Annual Report and Financial Statements

Year ended 31 December 2014

Registered number 05239285

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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, the London Stock Exchange's market for smaller and growing companies, in November 2004 (LSE:AST). Since then its portfolio has consisted of predominantly European onshore projects. Ascent operates the Petišovci tight gas project in Slovenia which is currently its sole asset.

Our strategy

The Board firmly believes that the gas field at Petišovci in Slovenia is an outstanding prospect and therefore intends to focus its resources on this project. Our strategy is therefore to direct our available funding towards bringing Petišovci into production.

The Group plans to continue its exploration programme in the longer term and take advantage of the significant possible reserves and contingent resources within its areas of interest.

How we operate

Our project is operated through a local entity in a joint venture which is able to access the best local technical knowledge to help us develop our assets effectively and efficiently.

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 people

Ascent has a small experienced 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 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 relatively stable price of gas 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

Overview: Petišovci project

From the refinancing of Ascent in early 2013, the Company's strategy has been to focus exclusively on the Petišovci project. Accordingly, over the past two years we have exited from our interests in Hungary, the Netherlands, Switzerland and Italy.

At the macro level, Slovenia's need for the Petišovci project has never been greater:

- Like much of the EU, the country is in a weak economic condition and in need of new areas for growth.
- Slovenia's banks are pushing hard to raise foreign direct investment for their key industries.
- We believe the Petišovci project is one of a relatively small number of fundable and viable projects the country has to offer to the international investment community.
- Slovenia has very little domestic gas production and is reliant on expensive and potentially unreliable foreign gas.
- The verified P50 contingent resources in the Petišovci field contain over 7 times the annual gas consumption in Slovenia. Management production estimates for phase one equate to 10%- 15% of the country's annual consumption and this proportion will increase significantly as the project moves into phase two.
- The region in which the Petišovci fields are located is one of the less economically developed in Slovenia and would benefit from additional employment opportunities.

Encouragingly we now understand that the Slovenian Government has decided to adopt a more supportive view of the project than in previous years in recognition of its strategic importance to the country.

Farm-out process

Led by First Energy the Company has been conducting a farm-out process to find industry partners interested in working with Ascent to develop the Petišovci field to its full potential. Farm-out partners would be expected to fund a large proportion of future development costs.

The Board has been impressed with the calibre and financial standing of the organisations expressing interest. In the opinion of the Board all the organisations still remaining in the process are satisfied with the technical aspects of the Petišovci project and have the financial resources to see a deal through. We believe this not only validates the asset, but also makes its commercialisation more likely. Further announcements will be made on a farm-out transaction as the process develops.

Funding

Historic

Between December 2012 and April 2015 the Company raised £9.5 million through the issue of convertible loan notes (£9m) and new ordinary shares (£0.5m). The Company also generated £0.5 million net of selling expenses from the sale of its interests in Hungary and the Netherlands.

Of the total £10m that was raised:

- £3.5m was spent directly on the Petišovci project.
- £3.0m was spent on debt repayments and servicing; this debt had been incurred prior to 2012 largely in relation to operations in Slovenia.
- £3.1m was spent on group costs; the annual cost has been reduced by 30% between 2013 and 2014 due to a reduction in headcount and administrative expenses.
- £0.4m was spent on former operations in Italy, Netherlands and Hungary.

Variation of loan note terms

The £8.5 million of convertible loan notes issued in 2013 and 2014 were due for repayment by the end of January 2015. Despite vigorous efforts by the Board to attract alternative sources of funding, Ascent did not have the funds required to pay the amounts due. The Board therefore agreed with Henderson Global Investors Limited and Henderson Alternative Investment Advisor Limited (together, 'Henderson'), being the majority holder of the convertible loan notes, to adjust the conversion price of all the convertible loan notes to 0.1 pence, in return for extending the maturity date of the convertible loan notes and terminating the accrual of interest on them. Accordingly, on a fully diluted basis, the ordinary shareholders' interest in Ascent, other than Henderson, fell from 28.7% to 13.7%.

Henderson's ability to convert the loans without being obliged to make a general offer to all remaining shareholders was approved by independent shareholders on 19 February 2015.

Recent funding

Short term funding of £550,000 was secured on 1 May 2015 through a placing of 275,000,000 new ordinary shares via the crowdfunding Primary Bid platform.

Additionally the Company has agreed terms on a new £7 million loan facility with Henderson, demonstrating their continued support. The loan can be drawn at any time from signing to the 30 June 2016 at the discretion of the lender. The loan accrues interest at the rate of 7.5% per annum on the amount drawn and this is added to the amount of the loan. The loan is subject to a drawdown fee of 1.75% per drawdown, which is deducted from the funds advanced. The loan is also subject to a repayment fee of 1.25% on any amounts repaid by the Company. The balance outstanding is repayable on demand at any time.

Project funding

For many years the bank most closely associated with the Petišovci project was BNP Paribas. During 2014 we widened the banking pool to include The European Bank for Reconstruction and Development ('EBRD'), which has identified Slovenia as a country for increased engagement. We expect in the coming weeks to receive a conditional offer of project funding for the development of the first phase of the Petišovci project jointly from EBRD and BNP Paribas.

Operational issues at Petišovci

Power lines

Most of the delays experienced in 2014 stemmed from the decision of the state-owned electricity company to route a new high-tension power line directly over the existing gas gathering and separation station (the 'Plant' or 'GGSS'). The field development plan had, from the outset, proposed the construction of an expanded gas processing facility on this site, to handle production from Pg-10, Pg-11A and subsequent wells, primarily but not exclusively to reduce the CO_2 content to meet national transmission pipeline specifications. Studies were commissioned to evaluate the impact of the high-voltage line on the proposed facility and it was concluded that electromagnetic and other effects of the power line presented an unacceptable safety hazard.

As a result of the above, the initial plans had to be abandoned and the Company and its partners commenced a search for an alternative site for the GGSS. Eventually, a range of suitable, nearby land plots was identified and after extended negotiations with the owners, a commercially acceptable transaction was entered into for the acquisition of the land by the partners.

IPPC permits

In conjunction with the above, Ascent had to redesign the GGSS and related infrastructure for the new site, which was a time-consuming process. These designs were incorporated into the application for an Integrated Pollution Prevention and Control ('IPPC') permit, required under the terms of EU directives adopted by the Slovenian government. Again, this was a very complex and extended process. In July 2014 the application was completed and submitted to the Environmental Agency for approval. Encouragingly the application was processed without undue delay and was approved, subject to public consultation, in December 2014.

At the close of the public consultation phase, comments had been received from two potential stakeholders. These objectors have now had an opportunity to present their cases and while it is not possible to predict when this consultation process will conclude we continue in the expectation that the economic interest of the country and its inhabitants will prevail.

Nafta Petrochem

In September 2014 Nafta Petrochem, a leading subsidiary of Nafta Lendava, entered into a voluntary liquidation process. Ascent was in the process of negotiating certain easement rights with this subsidiary for the routing of its 8” gas delivery pipeline. The liquidation has disrupted this process and new negotiations now need to be concluded with the administrator.

Field development programme

While the above problems have resulted in significant delays, other aspects of the field development programme have progressed satisfactorily. For example, the specification and design of the measuring and metering station for delivery of processed gas to the national transmission system was completed and the related contract with the transmission operator was negotiated and signed.

GPS

A significant effort was made during 2014 in first negotiating and then attempting to enforce the Subscription Agreement with Global Power Sources s.r.l. ('GPS') under which GPS would have invested some £11.7 million in Ascent by way of a subscription for new ordinary shares in the Company at a price of 0.8p per share.

As set out in the circular to shareholders dated 6 February 2015, since the failure of GPS to honour its commitment to subscribe for new ordinary shares, the Board has worked hard with GPS to try to find an alternative way forward. However, GPS informed the Company towards the end of 2014 that it has experienced further significant issues as the result of its acquisition of Ascent Resources Italia in 2013, which made the completion of any alternative transaction highly unlikely.

Your Board is of the view that pursuing GPS through the UK and Italian courts to seek redress for GPS's failure to perform under the Subscription Agreement does not make commercial sense.

Outlook

As set out in the Operations Review, the Petišovci project continues to be a very positive opportunity.

This, in the opinion of the Board, is supported by the continuing interest in the farm-out process that is currently in progress, the recent funding transactions and the progression of the formal bank led project finance.

Based on the recent actions of the Slovenian Government we remain optimistic of an early award of the IPPC permit.

