, amounts are transferred from this account to retained earnings.
- Translation reserve: Exchange movements arising on the retranslation of net assets of operation into the presentation currency.
- Accumulated losses: Cumulative net gains and losses recognised in consolidated income.

18 Operating lease arrangements

At the balance sheet date, the Group had no outstanding commitments under non-cancellable operating leases (2015: £nil).

19 Exploration expenditure commitments

In order to maintain an interest in the oil and gas permits in which the Group is involved, the Group is committed to meet the conditions under which the permits were granted and the obligations of any joint operating agreements. The timing and the amount of exploration expenditure commitments and obligations of the Group are subject to the work programmes required as per the permit commitments. This may vary significantly from the forecast programmes based upon the results of the work performed. Drilling results in any of the projects may also cause variations to the forecast programmes and consequent expenditure. Such activity may lead to accelerated or decreased expenditure. It is the Group's policy to seek joint operating partners at an early stage to reduce its commitments.

At 31 December 2016, the Group had exploration and expenditure commitments of £ Nil (2015 - Nil).

20 Related party transactions

a. Group companies – transactions

	2016 <i>Cash</i>	2016 <i>Services</i>	2015 <i>Cash</i>	2015 <i>Services</i>
Ascent Slovenia Limited	541	183	840	-
Ascent Resources doo	275	212	318	344
	816	395	1,158	344

b. Group companies – balances

	2016 <i>Cash</i>	2016 <i>Services</i>	2015 <i>Cash</i>	2015 <i>Services</i>
Ascent Slovenia Limited	16,690	3,175	13,445	2,572
Ascent Resources doo	2,369	1,735	1,790	1,301
	19,329	4,910	15,235	3,873

c. Directors

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the Directors of Ascent Resources plc. Information regarding their compensation is given in Note 4.

2016

In October 2016, the Directors subscribed for £50,000 of convertible loan notes in connection with the Placing which raised £4.5 million (£3.5 million equity and £1 million convertible loan notes) before costs. Clive Carver, Cameron Davies and Nigel Moore subscribed for £13,333 each with Colin Hutchinson subscribing for £10,001.

Clive Carver is a director of Darwin Strategic Limited, which is the owner of PrimaryBid through which the Company raised £1.0 million in equity during 2016. Refer to Note 17 for further share issues.

2015

Clive Carver is a director of Darwin Strategic Limited, which is the owner of PrimaryBid through which the Company raised £1.2 million in equity during 2016. Refer to Note 17 for further share issues.

d. Henderson Global Investors

- Advanced £350,000 under the short-term loan facility during January and March 2016.
- Converted loan notes with a face value of £3,137,068 during the year into 434,297,145 Ordinary Shares.
- Subscribed £500,000 for 83,333,333 shares in June 2016.
- Subscribed £500,000 for 83,333,333 shares in June 2016.
- Subscribed £1,000,000 for 100,000,000 shares in October 2016.
- Subscribed £871,510 for 87,151,027 shares in November 2016.
- In November 2016, the Company repaid in full the balance of £871,150 due under the £7 million facility as described in Note 13.
- Henderson Global Investors provided £450,000 of short-term working capital funding in 2015

21 Events subsequent to the reporting period

Recompletion of Pg-10

On 30 January 2017, the Company announced that it had recompleted well Pg-10 and the well had flowed at a peak stabilised rate of 8.8 MMscfd.

Placing on PrimaryBid

On 13 February 2017, the Company announced that it had raised £2,987,750 (£2,838,363 net of costs) through an underwritten offer using the PrimaryBid.com platform. The fundraise included a subscription for 270,270 shares by Colin Hutchinson, Chief Executive. On 16 February 161,500,000 new ordinary shares were issued and admitted to trading.

Conversion of loan notes

Since the year end a total of £4,065,607 of convertible loan notes have been converted into 424,912,491 ordinary shares.

22 Share based payments

The Company has provided the Directors, certain employees and institutional investors with share options and warrants ('options'). Options are exercisable at a price equal to the closing market price of the Company's shares on the date of grant. The exercisable period varies and can be up to seven years once fully vested after which time the option lapses.

