# Annual Report and Financial Statements 2022

Company Number: 05239285

# Ascent Resources plc

**(“Ascent” or the “Company”)**

**Ascent Resources Plc is a London Stock Exchange AIM listed energy and natural resources operating company focused on onshore gas production and ESG metals across Hispanic Americas and Europe.**

# Contents


Chairman’s Statement .... 2

Chief Executive Officer’s Statement .... 3

Strategic Report .... 8

Summary of Group Net Oil and Gas Reserves .... 19

Directors’ Report .... 20

Board of Directors .... 24

Directors and Advisers .... 25

Corporate Governance Report .... 26

Audit Committee Report .... 31

Remuneration Committee Report .... 32

Statement of Directors Responsibilities .... 34

Independent Auditor’s Report .... 35

Consolidated Statement of Comprehensive Income .... 41

Consolidated Statement of Financial Position .... 42

Company Statement of Financial Position .... 43

Consolidated Statement of Changes in Equity .... 44

Company Statement of Changes in Equity .... 45

Consolidated Cash Flow Statement .... 46

Company Cash Flow Statement .... 47

Notes to the Accounts .... 48

# Chairman's Statement

Ascent Resources plc has been focused in recent years on defending its investment interests following the Republic of Slovenia's ban on stimulation, effectively expropriating the Company's flagship oil and gas assets. Having secured a binding damages-based agreement, successfully registered the claim and very recently constituted the Tribunal, the arbitration process is now firmly in play. This includes, as announced in August 2022, making a formal submission of the request for arbitration against the Republic of Slovenia, which included an updated preliminary damages assessment in excess of €500 million (it should be cautioned that in the event the Company is successful in its claim any amount actually received by the Company may be significantly lower). It also includes the Tribunal being constituted.

Whilst these arbitration proceedings alone, we believe, already make Ascent Resources plc a unique and compelling proposition for shareholders, the Company has also been preparing for its maiden ESG Metals/ tailings transaction. Despite recent political turmoil in Peru, the company's near-term focus remains on Latin America with its deep-rooted mining legacy and attractively priced opportunity set. Once delivered, the Company's maiden transaction is expected to provide balance to the portfolio, dovetailing in assets that can exhibit sustainable and low risk cash flow generation with the binary outcome of our potentially highly material claim. Our recent intended bid for Amur Minerals Corporation is one component of a carefully planned funding strategy for this maiden transaction, which seeks to minimises equity dilution.

Gas production at the Petisovci project in Slovenia has continued with the PG-10 and PG-11A wells producing a total of 1,164,500 scm of gas during 2022. Despite significant partner complexity in country, the Company received a net payment of €651k in 2022 as payment for hydrocarbon revenues related to the 2020 and 2021 production years. For the 2022 production, a further €1.3million net revenue remains outstanding at year end and due to the uncertainty of settlement has not been recognised in the 2022 financial statements (Note 1 – Revenue recognition). Accordingly in December 2022 ASL initiated arbitration proceedings to ensure its partners compliance with its obligations to pay owed amounts from the PG-10 and PG-11A wells in addition to ASL's claim to receive, whilst it is in a preferential cost recovery mode (i.e. until it has earnt back its investment) its share of production above the baseline production profile for the other wells on the concession area. In April 2023, after the period in review the arbitration tribunal has been constituted. The parties have agreed ASL's recognition of PG-10 and PG-11A hydrocarbons for January 2022 through to February 2023 which is a total payment of €1.4m (net of VAT). The arbitration proceedings in relation to ASL's claim for revenue from the other wells took place in mid-June 2023 and the Company awaits the tribunal decision shortly.

We thank our shareholders for their patience and ongoing support as we continue to navigate the Company away from its legacy Slovenian business and towards the exciting opportunities that we see elsewhere in ESG mining/tailings whilst continuing to pursue our arbitration claim. We look forward to updating shareholders on our progress in what we believe will be a very exciting and rewarding year for Ascent shareholders.

# Chief Executive Officer’s Statement

**Legacy Slovenian Investment & ECT Damages Claim**

2022 has been a year of significant change directly impacting the Company’s flagship project in Slovenia, with the Government of Slovenia, in April 2022, voting to implement changes to the country’s mining laws which, specific to the Company, included a ban on the production of hydrocarbons with the use of any form of stimulation which then came quickly into effect in May. Given that the future development plans of the Petisovci field have always included the use of low volume hydraulic stimulation (in conformity with the EU definition on stimulation levels), which has been conducted some thirty or more times on the field during the last fifty years, the ban has now destroyed the full economic value of Ascent’s investment in Slovenia given that the Company will now no longer be able to execute the field development plan to be able to produce the 400+bcf discovered gas in place in the tight rock reservoirs. As such, the Company undertook a review of the Petisovci field at the end of the year and recognising that the economic value had been substantially destroyed, took the decision to recognise a 100% write down of the historical PPE and capitalised exploration costs totalling £39.7m.

The Company responded quickly to these law changes and served the Republic of Slovenia (“Slovenia” or “the State”) with a new notice of dispute of further breaches under the UK-Slovenia bilateral investment treaty (“BIT”) and the Energy Charter Treaty (‘ECT’) on 5 May 2022. The Company then entered into a binding damages agreement, appointing Enyo Law LLP to represent it in its dispute with the State, as announced on 30 May 2022. Enyo Law LLP is a specialist arbitration and litigation legal firm who filed both of the Notices of Disputes on behalf of the Company and who represented the Company in 2021’s pre-arbitration negotiations with the Republic of Slovenia. On 15 August 2022, the Company formally initiated arbitration proceedings against the Republic of Slovenia with a revised monetary damages claim in excess of €500 million, which was accepted and successfully registered by the International Centre for Settlement of Investment Disputes (“ICSID”) on 1 September 2022. It should be cautioned that in the event the Company is successful in its claim any amount actually received by the Company may be significantly lower.

The Company appointed Mr Klaus Reichert (German/Irish) as its arbitrator in November 2022. Mr Reichert is a very experienced arbitrator having participated in over 250 disputes. In December 2022, Slovenia appointed Ms Brigitte Stern, a French professor and experienced arbitrator. Post period end Dr Raed Fathallah (Canadian, French, Lebanese) was appointed as president arbitrator and accordingly on 7 March 2023 the Tribunal was constituted in accordance with Article 37(2)(a) of the ICSID Convention. Following a procedural first session in April 2023 the case will continue to progress through the structured arbitration process. It should be cautioned that in the event the Company is successful in its claim any amount actually received by the Company may be significantly lower.

The claim results from what the Board believe to be a populist campaign carried out by Slovenia against the Company and its investment, which has prevented the development of the Petišovci oil and gas field. In particular, Slovenia has prevented the restimulation of two wells (PG-10 and PG-11A) in 2017, which was necessary to maintain the levels of gas produced from the tight rock reservoir (as has been done multiple times over the last fifty years). This frustration of the ability to develop the field was initiated via a decision of the State’s regulator, the Slovenian Environment Agency (“ARSO”), which determined that an Environmental Impact Assessment (“EIA”) would be required to be approved in order to conduct the low-volume hydraulic stimulation, even though such an EIA was not required and never had been previously under Slovenian law, and ARSO's conclusion was contrary to the conclusion of Slovenia's own expert bodies. This decision significantly slowed down the development of the field by the Company. Pending such low-volume hydraulic

stimulation, the amount of gas produced by the field was very significantly reduced, resulting in a significant loss of the Company's revenues.

At the same time, the Minister of the Environment and Spatial Planning of Slovenia repeatedly made public statements portraying Ascent, as well as the Petišovci project, in a negative light, and the Company believes that leaks were made by ARSO to the press. This further demonstrates that ARSO was biased against the Company and that the ARSO's decision was politically motivated. Slovenia's campaign against the investors culminated in a complete ban on low-volume hydraulic stimulation, which came into effect on 5 May 2022. The Board believes that statements made during the parliamentary debate on the ban leave no doubt that the Investors were being specifically targeted by it. This has left Ascent with no choice but to execute on its claim in relation to Slovenia's measures that have destroyed the value of Ascent's investments in the Slovenian energy sector, and which have de facto deprived Ascent of its right to produce gas in Slovenia. Ascent's rights have been unlawfully expropriated by Slovenia, in breach of the country's obligations under international law and both the ECT and the BIT. The Company has therefore sustained losses for which it is seeking compensation. The Company remains amenable to discussing settlement with the Republic of Slovenia following its review of the matter or otherwise pursuing this significant damages claim through to a binding result for the Company.

**Slovenia Operational Update**

Throughout the year the wells in the concession area have continued to produce small volumes of gas into the buoyant gas market with sales continuing to local industrial buyers through the low pressure pipeline. Total production from the PG-10 and PG-11A wells in 2022 was 1.1 million scm of gas and 37,855 litres of condensate and the average realised gas price for this production was €125/MWh, resulting in net invoiceable hydrocarbon revenues of €1.3 million due to ASL from the PG10 and PG11A wells only.

The Company's subsidiary, Ascent Slovenia Limited ("ASL"), continued to manage the ongoing disputes with its joint venture ("JV") partner Geoenergo as well as the JV's service provider Petrol Geo. (Geoenergo is 50% owned by Nafta Lendava which is a 100% Slovenian government controlled entity and 50% owned by Petrol which is a publicly listed 30% Slovenia State controlled company, Petrol Geo is a connected party by virtue of being a 100% subsidiary of Petrol). Whilst these disputes resulted in a continuing commercial stalemate throughout the period under review, ASL made some progress when in August 2022 it was able to agree recognition of payment for the outstanding hydrocarbon sales proceeds from the PG-10 and PG-11A wells for the period April 2020 through to December 2021 which was a total gross sum of €832k. As part of the agreements with Geoenergo for Ascent to receive these proceeds, ASL also agreed to recognise costs of €181k which Geoenergo claims to have paid in relation to the concession extension, as a result the Company received a net payment of €651k in August 2022. ASL was also successful in agreeing its share of the PG-10 and PG-11A revenues for the first half of 2022 amounting to €857k, however despite Geoenergo's prior confirmation that they would make this outstanding and owed payment in August as well, at the financial year end this amount was still outstanding as is the amount for the invoices raised and sent through the second half of 2022.

The revenue recognition dispute has been through a mediation process in September 2022, following which in December 2022 the Company raised some new equity proceeds to lodge its arbitration claim against Geoenergo in pursuit of a binding and enforceable resolution to this matter as well as resolution over ASL and Geoenergo's different interpretations of the joint venture contract relating to ASL's entitlement to hydrocarbons produced above a contractual base line performance profile whilst ASL is in a preferential cost recovery mode (i.e. until it has earnt its investment back). The arbitration is in process and has a long stop date, according to the Ljubljana Arbitration Centre rules, of 26 October 2023 to reach a binding result. The Company expects to make meaningful progress on this claim in the summer months of 2023, with the Company and its in country legal advisors remaining confident in the merits of ASL's claims which seek

payment for in excess of €3 million from Geoenergo over the last three years. The tribunal hearing to decide on entitlement happened in June 2023 and the decision is expected to be rendered shortly. Separately, Petrol Geo had a claim against the joint venture over monthly fixed fee service invoices which the joint venture has rejected since April 2020 until February 2023 based on a significant change in circumstances. At the financial year end, Petrol Geo were claiming a total sum of approximately €1.7 million is owed by the joint venture in rejected monthly invoices. Post period under review, the JV and Petrol Geo entered into a dispute mediation process, which in April 2023 resulted in a mutually agreed resolution to this matter. Petrol Geo's claims against the JV over disputed and rejected invoices claimed since 2019 through to February 2023, totalling €2,083,491 (plus claimed interests and costs), were agreed to be settled for €1,436,000, representing a discount of approximately 30% to the face value. For the year under review €501,000 (net) of this settlement amount has been recognised against the 2020 and 2021 revenue noted above. Furthermore, the JV successfully renegotiated a reduction in Petrol Geo's fixed fee until the concession expiration in November 2023 to the higher of i) €20,000 per month, being a 55% discount to the prior fee level; or ii) 35% of ASL's share of the hydrocarbons produced from the PG-10 and PG-11A wells. The previous fee was a fixed €44,000 per month, which was unstainable when the gas prices were lower and as production levels continue to naturally decline.

Post the year end, Slovenia has approved new amendments to its mining concession legislation which proposes to give automatic 30 months extensions to those concessions which are due to expire in 2023 and 2024. Accordingly, the concession was previously due to expire on 28 November 2023 and is now expected, upon submission by Geoenergo of the relevant information, to be extended to 28 May 2026.

**New Environment, Social & Governance ('ESG') Metals Strategy**

The Company remains very focused on executing on its new ESG Metals growth strategy and confirmed this during the year announcing that whilst the Company continues to evaluate a number of ESG Metal transactions across Latin and Hispanic America, it has identified Peru as a primary target geography. Peru is widely recognised as one of the largest and most diversified mineral producers with some of the most extensive reserves in the world with mining the most important sector in the Peruvian economy (some 10% of national GDP). Peru is currently the world's second largest Copper, Silver and Zinc producer and Latin America's largest Gold, Zinc, Tin and Lead producer. Peru's Long-Term Credit Rating is rated as BBB by most agencies, which is amongst the strongest in the region. The country also benefits from a long history of mining, a robust mining legal framework and a significant pool of local expertise. Similarly, a lot of these traits are shared by neighbouring Chile, which is the world's largest Copper producer and has a long history or mining and mineral processing giving rise to large accumulations of surface stockpiled materials consistent with the Company's ESG Metals strategy.

The Company sees significant opportunity for attractive entry points in mining following the global pandemic which has triggered international capital flight and significant capital constraints for small-scale miners. The Company therefore initially expects to focus its attention on small-scale operations (up to 350 tpd), which the Company considers affordable, of an efficient operational and commercial scale and which have multiple local operating and permitting benefits. The Company is actively developing a number of potential transactions in the gold tailing re-processing and artisanal gold ore processing theme, however given the political disruption in Peru towards the end of 2022 and beginning of 2023, the Company expects its first transaction in ESG Metals may be in a neighbouring territory, with the expectation that a new country entry to Peru focused on precious metals would still materialise in the Company's near future.

**Corporate & Funding**

The Board have continued to manage costs and relationships with JV parties while its legacy disputes continue to be resolved, managing various historical outstanding balances and raising additional funds to enable the pursuit of the Company's damages claim against Slovenia, its Slovenian JV partner and for the new ESG Metals initiatives. The Company successfully funded its significant monetary damages claim against Slovenia through the damages-based agreement to appoint Enyo Law LLP to represent it. Consequently the Company remains positioned as a clean vehicle with a strong Board, access to capital, a funded significant damages claim and a clear growth trajectory.

In January 2022, in support of the Company focusing its ESG Metal strategy on Latin America, the Company successfully raised new gross equity proceeds of £0.6 million to fund working capital requirements and wider business development activity at a price of 3.3 pence per new share, which represented a nil discount to the closing bid price on the prior day. The subscribers received one new equity warrant per new share subscribed for, with the warrant being exercisable at 5p per warrant share at any time in the next two years. In April 2022, the Company agreed with the holders of the remaining 4p equity warrants that were issued on 6 August 2020 to an immediate warrant exercise whereby all 4p warrants were exercised, realising new equity proceeds of £242,500 for the Company. In exchange for this accelerated warrant exercise, the Company awarded one and half new warrants for each warrant exercised, with each new warrant being exercisable at 5p per new warrant at any time over the next three years. In December the Company successfully raised new equity proceeds of £0.6 million by way of issue of 15 million new shares at 4p, being the closing bid price on the night before. Each placing share was issued with a warrant at 5p.

Alongside the December 2022 placing, the Company agreed with its only lender, RiverFort, to restructure its debts and to repay £50,000 of the total outstanding payment obligations of £561,620, with £25,000 in cash plus £25,000 which will be satisfied with the issue of 625,000 new shares. The remaining balance of £511,620 was re-profiled such that it will incur a coupon of 8 per cent and now be redeemable in six equal cash instalments of £92,091.60 as of 14 September 2023 and monthly thereafter with final payment on 14 February 2024.

Additionally, the Company was successful in recognising some revenue in the 2022 financial year with receipt of a net payment (after certain concession related costs) of €651k in August 2022. Post the year end the Company also recognised €1,724,689 of revenue for January 2022 through to February 2023, against which it also agreed to acknowledge and pay the discounted amount of €1,436,000 to Petrol Geo in full and final payment of all amounts claimed to be owed and outstanding since 2019 to February 2023. Post the year end the Company therefore received net cash payment of €288,689 as a result of a successful mediation process involving the negotiation of a discount to historic and future fixed processing costs being charged by Petrol Geo.