Clive Carver
Chairman
11 May 2015

Operations Review

The Petišovci Project, Slovenia

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

The Petišovci Tight Gas Project, in a 98 km^2 area in north eastern Slovenia, targets the development of substantial 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.

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-11 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 Bm^3; 76 MMboe).

Both wells will require further recompletions in preparation for a production testing phase which will help to better understand the long-term productivity performance of the reservoirs. The test production results will inform decisions regarding a possible full field Petišovci development. 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. Some improvements to these existing facilities will be required for the test production phase.

The next step in this project's redevelopment plan is to bring gas from Pg-10 and Pg-11A on stream via dedicated well-site facilities, through a newly constructed gas processing plant and from there to the national gas pipeline terminal. This will be followed by the deepening of 3 existing wells, Pg-6, 7 and 9. Processing will be necessary to reduce the carbon dioxide content of the gas from approximately 3% to less than the 1.5% required for the national transmission system specifications, to remove condensate for sale separately and to ensure dew point control by dehydration.

Less than a kilometre from the wells is a methanol production plant which was mothballed in 2010 as falls in methanol pricing had made production uneconomic. There is scope for it to be sold to new owners. The gas from Pg-10 and Pg-11A could be sold to this plant for methanol production. The advantages of this option are that (i) the gas would need very little processing before entering the methanol plant; (ii) the local processing plant could manage this without much modification; and (iii) the Company could derive an early income from associated gas sales .

After a period of test gas production to monitor reservoir performance, the partners will proceed to the next phase in developing the Petišovci field, which includes: further upgrading and expansion of the processing facility for a substantially higher capacity; enlarged gas export capacity; and modifications to the national grid connection. The Company has recently completed a fully revised field development plan and strategy for the further expansion of this significant Petišovci gas field complex.

Back-in Rights

The Hermrigen and Linden exploration permits in Switzerland cover undeveloped discoveries made by Elf Aquitaine in 1972 and 1982 with a combined estimated gas resource base of over 360 Bcf. As the original Hermrigen well was drilled before gas pipeline infrastructure was built in the area, the discovery has remained unappraised. Despite selling its interest in 2010 to eCORP, the current operator of the project, Ascent retains various back-in rights on any successful outcome of six conventional appraisal prospects, provided relevant apportioned costs are covered.

As part of the Sale and Purchase agreement with Tulip Oil, 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.

Strategic report

Section 414C of the Companies Act (‘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 Companies Act 2006 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 2014 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 Group Operations Review, starting on pages 3 and 7, together with the 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 Company maintains a risk register that categorises risks under the headings: Strategic, Operations, Financial, Compliance and Knowledge. 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 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, funding and financial reporting requirements. 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. All other financial risks are mitigated 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

This information is contained in pages 3 to 6 of the Chairman's statement.

Analysis of the position of the business

This information is contained in pages 3 to 6 of the Chairman's statement.

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. 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).*

The projected NPV of the Petišovci project has been reassessed during the year 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
11 May 2015

Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2014 ('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 listed on the AIM Market of the London Stock Exchange.

The Group has its headquarters in London and has oil and gas interests 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 24 of the Financial Statements.

Results and dividends

The loss for the year after taxation was £5.6 million (2013: £3.5 million). The Directors do not recommend the payment of a dividend (2013: Nil).

Post balance sheet events

On 2 February 2015 the Company announced the variation of the terms of the 2013 and 2014 Loan notes. To date £5 million has been drawn under the 2013 CLNs and £4 million has been drawn under the 2014 CLNs. In total, including accrued interest, some £10 million in aggregate was due for repayment under the 2013 and 2014 CLNs, in part on 23 December 2014 and in part on 31 January 2015.

In return for extending the maturity date of the Loan Notes and terminating the accrual of further interest, the Board of Ascent has agreed to adjust the conversion price in respect of both the 2013 and 2014 Convertible Loan Notes from 0.5p and 0.2p respectively to 0.1p for all Loan Notes. On a fully diluted basis and assuming only Henderson convert this would take them to 88.6 per cent of the Company and accordingly the consent of the Company's shareholders was required.

On 20 February 2015 at a General Meeting of the Company, the shareholders approved the Whitewash and associated resolutions.

On 9 March 2015, the Company joined PrimaryBid.com, the online platform dedicated to equity crowdfunding for AIM-listed companies. On 1 May 2015 the Company has raised £550,000 via the placing of 275,000,000 ordinary shares in the capital of the Company at a price of 0.2p per Ordinary Share with investors using the Primarybid.com platform. The Company received £525,250 net of costs which will provide the Company with additional working capital to be used over as it concludes advanced negotiations with potential sources of additional financing. The Directors are confident that they will receive significant further funds as a result of

such negotiations that will allow the Company to develop the project for the foreseeable future, towards cash flow.

On 1 May 2015 the Company announced that it had received a notice of exercise to convert 420 convertible loan notes of £1 each which were issued in May 2013 as part of an open offer to all shareholders (the 'Loan Notes') and the terms of which were amended in February 2015. The Loan Notes, including rolled up interest, are convertible into new ordinary shares of 0.1 pence each in the capital of the Company ('Ordinary Shares') at a price of 0.1 pence per Ordinary Share. Consequently a total of 473,030 new Ordinary Shares ('the Conversion Shares') were issued pursuant to the Notice.

In May 2015 the Company agreed terms on a £7million loan facility with Henderson Global Investors Limited. The loan can be drawn at any time from signing to the 30 June 2016 at the discretion of the lender. The loan accrues interest at the rate of 7.5% per annum on the amount drawn and this is added to the amount of the loan. The loan is subject to a drawdown fee of 1.75% per drawdown which is deducted from the funds advanced. The loan is also subject to a repayment fee of 1.25% on any amounts repaid by the Company. The balance outstanding is repayable on demand at any time.

Directors

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

Leonard John Reece
Clive Nathan Carver
Nigel Sandford Johnson Moore
William Cameron Davies
Colin Hutchinson (appointed 20 August 2014)

Relevant details of the Directors, which include committee memberships, are set out on page 15.

Directors' interests

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

	Ordinary shares of 0.1p each.		***Convertible loan notes.***	
	At 31 December 2014	At 31 December 2013	**At 31 December 2014**	At 31 December 2013
Leonard Reece	**-**	-	**63,444**	63,444
Clive Carver	**-**	-	**17,500**	17,500
Nigel Moore	**119,500**	119,500	**-**	-
Cameron Davies	**150,000**	150,000	**-**	-
Colin Hutchinson	**-**	-	**-**	-

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 18 to the Financial Statements.

As at 11 May 2015 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	%
Global Power Sources Srl	307,126,793	17.71
Henderson Global Investors	185,325,944	10.69
EnQuest PLC	160,903,958	9.28
Seren Capital Management Ltd	100,412,944	5.79

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.

The Company has sufficient cash to fund its current trading obligations but further funding will be required for working capital through the year and to finance work programmes in Slovenia. In addition both the 2013 & 2014 Convertible Loan notes become due in November 2015 and the £3m due to EnQuest becomes payable in December 2015. Consequently the Directors are considering a range of funding options, including a strategic investor.

However, there can be no guarantee over the outcome of these negotiations and as a consequence there is a material uncertainty of the Group's ability to raise additional finance, which may cast significant doubt on the Group's ability to continue as a going concern. Further, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors, however, remain confident of the Group's ability to operate as a going concern given the funding discussions that have and continue to take place and in light of the significant recent support from existing shareholders.

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
11 May 2015

Board of Directors

Clive Carver
Non-executive Chairman

Clive Carver has worked in the City since 1986 and focussed exclusively on the small cap sector since 1994. He is the Executive Chairman of Roxi Petroleum plc, an AIM listed oil and gas exploration and production company operating in Kazakhstan, where he served as Non-executive Chairman from 2006 to May 2012. He is also a Non-executive Director of Fastjet PLC, a low cost airline operating in Africa; Non-executive Chairman of Iafyds PLC, an AIM listed investment company; and also a Non-executive Director of unlisted Darwin Strategic Limited, a company which funds many AIM listed businesses. Clive is a Fellow of the Institute of Chartered Accountants in England and Wales and is a qualified Corporate Treasurer.

Leonard Reece
Chief Executive Officer

Leonard Reece has over thirty years of E&P sector experience, of which over twenty years have been at Managing Director and CEO level. His most recent role was as CEO of Valhalla Oil and Gas AS, a private Norwegian oil company, where he was responsible for identifying, acquiring and developing commercially successful oil and gas assets. He previously held the position of Managing Director of Spectrum Energy and Information Technology Ltd, which provided multi-client surveys and high quality seismic imaging services.