The share options below have been rebased following the capital reorganisation which was completed during 2016. All options have been adjusted by a factor of 20. The comparatives have been restated to show like for like.

Details of the share options outstanding during the year are as follows:

	Shares	Weighted Average price (pence)
Outstanding at 1 January 2016	5,935,738	16.88
Granted during the year	78,828,006	1.58
Expired during the year	(250,000)	170.00
Outstanding at 31 December 2016	84,513,744	2.94
Exercisable at 31 December 2016	13,185,738	20.00
Outstanding at 1 January 2015	6,710,738	39.62
Expired during the year	(775,000)	207.58
Outstanding at 31 December 2015	5,935,738	24.07
Exercisable at 31 December 2015	250,000	170.00

The value of the options is measured by the use of a binomial pricing model. The inputs into the binomial model made in 2016 were as follows:

Share price at grant date	1.32p – 1.54p
Exercise price	1.54p – 2.00p
Volatility	50%
Expected life	3-5 years
Risk free rate	0.5%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life is the expiry period of the options from the date of issue.

Options outstanding at 31 December 2016 have an exercise price in the range of 1.58p and 20p (31 December 2015: 20p and 240p) and a weighted average contractual life of 9.1 years (31 December 2015: 7.0 years).

Trameta acquisition

During the year, the Company acquired Trameta doo which owned land and access rights over the export pipeline. Consideration for the transaction was 75 million ordinary shares which vest in four tranches on the one year anniversary of various conditions being met. An option over a further 7.5 million ordinary shares at an exercise price of 2pence is valid for three years from November 2016 when the second condition was met.

The 75 million shares have been valued using the Black-Scholes model under the assumption that 100% of the shares will vest as management expects all four of the vesting criteria to be successfully achieved. The conditions have been met for the first two tranches, being completion of the SPA and certification of the pipeline.

The value of the options is measured by the use of a binomial pricing model. The inputs into the binomial model in respect of the Trameta consideration shares were as follows:

Share price at grant date	1.425p
Exercise price	Nil
Volatility	101% - 130%
Expected life	1 -3 years
Risk free rate	1.75%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous comparable periods. The expected life is the expiry period of the options from the date of issue.

The value of the shares and options was £1.1 million which has been recognised as an addition to exploration and evaluation costs, see Note 8.

23 Financial risk management

Group and Company

The Group's financial liabilities comprise CLNs, other loans and trade payables. All liabilities are measured at amortised cost. These are detailed in Notes 13, 15 and 16.

The Group has various financial assets, being trade receivables and cash, which arise directly from its operations. All are classified as loans and receivables. These are detailed in Notes 10 and 11.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including interest risk and currency risk). The risk management policies employed by the Group to manage these risks are discussed below:

a. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group does not have any significant credit risk exposure.

The Group makes allowances for impairment of receivables where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with high and good credit ratings assigned by international credit rating agencies in the UK.

The carrying amount of financial assets, trade receivables and cash held with financial institutions recorded in the financial statements represents the exposure to credit risk for the Group.

At Company level, there is the risk of impairment of inter-company receivables if the full amount is not deemed as recoverable from the relevant subsidiary company. These amounts are written down when their deemed recoverable amount is deemed less than the current carrying value.

b. Market risk

(i) Currency risk

Currency risk refers to the risk that fluctuations in foreign currencies cause losses to the Company.

The Group's operations are predominantly in Slovenia. Foreign exchange risk arises from translating the euro earnings, assets and liabilities of the Ascent Resources doo and Ascent Slovenia Limited into sterling. The Group manages exposures that arise from receipt of monies in a non-functional currency by matching receipts and payments in the same currency.

The Company often raises funds for future development through the issue of new shares in sterling. These funds are predominantly to pay for the Company's exploration costs abroad in Euros. As such any sterling balances held are at risk of currency fluctuations and may prove to be insufficient to meet the Company's planned euro requirements if there is devaluation.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the European Union (the euro).

