ascent resources plc

Annual Report and Financial Statements 2019

Ascent Resources plc

Ascent Resources Plc is a London Stock Exchange AIM listed oil and gas operating company focused on unlocking latent value and capturing high inflection growth in special situations across the resource space while executing an international growth strategy initially targeting the Hispanic Americas and Caribbean as well as wider territories.

Contents

Chairman and Chief Executive Officers' Statement

The Ascent story has been transformed since the period under review ended, and the changes made since then point to an exciting future with a revamped strategy, re-energised senior team, and new assets already being accessed. In March 2020, the Company announced a complete restructuring of its business, including the appointment of a new Board of Directors and Executive Management, alongside new funding and the launch of an international growth strategy focused on unlocking select special situations across Hispanic Americas, the Caribbean and wider territories. As a first step in that growth strategy, the Company has announced exclusive negotiations on an onshore oil portfolio in Cuba.

Legacy Slovenian Asset

Under the previous leadership, 2019 was a challenging year for the Company and its attempts to develop the Petišovci gas field in Slovenia. Throughout the year the Company experienced continued delays in permitting which have created significant headwinds for the Company to develop the Petišovci gas field commercially.

Notwithstanding these difficulties, some operational progress was achieved. Total production in 2019 was 3,074,842 scm of gas and 136,836 litres of condensate. An IPPC permit for a new gas processing plant was received in March 2019. An appeal against the decision of the Slovenian Environment Ministry to require an Environmental Impact Assessment ('EIA') for the proposed well stimulation work at its Petišovci project was submitted in July 2019. Whilst the stimulation work is considered essential in order to address the production decline and operations of this nature having been carried out in Slovenia more than a hundred times since the 1950's, the Company was made aware in June 2020 that the Administrative Court of the Republic of Slovenia had ruled that an EIA would be required to enable the re-stimulation of PG-10 and PG11A wells. Accordingly, the Company is beginning preparations for submission of an EIA.

Gas sales to INA are currently suspended as wellhead pressure is below the pipeline pressure. The sales contract remains valid and should the Company receive permitting to stimulate the PG wells or add compression to the reservoir, production may be able to be resumed.

Despite the challenges faced in 2019, the Company remains firmly resolved to protect its Slovenian investment and extract value from its interests in the Petišovci field. With this goal in mind, the recently appointed Board initiated in Q1 2020 a review of its portfolio in Slovenia and has begun discussions with its partners and the government. This review has initially concluded:

i) That continued material production from the tight gas project will require regular stimulation activity and that the Slovenian government is clearly taking positive action to maximise the potential of the local resources and streamlining and positively reforming the local permitting framework (including the framework for EIAs). There will, however, always remain inherent permitting risk. This is a common issue for stimulation activities in other European countries and is considered by the new Board to be an ordinary risk of oil and gas developments;

ii) That further stimulation at PG-10 and PG-11A should have a material impact on production levels, potentially returning them to close to historic levels, on the assumption that the stimulation is designed and executed to the highest technical standards using modern techniques.

iii) That production is sold with reference to the Central European Gas Hub Index ("CEGH") and requires realised gas prices above €1.80 to €2.00 per Mscf (which means a CEGH index of Euro 10.5/MWh based on the current sales price formula) to generate positive cash flow. The Company notes that the average 2019 CEGH index was Euro 14.4/MWh and despite the recent collapse in global oil and gas prices that the 2021/22 gas futures are already circa Euro 13-15/MWh. Hence the Board see significant core economic value at Petišovci and expect significant cash generation from the asset in the medium term with further upside if global oil and gas prices continue to recover.

iv) The potential legal claim against the Republic of Slovenia, to be brought under the Energy Charter Treaty, has some risks and inherent uncertainty at this stage but appears to have a valid legal basis. The Company is refining its view on the prospects of success and the likely quantum of any potential award.

Ascent has therefore decided upon a dual-pronged strategy which simultaneously progresses both industrial and legal alternatives for the next three months (as of the date of this document). The updated strategy accelerates the asset's development, as well as clearly setting out the Company's legal position and retaining optionality for that process if required.

Recently Launched International Growth Strategy

The Company recently launched an international growth strategy focused on unlocking special situations across Hispanic Americas, the Caribbean and Europe. This strategy is being introduced counter cyclically against the backdrop of exceptionally volatile commodity markets for oil and gas driven by a combination of COVID-19 related demand decline and market oversupply from the disbandment of OPEC+ earlier this year. The Board believes that this volatile pricing environment provides a unique window of opportunity to expand the Company's asset footprint at favourable prices. The strategy is focused on securing low cost barrels with manageable capital commitments and material upside.

Cuba Market Entry

The Republic of Cuba is one of the few remaining world-class, yet largely unexploited hydrocarbon systems. Cuba currently produces approximately 45,000 bopd of mostly heavy oil with c. 100 mscf/d of gas with clear targets for growth in their E&P sector to fuel electricity generation. Cuba has the advantage of offering an international investor access to good infrastructure and an educated workforce alongside significant under exploited hydrocarbon resource potential. To promote international investment Cuba enacted a new law in 2014 to offer protections to foreign investors, allowing payments in foreign currency and withdrawal of funds from the country. Cuba currently offers excellent fiscal and commercial terms for oil and gas operators, including nil cost entries into PSCs and the right to sell all crude at the wellhead priced in foreign currency, thereby securing oil commercialization.

The Company sees clear first mover opportunity for a quoted oil and gas Company to counter cyclically deploy its operational skill and access to capital in a country which has been starved of investment and technology and impacted by US Sanctions.

As the first step in advancing its international growth strategy the Company announced on 14 April 2020 the acquisition of Energetical Limited ('Energetical') for a total consideration of £652,500 of which £202,500 has been satisfied by the issue of 6 million new shares and, subject to the Company signing a production sharing contract ('PSC') over Cuban onshore producing block 9B, deferred consideration of £450,000 which will be satisfied by way of a cash payment of £100,000 and the issue of new shares for a consideration of £350,000 to be issued at the 30 day volume weighted average share price of the Company at the time of PSC signature.

The acquisition of Energetical has secured the rights for the Company to exclusively negotiate the production sharing contract for block 9B which is expected to give the Company an entitlement to incremental barrels produced above the existing base of circa 190 bbls/day from three wells. The Company has initially assessed that recovery rates could be significantly rejuvenated with the simple and relatively low-cost addition of basic equipment and reservoir management. It is also assessing the viability of new deviated onshore wells drilled into the crest of the fields which it expects to flow with an initial production rate in excess of 1,000 bopd. None of these operations require new seismic and none of the wells have yet to produce any water and no oil water contact has been identified. There are another three wells at Majaguillar and the San Anton field that are shut in at this time mainly due to the lack of basic equipment such as pumps.

Building momentum on this new market entry into Cuba, also post period in review, the Company announced the signature of binding MOUs with the Cuban national oil company CUPET over Cuban onshore exploration blocks 9A, 12 and 15 which covers an aerial extent over 7,000 km^2 along the northern coast. The combination of Blocks 9a, 9b, 12 and 15 positions the Company with exclusive negotiating rights to potentially one of the largest non-state-owned, onshore Cuban portfolios. The portfolio provides a blend of existing production for low risk redevelopment with significant upside potential for both appraisal and exploration. The portfolio is consistent with the Company's strategy of counter cyclical acquisitive growth with a focus on low cost production, manageable initial capital commitments and near-term high growth potential.

This targeted portfolio is primarily low-cost barrels with a blend of development, appraisal and exploration potential, representing a balance of opportunities across the cycle, with selective mining assets also being considered.

Board Restructuring

In March 2020, several new Board members joined to strengthen the management of the Company while bringing significant international oil, gas and mining experience and access to capital in order to take the Company forward including James Parsons as Executive Chairman, Ewen Ainsworth as Non-executive Director and Chairman of the Audit Committee and Leonardo Salvadori as Non-executive Director. In April the Company announced the appointment of Andrew Dennan as Chief Executive Officer.

Funding

The recently appointed Board has reduced costs, dealt with various historical outstanding balances and raised some additional funds to enable the new Cuban work programme to be delivered. This has now positioned the company as a clean vehicle with strong management, access to capital and a growth trajectory.

During the course of 2019 the previous management of the Company accessed new equity funding totalling gross proceeds of circa £1.2 million from placings in January and April. In January the Company raised gross proceeds of £363,156 through the issue of new shares at a price of 0.3 pence per new share by way of an offer for shares conducted through PrimaryBid. In April the company raised gross proceeds of £750,000 at a price of 0.35 pence with a small number of institutional investors. Additionally, in September the Company entered into arrangements with RiverFort Global Opportunities PCC Limited which resulted in Ascent issuing to RiverFort 393m shares with an agreement to pay for them over 12 months under an Equity Sharing Agreement. At the same time RiverFort lent Ascent US$500k repayable on or before September 2020 under a US$1.0m loan facility. Each month RiverFort was allowed to sell up to a fixed number of shares in the market dependent on market liquidity and share price. The proceeds realised from these share sales were to be used to repay the US$500k loan (less interest and dealing commission). Once the loan was repaid the remaining funds for share sales were due to come directly to the company.

Post period in review, the new Board has sought and achieved a restructuring of the September 2019 RiverFort Arrangement. The Equity Sharing Agreement with RiverFort as announced on 20 September 2019 has now been cancelled, effective February 14, 2020. The outstanding US $468,776 loan (as of the restructuring date and inclusive of fees and commission) with Riverfort has been re-negotiated to a two-year coupon free bullet repayment due on maturity with conversion rights for the lender at 0.075 pence (7.5 pence per share post re-organisation, details below). No conversion can occur until the share price exceeds 0.1 pence (10 pence per share post re-organisation) for five consecutive days. The Company has a right to buy out up to 50% of the loan prior to its expiry at nil premium whilst the share price is below the conversion price. If the Company does exercise this right, then the conversion price is adjusted upwards to 0.0875 pence (8.75 pence post re-organisation) per conversion share. The 43 million warrants initially to be awarded to Riverfort, as announced on 20 September 2019, will no longer be awarded.

Post period in review, in March 2020, shareholders approved a share re-organisation, including a 100:1 consolidation, with the nominal value of the shares to be set to 0.05 pence. Further to the successful passing of the resolutions at the Company's General Meeting held on 5 March 2020 and despite the market volatility at the time, the Company completed a fundraising for gross proceeds of £685,000 at 5 pence per share. Furthermore, in support of funding work streams associated with advancing the Company's entry into Cuba the Company raised a further £212,500 by the issuance of new shares at 2.75 pence being a nil premium to the closing bid price at the time of issue in April.

COVID-19

COVID-19 has had limited direct impact on Ascent's assets in Slovenia but there may be delays in obtaining the necessary governmental approvals and processes. Production operations in Slovenia have been unaffected to date, with the assets being managed through a combination of on-site working within social distancing guidelines or remote oversight, with all appropriate safety procedures remaining in place to protect staff and local communities, although the risk of future disruption remains.

Summary

After a challenging 2019, we believe shareholders have good cause to be optimistic about the future of Ascent Resources as it enters a new growth phase targeting the Hispanic Americas, the Caribbean and Europe. As a new Board we are determined to both protect the Company's investment in Slovenia and expand our international footprint accessing special situations.

We thank our shareholders for their patience and support during 2019 and wish them, our advisors, staff and their families' safe passage through these turbulent times.

Andrew Dennan
Chief Executive Officer

James Parsons
Executive Chairman

Strategic Report

Section 414C of the Companies Act 2006 ('the Act') requires that the Company inform its members as to how the Directors have performed their duty to promote the success of the Company by way of a Strategic Report which includes a fair review of the business, an analysis of the development and performance of the business and analysis of financial position and key performance indicators.

We have incorporated these requirements into the information set out below.

Company Overview

Ascent Resources plc ('Ascent' or 'the Company') is an independent oil and gas exploration and production ('E&P') company that was admitted to trading on AIM in November 2004 (AIM: AST). Ascent has been involved in Slovenia for just over 11 years where it operates the Petišovci Tight Gas Project. To date it has invested around €50 million in this project. This asset, despite significant legal and permitting complexity, has significant oil and gas reserves and resources and an established, local production infrastructure with connections to local and export customers.

During 2017 the Company brought two wells into production and started export production from the Petišovci field in Slovenia to INA in Croatia. In 2019 production was suspended and sales of gas to INA stopped as a result of well head pressure falling below the pipeline pressure.

Post period in review, the Company has undergone a transformation including the appointment of a new Board of Directors and new initial seed funding alongside the launch of a strategic review of its Slovenian portfolio and the implementation of a new international growth strategy focused on Hispanic Americas, the Caribbean and Europe which has already resulted in the announcement of a new market entry into Cuba.

Asset Overview

Slovenia - Petišovci Tight Gas Project

The Petišovci Tight Gas Project is in an area that has been exploited since 1943. The project targets the significant gas reserves and resources in the Middle Miocene Badenian or Petišovci-Globoki ('Pg') gas reservoirs.

Using the results of an extensive 3D seismic survey conducted in 2009 by Ascent and its partners, the locations of two new wells were determined. These wells, Pg-11A and Pg-10 were successfully drilled, completed and stimulated between 2010 and 2012. During 2017 the Company brought both of these wells into production and started exporting gas from Petišovci to INA in Croatia.

Cumulative gas production from the Pg gas field since 1988, including fuel and flare use and accounting for the gas equivalent of the historical condensate production, is 9.8 Bcfe (277.6 MMsm3). This is 2% of the currently estimated gas initially in place ('GIIP') of 456 Bcfe, (12.9 Bsm3), based on independent third-party estimates.

Further details of the asset and current reserves and resources can be found on page 14.

Ascent operates the Petišovci project on behalf of the Joint Venture between Ascent Slovenia Limited and Geoenergo. Ascent has a 75% working interest in the project and carries 100% of the costs. Until Ascent has recovered its costs in full it will receive 90% of the net revenues.

Cuba – MOUs blocks 9A, 9B, 12 and 15

Post period in review, the Company announced the acquisition of Energetical Limited which has secured the rights for the Company to exclusively negotiate the production sharing contract for Cuban onshore producing oil block 9B which is expected to give the Company an entitlement to incremental barrels produced above the existing base of circa 190 bbls/day from three wells.

The Company has initially assessed that recovery rates could be significantly rejuvenated with the simple and relatively low-cost addition of basic equipment and reservoir management. It is also assessing the viability of new deviated onshore wells drilled into the crest of the fields which it expects to flow with an initial production rate in excess of 1,000 bopd. None of these operations require new seismic and none of the wells have yet to produce any water and no oil water contact has been identified. There are another three wells at Majaguillar and the San Anton field that are shut in at this time mainly due to the lack of basic equipment such as pumps.

Additionally, the Company has also secured binding MOUs with the Cuban national oil company CUPET over Cuban onshore exploration blocks 9A, 12 and 15 which covers an aerial extent over 7,000 km^2 along the northern coast. The combination of Blocks 9a, 9b, 12 and 15 positions the Company with exclusive negotiating rights to potentially one of the largest non-state owned, onshore Cuban portfolios. The portfolio provides a blend of existing production for low risk redevelopment with significant upside potential for both appraisal and exploration. The portfolio is consistent with the Company's strategy of counter cyclical acquisitive growth with a focus on low cost production, manageable initial capital commitments and near term inflection points.