In February 2022, Mr Ewen Ainsworth stepped down from his position as Non-Executive Director following his acceptance of a full-time executive position elsewhere. In December 2022 the Company appointed Mr Marco Fumagalli to the Board. Marco is a Founding Partner at Continental Investment Partners SA, a Swiss-based investment fund. Marco is a well-known Italian businessman and industrial investor who was previously a group partner at 3i. He is a qualified accountant and holds a degree in business administration from Bocconi University in Milan and has many years' experience as an AIM company director. Subsequently, Marco became Chairman of the Audit Committee.

Post the year end, the Company has raised £400k through a placing of new shares at 3p (being the spot price on the day before announcement) with a one for one warrant attached that is exercisable at 5p per new warrant share. Additionally the Company is pursuing a claim to recognise its share of the hydrocarbons

produced in the concession area above the baseline production profile and if successful expects to be able to recognise further revenues of circa €3+ million over the last three years.

**Summary**

The Company has gained traction with its Slovenian operational disputes and recognition of revenue for the first time in several years, alongside positioning its shareholders with exposure to a funded significant monetary damages claim, in excess of €500 million, against the Republic of Slovenia under the Energy Charter Treaty (it should be cautioned that in the event the Company is successful in its claim any amount actually received by the Company may be significantly lower) and is well placed to complete on its continuing ESG Metals business development activity during the 2023 financial year.

| **Andrew Dennan** | **James Parsons** |
| --- | --- |
| Chief Executive Officer | Executive Chairman |

28 June 2023

# Strategic Report

**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 is a natural resources operating company that was admitted to trading on AIM in November 2004 (AIM: AST). Ascent has been involved in Slovenia for well over 10 years where it operates the Petišovci gas project. To date, the Company’s operating subsidiary has invested over €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 the PG-10 and PG-11A wells, which were drilled (and stimulated) in the Petišovci field in 2011, into production and started exporting production via high pressure pipeline to INA in Croatia. In 2019 sales of gas to INA stopped as a result of wellhead pressure falling below the pipeline pressure which was not able to be rectified as a result of Slovenia’s administrative delays resulting in the permits to re-stimulate the wells not being forthcoming within the deadlines. Consequently, the wells have continued to produce declining volumes of hydrocarbons which has not been able to be rectified with further stimulation. In May 2022 the Government of Slovenia enacted changes to the country’s mining law that prohibit the production of hydrocarbons with the use of any form of stimulation, accordingly the Company will no longer be able to implement its development plan which has always included the use of low volume hydraulic stimulation to produce the tight gas reservoir, as has been done over thirty times on the field in the last fifty years. The wells on the concession area have continued to produce small volumes of unstimulated gas, with such production being sold to local industrial buyers via the low-pressure domestic pipeline. The Company successfully received payment for 2020 and 2021 hydrocarbons produced from the PG-10 and PG-11A wells, however as at the financial year end it had not yet received agreed amounts owed for 2022, however pursuant to an arbitration process initiated by ASL in December post period in review the Company successfully recognised over €1.7M in revenue for the PG-10 and PG-11A wells for January 2022 through to February 2023. ASL continues to pursue arbitration against its partner in relation to ASL and Geoenergo’s different interpretations of the joint venture agreement relating to ASL’s belief that it is entitled to a percentage of hydrocarbon production above a baseline production profile for the other wells on the concession area. ASL expects the make material progress on this claim over the summer months and before the statutory deadline for the arbitration to complete which is October 2023.

Given that the future development plans of the Petisovci field have always included the use of low volume hydraulic stimulation (in conformity with the EU definition on stimulation levels), which has been conducted over thirty times on the field during the last fifty years,  the May 2022 ban has now destroyed the full economic value of Ascent’s investment in Slovenia given that the Company will now no longer be able to execute its approved development plan and produce the 400bcf+ discovered tight gas resource. The Company responded quickly to these law changes and served the Republic of Slovenia (“Slovenia” or “the State”) with a new notice of dispute of further breaches under the UK-Slovenia bilateral investment treaty (“BIT”) and the Energy Charter Treaty (“ECT”) on 5 May 2022. The Company then entered into a binding damages agreement to appoint Enyo Law LLP to represent it in its dispute with the Republic, as announced on 30 May 2022. Enyo Law LLP is a specialist arbitration and litigation legal firm who filed both of the Notice of Disputes on behalf of the Company and represented the Company in 2021’s pre-arbitration negotiations with the Republic of Slovenia. On 15 August 2022, the Company formally initiated arbitration proceedings against the Republic of Slovenia with revised monetary damages claim in excess of €500 million, which was accepted and successfully registered by the International Centre for Settlement of Investment Disputes (“ICSID”) on 1 September.

The Company appointed Mr Klaus Reichert (German/Irish) as its arbitrator in November. Mr Reichert is a very experienced arbitrator having participated in over 250 disputes. In December, Slovenia appointed Ms Bridgette Stern a French

professor and experienced arbitrator. Post period in end Dr Raed Fathallah (Canadian, French, Lebanese) was appointed as president arbitrator and accordingly on 7 March 2023 the Tribunal was constituted in accordance with Article 37(2)(a) of the ICSID Convention. Following a preliminary case conference meeting in April 2023 the case will continue to progress through the structured arbitration process. It should be cautioned that in the event the Company is successful in its claim any amount actually received by the Company may be significantly lower.

The claim results from what the Board believe to be a populist campaign carried out by Slovenia against the Company and its investment, which has prevented the development of the Petišovci oil and gas field. In particular, Slovenia has prevented the restimulation of two wells (PG-10 and PG-11A) in 2017, which was necessary to maintain the levels of gas produced from the tight rock reservoir (as has been done multiple times over the last fifty years). This frustration of the ability to develop the field was initiated via the significantly delayed decision of the State's regulator, the Slovenian Environment Agency ("ARSO"), which determined that an Environmental Impact Assessment ("EIA") would be required to be approved in order to conduct the low-volume hydraulic stimulation, even though such an EIA was not required and never had been previously under Slovenian law, and ARSO's conclusion was contrary to the conclusion of Slovenia's own expert bodies. This decision significantly slowed down the development of the field by the Company. Pending such low-volume hydraulic stimulation, the amount of gas produced by the field was very significantly reduced, resulting in a significant loss of the Company's revenues.

At the same time, the Minister of the Environment and Spatial Planning of Slovenia repeatedly made public statements portraying Ascent, as well as the Petišovci project, in a negative light, and the Company believes that leaks were made by ARSO to the press. This further demonstrates that ARSO was biased against the Company and that the ARSO's decision was politically motivated. Slovenia's campaign against the Investors culminated in a complete ban on low-volume hydraulic stimulation, which came in effect on 5 May 2022. The Board believes that statements made during the parliamentary debate on the ban leave no doubt that the Investors were being specifically targeted by it. This has left Ascent with no choice but to execute on its claim in relation to Slovenia's measures that have destroyed the value of Ascent's investments in the Slovenian energy sector, and which have de facto deprived Ascent of its right to produce gas in Slovenia. Ascent's rights have been unlawfully expropriated by Slovenia, in breach of the country's obligations under international law and both the ECT and the BIT. The Company has therefore sustained losses for which it is seeking compensation. According to preliminary estimates, the losses sustained are in excess of €500 million. It should be cautioned that in the event the Company is successful in its claim any amount actually received by the Company may be significantly lower. The Company remains amenable to discussing settlement with the Republic of Slovenia following its review of the matter or otherwise pursuing this significant damages claim through to a binding result for the Company.

During this reporting period, the Company narrowed down its new growth strategy in ESG Metals to focus on Latin America, and specifically historical mining jurisdictions with approximately 100 years of industrial mining activity which includes most notably Peru and Chile. ESG Metals includes secondary mining and recovery opportunities typically involving the reclassification, through highly efficient recovery techniques, of stockpiled surface mining waste (often previously viewed as a liability for mining companies) as a valuable asset for reprocessing and commercial sale to industry, governments and metals traders. The Company sees waste management, remediation and restoration of land impacted by historic and on-going mining activities as a critical element in the global ESG agenda and integral to the transition to a low carbon economy. The Company is looking at a number of potential projects in Hispanic America and South Africa as well as Europe. In particular, the Company believes that there are good opportunities in gold, silver, platinum, battery metals and ferrochrome, where the economics are especially attractive and the opportunity set has the ability to deliver lowest cost quartile sustainable metal production from legacy mining tailings, with low geological risk. Such opportunities have the potential to provide strong cash returns without exploration risk and only require modest upfront capital outlay.

**Asset Overview**

**Slovenia - Petišovci Tight Gas Project**

The Petišovci gas project is in an area that has been exploited since 1943. The project targets the significant deeper 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-10 and Pg-11A were successfully drilled, completed and stimulated between

2010 and 2012. In 2017, following the acquisition of pipeline infrastructure and securing a commercial gas sales agreement, the JV 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 1963, including fuel and flare use and accounting for the gas equivalent of the historical condensate production, is 12.7 Bcfe (360.1 MMsm3). This is 3% of the currently estimated gas initially in place ("GIIP") of 430 Bcfe, (12.2 Bsm3), based on independent third- party estimates.

Further details of the asset and current reserves and resources can be found on page 19.

Ascent manages 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 a preferential recovery share of 90% of the net revenues from hydrocarbons produced above the Baseline Production in the Concession Area.

**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, however the development of the project stalled during 2018 due to the delays and arbitrary decision making involved in the Slovenian environmental permitting process. The appointment of a new government and the award of the IPPC permit in April 2019 gave some optimism, which was removed in June 2020 with the Administrative Court of Slovenia upholding the environmental agency ARSO's delayed view that an EIA would be required in order to re-stimulate the wells.

During the reporting period, the Republic of Slovenia approved amendments to its Mining Law which prohibit the use of mechanical stimulation for the purpose of exploring or producing hydrocarbons. Furthermore, the amendments confirm that it is now no longer possible to get a concession contract approved if it contemplates the use of mechanical stimulation for the purpose of producing hydrocarbons. Consequently, the Company does now not expect to complete certain workstreams relating to the permits and applications to re-stimulate the PG-10 and PG-11A wells. The Company assess that these actions are targeted specifically at the Company as a foreign investor and constitute a loss of the full investment value of the Company's Slovenian investment given that it has always expected to be able to continue the historic practise of conducting low volume mechanical stimulation techniques in order to flow the tight gas reservoir. This development is a further breach by the Republic of Slovenia of its obligations under the Energy Charter Treaty and UK-Slovenia Bilateral Investment Treaty. Accordingly, the Company appointed Enyo Law LLP on a damages-based agreement to represent the Company in a €500+ million Energy Charter Treat damages claim, which was registered with ICSID on 1 September 2022 and post the period in review the Tribunal has been constituted in March 2023 and first procedural meeting took place in April 2023. Shareholders are now positioned to see the Company's investment in Slovenia monetised/compensated by resolution of the arbitration process or a settlement agreement if achieved sooner.

Following an international special situations strategic review concluded in May 2020, the Company launched an international growth strategy focused on ESG Metals in Latin and Hispanic Americas to complement its focus on onshore gas development projects. ESG Metals includes secondary mining and recovery opportunities which the Company sees as being consistent with Environmental, Social and Governance ("ESG") principles. Typically, these involve the reclassification, through highly efficient recovery techniques, of stockpiled surface mining waste (previously viewed as a liability for mining companies) as a valuable asset for reprocessing and commercial sale to industry, governments and metals traders and/or getting exposure to mineral processing plants that enfranchise local mining communities.

The Company sees waste management, remediation and restoration of land impacted by historic and ongoing mining activities as a critical element in the global ESG agenda and integral to the transition to a low carbon economy. The Company is looking at a number of potential projects in Hispanic America. In particular, the Company believes there are material opportunities in gold, silver, platinum and battery metals, where the economics are especially attractive and the opportunity set has the ability of delivering lowest cost quartile sustainable metal production from legacy mining tailings, with low geological risk. Such opportunities have the potential to provide strong cash returns without exploration risk and only require modest upfront capital outlay.

This strategy is set to see the Company diversify and evolve into a portfolio of assets. Thematically the Company remains focused on getting exposure to a hard commodity price deck, migrating away from taking sub-surface and geological risk

and focusing its efforts on transactions that can provide the Company with a short term pathway to receiving new, long term and sustainable income streams, either in the form of profit participation interests or straight off the project's top-line in the form of a royalty stream. This strategy is focused on aligning the Company with existing in-country mineral mining and/or processing operations that can achieve short term inflection points with the receipt of sums of capital that the Company believe are affordable for its future international expansion purposes.

The Company further updated its ESG Metals strategy to focus initially on Latin America with a specific focus on precious metals in Peru and which has subsequently been broadened to include battery metals most notably in neighbouring Chile. Both nations are widely recognised as one of the largest and most diversified mineral producers with some of the most extensive reserves in the world with mining the most important sectors in their economies. Peru is currently the world's second largest Copper and Silver producer and Latin America's largest Gold, Zinc, Tin and Lead producer. Chile is the world's largest Copper and second largest Lithium producer. Both countries have experienced significant industrial historic mining and are situated with accumulations of tailings as well as supply of fresh small scale and artisanal mined ores.

The Company sees significant opportunity for attractive entry points in mining following the COVID-19 pandemic which has triggered international capital flight and significant capital constraints for small-scale miners in the regions. The Company therefore initially expects to focus its attention on small-scale operations (up to 350 tpd), which the Company considers affordable, of an efficient operational scale and which have multiple local tax and permitting benefits.

**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, has underpinned our historic 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 European region for oil and gas development and many countries outside of Slovenia have well organised regulatory frameworks and a history of oil and gas development.

The Company has identified Latin and Hispanic America region as highly prospective for oil and gas as well as ESG Metals deals.

In Latin America, specifically Peru and Chile are both countries with a long history in mining and natural resources. They are two of Latin America's most significant producers of precious and base metals and have some of the region's best credit ratings. They also benefit from a long history of mining, a robust mining legal framework and a significant pool of local expertise.

**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 8-18.

Following restructuring of the Company's Board, strategy and portfolio in 2020, the Company's new strategic platform is taking shape and will be for the benefit of all stakeholders. The Board has made significant progress in the Slovenia

dispute and damages claim and the completion of the damages-based agreement appointing Enyo Law LLP to represent it in its dispute with the Republic of Slovenia, following which it submitted its arbitration claim which was successfully registered with ICSID in September 2022. The Company's wholly owned subsidiary, ASL, continues to defend is working interests in Slovenia with successful mediation with Petrol Geo and partial settlement of the arbitration dispute with Geoenergo over revenue recognition, with the Company still pursuing arbitration over claims to production from other wells in the concession area whilst in a preferential cost recovery mode. The ESG metals strategy has been focused in LATAM and specifically Peru and Chile which have long histories in mining. The Company's strategy is focused on originating ESG Precious and Battery Metals processing transactions in Peru and Chile. 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 The Groups 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 for executive remuneration and any long-term share/option awards. A scorecard is prepared annually and reviewed half yearly. Bonus awards are based on achievement of scorecard targets. Employees are informed, both of results and important decisions, and are encouraged to feel engaged and to improve career potential.

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.

**Policies and processes**

The Board considered a number of governance matters during the year. These included amongst others the review and update of the existing group policies on sanctions, employee dealing and accounting.

The Board is responsible overall for reviewing the effectiveness of the policies and processes, while the role of senior management is to implement Board policies and processes.

**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 Slovenia as well as having business development interests in Latin America, most notable Peru and Chile. 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 receives training periodically, and in Q1 2021 the Company's external lawyers gave the directors a refresher on the requirements around disclosure of inside information.

The Board has insisted that ethical behaviour 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 directors are keen to engage with shareholders and work with them so that they are aligned to the strategy and growth of the business.

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. There is 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 view and/or download on leading investor- focused websites and from the Company's social media accounts. An email alert service has also been 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.

Health and Safety measures 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 and seeks to engage local specialised subcontractors where applicable.

**Financial Report**

Revenue for 2022 was £581,000 (2021: nil). The on-going dispute with the JV partner was partially resolved in August 2022 resulting in the recognition of revenue, and the receipt of funds, from the hydrocarbon production for the period April 2020 to December 2021. Hydrocarbon production for 2022 was still subject to dispute and remained outstanding at the financial year end and therefore was unable to be recognised in the 2022 year. Post period in review amounts of €1.7m, relating to production from January 2022 through to February 2023, were agreed and recognised as part of a settlement between the JV stakeholders.

Cost of sales for 2022 was £504,000 (2021: nil) consisting of a £427,000 accrual for costs relating to the JV operator that are currently under dispute but relate to the period of revenue recognition. Post the period in review this dispute was resolved and amounts of €1.4m relating to all outstanding costs relating to the JV operator from 2019 to February 2023, were agreed and recognised as part of a settlement with the JV operator.

Administrative expenses decreased from £1.597 million in 2021 to £1.472 million in 2022. Administrative costs principally comprise staff costs, overheads and listing related expenses. During the year under review there was £2,000 non-cash related long-term employment incentive charges (2021: nil).