Colin Hutchinson
Finance Director

Colin Hutchinson is a fellow of the Institute of Chartered Accountants in Ireland and holds an MBA from Warwick Business School. He has over fifteen years international experience gained in commercially orientated finance roles. Colin previously served as the Company's Financial Controller. Prior to joining Ascent, he was Financial Controller at Lochard Energy plc and Finance Director at Samba Communications Ltd. He is also a Non-executive Director of Iafyds plc.

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 12 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 and Chairman of JKX Oil & Gas 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 an excellent track record of exploration success and growing profits in a quoted energy company. Beginning his career as a geologist, Dr Davies has over thirty-five years' experience in the oil and gas sectors. He founded AIM listed Alkane Energy plc in 1994 and managed the business from original concept, through venture capital funding and an IPO to become a profitable operator of gas to power generation plants. He has a PhD from Imperial College, is a Fellow of the Geological Society of London and a member of the European Petroleum Negotiators Group and the PESGB.

Directors and Advisers

Directors	Clive Carver Leonard Reece Nigel Moore Cameron Davies Colin Hutchinson
Secretary	Colin Hutchinson
Registered Office	5 New Street Square London EC4A 3TW
Nominated Adviser and Broker	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
Bankers	Barclays Corporate Bank 1 Churchill Place London E14 5HP
Share Registry	Computershare Investors Services Plc The Pavilions Bridgwater Road Bristol BS13 8AE
Company’s registered number	05239285

Summary of Group Net Oil and Gas Reserves

Net Reserves and Resources by country

	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	174	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 2014 was 8.7 Bcfe.

Proven Reserves 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. There is at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable Reserves are those unproven reserves which are more likely than not to be recoverable. There is at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proven plus probable reserves.

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.

P90 (P50; P10) Reserves: at least a 90% (50%; 10%) probability that the quantities will equal or exceed the estimate. This is a measure of uncertainty not geological or commercial risk.

Summary of Ascent Resources plc's Licence Interests as at 31 December 2014

Permit	Subsidiary	Working Interest (%)	Permit Area Gross (km^2)	Net (km^2)	Status
Operations					
Slovenia					
Petišovci Concession	Ascent Slovenia Limited	75	98	73	Oil & gas exploitation
Back in rights					
Switzerland					
Seeland-Frienisberg	Ascent Resources plc		364	-	Gas appraisal
Linden	Ascent Resources plc		330	-	Gas appraisal
Gros de Vaud	Ascent Resources plc		736	-	Oil & gas exploration
The Netherlands					
M10/M11	Ascent Resources plc		110	59	Gas exploration and appraisal

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

Prospect: a potential trap which geologists believe may contain hydrocarbon resources

Reservoirs: a subsurface body of rock having sufficient porosity and permeability to store and transmit hydrocarbons

Miocene: a geological epoch of the Neogene Period that extended from about 13 to 25 million years ago.

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 Directors provide 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 2014, the Group was Operator of one exploration project which was closely managed for maintaining the EHS and SR policy aims.

There have been no convictions in relation to 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;
- 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 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 2014 which comprise the consolidated income statement and consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement 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 2014 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.

Emphasis of matter – Going concern

In forming our opinion of the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. Further funds will be required to finance the Company's planned work programme and to service existing debt facilities. While the Directors are confident of being able to acquire the finance necessary to meet both capital and administrative obligations and liabilities as they fall due, the necessary facilities are not currently in place.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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.

Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
11 May 2015

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

Consolidated Income Statement

For the year ended 31 December 2014

	Notes	**Year ended 31 December 2014 £ '000s**	Year ended 31 December 2013 £ '000s
Administrative expenses	3	**(1,879)**	(1,924)
Aborted transaction costs		**(228)**	-
Loss from operating activities		**(2,107)**	(1,924)
Finance income	5	**3**	1,423
Finance cost	5	**(3,519)**	(1,266)
Net finance costs		**(3,516)**	157
Loss before taxation		**(5,623)**	(1,767)
Income tax expense	6	**-**	-
Loss for the year from continuing operations		**(5,623)**	(1,767)
Loss for the year from discontinued operations		**-**	(1,825)
Loss for the year		**(5,623)**	(3,592)
Loss attributable to:			
Owners of the Company		**(5,623)**	(3,587)
Non-controlling interests		**-**	(5)
Loss for the year		**(5,623)**	(3,592)
Loss per share			
Basic & fully diluted loss per share (Pence)	7	**(0.39)**	**(0.32)**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December 2014	Year ended 31 December 2013
	£ ’000s	£ ’000s
Loss for the year	**(5,623)**	**(3,592)**
Other comprehensive income		
Foreign currency translation differences for foreign operations *	**(1,248)**	(1,276)
Recycling of foreign exchange on disposals *	**-**	(1,324)
Total comprehensive loss for the year	**(6,871)**	(6,192)
Total comprehensive loss attributable to:		
Owners of the Company	(6,871)	(6,187)
Non-controlling interest	-	(5)
Total comprehensive loss for the year	**(6,871)**	(6,192)

* Foreign currency translation differences from foreign operations may be recycled through the income statement in the future if certain future conditions arise.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital	Share premium	Equity reserve	Shares to be issued	Share based payment reserve	Translation reserve	Retained earnings	Total	Non-Controlling interest	Total
	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s		£ ’000s
Balance at 1 January 2013	**1,026**	**52,198**	**-**	**-**	**1,901**	**2,102**	**(30,684)**	**26,543**	**5**	**26,548**
Comprehensive income								-		-
Loss for the year	-	-	-	-	-	-	(3,587)	(3,587)	**(5)**	(3,592)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	(1,276)	-	(1,276)	-	(1,276)
FX differences recycled on discontinued operations	-	-	-	-	-	(1,324)	-	(1,324)		(1,324)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(2,600)**	**(3,587)**	**(6,187)**	**(5)**	**(6,192)**
Transactions with owners								-	-	-
Issue of convertible loan notes	-	-	518	-	-	-	-	518	-	518
Issue of shares during the year net of costs	425	3,635	-	84	-	-	-	4,144		4,144
Share-based payments	-	-	-	-	(5)	-	100	95	-	95
Balance at 31 December 2013	**1,451**	**55,833**	**518**	**84**	**1,896**	**(498)**	**(34,171)**	**25,113**	**-**	**25,113**
Balance at 1 January 2014	**1,451**	**55,833**	**518**	**84**	**1,896**	**(498)**	**(34,171)**	**25,113**	**-**	**25,113**
Comprehensive income								-		**-**
Loss for the year	-	-	-	-	-	-	(5,623)	(5,623)	-	**(5,623)**
Other comprehensive income										
Currency translation differences	-	-	-	-	-	(1,248)	-	(1,248)	-	(1,248)
FX differences recycled on discontinued operations	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(1,248)**	**(5,623)**	**(6,871)**	**-**	**(6,871)**
Transactions with owners								-		**-**
Issue of convertible loan notes	-	-	2,058	-	-	-	-	2,058	-	2,058
Conversion of loan notes	-	2						2	-	2
Issue of shares during the year net of costs	8	76	-	(84)	-	-	-	-	-	-
Share-based payments and expiry of options	-	-	-	-	(1,035)	-	1,181	146	-	146
Balance at 31 December 2014	**1,459**	**55,911**	**2,576**	**-**	**861**	**(1,746)**	**(38,613)**	**20,448**	**-**	**20,448**

Company Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital £ '000s	Share premium £ '000s	Equity reserve £ '000s	Shares to be issued £ '000s	Share based payment reserve £ '000s	Retained earnings £ '000s	Total parent equity £ '000s
Balance at 1 January 2013	1,026	52,198	-	-	1,901	(28,599)	26,526
Comprehensive income							
Loss and total comprehensive income for the year	-	-	-	-	-	(6,190)	(6,190)
Transactions with owners							
Issue of convertible loan notes	-	-	518	-	-	-	518
Issue of shares during the year net of costs	425	3,635	-	84	-	-	4,144
Share-based payments	-	-	-	-	(5)	100	95
Balance at 31 December 2013	**1,451**	**55,833**	**518**	**84**	**1,896**	**(34,689)**	**25,093**
Balance at 1 January 2014	**1,451**	**55,833**	**518**	**84**	**1,896**	**(34,689)**	**25,093**
Comprehensive income							
Loss and total comprehensive income for the year	-	-	-	-	-	(6,058)	(6,058)
Transactions with owners							
Issue of convertible loan notes	-	-	2,058	-	-	-	2,058
Conversion of loan notes	-	2	-	-	-	-	2
Issue of shares during the year net of costs	8	76	-	(84)	-	-	-
Share-based payments	-	-	-	-	(1,035)	1,181	146
Balance at 31 December 2014	**1,459**	**55,911**	**2,576**	**-**	**861**	**(39,566)**	**21,241**

