Annual Report and Financial Statements

Year ended 31 December 2017

Registered number 05239285

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Chairman's Statement

Introduction

The year under review was transformational for your Company. The details of the milestones achieved are set out in the Chief Executive's Review. Their cumulative effect is to have moved the Company onto a new level.

In comparison to many other similar sized companies we are, in the absence of unforeseen technical issues at Petišovci, self-funded in that we expect income from the gas being sold to INA in Croatia to exceed our day to day operational and administrative costs for the foreseeable future. We have also eliminated virtually all debt from the business.

There are several initiatives underway at Petišovci, funded from current operating cash flow, to advance our field development plan, further details of which are contained in the Chief Executive's Review. These are expected to improve the financial performance of the Company at affordable costs.

Background

Your Board came together in 2012/13 at the time of rescue funding. Our focus then was to move the Company from its perilous financial state and become operationally cashflow positive.

Since 2013, assets other than Petišovci were sold or closed; partnership agreements at Petišovci were renegotiated; costs were cut; and, while we have been waiting for permits, alternative sources of income, being principally the sale of our untreated gas to Croatia, were put in place, which together with periodic injections of new cash have kept the Company afloat.

The primary objective of becoming operationally cashflow positive was achieved with the delivery of first export gas production in November 2017.

Our next objective is to use the Slovenian base to create a larger regional gas producer. This requires both the development of the next phase ('Phase 2') of the project where we add further wells and install our own processing facility and the acquisition of stakes in other projects.

Constraints on planned growth

The development of Petišovci and the acquisition of stakes in other regional gas projects require investment. While equipment, including the long-awaited treatment plant can be largely debt funded, acquiring an interest in other projects requires additional equity.

With the net present value of the Petišovci project estimated to be around 10 times the current market capitalisation of the Company and the share price lagging behind analyst estimates, now is not the time to dilute the underlying value in the Company's shares based on the levels at which they presently trade.

Additionally, the Board is clear that diluting from such a low level is not an option most shareholders wish to pursue. Equally, we recognise doing nothing is unlikely to be in the interests of shareholders generally.

Permits

There is no doubt that the painfully slow delivery of the regulatory approvals required to properly develop Phase 1 of the Petišovci project and to commence Phase 2 has unnerved existing and prospective shareholders.

Perhaps it is inevitable in such circumstances that conspiracy theories develop as to why the permits have not been delivered. Our firm belief is that the delays are purely the result of the slow operation of an inefficient state bureaucracy, where those responsible for delivering the permits receive no praise or reward for so doing but rather may become the targets of unrepresentative but vocal action groups.

In such circumstances, without the active encouragement of the Government at the highest levels, the officials responsible have no incentive to move at other than the slowest pace. Since the delivery of first export gas in November 2017, we believe the commitment of the country's top politicians to end their reliance on gas sourced principally from Russia has become much stronger, as it can now be seen as a deliverable reality rather than just a dream.

We continue to expect the delivery of the permits required to develop Petišovci in due course.

IPPC permit

Investors have placed great store by the award of the IPPC permit and its delay has clearly had an impact on the share price. While the award of the IPPC permit will be a major political endorsement for Ascent and the Petišovci project, the permits that will make the greatest short-term impact are the permits to re-enter and stimulate additional wells.

Permits are dealt with in greater detail in the Chief Executive's Review.

The way forward

The planned further development of the Petišovci project and the diversification into other regional projects is not an option currently available to the Company without potentially significant dilution for shareholders.

Doing nothing is not an attractive option, although in a previous era it would have been the choice of boards less interested in maximising shareholder value.

We have received several expressions of interest from industry players interested in working with us to allow the development of the Company as indicated above. These include farm-outs and general strategic partnerships. These are at an early stage and time will tell if any bear fruit.

Rather than wait for these or other options to materialise, we have decided to take a proactive approach and initiate a Strategic Review in conjunction with GMP FirstEnergy, an independent advisory firm with extensive energy sector expertise. Our purpose in this is to identify a partner to work with us to maximise opportunities to develop our existing assets to their fullest potential and, as appropriate, other assets in the region.

By so doing we expect to maximise the chances of a deal with a long-term partner to the benefit of all Ascent shareholders.

Clive Carver
Non-executive Chairman
16 April 2018

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, included in the Chief Executive's Review and the Operations Report.

Company Overview

Ascent Resources plc ('Ascent' or 'the Company') is an independent oil and gas exploration and production ('E&P') company that was admitted to trading on AIM in November 2004 (AIM: AST). Ascent has been involved in Slovenia for just over 10 years where it operates the Petišovci Tight Gas Project. To date it has invested around €50 million in this project, which is currently its principal asset. This asset has significant oil and gas reserves and resources and an established, local production infrastructure with connections to local and export customers.

During 2017 the Company brought two wells into production and started export production from the Petišovci field in Slovenia to INA in Croatia. The Company is now focussed on developing the field further to increase production and enhance its long-term prospects.

Asset Overview

The Petišovci Tight Gas Project is in an area that has been exploited since 1943. The project targets the significant gas reserves and resources in the Badenian, Middle Miocene, Petišovci-Globoki ('Pg') gas reservoirs which occur at depths of 2,000–3,500 m (6,562–11,484 ft). These Pg reservoirs are a series of interbedded sands and shales with a stacked productive gas pay of some 290 m (951 ft).

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

Cumulative gas production from the Pg gas field since 1988, including fuel and flare use and accounting for the gas equivalent of the historical condensate production, is 9.3 Bcfe (263.4 $MMSm^3$). This is 2% of the currently estimated gas initially in place ('GIIP') of 456 Bcf, (12.9 BSm^3), based on independent third-party estimates.

Further details of the asset and current reserves and resources can be found on pages 12 and 13 below.

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

Our strategy

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

Ascent aims to maximise the production and sale of hydrocarbons from the Petišovci Project for the benefit of all stakeholders. We will achieve this by carefully managing producing wells, successfully reworking existing wells and drilling further wells.

The commencement of production during the year was a significant milestone and we will now proceed with the second stage of our development plan at Petišovci while seeking to acquire additional onshore oil & gas opportunities in Central & Eastern Europe. In order to identify the best structure through which to achieve these objectives we have decided to implement the strategic review as discussed in the Chairman's statement above.

Our markets

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

Our wells are connected to existing processing facilities, intra-field and international pipelines, ensuring low cost connection and easy access to the market.

How we operate

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

Our people

Ascent has a small management team, implementing a defined development programme. This is supplemented, as the need requires, with regional technical and operational expertise to ensure the highest standards are delivered on our projects. As an important local employer in our area of operation we take our environmental and social responsibilities seriously and always strive to be a good corporate citizen.

Chief Executive's Review

The past year was a hugely significant year for the Company and the project as we moved from an exploration to production company after ten years of operation in Slovenia. We have overcome considerable legal, regulatory, technical and financial hurdles to arrive at this point.

2017 Highlights

- Recompletion of Pg-10
- Recompletion of Pg-11A
- Refurbishment of existing infrastructure
- Start of production from Pg-10 in April 2017 and Pg-11A in September 2017
- Start of export production to Croatia in November 2017
- £1 million end of year cash balance, including £0.4million of restricted cash.
- Debt reduced from £8.7m to £49k (actual cash liability rather than accounting measure).
- £0.8 million (almost €1m in local currency) revenue from production

Recompletion of well Pg-10

In January 2017, we finalised the recompletion work on the first of two wells, Pg-10, and perforated the production tubing at a depth of 3,102 metres. The well was subsequently tested and a maximum stabilised flow rate of 249,000 cubic metres (8.8MMscfd) was achieved on a 12 mm choke.

Recompletion of well Pg-11A

The workover at Pg-11A started in April 2017 and was completed in August 2017. A section of the production tubing was removed and replaced and production well head equipment was installed. The operation took longer than anticipated after a wireline tool became stuck in the tubing during the final procedures to remove the bottom hole plug.

Refurbishment of the existing processing facility (CPP)

The refurbishment of existing infrastructure was required to produce gas for export. The main work involved installing a replacement separator, sufficient for the increased pressures and flow rates expected on the export line. This work was completed in July 2017 and the replacement separator is capable of processing 240,000 cubic metres per day (8.5MMscfd).

Commencement of production

Production from Pg-10 started on 14 April 2017 and production from Pg-11A on 15 September 2017.

Connection and certification of the export pipeline

The 8" export pipeline which runs from the land at MRS Lendava owned by our 100% owned subsidiary, Trameta, to the field operated by INA at Medjimurje in Croatia was pressure tested and certified by the Slovenian authorities in November 2016.

The 6" production pipeline which runs from the CPP past MRS Lendava was refurbished and recertified during the year. At the same time, the surface infrastructure required to clean and maintain the pipeline was installed at MRS Lendava. Following this, the connection between the two lines was installed and tested and an operational certificate issued by the Slovenian authorities.

Finally, in November 2017, the Croatian authorities issued an operating permit for the export pipeline on the Croatian side. The export pipeline can accommodate daily production of over 800,000 cubic metres per day (28 MMscfd).