The Group operates internationally and is exposed to currency risk on sales, purchases, borrowings and cash and cash equivalents that are denominated in a currency other than sterling. The currencies giving rise to this are the euro and the United States dollar.

Foreign exchange risk arises from transactions and recognised assets and liabilities.

The Group does not use foreign exchange contracts to hedge its currency risk.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in sterling against the stated currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis comprises cash and cash equivalents held at the balance sheet date. A positive number below indicates an increase in profit and other equity where sterling weakens 10% against the relevant currency.

	Euro currency change		US\$ Currency change	
	Year ended	Year ended	Year ended	Year ended
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	£000s	£000s	£000s	£000s
Group				
Profit or loss				
10% strengthening of sterling	47	89	2	2
10% weakening of sterling	(58)	(109)	(2)	(2)
Equity				
10% strengthening of sterling	(1,983)	(1,616)	(3)	-
10% weakening of sterling	2,424	1,976	4	-
Company				
Profit or loss				
10% strengthening of sterling	(13)	(4)	2	2
10% weakening of sterling	16	5	(2)	(2)
Equity				
10% strengthening of sterling	(2,687)	(2,201)	(3)	-
10% weakening of sterling	3,288	2,690	4	-

(ii) **Interest rate risk**

Interest rate risk refers to the risk that fluctuations in interest rates cause losses to the Company.

The Group and Company have no exposure to interest rate risk except on cash and cash equivalent which carry variable interest rates. The Group carries low units of cash and cash equivalents and the Group and Companies monitor the variable interest risk accordingly.

At 31 December 2016, the Group and Company has GBP loans valued at £6,162,000 rates of 0% per annum.

At 31 December 2015, the Group and Company has GBP loans valued at £10,778,000 rates of 0% per annum and loans of £450,000 at 7.5% per annum.

c. **Liquidity risk**

Liquidity risk refers to the risk that the Company runs low on cash resources to meet working capital requirements.

The Group and Company manages its liquidity requirements by using both short- and long-term cash flow projections, supplemented by maintaining debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios (see Note 1).

For further details on the Group's liquidity position, please refer to the Going Concern paragraph in Note 1 of these accounts.

Maturity analysis of financial liabilities	2016	2015
	£ '000s	£ '000s
Less than six months - loans and borrowings	-	461
Less than six months - trade and other payables	256	508
Between six months and a year	-	10,778
Between one and three years	6,162	-

d. Capital management

The Group manages its shares and CLN's as capital.

e. There are no externally imposed capital requirements. Fair value of financial instruments

Set in the foregoing is a comparison of carrying amounts and fair values of the Group's and the Company's financial instruments:

	Carrying amount	Fair Value of financial instruments	Carrying	Fair Value of financial instruments
	Year ended 31 December 2016	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2015
Financial assets				
Cash and cash equivalents	3,153	3,153	32	32
Trade receivables	-	-	-	-
Financial liabilities				
Trade Creditors	147	147	171	171
Convertible loans at fixed rate	6,162	6,162	10,778	10,778
Capital Management - Company	Year ended 31 December 2016	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2015
	Carrying	Fair Value of financial instruments	Carrying	Fair Value of financial instruments
Financial assets				
Cash and cash equivalents	3,154	3,154	27	27
Trade receivables	-	-	19,152	19,152
Financial liabilities				
Trade Creditors	84	84	114	114
Convertible loans at fixed rate	6,162	6,162	10,778	10,778

Convertible loan at fixed rate

Fair value of convertible loans has been determined based on tier 3 measurement techniques. The fair value is estimated at the present value of future cash flows, discounted at estimated market rates. Fair value is not significantly different from carrying value.

Trade and other receivables/payables & inter-company receivables

All trade and other receivables and payables have a remaining life of less than one year. The ageing profile of the Group and Company receivable and payables are shown in Notes 10, 11, 15 and 16.

Cash and cash equivalents

Cash and cash equivalents are all readily available and therefore carrying value represents a close approximation to fair value.