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	**31 December 2014**	31 December 2013
Assets		**£ ’000s**	£ ’000s
Non-current assets			
Property, plant and equipment		**2**	3
Exploration and evaluation costs	8	**33,166**	33,628
Total non-current assets		**33,168**	33,631
Current assets			
Trade and other receivables	10	**98**	110
Cash and cash equivalents		**456**	184
Total current assets		**554**	294
Total assets		**33,722**	33,925
Equity and liabilities			
Attributable to the equity holders of the Parent Company			
Share capital	18	**1,459**	1,451
Share premium account		**55,911**	55,833
Equity reserve		**2,576**	518
Shares to be issued		**-**	84
Share-based payment reserve		**861**	1,896
Translation reserves		**(1,746)**	(498)
Retained earnings		**(38,613)**	(34,171)
Total equity attributable to the shareholders		**20,448**	25,113
Non-Controlling interest		**-**	-
Total equity		**20,448**	25,113
Non-current liabilities			
Borrowings	13	**-**	4,957
Provisions	14	**410**	437
Total non-current liabilities		**410**	5,394
Current liabilities			
Trade and other payables	16	**647**	409
Borrowings	13	**9,624**	754
Other current liabilities	15	**2,593**	2,255
Total current liabilities		**12,864**	3,418
Total liabilities		**13,274**	8,812
Total equity and liabilities		**33,722**	33,925

The notes on pages 32 to 52 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 11 May 2015 and signed on its behalf by:

Clive Carver, Chairman
11 May 2015

Company Statement of Financial Position

As at 31 December 2014

	Notes	**31 December 2014** £ '000s	31 December 2013 £ '000s
Non-current assets			
Property, plant and equipment		**1**	2
Investment in subsidiaries and joint ventures		**14,340**	14,340
Intercompany receivables	21	**19,045**	18,815
Total non-current assets		**33,386**	33,157
Current assets			
Trade and other receivables	11	**62**	71
Cash and cash equivalents		**439**	175
Total current assets		**501**	246
Total assets		**33,887**	33,403
Equity			
Share capital	18	**1,459**	1,451
Share premium		**55,911**	55,833
Equity reserve		**2,576**	518
Shares to be issued		**-**	84
Share-based payment reserve		**861**	1,896
Retained loss		**(39,566)**	(34,689)
Total equity		**21,241**	25,093
Non-Current liabilities			
Borrowings	13	**-**	4,957
Total non-current liabilities		**-**	4,957
Current liabilities			
Trade and other payables	17	**429**	344
Borrowings	13	**9,624**	754
Other current liabilities	15	**2,593**	2,255
Total current liabilities		**12,646**	3,353
Total liabilities		**12,646**	8,310
Total equity and liabilities		**33,887**	33,403

The notes on pages 32 to 52 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 11 May 2015 and signed on its behalf by:

Clive Carver
Chairman
11 May 2015

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Year ended 31 December 2014	Year ended 31 December 2013
	£ '000s	£ '000s
Cash flows from operations		
Loss after tax for the year	**(5,623)**	(3,592)
DD&A charge	**2**	(2)
Decrease in receivables	**12**	171
Increase / (Decrease) in payables	**238**	(547)
Increase in share based payments	**146**	96
Exchange differences	**(42)**	(190)
Finance income	**(3)**	(1,423)
Finance cost	**3,516**	1,266
Loss on the sale of discontinued operations (net of tax)	**-**	1,792
Net cash used in operating activities	**(1,754)**	(2,429)
Cash flows from investing activities		
Interest received	**3**	5
Payments for investing in exploration	**(773)**	(1,346)
Disposal of discontinued operations net of cash disposed of	**-**	(228)
Disposal / (Purchase) of property, plant and equipment	**(1)**	101
Net cash used in investing activities	**(771)**	(1,468)
Cash flows from financing activities		
Interest paid and other finance fees	**(60)**	(226)
Proceeds from loans	**3,650**	2,061
Loans repaid	**(761)**	(2,031)
Loan issue costs	**(32)**	(20)
Proceeds from issue of shares	**-**	887
Share issue costs	**-**	(44)
Net cash generated from financing activities	**2,797**	627
Net increase in cash and cash equivalents for the year	**272**	(3,270)
Effect of foreign exchange differences	**-**	2
Cash and cash equivalents at beginning of the year	**184**	3,452
Cash and cash equivalents at end of the year	**456**	184

Company Cash Flow Statement

For the year ended 31 December 2014

	Year ended 31 December 2014	Year ended 31 December 2013
	£ ’000s	£ ’000s
Cash flows from in operations		
Loss for the year	**(6,058)**	(6,190)
Depreciation charge	**2**	2
Increase in receivables	**(662)**	(14)
Increase in payables	**85**	114
Increase in share based payments reserve	**146**	96
Settlement of warranty claim	**-**	3,300
Write off of investment	**-**	79
Foreign exchange	**1,533**	(73)
Finance income	**(3)**	(5)
Finance cost	**3,499**	1,183
Net cash generated from / (used in) operating activities	**(1,458)**	(1,508)
Cash flows from investing activities		
Interest received	**3**	(47)
Advances to subsidiaries	**(1,094)**	(2,449)
Investment in PPE	**(1)**	-
Net cash flows used in investing activities	**(1,092)**	(2,496)
Cash flows from financing activities		
Interest paid	**(43)**	(143)
Proceeds from loans	**3,650**	2,061
Repayment of loan	**(761)**	(1,775)
Loan issue costs	**(32)**	(20)
Cash proceeds from issue of shares	**-**	887
Share issue costs	**-**	(44)
Net cash generated from financing activities	**2,814**	966
Net increase in cash and cash equivalents	**264**	(3,038)
Cash and cash equivalents at beginning of the year	**175**	3,211
Effects of foreign exchange differences	**-**	2
Cash and cash equivalents at end of the year	**439**	175

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 2014 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 2014 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 2014 were approved and authorised for issue by the Board of Directors on 11 May 2015 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 £6.2 million.

Measurement Convention

The financial statements have been prepared under the historical cost convention except for available-for-sale financial assets and financial instruments which are measured at fair value through profit and loss. 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.

The Company has sufficient cash to fund its current trading obligations but further funding will be required for working capital through the year and to finance work programmes in Slovenia. In addition, both the 2013 & 2014 Convertible Loan notes become due in November 2015 and the £3m due to EnQuest becomes payable in December 2015. Consequently the Directors are considering a range of funding options, including a strategic investor.

However, there can be no guarantee over the outcome of these negotiations and as a consequence there is a material uncertainty of the Group's ability to raise additional finance, which may cast significant doubt on the Group's ability to continue as a going concern. Further, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors, however, remain confident of the Group's ability to operate as a going concern given the funding discussions that have and continue to take place and in light of the significant recent support from existing shareholders.

New and amended Standards effective for 31 December 2014 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 2014. The adoption of these standards and amendments has had no material effect on the Group's accounting policies.

Standard	Effective date	Impact on initial application
IAS 32	Amendment – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 36	Recoverable amounts disclosures for non-financial assets	1 January 2014
IFRS 10, IFRS 12, and IAS 27	Investment Entities	1 January 2014

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 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
IAS 1	Amendments to presentation of financial statements	1 January 2016
IAS 19	Defined Benefit Plans: Employee Contributions	1 February 2015
	Annual Improvements to IFRSs 2010-2012 Cycle	1 February 2015
	Annual Improvements to IFRSs 2011-2013 Cycle	1 January 2015
	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 9	Financial instruments	1 January 2018

The Group has not yet assessed the impact of IFRS 9. The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material effect on the presentation, classification, measurement and disclosures of the Group's financial instruments.

Critical accounting estimates and assumptions

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.

Critical judgements in applying the Group's accounting policies

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 will need to be applied will be in the areas of:

(a) *Oil and gas 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 (see Note 8);

(b) Decommissioning provision – the cost of decommissioning is estimated by reference to operators and internal specialist staff (see Note 14);

(c) Convertible loan notes – management assessed the fair value of the liability component at issue and the appropriateness of the amortisation period (see Note 13);

(d) Basis of consolidation – management consider the Company's ability to exert financial and operational control, as well as the level of voting rights and representation on the Board as a basis of consolidation;

(e) Share-based payments – management assesses the fair value of each option using an appropriate pricing model based on option and share prices, volatility and the life of the option (see Note 0);

(f) Commercial reserves – Commercial reserves are proven and probable oil and gas reserves, calculated on an entitlement basis. Estimates of commercial reserves underpin the calculation of depletion and amortisation on a unit of production basis. 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.