Our strategy

Historically the Company has focussed all of its resources on its Slovenian project, directing available funding towards bringing Petišovci into production. The commencement of production during 2017 was a significant milestone. The development of the project stalled during 2018 due to the Slovenian environmental permitting process. The appointment of a new government and the award of the IPPC Permit in April 2019 may provide some confidence that the remaining permit can be obtained in due course but there is no certainty of this happening. In 2020 we have observed recent changes being introduced by the new Slovenian Government including proposals to make amendments to the Nature Preservation Act and Environment Protection Act intended to better facilitate to development of industrial projects.

Following a strategic review in Q1 2020 the new Board identified that the successful commercialisation of the Petišovci field is economic at the prevailing 2021/2022 gas future prices of circa Euro 13-15/Mwh and that stimulation is required to materially increase and sustain production at the field. In June 2020 the Administrative Court of the Republic of Slovenia decided that the JV partner's appeal against ARSO decision to require an EIA to re-stimulate PG-10 and PG-11A well was rejected and an EIA would be required. The Company has started work to submit an EIA and contracted a new expert consultancy team of professionals to review the historic stimulation data at Petišovci, design the detailed forward stimulation programme so that equipment can be procured without delay when permits are received, and prepare a full Field Development Plan. This strategy will take maximum advantage of the current reduction in industry contractor and stimulation equipment rates and avoid further project delays and increase production levels.

Additionally, the new Board of Directors have launched an international growth strategy focused on unlocking latent value in special situations across Hispanic Americas, the Caribbean and Europe. This will see the Company diversify its breadth and become a portfolio of assets. This strategy is being introduced counter cyclically against the backdrop of exceptionally volatile commodity markets for oil and gas driven by a combination of COVID-19 related demand decline and market oversupply from the disbandment of OPEC+. The Board believe that this volatile pricing environment provides a unique window of opportunity to expand the Company's asset footprint at favourable prices. The strategy is focused on securing low cost barrels with manageable capital commitments.

Our markets

Dependency on imported gas is very high throughout the EU, particularly in Slovenia. This, and the history of relatively stable gas prices in Europe underpins our strategy of exploration, development and production in this region. Our wells are connected to existing processing facilities, intra-field and international pipelines, ensuring low cost connection and easy access to the market.

The Board recognises the attractiveness of the region for oil and gas development and many countries outside of Slovenia have strong gas prices, well organised regulatory frameworks and a history of oil and gas development.

The Company has identified the Caribbean and Hispanic America region as highly prospective for oil and gas, even when taking into consideration current volatile markets and the recent decline in global oil prices.

The Republic of Cuba is one of the few remaining world-class, yet largely unexploited hydrocarbon systems. The Company sees clear first mover opportunity for a quoted oil and gas Company to counter cyclically deploy its operational skill and access to capital in a country which has been starved of investment and technology and impacted by US Sanctions. Cuba currently produces approximately 45,000 bopd of mostly heavy oil with c. 100 mscf/d of gas with clear targets for growth in their E&P sector to fuel electricity generation. Cuba has the advantage of offering an international investor access to good infrastructure and an educated workforce alongside significant under exploited hydrocarbon resource potential.

Directors' Statement under Section 172 (1) of the Companies Act 2006

The Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole.

The section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

a. the likely consequences of any decision in the long term,

b. the interests of the Company's employees,

c. the need to foster the Company's business relationship with suppliers, customers and others,

d. the impact of the Company's operations on the community and environment,

e. the desirability of the Company maintaining a reputation for high standards of business conduct, and

f. the need to act fairly as between members of the Company.

The Board of Directors is collectively responsible for the decisions made towards the long-term success of the Company and how the strategic, operational and risk management decisions have been implemented throughout the business is detailed in this Strategic Report on pages 11 and 12.

The Company has gone through significant change during the last year. The previous Board worked with the newly appointed directors and management team to provide a transition across to the new management for the benefit of all stakeholders of the Company. The newly appointed Board has taken the important strategic decision to continue its commitment in Slovenia and to try and work with the Government and authorities in to move the business forward in country. At the same time steps have been taken to develop a growth strategy within Hispanic Americas, the Caribbean and Europe. This has been combined with capital raises to fund the business moving forward for the benefit of all stakeholders: shareholders, employees and suppliers alike.

Stakeholder engagement

The Board recognises that our employees are one of the key resources of our business which enables delivery of Company's vision and goals. Annual pay and benefit reviews are carried out to determine whether all levels of employees are benefited equally and to retain and encourage skills vital for the business. The Remuneration Committee oversees and make recommendations of executive remuneration and any long-term share/option awards. The employees are informed of the results and important business decisions and are encouraged to feel engaged and to improve career potential.

In light of COVID-19 all employees within the business are working from home, this situation will continue to be monitored and at a point when it is considered right return to work will be managed and considered by the Company will full consultation of its employees.

The Board acknowledges that a strong business relationship with suppliers and customers is a vital part of the growth. Whilst day to day business operations are delegated to the executive management, the Board sets directions with regard to new business ventures. The Board uphold ethical business behaviour and encourages management to seek comparable business practices from all suppliers and customers doing business with the Company. We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible their wishes are duly considered.

The Board considers that relationships and dealings with host Governments plays an integral part of developing oil and gas ventures and accordingly interacts with host Governments and the respective authorities.

Policies and processes

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

The Board is 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.

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

The Board periodically reviews the health and safety measures implemented in the business premises and improvements are recommended for better practices.

Maintaining High Standards of Business Conduct

The Company is incorporated in the UK, governed by the Companies Act 2006 and carries out its business in Cuba and Slovenia. The Board guides management and the employees to conform with relevant statutory and regulatory provisions in the United Kingdom and any other prevailing regulations and best practices at other operative locations.

The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 and the Board recognises the importance of maintaining a good level of corporate governance, which together with the requirements to comply with the AIM Rules ensures that the interests of the Company's stakeholders are safeguarded.

The Board has prompted that ethical behavior and business practices should be implemented across the business. Anti-corruption and anti-bribery training are provided to staff and contractors and the anti-bribery statement and policy is contained in the Company's Employee Manual. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone relating to the Company.

The importance of making all employees feel safe in their environment is maintained and a Whistleblowing policy is in place to enable staff to confidentially raise any concerns freely and to discuss any issues that arise. Strong financial controls are in place and are well documented.

Shareholders

The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders.

The Company values the views of its shareholders, the newly appointed directors are keen to engage with shareholders and work with them so that they are aligned to the strategy and growth of the business. Once the restrictions in place with the COVID-19 pandemic have been lifted the Company will seek to engage with shareholders in person.

The primary communication tool with our shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance. The Company's website provides details of the business, investor presentations and details of the Board and Board Committees, changes to major shareholder information, QCA Code disclosure updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to be kept abreast of Company's affairs. The Company's Annual Report and Notice of Annual General Meetings (AGM) are available to all shareholders. The Interim Report and other investor presentations are also available on our website.

The AGM is an annual opportunity for shareholders to meet with the Company and receive a full update of the business from both the Board and management. With the constraints of the Coronavirus pandemic (Covid-19) and the inability to hold the 2020 AGM in the usual format the Company intends to keep shareholders engaged through the Company's website. There will be full transparency of the voting on the resolutions at the AGM, with the Company disclosing the proxy votes received on each resolution in the RNS released shortly after the AGM.

In order to increase shareholder awareness, the Company has recorded a number of media interviews which are available to download on leading investor-focused websites and from the media section of the Company's website. An email alert service has also established to which shareholders can subscribe to receive company announcements as and when they are released.

Community and Environment

The Board places utmost importance of matters pertaining Environmental, Health, Safety and Social Responsibility and guides the Company on following due policies and processes in order to protect the Community the Company operates within. A management system has been implemented with set of clearly defined objectives of the Environmental, Health, Safety and Social Responsibility Policy. Health and Safety measures implemented in the business premises are reviewed periodically and the necessary improvements are recommended for better practices. The Company recognises its role as an oil and gas exploration and production company and is aware of the potential impact that it may have on the environment. The Company ensures that its subsidiary companies comply with the local regulatory requirements with regard to the environment.

Financial Report

Revenue for 2019 was £0.298 million, down from £1.9 million in the prior year due to a decrease in stabilised production rates and gas sales prices realised.

Administrative expenses increased from £1.760 million in 2018 to £2.132 million in 2019. Administrative costs principally comprise staff costs, overheads and listing related expenses with the increase in 2019 being attributable to an increase in consultancy fees and legal fees incurred in relation to the Slovenian project.

Finance costs increased from £9k in 2018 to £924k, principally due to the fair value loss associated with amounts receivable under the equity sharing agreement, reflecting the decrease in the Company's share price during the period which reduced the value of the amounts receivable.

The loss for the year totalled £3.660 million versus £1.365 million in 2018, with the increase in loss most notably due to the contraction of revenues and increase in administrative and finance expenses.

Operating cash flow was an outflow of £1.668 million In 2019 versus a positive inflow of £0.36 million in 2018. This reflects the reduction in revenue and an increase in expenditures with the principal difference to the overall accounting loss represented by non-cash depreciation charges and non-cash finance costs.

Cash at the end of the period was £77k versus £376k at the end of 2018.

Borrowings at the end of the year were £385k mostly constituted of the Riverfort Loan arrangement announced in September 2019.

Financial KPI's	2019	2018	Variance
Revenue	298	1,942	(1,644)
Administrative Expenses	(2,132)	(1,760)	(372)
EBITDA	(2,296)	(589)	(1,707)
Operating Cash Flow	(1,668)	360	(2,028)
Cash Balance	77	376	(299)

Operational Performance

The Company produced 3,074,842 cubic metres of gas and 136,836 litres of condensate during the year and earned £298k in revenue.

Production has declined further over the period. Once the necessary permits are in place the Company will be able to re-stimulate both wells to restore both to their full potential.

Production KPI's	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019
Total production (000s Cubic Metres)	412.76	311.44	334.41	296.07	292.38	249.97
Total production (Mcf)	14,574.56	10,996.95	11,808.02	10,454.23	10,323.94	8,826.44
Average daily - 000s cubic metres	13.31	11.12	10.79	9.87	9.43	8.33
Average daily - MMscfd	0.47	0.39	0.38	0.35	0.33	0.29
Condensate production (litres)	16,956.00	12,744.00	14,634.00	12,798.00	15,336.00	12,258.00
Litres per 1000 cubic metres of gas	41.08	40.92	43.76	43.23	52.45	49.04
BOE – Gas	2,512.65	1,895.87	2,035.70	1,802.31	1,779.85	1,521.68
BOE – Condensate	99.72	74.95	86.06	75.26	90.19	72.09
Revenue (€000's)	64.91 €	40.24 €	36.56 €	35.98 €	33.21 €	21.43

Production KPI's	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019
Total production (000s Cubic Metres)	216.91	237.9	231.33	221.6	102.69	167.392
Total production (Mcf)	7,659.09	8,400.25	8,168.26	7,824.70	3,625.98	5,910.61
Average daily - 000s cubic metres	7.00	7.67	7.71	7.15	3.42	5.40
Average daily - MMscfd	0.25	0.27	0.27	0.25	0.12	0.19
Condensate production (litres)	7,884.00	10,584.00	11,502.00	12,312.00	3,942.00	5,886.00
Litres per 1000 cubic metres of gas	36.35	44.49	49.72	55.56	38.39	35.16
BOE – Gas	1,320.43	1,448.20	1,408.21	1,348.98	625.12	1,018.99
BOE – Condensate	46.37	62.24	67.64	72.41	23.18	34.62
Revenue (€'000s)	13.34 €	13.41 €	14.76 €	12.74 €	10.78 €	–

Our Principal risks and uncertainties

Commodity Prices	The Group is exposed to risks arising from fluctuations in the demand for, and price of, hydrocarbons. Oil and gas prices depend on numerous factors over which the Group does not have any control, including global supply, international economic trends (such as the current downturn caused by COVID-19), currency exchange fluctuations, inflation, consumption patterns and global or regional political events. This risk impacts revenues from the Group's existing asset portfolio in Slovenia, projects under development including the Cuban MOUs, and evaluation of business development opportunities where commerciality depends on assumptions around future commodity prices. In terms of evaluating and sanctioning new investments, the Group adopts a conservative price forecast to ensure capital is allocated to projects with robust economics, even in lower commodity price environments.
Permitting risk	The single biggest issue when carrying out operations in Slovenia over the past six years has been the environmental permitting process. This is not unique to Ascent and it is our opinion that inefficiencies and uncertainties within the environmental permitting process are a significant hurdle to economic growth in Slovenia. Permitting risk exists for any element of the field development plan which requires an environmental permit; mainly well stimulation and the installation of processing equipment. This risk is managed by our detailed understanding of the process and our actions to ensure Slovenian and EU regulations are followed properly by Slovenian officials. The award of the IPPC Permit during the year gives the Board an increased degree of confidence that the permits necessary for field development can be obtained. An appeal against the decision of the Slovenian Environment Ministry to require an Environmental Impact Assessment ('EIA') for the proposed well stimulation work at its Petišovci project was submitted in July 2019. Whilst the stimulation work is considered essential in order to address the production decline and operations of this nature having been carried out in Slovenia more than a hundred times since the 1950's, the Company was made aware in June 2020 that the Administrative Court of the Republic of Slovenia had ruled that an EIA would be required to enable the re-stimulation of PG-10 and PG11A wells. Accordingly, the Company is beginning preparations for submission of an EIA. Should the JV partners EIA be successful further permits will be required to begin intended operational activities, which the Company would expect to receive in due course, however there can be no guarantee of receipt of the necessary permitting.
Concession extension risk	The date when the concession is due to be renewed is now only two years away which means that before any further significant investment in facilities is made the Company and its partners will need to have obtained an early extension of the concession. The Company and its partners have, for over a year now, been completing the documentation required to seek an early extension of the concession which is due to expire in 2022. While we are confident that an extension will be granted as a matter of course, there is no guarantee that this will be the case. This risk is mitigated by the goals of the partners being well aligned; the fact that we have brought the field into production safely and successfully and we have started the preparatory work well in advance of the concession end date. As a result, we believe that the extension should be awarded in due course.