Analysis of business performance

1. Operational performance

Production KPI's	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017
Total production (000s M3)	246	475	532	244	499	528
Total production (MCF)	8,689	16,765	18,783	8,616	17,639	18,653
Days producing	14	31	29	22	31	26
Average daily - 000s M3	17.6	15.3	18.3	11.1	16.1	20.3
Average daily - MMscfd	0.6	0.5	0.6	0.4	0.6	0.7
Condensate production (litres)	5,616	8,856	10,520	3,402	6,258	11,904
BOE – Gas	1,498	2,891	3,238	1,486	3,041	3,216
BOE - Condensate	35	56	66	21	39	75

Production KPI's	Oct-2017	Nov-2017	Dec-2017	Jan-2018	Feb-2018	Mar-2018
Total production (000s m^3)	-	1,716	1,975	2,250	1,788	1,243
Total production (Mcf)	-	60,606	69,759	79,749	63,129	43,894
Days producing	-	29	31	31	27	31
Average daily - 000s m^3	-	59.2	63.7	72.1	63.8	40.1
Average daily - MMscfd	-	2.1	2.3	2.6	2.4	1.4
Condensate production (litres)	-	46,332	89,856	96,147	65,470	59,130
BOE - Gas	-	10,449	12,027	13,609	10,884	7,568
BOE - Condensate	-	291	565	605	412	372

In total 11.4 million cubic metres of gas and 2.2 thousand barrels of condensate have been sold in the 12 months since the commencement of production on 14 April 2017.

Between 14 April 2017 and 13 April 2018, the wells have been producing for 308 out of 365 days (84%). Production was suspended for 17 days in July and August 2017 as part of our customers' seasonal maintenance programme. Production was suspended from both wells for 34 days in total from the end of September to early November 2017 while the export infrastructure was connected and tested in anticipation of export production starting.

Production from well Pg-10 has been satisfactory and in line with expectations. It has been in production for just over one year and to date has produced 10.4 million cubic metres of gas. In addition, the production has given us an increased understanding of the 'F' sands and their long term productive capabilities.

Well Pg-11A was a more difficult well to recomplete and bringing this well into stable production has been more challenging. During the workover in 2017 a choke and a piece of tooling were left downhole at the end of the operation. At the time it was expected that the well would flow satisfactorily with the restriction in place. However, the performance of the well since September has been sub-optimal and so the operation to remove the tooling and the choke was carried out in March 2018. The operation began on the 14 March 2018 and the well was put back into production on 28 March 2018, the tooling having been removed and the tubing opened significantly, although part of a mandrel remains stuck at 2,200 metres.

As the water column has not yet been fully removed from the well, the flow rates and pressure have not yet fully recovered. Ascent's engineers are currently working to remove the water and allow gas to flow more freely to the surface again.

2. Financial performance

The financial highlights for the period are the reporting of revenues for the first time since 2013 and the significant reduction of debt which has reduced to less than £40,000 during the year.

- Revenues for the period of £814,000 (2016: £Nil) through test production from April 2017 until the start of November 2017 and then commercial production thereafter;
  - £276,000 was derived from gas sales in Slovenia.
  - £489,000 was derived from gas sales in Croatia.
  - £49,000 was derived from condensate and other sales.
- Gross margin generated of £411,000 (2016: £Nil) after charges to transfer the margin on test phase production to exploration and evaluation costs of £67,000 (2016: £Nil) in line with the Company's accounting policy.
- Loss from operating activities during the period increased on the comparable period in 2016 by £237,000 to £1,619,000 as a result of the increase in activities and operational supports costs required as the Pg-10 and Pg-11A wells were brought production.
- Loss before tax reduced by £710,000 to £1,966,000 as a result of the reduced finance costs on loan notes following their early conversion to equity.
- Borrowings have reduced by £6 million over the year and the Company is now virtually debt free.
- Raised £2,988,000, before costs of £161,888 in equity, during February 2017 and a further £1,500,000 before costs of £100,000 in equity during November 2017; both through heavily subscribed offers on the PrimaryBid platform.
- £4.5 million (2016: £0.7 million) of additions to exploration and evaluation costs prior to the transfer of £24.1 million of assets into production, related to Pg10 and Pg11a and their share of the exploration cost pool following determination of commercial production in November 2017.

3. Share Price performance

The operational and financial successes noted above have not translated to a positive movement in the share price. We believe that the current share price significantly undervalues the potential of the Petišovci project and discounts the significant progress that has been made during 2017 to monetise the asset.

The Company has a high potential asset, located in a stable EU country, which is producing sufficient gas and condensate to make the Company profitable and cash generative in future periods. We have strong partners in Slovenia and the wider region together with a detailed understanding of the subsurface, and of the permitting and regulatory system. The Company is well placed to grow within Slovenia and the region and I am of the view this has not been reflected in the share price during Q4 2017 and Q1 2018.

Future Field Development

The Board of Ascent has, for some time, recognised the high potential of the Petišovci reservoirs and has focussed all of its resources on bringing the first two 'new' wells (Pg-10 and Pg-11A) into production. The next phase of the development plan is to re-enter and bring into production all suitable existing wells. We estimate that up to seven of the existing Pg wells and well D14 are suitable candidates and we have begun the process required to re-enter these.

As part of the process, we will conventionally perforate and produce from a number of these wells; this will provide data on the pre-stimulation performance of the reservoirs, while at the same time generating revenue for the joint venture.

While the focus of the development plan is to produce the significant quantities of gas in the Pg reservoirs, the Company is also undertaking further studies of the Pontian Upper Miocene ('Pt') reservoirs where around 6 MMbls of oil has been produced in the past. These studies will be looking to identify any untapped potential in these reservoirs, either through additional drilling or enhanced recovery techniques.

In addition to the further potential upside in the shallow oil there exists the possibility of further hydrocarbons below the discovered Pg reservoirs. The feasibility of drilling past 4,000 metres when carrying out future re-entries is another potential upside being assessed by our technical experts.

IPPC Permit

We submitted our original application in June 2014; in November of that year the Slovenian Environmental Agency ('ARSO') approved the content of the application and initiated a public consultation process. In July 2015, once all reasonable objections raised by the general public had been addressed by the partners, to the satisfaction of ARSO, the permit was provisionally awarded but was immediately appealed. In November 2015 the Environment Minister dismissed the appeal but a subsequent appeal was made to the Administrative Court.

Ascent and its partners had followed the permitting process as advised by the authorities and confirmed by our legal advisers. It was therefore surprising and disappointing when the Administrative Court ruled in May 2016 that Slovenia had not implemented EU Directives appropriately and we were effectively returned to the beginning of the process. We were obliged to follow rules which had been implemented after we had submitted the original application despite Slovenian law clearly stating the opposite. This was deeply frustrating as was the lack of any possibility for timely redress. We were advised that the quickest way through would be to follow the revised process.

In November 2016 our revised application using the 'Preliminary Screening' procedure was approved by ARSO but was again immediately appealed. In March 2017 the appeal was again dismissed by the Environment Minister and again a further appeal was made to the Administrative Court. On this occasion, in November 2017, the Court ruled in our favour and confirmed that the Preliminary Screening process had been appropriately applied.

We have now submitted the baseline reports required by ARSO before the permit can be finally awarded.

Principal risks and uncertainties

Permitting risk	The single biggest issue when carrying out operations in Slovenia over the past five years has been the environmental permitting process. This is not unique to Ascent and it is our opinion that inefficiencies and uncertainties within the environmental permitting process are a significant hurdle to economic growth in Slovenia. The process to obtain a permit for the construction of a processing plant so that Slovenian gas can be treated and sold in the Slovenian market has taken significantly longer than should have been the case, due to the misapplication of EU Law by the Slovenian Government. Permitting risk exists for any elements of the field development plan which require an environmental permit; mainly well stimulation and the installation of processing equipment. This risk is mitigated by our detailed understanding of the process and our continued lobbying for a reform of the more inefficient elements of the law.
Concession extension risk	The date when the concession is due to be renewed is now only four years away which means that before any further significant investment in facilities is made the Company and its partners will need to have obtained an early extension of the concession. The Company and its partners have, for over a year now, been completing the documentation required to seek an early extension of the concession which is due to expire in 2022. While we are confident that an extension will be granted as a matter of course there is however no guarantee that this will be the case.

	This risk is mitigated by the goals of the partners being well aligned; the fact that we have brought the field into production safely and successfully and we have started the preparatory work well in advance of the concession end date. As a result of which we believe that the extension should be awarded in due course.
Sub-surface risk	The nature of the Petišovci Project is such that a range of health and safety, drilling, production and commercial risks are identified for the development of the resource. The Petišovci Pg reservoirs are over-pressured and hot, relative to normal hydrostatic and thermal gradients. The reservoir gas contains some carbon dioxide and low levels of hydrogen sulphide and mercaptan sulphur. There is a risk that the Company is unable to effectively exploit the proven reserves and resources from the Petišovci field which may result in a lower than anticipated return on investment. This risk is mitigated by the experience of the expert technical consultants and sub-contractors retained by the Company and the knowledge acquired by the Company from production to date.
Legal risk	Now that the Group is generating revenue from the Slovenian asset it has received legal claims relating to past activities. Based on legal advice received we consider these to be spurious and without merit. The Board will vigorously reject such opportunistic approaches.
Risks associated with the UK withdrawal from the European Union	As a UK registered Company with operations in the EU, there is a risk of a negative impact from the UK's departure from the European Union. This risk is mitigated as we operate through locally owned subsidiaries selling gas produced in Slovenia to Croatia, another EU member state.

Outlook

2017 was a transformative year for the Company. In 2018 and beyond we look forward to the continued development of the Petišovci field. Wells Pg-10 and Pg-11A are intended to prove the commerciality of the wider field and the significant reserves and resources contained within.