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 ('the Group') as if they formed a single entity. Intercompany 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.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

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 liability 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.

Property, plant and equipment assets other than oil and gas assets

Property, plant and equipment other than oil and gas assets are stated at cost, less accumulated depreciation and any provision for impairment. Depreciation is provided at rates estimated to write off the cost, less estimated residual value of each asset over its expected useful life as follows:

Computer and office equipment – 33% straight line.

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, including fair value adjustments arising on consolidation, 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. They are released into the income statement upon disposal.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

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 statement of comprehensive income as part of the profit or loss on disposal.

Exchange differences on all other transactions, except intercompany 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 further shares 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 convertible loan, where the convertible option is at a fixed rate, the net proceeds received from the issue of convertible loan notes 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 convertible loan notes 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 requisition the liability component is measured at amortised cost using the effective interest method.

However, where, at inception, the conversion option is such that the option will not be settled by the Company exchanging a fixed number of its own equity instruments for a fixed amount of cash, the convertible loan does not meet the definition of a compound financial instrument. In such cases, the convertible loan (the host contract) is a hybrid financial instrument and the option to convert is an embedded derivative. Attached options (options entered into in consideration for entering into the host contract) on similar terms are also embedded derivatives. The embedded derivatives are separated from the host contract as their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. At each reporting date, the embedded derivatives are measured at fair value with changes in fair value recognised in the income statement as they arise. The method used for revaluation is the Black Scholes method. The host contract carrying value on initial recognition is based on the net proceeds of issuance of the convertible loan reduced by the fair value of the embedded derivatives and is subsequently carried at each reporting date at amortised cost.

When there are amendments to the contractual loan note terms these terms are assessed and the estimate of fair value adjusted as appropriate.

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

Interest bearing bank loans, overdrafts and other loans are recorded at fair value less any directly attributable costs, with subsequent measurement at amortised cost. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

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. Intercompany 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 now 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 is 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. Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. 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.

2014	**UK**	**Slovenia**	**elims**	**Total**
	£ '000s	**£ '000s**	**£ '000s**	**£ '000s**
Intercompany sales	276	-	(276)	**-**
Total revenue	**276**	**-**	**(276)**	**-**
Administrative expenses	(1,039)	(1,116)	276	**(1,879)**
Aborted transaction costs	(228)	-	-	**(228)**
Other Operating Income	10	15	(25)	**-**
Material non-cash items				
Net finance costs	(3,501)	(15)	-	**(3,516)**
Reportable segment (loss)/profit before tax	**(4,482)**	**(1,116)**	**(25)**	**(5,623)**
Taxation	-	-	-	**-**
Reportable segment (loss)/profit after taxation	**(4,482)**	**(1,116)**	**(25)**	**(5,623)**
Reportable segment assets				
Carrying value of exploration assets	-	33,628	-	**33,628**
Additions to exploration assets	-	773	-	**773**
Effects of exchange rate movements	-	(1,235)	-	**(1,235)**
Total plant and equipment	1	1	-	**2**
Total non-current assets	**1**	**33,167**	**-**	**33,168**
Other assets	33,886	420	(33,752)	**554**
Consolidated total assets	**33,887**	**33,587**	**(33,752)**	**33,722**
Reportable segmental liabilities				
Trade payables	(429)	(217)	-	**(646)**
External loan balances	(9,624)	-	-	**(9,624)**
Inter-group borrowings	-	(19,319)	19,319	**-**
Other liabilities	(2,593)	(411)	-	**(3,004)**
Consolidated total liabilities	**(12,646)**	**(19,947)**	**19,319**	**(13,274)**

2013

	Discontinued Operations					Continuing Operations				Total	
	Italy	Netherlands	Hungary	Eliminations	Sub Total	UK	Slovenia	Eliminations	Sub Total	Eliminations	Group
	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s	£ ’000s
Hydrocarbons	-	-	304	-	**304**	-	-	-	**-**	(304)	**-**
Intercompany sales	-	-	-	-	**-**	213	23	(236)	**-**	-	**-**
Total revenue	**-**	**-**	**304**	**-**	**304**	**213**	**23**	**(236)**	**-**	**(304)**	**-**
Cost of sales	-	-	(90)	-	**(90)**	(263)	102	161	**-**	90	**-**
Profit / (Loss) from discontinued operations	(1,937)	100	45	-	**(1,792)**	-	-	-	**-**	1,792	**-**
Administrative expenses	(78)	(31)	(59)	-	**(168)**	(1,402)	(684)	162	**(1,924)**	168	**(1,924)**
Material non-cash items										-	**-**
Net finance costs	(70)	-	(9)	-	**(79)**	282	(125)	-	**157**	79	**157**
Reportable segment (loss)/profit before tax	**(2,085)**	**69**	**191**	**-**	**(1,825)**	**(1,170)**	**(684)**	**87**	**(1,767)**	**1,825**	**(1,767)**
Taxation	-	-	-	-	**-**	-	-	-	**-**	-	**-**
Reportable segment (loss)/profit after taxation	**(2,085)**	**69**	**191**	**-**	**(1,825)**	**(1,170)**	**(684)**	**87**	**(1,767)**	**1,825**	**(1,767)**
Reportable segment assets											
Carrying value of exploration assets	-	-	-	-	**-**	-	32,285	-	**32,285**	-	**32,285**
Additions to exploration assets	-	-	-	-	**-**	-	1,343	-	**1,343**	-	**1,343**
Total plant and equipment	-	-	-	-	**-**	1	1	-	**2**	-	**2**
Total non-current assets	-	-	-	-	**-**	**1**	**33,629**	**-**	**33,630**	-	**33,630**
Other assets	-	-	-	-	**-**	33,401	430	(33,537)	**294**	-	**294**
Consolidated total assets	**-**	**-**	**-**	**-**	**-**	**33,402**	**34,059**	**(33,537)**	**33,924**	**-**	**33,924**
Reportable segmental liabilities											
Trade payables	-	-	-	-	**-**	(120)	(11)	-	**(131)**	-	**(131)**
External loan balances	-	-	-	-	**-**	(5,711)	-	-	**(5,711)**	-	**(5,711)**
Inter-group borrowings	-	-	-	-	**-**	-	(18,747)	18,747	**-**	-	**-**
Other liabilities	-	-	-	-	**-**	(2,479)	(491)	-	**(2,970)**	-	**(2,970)**
Consolidated total liabilities	**-**	**-**	**-**	**-**	**-**	**(8,310)**	**(19,249)**	**18,747**	**(8,812)**	**-**	**(8,812)**

3 Operating loss is stated after charging:

	Year ended 31 December 2014 £ ’000s	Year ended 31 December 2013 £ ’000s
Employee costs (see Note 4)	**776**	1,114
Share based payment charge	**146**	96
Foreign Exchange differences	**3**	-
Included within Admin Expenses		
Audit Fees	**51**	52
Fees payable to the Company’s auditor other services	**8**	7
	59	71

4 Employees and directors

a. Employees

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

	Year ended 31 December 2014	Year ended 31 December 2013
Management and technical	**9**	7
	£ ’000s	£ ’000s
Wages and salaries	**653**	895
Social security costs	**120**	123
Pension costs	**2**	-
Share-based payments	**146**	96
Taxable benefits	**1**	-
	922	1,114

b. Directors and key management remuneration

	Year ended 31 December 2013	Year ended 31 December 2012
	£ ’000s	£ ’000s
Fees and emoluments	470	415
Termination payments	-	261
Social security costs	52	65
Share-based payments (Note 0)	132	81
	654	**822**

c. Directors remuneration

2014	Salary/fees	Termination payments	2014 Total
	£	£	£
Executive Directors			
L Reece	220,000	-	220,000
C Hutchinson [1]	129,551	-	129,551
Non-executive Directors			-
C Carver	60,000	-	60,000
C Davies	30,000	-	30,000
N Moore	30,000	-	30,000
Total	**469,551**	**-**	**469,551**

2013	Salary/fees	Termination	2013 Total
	£	£	£
Executive Directors			
L Reece	220,000	-	220,000
S Richardson Brown	61,367	148,438	209,805
Non-executive Directors			
C Carver	63,750	-	63,750
G Cooper	-	-	-
C Davies	30,000	-	30,000
N Moore	30,000	-	30,000
J Kenny	10,000	15,000	25,000
J Eng	-	98,000	98,000
Total	**415,117**	**261,438**	**676,555**

[1] C Hutchinson was appointed on 20 August 2014, remuneration includes period as a non-director.