Sub-surface risk	The nature of the Petišovci Project is such that a range of health and safety, drilling, production and commercial risks are identified for the development of the resource. The Petišovci Pg reservoirs are over-pressured and hot, relative to normal hydrostatic and thermal gradients. The reservoir gas contains some carbon dioxide and low levels of hydrogen sulphide and mercaptan sulphur. There is a risk that the Company is unable to effectively exploit the proven reserves and resources from the Petišovci field which may result in a lower than anticipated return on investment. This risk is mitigated by the experience of the expert technical consultants and sub-contractors retained by the Company and the knowledge acquired by the Company from production to date.
Risks associated with the UK withdrawal from the European Union	Although there continues to be considerable uncertainty, at this time the Directors do not expect the implementation of Brexit to have a materially adverse impact on the operations of the Company or the Group but as a UK registered Company with operations in the EU, there could potentially be a risk of a negative impact from the UK's departure from the European Union, mainly given to the consequences that the withdrawal could have on the application of EU law. This risk is mitigated as we operate through locally owned subsidiaries selling gas produced in Slovenia to Croatia, another EU member state. The Company's entry in Cuba will also be structured in a way to ensure that we benefit from the protection provided by the EU legislation in that respect.
Operator qualification risk	As part of international expansion the Company, post period in review, the Company has secured four MOUs for onshore oil and gas blocks in Cuba. As part of being awarded the PSCs for these blocks and before any work on the ground can begin the Company needs to qualify as an onshore operator in Cuba. Whilst the management believes the requirements imposed under Cuban law can be met, and the Company has a long history and operational track record in oil and gas operations, there can be no guarantee of such since the evaluation is to be carried by an independent body of the Cuban administration in accordance with the applicable law. Failure of the Company to qualify as an operator in new jurisdictions will limit the ability of the Company to achieve strategic growth.
Cuba US Sanction risk	The Company intends to do business in Cuba, a country which is currently under a US embargo. The EU and the UK do not impose any sanctions against Cuba. The Company is implementing a robust set of policies to safeguard the Company from being exposed to any US nexus in dealings related to Cuba, including the prohibition of use of USD currency. The main impact of EU and UK sanctions on the Project is the interaction of EU measures (and potentially UK measures, post-Brexit) with US sanctions and their attempt to provide both a shield and sword to any claims of US jurisdiction over transactions in Cuba. For this reason, the Company is also structuring its Cuba entry in a way to ensure it benefits from EU legislation protection on Sanctions. The main risk for the Group would be to become subject to US jurisdiction and the extensive US embargo that is in place against Cuba
COVID-19 risk	COVID-19 has had limited direct impact on Ascent's assets in Slovenia but there may be delays in obtaining the necessary governmental approvals. In addition, the pandemic has created increased commodity price volatility as detailed above and may impact availability of funding or the terms on which such funding is available. Production operations in Slovenia have been unaffected to date, with the assets being managed through a combination of on-site working within social distancing guidelines or remote oversight, with all appropriate safety procedures remaining in place to protect staff and local communities. However, the potential for future disruption to operations remains.

How we operate

The Company utilises a full range of advanced geophysical, geological and other state-of-the-art technology to evaluate and de-risk projects and to reap maximum benefit from its appraisal, development and production activities. Our Petišovci project is operated through a local entity in a joint venture.

Our people

Ascent has a small executive team implementing a clear growth strategy and a more operationally focused team based in Slovenia. This is supplemented, as the need requires, with regional technical and operational expertise to ensure the highest standards are delivered on our projects. As an important local employer in our area of operation we take our environmental and social responsibilities seriously and always strive to be a good corporate citizen.

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

James Parsons
Executive Chairman

25 June 2020

Summary of Group Net Oil and Gas Reserves as of 31 Dec 2019

Net Reserves and Resources

	Net Attributable Reserves (bcfe)			Net Attributable Contingent Reserves (bcfe)			Net Attributable Prospective Resources (bcfe)		
	P90	P50	P10	Low	Best	High	Low	Best	High
Slovenia	**41**	**84**	**162**	**35**	**73**	**145**	**–**	**–**	**–**

These figures are based on RPS Energy "Updated Independent Volumetric Review of the Petišovci Area" 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 into account historic field production since 1963, including estimates of process flare and fuel, which to the end of 2019 were 12.60 bcf. Ascent's share of this production and gas use is 9.45 bcf.

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

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

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

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

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

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

Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2019 ('the year').

Principal activities

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

The Group's corporate management is in London and its oil and gas interests are in Slovenia and post period end Cuba. 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 11 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. As part of its ongoing strategic review in Europe, the Company is pleased to confirm that given its existing skill sets and regional relationships, it continues to evaluate multiple opportunities to grow its European footprint, including in neighbouring Central Eastern European countries and in the United Kingdom.

Post period in review, as part of an expanded international strategic review, the Company has also identified the Caribbean and Hispanic America region as highly prospective for oil and gas, and a region where the new team's industry experience, existing relationships and skill set can add value for shareholders. The Company is focused initially on attractive production and appraisal portfolios and views the current low oil price environment as an opportunity to secure advantageous entry terms. It also notes recent legislative and licence changes to encourage foreign investment with attractive fiscal terms, reduced tax rates and tax holidays in some jurisdictions. We expect Ascent will benefit from a counter cyclical early mover advantage as one of the few active foreign independent E&P companies in the region.

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 £3.7 million (2018: £1.4 million). The Directors do not recommend the payment of a dividend (2018: Nil).

Post balance sheet events

Post year in review, in February 2020, the new Board has achieved a restructuring of the September 2019 RiverFort Arrangement. The Equity Sharing Agreement with RiverFort as announced on 20 September 2019 has now been cancelled, effective February 14, 2020. The outstanding US $468,776 loan (including fees and commission) with Riverfort has been re-negotiated to a two-year coupon free bullet repayment due on maturity with conversion rights for the lender at 7.5 pence per share (post re-organisation). No conversion can occur until the share price exceeds 10 pence per share for five consecutive days. The Company has a right to buy out up to 50% of the loan prior to its expiry at nil premium whilst the share price is below the conversion price. If the Company does exercise this right, then the conversion price is adjusted upwards to 0.0875 pence (8.75 pence post re-organisation) per conversion share. The 43 million warrants initially to be awarded to Riverfort, as announced on 20 September 2019, will no longer be awarded.

Post period in review, in March 2020, shareholders approved a share re-organisation, including a 100:1 consolidation, with the nominal value of the shares to be set to 0.05 pence. Further to the successful passing of the resolutions at the Company's General Meeting held on 5 March 2020 and despite the market volatility at the time, the Company completed a fundraising for gross proceeds of £685,000 at 5 pence per share. Furthermore, in support of funding work streams associated with advancing the Company's entry into Cuba the Company raised a further £212,500 by the issuance of new shares at 2.75 pence being a nil premium to the closing bid price at the time of issue in April alongside the issue of 8,727,272 warrants exercisable by paying 5.5 pence per new share at any time in the two years from issue.

Directors' Report continued

Post Period in review the Company has announced a new country entry into Cuba via, initially the acquisition of Energetical Limited securing exclusive rights to negotiate the PSC for onshore production block 9B, followed quickly with the announcement of a signature of a further 3 memorandum of understanding directly with Cuban National oil company CUPET over onshore blocks 9A, 12 and 15. This positions the Company with exclusive rights to negotiate the production sharing contracts to one of the largest non-state owned portfolios of exploration and production licenses in Cuba covering over 7,000 km2.

Directors

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

Colin Hutchinson (resigned 5 March 2020)

Clive Nathan Carver (resigned 15 January 2019)

Nigel Sandford Johnson Moore (resigned 18 February 2019)

William Cameron Davies (resigned 29 July 2019)

John Edmund Buggenhagen (appointed 18 February 2019, resigned 14 April 2020)

Louis Emmanuel Castro (appointed 18 February 2019, resigned 5 March 2020)

James Parsons (appointed 5 March 2020)

Ewen Ainsworth (appointed 5 March 2020)

Leonardo Salvadori (appointed 14 April 2020)

Andrew Dennan (appointed 5 May 2020)

Relevant details of the Directors, which include committee memberships, are set out on page 24.

Directors' interests

The beneficial and non-beneficial interests in the issued share capital and Convertible Loan Notes ("CLN") of the Company were as follows:

	Ordinary shares of 0.2p each	
	At 31 December 2019	At 31 December 2018
Clive Carver*	n.a	3,304,231
Nigel Moore*	n.a	1,339,275
Cameron Davies*	n.a	1,340,800
Colin Hutchinson	1,570,370	1,570,270
Louis Castro	n.a.	n.a
John Edmund Buggenhagen	n.a.	n.a

* Resigned in period.

Directors' emoluments

Details of Directors' share options and remuneration are set out in the Remuneration Committee report on pages 28 and 29.

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 30 April 2020 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	%
Halifax Share Dealing Clients	5,779,038	9.78
Hargreaves Lansdown Private Client	5,428,811	9.18
Interactive Investor Clients	2,548,100	4.31
Shard Capital	2,409,090	4.08
Novum Securities	2,100,000	3.55
Andrew Dennan	1,900,000	3.21
Ewen Ainsworth	454,545	0.77

Shareholder communications

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

Employees

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

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

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

Disclosure of information to auditors

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

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

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

Going Concern

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

The Company has raised £0.8975 million in new equity since the balance sheet date from new and existing investors. Under the Group's forecasts, the funds raised together with existing bank balances provide sufficient funding for at least the next two months, as of the date of the publication of this report, based on anticipated outgoings and in the absence of the receipt of revenues from production.

COVID-19 has had limited direct impact on Ascent's assets in Slovenia but there may be delays in obtaining the necessary governmental approvals and processes. Production operations in Slovenia have been unaffected to date.

In addition to the need to raise additional funding in the next two months, the forecasts are sensitive to the timing and cash flows associated with operational continuation in Slovenia and discretionary spend incurred on advancing the Cuban initiative including deferred consideration that would become payable if the Company elects to enter a PSC for Block 9b. As such, the Company will need to raise new capital within the forecast period to fund such discretionary spend.

Based on historical and recent support from new and existing investors the Board believes that such funding, when required, could be obtained through new debt or equity issuances. However, the ability to raise these funds is not guaranteed at the date of signing these financial statements.

As a consequence, there is material uncertainty which may cast significant doubt over the Group and Parent 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.

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

James Parsons
Chairman
25 June 2020

Board of Directors

James Parsons

Executive Chairman (5 March 2020 to present)

In addition to his role as Executive Chairman at Ascent Resources plc, which is part time, James is currently Executive Chairman of Regency Mines Plc, Non-Executive Chairman at Echo Energy Plc and Coro Energy Plc. James has over 20 years' experience in the fields of strategy, management, finance and corporate development in the energy industry. He started his career with the Royal Dutch Shell Group where he spent 12 years with Shell working in Brazil, the Dominican Republic, Scandinavia, the Netherlands and London. James was previously Chief Executive at Sound Energy Plc for eight years, is a qualified accountant and has a BA Honours in Business Economics.

Andrew Dennan

Chief Executive Officer/Executive Director (5 May 2020 to present)

Andrew has a wealth of corporate finance, merger, asset funding and corporate transaction experience on AIM. Throughout his career he has been involved in stockbroking and asset management in prominent roles, leading proprietary investment decisions, capital raising, risk oversight and portfolio management. He was formerly Chief Financial Officer of Coro Energy Plc where he retains the position of Non-Executive Director and he is also a Non-Executive Director of Nu-Oil and Gas Plc.

Ewen Ainsworth

Independent Non-Executive Director (5 March 2020 to present)

Ewen is an experienced AIM company director. He is currently a non -executive director of Regency Mines plc and has worked in a variety of senior and board-level roles in the natural resource sector for over 30 years, most recently as Finance Director for Gulf Keystone Petroleum Ltd. He qualified as a chartered management accountant, before moving into leading commercial roles. He holds a degree in Economics and Geography from Middlesex University, and is a member of the Energy Institute.

Leonardo Salvadori

Independent Non-Executive Director (14 April 2020 to present)

Leonardo has over 35 years of international experience and is currently the Managing Director of Coro Energy plc's Italian business. Prior to that he held Managing Director positions in Sound Energy and Dana Gas Egypt. With a strong focus on upstream operations as well business development, Leonardo previously led business development and exploration/asset teams in Centurion and Eni across MENA, Asia and Europe. Leonardo holds a degree in Geology and is a member of the Society of Petroleum Engineers.

Directors and Advisers

Company's registered number	05239285
Directors	James Parsons Andrew Dennan Ewen Ainsworth Leonardo Salvadori
Company Secretary	AMBA Secretaries Limited
Registered Office	5 New Street Square London EC4A 3TW
Nominated Adviser Joint Broker	WH Ireland Corporate Brokers 24 Martin Lane London EC4R 0DR
Joint Broker	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Solicitors	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
Bankers	Barclays Corporate Banking 1 Churchill Place London E14 5HP
Share Registry	Computershare Investors Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
PR & IR	Vigo Communications Sackville House 40 Piccadilly London W1J 0DR

Corporate Governance Report

Chairman's Corporate Governance Statement

As your newly appointed Chairman, I can assure you that I place emphasis on ensuring that an effective and focused Board leads the Company and builds success. We at Ascent believe that a solid corporate governance structure is critical in achieving our strategic goals and creating value for our shareholders.

The Company formally adopted the Quoted Companies Alliance corporate governance code in September 2018, which was revised in March 2018 (QCA Code). The Board believes that QCA Code is the most appropriate recognised corporate governance code for the Company.

The Company has seen significant change during early 2020, with a new Board of Directors, Executive Management team, the launch of an international growth strategy and new funding brought into the business. The Company has an Executive Chairman and Chief Executive Officer, which the Board recognises does not comply with the requirements of the QCA Code. The reasons for this is to provide the skills and expertise to grow the business and deliver the strategy for the benefit of the Company's shareholders. The Board currently has two non-executive directors which are considered to be independent and the intention is to look to expand the independence across the Board with the appointment of a further independent non-executive director in the near term.

As the Chairman of the Board, it is my duty to ensure that appropriate standards of governance are delivered and cascaded down throughout the organisation. The Directors recognise the importance of and are committed to delivering high standards of corporate governance. The corporate governance framework within which Ascent operates, including Board leadership and effectiveness, Board remuneration and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operation of the business.

The Board not only sets expectations for the business but works towards ensuring that its values are set and carried out across the business.

The importance of engaging with our shareholders underpins the essence of the business, ensuring that there are numerous opportunities for investors to engage with both the Board and executive team.

James Parsons
Executive Chairman

Corporate Governance Report continued

Quoted Companies Alliance Corporate Governance Code

Since September 2018 all AIM companies have been required to comply with a recognised corporate governance code and to disclose how the implementation of the governance code has been applied or to explain any areas of departure from its requirements. Ascent carefully reviewed and then resolved to apply the Quoted Companies Alliance Corporate Governance Code ("QCA Code") published in April 2018 which is constructed around ten broad principles. This report sets out our approach to the QCA Code and governance. Our compliance with the ten principles is also available to view on the Company's website: www.ascentresources.co.uk.

The Company's statement in relation to the QCA Corporate Governance code can be found on the Company's website at https://www.ascentresources.co.uk/wp-content/uploads/2020/05/2020-05-22-Ascent-Corporate_Governance_Code.pdf

QCA Code Principle	Required Disclosure	Reference
One	Establish a strategy and business model which promote long-term value for shareholders.	See pages 7-8 of the Annual Report, the 'Strategic Report' See website disclosures Principle One under AIM Rule 26
Two	Seek to understand and meet shareholder needs and expectations. Explain the ways in which the Company seeks to engage with shareholders.	See page 9 of the Annual Report, the 'Strategic Report' See website disclosures Principle Two under AIM Rule 26
Three	Take into account wider stakeholder and social responsibilities and their implications for long term success. Explain how the business model identifies the key resources and relationships on which the business relies. Explain how the Company obtains feedback from stakeholders.	See website disclosures Principle Three under AIM Rule 26
Four	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	See pages 23-24 of the Annual Report – 'Risk Management', Corporate Governance Report
Five	Maintain the board as a well-functioning balanced team led by the Chair.	See pages 24-25 of the Annual Report 'Board Composition', Corporate Governance Report.
Six	Ensure that the Directors have the necessary experience, skills and capabilities.	See website disclosure Principle Six under AIM Rule 26.
Seven	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement. A description of the Board performance evaluation process.	As a recently formed Board it is too early to consider reviewing the effectiveness of the Board. The directors recognise that this is a requirement of the QCA and will be evaluating the Board and senior management on an on-going basis. See website disclosures, Principle Seven for further detail.
Eight	Promote a corporate culture that is based on ethical values and behaviours. Explain how the Board ensures that the Company has the means to determine ethical values and behaviours.	The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders, including our employees, fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner. This is monitored on an ongoing basis by the Company's executive directors. Compliance with this principle is considered an important part of the annual assessment of staff and in setting their pay for future periods.