While we anticipate receiving the IPPC permit to construct our own processing facility in due course this is not a priority to the Company as in the meantime we have refurbished and increased the capacity of the existing infrastructure.

The Company is in a strong position; we have an onshore European gas asset with significant potential to grow. The net present value of this asset, as estimated by the Company and market analysts, is many times the current market capitalisation. In addition, we have further upside potential within the Petišovci concession and opportunities within Slovenia and the wider region.

We are delighted to have moved from an exploration company to a production company during the year. It has been the goal that we have been working towards for many years and we now look forward to building from this base and growing the Company into a significant regional Oil & Gas producer.

Colin Hutchinson
Chief Executive Officer

Operations Review

Slovenia

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

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

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

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

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

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

During 2017 both Pg-10 and Pg-11A have been brought into production. In April 2017 test production commenced from Pg-10 with the resulting gas sold to a local industrial customer. In November 2017 export production began. This followed the upgrade and installation of infrastructure and the recommissioning of the export pipeline which links the Petišovci field in Slovenia with the Medjimurje field in Croatia which is operated by INA. Total production for the year was 5,989,921 cubic metres of gas, resulting in revenue of £814,000. The Company is entitled to 90% of the proceeds of revenue from production until such time as back costs have been recovered.

Back-in Rights

Netherlands

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

Summary of Group Net Oil and Gas Reserves

Net Reserves and Resources

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

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

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

Remaining reserves have been adjusted to take account of historic field production and estimates of process flare and fuel, which to the end of 2017 were 9.3 Bcfe. Ascent's share of this production and gas use is 7.0 Bcf.

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

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

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

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

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

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

Summary of Ascent Resources plc's Licence Interests as at 31 December 2017

Permit	Subsidiary	Working Interest (%)	Permit Area Gross (km^2)	Net (km^2)	Status
<u>Operations</u>					
Slovenia					
Petišovci Concession	Ascent Slovenia Limited	75	98	73	Oil & gas exploitation
<u>Back in rights</u>					
The Netherlands					
M10a/M11 Terschelling-Noord	Ascent Resources Netherlands BV		110	59	Gas exploration and appraisal

Glossary

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

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

Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2017 ('the year').

Principal activities

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

The Group's corporate management is in London and its oil and gas interests are in Slovenia. The Group operates its own undertakings both through subsidiary companies and joint ventures. The subsidiary undertakings affecting the Group's results and net assets are listed in Note 11 to the Financial Statements.

Future developments

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

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in Note 25 of the Financial Statements.

Results and dividends

The loss for the year after taxation was £2.0 million (2016: £2.7 million). The Directors do not recommend the payment of a dividend (2016: Nil).

Post balance sheet events

In March 2018 the Company carried out an operation at Pg-11A to remove a choke and some stuck tooling left downhole at the end of the workover operation in August 2017. At the time it was expected that the well would flow satisfactorily with the restriction in place. However, the performance of the well since September has been sub-optimal and so the operation to remove the tooling and the choke was carried out. The tooling was removed, and the tubing opened significantly, although part of a mandrel remains stuck at 2,200 metres. As the water column has not yet been fully removed from the well, the flow rates and pressure have not yet fully recovered. Ascent's engineers are currently working to remove the water and allow gas to flow more freely to the surface again. The results of the operation are not clear at the date of this report.

Directors

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

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

Relevant details of the Directors, which include committee memberships, are set out on page 18.

Directors' interests

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

	Ordinary shares of 0.1p each.		*Convertible loan notes.*	
	At 31 December 2017	At 31 December 2016	**At 31 December 2017**	At 31 December 2016
Clive Carver	**3,304,231**	-	**-**	34,166
Nigel Moore	**1,339,275**	5,975	**-**	13,333
Cameron Davies	**1,340,800**	7,500	**-**	13,333
Colin Hutchinson	**1,570,370**	270,270	**-**	10,001

Directors' emoluments

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

Third party indemnity provision

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

Share capital

Details of changes to share capital in the period are set out in Note 18 to the Financial Statements.

As at 12 April 2018 the Company has been notified of the following significant interests in its ordinary shares, being a holding of 3% and above:

	Number of ordinary shares	**%**
Hargreaves Lansdown (Nominees) Limited <15942>	254,610,943	11.22
Interactive Investor Services Nominees Limited <SMKTNOMS>	211,185,736	9.31
Hargreaves Lansdown (Nominees) Limited <HLNOM>	198,422,171	8.75
Barclays Direct Investing Nominees Limited <Client1>	195,506,143	8.62
HSDL Nominees Limited	155,138,981	6.84
Hargreaves Lansdown (Nominees) Limited <VRA>	149,326,807	6.58
Interactive Investor Services Nominees Limited <SMKTISAS>	117,007,551	5.16
HSDL Nominees Limited <Maxi>	92,166,811	4.06
Share Nominees Ltd	91,488,407	4.03

Shareholder communications

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

Employees

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

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

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

Disclosure of information to auditors

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

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

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

Going Concern

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

Auditors

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

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

Clive Carver
Chairman
16 April 2018

Board of Directors

Clive Carver
Non-executive Chairman

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

He is executive Chairman of Caspian Sunrise PLC and non-Executive Chairman of Tax Systems PLC and appScatter PLC all of which have their shares quoted on AIM.

Colin Hutchinson
Chief Executive Officer & Finance Director

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

Nigel Moore
Non-executive Director
Chairman of the Audit Committee and member of the Remuneration Committee

Nigel Moore is a Chartered Accountant and was a former partner at Ernst & Young for thirty years until 2003. For the last ten years at Ernst & Young he specialised in the oil and gas sector, advising a wide range of client companies, providing significant input to strategic options, new opportunities and helping to deliver shareholder value. During the last 15 years Nigel has been a member of a number of boards focussed on extractive industries.

Cameron Davies
Non-executive Director
Chairman of the Remuneration Committee and member of the Audit Committee

Cameron Davies is an international energy sector specialist and the former Chief Executive of Alkane Energy plc. He has a PhD in Applied Geochemistry from Imperial College, is a Fellow of the Geological Society of London and a member of the European Petroleum Negotiators Group and the PESGB. He has an excellent track record of exploration success and also growing profits in a quoted energy company. His career successes include the discovery of the third largest oilfield in Tunisia. In 1994 he founded Alkane Energy plc and managed the business from original concept, through venture capital funding and an IPO to become a profitable operator of c. 160 MW of gas to power generation plants. In Q4 2016 Alkane was acquired for c.£61 million by Balfour Beatty Infrastructure Partners when Cameron resigned as a director. He is also Non-executive Chairman of Powerhouse Energy PLC.

Directors and Advisers

Directors	Clive Carver Colin Hutchinson Nigel Moore Cameron Davies
Secretary	Colin Hutchinson
Registered Office	5 New Street Square London EC4A 3TW
Nominated Adviser and Joint Broker	WH Ireland Corporate Brokers 24 Martin Lane London EC4R 0DR
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
Bankers	Barclays Corporate Banking 1 Churchill Place London E14 5HP
Share Registry	Computershare Investors Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
PR & IR	Yellow Jersey PR Limited 33 Stockwell Green London SW99HZ
Company's registered number	05239285

Corporate Responsibility

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

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

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

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

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

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

During 2017, the Group was Operator of one project which was closely managed for maintaining the EHS and SR policy aims.

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

Statement of Directors' Responsibilities

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

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

In preparing these financial statements the Directors are required to:

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

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

Website publication

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

Independent 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 2017 which comprise the consolidated income statement and statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company statement of financial position, the consolidated and company cash flow statement, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest 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.

Matter	**Our Response**
Classification of the Petišovci asset and carrying value of the exploration, evaluation costs and PP&E	
Classification	***Classification***
The group determined that particular assets in the Petišovci field had reached commercial feasibility with commercial production during the year. As such, £24.1m was transferred from exploration and evaluation costs to property, plant and equipment (“PP&E”) in 2017 as detailed in notes 9 and 10. The assessment that certain assets had reached commercial feasibility and commercial production represents a judgement by management, together with the cost to be transferred from the exploration cost pool to PP&E. Judgement was also required in determining an appropriate depreciation policy to apply to the producing assets, which involved significant estimates and judgement including the selection of inputs to the depletion method, gas reserves included in the calculations and the extent to which future capital expenditure to access the relevant reserves are included in the calculation.	We considered management’s judgement that particular assets, namely the Pg10/Pg11a wells and associated infrastructure, met the criteria for transfer to PP&E under the group’s accounting policies and IFRS. This included assessment of the reserves per the independent Competent Person’s assessment of gas reserves, together with review of production data and the margins generated from the wells following supply under the INA contract. We reviewed the breakdown of the costs transferred to production assets, agreeing costs to historic accounting records and considered the appropriateness of the classification. In respect of costs not specifically attributed to the wells and infrastructure, such as the original acquisition cost for the field, we assessed the methodology used for allocating such costs between exploration and evaluation assets and PP&E and confirmed key inputs to supporting evidence.
Carrying values of exploration, evaluation and producing assets The group’s exploration and evaluation assets associated with the remaining Petišovci license area represent material assets on the group’s statement of financial position. As at 31 December 2017, the group’s exploration and evaluation assets totalled £18.6m (2016: £37.5m) as detailed in note 10. Management were required to perform an impairment indicator review to assess whether there were any indicators of impairment for these assets and whether impairment is appropriate. Following this assessment, the	We assessed the depreciation policy and considered whether it is in line with IFRS and with industry practice. We agreed the inputs to the calculations. This included confirming the consistency of the reserves with the Pg10/11a field plan and impairment model, confirming that the estimated capital expenditure is consistent with those models and agreeing production data to customer statements.