The highest paid Director in the year ended 31 December 2014 was Leonard Reece earning £220,000 (2013: L Reece earning £220,000).

d. Directors incentive share options

2014	As at 01-Jan-14	Granted/ (Lapsed)	As at 31-Dec-14	Date Granted	Share Price at Grant	Exercise Price	Exercise Period Start	Exercise Period End
N Moore	500,000	-	500,000	17-Nov-10	5.25p	7.313p	17-Nov-11	17-Nov-15
	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
	1,000,000	-	1,000,000	17-Nov-10	5.25p	15p	17-Nov-11	17-Nov-15
L Reece	69,079,066	-	69,079,066	30-Apr-13	0.82p	1p	30-Apr-16	30-Apr-23
C Carver	26,568,871	-	26,568,871	30-Apr-13	0.82p	1p	30-Apr-16	30-Apr-23
C Hutchinson	5,313,774	-	5,313,774	23-May-13	0.65p	1p	23-May-16	23-May-23

2013	As at 01-Jan-13	Granted/ (Lapsed)	As at 31-Dec-13	Date Granted	Share Price at Grant	Exercise Price	Exercise Period Start	Exercise Period End
N Moore	500,000	-	500,000	17-Nov-10	5.25p	7.313p	17-Nov-11	17-Nov-15
	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
	1,000,000	-	1,000,000	17-Nov-10	5.25p	15p	17-Nov-11	17-Nov-15
L Reece	-	69,079,066	69,079,066	30-Apr-13	0.82p	1p	30-Apr-16	30-Apr-23
C Carver	-	26,568,871	26,568,871	30-Apr-13	0.82p	1p	30-Apr-16	30-Apr-23
S Richardson-Brown	1,000,000	-	1,000,000	01-Nov-10	4.875p	4.875p	01-Nov-11	01-Nov-15
	1,000,000	-	1,000,000	01-Nov-10	4.875p	7.313p	01-Nov-12	01-Nov-15
	2,500,000	-	2,500,000	07-Sep-11	3.16p	5p	30-Jun-12	07-Sep-16
	2,500,000	-	2,500,000	07-Sep-11	3.16p	12p	30-Jun-12	07-Sep-16
J Kenny	500,000	-	500,000	17-Nov-10	5.25p	7.313p	17-Nov-11	17-Nov-15
	500,000	-	500,000	17-Nov-10	5.25p	15p	17-Nov-11	17-Nov-15

5 Finance income and costs recognised in the year

	Year ended 31 December 2014	Year ended 31 December 2013
	£ ’000s	£ ’000s
Finance income		
Income on bank deposits	**3**	5
Foreign exchange movements realised	**-**	1,366
Adjustment to EnQuest Provision due to change in estimate	-	52
	3	**1,423**
Finance cost		
Interest payable on borrowings	**(1,211)**	(1,036)
Bank Charges	**(17)**	(230)
Unwinding of EnQuest liability	**(338)**	-
Foreign exchange movements realised	**(3)**	-
Adjustment to equity reserve on loan note variation	**(1,950)**	-
	(3,519)	**(1,266)**

During the year the convertible loan note terms were varied such that the conversion price was reduced from 0.5p to 0.2p. As a consequence the number of shares to be issued on conversion rises from 400m to 1 bn. In accordance with IAS 32, a charge of £1,950,000 has been recognised to reflect the value of the additional shares.

6 Income tax expense

	Year ended 31 December 2014	Year ended 31 December 2013
	£ ’000s	£ ’000s
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense for the year	**-**	**-**

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 2014	Year ended 31 December 2013
	£ ’000s	£ ’000s
Loss for the year	(5,623)	(1,765)
Income tax using the Company’s domestic tax rate at 21.5% (2013: 23.25%)	(1,208)	(410)
Effects of:		
Net increase in unrecognised losses c/f	936	915
Change in unrecognised temporary differences	-	(12)
Effect of tax rates in foreign jurisdictions	50	22
Other non-taxable items	(321)	(531)
Other non-deductible expenses	543	63
Utilisation of losses brought forward	-	(47)
Total tax expense for the year	**-**	**-**

7 Loss per share

	31 December 2014	31 December 2013
	£ ’000s	£ ’000s
Result for the year		
Loss from continuing operations	**(5,623)**	(1,767)
(Loss) / profit from discontinued operations	-	(1,825)
Total loss for the year attributable to equity shareholders	**(5,623)**	(3,592)
Weighted average number of ordinary shares (000s)	**Number**	Number
For basic earnings per share	1,454,945	1,132,820
Loss per share (Pence)		
Loss per share from continuing operations	(0.39)	(0.16)
Loss per share from discontinued operations	-	(0.16)
Total loss per share	**(0.43)**	**(0.32)**

As the result for the year was a loss no dilutive EPS is disclosed. At 31 December 2014 potentially dilutive instruments in issue were 3,009,736,472 (2013: 1,079,918,586). Dilutive shares arise from share options and convertible loan notes issued by the Company.

8 Exploration and evaluation costs – Group

Exploration Costs – Group	**Italy**	**Hungary**	**Slovenia**	**Netherlands**	**Total**
Cost					
At 1 January 2013	12,525	5,587	31,918	410	50,440
Additions	-	-	1,343	3	1,346
Disposal of discontinued operations	(12,525)	(5,587)	-	(413)	(18,525)
Effects of exchange rate movements	-	-	367	-	367
At 31 December 2013	**-**	**-**	**33,628**	**-**	**33,628**
At 1 January 2014	-	-	33,628	-	33,628
Additions	-	-	773	-	773
Effects of exchange rate movements	-	-	(1,235)	-	(1,235)
At 31 December 2014	**-**	**-**	**33,166**	**-**	**33,166**
Impairment					
At 1 January 2013	12,525	5,495	-	217	18,237
Charge for the year	-	-	-	-	-
Discontinued Operations	(12,525)	(5,495)	-	(217)	(18,237)
Effects of exchange rate movements	-	-	-	-	-
At 31 December 2013	**-**	**-**	**-**	**-**	**-**
At 1 January 2014	-	-	-	-	-
Charge for the year	-	-	-	-	-
Discontinued Operations	-	-	-	-	-
Effects of exchange rate movements	-	-	-	-	-
At 31 December 2014	**-**	**-**	**-**	**-**	**-**
Carrying value					
At 31 December 2014	**-**	**-**	**33,166**	**-**	**33,166**
At 31 December 2013	-	-	33,628	-	33,628
At 1 January 2013	-	92	31,918	193	32,203

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.

The amounts for intangible exploration assets represent costs incurred on active exploration projects. These amounts are written off to the income statement as impairment expense unless commercial reserves are established or the determination

process is not completed and there are no indications of impairment. 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 2013	14,419
Disposals	(79)
At 31 December 2013	**14,340**
At 1 January & 31 December 2014	**14,340**

Name of company	Principal activity	Country of incorporation	% of share capital held 2014	% of share capital held 2013
Ascent Slovenia Limited	Oil and Gas exploration	British Virgin Islands	100%	100%
Ascent Resources doo	Oil and Gas exploration	Slovenia	100%	100%
Ascent Hungary Ltd	Holding company	England	-	100%
Ascent Hungary kft	Oil and Gas exploration	Hungary	-	100%
Ascent Netherlands BV	Oil and Gas exploration	Netherlands	100%	100%

All subsidiary companies are held directly by Ascent Resources plc.