The Group loss for the year totalled £41.5 million (2021: £1.971m) of which £39.7m consisted of impairment costs related to the Petisovci project. This impairment consisted of 100% impairment of PPE and capitalised exploration costs for the Petisovci project (see notes 10 and 11 of the consolidate financial statements). Additionally, the Company's intercompany

receivable and investment in its Slovenian subsidiaries were also impaired in full resulting in a write down of £32m at the Company level.

Operating cash flow was an outflow of £1.211 million in 2022 versus an outflow of £1.472 million in 2021, reflecting a slight decrease in expenditures.

Cash at the end of the period was £325k versus £97k at the end of 2021. This was due to the partial resolution with the JV partner and the revenue recognition of £581k, £1.2m being raised during the year in share placings and a further £242.5k being raised in warrant exercises.

Borrowings at the end of the year were £516k mostly constituted of the Riverfort Investment Agreement announced in March 2020 and was reprofiled in December 2022.

| **Financial KPI's** | **2022 £'000s** | **2021 £'000s** | **Variance £'000s** |
|---|---|---|---|
| Revenue | 581 | - | |
| Cost of sales | (504) | (19) | 485 |
| Administrative Expenses | 1,472 | 1,596 | (124) |
| Impairment expense | (39,697) | - | (39,697) |
| Operating Cash Flow | (1,211) | (1,472) | 261 |
| Cash Balance | 325 | 97 | 228 |

**Operational Performance**

The Company produced 1,164,500 standard cubic metres of gas and 37,855 litres of condensate from the PG-10 and PG-11A wells during the year. Production has declined over the 2021 period where the Company produced 1,529,980 cubic metres of gas and 52,196 litres of condensate.

| Production KPI's | Jan 2022 | Feb 2022 | Mar 2022 | Apr 2022 | May 2022 | Jun 2022 |
|---|---|---|---|---|---|---|
| Total gas (k scm) | 123.10 | 98.29 | 144.57 | 108.05 | 108.11 | 89.98 |
| Total gas (M scf) | 4.35 | 3.47 | 5.11 | 3.82 | 3.82 | 3.18 |
| Average daily gas (k scm) | 3.97 | 3.51 | 4.66 | 3.60 | 3.49 | 3.00 |
| Average daily gas (k scf) | 140.23 | 123.96 | 164.69 | 127.20 | 123.16 | 105.92 |
| Total condensate (litres) | 1,728 | 3,764 | 2,445 | 5,468 | 4,250 | 4,230 |
| CGR (litres per 1,000 scm gas) | 14.04 | 38.30 | 16.91 | 50.60 | 39.31 | 47.01 |
| BOE – gas | 636.67 | 508.35 | 747.72 | 558.86 | 559.14 | 465.38 |
| BOE – condensate | 10.85 | 23.64 | 15.35 | 34.34 | 26.69 | 26.56 |
| Total BOE | 647.53 | 531.98 | 763.07 | 593.19 | 585.83 | 491.94 |

| Production KPI's | Jul 2022 | Aug 2022 | Sep 2022 | Oct 2022 | Nov 2022 | Dec 2022 |
|---|---|---|---|---|---|---|
| Total gas (k scm) | 10.96 | 64.87 | 63.07 | 117.69 | 146.08 | 89.73 |
| Total gas (M scf) | 0.39 | 2.29 | 2.23 | 4.16 | 5.16 | 3.17 |
| Average daily gas (k scm) | 0.35 | 2.09 | 2.10 | 3.80 | 4.87 | 2.89 |
| Average daily gas (k scf) | 12.49 | 73.90 | 74.24 | 134.07 | 171.96 | 102.22 |
| Total condensate (litres) | 900 | 2,700 | 1,500 | 2,670 | 4,200 | 4,000 |
| CGR (litres per 1,000 scm gas) | 82.12 | 41.62 | 23.78 | 22.69 | 28.75 | 44.58 |
| BOE – gas | 56.69 | 394.87 | 383.89 | 716.36 | 889.21 | 546.17 |
| BOE – condensate | 5.65 | 16.96 | 9.42 | 16.77 | 26.38 | 25.12 |
| Total BOE | 62.34 | 411.83 | 393.31 | 733.13 | 915.59 | 571.29 |

M= Million k= Thousand scm= standard cubic meter scf= standard cubic foot

## Our Principal risks and uncertainties

<table>
<tr><td>Slovenia Disputes Risk</td><td>Dispute with the Republic of Slovenia<br><br>The Company formally first notified the Government of Slovenia of the existence of disputes under the UK-Slovenia Bilateral Investment Treaty (the “BIT”) and the Energy Charter Treaty (the “ECT”) on 24 July 2020. Following the issuance of the Notice of Dispute, the Company triggered a compulsory minimum three month ‘cooling-off’ period, designed to allow the parties to attempt to resolve their dispute ahead of arbitration proceedings.<br><br>On 22 October 2020, ninety days after the serving of the Notice of Dispute, the Company announced that it was entering into direct negotiations with the Government of Slovenia, with a view to potentially settling the claim in an amicable manner.<br><br>The Company announced on 19 March 2021 that, following a letter received from the State, an amicable settlement was then not achievable. As part of direct pre-arbitration settlement discussions, the Company had submitted a damages calculation to the State totalling significantly in excess of €100 million.<br><br>On 8 November 2021 the Company announced that it had signed a binding conditional damages-based agreement with Enyo Law LLP, a specialist arbitration and litigation legal firm who had previously filed the Notice of Dispute and represented the Company in the pre-arbitration negotiations, to commence proceedings against the Republic of Slovenia under the Energy Charter Treaty and the UK-Slovenia Bilateral Investment Treaty. As part of this arbitration claim funding, Enyo are to fund the payment of advanced disbursements which are expected to be incurred in the pursuit of the claim, and these sums along with the time of Enyo’s lawyers will only be paid out of the proceeds of the arbitration in the event of a successful damages award or execution of a binding settlement agreement (if achieved sooner). The closing of such funding arrangement was confirmed on 30th May 2022.<br><br>The company also filed a second Notice of Dispute on 5th May 2022 given that the recent legislative developments in Slovenia which banned any form of stimulation for the purpose of producing hydrocarbons constitute a new breach that would reinforce Ascent’s claim against the Republic of Slovenia, given that the joint venture has always expected to be able to continue the historic practise of conducting low volume mechanical stimulation techniques in order to flow the tight gas reservoir and therefore these latest developments could lead to a significant increase in the Company’s damages claim.<br><br>ICSID registered the company’s ECT damages claim, which is estimated to be for damages in excess of €500 million, in September 2022. The tribunal was constituted in March 2023 and the first procedural hearing was successfully convened in April 2023. The company is pursuing an ECT damages claim for over €500 million, relating to the loss of the full economic value of the company’s investment as a result of Slovenia’s actions in breach of the country’s obligations under international law. The claim is expected to progress through the arbitration process, whilst the company remains amenable to settlement of its claim sooner if achievable. Although the Company considers that it has a strong claim, there is an inherent risk when carrying arbitration proceedings that the full amount of damages might not be recovered.<br><br>The Company is mitigating such risk by instructing a reputed London based law firm specialised in investment treaty arbitration to manage such claim together with local Slovenia counsels with previous arbitration experience, with the internal support of the Company’s inhouse lawyer.<br><br>JV Update<br><br>Post period in review the dispute with service provider Petrol Geo was resolved pursuant to a successful mediation process, a part of which also involved the successful agreement of outstanding agreed hydrocarbon revenues to ASL from Geoenergo, which resolved part of the arbitration dispute initiated in December 2022.</td></tr>
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| | |
|---|---|
| | In April 2023 the Company announced ASL had successfully resolved the JV's dispute with operating service provider, Petrol Geo, settling alleged amounts owed from mid-2019 through to February 2023 of over €2M plus costs claimed, for a discount of at least 30% with a full and final settlement payment of €1.4M. The Company also successfully recognised over €1.7M in revenues from the hydrocarbon sale proceeds for the PG-10 and PG-11A wells for January 2022 through to February 2023.<br><br>ASL and Geoenergo had an unsuccessful mediation process, which ASL escalated to an domestic Slovenian arbitration process in December 2022 further to which ASL is also pursuing arbitration against its JV partner, in relation to the parties different interpretations of the RJOA relating to the entitlement to baseline production and the application of the baseline production profile. The tribunal held its hearing on the merits of ASL's claim to a share of production from all the wells on the concession areas in June 2023, with the decision expected to be received shortly. The Company and its legal advisors remain confident in the merits of ASL's claim which is for €3+ million over the last three years.<br><br>The Board continues to defend its investments in Slovenia and reserves its right to pursue all available remedies and actions and in order to mitigate such risk has appointed a local counsel to defend its position.<br><br>* The JV partner Geoenergo is 50% owned by Nafta Lendava (which itself is an entity 100% owned by the Republic of Slovenia) and 50% owned by Petrol (30% of which is directly and indirectly controlled by the Republic of Slovenia). The JV Service Provider, Petrol Geo, is a 100% subsidiary of Petrol. |
| **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 and evaluation of business development opportunities where commerciality depends on assumptions around future commodity prices.<br><br>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 seven years has been the environmental permitting process with the Company being 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. 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. However, in May 2022 Slovenia approved amendments to its mining law which prohibit the granting of mineral concessions where the use of hydraulic stimulation is used to explore for or produce hydrocarbons. Accordingly the Company will no longer be able to attain the permits to re-stimulate the PG-10 and PG-11A wells as has always been planned. There are currently no identifiable new technologies that could be used to replace the hydraulic stimulation production method identified as required to economically produce the 400+bcf tight gas resource.<br><br>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. On 5th May 2022 The company issued a second notice of dispute against the Government of Slovenia based on the new changes to the mining law which are, in the opinion of the Company, directly targeted at Ascent and in September 2022 the Company successfully registered its €500+ million Energy Charter Treaty damages claim against the Republic of Slovenia under the International Centre for Settlement of Investor Disputes. The Company and its advisors see this development as further reinforcing its claim against the Republic of Slovenia under the Energy Charter Treaty |

| | |
|---|---|
| | and UK-Slovenia Bilateral Investment Treaty, given that the joint venture has always expected to be able to continue the historic practice of conducting low volume mechanical stimulation techniques in order to flow the tight gas reservoir and therefore these latest developments have resulted in the Company losing the full economic value of its Slovenian investment, which is estimated to be in excess of €500 million. Any further irregularities in the processes and unnecessary delays will also be legally pursued. It should be cautioned that in the event the Company is successful in its claim any amount actually received by the Company may be significantly lower than the full claim. |
| **Concession extension risk** | The current concession expiry date is 28 November 2023. The Company and its JV partner have been currently whether a further extension is possible given the recent legislative changes in Slovenia which ban any form of hydraulic stimulation, such extension would at least allow the Company to recover some of the losses caused by Slovenia's legislative changes.<br><br>Before the changes to the mining law, Ascent was confident that an extension would be granted as a matter of course, based on the provisions under Slovenian Mining Law, but there is no guarantee that this will be the case anymore given Slovenia's targeting of Ascent. Should an extension not be granted the economic uncertainty of the concession may result in potential impairment of the value of the asset.<br><br>Post period under review, Slovenia approved amendments to its mining laws which included a further 30 month automatic extension for mining concessions currently due to expire in 2023 and 2024. The Company is advised by in country counsel that this extension is expected to apply to the Petisovci concession. Ascent has advised the concession holder, Geoenergo, to do all that is necessary to secure an extension, however given the uncollaborative approach the Company experiences from Geoenergo from time to time, there can currently be no certainty of the renewal application being made or approved although they advised that they had filed the ordinary extension awaiting for the new law to be published in the official gazette. The new law came into affect on 10 June 2023, following which Geoenergo have 30 days to apply to the 30 month extension which shall then be automatically granted. |
| **Sanctions Risk** | Ascent Resources Plc ("Ascent") and all subsidiaries and members of its global corporate group (collectively the "Ascent Group") are committed to ensuring that all parts of our business and all our employees fully comply with all sanctions laws applicable to our work. These include all applicable European Union ("EU") and United Kingdom ("UK") sanctions laws and associated regulations.<br><br>The Ascent Group is generally not subject to US sanctions laws; if Ascent Group had established operations in Cuba which came under US jurisdiction they would be prohibited according to US sanctions laws. During the time in which the Ascent Group was evaluating different opportunities in Cuba, the Ascent Group sought to comply with US sanctions laws where applicable. The Group has not been directly affected by the recent international sanctions imposed to Russia.<br><br>During the time in which the Ascent Group was evaluating different opportunities in Cuba, in order to mitigate this risk the company complied with its International Sanctions Compliance Policy ("Policy") that aimed to ensure that the group had effective procedures and resources in place to determine what sanctions laws applied to its activities and to implement a clear and robust approach to ensuring sanctions compliance and prevents U.S. Persons (as defined in the previous AoA) from becoming shareholders or directors of the Company. Following specialist advice, the Company opened a subsidiary in Spain in 2021 to ensure any potential future Cuba entry was executed in a way to secure it benefits from EU legislation protection on Sanctions.<br><br>The Board of Directors of the Company decided to cease evaluating projects in Cuba on 15 August 2022, further to which the Sanctions Policy was revoked and the AoA of the company modified accordingly since the US Sanctions Risk was no longer applicable. |
| **Availability of funding Risk** | Ascent's asset portfolio does not yet generate the cash necessary to grow the business at a rate in keeping with its ambition and the Group will need to raise additional funds to implement its strategy. The ability of the Group to raise funds will depend and factors not |

| | |
|---|---|
| | wholly with the control of management, including general market sentiment and attitudes toward small-cap energy companies. As a result there can be no assurance that the required funding will be available on favourable terms, if at all. Failure to raise required funds could have a material adverse effect on the Group's business, operating results and financial condition, and may result in erosion of value for shareholders.<br><br>The Group's strategic focus on acquiring and developing an asset portfolio, which is aligned with ESG metals strategy partly mitigates the risk posed by negative sentiment towards the hydrocarbon industry. Management also seeks to mitigate risk through prudent management of costs and rigorous evaluation of investment opportunities to ensure these will be attractive to investors in the debt and capital markets. |
| **Failure secure new ESG Metals deal** | Following a strategic review in 2020 and 2021, the Company has set out an 'ESG Metals' growth strategy focused on Latin America. This strategy is focused on originating, negotiating and securing new precious and battery metals mineral processing/reprocessing business opportunities in LATAM, most notably focused on a new country entry into Peru and/or Chile. The Company believes that this asset class offers opportunities for the Company to acquire significant business interests which can offer lower geological risk entry into near term cash flow generative mineral processing businesses in economies underpinned by many decades of historic and inefficient mining practices. The Company is focused on closing its maiden ESG Metals deal in the 2023 financial year, however there can be no certainty that such a deal materialises on terms that are agreeable within the timeframe that the Company aspires to achieve its new business goals. |

**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. This is supplemented, as the need requires, with regional technical, legal, compliance 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

28 June 2022

## Summary of Group Net Oil and Gas Reserves as of 31 December 2022

**Net Reserves and Resources**

| | **Net Attributable Producing Reserves (bcf gas)** | | | **Net Attributable Non-producing Reserves (bcf gas)** | | | **Total Net Attributable Reserves (bcf gas)** | | |
|---|---|---|---|---|---|---|---|---|---|
| | P90 | P50 | P10 | P90 | P50 | P10 | P90 | P50 | P10 |
| **Net Ascent** | **41** | **84** | **162** | **35** | **73** | **145** | **76** | **157** | **307** |

In May 2022 the Government of Slovenia enacted changes to the country's mining law that prohibit the production of hydrocarbons with the use of any form of stimulation, has and the Company's development plan had always included the use of low volume hydraulic stimulation to produce the tight gas reservoir, as has been done over thirty times on the field in the last fifty years. The existing wells on the concession area have continued to produce small volumes of unstimulated gas, however the Company no longer considers further development of the Petišovci area to be economically viable and therefore extraction of the above stated reserves is unlikely.

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% participating interest.

Tested and/or producing commercial sands are included as Producing Reserves while untested and unproduced sands remain as non-Producing Reserves. The condensate content of gas is not included.

Remaining gas 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 2021 were 12.9 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.

The range of estimates shown for each category of reserves 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 2022 ("the year").

**Principal activities**

The principal activities of the Group comprise gas and oil exploration and production. In 2021 the Company announced the launch of its ESG metals strategy. The Company is registered in England and Wales and is quoted on the AIM Market of the London Stock Exchange.