Board concluded that no impairment was required. For further details see note 1. Additionally, management are required to assess the producing assets for indicators of impairment at each reporting date and have performed an impairment review using the discounted cash flows for the producing asset cash generating unit accordingly. As detailed in note 1, the assessment of any impairment to the carrying value of the producing asset requires significant estimation by management. The key estimates and judgements include oil price, reserves, decline rates, and discount rate. Given the inherent judgement involved in determining whether particular assets should be transferred to PP&E and subsequent depreciation policy, the costs to be transferred and the assessment of the carrying value of the exploration and evaluation assets and PP&E, we considered this area to be a key audit matter.	**Carrying values of exploration, evaluation and producing assets** We reviewed and challenged management's impairment assessment for exploration and evaluation costs which was carried out in accordance with IFRS 6 in order to determine whether there were any indicators of impairment. In doing so we confirmed that the licences remain valid, made inquiries of management regarding the future planned exploration and considered the group's internal plans and budgets. We reviewed and challenged management's discounted cash flow forecast models for both the exploration and evaluation assets and producing assets separately, which form part of their impairment review. In doing so, we considered the appropriateness of the cash generating units used for the impairment reviews. We have reviewed the key assumptions in the models, challenging the appropriateness of estimates with reference to empirical data and external evidence where available for inputs such as gas prices, reserves, production rates and capital expenditure. We sensitised the key inputs such as discount rate and short and longer-term gas prices to assess the impact on headroom. We agreed the reserves used in the models to the most recent Competent Person's report and assessed the objectivity, competence and independence of these experts. We have considered management's assessment that the IPPC permit will be approved, which forms a judgement within the impairment reviews. In doing so, we have reviewed Board minutes, legal documents and correspondence regarding the permitting process. We assessed the disclosures included in the financial statements in notes 1, 9 and 10.

Our findings:
We found management's judgements regarding the classification of the Petišovci assets and the depreciation policy to be appropriate. We found management's conclusion that there is no impairment required for the exploration and evaluation costs or PP&E to be supportable and the estimates to be balanced and well considered.

Matter	Our Response
Revenue recognition and cut-off During the year the group generated £0.8m of revenue from the sale of hydrocarbons from the Petišovci field. In accordance with the group's accounting policy revenue on test production is recorded at nil margin with a reduction in cost of sales and exploration and evaluation assets. Once commercial production has been established revenue and costs are recorded in the income statement. Management were required to exercise judgement in determining the extent to which revenues represented test production versus commercial levels of production, considering factors such as the volumes produced and profitability of such production. In addition, management were required to determine an appropriate revenue recognition policy with the commencement of sales. These factors were considered to increase the risk associated with revenue recognition for our audit. Additionally, recognition of revenue carries an implicit fraud risk and we considered the risk to be around the manipulation of cut-off around year end and, as such, cut-off was an area of key focus for our audit.	We reviewed the revenue recognition policy disclosed in the financial statements as per note 1, considering its compliance with IFRS and industry standards as well as the customer contracts and Joint Operating Agreement. We considered the consistency of the accounting for revenue and costs of production with the judgements as to when commercial production was achieved set out above. We reviewed the accounting treatment of gas produced and costs associated with the production during the pre-production phase and commercial production phase, to ensure that the treatment is consistent with the group's accounting policy. We agreed a sample of sales transactions in the year to supporting documentation. We performed cut off procedures on revenue around the year end to satisfy ourselves that revenue is recognised in the correct period and that corresponding costs of sales are appropriately accounted for.
Our findings: We found the revenue recognition policy to be appropriate and found that revenue had been recorded in the appropriate period.	

Our application of materiality

	Group materiality	Basis for materiality
FY 2017	£650,000	Materiality based on 1.5% of group assets.
FY 2016	£800,000	Materiality based on 2% of group assets.

We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements, given the group's status as an oil and gas exploration and development company with commercial production only commencing in November 2017, and therefore consider this to be an appropriate basis for materiality. We had previously used a slightly higher percentage of total assets but having considered market trends the materiality benchmark was revised downwards.

Materiality in respect of the audit of the parent company was set at £585,000 (2016: £720,000) using a benchmark of 1.5% (2016: 2%) of total assets, limited to 90% of group materiality.

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

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2016: 75%) of the above materiality levels.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £30,000 (2016: £40,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our group audit focused on the group's significant components which comprised Ascent Resources Plc and Ascent Slovenia Limited. Whilst materiality for the financial statements as a whole was £650,000, each significant component of the Group was audited to a lower level of performance materiality of £430,000. Both of the components were audited by BDO LLP.

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Ryan Ferguson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
16 April 2018

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

Consolidated Income Statement & Statement of Other Comprehensive Income

For the year ended 31 December 2017

	Notes	**Year ended 31 December 2017 £ '000s**	Year ended 31 December 2016 £ '000s
Revenue	2	**814**	-
Cost of sales	2	**(403)**	-
Gross profit		**411**	**-**
Administrative expenses		**(2,030)**	(1,382)
Loss from operating activities	3	**(1,619)**	(1,382)
Finance income	5	**-**	159
Finance cost	5	**(347)**	(1,453)
Net finance costs		**(347)**	(1,294)
Loss before taxation		**(1,966)**	(2,676)
Income tax expense	6	**-**	-
Loss for the year		**(1,966)**	(2,676)
Loss for the year attributable to equity holders of the parent		**(1,966)**	(2,676)
Loss per share			
Basic & fully diluted loss per share (Pence)	8	**(0.10)**	**(0.49)**

	Year ended 31 December 2017 £ '000s	Year ended 31 December 2016 £ '000s
Loss for the year	**(1,966)**	(2,676)
Other comprehensive income		
Foreign currency translation differences for foreign operations	**898**	2,997
Total comprehensive (loss) / income for the year	**(1,068)**	321

The Notes on pages 36 to 58 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital	Share premium	Merger Reserve	Equity reserve	Share based payment reserve	Translation reserve	Retained earnings	Total
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Balance at 1 January 2016	**1,878**	**56,693**	**-**	**1,572**	**483**	**(2,805)**	**(37,147)**	**20,674**
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(2,676)	(2,676)
Other comprehensive income								
Currency translation differences	-	-	-	-	-	2,997	-	2,997
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**2,997**	**(2,676)**	**321**
Transactions with owners								
Acquisition of Trameta	-	-	-	-	1,103	-	-	1,103
Extinguishment of convertible loan notes	-	-	-	(1,572)	-	-	1,572	-
Extension of convertible loan notes	-	-	-	2,787	-	-	-	2,787
Issue of new convertible loan notes	-	-	-	360	-	-	-	360
Conversion of loan notes	749	2,996	-	-	-	-	-	3,745
Issue of shares during the year net of costs	1,105	3,584	-	-	-	-	-	4,689
Share-based payments and expiry of options	-	-	-	-	94	-	94	188
Balance at 31 December 2016	**3,732**	**63,273**	**-**	**3,147**	**1,680**	**192**	**(38,157)**	**33,867**
Balance at 1 January 2017	**3,732**	**63,273**	**-**	**3,147**	**1,680**	**192**	**(38,157)**	**33,867**
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(1,966)	(1,966)
Other comprehensive income								
Currency translation differences	-	-	-	-	-	898	-	898
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**898**	**(1,996)**	**(1,068)**
Transactions with owners								
Conversion of loan notes	1,803	4,564	-	(3,131)	-	-	3,131	6,367
Issue of shares during the year net of costs	516	3,810	-	-	-	-	-	4,326
Shares issued under Trameta acquisition	50	-	300	-	(350)	-	-	-
Share-based payments	-	-	-	-	239	-	-	239
Balance at 31 December 2017	**6,101**	**71,647**	**300**	**16**	**1,569**	**1,090**	**(36,992)**	**43,731**

The Notes on pages 36 to 58 are an integral part of these consolidated financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital	Share premium	Merger Reserve	Equity reserve	Share based payment reserve	Retained earnings	Total parent equity
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Balance at 1 January 2016	1,878	56,693	-	1,572	483	(38,762)	**21,864**
Comprehensive income							
Profit and total comprehensive income for the year	-	-	-	-	-	1,774	1,774
Transactions with owners							
Acquisition of Trameta	-	-	-	-	1,103	-	1,103
Extinguishment of convertible loan notes	-	-	-	(1,572)	-	1,572	-
Extension of convertible loan notes	-	-	-	2,787	-	-	2,787
Issue of new convertible loan notes	-	-	-	360	-	-	360
Conversion of loan notes	749	2,996	-	-	-	-	3,745
Issue of shares during the year net of costs	1,105	3,584	-	-	-	-	4,689
Share-based payments	-	-	-	-	94	94	188
Balance at 31 December 2016	**3,732**	**63,273**	**-**	**3,147**	**1,680**	**(35,322)**	**36,510**
Balance at 1 January 2017	**3,732**	**63,273**	**-**	**3,147**	**1,680**	**(35,322)**	**36,510**
Comprehensive income							
Profit and total comprehensive income for the year	-	-	-	-	-	1,349	1,349
Transactions with owners							
Conversion of loan notes	1,803	4,564	-	(3,131)	-	3,131	6,367
Issue of shares during the year net of costs	516	3,810	-	-	-	-	4,326
Shares issued under acquisition Trameta	50	-	300	-	(350)	-	-
Share-based payments	-	-	-	-	239	-	239
Balance at 31 December 2017	**6,101**	**71,647**	**300**	**16**	**1,569**	**(30,842)**	**48,791**