QCA Code Principle	Required Disclosure	Reference
Nine	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board. Roles and responsibilities of the Chair, CEO and other directors with commitments. Describe the roles of the Committees.	See website disclosures Principle Nine under AIM Rule 26
Ten	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. Outcomes of votes cast by shareholders to be disclosed in a clear and transparent manner. If a significant number of votes were cast against a resolution put to a general meeting (20%) explain the reasons behind the votes cast.	See page 25 of the Annual Report, 'Communication with Shareholders', Corporate Governance Report.

Risk Management

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. The Company maintains a risk register that considers various corporate and economic risks and mitigating actions. The Company maintains a risk register that considers various corporate and economic risks and mitigating actions.

In accordance with this policy, the Executive Directors of Ascent are directly 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 2019, the Group was Operator of one project which was closely managed for maintaining the EHS and SR policy aims.

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

Board Composition

Membership of the Board and information on each member can be found in the Directors' Report. Since the year end the Company has had a completely new Board of directors appointed. The changes to the business are explained in the Chairman's and CEO's statement of this Annual Report.

During the first quarter of 2020 John Buggenhagen, Louis Castro and Colin Hutchinson stepped down from the Board. James Parsons, a qualified Accountant with over 20 years' experience in the Energy industry was appointed as the Executive Chairman of the Board. In addition, Andrew Dennan was appointed as the Chief Executive Officer (CEO) together with Leonardo Salvadori and Ewen Ainsworth who were appointed as Independent Non-Executive Directors.

James Parsons, Executive Chairman
James Parsons is the Group's Executive Chairman. James chairs the Board, setting high standards of good corporate governance throughout the business. He leads in the development of strategy and setting objectives and oversees communication between the Group and its shareholders.

Andrew Dennan, Chief Executive Officer
Andrew Dennan is the Chief Executive Officer and has overall responsibility for managing the day to day operations of the Company and the Board as a whole is responsible for implementing the Company's strategy.

Whilst the Board recognises that having an Executive Chairman is not considered best practice under the QCA code, it has been identified that the role of the Chairman in an executive capability is extremely important to the Company in leading the business forward. The Board has two independent non-executive directors which provides an equal balance of independence on the Board. The Company will consider the requirements of the Board and whether further appointments would be right for the business.

Ewen Ainsworth and Leonardo Salvadori are both independent non-executive directors. They are both members of the Audit Committee and Remuneration & Nominations Committee. Mr Ainsworth chairs the Audit Committee and Mr Salvadori the Remuneration & Nominations Committee

Skills and competencies of the Board

The Chairman believes that, as a whole, the Board has a suitable mix of skills and competencies in order to drive the Group's strategy and is best placed to secure the future of the Company and create long-term value for all stakeholders. The Board has significant industry, financial, public markets and governance experience, possessing the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long-term.

The Board updates its operational skills in the oil & gas industry through active day-to-day involvement in the industry and by the use of leading, international, external contractors who demonstrate the latest techniques and use the latest equipment. In addition, the Board keeps abreast of ongoing changes relating to governance and compliance, the AIM Rules for companies, QCA Code, the Market Abuse Regulations and other statutory and regulatory developments. All directors have access to the Company's Nomad, Company Secretary, lawyers and auditors and are able to obtain advice from other external bodies as and when required.

The Company embraces diversity and is dedicated to encouraging inclusion without compromising professionalism, experience and expertise.

The Board is supported by its Audit Committee and its Remuneration and Nominations Committee. The number of Board and Committee meetings held throughout the course of the financial year is set out at the end of this Corporate Governance Report.

The Group's culture

The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders, including our employees, fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner. This is monitored on an ongoing basis by the Company's executive directors. Compliance with this principle is considered an important part of the annual assessment of staff and in setting their pay for future periods.

Communications with stakeholders

The Board places a high priority on transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders. The Board recognises the importance of engaging with all stakeholders including employees, investors, partners, suppliers, media and communities.

The primary communication tool with our shareholders is the Company's website, https://www.ascentresources.co.uk. The shareholders are also kept up to date through Regulatory News Service, ("RNS") on regulatory matters and matters of material substance.

The Company reports formally to its shareholders and the market twice each year with the release of its interim and full year results. The Company's Annual Report and Notice of Annual General Meetings (AGM) are currently mailed to all shareholders. These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects. The Interim Report and other investor presentations are also available on the website. The Company plans to put full electronic communications in place, so that shareholders (unless they elect otherwise) will have access to communications through the Company's website. A much more effective and environmentally friendly way of communicating with shareholders.

Upon conclusion of Shareholder meetings arrangements are made that the outcomes of votes cast by shareholders to be disclosed in a clear and transparent manner. If a significant proportion of votes (20%+) was ever cast against a resolution, the Company would provide, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

Board and committee meetings

The Board holds scheduled board meetings or conference calls on a monthly basis and ad-hoc calls are scheduled to react to specific events.

Corporate Governance Report continued

Attendances of Directors at board and committee meetings convened in the year, and which they were eligible to attend, are set out below:

Director	Board Meetings (11 in total)	Remuneration Committee (0 meetinngs	Audit Committee Attended (1 in total)
Number of meetings in year Attendance			
John Buggenhagen (appointed 18 February 2019)	9	–	–
Louis Castro (appointed 18 February 2019)	10	–	1
Clive Caver (resigned 15 January 2019)	1	–	–
Cameron Davies (resigned 29 July 2019)	5	–	1
Colin Hutchinson	11	–	1
Nigel Moore (resigned 18 February 2019)	1	–	–

Committees of the Board

The Committees of the Board comprise of independent non-executive directors.

Audit Committee
The Audit Committee which comprises Ewen Ainsworth (Chairman) and Leonardo Salvadori determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit.

The Report of the Audit Committee for 2019 is set out on page 27.

Remuneration Committee
The Remuneration Committee, which comprises Leonardo Salvadori (Chairman) and Ewen Ainsworth is responsible for reviewing the performance of the Executive Chairman and the Executive directors, for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders and the performance of the Group. It also reviews the performance of the senior management, sets and reviews their remuneration and the terms of their service contracts and considers the Group's bonus and option schemes, determining targets for any performance-related pay schemes operated by the Company.

The Report of the Remuneration Committee for 2019 is set out on page 28.

The terms of reference of the Audit Committee and the Remuneration Committee are set out on the Company website.

The appropriateness of the Group's governance structures will be reviewed annually in light of further developments of accepted best practice and the development of the Company.

Internal controls

The Board acknowledges responsibility for maintaining appropriate internal control systems and procedures to safeguard the shareholders' investments and the assets, employees and the business of the Group.

The Board has established and operates a policy of continuous review and development of appropriate financial controls together with operating procedures consistent with the accounting policies of the Group.

Internal audit

The Board does not consider it appropriate for the current size of the Group to establish an internal audit function.

Bribery and corruption

The Bribery Act 2010 came into force on 1 July 2011. The Company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance with legislation is monitored. The Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery policy in place to protect the Company, its employees and those third parties to which the business engages with.

Audit Committee Report

Committee composition

The newly formed Audit Committee is chaired by Ewen Ainsworth, who replaced Louis Castro following his departure from the Board in March 2020. The committee is composed of Ewen Ainsworth and Leonardo Salvadori.

Role

During 2019 the Audit Committee met to approve the 2018 financial results and more recently the new members of the Committee met to review and approve the 2019 financial results.

The terms of reference of the Audit Committee are available on the Company's website. These terms of reference include:

- Financial reporting – monitor the integrity of the financial statements of the company including its annual and interim reports.
- Internal controls and Risk Management Systems – review the effectiveness of internal controls and risk management systems.

Key matters considered

- Assessment of going concern forecasts and associated disclosures.
- Assessment of oil and gas assets for impairment and the underlying assumptions used by management.
- The accounting treatment of the Riverfort financing arrangements and associated valuation judgments and estimates.
- Reports of the external auditor concerning its audit and review of the financial statements of the Group.
- Corporate governance practice and disclosure

Going concern

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

The Company has raised £0.8975 million in new equity since the balance sheet date from new and existing investors. Under the Group's forecasts, the funds raised together with existing bank balances provide sufficient funding for at least the next two months, as of the date of the publication of this report, based on anticipated outgoings and in the absence of the receipt of revenues from production.

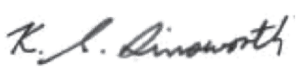
COVID-19 has had limited direct impact on Ascent's assets in Slovenia but there may be delays in obtaining the necessary governmental approvals and processes. Production operations in Slovenia have been unaffected to date.

In addition to the need to raise additional funding in the next two months, the forecasts are sensitive to the timing and cash flows associated with operational continuation in Slovenia and discretionary spend incurred on advancing the Cuban initiative including deferred consideration that would become payable if the Company elects to enter a PSC for Block 9b. As such, the Company will need to raise new capital within the forecast period to fund such discretionary spend.

Based on historical and recent support from new and existing investors the Board believes that such funding, when required, could be obtained through new debt or equity issuances. However, the ability to raise these funds is not guaranteed at the date of signing these financial statements.

As a consequence, there is material uncertainty which may cast significant doubt over the Group and Parent 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.

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



Ewen Ainsworth
Chairman of the Audit Committee
25 June 2020

Remuneration Committee Report

The newly formed Remuneration Committee, which comprises Leonardo Salvadori (Chairman) and Ewen Ainsworth, both independent non-executive directors. The Committee is responsible for reviewing the performance of the Executive Chairman and the executive directors, for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders and the performance of the Group. It also reviews the performance of the senior management, sets and reviews their remuneration and the terms of their service contracts and considers the Group's bonus and option schemes, determining targets for any performance-related pay schemes operated by the Company.

The Remuneration Committee has amongst its main functions the review of the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure that the Board operates efficiently and effectively. It will also identify and nominate suitable candidates to the join the Board when vacancies arise and make recommendations to the Board for the re-appointment of non-executive directors. Given the size of the Company the Board do not feel that it is necessary at present to have a separate Nominations Committee and currently matters relating to nominations are dealt with by the Remuneration Committee.

The Company has a newly established Board that was appointed in early 2020. The Remuneration Committee will keep the remuneration of the Executive directors and members of the executive team under review and ensure that they are remunerated at the right levels taking into account delivery of strategy and growth of the business. The Committee will seek external advice if necessary.

The terms of reference of the Remuneration Committee are set out on Ascent's website.

Remuneration policy

The Group's and the Company's policy is to provide remuneration packages that will attract, retain and motivate its executive directors and senior management. This consists of a basic salary, ancillary benefits and other performance-related remuneration appropriate to their individual responsibilities and having regard to the remuneration levels of comparable posts. The Remuneration Committee determines the contract term, basic salary, and other remuneration for the members of the Board and the senior management team.

Basic salary and benefits

The basic salaries and bonus payments of the Directors who served during the financial year are established by reference to their responsibilities and individual performance.

Remuneration of Directors

The following remuneration table comprises Directors salaries and benefits in kind that were payable to Directors who held office during the year ended 31 December 2019:

	Salary/fees benefits £	Bonus £	Pensions	Total 2019 £	Share Based Payments Expense 2019 £	Total salary/ fees, bonus & pension 2018 £
Executive Directors						
J Buggenhagen	155,372	–	–	155,372	–	–
C Hutchinson	182,673	–	1,947	184,620	133,223	159,804
Non-Executive Directors						
Louis Castro	48,556	–	–	48,556	–	–
C Carver	–	–	–	–	–	43,333
C Davies	29,167	–	–	29,167	26,645	21,667
N Moore	–	–	–	–	–	21,667

The following table sets out the Directors' incentive share options awarded to directors who held office at 31 December 2019:

2019	Opening	Granted/ (Lapsed)	Closing	Date Granted	Share Price at Grant	Exercise Price	Exercise Period Start	End
C Hutchinson	265,688	–	265,688	23 May 13	16.4p	20p	23 May 16	23 May 23
C Hutchinson	34,964,709	–	34,964,709	05 May 16	1.58p	1.58p	05 May 19	06 May 26
C Hutchinson	34,031,255	–	34,031,255	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27

2018	Opening	Granted/ (Lapsed)	Closing	Date Granted	Share Price at Grant	Exercise Price	Exercise Period Start	End
C Carver	1,328,443	–	1,328,443	30 Apr 13	16.4p	20p	30 Apr 16	30 Apr 23
C Carver	13,985,884	–	13,985,884	05 May 16	1.58p	1.58p	05 May 19	06 May 26
C Carver	13,612,502	–	13,612,502	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27
C Hutchinson	265,688	–	265,688	23 May 13	16.4p	20p	23 May 16	23 May 23
C Hutchinson	34,964,709	–	34,964,709	05 May 16	1.58p	1.58p	05 May 19	06 May 26
C Hutchinson	34,031,255	–	34,031,255	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27
N Moore	6,992,942	–	6,992,942	05 May 16	1.58p	1.58p	05 May 19	06 May 26
N Moore	6,806,251	–	6,806,251	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27
C Davies	6,992,942	–	6,992,942	05 May 16	1.58p	1.58p	05 May 19	06 May 26
C Davies	6,806,251	–	6,806,251	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27

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

Leonardo Salvadori
Chairman of the Remuneration Committee
25 June 2020

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Independent Auditor's Report

Opinion

We have audited the financial statements of Ascent Resources Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated income statement and statement of comprehensive income, the consolidated and company statements of changes of equity, the consolidated and company statements of financial position, the consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements 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 Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to Note 1 of the financial statements concerning the Group and the Parent Company's ability to continue as a going concern. The Group's cash flow forecasts indicate that the Group will need to raise further funds to enable the Group to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements and there can be no guarantee that such funding will be available.

As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter.

Our audit procedures in response to this key audit matter included:

- We have discussed the potential impact of Covid-19 with management, including their assessment of potential risks and uncertainties associated with areas such as the Group's operations, ability to secure funding and the potential impact on progressing the projects of the Group. We formed our own assessment of risks and uncertainties based on our understanding of the business.
- We obtained management's reverse stress testing analysis which was performed to determine the point at which liquidity breaks and considered whether such scenarios, including the inability to secure anticipated funding and potential delays in raising finance and obtaining the required permits for the Slovenian project, were possible.
- We critically assessed and challenged management's base case cash flow forecasts and the underlying key assumptions which have been approved by the Board. In doing so, we compared the operating cost forecast to historical expenditure rates, reviewed agreements to assess committed project expenditure and evaluated the repayment terms of the loan facilities. We reviewed board minutes and market announcements for indications of additional cash requirements.
- We considered management's judgment that they had a reasonable expectation of securing additional financing to meet working capital requirements. In doing so, we made specific inquiries of the Board, considered the Group's history of fundraising and obtained written representations from the Board.

- We reviewed and considered the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation.