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

**Future developments**

The Company has identified ESG metals as a new target sector alongside its current resource focused business. ESG Metals includes secondary mining and recovery opportunities which the Company sees as being consistent with Environmental, Social and Governance ('ESG') principles. ESG metals is a method of low-cost sustainable metal production from legacy mining waste (simultaneously detoxifying and/or rehabilitating past environmental damage) into valuable assets for reprocessing and commercial sale to industry, governments and metals traders.

The Company is looking at a number of potential projects in Hispanic America. In particular, the Company believes there are good opportunities in gold, silver, platinum and battery metals, where the economics are especially attractive and the opportunity set has the ability of delivering lowest cost quartile sustainable metal production from legacy mining tailings, with low geological risk. Such opportunities have the potential to provide strong cash returns without exploration risk and only require modest upfront capital outlay.

The Company's ESG metals strategy is initially focused in LATAM, specifically Peru and Chile, which are both countries whose economies are underpinned by the mining and metals processing industries and who have seen large scale mining activity for many decades over the past.

With regards the Slovenia operations, the Company's investment in Slovenia was destroyed in May 2022, with the Republic of Slovenia adopting changes to its mining law which excluded the use of any form of mechanical stimulation for the purpose of exploring for or producing hydrocarbons. This law change is in breach of Slovenia's obligations under international law and the minutes from the parliamentary debate which specifically reference the "British Corporation" leave it in no doubt to the Company's directors that the Company has been specifically targeted with the enactment of this law. Accordingly, the Company submitted its request for arbitration against the Republic of Slovenia, which was registered by ICSID under the Energy Charter Treaty in September 2022, in relation to a €500+ million damages claim relating to the law changes implemented by Slovenia in May 2022 which have destroyed the full economic value of the Company's investment. The Tribunal was constituted in March 2023 and the first procedural hearing was successfully convened in April 2023. The damages claim is expected to continue to follow the structured ICSID arbitration process. It should be cautioned that in the event the Company is successful in its claim any amount actually received by the Company may be significantly lower than the full claim.

The concession expiry date for the Slovenian operations is 25 November 2023. Post period in review the concession holder and the Company's JV partner, Geoenergo, informed ASL that it had submitted a concession extension application on the 26 May 2023. However, the Republic of Slovenia adopted new legislation to further automatically extend mining concessions that were due to expire in 2023 and 2024 by a further 30 months and the law came into affect on 10 June 2023, following which Geoenergo has 30 days to submit the addendum to secure extension through to at least 28 May 2026.

**Financial risk management**

Details of the Group's financial instruments and its policies with regard to financial risk management are given in Note 26 of the Financial Statements.

**Results and dividends**

The loss for the year after taxation was £41.5 million (2021: £2.0 million). The Directors do not recommend the payment of a dividend (2021: Nil).

**Post balance sheet events**

In April 2023 the Company announced ASL had successfully resolved the JV's dispute with operating service provider, Petrol Geo, settling alleged amounts owed from mid 2019 through to February 2023 of over €2M plus costs claimed, for a discount of at least 30% with a full and final settlement payment of €1.4M. The Company also successfully recognised over €1.7M in revenues from the hydrocarbon sale proceeds for the PG-10 and PG-11A wells for January 2022 through to February 2023. The Company is also pursuing arbitration against its JV partner, Geoenergo, in relation to the parties different interpretations of the RJOA relating to the entitlement to baseline production and the application of the baseline production profile. The Tribunal held its hearing on the merits of ASL's claim to entitlement of these disputed proceeds in mid-June 2023 and the decision is expected to be received shortly. The Company and its legal advisors remain confident in the merits of ASL's claim which is for €3+ million over the last three years.

In April 2023 the Company also raised new proceeds of £400,000 by issuing new shares at 3p, being the spot price on the night prior to announcement, with a one for one warrant attached exercisable at 5p.

**For further information on post balance sheet events please see note 23.**

**Directors**

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

James Parsons
Andrew Dennan
Ewen Ainsworth (resigned 28 February 2022)
Stephen James Birrell
Malcolm Graham-Wood
Marco Fumagalli (appointed 22 December 2022)

Relevant details of the Directors, which include committee memberships, are set out on page 24 and 28.

**Directors' interests**

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

**Ordinary shares of 0.5p each**

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| James Parsons | 500,900 | 500,900 |
| Ewen Ainsworth (resigned 28 February 2022) | 454,545 | 454,545 |
| Andrew Dennan | 2,140,000 | 2,140,000 |
| Stephen Birrell | - | - |
| Malcom Graham-Wood | - | - |
| Marco Fumagalli (appointed 22 December 2022) | - | - |

**Directors' emoluments**

Details of Directors' share options and remuneration are set out in the Remuneration Committee report on pages 32-33.

**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 20 to the Financial Statements.

As at 27 June 2023 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** | **%** |
|---|---:|---:|
| Bank of New York (Nominees) Limited | 23,464,647 | 14.16 |
| ISI Nominees Limited | 10,740,350 | 6.48 |
| Seguro Nominees Limited | 9,421,600 | 5.68 |
| Interactive Investor Services Nominees Limited | 9,218,792 | 5.56 |
| Vidacos Nominees Limited | 7,505,657 | 4.53 |
| Bank of New York (Nominees) Limited | 7,376,005 | 4.45 |
| Cantor Fitzgerald Europe | 7,026,820 | 4.24 |
| Interactive Investor Services Nominees Limited | 5,497,449 | 3.32 |
| Hargreaves Lansdown (Nominees) Limited | 5,200,519 | 3.14 |
| Redmayne (Nominees) Limited | 5,036,665 | 3.04 |

**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.

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 and 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 Group and Company financial statements have been prepared under the going concern assumption, which presumes that the Group and Company will be able to meet its obligations as they fall due for the foreseeable future.

The Company has raised £0.4 million in new equity since the balance sheet date from new and existing investors and has settled revenue disputes with its JV partner and settled invoice disputes with its JV operator such that a net €288,000 was received by the Company. Under the Group's forecasts, the funds raised together with existing bank balances provide sufficient funding for at least two months, as of the date of the publication of this report, based on anticipated outgoings.

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 the continuing situation in Slovenia, and discretionary spend incurred with executing the ESG Metals Strategy through acquisition. As such, the Company will need to raise new capital within the forecast period to fund such discretionary spend.

Negotiations with potential new investors is ongoing and based on historical and recent support from new and existing investors the Board believes that such funding, if and 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 a material uncertainty to the going concern of the Group.

**Auditors**

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of PKF Littlejohn LLP as auditors of the Company is to be proposed at a General Meeting to be held prior to 30 September 2023.

**Approved for issue by the Board of Directors and signed on its behalf**
**James Parsons**
Executive Chairman

28 June 2023

# 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 Chairman of Corcel Plc, Coro Energy plc and Echo 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 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 and Director of Coro Energy Plc. Andrew holds the CFA Investment Management Certificate and has a BA(Hons) in Actuarial Science from City University.

**Stephen Birrell**

**Non-Executive Director** (1 October 2020 to present)

Stephen is a Spanish speaking, geoscientist who has worked in the upstream oil and gas industry for over 35 years with a deep focus on Central Eastern Europe. He has operated across multiple jurisdictions including the Caribbean and CEE with Britoil, BP and Elf. He is currently a Director of Ossian Energy Ltd and up until 2020 was the President of ROPEPCA, the upstream oil and gas operator association of Romania. He also holds a non-executive board role with Live Company Group Plc and Coro Energy Plc. Stephen has a BSc Honours in Applied Geology.

**Malcom Graham-Wood**

**Non-Executive Director** (1 October 2020 to present)

Malcolm has over 40 years' experience in the energy business and is a well known corporate broker and market commentator to both private and institutional audiences. Malcolm is a Founding Partner of HydroCarbon Capital which provides independent advisory services to the oil & gas sector and is also a Director of the Maven Income and Growth VCT 4 PLC, a venture capital trust listed on the premium sector of the London Stock Exchange where he chairs the risk committee.

**Marco Fumagalli**

**Non-Executive Director** (22 December 2022 to present)

Marco is a founding partner at Continental Investment Partners SA, a Swiss-based investment fund, and a well-known Italian businessman and industrial investor who was previously a group partner at 3i. He is a qualified accountant and holders a degree in Business Administration from Bocconi University in Milan.

# Directors and Advisers

| | |
|---|---|
| **Company's registered number** | 05239285 |
| **Directors** | James Parsons<br>Andrew Dennan<br>Stephen Birrell<br>Malcom Graham-Wood<br>Marco Fumagalli |
| **Company Secretary** | AMBA Secretaries Limited |
| **Registered Office** | 5 New Street Square<br>London EC4A 3TW |
| **Nominated Advisor Joint Broker** | WH Ireland Limited<br>24 Martin Lane<br>London EC4R 0DR |
| **Joint Broker** | Novum Securities Limited<br>8-10 Grosvenor Gardens<br>London SW1W 0DH |
| **Independent Auditors** | PKF Littlejohn LLP<br>15 Westferry Circus<br>London E14 4HD |
| **Solicitors** | Fieldfisher LLP<br>Riverbank House<br>2 Swan Lane<br>London EC4R 3TT |
| **Bankers** | Barclays Corporate Banking<br>1 Churchill Place<br>London E14 5HP |
| **Share Registry** | Computershare Investors Services PLC<br>The Pavilions<br>Bridgerwater Road<br>Bristol BS13 8AE |
| **PR & IR** | Vigo Consulting<br>Sackville House<br>40 Piccadilly<br>London W1J 0DR |

# Corporate Governance Report

**Chairman's Corporate Governance Statement**

As Chairman, it is my role is to ensure that the Company has both sound corporate governance and an effective Board. My responsibilities as Chairman include leading the Board effectively, overseeing the Group's corporate governance model, communicating with shareholders and ensuring that good information flows freely between the Executive and Non-Executive Directors in a timely manner.

The Company has adopted the Quoted Companies Alliance Corporate Governance (QCA Code), which requires AIM-quoted companies to adopt a 'comply or explain' explain approach in respect of the application of guidance contained within.

The Board believes that corporate governance is a framework which underpins the core values for running the business, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves long-term success and performance. 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.

2022 has been a year of restructuring and strategic development as we finalised the non-recourse funding for Slovenia ECT and BIT damages claim and develop our ESG Metals strategy. Engaging with our shareholders remains vitally important and we ensure that there are opportunities for investors to engage with the Board and the executive team.

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 are to provide the skills and expertise to grow the business and deliver the strategy for the benefit of the Company's shareholders. During 2022, the Board saw the departure of Ewen Ainsworth and the appointment of Marco Fumagalli. The Board has three non-executive directors, all of whom are considered to be independent.

The Company continues to monitor the performance of the Board, ensuring that the require skill set and balance of independent non-executive directors is present. Whilst the Company has not undertaken a formal Board evaluation in recent years there is on-going consideration given by the Board to ensure the requirements of the business are met by the Board and its performance.

The Board is committed to leading the business in a way which is honest, transparent and accountable.

**James Parsons**
Executive Chairman

28 June 2023

**Quoted Companies Alliance Corporate Governance Code**

The Quoted Companies Alliance Corporate Governance Code ("QCA Code") is the Company's chosen corporate governance code to comply with. The QCA Code was published in April 2018 which is constructed around ten broad principles. The Board firmly believe that the QCA Code is the most appropriate corporate governance code for the Company to comply with. 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://wp-ascentresources-2021.s3.eu-west-2.amazonaws.com/media/2022/06/01.03.2022_Ascent-QCA-disclosure-clean-copy.pdf

| QCA Code Principle | Required Disclosure | Reference |
|---|---|---|
| **One** | Establish a strategy and business model which promote long-term value for shareholders. | See pages 8-18 of the Annual Report, the 'Strategic Report'.<br>See website disclosures at the above link. |
| **Two** | Seek to understand and meet shareholder needs and expectations.<br>Explain the ways in which the Company seeks to engage with shareholders. | See page 8-18 of the Annual Report, the 'Strategic Report'.<br>See website disclosures at the above link. |
| **Three** | Take into account wider stakeholder and social responsibilities and their implications for long term success.<br>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 at the above link. |
| **Four** | Embed effective risk management, considering both opportunities and threats, throughout the organisation. | See pages 26-30 of the Annual Report – Corporate Governance Report. |
| **Five** | Maintain the board as a well-functioning, balanced team led by the Chair. | See page 24 of the Annual Report 'Board Composition', and 26-30 Corporate Governance Report. |
| **Six** | Ensure that the Directors have the necessary experience, skills and capabilities. | See page 24 of the Annual Report.<br>See website disclosure at the above link. |
| **Seven** | Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.<br>A description of the Board performance evaluation process. | See page 24 of the Annual Report 'Board Composition'.<br>See website disclosures at the above link. |
| **Eight** | Promote a corporate culture that is based on ethical values and behaviours.<br>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.<br>See page 24 of the Annual Report 'Board Composition'.<br>See website disclosures, Principle Eight for further detail. |
| **Nine** | Maintain governance structures and processes that are fit for purpose and support good decision- making by the Board.<br>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.<br>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 29 of the Annual Report, 'Communication with Stakeholders, Corporate Governance Report.<br>See website disclosures Principle Ten under AIM Rule 26. |
|---|---|---|

**Board Composition**

Membership of the Board and information on each member can be found in the Directors' Report.

**James Parsons, Executive Chairman**

James Parsons is the Group's Executive Chairman and 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 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. Since late 2022 the Board has three non-executive directors who are considered to be independent and provide a healthy level of independence on the Board.

Ewen Ainsworth resigned on 28 February 2022 and Marco Fumagalli joined the Board on 22 December 2022. Following Marco's appointment, the composition of the Board Committees was re-considered. Marco was appointed as Chair of the Audit Committee, with Malcolm Graham-Wood remaining a member. Stephen Birrell remained Chair of the Remuneration Committee with Malcolm Graham Wood being a member.

A separate Technical & Reserves Committee was formed in 2021 and Stephen Birrell was appointed Chairman. Stephen Birrell is the Chairman of the HSE Committee.

Each director is committed to spending sufficient time to enable them to carry out their duties as a director.

**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 through active involvement in the industry. In addition, the Board keeps abreast of ongoing changes relating to governance and compliance, the AIM Rules for companies, QCA Code, the UK 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, Remuneration Committee, Technical & Reserves Committee and HSE 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 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 published for 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 Reports together with other investor presentations are also available on the website. The Company has 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 interacting with shareholders.

Upon conclusion of Shareholder meetings arrangements are made that the outcomes of votes cast by shareholders can 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 five scheduled board meetings or conference calls throughout the year and ad-hoc calls are scheduled as and when the business demands.

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 (14 in total – scheduled & ad-hoc) | Remuneration Committee (3 in total) | Audit Committee (2 in total) | HSE Committee (1 in total) |
|---|---|---|---|---|
| **Number of meetings in year - Attendance** | | | | |
| James Parsons | 14 | - | - | - |
| Andrew Dennan | 14 | - | 2 | 1 |
| Ewen Ainsworth (resigned 28 February 2022) | 5 | 1 | - | - |
| Stephen Birrell | 14 | 3 | 2 | 1 |
| Malcom Graham-Wood | 14 | 2 | 2 | - |
| Marco Fumagalli (appointed 22 December 2022) | - | - | - | - |

**Committees of the Board**

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

**Audit Committee**

The membership of the Audit Committee during the first part of 2022 comprised of Ewen Ainsworth (chair) and Malcolm Graham-Wood. Following Ewen's departure from the Board in February 2022 Malcolm assumed the role of Chair of the Committee with Stephen Birrell joining the Committee. In early 2023 when Marco Fumagalli joined the Board Malcolm stepped down from the Chair and Marco assumed the role of Chair of the Audit Committee. Stephen Birrell stepped down from the Audit Committee. The Audit Committee 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 2022 is set out on page 31.

**Remuneration Committee**

The membership of the Remuneration Committee during 2022 comprised of Stephen Birrell (chair) and Ewen Ainsworth. Following Ewen's departure from the Board in February 2022 Malcolm Graham Wood joined the Committee. The Remuneration 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 Report of the Remuneration Committee for 2022 is set out on pages 32-33.

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.

**HSE Committee**

The HSE Committee is chaired by Stephen Birrell. The Terms of Reference of the HSE Committee were reviewed and approved by the Board in September 2021. The Committee meets as and when required. The Committee met once during 2022.

**Technical and Reserves Committee**

The Technical and Reserves Committee was set up in September 2021 and is chaired by Stephen Birrell. The Terms of Reference of the Technical and Reserves Committee were reviewed and approved by the Board in September 2021. The Committee meets once a year.

**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. The directors and employees of the company receive training on this subject.

# Audit Committee Report

**Committee composition**

On 28 February 2022, Ewen Ainsworth stepped down as a Non-executive Director of the Company. Malcolm Graham-Wood was appointed as Chair of the Audit Committee and Stephen Birrell was appointed to the Committee. Following Marco Fumagalli's appointment to the Board Malcolm stepped down as chair and Marco assumed the role. Stephen Birrell stepped down as a member of the Committee.