The Notes on pages 36 to 58 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

		31 December 2017	31 December 2016
Assets	Notes	**£ ’000s**	£ ’000s
Non-current assets			
Property, plant and equipment	9	**23,902**	4
Exploration and evaluation costs	10	**18,587**	37,541
Prepaid abandonment fund	12	**279**	-
Total non-current assets		**42,768**	37,545
Current assets			
Inventory		**2**	-
Trade and other receivables	12	**763**	32
Cash and cash equivalents		**721**	3,153
Restricted cash	24	**355**	-
Total current assets		**1,841**	3,185
Total assets		**44,609**	40,730
Equity and liabilities			
Attributable to the equity holders of the Parent Company			
Share capital	18	**6,101**	3,732
Share premium account		**71,647**	63,273
Merger Reserve		**300**	-
Equity reserve		**16**	3,147
Share-based payment reserve		**1,569**	1,680
Translation reserves		**1,090**	192
Retained earnings		**(36,992)**	(38,157)
Total equity		**43,731**	33,867
Non-current liabilities			
Borrowings	14	**36**	6,162
Provisions	15	**266**	447
Total non-current liabilities		**302**	6,609
Current liabilities			
Trade and other payables	16	**576**	254
Total current liabilities		**576**	254
Total liabilities		**878**	6,863
Total equity and liabilities		**44,609**	40,730

The Notes on pages 36 to 58 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 16 April 2018 and signed on its behalf by:

Clive Carver,
Chairman
16 April 2018

Company Statement of Financial Position

As at 31 December 2017

	Notes	**31 December 2017 £ '000s**	31 December 2016 £ '000s
Non-current assets			
Property, plant and equipment		**2**	2
Investment in subsidiaries and joint ventures	11	**15,443**	15,443
Intercompany receivables	21	**32,447**	24,239
Total non-current assets		**47,892**	39,684
Current assets			
Trade and other receivables	13	**55**	10
Cash and cash equivalents		**700**	3,143
Restricted cash	24	**355**	-
Total current assets		**1,110**	3,153
Total assets		**49,001**	42,837
Equity			
Share capital	18	**6,101**	3,732
Share premium		**71,647**	63,273
Merger Reserve		**300**	-
Equity reserve		**16**	3,147
Share-based payment reserve		**1,569**	1,680
Retained loss		**(30,842)**	(35,322)
Total equity		**48,791**	36,510
Non-Current liabilities			
Borrowings	14	**36**	6,162
Total current liabilities		**36**	6,162
Current liabilities			
Trade and other payables	17	**174**	165
Total current liabilities		**174**	165
Total liabilities		**210**	6,327
Total equity and liabilities		**49,001**	42,837

The Company profit for the year was £1.3 million (2016: £1.8 million).

The Notes on pages 36 to 58 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 16 April 2018 and signed on its behalf by:

Clive Carver
Chairman
16 April 2018

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Year ended 31 December 2017 £ '000s	Year ended 31 December 2016 £ '000s
Cash flows from operations		
Loss after tax for the year	**(1,966)**	(2,676)
Adjustments for:		
Depreciation charge	**239**	-
Change in inventory	**(2)**	-
Change in receivables	**(731)**	29
Change in payables	**121**	(252)
Share- based payment charge	**239**	188
Exchange differences	**29**	1
Finance income	**-**	(159)
Finance cost	**347**	1,453
Transfer to restricted cash *	**(355)**	-
Net cash used in operating activities	**(2,079)**	(1,416)
Cash flows from investing activities		
Interest received	**-**	1
Payments for fixed assets	**(45)**	(1)
Payments for investing in exploration	**(4,343)**	(677)
Prepayment towards abandonment fund	**(279)**	-
Net cash used in investing activities	**(4,667)**	(677)
Cash flows from financing activities		
Interest paid and other finance fees	**(12)**	(73)
Proceeds from loans	**-**	1,400
Repayment of loan	**-**	(800)
Issue of ordinary shares	**4,500**	4,999
Share issue costs	**(174)**	(311)
Net cash generated from financing activities	**4,314**	5,215
Net (decrease)/increase in cash and cash equivalents for the year	**(2,432)**	3,122
Effect of foreign exchange differences	**-**	(1)
Cash and cash equivalents at beginning of the year	**3,153**	32
Cash and cash equivalents at end of the year	**721**	3,153

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

The Notes on pages 36 to 58 are an integral part of these consolidated financial statements.

Company Cash Flow Statement

For the year ended 31 December 2017

	Year ended 31 December 2017 £ ’000s	Year ended 31 December 2016 £ ’000s
Cash flows from operations		
Profit after tax for the year	**1,349**	1,774
Adjustments for		
Change in receivables	**(45)**	34
Change in payables	**9**	(251)
Increase in share-based payments reserve	**239**	188
Foreign exchange	**(1,294)**	(3,921)
Finance income	**-**	(154)
Finance cost	**337**	1,441
Transfer to restricted cash *	**(355)**	-
Net cash generated from / (used in) operating activities	**240**	(889)
Cash flows from investing activities		
Payments for fixed assets	**-**	(1)
Advances to subsidiaries	**(7,008)**	(1,211)
Net cash flows used in investing activities	**(7,008)**	(1,212)
Cash flows from financing activities		
Interest paid	**(2)**	(73)
Proceeds from loans	**-**	1,400
Repayment of loan	**-**	(800)
Cash proceeds from issue of shares	**4,500**	4,999
Share issue costs	**(174)**	(311)
Net cash generated from financing activities	**4,324**	5,215
Net (decrease)/ increase in cash and cash equivalents	**(2,444)**	3,114
Cash and cash equivalents at beginning of the year	**3,143**	28
Effects of foreign exchange differences	**1**	1
Cash and cash equivalents at end of the year	**700**	3,143

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

The Notes on pages 36 to 58 are an integral part of these consolidated financial statements.

Notes to the accounts

1 Accounting policies

Reporting entity

Ascent Resources plc ('the Company' or 'Ascent') is a company domiciled and incorporated in England. The address of the Company's registered office is 5 New Street Square, London EC4A 3TW. The consolidated financial statements of the Company for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and joint ventures. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

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

The consolidated financial statements of the Group for the year ended 31 December 2017 are available from the Company's website at www.ascentresources.co.uk.

Statement of compliance

The Group's and Company's financial statements for the year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 16 April 2018 and the Statements of Financial Position were signed on behalf of the Board by Clive Carver.

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

Basis of preparation

In publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The Company profit for the year was £1,349,000 (2016: profit of £1,774,000)

Measurement Convention

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

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

Going Concern

The Financial Statements of the Group are prepared on a going concern basis. Following the commencement of export production, in the absence of any unexpected issues with the two producing wells, the Directors consider the Company has sufficient cash to fund its current obligations for the next 12 months.

New and amended Standards effective for 31 December 2017 year-end adopted by the Group:

i. The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2017. The adoption of these standards and amendments has had no material effect on the Group's financial statements.

Standard	Description	Effective date
IFRS 11	Accounting for Acquisitions of Interests in Joint Operation	1 January 2017
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2017
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017

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

Standard	Description	Effective date
IFRS 9	Financial instruments	1 January 2018
IFRS15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 2 *	Share based payment transactions	1 January 2018
IFRIC 22 *	Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23 *	Uncertainty over income tax treatments	1 January 2019
IAS 28*	Amendments to IAS 28: Long term interests in Associates and Joint Ventures	1 January 2019
	Annual improvements to IFRSs (2015-2017 cycle)*	1 January 2019

* not yet adopted by the European Union

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has only one customer as all production is sold by our joint venture partner; the concession holder. There will be no changes to the existing policy as disclosed below as a result of IFRS 15 based on analysis of the contract. Revenue will be recognised in the period that hydrocarbons are delivered to the ultimate customer and the obligation under the joint venture for the concession holder to remit proceeds to the joint venture partners is created.

IFRS 9 replaces the incurred loss model of IAS 39 with a model based on expected credit losses or losses on loans. The standard requires entities to use an expected credit loss model for impairment of financial assets. Under the new standard, the loss allowance for a financial instrument will be calculated at an amount equal to 12 month expected credit losses or lifetime expected credit losses if there has been a significant increase in credit risk of the financial instrument.

The Company has a loan to the 100% owned subsidiary that is the license holder of the assets in Slovenia. Management are still undertaking a full assessment but do not expect there to be any material impact as in line with the work the Company completed to test whether the producing and the intangible assets should be impaired, it has determined that there currently is no reason to expect a loss from this loan.

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

The Group does not expect the other standards to have a material impact on the financial statements.

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

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

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

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

Exploration and evaluation assets – exploration and evaluation costs are initially classified and held as intangible fixed assets rather than being expensed. The carrying value of intangible exploration and evaluation assets are then determined. Management considers these assets for indicators of impairment under IFRS 6 at least annually based on an estimation of the recoverability of the cost pool from future development and production of the related oil and gas reserves which requires judgement. This assessment includes assessment of the underlying financial models for the Petišovci field and requires estimates of gas reserves, production, gas prices, operating and capital costs associated with the field and discount rates (see Note 10). The forecasts are based on the approval of the IPPC permit and other environmental permits which the Board anticipate being issued having considered all facts and circumstances.