ASCENT RESOURCES PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 05239285)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Ascent Resources plc (the 'Company') will be held at the offices of Taylor Wessing LLP, 5 New Street Square, London, EC4A 3TW on Monday 12 June 2017 at 11:30 a.m. for the following purposes:

Ordinary Resolutions

To consider and, if thought fit, to pass the following resolutions, numbered 1, 2, 3 and 4, as Ordinary Resolutions:

1. To receive and adopt the report of the Directors and the financial statements for the year ended 31 December 2016 and the report of the auditors thereon.
2. To re-appoint, as a director of the Company, Dr Cameron Davies, who retires in accordance with Article 25.2 of the Company's Articles of Association and offers himself for re-election.
3. To re-appoint BDO LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be determined by the Directors.
4. THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ('the Act'), in substitution for all previous powers granted to them, to exercise all the powers of the Company to:
 - (a) allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £656,402.44, provided that that this authority shall be limited to the allotment of up to 328,201,220 new ordinary shares with a nominal value of £656,402.44 pursuant to the conversion in full of the outstanding convertible loan notes (together with accrued interest) into new ordinary shares; and
 - (b) allot and make offers to allot shares in the Company up to an aggregate nominal amount of £1,219,098.40 ; and
 - (c) allot and make offers to allot equity securities (within the meaning of the Act) up to an aggregate nominal amount of £2,438,196.79 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph (b) of this resolution 4) in connection with an offer by way of a rights issue to:
 - (i) the holders of ordinary shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them; and
 - (ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory.

Such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2018 provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

5. THAT the Directors be and they are hereby empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 4 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an issue in favour of shareholders (but in the case of an allotment pursuant to the authority granted under paragraph (c) of Resolution 4, such power shall be limited to the

allotment of equity securities in connection with an offer by way of a rights issue only) where the equity securities respectively attributable to the interests of all such shareholders are proportionate (or as nearly as may be practicable) to the respective number of ordinary shares in the capital of the Company held by them on the record date for such allotment, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory; and

- (b) the allotment (otherwise than pursuant to sub-paragraph (b) above) of further equity securities up to an aggregate nominal amount of £548,594.28.

This power shall, unless previously revoked or varied by special resolution of the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company to be held in 2018. The Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors are hereby empowered to allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

C Hutchinson,
Company Secretary
5 May 2017

5 New Street Square
London EC4A 3TW

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY by hand, or sent by post, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).
2. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.
3. The Company has specified that only those members entered on the register of members at 6:00 p.m. on Thursday 8 June 2017 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of £0.002 each in the capital of the Company held in their name at that time. Changes to the register after 6:00 p.m. on Thursday 8 June 2017 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. **Resolution 2** – Article 25.2 of the Company's Articles of Association requires that one third of the Directors of the Company who have held office since the last Annual General Meeting must retire and, if they are eligible, may offer themselves for re-election.
5. **Resolution 4** – This resolution, to be proposed as an Ordinary Resolution, relates to the grant to the Directors of authority to allot unissued Ordinary Shares until the conclusion of the Annual General Meeting to be held in 2018, unless the authority is renewed or revoked prior to such time. This authority in paragraph (b) is limited to a maximum of 609,549,198 Ordinary Shares, being equivalent to one third of the issued share capital of the Company and the authority in paragraph (c), which only applies to the allotment of Ordinary Shares in connection with a rights issue, is limited to a maximum 1,219,098,397 Ordinary Shares (less any Ordinary Shares allotted pursuant to the authority in paragraph (b)), being equivalent to two thirds of the issued share capital of the Company.
6. **Resolution 5** – The Act requires that if the Directors decide to allot unissued Ordinary Shares in the Company the shares proposed to be issued must be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company, the Directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1) of the Act. Therefore, this resolution, to be proposed as a Special Resolution, seeks authority to enable the Directors to allot equity securities up to a maximum of 274,297,142 Ordinary Shares, being equivalent to 15 per cent. of the issued share capital of the Company. This authority expires at the conclusion of the Annual General Meeting to be held in 2018.