The role of the Audit Committee includes:

- Financial reporting – ensure the integrity of the financial statements including the annual and interim reports.
- Internal controls and Risk Management Systems – review the effectiveness of internal controls and risk management systems.
- Review the need for an internal audit function.
- Monitor and review the external audit, including their independence.
- To review the annual audit plan.
- To approve fees in respect of non-audit services.

Terms of reference of the Audit Committee are available on the Company's website.

During 2022 the Audit Committee met to review and approve the 2021 year-end financial results and the 2022 interim results. The terms of reference of the Committee were reviewed during the year. The Committee met with the Auditor without Management present, there were no issues of concern raised.

**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.
- Reports of the external auditor concerning its audit and review of the financial statements of the Group.
- Corporate governance practice and disclosure
- Risk Register
- Anti-Bribery and Corruption policy
- Gifts Register
- Accounting Policies

**Going concern**

The Group and Company financial statements have been prepared under the going concern assumption, which presumes that the Group and Company will be able to meet its obligations as they fall due for the foreseeable future.

The Company has raised £0.4 million in new equity since the balance sheet date from new and existing investors and has settled revenue disputes with its JV partner and settled invoice disputes with its JV operator such that a net €288,000 was received by the Company. Under the Group's forecasts, the funds raised together with existing bank balances provide sufficient funding for at least two months, as of the date of the publication of this report, based on anticipated outgoings.

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 the continuing situation in Slovenia, and discretionary spend incurred with executing the ESG Metals Strategy through acquisition. As such, the Company will need to raise new capital within the forecast period to fund such discretionary spend.

Negotiations with potential new investors is ongoing and based on historical and recent support from new and existing investors the Board believes that such funding, if and 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 a material uncertainty to the going concern of the Group.

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

**Marco Fumagalli**
Chair of the Audit Committee
28 June 2023

# Remuneration Committee Report

The Remuneration Committee during early 2022 comprised of Stephen Birrell (chairman) and Ewen Ainsworth both independent non-executive directors. On 28 February 2022, Ewen Ainsworth stepped down as a non-executive director and Malcolm Graham-Wood was appointed to the Committee.

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 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 either the Remuneration Committee or the Board as a whole.

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. The Committee met three times during 2022.

**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.

**Executive Directors – Remuneration package**

The Company offers a remuneration package which consists of basic salary, bonus payments, share options or other incentive plan awards and a pension to Executive Directors. The level of bonus is based on individual performance and that of the Group as a whole. A Company scorecard with performance targets, which are set by the Remuneration Committee, is agreed and upon which the level of bonus award is judged. The scorecard is set at the beginning of the year and reviewed mid-year and at the end of the year. The target bonus range is up to 100% of base salary.

The executive directors have a six month notice period and upon change of control would receive a payment equivalent to 18 months base salary.

**Non - Executive Directors – Fees**

The Company pays non-executive directors fees which are set at a level in line with market and appropriate to the size of the business. Fees are paid monthly in cash and include the payment for chairing a Board Committee.

**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 2022:

| Executive Directors 2022 | Salary/fees £ | Bonus £ | Pensions £ | Benefits in Kind £ | Total £ |
|---|---|---|---|---|---|
| J Parsons | 150,000 | 22,500* | 12,000 | 4,931 | 189,431 |
| A Dennan | 250,000 | 37,500* | 20,000 | 5,224 | 312,724 |

| Non-Executive Directors | Salary/fees £ | Bonus £ | Pensions £ | Benefits in Kind £ | Total £ |
|---|---|---|---|---|---|
| E Ainsworth | 6,500 | - | - | - | 6,500 |
| S Birrell | 34,583 | - | - | - | 34,583 |
| M Graham-Wood | 34,583 | - | - | - | 34,583 |
| M Fumagalli | - | - | - | - | - |
| **Total** | **475,666** | **60,000** | **32,000** | **10,155** | **577,821** |

*Bonuses were awarded by the independent Remuneration Committee for the period 2022 however the executives have elected not to receive the cash until the Company's funding situation has improved.

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 2021:

| Executive Directors 2021 | Salary/fees £ | Bonus £ | Pensions £ | Benefits in Kind £ | Total £ |
|---|---|---|---|---|---|
| J Parsons | 150,000 | 32,400 | 12,000 | 4,645 | 199,045 |
| A Dennan | 242,100 | 54,000 | 12,600 | 3,531 | 321,231 |

| Non-Executive Directors | Salary/fees £ | Bonus £ | Pensions £ | Benefits in Kind £ | Total £ |
|---|---|---|---|---|---|
| E Ainsworth | 30,000 | - | - | - | 30,000 |
| S Birrell | 30,000 | - | - | - | 30,000 |
| M Graham-Wood | 30,000 | - | - | - | 30,000 |
| M Fumagalli | - | - | - | - | - |
| **Total** | **482,100** | **86,200** | **33,600** | **8,176** | **610,276** |

The following table sets out the Directors' incentive share options awarded to directors who held office at 31 December 2022:

| | | Granted / | | Date | Share Price | Exercise | Exercise Period | |
|---|---|---|---|---|---|---|---|---|
| **2022** | **Opening** | **(Lapsed)** | **Closing** | **Granted** | **at Grant** | **Price** | **Start** | **End** |
| J Parsons | 1,385,894 | - | 1,385,894 | 05.03.2020 | £0.045 | £0.05 | 05.03.2023 | 04.03.2025 |
| A Dennan | 1,385,894 | - | 1,385,894 | 14.04.2020 | £0.034 | £0.05 | 13.04.2023 | 13.04.2025 |
| S Birrell | - | - | - | - | - | - | - | - |
| M Graham-Wood | - | - | - | - | - | - | - | - |
| M Fumagalli | - | - | - | - | - | - | - | - |

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

**Stephen Birrell**
Chair of the Remuneration Committee

28 June 2023

# 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 in accordance with UK-adopted international accounting standards and, as regards the Company financial statements, as applied in accordance with the requirements of the Companies Act 2006. 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 UK-adopted international accounting standards, 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** to the members of Ascent Resources plc

**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 2022 which comprise the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

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 2022 and of the group's and parent company's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- 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 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 related to going concern**

We draw attention to note 1 in the financial statements, which indicates that the group will require further funds to be raised over the next 12 months in order for the group to fund its discretionary spend as well as working capital requirements. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included a review of the cash flow forecasts prepared by management, a review of management's assessment of going concern and post year end information impacting going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. Our application of materiality

**Our application of materiality**

| **Materiality** | **Basis for materiality** |
|---|---|
| ***Group £51,000 (2021: £564,000)*** | *1.5% of net assets (2021: 1.5% of net assets)* |
| ***Company £50,000 (2021: £394,000)*** | *1.5% of net assets (2021: 1.5% of net assets)* |

We consider net assets to be the most significant determinant of the group's financial position and performance used by shareholders, with the key financial statement balances being intangible exploration and evaluation assets and cash and cash equivalents. The going concern of the group is dependent on its ability to fund operations going forward, as well as

on the valuation of its assets, which represent the underlying value of the group. The basis for calculating materiality was unchanged from the prior year.

Whilst materiality for the group financial statements as a whole was set at £51,000 (2021: £564,000) and £46,000 for income statement testing , materiality for the parent company was £50,000 (2021: £394,000). Performance materiality at 70% (2021:70%) was set at £35,700 (2021: £276,360) for the group, £35,000 (2021: £48,300) for the parent company. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

We agreed with the audit committee that we would report to the committee all audit differences identified during the course of our audit in excess of £2,550 (2021:£28,200) for the group and £2,500 (2021:£19,740) for the parent company.

**Our approach to the audit**

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the Financial Statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain such as the impairment of intangible assets, investments (parent company) and in and assumptions used in calculating the fair value of financial assets. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The Group holds five (active) companies that are consolidated within these financial statements, two based in the UK and three based in Europe. We identified two significant components, being the parent company, Ascent Resources Plc and Ascent Slovenia Limited, which were subject to a full scope audit by a team with relevant sector experience from the PKF London office. No component auditors were engaged.

In addition, we identified components which were not significant to the group and performed an audit of specific account balances and classes of transactions to ensure that balances which were material to the group were subject to audit procedures.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 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 effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material uncertainty related to concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our scope addressed this matter |
|---|---|
| **Carrying Value of Exploration Assets (note 11)** | |
| The group holds intangible assets in relation to capitalised exploration costs in respect of its projects in Slovenia. There is the risk that these assets have been incorrectly capitalised in accordance with IFRS 6 and that there are indicators of impairment as at 31 December 2022.<br><br>Particularly for early-stage exploration projects where the calculation of recoverable amount via value in use calculations is not possible, management's assessment of impairment under IFRS | Our audit work included:<br><br>• Confirmation that the Group has good title to the applicable exploration licences and has fulfilled any specific conditions therein (including minimum expenditure requirements).<br>• Obtaining a copy of any available Technical Reports and challenging the inputs into the report against the carrying value of the assets. |

| | |
|---|---|
| 6 requires estimation and judgement. For this reason along with the financial significance of the account balance, we have assessed this to be a key audit matter.<br><br>In addition there are a number of disputes ongoing in relation to Slovenian assets, including claims brought by the company against the Republic of Slovenia under the Energy Charter Treaty and the UK-Slovenia Bileteral Investment Treaty, and commercial disputes between the company and its JV partner Geoenergo and JV service provider Petrol Geo. These disputes present a further risk of overstatement of these assets. | • Assessment of progress at the individual projects during the year and post year-end.<br>• Consideration of management's impairment reviews, including challenge to all key assumptions and sensitivity to reasonably possible changes.<br>• Considering the status of the ongoing disputes in Slovenia.<br>• Considering the appropriateness of disclosure included in the financial statements.<br><br>In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. This triggered an impairment review by management which resulted in a full impairment to the E and E assets held. |
| **Carrying Value of Producing Assets (note 10)** | |
| Management are required to assess the producing assets for impairment indicators under IAS 36. In this case, impairment indicators include but are not limited to a decline in revenue generated from assets and the disruption in operations due to dispute in Slovenia as detailed above. The production levels in Slovenia have not yet reached the desired levels and no significant progress has been made in relation to the ongoing dispute with the Republic of Slovenia, as well as continue disputes between the company and its JV partner.<br><br>The varying value and ultimate recoverability of the assets is linked to the outcome of these disputes and appropriate renewal of the concession contract. There is a risk that the carrying value of these assets is overstated as management's assessment of the carrying value is based on estimates and judgements regarding future cashflows. For this reason along with the financial significance of the account balance, we have assessment this to be a key audit matter. | Our audit work included:<br><br>• Consideration of management's impairment reviews, including challenge to all key assumptions and sensitivity to reasonably possible changes in the impairment model.<br>• Reviewing the latest developments regarding the permit applications, including obtaining relevant correspondence where appropriate and any legal advice obtained by the Group, assessing the status of disputes in country and whether or not hydraulic stimulation can be done.<br>• Considering the appropriateness of disclosure included in the financial statements.<br>As above, the amendments by the Republic of Slovenia to its Mining Law triggered an impairment review by management which resulted in a full impairment to the producing assets. |
| **Carrying value of investments and recoverability of intragroup balances (Parent Company) (Note 12 &22)** | |
| At 31 December 2022, the Investments in subsidiaries and intragroup receivables were significant assets in the Parent Company's financial statements. The recoverability of these balances is directly linked to the recoverability of the tangible and intangible assets held by those entities, and hence may not be fully recoverable. | Our work in this area included:<br><br>• Confirmation of ownership of investments.<br>• Assessment of expected credit losses against intragroup balances in accordance with IFRS 9 criteria.<br>• Assessing the appropriateness of the methodology applied by management in their assessment of the recoverable amount |

| | |
|---|---|
| The recoverability of the underlying assets are subject to significant management estimates and judgements regarding the future cashflows.<br>Therefore, for this reason along with the financial significance of the account balance, we have assessed this to be a key audit matter. | of intragroup loans by comparing it to the Group's accounting policy.<br>• Assessing management's evaluation of the recoverable amounts of intragroup loans including the review of the impairment provisions and net asset values of components that have intercompany debt.<br>• Checking that intragroup loans have been reconciled and confirm that there are no material differences.<br>• Considerations of recoverability of investments and intra company loans by reference to underlying net asset values and exploration projects.<br>• Considering the appropriateness of disclosure included in the financial statements.<br>As the investments and intragroup receivables are directly linked to the carrying value of exploration and producing assets, both intercompany receivables and investments were impaired to a carrying value of from £16m and £32.4m (respectively) to £nil at the year end.<br><br>We draw attention to the findings disclosed within the other Key audit matters above, which are relevant to the carrying value of investments and recoverability of intragroup receivables. |

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 their 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 directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, application of audit knowledge and experience of the sector. We ensured that the audit team collectively had the appropriate experience with auditing entities within this industry, facing similar audit and business risks, and of a similar size.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - AIM Rules;
  - UK employment law; and
  - Local tax laws and regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:

- Making enquiries of management;
  - A review of Board minutes;
  - A review of legal ledger accounts; and
  - A review of RNS announcements.
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals, reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Joseph Archer (Senior Statutory Auditor)**

**For and on behalf of PKF Littlejohn LLP**

**Statutory Auditor**

*29 June 2023*

15 Westferry Circus
Canary Wharf
London E14 4HD

## Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

| | Notes | **Year Ended 31 December 2022 £'000s** | Year Ended 31 December 2021 £'000s |
|---|---|---|---|
| Revenue | 2 | **581** | - |
| Cost of Sales | 2 | **(504)** | (19) |
| Depreciation of oil & gas assets | 10 | **(214)** | (328) |
| **Gross loss** | | **(137)** | (347) |
| Administrative expenses | 3 | **(1,472)** | (1,596) |
| Decommissioning provision | 16 | **(326)** | - |
| Goodwill impairment | 9 | **(203)** | - |
| Impairment expenses | 10,11,12 | **(39,721)** | - |
| **Operating loss** | | **(41,859)** | (1,943) |
| Finance cost | 5 | **(32)** | (28) |
| **Net finance costs** | | **(32)** | (28) |
| **Loss before taxation** | | **(41,891)** | (1,971) |
| Income tax expense | 6 | **-** | - |
| **Loss for the year** | | **(41,891)** | (1,971) |
| **Other comprehensive income** | | | |
| Items that may be reclassified to profit and loss | | | |
| Exchange differences on translation of foreign operations | | **318** | (1,621) |
| **Total comprehensive income for the year** | | **(41,573)** | (3,592) |
| **Earnings per share** | | | |
| Basic & fully diluted loss per share (Pence) | 8 | **(31.27)** | (1.83) |

The Notes on pages 48 to 76 are an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position

Company Number: 05239285

As at 31 December 2022

| Assets | Notes | **31 December 2022 £'000s** | 31 December 2021 £'000s |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **4** | 21,111 |
| Exploration and evaluation assets | 11 | **-** | 18,463 |
| Goodwill | 9 | **-** | 653 |
| Prepaid abandonment fund | 13 | **300** | 300 |
| **Total non-current assets** | | **304** | 40,527 |
| **Current Assets** | | | |
| Trade and other receivables | 13 | **11** | 8 |
| Cash and cash equivalents | 25 | **325** | 97 |
| **Total current assets** | | **336** | 105 |
| **Total assets** | | **640** | 40,632 |
| **Equity and liabilities** | | | |
| **Attributable to the equity holders of the Parent Company** | | | |
| Share capital | 20 | **8,214** | 7,998 |
| Share premium account | | **76,298** | 75,021 |
| Merger reserve | | **570** | 570 |
| Share-based payment reserve | 24 | **2,131** | 2,129 |
| Translation reserve | | **(276)** | (594) |
| Retained earnings | | **(88,457)** | (46,566) |
| **Total equity attributable to the shareholders** | | **(1,520)** | 35,558 |
| **Total equity** | | **(1,520)** | 35,558 |
| **Non-current liabilities** | | | |
| Borrowings | 15 | **516** | 536 |
| Provisions | 16 | **663** | 312 |
| **Total non-current liabilities** | | **1,179** | 848 |
| **Current liabilities** | | | |
| Borrowings | 15 | **5** | 5 |
| Contingent consideration on acquisition | 17 | **-** | 450 |
| Trade and other payables | 18 | **976** | 771 |
| **Total current liabilities** | | **981** | 1,226 |
| **Total liabilities** | | **2,160** | 2,074 |
| **Total equity and liabilities** | | **640** | 40,632 |

The Notes on pages 48 to 76 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 28 June 2023 signed on its behalf by:

**James Parsons**
Executive Chairman
28 June 2023

## Company Statement of Financial Position

Company Number: 05239285

As at 31 December 2022

| Assets | Notes | **31 December 2022 £'000s** | 31 December 2021 £'000s |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **4** | - |
| Investment in subsidiaries and joint ventures | 12 | **-** | 16,102 |
| Intercompany receivables | 22 | **-** | 27,520 |
| **Total non-current assets** | | **4** | 43,622 |
| **Current Assets** | | | |
| Trade and other receivables | 14 | **24** | 28 |
| Cash and cash equivalents | 25 | **302** | 88 |
| **Total current assets** | | **326** | 116 |
| **Total assets** | | **330** | 43,738 |
| **Equity and liabilities** | | | |
| Share capital | 20 | **8,214** | 7,998 |
| Share premium account | | **76,298** | 75,021 |
| Merger reserve | | **570** | 570 |
| Share-based payment reserve | 24 | **2,131** | 2,129 |
| Retained loss | | **(87,623)** | (43,464) |
| **Total equity** | | **(410)** | 42,254 |
| **Non-current liabilities** | | | |
| Borrowings | 15 | **516** | 536 |
| **Total non-current liabilities** | | **516** | 536 |
| **Current liabilities** | | | |
| Borrowings | 15 | **5** | 5 |
| Contingent consideration on acquisition | 17 | **-** | 450 |
| Trade and other payables | 19 | **219** | 493 |
| **Total current liabilities** | | **224** | 948 |
| **Total liabilities** | | **740** | 1,484 |
| **Total equity and liabilities** | | **330** | 43,738 |

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The Company loss for the year was £44,159,000 (2021: loss of £1,550,000) which included an impairment of £43,622,000 (2021: nil) to investment in subsidiaries and intercompany receivables.