(a) Decommissioning provision – the provision for decommissioning is estimated by reference to operators and internal specialist staff and requires estimates regarding the cost of decommissioning, inflation, discount rates and the timing of works which requires judgement (see Note 15); The carrying value of the provision is £266,000.

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

(c) Transfer of exploration assets to property, plant and equipment - during the year we have transferred the costs associated with areas of the Petišovci asset that were determined to have achieved commercial feasibility with commercial production from exploration costs to PPE. This judgment was based on assessment of the gas reserves, levels of production and associated profitability and the commencement of export production at Pg10 and Pg11a. Judgment was required in establishing the costs to be transferred from the exploration cost pool. Costs transferred comprised direct costs associated with the wells and infrastructure, together with an apportionment of the wider unallocated cost pool based on the ratio of estimated future production from the two wells relative to the field as a whole. The carrying amount of exploration assets is £18,587,000 at 31 December 2017 and during the year £24,092,000 was transferred from exploration to property plant and equipment. This is included in Notes 9 and 10.

(d) Carrying value of property, plant and equipment (developed oil and gas assets) – developed oil and gas assets are tested for impairment at each reporting date. The impairment test was based on a discounted cash flow model and key inputs requiring judgment and estimate included gas prices, production and reserves, future costs and discount rates. Gas prices in the near term are forecast based on market prices less deductions under the INA contract, before reverting to market prices with reference to the forward curve once the IPPC permit is approved and gas sales take place into the Slovenian market. The forecasts include future well workovers to access the reserves included in the model. The impairment test demonstrates significant headroom.

(e) Depreciation of property, plant and equipment - during the year we have begun to depreciate the assets associated with current production. The depreciation on a unit of production basis requires judgment and estimation in terms of the applicable reserves over which the assets are depreciated and the extent to which future capital expenditure is included in the depreciable cost when such expenditure is required to extract the reserve base. The calculations have been based on actual production, estimates of P50 reserves and best estimate resources the estimated future workover costs on the producing wells to extract this reserve. During the year £24,092,000 was transferred from exploration to property plant and equipment the depreciation charge for the year was £239,000. This is included in Notes 9 and 10 below.

(f) Deferred tax – judgment has been required in assessing the extent to which a deferred tax asset is recorded, or not recorded, in respect of the Slovenian operations. Noting the history of taxable losses and the initial phases of production, together with assessment of budgets and forecasts of tax in 2018 the Board have concluded that no deferred tax asset is yet applicable. This is included at Note 7.

(g) In relation to 2016, the accounting treatment of the Trameta acquisition which, as it possessed land and pipeline rights, but no employees or active business processes was accounted for as an asset acquisition. Estimates were required in determining the fair value of consideration (see Note 10). The fair value of the Trameta consideration was £1,103,000 as disclosed in Note 11 below. Consideration for the transaction was 75 million ordinary shares which vest in four tranches on the one-year anniversary of various conditions being met. An option over a further 7.5 million ordinary shares at an exercise price of 2pence is valid for three years from November 2017 when the second condition was met. When the conditions are met and the shares vest, merger relief is applied and the share value in excess of nominal value is taken to a merger reserve.

(h) In relation to 2016, New CLNs and modification to existing CLNs – the Group entered into a series of significant modifications to the maturity on its CLNs and subscribed to a new convertible loan note. These transactions required judgment in terms of the appropriate accounting treatment. In addition, judgment and estimation was required in determining the fair value of liability and equity components of the loan notes (see Note 14).

Basis of consolidation

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

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

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

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

Business combinations

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

Joint arrangements

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

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

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

The Group has one joint arrangement as disclosed on page 12; the Petišovci joint venture in Slovenia in which Ascent Slovenia Limited (a 100% subsidiary of Ascent Resources plc) has a 75% working interest.

Oil and Gas Exploration Assets

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

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

Transfer of exploration assets to property, plant and equipment

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

Depreciation of property plant and equipment

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

The infrastructure associated with export production is to be 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 (excluding Pg-10 and Pg-11A and associated infrastructure transferred to PPE) 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 and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Decommissioning costs

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

Foreign currency

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

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

The assets and liabilities of foreign operations are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at the average rate ruling during the period. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Foreign exchange differences arising on inter-company loans considered to be permanent as equity are recorded in equity. The exchange rate from euro to sterling at 31 December 2017 was £1: €1.1262 (2016: £1: €1.1722).

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

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

Taxation

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

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

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

Equity-settled share-based payments

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

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

Provisions

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

Convertible loan notes

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

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

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

Where there are amendments to the contractual loan note terms that are considered to represent a significant modification to the loan note, without representing an inducement to convert, the Group treats the transaction as an extinguishment of the existing convertible loan note and replaces the instrument with a new convertible loan note. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of the conversion right is recorded as an increase in equity. The previous equity reserve is reclassified to 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

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

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

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

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

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

Equity

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

Investments and loans

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Chief Executive Officer ('CEO').

Revenue recognition

Revenue is derived from the production of hydrocarbons under the Petišovci, which Ascent Slovenia Limited holds a 75% working interest. Under the terms of the Joint Venture agreement, 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 Joint Venture agreement.

Under the Joint Venture Agreement, the Group is entitled to 90% of the revenues until back costs have been recovered and the Group records revenue on the entitlement basis accordingly.

Ascent recognises revenue in the period the hydrocarbons are delivered to the end customer and significant risks and rewards transfer. Significant risk and reward on gas revenues transfer at the border to Croatia under the contract and is recorded at this point. Condensate, which is collected at a separating station and transported via trucks to a customer in Hungary is recorded on delivery according the terms of the contract.

Revenue earned during the period of test production is recognised at nil gross margin. Any surplus of revenue over cost of sales has been offset against capitalised exploration costs.

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.

A single customer accounted for 60% of total revenues for the year and is disclosed within the Slovenia segment below.

2017	**UK**	**Slovenia**	**Inter-company**	**Total**
	£ '000s	**£ '000s**	**£ '000s**	**£ '000s**
Hydrocarbon sales	-	814	-	**814**
Inter-company sales	1,601		(1,601)	**-**
Total revenue	**1,601**	**814**	**(1,601)**	**814**
Cost of sales	-	(403)	-	**(403)**
Administrative expenses (excluding depreciation)	(1,148)	(1,292)	649	**(1,791)**
Significant non-cash items				
Depreciation	-	(239)		**(239)**
Net finance costs	(337)	(1,282)	1,272	**(347)**
Reportable segment (loss)/profit before tax	**116**	**(2,402)**	**320**	**(1,966)**
Taxation	-	-	-	**-**
Reportable segment (loss)/profit after taxation	**116**	**(2,402)**	**320**	**(1,966)**
Reportable segment assets				
Carrying value of exploration assets	-	37,541	-	**37,541**
Additions to exploration assets	-	4,544	-	**4,544**
Decrease in decommissioning asset	-	(199)	-	**(199)**
Transfers to plant and equipment	-	(24,092)	-	**(24,092)**
Effects of exchange rate movements		793		**793**
Total plant and equipment	3	23,899	-	**23,902**
Prepaid abandonment fund	-	279	-	**279**
Total non-current assets	**3**	**42,765**	**-**	**42,768**
Other assets	33,501	786	(32,447)	**1,841**
Consolidated total assets	**33,504**	**43,551**	**(32,447)**	**44,609**
Reportable segmental liabilities				
Trade payables	(92)	(338)	-	**(430)**
External loan balances	(36)	-	-	**(36)**
Inter-group borrowings	-	(33,501)	33,501	**-**
Other liabilities	(82)	(330)	-	**(412)**
Consolidated total liabilities	**(210)**	**(34,169)**	**33,501**	**(878)**

Revenue was earned by the Slovenian segment through the joint venture structure; sales were made to end customers in Slovenia £294,000; Croatia £489,000 and Hungary £32,000.

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

3 Operating loss is stated after charging:

	Year ended 31 December 2017	Year ended 31 December 2016
	£ ’000s	£ ’000s
Employee costs (see Note 4)	**797**	560
Share based payment charge	**235**	188
Included within Admin Expenses		
Audit Fees	**73**	60
Fees payable to the Company’s auditor other services	**-**	2
	73	62

4 Employees and directors

a. Employees

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

	Year ended 31 December 2017	Year ended 31 December 2016
Management and technical	**9**	6

b. Directors and employee’s remuneration

	Year ended 31 December 2017	Year ended 31 December 2016
	£ ’000s	£ ’000s
Wages and salaries	**687**	439
Social security costs	**64**	81
Pension costs	**44**	37
Share-based payments	**235**	188
Taxable benefits	**2**	2
	1,032	747

c. Directors remuneration

2017	**Salary/fees**	**Bonus ***	**Pension**	**Total**
	£	£	£	£
Executive Directors				
C Hutchinson	164,471	51,750	760	216,981
Non-executive Directors				
C Carver	73,874	30,000	-	103,874
C Davies	37,192	15,000	-	52,192
N Moore	37,192	15,000	-	52,192
Total	**312,729**	**111,750**	**760**	**425,239**

2016	**Salary/fees**	**Bonus ***	**Pension**	**Total**
	£	£	£	£
Executive Directors				
C Hutchinson	137,500	17,000	16	154,516
Non-executive Directors				-
C Carver	60,000	-	-	60,000
C Davies	30,000	-	-	30,000
N Moore	30,000	-	-	30,000
Total	**257,500**	**17,000**	**16**	**274,516**

* Bonuses were payable on achieving first gas sales.