Key Audit Matters

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

Key audit matter	How we addressed the key matter in our audit
Carrying value of exploration, evaluation and developed oil and gas assets	
The Group's exploration, evaluation and developed oil and gas assets represent its most significant assets as at 31 December 2019 as detailed in notes 9 and 10. All assets are associated with the Petisovci licence area. Management are required to assess whether they consider there to be any indicators that the Group's assets may be impaired as at 31 December 2019. Management identified impairment indicators given the delays in obtaining the required permits and the fact that Group's market capitalisation is below its net asset value. However, after further consideration of the impairment model, management is satisfied that no impairment existed at 31 December 2019. The preparation of the impairment model required management to make critical judgements and estimates including in particular the level of gas reserves, rates of production, gas prices and whether necessary permits for well stimulation and development will be granted and the timing of such approval as detailed in note 1. Given that significant judgement and estimation is required by management in determining the carrying value, this is considered to be a key audit matter.	We reviewed and challenged the Director's impairment indicator assessments and performed our own assessment of potential impairment indicators. In doing so we confirmed that the licences remain valid, made inquiries of the Directors regarding the future planned exploration, considered the Group's internal plans, reviewed the status of the required permits and compared the market capitalisation to the Group's net asset value. We reviewed and challenged the discounted cash flow forecast model used in the impairment test. In doing so, we considered the Director's conclusion that the Petisovci licence areas represented the cash generating unit used for the impairment review based on the gas reservoir and licence structure, the field development plan and the nature of development to date. We reviewed the key assumptions in the models, challenging the appropriateness of estimates with reference to empirical data and external evidence where available for inputs such as gas prices, reserves, production rates and capital expenditure. We sensitised the key inputs such as discount rate, capital expenditure, and gas prices to assess the impact on headroom. We considered management's assumptions regarding if and when the necessary permit approvals to undertake well stimulation and development will be granted and obtained an understanding of the work required. In doing so, we reviewed the Slovenian Court rulings in 2019, discussed the requirements and status with management, discussed the judgement with the Audit Committee including the potential for continued delays and performed sensitivities. We assessed the disclosures included in the financial statements in notes 1, 9 and 10 against the relevant accounting standards. **Key observations** Based on the procedures performed we found management's assessment and disclosures in the financial statements to be appropriate.

Key audit matter	How we addressed the key matter in our audit
Accounting for the RiverFort Global financing arrangement	
As detailed in note 1, the Group entered into a financing arrangement with Riverfort Global Investors under three agreements. Management recorded equity issued as shown in note 18 and treated the deferred payment for the shares issued under the equity sharing agreement as a receivable held at fair value as noted in note 13. Separately, management recorded a loan liability recorded at amortised cost as shown in note 14 with finance costs as shown in note 5. The initial recognition of the receivable and subsequent revaluation at year end required management to exercise judgement in selecting an appropriate methodology and form estimates regarding the inputs to the valuation model. The accounting for the transaction was considered to be complex and required estimation and judgement was required by management in determining the fair value of the receivable. Accordingly, we considered this area to be a key audit matter.	We reviewed the agreements and assessed the accounting treatment adopted by management for the component elements of the financing arrangement against the relevant accounting requirements. We obtained management's assessment of the fair value of the receivable at year end and evaluated the valuation methodology adopted and considered whether the inputs were within an acceptable range. In doing so, we used our valuations team to independently recalculate the fair value and compared the results to management's calculation. We recalculated the amortised cost liability and finance cost recorded by management in respect of the liability agreeing inputs to the agreement. We agreed the equity issued under the arrangement to supporting documents. **Key observations** We found the accounting treatment adopted by management to be appropriate and the fair value of receivable at year end to be within an acceptable range.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the financial statements as a whole was set at £620,000 (2018: £660,000). This was based on 1.5% (2018: 1.5%) of total assets which we consider to be an appropriate benchmark due to the focus of stakeholders being on the assets of the Group.

Materiality for the Parent Company was set at £500,000 (2018: £525,000) using a benchmark of 1.5% (2018: 1.5%) of total assets, limited to 80% (2018: 80%) of Group materiality.

The significant components of the Group were audited to a lower materiality of £390,000 to £500,000.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £465,000 (2018: £495,000) which represents 75% of the above materiality levels.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £31,000 (2018: £33,000), which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit

Our Group audit focused on the Group's principal activities and the reporting entities in which these operations were held. As a result, we determined that there were two significant components, which comprised Ascent resources Plc and Ascent Slovenia Limited and were subject to a full scope audit. The audits of each of the components were performed in the UK. All of the audits were conducted by BDO LLP.

Independent Auditor’s Report continued

The remaining components of the Group were considered non-significant and such components were subject to analytical review procedures together with substantive testing on group audit risk areas applicable to that component, carried out by the Group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors’ report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ryan Ferguson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
25 June 2020

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

Consolidated Income Statement & Statement of Other Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £ '000s	Year ended 31 December 2018 £ '000s
Revenue	2	**298**	1,942
Cost of sales	2	**(462)**	(771)
Depreciation of oil & gas assets	9	**(440)**	(793)
Gross (loss)/profit		**(604)**	378
Administrative expenses	3	**(2,132)**	(1,760)
Operating loss		**(2,736)**	(1,382)
Finance income	5	**–**	26
Finance cost	5	**(924)**	(9)
Net finance costs		**(924)**	17
Loss before taxation		**(3,660)**	(1,365)
Income tax expense	6	**–**	–
Loss for the period after tax		**(3,660)**	(1,365)
Loss for the year attributable to equity shareholders		**(3,660)**	(1,365)
Loss per share			
Basic & fully diluted loss per share (Pence)	8	**(0.14)**	(0.06)

	Year ended 31 December 2019 £ '000s	Year ended 31 December 2018 £ '000s
Loss for the year	**(3,660)**	(1,365)
Other comprehensive income		
Foreign currency translation differences for foreign operations*	**(1,700)**	310
Total comprehensive loss for the year	**(5,360)**	(1,055)

* Items which may be recycled through the income statement in future periods.

The Notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital £ '000s	Share premium £ '000s	Merger Reserve £ '000s	Equity reserve £ '000s	Share based payment reserve £ '000s	Translation reserve £ '000s	Retained earnings £ '000s	Total £ '000s
Balance at 1 January 2018	**6,101**	**71,647**	**300**	**16**	**1,569**	**1,090**	**(36,992)**	**43,731**
Comprehensive income								–
Loss for the year	–	–	–	–	–	–	(1,365)	(1,365)
Other comprehensive income								
Currency translation differences	–	–	–	–	–	310	–	310
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**310**	**(1,365)**	**(1,055)**
Transactions with owners								**–**
Conversion of loan notes	–	1	–	–	–	–	–	1
Shares issued under the Trameta acquisition	45	–	270	–	(315)	–	–	–
Share-based payments	–	–	–	–	403	–	–	403
Balance at 31 December 2018	**6,146**	**71,648**	**570**	**16**	**1,657**	**1,400**	**(38,357)**	**43,080**
Balance at 1 January 2019	**6,146**	**71,648**	**570**	**16**	**1,657**	**1,400**	**(38,357)**	**43,080**
Comprehensive income								–
Loss for the year	–	–	–	–	–	–	(3,660)	(3,660)
Other comprehensive income								
Currency translation differences	–	–	–	–	–	(1,700)	–	(1,700)
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(1,700)**	**(3,660)**	**(5,360)**
Transactions with owners								**–**
Issue of ordinary shares net of costs	1,458	682	–	–	–	–	–	2,140
Expiry on loan note conversion rights	–	–	–	(16)	–	–	–	(16)
Share-based payments	–	–	–	–	216	–	53	269
Balance at 31 December 2019	**7,604**	**72,330**	**570**	**–**	**1,873**	**(300)**	**(41,964)**	**40,113**

The Notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital £ '000s	Share premium £ '000s	Merger Reserve £ '000s	Equity reserve £ '000s	Share based payment reserve £ '000s	Retained earnings £ '000s	Total £ '000s
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Balance at 1 January 2018	6,101	71,647	300	16	1,569	(32,539)	47,094
Comprehensive income							–
Profit and comprehensive profit for the year	–	–	–	–	–	794	794
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**794**	**794**
Transactions with owners							
Conversion of loan notes	–	1	–	–	–	–	1
Shares issued under the Trameta acquisition	45	–	270	–	(315)	–	–
Share-based payments and expiry of options	–	–	–	–	403	–	403
Balance at 31 December 2018	**6,146**	**71,648**	**570**	**16**	**1,657**	**(31,745)**	**48,292**
Balance at 1 January 2019	**6,146**	**71,648**	**570**	**16**	**1,657**	**(31,745)**	**48,292**
Comprehensive income							**–**
Loss and comprehensive loss for the year						(8,362)	(8,362)
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(8,362)**	**(8,362)**
Transactions with owners							
Issue of ordinary shares net of costs	1,458	682	–	–	–	–	2,140
Expiry on loan note conversion rights	–	–	–	(16)	–	–	(16)
Share-based payments and expiry of options	–	–	–	–	216	53–	269
Balance at 31 December 2019	**7,604**	**72,330**	**570**	**–**	**1,873**	**(40,054)**	**42,323**

The Notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

Assets	Notes	31 December 2019 £ '000s	31 December 2018 £ '000s
Non-current assets			
Property, plant and equipment	9	**22,069**	23,779
Exploration and evaluation costs	10	**18,576**	18,968
Prepaid abandonment fund	12	**240**	240
Total non-current assets		**40,885**	42,987
Current assets			
Inventory		**–**	3
Trade and other receivables	12	**254**	233
Cash and cash equivalents	23	**77**	376
Restricted cash	23		180
Total current assets		**331**	792
Total assets		**41,216**	43,779
Equity and liabilities			
Attributable to the equity holders of the Parent Company			
Share capital	18	**7,604**	6,146
Share premium account		**72,330**	71,648
Merger reserve		**570**	570
Equity reserve		**–**	16
Share-based payment reserve		**1,873**	1,657
Translation reserves		**(300)**	1,400
Retained earnings		**(41,964)**	(38,357)
Total equity attributable to the shareholders		**40,113**	43,080
Total equity		**40,113**	43,080
Non-current liabilities			
Borrowings	14	**–**	44
Provisions	15	**255**	263
Total non-current liabilities		**255**	307
Current liabilities			
Borrowings	14	**385**	–
Trade and other payables	16	**463**	392
Total current liabilities		**848**	392
Total liabilities		**1,103**	699
Total equity and liabilities		**41,216**	43,779

The Notes on pages 43 to 73 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 25 June 2020 and signed on its behalf by:

James Parsons
Executive Chairman
25 June 2020

Company Statement of Financial Position
As at 31 December 2019

Assets	Notes	31 December 2019 £ '000s	31 December 2018 £ '000s
Non-current assets			
Property, plant and equipment		**–**	1
Investment in subsidiaries and joint ventures	11	**15,443**	15,443
Intercompany receivables	20	**27,180**	32,713
Total non-current assets		**42,623**	48,157
Current assets			
Trade and other receivables	13	**196**	11
Cash and cash equivalents	23	**64**	112
Restricted cash	23	**–**	180
Total current assets		**260**	303
Total assets		**42,883**	48,460
Equity and liabilities			
Share capital	18	**7,604**	6,146
Share premium account		**72,330**	71,648
Merger reserve		**570**	570
Equity reserve		**–**	16
Share-based payment reserve		**1,873**	1,657
Retained loss		**(40,054)**	(31,745)
Total equity attributable to the shareholders		**42,323**	48,292
Non-Controlling interest		**–**	–
Total equity		**42,323**	48,292
Non-current liabilities			
Borrowings	14	**–**	44
Total non-current liabilities		**–**	44
Current liabilities			
Borrowings	14	**385**	–
Trade and other payables	17	**175**	124
Total current liabilities		**560**	124
Total liabilities		**560**	168
Total equity and liabilities		**42,883**	48,460

The Company loss for the year was £8,362,000 (2018: profit of 0.8 million).

The Notes on pages 43 to 73 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 25 June 2020 and signed on its behalf by:

James Parsons
Executive Chairman
25 June 2020

Consolidated Cash Flow Statement
For the year ended 31 December 2019

	Year ended 31 December 2019 £ '000s	Year ended 31 December 2018 £ '000s
Cash flows from operations		
Loss after tax for the year	**(3,660)**	(1,365)
Depreciation	**440**	793
Change in inventory	**(3)**	1
Change in receivables	**152**	530
Change in payables	**71**	(184)
Share-based payments	**269**	403
Exchange differences	**(40)**	24
Finance income	**-**	(26)
Finance cost	**924**	9
Transfer from restricted cash	**180**	175
Net cash generation (used in)/from operating activities	**(1,667)**	360
Cash flows from investing activities		
Interest received	**(3)**	24
Payments for fixed assets	**(3)**	(411)
Payments for investing in exploration	**-**	(319)
Net cash used in investing activities	**(6)**	(706)
Cash flows from financing activities		
Interest paid and other finance fees	**(67)**	(1)
Loans received	**410**	
Loans repaid	**(27)**	
Proceeds from issue of shares	**1,114**	-
Share issue costs	**(55)**	-
Net cash generated from financing activities	**1,375**	(1)
Net increase in cash and cash equivalents for the year	**(299)**	(347)
Effect of foreign exchange differences	**-**	2
Cash and cash equivalents at beginning of the year	**376**	721
Cash and cash equivalents at end of the year	**77**	376

* Restricted cash related to monies held on deposit by Ascent as collateral against a bank guarantee in favour of INA to cover any potential future penalties under the gas sales agreement.

The Notes on pages 43 to 73 are an integral part of these consolidated financial statements.

Company Cash Flow Statement
For the year ended 31 December 2019

	Year ended 31 December 2019 £ '000s	Year ended 31 December 2018 £ '000s
Cash flows from operations		
(Loss)/profit after tax for the year	**(8,362)**	794
Adjustments for:		
Change in receivables	**(12)**	44
Change in payables	**51**	(50)
Expected credit loss charge	**4,796**	–
Change in intercompany receivables	**(1,853)**	(1,513)
Increase in share-based payments	**269**	403
Exchange differences	**2,692**	(450)
Finance cost	**853**	8
Transfer from restricted cash	**180**	175
Net cash generation (used in) operating activities	**(1,386)**	(589)
Cash flows from investing activities		
Advances to subsidiaries	**(102)**	–
Net cash used in investing activities	**(102)**	–
Cash flows from financing activities		
Interest paid and other finance fees	**(5)**	(1)
Loans advance received	**410**	
Loans repaid	**(27)**	
Proceeds from issue of shares	**1,114**	–
Share issue costs	**(55)**	–
Net cash generated from financing activities	**1,438**	(1)
Net increase in cash and cash equivalents for the year	**(50)**	(590)
Effect of foreign exchange differences	**2**	2
Cash and cash equivalents at beginning of the year	**112**	700
Cash and cash equivalents at end of the year	**64**	112

* Restricted cash related to monies held on deposit by Ascent as collateral against a bank guarantee in favour of INA to cover any potential future penalties under the gas sales agreement.

The Notes on pages 43 to 73 are an integral part of these consolidated financial statements.

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 2019 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.

Statement of compliance

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union, and with the Companies Act 2006 as applicable to companies reporting under IFRS.

The Group's and Company's financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 25 June 2020 and the Statements of Financial Position were signed on behalf of the Board by James Parsons.

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 £8,362,000 (2018: profit of £794,000).

Measurement Convention

The financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value. 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 Board have reviewed cash flow forecasts covering a period of at least the next twelve months from the date of approval of the financial statements.

The Company has raised £0.8975 million in new equity since the balance sheet date from new and existing investors. Under the Group's forecasts, the funds raised together with existing bank balances provide sufficient funding for at least the next two months, as of the date of the publication of this report, based on anticipated outgoings and in the absence of the receipt of revenues from production.