The Notes on pages 48 to 76 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 28 June 2023 and signed on its behalf by:

**James Parsons**
Executive Chairman
28 June 2023

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

| | Share capital £'000s | Share premium £'000s | Merger reserve £'000s | Equity reserve £'000s | Share base payment reserve £'000s | Translatio n reserve £'000s | Retained earnings £'000s | Total £'000s |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | 7,928 | 73,863 | 570 | 73 | 2,129 | 1,027 | (44,595) | 40,995 |
| **Comprehensive income** | | | | | | | | |
| Loss for the year | - | - | - | - | - | - | (1,971) | (1,971) |
| **Other comprehensive income** | | | | | | | | |
| Currency translation differences | - | - | - | - | - | (1,621) | - | (1,621) |
| **Total comprehensive income** | - | - | - | - | - | (1,621) | (1,971) | (3,592) |
| **Transactions with owners** | | | | | | | | |
| Issue of ordinary shares | 70 | 1,216 | - | - | - | - | - | 1,286 |
| Costs related to share issues | - | (58) | - | - | - | - | - | (58) |
| Equity value of convertible loan | - | - | - | (73) | - | - | - | (73) |
| **Total transactions with owners** | 70 | 1,158 | - | (73) | - | - | - | 1,155 |
| **Balance at 31 December 2021** | 7,998 | 75,021 | 570 | - | 2,129 | (594) | (46,566) | 38,558 |
| **Balance at 1 January 2022** | 7,998 | 75,021 | 570 | - | 2,129 | (594) | (46,566) | 38,558 |
| **Comprehensive income** | | | | | | | | |
| Loss for the year | - | - | - | - | - | - | (41,891) | (41,891) |
| **Other comprehensive income** | | | | | | | | |
| Currency translation differences | - | - | - | - | - | 318 | - | 318 |
| **Total comprehensive income** | - | - | - | - | - | 318 | (41,891) | (41,573) |
| **Transactions with owners** | | | | | | | | |
| Issue of ordinary shares | 216 | 1,366 | - | - | - | - | - | 1,582 |
| Costs related to share issues | - | (89) | - | - | - | - | - | (89) |
| Share-based payments | - | - | - | - | 2 | - | - | 2 |
| **Total transactions with owners** | 216 | 1,277 | - | - | 2 | - | - | 1,495 |
| **Balance at 31 December 2022** | **8,214** | **76,298** | **570** | **-** | **2,131** | **(276)** | **(88,457)** | **(1,520)** |
| Notes | 20 | | | | 24 | | | |

The Notes on pages 48 to 76 are an integral part of these consolidated financial statements.

## Company Statement of Changes in Equity

For the year ended 31 December 2022

| | Share capital £'000s | Share premium £'000s | Merger reserve £'000s | Equity reserve £'000s | Share base payment reserve £'000s | Retained earnings £'000s | Total £'000s |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | 7,928 | 73,863 | 570 | 73 | 2,129 | (41,914) | 42,649 |
| **Comprehensive income** | | | | | | | |
| Loss for the year | - | - | - | - | - | (1,550) | (1,550) |
| **Other comprehensive income** | | | | | | | |
| **Total comprehensive income** | - | - | - | - | - | (1,550) | (1,550) |
| **Transactions with owners** | | | | | | | |
| Issue of ordinary shares | 70 | 1,216 | - | - | - | - | 1,286 |
| Costs related to share issues | - | (58) | - | - | - | - | (58) |
| Equity value of convertible loan | - | - | - | (73) | - | - | (73) |
| **Total transactions with owners** | 70 | 1,158 | - | (73) | - | - | 1,155 |
| **Balance at 31 December 2021** | 7,998 | 75,021 | 570 | - | 2,129 | (43,464) | 42,254 |
| **Balance at 1 January 2022** | 7,998 | 75,021 | 570 | - | 2,129 | (43,464) | 42,254 |
| **Comprehensive income** | | | | | | | |
| Loss for the year | - | - | - | - | - | (44,159) | (44,159) |
| **Other comprehensive income** | | | | | | | |
| **Total comprehensive income** | - | - | - | - | - | (44,159) | (44,159) |
| **Transactions with owners** | | | | | | | |
| Issue of ordinary shares | 216 | 1,366 | - | - | - | - | 1,582 |
| Costs related to share issues | - | (89) | - | - | - | - | (89) |
| Share-based payments | - | - | - | - | 2 | - | 2 |
| **Total transactions with owners** | 216 | 1,277 | - | - | 2 | - | 1,495 |
| **Balance at 31 December 2022** | **8,214** | **76,298** | **570** | **-** | **2,131** | **(87,623)** | **(410)** |

The Notes on pages 48 to 76 are an integral part of these consolidated financial statements.

## Consolidated Cash Flow Statement
For the year ended 31 December 2022

| | Year ended 31 December 2022 £'000s | Year ended 31 December 2021 £'000s |
|---|---|---|
| **Cash flows from operations** | | |
| Loss after tax for the year | (41,891) | (1,971) |
| Depreciation | 214 | 328 |
| Impairment of PPE and exploration asset | 39,721 | - |
| Goodwill impairment | 203 | - |
| Decommissioning provision | 326 | - |
| Change in receivables | 3 | 42 |
| Change in payables | 205 | 75 |
| Increase in share-based payments | 2 | 12 |
| Exchange differences | 6 | 42 |
| **Net cash used in operating activities** | (1,211) | (1,472) |
| | | |
| **Cash flows from investing activities** | | |
| Payments from fixed assets | (1) | (3) |
| **Net cash used in investing activities** | (1) | (3) |
| | | |
| **Cash flows from financing activities** | | |
| Loans advanced | - | 375 |
| Loans repaid | (20) | - |
| Interest paid | (32) | - |
| Proceeds from issue of shares | 1,581 | 1,140 |
| Share issue costs | (89) | (58) |
| **Net cash generated from financing activities** | 1,440 | 1,457 |
| | | |
| **Net increase / (decrease) in cash and cash equivalents for the year** | 228 | (18) |
| Effect of foreign exchange differences | - | - |
| Cash and cash equivalents at beginning of the year | 97 | 115 |
| **Cash and cash equivalents at end of the year** | 325 | 97 |

The Notes on pages 48 to 76 are an integral part of these consolidated financial statements.

## Company Cash Flow Statement

For the year ended 31 December 2022

| | Year ended 31 December 2022 £'000s | Year ended 31 December 2021 £'000s |
|---|---|---|
| **Cash flows from operations** | | |
| Loss after tax for the year | (44,159) | (1,550) |
| Adjustments for: | | |
| Change in receivables | 4 | 42 |
| Change in payables | (274) | 76 |
| Change in intercompany receivables | 27,520 | (79) |
| Impairment of Investment in subsidiaries | 16,102 | - |
| Increase in share-based payments | 2 | 12 |
| Change in contingent consideration in acquisition | (450) | - |
| Exchange differences | - | 22 |
| **Net cash used in operating activities** | (1,255) | (1,477) |
| | | |
| **Cash flows from investing activities** | | |
| Property, plant and equipment | (4) | - |
| **Net cash used in investing activities** | (4) | - |
| | | |
| **Cash flows from financing activities** | | |
| Loans advanced | - | 375 |
| Loans repaid | (20) | - |
| Interest paid | - | - |
| Proceeds from issue of shares | 1,582 | 1,140 |
| Share issue costs | (89) | (58) |
| **Net cash generated from financing activities** | 1,473 | 1,457 |
| | | |
| **Net increase / (decrease) in cash and cash equivalents for the year** | 214 | (19) |
| Effect of foreign exchange differences | - | - |
| Cash and cash equivalents at beginning of the year | 88 | 107 |
| **Cash and cash equivalents at end of the year** | 302 | 88 |

The Notes on pages 48 to 76 are an integral part of these consolidated financial statements.

# Notes to the Accounts

## 1. Accounting policies

**Reporting entity**

Ascent Resources plc (Company no: 05239285) ('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 2022 comprise the Company and its subsidiaries (together referred to as the 'Group'). 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 UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The Group's and Company's financial statements for the year ended 31 December 2022 were approved and authorised for issue by the Board of Directors on 28 June 2023 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 UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

**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 £44,159,000 (2021: loss of £1,550,000).

The presentational currency of the Group is British Pounds Stirling ("GBP") and the functional currency of the Group's subsidiaries domiciled outside of the UK in Malta, Slovenia and Netherlands are in Euros ("EUR").

**Measurement Convention**

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

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

**Going Concern**

The Group and Company financial statements have been prepared under the going concern assumption, which presumes that the Group and Company will be able to meet its obligations as they fall due for the foreseeable future.

The Company has raised £0.4 million in new equity since the balance sheet date from new and existing investors and has settled revenue disputes with its JV partner and settled invoice disputes with its JV operator such that a net €288,000 was received by the Company. Under the Group's forecasts, the funds raised together with existing bank balances provide sufficient funding for at least two months, as of the date of the publication of this report, based on anticipated outgoings.

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 the continuing situation in Slovenia, and discretionary spend incurred with executing the ESG Metals Strategy through acquisition. As such, the Company will need to raise new capital within the forecast period to fund such discretionary spend.

Negotiations with potential new investors is ongoing and based on historical and recent support from new and existing investors the Board believes that such funding, if and 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 a material uncertainty to the going concern of the Group.

**New and amended Standards effective for 31 December 2022 year-end adopted by the Group:**

i. The following IFRS or IFRIC interpretations were effective for the first time for the financial year beginning 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

| Standard | Description |
|---|---|
| Amendments to IFRS 3 | Business Combinations – Reference to the Conceptual Framework |
| Amendments to IFRS 16 | Property, Plant and Equipment |
| Amendments to IFRS 37 | Provisions, Contingent Liabilities and Contingent Assets |
| N/A | Annual Improvements to IFRS Standards 2018-2020 Cycle |

The new standards effective from 1 January 2022, as listed above, did not have a material effect on the Group's financial statements.

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 |
|---|---|---|
| IAS 1 amendments | Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies | 1 January 2023* |
| IAS 8 amendments | Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates | 1 January 2023* |
| IAS 12 amendments | Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023* |
| IAS 17 amendments | Insurance contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information | 1 January 2023* |

**Subject to UK endorsement*

There are no IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company or Group.

**Estimates and judgements**

**Exploration and evaluation assets (Note 11)** – 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 development 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, and also the renewal of the concessions that are currently scheduled to expire in November 2023. The Board considers these factors to be an ordinary risk for oil and gas developments.

In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. The Company believes that this ban has substantially destroyed the economic value of the Petisovci field. Consequently, the operational and development review conducted by the Company determined that further field development was not economically viable and that the current producing wells had a remaining production life of 5.5 years. The result of the impairment review identified an impairment charge of £17,800,000 and the carrying value of exploration assets at 31 December 2022 are nil (2021: £18,463,000).

**Reserves** – 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. (See page 15)

**Carrying value of property, plant and equipment (developed oil and gas assets) (Note 10)** – In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. Consequently, the operational and development review conducted by the Company determined that further field development was not economically viable and that the current producing wells had a remaining production life of 5.5 years. The result of the impairment review identified an impairment charge of £21,665,000 and the carrying value of property, plant and equipment assets at 31 December 2022 was nil (2021: £21,106,000).

The 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. With regard to the financial inputs, a weighted average cost of capital ("WACC") was used as the discount rate, and calculated as 12.0% (post-tax, nominal) and for gas prices, the Company has used a combination of futures rates for the local region.

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. As with the exploration and evaluation assets, judgment was required regarding the likelihood of the necessary environmental permits being granted and the status of legal matters which are key to the commercial value of the assets.

**Depreciation of property, plant and equipment (Note 10)** – 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 estimates of the future workover costs on the producing wells to extract this reserve. The depreciation charge for the year was £214,000 (2021: £328,000) 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 (Note 6)** – 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 2022 the Board has concluded that no deferred tax asset is yet applicable. This is included at Note 7.

**Decommissioning costs (Note 16)**

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 one-off amount to the Company's JV partner as per the Revised Joint Venture Agreement. A change in the key assumptions used to calculate rehabilitation provisions could have a material impact on the carrying value of the provisions.

The carrying value of these provisions in the financial statements represents an estimate of the future costs expected to be incurred to rehabilitate each well, which is reviewed at least annually. Future costs are estimated by internal experts, with external specialists engaged periodically to assist management. These estimates are based on current price observations, taking into account developments in technology and changes to legal and contractual requirements. Expectations regarding cost inflation are also incorporated. He carrying value of these provisions have not been discounted to provide a present value of these future costs due to the near-term uncertainty of when these costs may materialise.

**Intercompany receivables (Note 22)** – 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. In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. Consequently, the operational and development review conducted by the Company determined that further field development was not economically viable and that the current producing wells had a remaining production life of 5.5 years. Recognising the loss in economic value, management took the decision fully impair the receivable in the Company accounts (2021: £32 million).

**Investments (note 12)** – Judgement has been made in respect of the carrying value of the Company's carrying value of its investments in the subsidiaries. The process for this is the same as the consideration given in respect of both Intangible Assets and Property, Plant and Equipment (see above).

**Basis of consolidation (Note 12)** - 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 (Note 9)** - Business combinations are accounted for using the acquisition method. The

consideration transferred for the acquisition of a subsidiary comprises the:

- fair value of assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity instruments issued by the Group;
- fair value of any asset or liability resulting from contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any noncontrolling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the noncontrolling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest and fair value of pre-existing equity interest over the fair value of net identifiable assets acquired is recorded as goodwill. If those amounts are less than the

fair value of the net identifiable assets acquired, the difference is recognised immediately in profit or loss as a gain on bargain purchase.

**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.

The Group has one joint arrangement, the Petišovci joint venture in Slovenia in which Ascent Slovenia Limited (a 100% subsidiary of Ascent Resources plc) has a 75% working interest, however whilst in a cost recovery position the Company is entitled to 90% of hydrocarbon revenues produced.

**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 has 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.

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.

**Foreign currency**

The Group's strategy is focussed on developing oil and gas projects and ESG metals 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 2022 was £1: €1.1308 (2021: £1:€1.1900).

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

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

**Taxation (Note 6)**

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 (Note 16)**

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 estimating 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 remeasured.

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 nonconvertible 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.

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.

*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.

*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 on 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.

*Share-based payments*

Share-based payments relate to transactions where the Group receives services from employees or service providers and the terms of the arrangements include payment of a part or whole of consideration by issuing equity instruments to the counterparty. The Group measures the services received from non-employees, and the corresponding increase in equity, at the fair value of the goods or services received. When the transactions are with employees, the fair value is measured by reference to the fair value of the share-based payments. The expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

*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 financial liability and charged as transaction cost deducted against the loan and held subsequently at fair value. Subsequently the derivative liability is revalued at each reporting date with changes in the fair value recorded within finance income or costs.

**Equity**

Share capital is determined using the nominal value of shares that have been issued.

The Share premium reserve relates to amounts subscribed for share capital in excess of nominal value less costs of shares associated with share issues.

Share based payments relate to transactions where the Group receives services from employees or service providers and the terms of the arrangements include payment of a part or whole of consideration by issuing equity instruments to the counterparty. The Group measures the services received from non-employees, and the corresponding increase in equity, at the fair value of the goods or services received. When the transactions are with employees, the fair value is measured by reference to the fair value of the shares issued. The expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Equity-settled share-based payments are credited to a share-based payment reserve as a component of equity until related options or warrants are exercised or lapse.