The highest paid Director in the year ended 31 December 2017 was Colin Hutchinson earning £216,981 (2016: C Hutchinson earning £154,516). Colin Hutchinson is a member of the defined contribution pension scheme which commenced in December 2016; contributions during the year were £760 (2016: £16).

d. Directors' incentive share options

2017	Opening	Granted/ (Lapsed)	Closing	Date Granted	Share Price at Grant	Exercise Price *	Exercise Period Start	Exercise Period End
C Carver	1,328,443	-	1,328,443	30-Apr-13	16.4p	20p	30-Apr-16	30-Apr-23
C Carver	13,985,884	-	13,985,884	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Carver	-	13,612,502	13,612,502	07-Nov-17	1.975p	1.975p	06-Nov-20	08-Nov-27
C Hutchinson	265,688	-	265,688	23-May-13	16.4p	20p	30-Apr-16	30-Apr-23
C Hutchinson	34,964,709	-	34,964,709	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Hutchinson	-	34,031,255	34,031,255	07-Nov-17	1.975p	1.975p	06-Nov-20	08-Nov-27
N Moore	6,992,942	-	6,992,942	05-May-16	1.58p	1.58p	05-May-19	06-May-26
N Moore	-	6,806,251	6,806,251	07-Nov-17	1.975p	1.975p	06-Nov-20	08-Nov-27
C Davies	6,992,942	-	6,992,942	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Davies	-	6,806,251	6,806,251	07-Nov-17	1.975p	1.975p	06-Nov-20	08-Nov-27
2016								
C Carver	1,328,443	-	1,328,443	30-Apr-13	16.4p	20p	30-Apr-16	30-Apr-23
C Carver	-	13,985,884	13,985,884	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Hutchinson	265,688	-	265,688	30-Apr-13	16.4p	20p	30-Apr-16	30-Apr-23
C Hutchinson	-	34,964,709	34,964,709	05-May-16	1.58p	1.58p	05-May-19	06-May-26
N Moore	-	6,992,942	6,992,942	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Davies	-	6,992,942	6,992,942	05-May-16	1.58p	1.58p	05-May-19	06-May-26

5 Finance income and costs recognised in the year

	Year ended 31 December 2017 £ '000s	Year ended 31 December 2016 £ '000s
Finance income		
Foreign exchange movements realised	**-**	6
Other income	**-**	153
	-	**159**
Finance cost		
Interest payable on borrowings	**-**	(51)
Accretion charge on convertible loan notes	**(241)**	(1,380)
Foreign exchange movements realised	**(94)**	-
Loan fees	**-**	(16)
Bank Charges	**(12)**	(6)
	(347)	(1,453)

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

6 Income tax expense

	Year ended 31 December 2017 £ '000s	Year ended 31 December 2016 £ '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 2017 £ '000s	Year ended 31 December 2016 £ '000s
Loss for the year	(1,966)	(2,676)
Income tax using the Company's domestic tax rate at 19% (2016: 20%)	(374)	(535)
Effects of:		
Net increase in unrecognised losses carried forward	273	666
Effect of tax rates in foreign jurisdictions	40	20
Other non-taxable items		(195)
Other non-deductible expenses	159	44
Total tax expense for the year	**-**	**-**

7 Deferred tax – Group & Company

	2017 £ '000s	**2016 £ '000s**
Group		
Total tax losses	(37,080)	(31,203)
Unrecorded deferred tax asset at 17% (2016: 17%)	**6,304**	**5,305**
Company		
Total tax losses	(10,912)	(10,322)
Unrecorded deferred tax asset at 17% (2016: 17%)	**1,855**	**1,755**

No deferred tax asset has been recognised in respect of the tax losses carried forward. Refer to critical accounting estimates and judgments

8 Loss per share

	31 December 2017 £ '000s	31 December 2016 £ '000s
Result for the year		
Total loss for the year attributable to equity shareholders	**1,966**	2,676
Weighted average number of ordinary shares	**Number**	Number
For basic earnings per share	1,877,070,907	544,270,848
Loss per share (Pence)	(0.10)	(0.49)

As the result for the year was a loss, no diluted EPS is disclosed. At 31 December 2017, potentially dilutive instruments in issue were 207,383,861 (2016: 973,469,828). Dilutive shares arise from share options and CLNs issued by the Company and from the deferred consideration on the Trameta transaction.

9 Property, Plant & Equipment – Group

	Computer Equipment	Developed Oil & Gas Assets	Total
Cost			
At 1 January 2016	-	-	-
Additions	4	-	4
At 31 December 2016	**4**	**-**	**4**
At 1 January 2017	4	-	4
Additions	2	43	45
Transfer from Exploration (Note 10)	-	24,092	24,092
At 31 December 2017	**6**	**24,135**	**24,141**
Depreciation			
At 1 January 2016	-	-	-
Charge for the year	-	-	-
At 31 December 2016	**-**	**-**	**-**
At 1 January 2017	-	-	-
Charge for the year	-	(239)	(239)
At 31 December 2017	**-**	**(239)**	**(239)**
Carrying value			
At 31 December 2017	**6**	**23,896**	**23,902**
At 31 December 2016	4	-	4
At 1 January 2016	-	-	-

10 Exploration and evaluation assets – Group

	Slovenia	Total
Cost		
At 1 January 2016	32,711	32,711
Additions	1,779	1,779
Effects of exchange rate movements	3,051	3,051
At 31 December 2016	**37,541**	**37,541**
At 1 January 2017	37,541	37,541
Additions	4,544	4,544
Transfer to PPE (Note 9)	(24,092)	(24,092)
Adjustment to decommissioning asset	(199)	(199)
Effects of exchange rate movements	793	793
At 31 December 2017	**18,587**	**18,587**
Carrying value		
At 31 December 2017	**18,587**	**18,587**
At 31 December 2016	37,541	37,541
At 1 January 2016	32,711	32,711

During the year the Company has brought Pg-10 and Pg-11A into commercial production and has therefore transferred the related costs from exploration assets to property, plant & equipment. The total historic costs for Pg-10 and Pg-11A and the cost of the infrastructure related to export gas production, together with an apportionment of past exploration costs has been transferred from exploration to property plant and equipment. The apportionment of past historic costs was allocated to wells Pg-10 and Pg-11A based on their expected contribution to total field production.

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

In the prior year, the Company accounted for the Trameta transaction as the acquisition of land and pipeline rights. relating to the exploration project. This fair value of consideration was £1.1 million, see Note 23.

The amounts for intangible exploration assets represent costs incurred on active exploration projects. Amounts capitalised are assessed for impairment indicators under IFRS 6 at each period end as detailed in the Group's accounting policy. In addition, the Group routinely reviews the economic model and reasonably possible sensitivities and considers whether there are indicators of impairment. As at 31 December 2017 and 2016 the net present value significantly exceeded the carrying value of the assets. The key estimates associated with the economic model net present value are detailed in Note 1. The outcome of ongoing exploration, and therefore whether the carrying value of intangible exploration assets will ultimately be recovered, is inherently uncertain.

11 Investment in subsidiaries – Company

	£000s
At 1 January 2016	**14,340**
Acquisition of Trameta	1,103
At 31 December 2016	**15,443**
At 31 December 2017	**15,443**

Name of company	Principal activity	Country of incorporation	% of share capital held 2017	% of share capital held 2016
Ascent Slovenia Limited Tower Gate Place Tal-Qroqq Street Msida MSD 1703 Malta	Oil and Gas exploration	Malta	100%	100%
Ascent Resources doo Glavna ulica 7 9220 Lendava-Lendva Slovenia	Oil and Gas exploration	Slovenia	100%	100%
Trameta doo Glavna ulica 7 9220 Lendava-Lendva Slovenia	Infrastructure owner	Slovenia	100%	100%
Ascent Resources Netherlands BV c/o Ascent Resources plc c/o Taylor Wessing LLP 5 New Street Square London EC4A 3TW	Oil and Gas exploration	Netherlands	100%	100%

All subsidiary companies are held directly by Ascent Resources plc.