COVID-19 has had limited direct impact on Ascent's assets in Slovenia but there may be delays in obtaining the necessary governmental approvals and administrative court processes. Production operations in Slovenia have been unaffected to date.

In addition to the need to raise additional funding in the next two months, the forecasts are sensitive to the timing and cash flows associated with operational continuation in Slovenia and discretionary spend incurred on advancing the Cuban initiative including deferred consideration that would become payable if the Company elects to enter a PSC for Block 9b. As such, the Company will need to raise new capital within the forecast period to fund such discretionary spend.

Based on historical and recent support from new and existing investors the Board believes that such funding, when required, could be obtained through new debt or equity issuances. However, the ability to raise these funds is not guaranteed at the date of signing these financial statements.

As a consequence, there is material uncertainty which may cast significant doubt over the Group and Parent 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.

Notes to the accounts continued

1. Accounting policies continued

New and amended Standards effective for 31 December 2019 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 2019. The adoption of these standards and amendments has had no material effect on the Group's results, although they have given rise to changes to disclosures.

Standard	Description	Effective date
IFRS 16	Leases	1 January 2019
IFRS 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9	Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
	Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019

The new standards effective from 1 January 2019, as listed above, did not have a material effect on the Group's financial statements.

Management have undertaken a review of contracts for potential lease arrangements. Based on the analysis the Group does not have any leases requiring recognition and therefore IFRS 16 has had no impact on the Group. The Group applied the modified retrospective approach to adoption of IFRS 16. The Group has taken the exemption within IFRS 16 not to record leases for low value items and arrangements with a term of less than 12 months.

The Group has adopted IFRIC 23 Uncertainty over Income Tax Treatments which is effective for accounting periods beginning on or after January 1, 2019. The interpretation is applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The adoption of this interpretation has not had a material impact on the financial statements of the Group.

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 3	Business combinations	1 January 2020
IAS 1	Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)	1 January 2020
IAS 1	Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2020
	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group is currently assessing the impact of these new accounting standards and amendments. None of these are expected to have a material impact on the financial statements.

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

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

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

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

1. Accounting policies continued

Exploration and evaluation assets – exploration and evaluation costs are initially classified and held as intangible fixed assets rather than being expensed. The carrying value of intangible exploration and evaluation assets are then determined. Management considers these assets for indicators of impairment under IFRS 6 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 which requires judgement. This assessment includes assessment of the underlying financial models for the Petišovci field and requires estimates of gas reserves, production, gas prices, operating and capital costs associated with the field and discount rates (see Note 10) using the fair value less cost to develop method which is commonplace in the oil and gas sector. The forecasts are based on the JV partners submitting and obtaining approval for an environmental impact assessment, which the Board considers to be an ordinary risk for oil and gas developments, and other environmental permits which the Board anticipate being issued. In forming this judgment, the Board considered all facts and circumstances including the IPPC award in 2019, the Court ruling regarding the environmental permit applications and noting the recent amendments to both the Nature Preservation Act as well as law regarding building permits for facilities that could be considered relevant. The carrying value of exploration assets at 31 December 2019 was £18,576,000 (2018: £18,968,000).

Commercial reserves – Commercial reserves are proven, and probable oil and gas reserves calculated on an entitlement basis and are integral to the assessment of the carrying value of the exploration, evaluation and production assets. Estimates of commercial reserves include estimates of the amount of oil and gas in place, assumptions about reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future oil and gas price.

Carrying value of property, plant and equipment (developed oil and gas assets) – developed oil and gas assets are assessed for indicators of impairment and tested for impairment at each reporting date when indicators of impairment exist. An impairment test was performed based on a discounted cash flow model using a fair value less cost to develop approach commonplace within the oil and gas sector. Key inputs requiring judgment and estimate included gas prices, production and reserves, future costs and discount rates. Gas prices in the near term are forecast based on management's expectation of market prices less deductions under the INA contract, before reverting to market prices with reference to the forward curve following the approval of the IPPC permit and transition to gas sales taking place into the Slovenian market. The forecasts include future well workovers to access the reserves included in the model together with the wider estimated field development costs to access field reserves. Refer to Note 9. The impairment test demonstrates significant headroom despite the underperformance of the wells given the delays obtaining permits for well stimulation. As with the exploration and evaluation assets, judgment was required regarding the likelihood of the necessary environmental permits being granted, which are key to the commercial value of the assets.

Depreciation of property, plant and equipment – Upon commencing commercial production we began to depreciate the assets associated with current production. The depreciation on a unit of production basis requires judgment and estimation in terms of the applicable reserves over which the assets are depreciated and the extent to which future capital expenditure is included in the depreciable cost when such expenditure is required to extract the reserve base. The calculations have been based on actual production, estimates of P50 reserves and best estimate resources the estimated future workover costs on the producing wells to extract this reserve. The depreciation charge for the year was £434,000 (2018: £793,000) including both depreciation associated with the unit of production method and straight-line charges for existing processing infrastructure. This is included in Notes 9 and 10 below.

Deferred tax – judgment has been required in assessing the extent to which a deferred tax asset is recorded, or not recorded, in respect of the Slovenian operations. Noting the history of taxable losses and the initial phases of production, together with assessment of budgets and forecasts of tax in 2019 the Board has concluded that no deferred tax asset is yet applicable. This is included at Note 7.

1. Accounting policies continued

Intercompany receivables – In line with the requirements of IFRS 9 the Board has carried out an assessment of the potential future credit loss on intercompany receivables under a number of scenarios. Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. The Company would suffer a credit loss where the permits necessary for the development of the field are not obtained and a court case for damages against the Republic of Slovenia is unsuccessful. Based on legal advice received in relation to the permit process and the strength of our case we consider the risk of credit loss to be relatively limited. A provision of £4.8million (2018: £1.7 million) has been recognised in the Company accounts against a receivable of £32 million (2018: £34.4 million).

Riverfort receivable – during the current year the Company entered into a financing arrangement with Riverfort Global Investors. Under the subscription agreement Riverfort subscribed for shares at market price with equity issued at inception, the payment for these shares was effectively deferred under an equity sharing agreement with the proceeds receivable in instalments over 12 months with the value dependent on the share price performance during that period. Accordingly, the transaction gave rise to a receivable held at fair value. In addition, the Company entered an investment agreement under which the Company was advanced a $500,000 10% coupon loan repayable by September 2020 and which was to be repaid from the proceeds of the equity sharing agreement share sales. In addition, RiverFort were entitled to receive 43,000,000 warrants under the investment agreement with a subscription price at the lower of 0.33p, 120% of the closing share price at the date of warrant agreement or 120% of the share price in certain fundraising events.

In respect of the receivable associated with the equity sharing agreement classified at fair value through profit and loss, estimates were required in determining the fair value at year end based under a valuation model with key inputs being the share price and future share price volatility scenarios. The fair value of the warrants were assessed based on a Black-Scholes model at inception and year end and was immaterial. Refer to notes 12 and 22 for details.

Basis of consolidation

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

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

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

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

Business combinations

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

Joint arrangements

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

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

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

1. **Accounting policies** continued

The Group has one joint arrangement as disclosed on page 9, the Petišovci joint venture in Slovenia in which Ascent Slovenia Limited (a 100% subsidiary of Ascent Resources plc) has a 75% working interest.

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.

Transfer of exploration assets to property, plant and equipment
Assets, including licences or areas of licences, are transferred from exploration and evaluation cost pools to property, plant and equipment when the existence of commercially feasible reserves have been determined and the Group concludes that the assets can generate commercial production. This assessment considers factors including the extent to which reserves have been established, the production levels and margins associated with such production. The costs transferred comprise direct costs associated with the relevant wells and infrastructure, together with an allocation of the wider unallocated exploration costs in the cost pool such as original acquisition costs for the field. The producing assets start to be depreciated following transfer.

Depreciation of property plant and equipment
The cost of production wells is depreciated on a unit of production basis. The depreciation charge is calculated based on total costs incurred to date plus anticipated future workover expenditure required to extract the associated gas reserves. This depreciable asset base is charged to the income statement based on production in the period over their expected lifetime P50 production extractable from the wells per the field plan.

The infrastructure associated with export production is depreciated on a straight-line basis over a two-year period as this is the anticipated period over which this infrastructure will be used.

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 wider Petišovci project in Slovenia. Any impairment arising is recognised in the Income Statement for the year.

1. **Accounting policies** continued

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.

Impairment of development and production assets and other property, plant and equipment
At each balance sheet date, the Group reviews the carrying amounts of its PP&E to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell (otherwise referred to as fair value less cost to develop in the oil and gas sector) and value in use. Fair value less costs to sell is determined by discounting the post-tax cash flows expected to be generated by the cash-generating unit, net of associated selling costs, and takes into account assumptions market participants would use in estimating fair value including future capital expenditure and development cost for extraction of the field reserves. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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

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

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

The assets and liabilities of foreign operations are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at the average rate ruling during the period. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Foreign exchange differences arising on inter-company loans considered to be permanent as equity are recorded in equity. The exchange rate from euro to sterling at 31 December 2019 was £1: €1.1755 (2018: £1: €1.1126).

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

1. **Accounting policies** continued

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

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

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

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

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

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

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

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

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

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

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

1. Accounting policies continued

Where the loan note is converted into ordinary shares by the loan note holder; the unaccreted portion of the loan notes is transferred from the equity reserve to the liability; the full liability is then converted into share capital and share premium based on the conversion price on the note.

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
Classes and categories
Financial assets that meet the following conditions are measured subsequently at amortised cost using effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets for which the amount of future receipts are dependent upon the Company's share price over the term of the instrument do not meet the criteria above and are recorded at fair value through profit and loss.

Financial assets - Recognition and derecognition

The settlement date is used for initial recognition and derecognition of financial assets as these transactions are generally under contracts whose terms require delivery within the time frame established in the contract. Financial assets are derecognised when substantially all the Groups rights to cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership.

Measurement
Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment
For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The Group's trade receivables are generally settled on a short time frame without material credit risk.

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a twelve-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next twelve months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Lifetime expected credit losses (ECLs) for intercompany loan receivables are based on the assumptions that repayment of the loans are demanded at the reporting date due to the fact that the loan is contractually repayable on demand. The subsidiaries do not have sufficient funds in order to repay the loan if demanded and therefore the expected manner of recovery to measure lifetime expected credit losses is considered. A range of different recovery strategies and credit loss scenarios are evaluated using reasonable and supportable external and internal information to assess the likelihood of recoverability of the balance under these scenarios.

1. **Accounting policies** continued

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value net of transaction costs incurred. Subsequent to initial measurement financial liabilities are recognised at amortised costs. The difference between initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest rate method. This category includes the following classes of the financial liabilities, trade and other payables, bonds and other financial liabilities. Financial liabilities at amortised costs are classified as current or non-current depending whether these are due within 12 months after the balance sheet date or beyond.

Financial liabilities are derecognised when either the Group is discharged from its obligation, they expire, are cancelled, or replaced by a new liability with substantially modified terms.

Warrants

Warrants granted as part of a financing arrangement which fail the fixed-for-fixed criteria as a result of either the consideration to be received or the number of warrants to be issued is variable, are initially recorded at fair value as a derivative liability and charged as transaction cost deducted against the loan and subsequently amortised through the effective interest rate. Subsequently the derivative liability is revalued at each reporting date with changes in the fair value recorded within finance income or costs.

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 impairment when the fair value of the assets is assessed as less than the carrying amount of the asset. Inter-company loans are repayable on demand but are included as non-current as the realisation is not expected in the short term.

Leases

As per IFRS 16 Leases the Group have applied the modified retrospective transition approach. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: ´ fixed payments (including in-substance fixed payments), less any lease incentives receivable and variable payments based on index or rate ´ amounts expected to be payable by the Group under residual value guarantees ´ payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

1. Accounting policies continued

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').

Revenue recognition

Sales represent amounts received and receivable from third parties for goods and services rendered to the costumers. Sales are recognised when control of the goods has transferred to the customer, which is at the border to Croatia under the contract and is recorded at this point. Condensate, which is collected at a separating station and transported via trucks to a customer in Hungary is recorded on delivery according the terms of the contract. At this point in time, the performance obligation is satisfied in full with title, risk, entitlement to payment and customer possession confirmed. Revenue is measured as the amount of consideration which the Group expects to receive, based on the market price for gas and condensate after deduction of costs agreed per the Restated Joint Operating Agreement ("RJOA") and sales taxes.

Revenue is derived from the production of hydrocarbons under the Petišovci Concession, which Ascent Slovenia Limited holds a 75% working interest. Under the terms of the RJOA, and in accordance with Slovenian law, the concession holder retains the rights to all hydrocarbons produced. The concession holder enters into sales agreements with customers and transfers the relevant portion of hydrocarbon sales to Ascent Slovenia Limited for the services it provides under the RJOA.

Payments are typically received around 30 days from the end of the month during which delivery has occurred. There are no balances of accrued or deferred revenue at the balance sheet date.

Under the RJOA, the Group is entitled to 90% of the revenues until 25% of Investments in the Petišovci area have been recovered and the Group records revenue on the entitlement basis accordingly.

Credit terms are agreed per RJOA contract and are short term, without any financing component.

The Group has no sales returns or reclamations of services since it has only one costumer. Sales are disaggregated by geography.

2. Segmental Analysis

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

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

The two geographic reporting segments are made up as follows:

Slovenia	exploration, development and production
UK	head office

The costs of exploration and development works are carried out under shared licences with joint ventures and subsidiaries which are co-ordinated by the UK head office. Segment revenue, segment expense and segment results include transfers between segments. Those transfers are eliminated on consolidation. Information regarding the current and prior year's results for each reportable segment is included below.