The Merger reserve relates to the value of shares, in excess of nominal value, issued with respect of the Trameta acquisition in 2016.

The Translation reserve comprises the exchange differences from translating the net investment in foreign entities and of monetary items receivable from subsidiaries for which settlement is neither planned nor likely in the foreseeable future.

Retained losses includes all current and prior period results as disclosed in the income statement.

**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.

**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 customers. Sales are recognised when control of the goods has transferred to the customer. Condensate, which is collected at a separating station and transported via trucks to a customer in Hungary is recorded on delivery according to 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. The Company follows the five step process set out in IFRS 15 for revenue recognition.

Revenue is derived from the production of hydrocarbons under the Petišovci Concession, which Ascent Slovenia Limited holds a 75% working interest, however whilst in a cost recovery position the Company is entitled to 90% of hydrocarbon revenues produced. 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.

During the year the information required to determine the transaction price of the revenues relating to producing assets under the Petišovci Concession was not available. The contractual terms under the Joint arrangement in Slovenia are under dispute and it was therefore unclear at the year end whether the performance obligations had been met. For these reasons, no revenue has been recognised during the year in accordance with IFRS 15.

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 hydrocarbon revenues produced whilst in a cost recovery position in the Petišovci area 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.

**Goodwill**

Goodwill arising from business combinations is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash- generating units that are expected to benefit from the business combination in which the goodwill arose.

**Contingent Consideration**

Contingent consideration is measured at fair value at the time of the business combination and is considered in the determination of goodwill.

**Contingent Liability**

A contingent liability is recognised when the group has a possible obligation (legal or constructive), as a result of a past event, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

**Contingent Asset**

A contingent asset is recognised when the group has a possible asset, as a result of a past event, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

Such contingent assets are only recognised as assets in the financial statements where the realisation of income is virtually certain. If the inflow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the group but not recognised in the statement of financial position.

## 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.

| 2022 | UK £,000s | Slovenia £'000s | Elims £'000s | Total £'000s |
|---|---|---|---|---|
| Hydrocarbon sales | - | 581 | - | 581 |
| Intercompany sales | 417 | 12 | (429) | - |
| **Total revenue** | 417 | 593 | (429) | 581 |
| Cost of sales | - | (504) | - | (504) |
| Administrative expenses | (719) | (642) | (111) | (1,472) |
| **Material non-cash items** | | | | |
| Depreciation | (1) | (213) | - | (214) |
| Impairment | (43,622) | (25,795) | 29,696 | (39,721) |
| Goodwill impairment | (203) | - | - | (203) |
| Decommission provision | - | (326) | - | (326) |
| Net finance costs | (31) | (1) | - | (32) |
| **Reportable segment profit/(loss) before taxation** | (44,159) | (26,888) | 28,156 | (41,891) |
| Taxation | - | - | - | - |
| **Reportable segment profit/(loss) after taxation** | (44,159) | (26,888) | 28,156 | (41,891) |
| **Reportable segment assets** | | | | |
| Carrying value of exploration assets | - | 18,463 | - | 18,463 |
| Impairment to exploration assets | - | (18,820) | - | (18,820) |
| Effect of exchange rate movements | - | 357 | - | 357 |
| Total plant and equipment | 4 | - | - | 4 |
| Prepaid abandonment fund | - | 300 | - | 300 |
| Investment in subsidiaries | - | - | - | - |
| Intercompany receivables | - | - | - | - |
| **Total non-current assets** | 4 | 300 | - | 304 |
| Other assets | 326 | 10 | - | 336 |
| **Consolidated total assets** | 330 | 310 | - | 640 |
| **Reportable segment liabilities** | | | | |
| Trade payables | (219) | (757) | - | (976) |
| External loan balances | (521) | - | - | (521) |
| Inter-group borrowings | - | (34,536) | 34,536 | - |
| Other liabilities | - | (663) | - | (663) |
| **Consolidated total liabilities** | (740) | (35,956) | 34,536 | (2,160) |

| 2021 | UK £,000s | Slovenia £'000s | Elims £'000s | Total £'000s |
|---|---|---|---|---|
| Hydrocarbon sales | - | - | - | - |
| Intercompany sales | - | 13 | (13) | - |
| **Total revenue** | - | 13 | (13) | - |
| Cost of sales | - | (19) | - | (19) |
| Administrative expenses | (1,520) | (89) | 13 | (1,596) |
| **Material non-cash items** | | | | |
| Depreciation | - | (328) | - | (328) |
| Net finance costs | (27) | (1) | - | (28) |
| **Reportable segment profit/(loss) before taxation** | (1,547) | (424) | - | (1,971) |
| Taxation | - | - | - | - |
| **Reportable segment profit/(loss) after taxation** | (1,547) | (424) | - | (1,971) |
| **Reportable segment assets** | | | | |
| Carrying value of exploration assets | - | 18,753 | - | 18,753 |
| Additions to exploration assets | - | - | - | - |
| Effect of exchange rate movements | - | (290) | - | (290) |
| Total plant and equipment | - | 21,111 | - | 21,111 |
| Prepaid abandonment fund | - | 300 | - | 300 |
| Investment in subsidiaries | 16,099 | - | (15,446) | 653 |
| Intercompany receivables | 27,526 | - | (27,526) | - |
| **Total non-current assets** | 43,625 | 39,874 | (42,972) | 40,527 |
| Other assets | 115 | (10) | - | 105 |
| **Consolidated total assets** | 43,740 | 38,694 | (42,972) | 40,632 |
| **Reportable segment liabilities** | | | | |
| Trade payables | (494) | (277) | - | (771) |
| External loan balances | (541) | - | - | (541) |
| Inter-group borrowings | - | (32,677) | 32,677 | - |
| Other liabilities | (450) | (312) | - | (762) |
| **Consolidated total liabilities** | (1,485) | (33,266) | 32,677 | (2,074) |

*Revenue from customers*

Revenue for 2022 was £581,000 (2021: nil). The on-going dispute with the JV partner was partially resolved in August 2022 resulting in the recognition of revenue, and receipt of funds, from the hydrocarbon production for the period April 2020 to December 2021. Hydrocarbon production for 2022 is still subject to dispute and has not been recognised in the 2022 year. The performance obligations are set out in the Group's revenue recognition policy. 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 2022 £'000s | Year ended 31 December 2021 £'000s |
|---|---|---|
| Employee costs | 812 | 1,067 |
| Shared based payment charge | 2 | - |
| Depreciation | 214 | 328 |
| | | |
| **Auditor's remuneration:** | | |
| Audit fees – PKF | 52 | 45 |
| Fees payable to the Company's auditor for other services | - | - |
| | 52 | 45 |

## 4. Employees and directors

### a) Employees

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

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Management and technical | **7** | 7 |

### b) Directors and employee's remuneration

| | Year ended 31 December 2022 £'000s | Year ended 31 December 2021 £'000s |
|---|---|---|
| **Employees and directors** | | |
| Wages and salaries | **667** | 826 |
| Social security costs | **91** | 145 |
| Pension costs | **1** | 2 |
| Bonuses | **53** | 86 |
| Share base payments | **2** | - |
| Taxable benefits | **13** | 8 |
| | **827** | 1,067 |

### c) Director's remuneration

Please see Remuneration report on pages 32-33.

## 5. Finance income and costs recognised in the year

| Finance costs | Year ended 31 December 2022 £'000s | Year ended 31 December 2021 £'000s |
|---|---|---|
| Interest charge on loans | **(30)** | (26) |
| Bank charges | **(2)** | (2) |
| | **(32)** | (28) |

Please refer to Note 15 for a description of financing activity during the year.

## 6. Income tax expense

| | Year ended 31 December 2022 £'000s | Year ended 31 December 2021 £'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 2022 £'000s | Year ended 31 December 2021 £'000s |
|---|---|---|
| Loss for the year | **(41,891)** | (1,971) |
| Income tax using the Company's domestic tax rate at 19% (2021: 19%) | **(7,959)** | (375) |
| Effects of: | | |
| Net increase in unrecognised losses c/f | **7,959** | 375 |
| Effect of tax rates in foreign jurisdictions | **-** | - |
| Other non-deductible expenses | **-** | - |
| **Total tax expense for the year** | **-** | - |

## 7. Deferred tax – Group and Company

| | Year ended 31 December 2022 £'000s | Year ended 31 December 2021 £'000s |
|---|---|---|
| **Group** | | |
| Total tax losses – UK and Slovenia | **(95,118)** | (53,277) |
| Unrecorded deferred tax asset at 19% (2021: 19%) | **16,170** | 9,049 |
| | | |
| **Company** | | |
| Total tax losses | **(59,249)** | (15,080) |
| Unrecorded deferred tax asset at 19% (2021: 19%) | **10,072** | 1,548 |

No deferred tax asset has been recognised in respect of the tax losses carried forward, due to the uncertainty as to when profits will be generated. Refer to critical accounting estimates and judgments.

## 8. Earnings per share

| | Year ended 31 December 2022 £'000s | Year ended 31 December 2021 £'000s |
|---|---|---|
| **Result for the year** | | |
| Total loss for the year attributable to equity shareholders | **(41,891)** | (1,971) |
| | | |
| **Weighted average number of shares** | **Number** | Number |
| For basic earnings per share | **133,972,082** | 108,007,151 |
| | | |
| Loss per share (pence) | **(31.27)** | (1.83) |

As the result for the year was a loss, the basic and diluted loss per share are the same. At 31 December 2022, potentially dilutive instruments in issue were 65,969,404 (2021: 29,262,396). Dilutive shares arise from share options and warrants issued by the Company.

## 9. Business combinations

There have been no acquisitions during the period, however the Board strategically expect acquisitions to be a common component of growth in the future.

In April 2020, the Company acquired 100% of the share capital of Energetical Limited, a UK Company with exclusive rights to secure a Production Sharing Contract ("PSC") on a producing onshore Cuban oil licence. The initial consideration for the acquisition of Energetical comprised of the issue of six million new ordinary shares valued at £203,000 and a further £450,000 (see note 17) of contingent consideration that would be payable on the execution of production sharing contracts.

| | |
|---|---|
| Consideration – new ordinary shares issued at 3.38p | 203 |
| Contingent consideration (note 17) | 450 |
| **Total consideration and value of goodwill** | **653** |

The exclusive MOU covering the rights to negotiate PSCs with the exclusivity lapsed on 31 December 2021 and the MOU remaining on a non-exclusive basis until the end of April 2022. The Company took to decision to cease evaluating assets in Cuba on 15 August 2022 and to fully impair the value goodwill.

| **Goodwill** | |
|---|---|
| **At 1 January 2022** | 653 |
| Impairment | (653) |
| **At 31 December 2022** | - |

## 10. Property, plant and equipment

| Cost | Computer Equipment £'000s | Developed Oil & Gas Assets £'000s | Total £'000s |
|---|---|---|---|
| **At 1 January 2021** | 6 | 24,594 | 24,600 |
| Additions | 5 | - | 5 |
| Effect of exchange rate movements | - | (1,631) | (1,631) |
| **At 31 December 2021** | 11 | 22,963 | 22,974 |
| **At 1 January 2022** | 11 | 22,963 | 22,974 |
| Additions | 1 | - | 1 |
| Effect of exchange rate movements | - | 1,203 | 1,203 |
| **At 31 December 2022** | 12 | 24,166 | 24,178 |
| | | | |
| **Depreciation** | | | |
| **At 1 January 2021** | (6) | (1,811) | (1,817) |
| Charge for the year | - | (328) | (328) |
| Effect of exchange rate movements | - | 282 | 282 |
| **At 31 December 2021** | (6) | (1,857) | (1,863) |
| **At 1 January 2022** | (6) | (1,857) | (1,863) |
| Charge for the year | (2) | (212) | (214) |
| Impairment | - | (21,193) | (21,193) |
| Effect of exchange rate movements | - | (904) | (904) |
| **At 31 December 2022** | (8) | (24,166) | (24,174) |
| | | | |
| **Carrying value** | | | |
| **At 31 December 2022** | 4 | - | 4 |
| At 31 December 2021 | 5 | 21,106 | 21,111 |
| At 1 January 2021 | - | 22,783 | 22,783 |

Impairment of £21,193,000 (2021: nil) has been recognised during the year. In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. Consequently, the operational and development review conducted by the Company determined that further field development was not economically viable and that the current producing wells had a remaining production life of 5.5 years. Details of the impairment judgments and estimates in the fair value less cost to develop assessment as set out in Note 1.

## 11. Exploration and evaluation assets - Group

| Cost | Slovenia £'000s | Total £'000s |
|---|---|---|
| **At 1 January 2021** | 18,753 | 18,753 |
| Effects of exchange rate movements | (290) | (290) |
| **At 31 December 2021** | 18,463 | 18,463 |
| **At 1 January 2022** | 18,463 | 18,463 |
| Impairment | (18,820) | (18,820) |
| Effects of exchange rate movements | 357 | 357 |
| **At 31 December 2022** | - | - |
| | | |
| **At 31 December 2022** | - | - |
| At 31 December 2021 | 18,463 | 18,463 |
| At 1 January 2021 | 18,753 | 18,753 |

Impairment of £18,820,000 (2021: nil) has been recognised during the year. In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. Consequently, the operational and development review conducted by the Company determined that further field development was not economically viable and that the current producing wells had a remaining production life of 5.5 years. As at 31 December 2022 the net present value was significantly lower than the carrying value of the assets which indicated that an impairment of 100% of intangible oil and gas assets was warranted. Details of the impairment judgments and estimates and the fair value less cost to develop assessment as set out in Note 1.

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

The residual value of the intangible oil and gas assets represents the amount provided for decommissioning costs (note 16) less the amounts in the Prepaid Abandonment Fund (note 13).

## 12. Investments in subsidiaries - Company

| | 2022 £'000s | 2021 £'000s |
|---|---|---|
| **Cost** | | |
| **At 1 January** | 16,102 | 16,096 |
| Additions | 0 | 6 |
| **At 31 December** | 16,102 | 16,102 |
| Accumulated impairment | | |
| At 1 January | - | - |
| Impairment | (16,102) | - |
| **At 31 December** | - | - |
| Net book value | | |
| **At 31 December** | - | 16,102 |

Impairment of £16,102,000 (2021: nil) has been recognised during the year. In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. Consequently, the operational and development review conducted by the Company determined that further field development was not economically viable and that the current producing wells had a remaining production life of 5.5 years. As at 31 December 2022 the net present value was significantly lower than the carrying value of the assets which indicated that an impairment of 100% of investment in subsidiaries.

The Company's subsidiary undertakings at the date of issue of these financial statements, which are all 100% owned, are set out below:

| Name of company & registered office address | Principal activity | Country of incorporation | % of share capital held 2022 | % of share capital held 2021 |
|---|---|---|---|---|
| Ascent Slovenia Limited<br>Tower Gate Place<br>Tal-Qroqq Street<br>Msida, Malta | Oil and gas exploration | Malta | 100% | 100% |
| Ascent Resources doo<br>Glavna ulica 7<br>9220 Lendava<br>Slovenia | Oil and gas exploration | Slovenia | 100% | 100% |
| Trameta doo<br>Glavna ulica 7<br>9220 Lendava<br>Slovenia | Infrastructure owner | Slovenia | 100% | 100% |
| Ascent Hispanic Resources UK Limited<br>5 New Street Square<br>London EC4A 3TW | Oil and gas exploration | England and Wales | 100% | 100% |
| Ascent Hispanic Ventures, S.L.<br>C Lluis Muntadas, 8<br>08035 Barcelona | Oil and gas exploration | Spain | 100% | 100% |

All subsidiary companies are held directly by Ascent Resources plc.

Consideration of the carrying value of investments is carried out alongside the assessments made in respect of the recoverability of carrying value of the group's producing and intangibles assets. The judgements and estimates made therein are the same as for investments and as such no separate disclosure is made.

## 13. Trade and other receivables - Group

| | **2022**<br>**£'000s** | **2021**<br>**£'000s** |
|---|---|---|
| VAT recoverable | 33 | 42 |
| Prepaid abandonment liability | 300 | 300 |
| Prepayments & accrued income | (22) | (34) |
| | 311 | 308 |
| Less non-current portion | (300) | (300) |
| Current portion | 11 | 8 |

The prepaid abandonment liability represents funds the Group has deposited into a bank account to be made available for the purposes of decommissioning wells that are currently in production.