10 Trade and other receivables – Group

	2014	2013
	£ ’000s	£ ’000s
VAT recoverable	**39**	43
Other receivables	**30**	43
Prepayments & accrued income	**29**	24
	98	110

11 Trade and other receivables – Company

	2014	2013
	£ ’000s	£ ’000s
VAT recoverable	**18**	5
Other receivables	**29**	42
Prepayments & accrued income	**15**	24
	62	71

12 Deferred tax – Group & Company

	2014	2013
	£ ’000s	£ ’000s
Group		
Total tax losses	(26,071)	(23,907)
Unrecorded deferred tax asset at 20% (2013: 24%)	**5,214**	**5,738**
Company		
Total tax losses	(8,822)	(8,460)
Unrecorded deferred tax asset at 20% (2013: 24%)	**1,764**	**2,030**

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

	2014	2013
Group	**£ '000s**	**£ '000s**
Current		
Loan with financial institution	-	150
Convertible loan note	**9,624**	604
	9,624	754
Non-current		
Convertible loan note	-	4,957
	-	4,957
Company		
Current		
Loan with financial institution	-	150
Convertible loan note	**9,624**	604
	9,624	754
Non-current		
Convertible loan note	-	4,957
	-	4,957
Non-current borrowings are repayable within:		
One to two years	-	4,957

Convertible Loan Note	**2014**	**2013**
	£ '000s	**£ '000s**
Fair value of consideration received	**3,500**	1,954
Equity component	**(107)**	(204)
Liability component on initial recognition	**3,393**	1,750
Liability brought forward	**5,561**	3,217
Liability on initial recognition	**3,393**	1,750
Equity component of £3m received in Dec '12 and approved April '13	-	(315)
Loan repaid	**(463)**	-
Converted notes	**(2)**	-
Interest expense	**1,168**	916
Exchange movements	**(1)**	14
Deferral of set up costs	**(32)**	(21)
Liability at 31 December	**9,624**	5,561

The Directors consider that the carrying amount of the bank and other loans approximates to their fair value. The weighted average interest rate of the convertible loan is 9% (2013: 9%).

On 1 January 2014 the Group had drawn £150,000 of a £500,000 short term borrowing facility with Darwin Strategic Limited. A further £150,000 was drawn in January 2014. In September 2014 the balance with accrued interest was repaid in full.

14 Provisions – Group

	£000s
At 1 January 2013	540
Disposal	(103)
Provisions made during the year	-
At 31 December 2013	**437**
At 1 January 2014	437
Foreign exchange movement	(27)
At 31 December 2014	**410**

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 Other current liabilities – Group & Company

The other non-current liability of £2,593,000 (2013: £2,225,000) relates to the grant in 2011 of a nil cost option over 29,686,000 new Ordinary Shares of 0.1p each in the Company to EnQuest. The options are convertible at a price of 10p each; given the current share price the Company considers it to be likely that the option will be settled in cash rather than through the issue of equity. As a result this was reclassified in 2012 from equity to non-current liabilities. This is held at a discounted rate and repayment is due in December 2015.

The discount rate used for the purposes of calculating accretion interest was revised to 15% (2013: 15%). The interest accreted for the period was £338,074 (2013: interest of £154,008 and a credit of £205,982 was recognised due to the change in estimate).

16 Trade and other payables – Group

	2014 £ '000s	2013 £ '000s
Trade payables	475	131
Tax and social security payable	-	19
Other payables	20	-
Accruals and deferred income	152	259
	647	**409**

17 Trade and other payables – Company

	2014 £ '000s	2013 £ '000s
Trade payables	257	116
Tax and social security payable	20	19
Accruals and deferred income	152	209
	429	**344**

18 Called up share capital

	2014 £ '000s	2013 £ '000s
Authorised		
10,000,000,000 ordinary shares of 0.10p each	10,000	10,000
Allotted, called up and fully paid		
1,458,507,909 (2013: 1,451,114,395) ordinary shares of 0.10p each	1,459	1,451

Reconciliation of share capital movement	**2014 Number**	2013 Number
At 1 January	**1,451,114,395**	1,025,509,722
Open Offer	**-**	125,477,880
Sale of Ascent Resources Italia	**-**	32,126,793
Warranty settlement to GPS	**7,000,000**	268,000,000
Loan Note Conversion	**393,514**	-
At 31 December	**1,458,507,909**	1,451,114,395

Shares issued during the year

Warranty settlement to GPS

On 18 December 2014 the Company announced that it had reached a settlement with GPS in respect of a number of matters related to ARI which had the potential to result in Warranty claims under the SPA. In return for a full waiver of any and all claims or potential claims Ascent agreed to issue GPS with 275 million shares. 268 million were issued immediately with the balance of 7 million issued in June 2014 following shareholder approval at General Meeting of the Company.

Loan note conversion

On 26 March 2014 the Company received a notice of exercise to convert 1,848 convertible loan notes of £1 each which were issued in May 2013 as part of an open offer to all shareholders. The Loan Notes, including rolled up interest at the rate of 9% per annum, are convertible into new ordinary shares of 0.1 pence each in the capital of the Company ('Ordinary Shares') at a price of 0.5 pence per Ordinary Share. Consequently a total of 393,514 new Ordinary Shares were issued.

Equity instruments issued during the year

Convertible Loan Note

On 5 February 2014 the Group agreed with Henderson to create a new £5 million class of 9 per cent. convertible loan notes, 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 between 1p and 0.5pence per Ordinary share depending on whether the balance could be sold to independent third party investors. 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.

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 a variation to the terms of the 2014 Convertible Loan Note Instrument 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 has resulted in a one-off charge to the P&L of £2,520,000.

The loan notes issued in February and September 2014 fell due for repayment on 23 December 2014. At that time the Company was in discussions with Henderson about restructuring the 2014 notes and the 2013 notes which were to fall due on 31 January 2015. Given the advanced stage of negotiations no additional interest was charged between the 23 December 2014 and the 2 February 2015 when the restructuring was finalised.

On 2 February 2015 the Company agreed a variation in the terms of all of the 2013 & 2014 Loan Notes whereby the redemption date was extended to 19 November 2015, interest ceased to accrue and the pricing changed to 1,000 Ordinary Shares per £1 principal of loan note.

Other matters

The Equity Financing facility

On 12 February 2013 the Company entered into an agreement with Darwin Strategic Limited (Darwin) to provide a £10 million Equity Financing Facility (EFF). The purpose of the agreement is to provide additional working capital for the Company and the Group. The Company has not drawn on this facility since it was put in place.

Ascent is under no obligation to make a drawdown and may make drawdowns at its discretion, up to the total value of the EFF, by way of issuing subscription notices to Darwin. However, there will be an additional fee payable to Darwin in the event that less than £500,000 is drawn down within the first 24 months. Following delivery of a subscription notice, Darwin will subscribe and the Company will allot to Darwin new ordinary shares in Ascent ('Ordinary Shares').

The subscription price for any Ordinary Shares to be subscribed by Darwin under a subscription notice will be the average of the eight lowest Volume Weighted Average Prices of the Ordinary Shares over the 15 trading days following the subscription notice. To be reduced pro-rata for shorter pricing periods.

Reserve description and purpose

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

- Shares to be issued: Warranty settlement shares to be issued to Global Power Sources srl please refer to Note 3.
- 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, 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.
- Retained earnings: Cumulative net gains and losses recognised in consolidated income.

19 Operating lease arrangements

At the balance sheet date, the Group had no outstanding commitments under non-cancellable operating leases (2013: £nil).

20 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 2014 the Group had exploration and expenditure commitments of £Nil (2013 - Nil).

21 Related party transactions

a. Group companies – transactions

	2014	**2014**	**2013**	**2013**
	Cash	***Services***	***Cash***	***Services***
Ascent Slovenia Limited	627	27	743	296
Ascent Resources doo	467	644	1,183	418
	1,094	**671**	1,926	714

b. Group companies – balances

	2014	**2014**	**2013**	**2013**
	Cash	**Services**	**Cash**	**Services**
Ascent Slovenia Limited	**13,705**	**2,761**	14,319	2,895
Ascent Resources doo	**1,563**	**1,016**	1,183	418
	15,268	**3,777**	15,502	3,313

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.

2014

Clive Carver is a director of Darwin Strategic Limited, with whom the Company agreed a £500,000 short term facility during 2013. At the beginning of 2014 this had been drawn to £150,000 and a further £150,000 was drawn in February 2014. The balance including accrued interest of £326,807 was repaid in full in September 2014.

Aside from Darwin there were no related party transactions related to Directors other than their remuneration in 2014.

The Loan notes purchased by Len Reece in 2013 are being paid for through salary; at the year-end £34,429 had been recovered from salary (2013: £21,015) (Note 4) and the balance of £29,215 (2013: £42,430) is included within other receivables (Note 10).

2013

On 30 April 2013 Clive Carver, Chairman, and Len Reece, CEO, purchased 17,500 and 63,644 Incentive Loan Notes respectively, as described in the circular sent to shareholders dated 12 April 2014. The Incentive Loan Notes are convertible loan notes of £1 each, convertible into 200 Ordinary Shares, each repayable on 31 January 2015, with a coupon of 9%.

d. Henderson Global Investors

Henderson Global Investors, who are a substantial shareholder in the Company, issued £8.5m of convertible loan notes to Ascent in 2013 and 2014. For further details see Note 13.