2. **Segmental Analysis** continued

2019	UK £ '000s	Slovenia £ '000s	Eliminations £ '000s	Total £ '000s
Hydrocarbon sales	–	298		**298**
Intercompany sales	1,187	232	(1,419)	**–**
Total revenue	**1,187**	**530**	**(1,419)**	**298**
Cost of sales	–	(462)		**(462)**
Administrative expenses	(8,660)	(1,236)	7,764	**(2,132)**
Material non-cash items				
Depreciation	–	(440)	–	**(440)**
Net finance costs	(889)	(1,178)	1,143	**(924)**
Reportable segment profit/(loss) before tax	**(8,362)**	**(2,785)**	**7,487**	**(3,660)**
Taxation	–	–	–	**–**
Reportable segment profit/(loss) after taxation	**(8,362)**	**(2,785)**	**7,487**	**(3,660)**
Reportable segment assets				
Carrying value of exploration assets	–	18,968	–	**18,968**
Additions to exploration assets	–	52	–	**52**
Effect of exchange rate movements	–	(444)		**(444)**
Total plant and equipment	–	22,069	–	**22,069**
Prepaid abandonment fund	–	240	–	**240**
Investment in subsidiaries	15,443	–	(15,443)	**–**
Intercompany receivables	27,180		(27,180)	**–**
Total non-current assets	**42,623**	**40,885**	**(42,623)**	**40,885**
Other assets	260	71	–	**331**
Consolidated total assets	**42,883**	**40,956**	**(42,623)**	**41,216**
Reportable segmental liabilities				
Trade payables	(115)	(277)	–	**(392)**
External loan balances	(385)	–	–	**(385)**
Inter-group borrowings	–	(33,986)	33,986	**–**
Other liabilities	(60)	(266)	–	**(326)**
Consolidated total liabilities	**(560)**	**(34,529)**	**33,986**	**(1,103)**

2. **Segmental Analysis** continued

2018	UK £ '000s	Slovenia £ '000s	Eliminations £ '000s	Total £ '000s
Hydrocarbon sales	-	1,942		1,942
Intercompany sales	1,356	428	(1,784)	-
Total revenue	**1,356**	**2,370**	**(1,784)**	**1,942**
Cost of sales	-	(771)		(771)
Administrative expenses	(2,791)	445	585	(1,761)
Material non-cash items				**-**
Depreciation	-	(793)	-	(793)
Net finance costs	23	(1,205)	1,199	17
Reportable segment (loss)/profit before tax	**(1,412)**	**46**	**-**	**(1,365)**
Taxation	-	-	-	-
Reportable segment (loss)/profit after taxation	**(1,412)**	**46**	**-**	**(1,366)**
Reportable segment assets				-
Carrying value of exploration assets	-	18,587	-	18,587
Additions to exploration assets	-	319	-	319
Effect of exchange rate movements	-	62		62
Total plant and equipment	1	23,778	-	23,779
Prepaid abandonment fund	-	240	-	240
Investment in subsidiaries	15,443	-	(15,443)	-
Intercompany receivables	32,713		(32,713)	-
Total non-current assets	**48,157**	**42,986**	**(48,156)**	**42,987**
Other assets	303	489	-	792
Consolidated total assets	**48,460**	**43,475**	**(48,156)**	**43,779**
Reportable segmental liabilities				-
Trade payables	(53)	(229)	-	(282)
External loan balances	(44)	-	-	(44)
Inter-group borrowings	-	(32,713)	32,713	-
Other liabilities	(71)	(302)	-	(373)
Consolidated total liabilities	**(168)**	**(33,244)**	**32,713**	**(699)**

Revenue from customers
Revenue was earned by the Slovenian segment through the joint venture structure; sales were made to end customers in Slovenia £99,000; Croatia £160,000 and Hungary £39,000 (2018: Slovenia £178,000, Croatia £1,633,000, and Hungary £131,000). Gas sales comprised £259,000 (2018: £1,811,000) whilst condensate sales totalled £39,000 (2018: £131,000). The performance obligations are set out in the Group's revenue recognition policy and no outstanding performance obligations existed at year end. The price for the sale of gas and condensate is set with reference to the market price at the date the performance obligation is satisfied.

3. Operating loss is stated after charging:

	Year ended 31 December 2019 £ '000s	Year ended 31 December 2018 £ '000s
Employee costs	**693**	653
Share based payment charge	**269**	402
Depreciation	**440**	793
Included within Admin Expenses		
Audit Fees	**70**	72
Fees payable to the company's auditor other services	**–**	–
	70	72

4. Employees and directors

a) Employees

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

	Year ended 31 December 2019	Year ended 31 December 2018
Management and technical	**8**	9

b) Directors and employee's remuneration

	Year ended 31 December 2019	Year ended 31 December 2018
Employees & Directors		
Wages and salaries	**611**	570
Social security costs	**27**	37
Pension costs	**53**	41
Share-based payments	**269**	423
Taxable benefits	**2**	2
	962	1,073

4. Employees and directors continued

c) Directors remuneration

2019	Salary/fees £	Pension £	Total £	Share Based Payments expense £	Employers NIC £
Executive Directors					
J Buggenhagen	155,372	–	155,372	–	–
C Hutchinson	182,673	1,947	184,620	133,223	23,757
Non-executive Directors				–	
C Davies	29,167	–	29,167	26,645	3,368
L Castro	48,556	–	48,556	–	3,423
Total	**421,939**	**1,947**	**423,886**	**159,867**	**30,547**

2018	Salary/fees £	Bonus* £	Pension £	Total £	Share Based Payments expense £	Employers NIC £
Executive Directors						
C Hutchinson	158,900	–	904	159,804	199,543	19,825
Non-executive Directors						
C Carver	43,333	–	–	43,333	79,817	5,737
C Davies	21,667	–	–	21,667	39,909	2,287
N Moore	21,667	–	–	21,667	39,909	2,070
Total	**245,567**	**–**	**904**	**246,471**	**359,178**	**29,919**

The highest paid Director in the year ended 31 December 2019 was Colin Hutchinson earning £182,763 (2018: C Hutchinson earning £158,900). Colin Hutchinson is a member of the defined contribution pension scheme which commenced in December 2017; contributions during the year were £1,947 (2018: £904).

d) Directors' incentive share options

2019	Opening	Granted/ (Lapsed)	Closing	Date Granted	Share Price at Grant	Exercise Price	Exercise Period Start	Exercise Period End
C Hutchinson	265,688	–	265,688	23 May 13	16.4p	20p	23 May 16	23 May 23
C Hutchinson	34,964,709	–	34,964,709	05 May 16	1.58p	1.58p	05 May 19	06 May 26
C Hutchinson	34,031,255	–	34,031,255	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27

2018	Opening	Granted/ (Lapsed)	Closing	Date Granted	Share Price at Grant	Exercise Price	Exercise Period Start	Exercise Period End
C Carver	1,328,443	–	1,328,443	30 Apr 13	16.4p	20p	30 Apr 16	30 Apr 23
C Carver	13,985,884	–	13,985,884	05 May 16	1.58p	1.58p	05 May 19	06 May 26
C Carver	13,612,502	–	13,612,502	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27
C Hutchinson	265,688	–	265,688	23 May 13	16.4p	20p	23 May 16	23 May 23
C Hutchinson	34,964,709	–	34,964,709	05 May 16	1.58p	1.58p	05 May 19	06 May 26
C Hutchinson	34,031,255	–	34,031,255	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27
N Moore	6,992,942	–	6,992,942	05 May 16	1.58p	1.58p	05 May 19	06 May 26
N Moore	6,806,251	–	6,806,251	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27
C Davies	6,992,942	–	6,992,942	05 May 16	1.58p	1.58p	05 May 19	06 May 26
C Davies	6,806,251	–	6,806,251	07 Nov 17	1.975p	1.975p	06 Nov 20	08 Nov 27

5. Finance income and costs recognised in the year

Finance income	Year ended 31 December 2019 £ '000s	Year ended 31 December 2018 £ '000s
Foreign exchange movements realised	–	1
Other income	–	25
	–	26

Finance costs		
Accretion charge on convertible loan notes	**(3)**	(8)
Interest charge on loans	**(40)**	–
Change in fair value of receivable under Equity Sharing Agreement	**(814)**	–
Bank charges	**(67)**	(1)
	(924)	(9)

Please refer to Note 14 for a description of financing activity during the year.

6. Income tax expense

	Year ended 31 December 2019 £ '000s	Year ended 31 December 2018 £ '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 2019 £ '000s	Year ended 31 December 2018 £ '000s
Loss for the year	**(3,660)**	(1,365)
Income tax using the Company's domestic tax rate at 19% (2017: 19%)	**(696)**	(259)
Effects of:		
Net increase in unrecognised losses c/f	**2,816**	257
Effect of tax rates in foreign jurisdictions	**32**	36
Other non-taxable items	**(2,152)**	(34)
Other non-deductible expenses	-	-
Total tax expense for the year	-	-

Unrecognised losses have increased for year ended 31 December 2019 as a result of the actual tax losses generated by the Slovenian business.

7. Deferred tax – Group & Company

	2019 £ '000s	2018 £ '000s
Group		
Total tax losses – UK and Slovenia	**(48,424)**	(36,684)
Unrecorded deferred tax asset at 17% (2018: 17%)	**8,232**	6,236
Company		
Total tax losses	**(11,772)**	(11,829)
Unrecorded deferred tax asset at 17% (2018: 17%)	**2,001**	2,011

No deferred tax asset has been recognised in respect of the tax losses carried forward. Refer to critical accounting estimates and judgments. The tax losses in the UK and Slovenia do not expire.

8. Loss per share

	31 December 2019 £ '000s	31 December 2018 £ '000s
Result for the year		
Total loss for the year attributable to equity shareholders	**(3,660)**	(1,365)
Weighted average number of ordinary shares	**Number**	Number
For basic earnings per share	**26,590,316**	22,709,682
Loss per share (Pence)	**(0.14)**	(0.06)

In March 2020, shareholders approved a share re-organisation, including a 100:1 consolidation, with the nominal value of the shares to be set to 0.05 pence. The weighted average number of shares of 2019 and 2018 reflects the impact of the consolidation.

As the result for the year was a loss, the basic and diluted loss per share are the same. At 31 December 2019, potentially dilutive instruments in issue were 145,076,254 (2018: 184,833,861). Dilutive shares arise from share options, the 43 million warrants to be issued pursuant to the Riverfort funding arrangement and CLNs issued by the Company and from the deferred consideration on the Trameta transaction.

9. Property, Plant & Equipment – Group

	Computer Equipment	Developed Oil & Gas Assets	Total
Cost			
At 1 January 2018	6	24,135	24,141
Additions	–	411	411
Effect of exchange rate movements	–	262	262
At 31 December 2018	**6**	**24,808**	**24,814**
At 1 January 2019	**6**	**24,808**	**24,814**
Additions	–	3	3
Effect of exchange rate movements	–	(1,328)	(1,328)
At 31 December 2019	**6**	**23,483**	**23,489**
Depreciation			
At 1 January 2018		(239)	(239)
Charge for the year	–	(793)	(793)
Effect of exchange rate movements	–	(3)	(3)
At 31 December 2018	**–**	**(1,035)**	**(1,035)**
At 1 January 2019	**–**	**(1,035)**	**(1,035)**
Charge for the year	(6)	(434)	(440)
Effect of exchange rate movements	–	55	55
At 31 December 2019	**(6)**	**(1,414)**	**(1,420)**
Carrying value			
At 31 December 2019	**–**	**22,069**	**22,069**
At 31 December 2018	6	23,773	23,779
At 1 January 2018	6	24,135	24,141

No impairment has been recognised during the year, this assumes that the Group can obtain the necessary environmental permits and the concession extension due in 2022 to continue with the planned development of the Petišovci field. Details of the impairment judgments and estimates in the fair value less cost to develop assessment as set out in Note 1, including the significant judgment regarding the ability to renew the concession and obtain required permits. Should the permits not be granted, or the concession extension confirmed, the carrying value of these assets would be impaired as the permits are required to maintain commercial production rates at the wells and in the absence of renewal of the concession the Company would not hold title to the asset.

10. Exploration and evaluation assets – Group

	Slovenia	Total
Cost		
At 1 January 2018	18,587	18,587
Additions	319	319
Effects of exchange rate movements	62	62
At 31 December 2018	**18,968**	**18,968**
At 1 January 2019	18,968	18,968
Additions	52	52
Effects of exchange rate movements	(444)	(444)
At 31 December 2019	**18,576**	**18,576**

At 31 December 2019	**18,576**	**18,576**
At 31 December 2018	18,968	18,968
At 1 January 2018	18,587	18,587

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. Details of the impairment judgments and estimates and the fair value less cost to develop assessment as set out in Note 1, including the significant judgment regarding the ability to renew the concession and obtain required permits.

The amounts for intangible exploration assets represent costs incurred on active exploration projects. Amounts capitalised are assessed for impairment indicators under IFRS 6 at each period end as detailed in the Group's accounting policy. In addition, the Group routinely reviews the economic model and reasonably possible sensitivities and considers whether there are indicators of impairment. As at 31 December 2019 and 2018 the net present value significantly exceeded the carrying value of the assets. The key estimates associated with the economic model net present value are detailed in Note 1. The outcome of ongoing exploration, and therefore whether the carrying value of intangible exploration assets will ultimately be recovered, is inherently uncertain.

11. Investment in subsidiaries – Company

	£000s
At 1 January 2017, 31 December 2018 & 31 December 2019	15,443

Name of company	Principal activity	Country of incorporation	% of share capital held 2019	% of share capital held 2018
Ascent Slovenia Limited Tower Gate Place Tal-Qroqq Street Msida, Malta	Oil and Gas exploration	Malta	100%	100%
Ascent Resources doo Glavna ulica 7 9220 Lendava Slovenia	Oil and Gas exploration	Slovenia	100%	100%
Trameta doo Glavna ulica 7 9220 Lendava Slovenia	Infrastructure owner	Slovenia	100%	100%
Ascent Resources Netherlands BV c/o Ascent Resources plc 5 New Street Square London EC4A 3TW	Oil and Gas exploration	Netherlands	100%	100%

All subsidiary companies are held directly by Ascent Resources plc.

12. Trade and other receivables – Group

	2019 £ '000s	2018 £ '000s
Trade receivables	**54**	198
VAT recoverable	**25**	29
Prepaid abandonment liability	**240**	240
Amounts receivable on ESA	**173**	-
Prepayments & accrued income	**-**	6
	494	473
Less non-current portion	**(240)**	(240)
Current portion	**254**	233

Refer to note 1 for details of the accounting treatment and associated fair value estimates associated with the amounts receivable on the equity sharing agreement (ESA).

13. Trade and other receivables – Company

	2019 £ '000s	2018 £ '000s
VAT recoverable	**16**	5
Amounts receivable on ESA	**173**	-
Prepayments & accrued income	**7**	6
	196	11

14. Borrowings – Group & Company

	2019 £ '000s	2018 £ '000s
Group		
Current		
Borrowings	**368**	–
Convertible loan notes	**17**	–
Non-current		
Convertible loan notes	**–**	44
	385	44
Company		
Current		
Borrowings	**368**	–
Convertible loan notes	**17**	–
Non-current		
Convertible loan notes	**–**	44
	385	44

The Borrowings relate to the loan arrangement entered into with Riverfort Global Opportunities in September 2019, which post period in review was refinanced in March 2020 as detailed in note 21. The loan bears interest at 10% coupon and is repayable on or before September 2020 with accrued interest. The loan was unsecured.

The convertible notes were due for redemption on 19 November 2019 and at the balance sheet date £17,000 remained unclaimed.

15. Provisions – Group

	£000s
At 1 January 2018	266
Foreign exchange movement	(3)
At 31 December 2018	263
At 1 January 2019	263
Foreign exchange movement	(8)
At 31 December 2019	**255**

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 2037. The Company has placed €300,000 (£279,000) on deposit as collateral against this liability see Note 12.

16. Trade and other payables – Group

	2019 £ '000s	2018 £ '000s
Trade payables	**392**	282
Tax and social security payable	**5**	15
Other payables	**–**	29
Accruals and deferred income	**66**	66
	463	392

17. Trade and other payables – Company

	2019 £ '000s	2018 £ '000s
Trade payables	**115**	53
Tax and social security payable	**6**	3
Other payables	**–**	9
Accruals and deferred income	**54**	59
	175	124

18. Called up share capital

	2019 £ '000s	2018 £ '000s
Authorised		
10,000,000,000 ordinary shares of 0.10p each	**10,000**	10,000
Allotted, called up and fully paid		
3,019,648,452 (2018: 2,291,310,686) ordinary shares of 0.2pence each (2018: 0.2p each)	**7,604**	6,146

Reconciliation of share capital movement	2019 Number	2018 Number
At 1 January	**2,291,310,686**	2,268,750,320
Loan note conversions	**–**	60,366
Issue of Trameta consideration shares	**–**	22,500,000
Placings	**728,337,766**	–
At 31 December	**3,019,648,452**	2,291,310,686

18. Called up share capital continued

Shares issued during the year

The Company raised funds through placings during the year:

- On 25 January 2019, the Company raised £363,156 (£345,703 net of costs) via the Placing of 121,052,097 Ordinary Shares with investors using the PrimaryBid.com platform.
- On 24 April 2019, the Company raised £750,000 (£708,950 net of costs) via the Placing of 214,285,669 Ordinary Shares with various institutional investors.
- On 23 September 2019, the Company raised £1,080,750 (£1,071,744 net of costs) via the Placing of 393,000,000 Ordinary Shares with Riverfort Global Investors.