## 14. Trade and other receivables - Company

### a) Trade Receivables

| | **2022**<br>**£'000s** | **2021**<br>**£'000s** |
|---|---|---|
| VAT recoverable | 14 | 19 |
| Prepayments & accrued income | 10 | 9 |
| | 24 | 28 |

### b) Intercompany Receivables

| | | 2022 | | | 2021 | |
|---|---|---|---|---|---|---|
| | Cash | Services | Total | Cash | Services | Total |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Ascent Slovenia Limited | - | - | - | 17,368 | 5,404 | 22,772 |
| Ascent Resources doo | - | - | - | 2,951 | 1,730 | 4,681 |
| Trameta doo | - | - | - | 11 | - | 11 |
| Ascent Hispanic Ventures | - | - | - | 56 | - | 56 |
| | - | - | - | 20,386 | 7,134 | 27,520 |

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.

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. In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. Consequently, the operational and development review conducted by the Company determined that further field development was not economically viable and that the current producing wells had a remaining production life of 5.5 years. As at 31 December 2022 the net present value was significantly lower than the carrying value of the assets which indicated that an impairment of 100% of intercompany receivables at the Company level was warranted. Impairment for the year under review was £27,520,000 (2021: nil).

## 15. Borrowings – Group and Company

| **Group** | **2022 £'000s** | **2021 £'000s** |
|---|---|---|
| Current | | |
| Borrowings | - | - |
| Convertible loan notes | 5 | 5 |
| Non-current | | |
| Borrowing | 516 | 536 |
| | 521 | 541 |
| **Company** | | |
| Current | | |
| Borrowings | - | - |
| Convertible loan notes | 5 | 5 |
| Non-current | | |
| Borrowing | 516 | 536 |
| | 521 | 541 |

In December 2022, the Company reprofiled its outstanding debt with Riverfort Global Opportunities. The total outstanding obligation stood at £566,000 with the Company repaying £50,000 of the total outstanding payment obligations of £561,620, with £25,000 in cash plus £25,000 which will be satisfied with the issue of 625,000 new shares. The remaining balance of £511,620 was re-profiled such that it will incur a coupon of 8 per cent and now be redeemable in six equal cash instalments of £92,091.60 as of 14 September 2023 and monthly thereafter with final payment on 14 February 2024.

The current convertible loan was due for redemption on 19 November 2019 and at the balance sheet date £5,625 remain unclaimed.

## 16. Provisions – Group

| | £000s |
|---|---|
| **At 1 January 2021** | 328 |
| Foreign exchange movement | (16) |
| Provision | - |
| **At 31 December 2021** | 312 |
| **At 1 January 2022** | 312 |
| Foreign exchange movement | 13 |
| Provision | 338 |
| **At 31 December 2022** | 663 |

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 on deposit as collateral against this liability see Note 13.

## 17. Contingent consideration due on Acquisition

| **Group** | **2022**<br>**£'000s** | **2021**<br>**£'000s** |
|---|---|---|
| Non-Current | | |
| Ascent Hispanic Limited (formerly Energetical Limited) | - | 450 |
| | - | 450 |

The contingent consideration is based on the defined contingent consideration in the acquisition of Ascent Hispanic Limited (Formerly Energetical Limited), comprising £100,000 in cash and a further £350,000 in shares. The Company has not discounted the contingent consideration since the impact would not be material. The Company took to decision to cease evaluating assets in Cuba on 15 August 2022 and as such write down the value of the contingent consideration in full.

Please refer to note 9 of the financial statements for the consideration in the acquisition of Ascent Hispanic Limited.

## 18. Trade and other payables - Group

| | **2022**<br>**£'000s** | **2021**<br>**£'000s** |
|---|---|---|
| Trade payables | 437 | 581 |
| Tax and social security payable | 44 | 16 |
| Accruals and deferred income | 495 | 174 |
| | 976 | 771 |

## 19. Trade and other payables - Company

| | **2022**<br>**£'000s** | **2021**<br>**£'000s** |
|---|---|---|
| Trade payables | 138 | 309 |
| Tax and social security payable | 28 | 10 |
| Accruals and deferred income | 53 | 174 |
| | 219 | 493 |

## 20. Called up share capital

| | 2022<br>£'000s | 2021<br>£'000s |
|---|---|---|
| **Authorised** | | |
| 2,000,000,000 ordinary shares of 0.5p each | 10,000 | 10,000 |
| | | |
| **Allotted, called up and fully paid** | | |
| 3,019,648,452 deferred shares of 0.195p each | 5,888 | 5,888 |
| 1,737,110,763 deferred shares of 0.09p each | 1,563 | 1,563 |
| 109,376,804 ordinary shares of 0.5p each | 763 | 547 |
| | 8,214 | 7,998 |

| **Reconciliation of share capital movement** | 2022<br>number | 2021<br>number |
|---|---|---|
| **At 1 January** | 109,376,804 | 95,283,281 |
| Issue of shares during the year | 43,041,211 | 14,093,523 |
| **At 31 December** | 152,418,015 | 109,376,804 |

The deferred shares have no voting rights and are not eligible for dividends.

**Shares issued during the year**

- On 19 January 2022, the Company raised £600,000 via a placing of 18,181,818 ordinary shares with investors.
- On 19 January 2022, the Company issued 303,030 ordinary shares at a price of 3.30p to a professional advisor in lieu of fees.
- On 3 February 2022, the Company issued 1,636,363 ordinary shares at a price of 3.30p to professional advisors in lieu of fees and to staff in lieu of bonus.
- On 14 April 2022, the Company received £242,500 in respect to a warrants exercise over 6,062,500 new ordinary shares.
- On 1 December 2022, the Company raised £600,000 via a placing of 15,000,000 ordinary shares with investors.
- On 1 December 2022, the Company issued 1,232,500 ordinary shares at a price of 4.00p to professional advisors in lieu of fees.
- On 1 December 2022, The Company issued 625,000 ordinary shares at a price of 4.00p to Riverfort Global Opportunities as a repayment of loan.

**Shares issued during the prior year**

- On 6 January 2021, the Company issued 208,991 ordinary shares at a price of 5.74p to a professional advisor in lieu of fees.
- On 11 January 2021, the Company received £62,500 in respect to a warrants exercise over 833,333 new ordinary shares. Additionally, the Company issued 66,667 new shares at 7.5p in lieu of the 8% cash coupon.
- On 12 January 2021, the Company received £55,000 in respect to a warrants exercise over 1,000,000 new ordinary shares.
- On 2 February 2021, the Company received £7,500 in respect to a warrants exercise over 187,500 new ordinary shares.
- On 4 February 2021, the Company received £62,500 in respect to a warrants exercise over 833,333 new ordinary shares. Additionally, the Company issued 66,667 new shares at 7.5p in lieu of the 8% cash coupon.

- On 5 February 2021, received £62,500 in respect to a warrants exercise over 900,000 new ordinary shares.
- On 11 February 2021, the Company raised £1m via a placing of 9,997,032 ordinary shares with investors.

## 21. 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 2022, the Group had exploration and expenditure commitments of £ Nil (2021 - Nil).

## 22. Related party transactions

There is no ultimate controlling party for the Company.

**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.

**2022**

There were no transactions involving directors during the year (2021: nil).

## 23. Events subsequent to the reporting period

In February 2023 the Company granted an aggregate of 4,600,000 options over ordinary shares as had been announced by RNS on 11 November 2022.

On 23 February 2023 the Company announced that it had signed a Strategic Collaboration Agreement with Beryl International (Pty) Ltd in which the parties agree to work together to identify and potentially fund both those LATAM ESG Metals opportunities already identified by Ascent and new African opportunities introduced by Beryl. In support of the collaboration, Beryl has agreed to subscribe for£ 1,000,000 in new equity via a direct subscription at 4 pence per new share. The Subscription will be conducted in two tranches, with a first tranche of £300,000 in new equity closing on 21 March 2023 and the balance of £700,000 closing on or before 30 June 2023.

On 21 March 2023 the Company announced that, following the inclusion of South Africa to the FATF's 'grey list' on 24 February 2023 and the consequent additional processes required to complete international funds transfers out of South Africa, the direct subscription from Beryl, as announced on 23 February 2023, has now been delayed. It is now expected that settlement of the £1 million subscription at 4 pence per new subscription share will take place in one full £1 million tranche on completion of the capitalisation of the Mauritius domiciled special purpose vehicle created by Beryl for this investment.

On 4 April 2023 the Company announced that achieved a positive resolution in the mediation process between ASL and Geoenergo as joint venture ("JV") partners and Petrol Geo as JV service provider. Geoenergo has agreed to settle all outstanding hydrocarbon revenues owed to ASL from January 2022 to February 2023 which total €1,724,689 and ASL has agreed to settle all outstanding JV operating costs owed to Petrol Geo for €1,436,000.

## 24. Share based payments

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

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

| | Shares | Weighted Average Price (pence) |
|---|---:|---:|
| Outstanding at 1 January 2021 | 7,348,142 | 53.12 |
| **Outstanding at 31 December 2021** | 7,348,142 | 53.12 |
| **Exercisable at 31 December 2021** | 1,450,763 | 248.72 |
| | | |
| Outstanding at 1 January 2022 | 7,348,142 | 253.72 |
| Granted during the year | 500,000 | 5.00 |
| Expired during the year | - | |
| Outstanding at 31 December 2022 | 7,848,142 | 50.05 |
| **Exercisable at 31 December 2022** | 1,450,763 | 248.72 |

The value of the options is measured by the use of a Black Scholes Model. The inputs into the Black Scholes Model made in 2022 were as follows:

| | |
|---|---:|
| Share price at grant | 3.85 |
| Exercise price | 5.00 |
| Volatility | 59.45% |
| Expected life | 5 years |
| Risk free rate | 1% |
| 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 2022 have an exercise price in the range of 2.9p and 7.78p (31 December 2021: 2.9p and 7.78p) and a weighted average contractual life of 4.5 years (31 December 2021: 4.5 years). The amount recognised in the income statement for the year ended 31 December 2022 was £2,000 (2021: nil).

Details of the warrants issued in the year are as follows:

| Issued | Exercisable from | Expiry date | Number outstanding | Exercise price |
|---|---|---|---:|---:|
| 27 January 2022 | Anytime until | 26 January 2024 | 20,303,030 | 5.00p |
| 27 January 2022 | Anytime until | 26 January 2024 | 1,000,000 | 5.00p |
| 14 April 2022 | Anytime until | 14 April 2025 | 9,093,750 | 4.00p |
| 1 December 2022 | Anytime until | 1 December 2024 | 15,000,000 | 5.00p |
| 1 December 2022 | Anytime until | 1 December 2024 | 4,600,000 | 5.00p |

| | Warrants | Weighted Average Price (pence) |
|---|---|---|
| Outstanding at 1 January 2022 | 21,914,254 | 6.80 |
| Granted during the year | 49,996,780 | 4.82 |
| Exercised during the year | (6,062,500) | 4.00 |
| Expired during the year | (7,727,272) | 5.50 |
| Outstanding at 31 December 2022 | 58,121,262 | 5.20 |
| **Exercisable at 31 December 2022** | **58,121,262** | **5.20** |

The warrants outstanding at the period end have a weighted average remaining contractual life of 2.2 years. The exercise prices of the warrants are between 4.00 – 7.50p per share.

## 25. Notes supporting the statement of cash flows

| **Group** | **2022 £'000s** | **2021 £'000s** |
|---|---|---|
| Cash at bank and available on demand | 325 | 97 |
| Cash held on deposit against bank guarantee | - | - |
| | 325 | 97 |

| **Company** | | |
|---|---|---|
| Cash at bank and available on demand | 302 | 88 |
| Cash held on deposit against bank guarantee | - | - |
| | 302 | 88 |

Significant non-cash transactions are as follows:

| | **2022 £'000s** | **2021 £'000s** |
|---|---|---|
| Interest charged on loans | 30 | 26 |

## 26. Financial risk management

### Group and Company

The Group's financial liabilities comprise CLNs, borrowings and trade payables. All liabilities are measured at amortised cost. These are detailed in Notes 15 and 18.

The Group has various financial assets, being trade receivables and cash, which arise directly from its operations. All are classified at amortised cost. These are detailed in Notes 13, 14 and 25.

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:

### Credit risk

Credit risk is the risk of an unexpected loss if a counter party to a financial instrument fails to meet its commercial obligations. The Group's maximum credit risk exposure is limited to the carrying amount of cash of £97,000 and trade and other receivables of £42,000. Credit risk is managed on a Group basis. Funds are deposited with financial institutions with a credit rating equivalent to, or above, the main UK clearing banks. The Company's liquid resources are invested

having regard to the timing of payment to be made in the ordinary course of the Group's activities. All financial liabilities are payable in the short term (between 0 to 3 months) and the Group maintains adequate bank balances to meet those liabilities.

The Group makes allowances for impairment of receivables where there is an ECL identified. Refer to Note 22 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.

**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.

The Group's and Company's exposure to foreign currency risk at the end of the reporting period is summarised below. All amounts are presented in GBP equivalent.

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>£'000s | 2021<br>£'000s | 2022<br>£'000s | 2021<br>£'000s |
| Trade and other receivables | - | - | - | - |
| Cash and cash equivalents | 29 | 9 | 6 | 7 |
| Trade and other payables | (314) | (277) | - | 2 |
| **Net exposure** | (285) | (268) | 6 | 9 |

*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.

*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.

| Group | Euro currency change<br>Year ended<br>31 December 2022 | <br>Year ended<br>31 December 2021 |
|---|---|---|
| **Profit or loss** | | |
| 10% strengthening of sterling | 124 | 40 |
| 10% weakening of sterling | (151) | (48) |
| | | |
| **Equity** | | |
| 10% strengthening of sterling | 69 | (3,598) |
| 10% weakening of sterling | (85) | 4,398 |
| | | |
| **Company** | | |
| **Profit or loss** | | |
| 10% strengthening of sterling | - | - |
| 10% weakening of sterling | - | - |
| | | |
| **Equity** | | |
| 10% strengthening of sterling | - | (3,045) |
| 10% weakening of sterling | - | 3,722 |

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 2022, the Group and Company has GBP loans valued at £521,000 rates of 8% per annum. At 31 December 2021, the Group and Company had GBP loans valued at £536,000 rates of 8% 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.

| Categorisation of Borrowings - Group | Group<br>2022<br>£'000s | <br>2021<br>£'000s | Company<br>2022<br>£'000s | <br>2021<br>£'000s |
|---|---|---|---|---|
| Less than six months - loans and borrowings | - | - | - | - |
| Less than six months - trade and other payables | - | - | - | - |
| Between six months and a year | - | - | - | - |
| Over one year | 516 | 536 | 516 | 536 |

### Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between debt and equity. The Group reviews the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues and the issue of new debt or the repayment of existing debt.

**There are no externally imposed capital requirements.**

### Fair value of financial instruments

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

| Categorisation of Financial Assets and Liabilities – Group | Carrying amount Year ended 31 December 2022 | Fair Value Year ended 31 December 2022 | Carrying amount Year ended 31 December 2021 | Fair Value Year ended 31 December 2021 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and equivalents – unrestricted | 325 | 325 | 97 | 97 |
| Cash and equivalents - restricted | - | - | - | - |
| Trade receivables | 11 | 11 | 8 | 8 |
| Prepaid abandonment fund (refundable) | 300 | 300 | 300 | 300 |
| | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 599 | 599 | 771 | 771 |
| Loans at fixed rate | 516 | 516 | 536 | 536 |

| Capital management - Company | Carrying amount Year ended 31 December 2022 | Fair Value Year ended 31 December 2022 | Carrying amount Year ended 31 December 2021 | Fair Value Year ended 31 December 2021 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and equivalents – unrestricted | 302 | 302 | 88 | 88 |
| Trade receivables | 26 | 26 | 28 | 28 |
| | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 283 | 283 | 493 | 493 |
| Loans at fixed rate | 516 | 516 | 536 | 536 |

*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 and 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 13, 14, 14, 18 and 19.

*Cash and cash equivalents*

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

## 27. Commitments and contingencies

On 10 March 2021, the Company announced that its JV Service Provider, Petro Geo, issued a local enforcement order attempting to claim payment for an unsubstantiated amount of €662,288 plus interest of €12,103. Post the period under review the Company settled this dispute with Petrol Geo settling all outstanding invoices from 2019 to February 2023.

Decommissioning costs for the Petišovci Project are estimated to be €9m, consisting of €0.5m for each of the 16 proposed wells plus an additional €1m for pipes and related infrastructure. Decommissioning costs become payable at the end of a wells operational life and a provision for decommissioning costs is made only when a well is put into production. The estimate for pipes and infrastructure is based on all wells being put into operation. With the change in the Slovenian mining law in in April 2022 creating a ban on hydraulic stimulation, further development of the concession is uncertain as is the development of additional wells. A provision of £663,000 (Note 16) has been made for the decommissioning of the PG10 and PG11A wells that are currently in production and represents the Group's share of the restoration costs for the Petišovci field.

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