Subsequent to the year end the Company raised £550,000 through PrimaryBid.com. PrimaryBid is a trading name of Darwin Strategic Limited ('Darwin') which is regulated and authorised by the Financial Conduct Authority (FCA). Darwin is an investment held by funds managed by Henderson. Further details are included in Note 22 below.

Also subsequent to the year end and outlined in Note 22 below, the Company agreed a £7million loan facility with Henderson.

22 Events subsequent to the reporting period

On 2 February 2015 the Company announced the variation of the terms of the 2013 and 2014 Loan notes. To date £4.95 million has been drawn under the 2013 CLNs and £4 million has been drawn under the 2014 CLNs. In total, including accrued interest, some £10 million in aggregate was due for repayment under the 2013 and 2014 CLNs, in part on 23 December 2014 and in part on 31 January 2015.

In return for extending the maturity date of the Loan Notes and terminating the accrual of further interest, the Board of Ascent has agreed to adjust the conversion price in respect of both the 2013 and 2014 Convertible Loan Notes from 0.5p and 0.2p respectively to 0.1p for all Loan Notes. On a fully diluted basis and assuming only Henderson convert this would take them to 88.6 per cent of the Company and accordingly the consent of the Company's shareholders was required.

On 20 February 2015 at a General Meeting of the Company, the shareholders approved the Whitewash and associated resolutions.

On 9 March 2015, the Company joined PrimaryBid.com, the online platform dedicated to equity crowdfunding for AIM-listed companies. On 1 May 2015 the Company has raised £550,000 via the placing of 275,000,000 ordinary shares in the capital of the Company at a price of 0.2p per Ordinary Share with investors using the Primarybid.com platform. The Company received £525,250 net of costs which will provide the Company with additional working capital to be used over as it concludes advanced negotiations with potential sources of additional financing. The Directors are confident that they will receive significant further funds as a result of such negotiations that will allow the Company to develop the project for the foreseeable future, towards cash flow.

On 1 May 2015 the Company announced that it had received a notice of exercise to convert 420 convertible loan notes of £1 each which were issued in May 2013 as part of an open offer to all shareholders (the 'Loan Notes') and the terms of which were amended in February 2015. The Loan Notes, including rolled up interest, are convertible into new ordinary shares of 0.1 pence each in the capital of the Company ('Ordinary Shares') at a price of 0.1 pence per Ordinary Share. Consequently a total of 473,030 new Ordinary Shares ('the Conversion Shares') were issued pursuant to the Notice.

In May 2015 the Company agreed terms on a £7million loan facility with Henderson Global Investors Limited. The loan can be drawn at any time from signing to the 30 June 2016 at the discretion of the lender. The loan accrues interest at the rate of 7.5% per annum on the amount drawn and this is added to the amount of the loan. The loan is subject to a drawdown fee of 1.75% per drawdown which is deducted from the funds advanced. The loan is also subject to a repayment fee of 1.25% on any amounts repaid by the Company. The balance outstanding is repayable on demand at any time.

23 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 four years after which time the option lapses.

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

	Shares	Weighted Average price (pence)
Outstanding at 1 January 2014	152,414,768	3.18
Granted during the year	-	-
Expired during the year	(18,200,000)	9.49
Exercised during the year	-	-
Outstanding at 31 December 2014	**134,214,768**	**1.98**
Exercisable at 31 December 2014	**20,500,000**	**9.92**
Outstanding at 1 January 2013	40,475,000	9.69
Granted during the year	113,714,768	1.00
Expired during the year	(1,775,000)	9.11
Outstanding at 31 December 2013	152,414,768	**3.18**
Exercisable at 31 December 2013	38,700,000	**3.29**

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

Share price at grant date	0.8p – 8.12p
Exercise price	1p – 15p
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 2014 have an exercise price in the range of 1p and 15p (31 December 2013: 1p and 15p) and a weighted average contractual life of 7.2 years (31 December 2013: 7.3 years).

24 Financial risk management

Group and Company

The Group's financial liabilities comprise bank loans, convertible loan notes, other loans and trade payables. All liabilities are measured at amortised cost with the exception of the derivative financial liability which is measured at fair value through the profit and loss. These are detailed in Notes 16 and 18.

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 Note 13.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest 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 recorded in the financial statements represents the fair value of the Group's exposure to credit risk.

At Company level, there is the risk of impairment of intercompany 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. Currency risk

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 31 December 2014	Year ended 31 December 2013	**Year ended 31 December 2014**	Year ended 31 December 2013
Group				
Profit or loss				
10% strengthening of sterling	**103**	(1)	**2**	(13)
10% weakening of sterling	**(125)**	1	**(2)**	16
Equity				
10% strengthening of sterling	**(1,696)**	(1,750)	**51**	19
10% weakening of sterling	**2,073**	2,139	**(62)**	(24)
Company				
Profit or loss				
10% strengthening of sterling	**(20)**	(45)	**2**	(13)
10% weakening of sterling	**24**	55	**(2)**	16
Equity				
10% strengthening of sterling	**(2,455)**	(2,462)	**51**	19
10% weakening of sterling	**3,001**	3,009	**(62)**	(24)

c. Interest rate risk

The Group and Company's exposure to interest rate risk arises from cash and cash equivalents and borrowings.

At 31 December 2014 the Group and Company has GBP loans valued at £9,624,000 rates of 9% per annum.

At 31 December 2013 the Group and Company has GBP loans valued at £5,260,000 rates of 9% per annum and a euro loan at sterling equivalent of £451,000.

d. Liquidity risk

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	**2014**	**2013**
	£ '000s	**£ '000s**
Less than six months - loans and borrowings	-	389
Less than six months - trade and other payables	647	409
Between six months and a year	12,217	2,158
Over one year	-	8,860

e. Capital management

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to wider financial risks as the business develops.

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**	Carrying	Fair Value
	Year ended 31 December 2014	**Year ended 31 December 2014**	Year ended 31 December 2013	Year ended 31 December 2013
Group				
Financial assets				
Cash and cash equivalents	**457**	**457**	184	184
Trade receivables	**-**	**-**	-	-
Financial liabilities				
Trade Creditors	**475**	**475**	128	128
Convertible loans at fixed rate	**9,624**	**9,624**	5,560	5,560
Company				
Financial assets				
Cash and cash equivalents	**439**	**439**	175	175
Trade receivables	**24,529**	**24,529**	19,225	19,225
Financial liabilities				
Trade Creditors	**257**	**257**	116	116
Convertible loans at fixed rate	**9,624**	**9,624**	5,560	5,560

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 & intercompany 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, 16 and 17.

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 finnCap Limited, 60 New Broad Street, London EC2M 1JJ on Thursday 11 June 2015 at 10.00 a.m. for the following purposes:-

Ordinary Business

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

1. To receive and adopt the report of the Directors and the financial statements for the year ended 31 December 2014 and the report of the auditors thereon.
2. To re-appoint, as a director of the Company, Mr Nigel Moore, 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, as a director of the Company, Mr Colin Hutchinson, whose office terminates at the AGM and who becomes eligible for re-appointment pursuant to Article 20.2 of the Company's Articles of Association and offers himself for re-election.
4. 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.

Special Business

To consider and, if thought fit, to pass the following resolution numbered 5 which is proposed as an Ordinary Resolution and the following resolution, numbered 6, which is proposed as a Special Resolution:-

5. 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 (other than those powers set out in resolutions 5 and 6), to exercise all the powers of the Company to:

(a) allot and make offers to allot shares in the Company up to an aggregate nominal amount of £486,169.30; and

(b) allot and make offers to allot equity securities (within the meaning of the Act) up to an aggregate nominal amount of £972,338.61 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this resolution 7) 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 2016 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.

6. 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 5 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 (b) of resolution 7, 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 (a) above) of further equity securities up to an aggregate nominal amount of £218,776.19.

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 2016. 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
18 May 2015

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, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ 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 6.00pm on 9 June 2015 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of £0.001 each in the capital of the Company ('Ordinary Shares') held in their name at that time. Changes to the register after 6.00pm on 9 June 2015 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 5 –** 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 2016, unless the authority is renewed or revoked prior to such time. This authority in paragraph (a) is limited to a maximum of 486,169,303 Ordinary Shares and the authority in paragraph (b), which only applies to the allotment of Ordinary Shares in connection with a rights issue, is limited to a maximum of 972,338,606 Ordinary Shares (less any Ordinary Shares allotted pursuant to the authority in paragraph (a)).
6. **Resolution 6 –** 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 218,776,186 Ordinary Shares. This authority expires at the conclusion of the Annual General Meeting to be held in 2016.