Shares issued during the prior year

There was one conversion request processed during the prior year and shares were issued in connection with deferred consideration for the Trameta transaction.

Shares issued post the year in review

Please see Note 21 Events subsequent to the reporting period

Reserve description and purpose

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

- Share capital: Amount subscribed for share capital at nominal value.
- Merger reserve: Value of shares, in excess of nominal value, issued with respect of the Trameta acquisition in 2016.
- Equity reserve: Amount of proceeds on issue of convertible debt relating to the equity component and contribution on modification of the convertible loan notes, i.e. option to convert the debt into share capital.
- Share premium: Amounts subscribed for share capital in excess of nominal value less costs of shares associated with share issues.
- Share-based payment reserve: Value of share options granted and calculated with reference to a binomial pricing model. When options lapse or are exercised, amounts are transferred from this account to retained earnings.
- Translation reserve: Exchange movements arising on the retranslation of net assets of operation into the presentation currency.
- Accumulated losses: Cumulative net gains and losses recognised in consolidated income.

19. Exploration expenditure commitments

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

At 31 December 2019, the Group had exploration and expenditure commitments of £ Nil (2018 - Nil).

20. Related party transactions

a) Group companies – transactions

	2019			2018		
	Cash	Services	Total	Cash	Services	Total
Ascent Slovenia Limited	**111**	**1,858**	**1,969**	1,209	302	1,511
Ascent Resources doo	**(9)**	**(5)**	**(14)**	–	2	2
Trameta doo	**2**	**–**	**2**	–	–	–
	102	**1,853**	**1,955**	1,209	304	1,513

b) Group companies – balances

	2019			2018		
	Cash	Services	Total	Cash	Services	Total
Ascent Slovenia Limited	**17,084**	**5,404**	**22,488**	23,303	4,455	27,758
Ascent Resources doo	**2,951**	**1,730**	**4,681**	3,118	1,828	4,946
Trameta doo	**11**	**–**	**11**	9	–	9
	20,046	**7,134**	**27,180**	26,430	6,283	32,713

Cash refers to funds advanced by the Company to subsidiaries. Services relates to services provided by the Company to subsidiaries. The loans are repayable on demand but are classified as non-current reflecting the period of expected ultimate recovery.

Following the introduction of IFRS 9 Management have carried out an assessment of the potential future credit loss the loans classified as 'stage 3' under IFRS 9 and assessed for lifetime expected credit loss given their on-demand nature under a number of scenarios. The Company would suffer a credit loss where the permits necessary for the development of the field are not obtained and a court case for damages against the Republic of Slovenia is unsuccessful. Based on legal advice received in relation to the permit process and the strength of our case we consider the risk of credit loss to be low. A provision of £4.8m (2018: £1.7m) has been recognised in the Company accounts.

	2019 £ '000s	2018 £ '000s
Expected credit loss provision start of the year	**1,700**	–
Change in expected credit loss	**4,800**	1,700
Expected credit loss provision at the end of the year	**6,500**	1,700

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.

2019

There were no transactions involving directors during the year.

2018

There were no transactions involving directors during the year.

21. Events subsequent to the reporting period

COVID-19 has had limited direct impact on Ascent's assets in Slovenia but there may be delays in obtaining the necessary governmental approvals. Production operations in Slovenia have been unaffected to date, with the assets being managed through a combination of on-site working within social distancing guidelines or remote oversight, with all appropriate safety procedures remaining in place to protect staff and local communities although the potential for future disruption to operations remains. The pandemic has also created volatility in commodity markets with gas prices having reduced subsequent to the period end. A sustained reduction in the gas price over the longer term may impact the economic value of the Slovenian assets, although current futures markets indicate pricing that supports the economics of the field.

Changes to the Board of Directors in March and April of 2020 included the appointment of new Executive Chairman James Parsons, Chief Executive Officer Andrew Dennan, Non-Executive Directors Ewen Ainsworth and Leonardo Salvadori.

The Company has completed a restructuring of the RiverFort equity sharing and loan arrangements and cancellation of warrants due to be issued to RiverFort. As a result, the existing Equity Sharing Agreement announced on 20 September 2019 has been cancelled. The outstanding loan of $468,776 at the date of the agreement with Riverfort has been re-negotiated to a two-year coupon free bullet with conversion rights for the lender at 0.075 pence per share (7.5 pence per share post consolidation). No conversion can occur until the share price exceeds 0.1 pence (10 pence post consolidation) per share for five consecutive days. The Company has a right to buy out up to 50% of the loan prior to its expiry at nil premium whilst the share price is below the conversion price. If the Company does exercise this right, then the conversion price is adjusted upwards to 0.0875 (8.75 pence post consoldiation). The 43 million warrants initially to be awarded to Riverfort, as announced on 20 September 2019, will no longer be awarded.

The Company has launched a new international growth strategy focused on Caribbean, Hispanic Americas and Europe. As part of the strategy new country entry to Cuba arose with the acquisition of Energetical Limited securing MOU to producing block 9B and the signature of three MOUs with Cuban National Oil Company CUPET over a further three exploration blocks 9A, 12 and 15 covering over 7,000 km2 onshore Cuba.

On 14 April 2020 the Group acquired Energetical for a total consideration of £652,500 of which £202,500 has been satisfied by the issue of 6 million new shares and, subject to the Company signing a production sharing contract ('PSC') over Cuban onshore producing block 9B, deferred consideration of £450,000 which will be satisfied by way of a cash payment of £100,000 and the issue of new shares for a consideration of £350,000 to be issued at the 30 day volume weighted average share price of the Company at the time of PSC signature.

The acquisition of Energetical has secured the rights for the Company to exclusively negotiate the production sharing contract for block 9B which is expected to give the Company an entitlement to incremental barrels produced above the existing base of circa 190 bbls/day from three wells.

In March 2020, shareholders approved a share re-organisation, including a 100:1 consolidation, with the nominal value of the shares to be set to 0.05 pence.

On 5 March 2020 the Company completed a fundraising for gross proceeds of £685,000 at 5 pence per share and on 30 April 2020 a further £212,500 by the issuance of new shares at 2.75 pence.

22. Share based payments

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

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

	Shares	Weighted Average price (pence)
Outstanding at 1 January 2018	152,576,254	2.38
Outstanding at 31 December 2018	152,576,254	2.38
Exercisable at 31 December 2018	**5,685,738**	**20.00**
Outstanding at 1 January 2019	152,576,254	2.38
Outstanding at 31 December 2019	152,576,254	2.38
Exercisable at 31 December 2019	**77,013,744**	**2.94**

The value of the options is measured by the use of a binomial pricing model. The inputs into the binomial model made in 2017 were as follows. No options were issued in 2018 and 2019 and so no equivalent table is disclosed for 2018 and 2019.

Share price at grant date	1.32p – 1.58p
Exercise price	1.54p – 2.00p
Volatility	50%
Expected life	3-5 years
Risk free rate	0.5%
Expected dividend yield	0%

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

Options outstanding at 31 December 2019 have an exercise price in the range of 1.58p and 20.00p (31 December 2018: 1.58p and 20.00p) and a weighted average contractual life of 9.9 years (31 December 2018: 7.6 years).

Trameta acquisition

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

The 75 million consideration shares, not including the option, were valued using the Black-Scholes model under the assumption that 100% of the shares will vest as management expects all four of the vesting criteria to be successfully achieved. The conditions have been met for the first three tranches, being completion of the SPA, the certification of the pipeline and the transmission of the first million cubic metres of gas along the export pipeline. As at the balance sheet date 27,500,000 remain outstanding valued at £385,000.

22. Share based payments continued

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

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

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

The value of the shares and options was £1.1 million which was recognised in 2016 as an addition to exploration and evaluation costs. The option with a value of £52,500 expired in the year and the amount has therefore been reclassified from share based payment reserve to retained earnings.

Riverfort Warrants

In September 2019 the Company entered into financing arrangements with Riverfort which included an agreement to issue 43 million warrants in the future. The Warrants were to be issued subject to shareholder approval, and subsequent to post period in review events will now not be issued as detailed in note 21. However, the Company had agreed to issue the warrants and consequently the warrants had a value at the time of agreement to be issued of £43,018. The value of the options was measured by the use of a binomial pricing model. The inputs into the binomial model in respect of the warrants were as follows:

Share price at grant date	0.275p
Exercise price	0.33p
Volatility	50%
Expected life	4 years
Risk free rate	3%
Expected dividend yield	0%

As at the balance sheet date the fair value of the 43 million warrants proposed to be issued to Riverfort was £4,901 as a result of the reduction in the Company share price.

23. Notes supporting the statement of cash flows

Group	2019 £ '000s	2018 £ '000s
Cash at bank and available on demand	**77**	376
Cash held on deposit against bank guarantee	**-**	180
	77	556

Company	2019 £ '000s	2018 £ '000s
Cash at bank and available on demand	**64**	112
Cash held on deposit against bank guarantee	**-**	180
	64	292

Included within cash and equivalents in the prior year was £180,000 which is held as €200,000 on deposit as a security against a bank guarantee against a gas sales agreement. The Gas Sales Agreement originally lasted a minimum term of 12 months which expired in November 2018 and was extended to May 2019. All amounts held on deposit were released during the year.

Under the terms of the equity sharing agreement, RiverFort subscribed for 393,00,000 shares for £1,080,750 with a receivable established for the amounts to be received which depended on the subsequent share price performance as detailed in note 1. Accordingly, the cash received under the arrangement was not equal to the shares subscribed.

Significant other non-cash transactions are as follows:

	2019 £ '000s	2018 £ '000s
Conversion of loan notes	**-**	-
Fair value movement on equity sharing agreement receivable	**814**	-
Interest charged on loans	**40**	-
Accretion charge on convertible loan notes	**3**	8

A reconciliation of the debt is as follows:

	Borrowings	Convertible Loan	Receivables at fair value
Balance at 1 January 2019	–	44	–
Loans advanced	400	–	–
Loans repaid	(32)	(27)	–
Accretion interest	–	3	–
Receivable recognised on ESA	–	–	1,081
Shares sales under ESA	–	–	(95)
Write down Adjustment to fair value	–	–	(812)
Balance at 31 December 2019	**368**	**17**	**173**

24. Financial risk management

Group and Company

The Group's financial liabilities comprise CLNs, borrowings, warrants and trade and other payables. All liabilities are measured at amortised cost except for the warrants which are immaterial. These are detailed in Notes 14, 15 and 16.

The Group has various financial assets, being trade and other receivables and cash, which arise directly from its operations. All are classified at amortised cost except for the amounts receivable under the equity sharing agreement at 31 December 2019 which are held at fair value through profit and loss as disclosed in note 12. These are detailed in Notes 12, 13 and 23.

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

a) Credit risk

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

The Group makes allowances for impairment of receivables where there is an ECL identified. Refer to Note 20 for details of the intercompany loan ECL assessment.

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

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

At Company level, there is the risk of impairment of inter-company receivables if the full amount is not deemed as recoverable from the relevant subsidiary company. These amounts are written down when their deemed recoverable amount is deemed less than the current carrying value. An IFRS 9 assessment has been carried out as per Note 1.

b) Market risk

i) Currency risk

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

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

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

Foreign currency sensitivity analysis

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

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

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

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

24. Financial risk management continued

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	
Group	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Profit or loss		
10% strengthening of sterling	**14**	33
10% weakening of sterling	**(2)**	(55)
Equity		
10% strengthening of sterling	**(3,448)**	(3,897)
10% weakening of sterling	**4,726**	4,764
Company		
Profit or loss		
10% strengthening of sterling	**(108)**	(123)
10% weakening of sterling	**132**	151
Equity		
10% strengthening of sterling	**(4,036)**	(4,542)
10% weakening of sterling	**4,932**	5,551

ii) Interest rate risk

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

At 31 December 2019, the Group and Company has GBP loans of £385,000 rates of 0% - 12% per annum. At 31 December 2018, the Group and Company had GBP loans of £44,000 rates of 0% per annum.

iii) Liquidity risk

Liquidity risk refers to the risk that the Company has insufficient cash resources to meet working capital requirements.

The Group and Company manages its liquidity requirements by using both short- and long-term cash flow projections and raises funds through debt or equity placings as required. 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.

24. Financial risk management continued

	Group		Company	
	2019 £ '000s	2018 £ '000s	2019 £ '000s	2018 £ '000s
Less than six months - loans and borrowings	**385**	–	**385**	–
Less than six months - trade and other payables	**458**	377	**169**	121
Between six months and a year – loans and borrowings	**–**	44	**–**	44
Over one year	**–**	–	**–**	–

c) Capital management

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

d) There are no externally imposed capital requirements.

e) Fair value of financial instruments

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

Capital management - Group	Carrying amount Year ended 31 December 2019	Fair Value Year ended 31 December 2019	Carrying amount Year ended 31 December 2018	Fair Value Year ended 31 December 2018
Financial assets measured at amortised cost				
Cash and equivalents – unrestricted	**77**	**77**	375	375
Cash and equivalents - restricted	**–**	**–**	180	180
Trade receivables	**54**	**54**	198	198
Prepaid abandonment fund (refundable)	**240**	**240**	240	240
Financial assets measured at fair value				
Receivable under ESA	**173**	**173**	–	–
Financial liabilities measured at amortised cost				
Trade and other payables	**458**	**458**	282	282
Loans at fixed rate	**385**	**385**	–	–
Convertible loans at fixed rate	**17**	**17**	44	44

24. Financial risk management continued

Capital management - Company	Carrying amount Year ended 31 December 2019	Fair Value Year ended 31 December 2019	Carrying amount Year ended 31 December 2018	Fair Value Year ended 31 December 2018
Financial assets measured at amortised cost				
Cash and equivalents - unrestricted	**63**	**63**	112	112
Cash and equivalents - restricted	**–**	**–**	180	180
Trade receivables	**–**	**–**	–	–
Financial assets measured at fair value				
Receivable under ESA	**173**	**173**	–	–
Financial liabilities measured at amortised cost				
Trade and other payables	**169**	**169**	377	377
Loans at fixed rate	**385**	**385**	–	–
Convertible loans at fixed rate	**–**	**–**	44	44

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

Trade and other receivables/payables & inter-company receivables
All trade and other receivables and payables have a remaining life of less than one year. The ageing profile of the Group and Company receivable and payables are shown in Notes 12, 13, 14, 16 and 17.

Loans at fixed rate
Loans are initially measured at fair value and subsequently at amortised costs. The fair values of the Group and Company loans are considered equal to the book value as the effect of discounting on the financial instruments is not considered to be material.

Equity sharing agreement receivable
The equity sharing agreement receivable has been deemed to be level 2 assets under the fair value hierarchy. The receivable has been valued using the monte carlo model. The inputs to the fair value assessment included the Company's share price, modelled scenarios for future share price volatility movements and a risk free discount rate.

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

25. Commitments & contingencies

Following first commercial revenues in Slovenia the Group received legal claims relating to past activities. Based on legal advice received we consider these to be spurious and without merit. The Board will vigorously reject such opportunistic approaches.

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