12 Trade and other receivables – Group

	2017 £ '000s	2016 £ '000s
Trade receivables	**655**	-
VAT recoverable	**72**	26
Prepaid abandonment fund	**279**	-
Prepayments & accrued income	**36**	6
	1,042	32
Less non-current portion	**(279)**	-
Current portion	**763**	32

13 Trade and other receivables – Company

	2017	2016
	£ '000s	**£ '000s**
VAT recoverable	**19**	4
Prepayments & accrued income	**36**	6
	55	10

14 Borrowings – Group & Company

	2017	2016
Group	**£ '000s**	**£ '000s**
Non-current		
Convertible loan notes	**36**	6,162
	36	6,162
Company		
Non-current		
Convertible loan notes	36	6,162
	36	6,162

Convertible Loan Note	**2017**	**2016**
	£ '000s	**£ '000s**
Liability brought forward	**6,162**	10,778
Interest expense	**241**	1,380
Modification to existing notes - de-recognition Nov 2016 (iv)	**-**	(8,140)
Modification to existing notes - recognition of amended note - Nov 2016 (iv)	**-**	5,352
Fair value of new loan notes issued in November 2016 (iii)	**-**	690
Converted notes (i)	**(6,367)**	(3,745)
Other movements	-	(153)
Liability at 31 December	**36**	6,162

The only transactions relating to the convertible loan notes during 2017 were various conversion request in which the loan notes were converted to equity. The transactions during 2016 and the background to the notes is also covered below:

(i) Conversions

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

	Loan notes converted including accrued interest*		**Shares issued**	
	2016	**2017**	**2016**	**2017**
	£	**£**	**No.**	**No.**
January	-	-	-	-
February	-	2,652,107	-	265,210,704
March	-	1,597,018	-	159,701,787
April	1,088,390	1,581,609	108,838,990	158,160,880
May	463,113	69,709	46,311,258	6,970,931
June	1,273,923	325	127,392,263	32,548
July	-	3,117,137	-	311,713,705
August	845,053	-	84,505,321	-
September	563	-	56,312	-
October	-	-	-	-
November	73,455	-	7,345,491	-
December	357	-	35,702	-
	3,744,853	**9,017,906**	**374,485,337**	**901,790,555**

* The amounts stated represent the loan note principal and accumulated coupon interest rather than the amortised cost of the loan notes under IFRS after the impact of discounting to fair value at inception and subsequent accretion. The amortised cost of the loan notes was £6,367,000 representing £9,017,906 less the unamortised cost adjustment of £2,650,906. On conversion, the amount recorded in equity at inception of £3,131,000 has been transferred to retained earnings from the equity reserve.

(ii) Background

The balance at 31 December 2017 relates to the residual balance of the 2013 convertible loan notes which are convertible at the discretion of the holder into Ordinary shares at 100 Ordinary shares per £1 principal of loan note.

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

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

These convertible loan notes were subsequently subject to various variations in terms and extensions through to 2016.

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

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

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

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

(iv) Variation of loan note terms in 2016

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

The weighted average coupon interest rate of the convertible loan is 0% as interest ceased to accrue on the convertible notes in January 2015.

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

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

15 Provisions – Group

	£000s
At 1 January 2016	**386**
Foreign exchange movement	61
At 31 December 2016	**447**
At 1 January 2017	**447**
Adjustment to the decommissioning provision	(199)
Foreign exchange movement	18
At 31 December 2017	**266**

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

16 Trade and other payables – Group

	2017	2016
	£ '000s	£ '000s
Trade payables	430	147
Tax and social security payable	30	10
Other payables	19	-
Accruals and deferred income	97	97
	576	**254**

17 Trade and other payables – Company

	2017	2016
	£ '000s	£ '000s
Trade payables	92	84
Tax and social security payable	16	10
Accruals and deferred income	66	70
	174	**164**

18 Called up share capital

	2017	2016
	£ '000s	£ '000s
Authorised		
10,000,000,000 ordinary shares of 0.10p each	10,000	10,000
Allotted, called up and fully paid		
2,268,750,320 (2016: 157,306,901) ordinary shares of 0.2pence each (2016: 0.2p each)	6,101	3,732

Reconciliation of share capital movement	2016 Number	
At 1 January	**1,084,074,224**	157,306,900
Loan note conversions	**901,790,555**	374,485,337
Issue of Trameta consideration shares	**25,000,000**	-
Placings	**257,885,541**	552,281,987
At 31 December	**2,268,750,320**	1,084,074,224

Shares issued during the year

There were a number of conversion requests processed during the year; for the details see Note 14.

The Company also raised funds through placings during the year:

- On 13 February 2017, the Company raised £2,987,500 (£2,838,363 net of costs) via the Placing of 161,500,000 Ordinary Shares with investors using the PrimaryBid.com platform.
- On 27 October 2017, the Company raised £1,500,000 (£1,500,000 net of costs) via the Placing of 96,385,541 Ordinary Shares with investors using the PrimaryBid.com platform.

Shares issued during the prior year

There were a number of conversion requests processed during the prior year; for the details please see Note 14.

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

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

Reserve description and purpose

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

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

19 Operating lease arrangements

At the balance sheet date, the Group had no outstanding commitments under non-cancellable operating leases (2016: £nil).

20 Exploration expenditure commitments

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

At 31 December 2017, the Group had exploration and expenditure commitments of £ Nil (2016 - Nil).

21 Related party transactions

a. Group companies – transactions

	2017	**2017**	**2016**	**2016**
	Cash	***Services***	***Cash***	***Services***
Ascent Slovenia Limited	5,588	799	541	183
Ascent Resources doo	612	-	275	212
Trameta doo	9	-	-	-
	6,210	**799**	**816**	**395**

Cash refers to funds advanced by the Company to subsidiaries. Services relates to services provided by the Company to subsidiaries.

b. Group companies – balances

	2017 Cash	2017 Services	2016 Cash	2016 Services
Ascent Slovenia Limited	**23,450**	**4,104**	16,690	3,175
Ascent Resources doo	**3,078**	**1,806**	2,369	1,735
Trameta doo	**9**	**-**	-	-
	26,537	**5,910**	**19,059**	**4,910**

c. Directors

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

2017

In February 2017, Colin Hutchinson subscribed for 270,270 Ordinary Shares as part of the PrimaryBid Placing described in Note 18.

In November 2017, Colin Hutchinson acquired 300,000 Ordinary Shares at an average price of 1.743 pence per share in the market.

The share-based payment charge for the period of £239,000 included an amount related to Directors of £211,000 (2016: £133,502).

Clive Carver is a director of Darwin Strategic Limited, which is the owner of PrimaryBid through which the Company raised £4.5 million in equity during 2017. Refer to Note 18 for further share issues.

2016

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

Clive Carver is a director of Darwin Strategic Limited, which is the owner of PrimaryBid through which the Company raised £1.0 million in equity during 2016. Refer to Note 18 for further share issues.

22 Events subsequent to the reporting period

In March 2018 the Company carried out an operation at Pg-11A to remove a choke and some stuck tooling left downhole at the end of the workover operation in August 2017. At the time it was expected that the well would flow satisfactorily with the restriction in place. However, the performance of the well since September has been sub-optimal and so the operation to remove the tooling and the choke was carried out. The tooling was removed, and the tubing opened significantly, although part of a mandrel remains stuck at 2,200 metres. The results of the operation are not clear at the date of this report.

23 Share based payments

The Company has provided the Directors, certain employees and institutional investors with share options and warrants ('options'). Options are exercisable at a price equal to the closing market price of the Company's shares on the date of grant. The exercisable period varies and can be up to 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 2017	84,513,744	2.86
Granted during the year	68,062,510	1.98
Outstanding at 31 December 2017	**152,576,254**	**2.38**
Exercisable at 31 December 2017	**13,185,738**	**9.76**
Outstanding at 1 January 2016	5,935,738	26.32
Granted during the year	78,828,006	1.62
Expired during the year	(250,000)	170.00
Outstanding at 31 December 2016	**84,513,744**	**2.86**
Exercisable at 31 December 2016	**13,185,738**	**9.76**

The value of the options is measured by the use of a binomial pricing model. The inputs into the binomial model made in 2017 were as follows:

Share price at grant date	1.32p – 1.975p
Exercise price	1.54p – 20p
Volatility	50%
Expected life	3-5 years
Risk free rate	0.5%
Expected dividend yield	0%

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

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

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

Options outstanding at 31 December 2017 have an exercise price in the range of 1.54p and 20.00p (31 December 2016: 1.58p and 20.00p) and a weighted average contractual life of 8.3 years (31 December 2016: 9.1 years).

Trameta acquisition

During the prior year, the Company acquired Trameta doo which owned land and access rights over the export pipeline. Consideration for the transaction was 75 million ordinary shares which vest in four tranches on the one year anniversary of various conditions being met. An option over a further 7.5 million ordinary shares at an exercise price of 2pence is valid for three years from November 2017 when the second condition was met.

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

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

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

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

The value of the shares and options was £1.1 million which was recognised as an addition to exploration and evaluation costs, see Note 10.

24 Notes supporting the statement of cash flows

Group	2017	2016
	£ '000s	£ '000s
Cash at bank and available on demand	721	3,153
Cash held on deposit against bank guarantee	355	-
	1,076	**3,153**

Company	2017	2016
	£ '000s	£ '000s
Cash at bank and available on demand	699	3,143
Cash held on deposit against bank guarantee	355	-
	1,055	**3,143**

Included within cash and equivalents is £355,000 which is held as €400,000 on deposit as a security against a bank guarantee against a gas sales agreement. The Gas sales agreement lasts for a minimum term of 12 months which expires in November 2018.

Significant non-cash transactions are as follows:

	2017	2016
	£ '000s	£ '000s
Conversion of loan notes	6,367	3,745
Accretion charge on convertible loan notes	241	1,380
Modification to existing notes - de-recognition Nov 2016	-	8,140
Modification to existing notes - recognition of amended note - Nov 2016	-	5,352
Fair value of new loan notes issued in November 2016	-	690

25 Financial risk management

Group and Company

The Group's financial liabilities comprise CLNs, other loans and trade payables. All liabilities are measured at amortised cost. These are detailed in Notes 14, 15 and 16.

The Group has various financial assets, being trade receivables and cash, which arise directly from its operations. All are classified as loans and receivables. These are detailed in Notes 12, 13 and 24.

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

a. Credit risk

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

The Group does not have any receivables past due or impaired.

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

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

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

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

b. Market risk

(i) Currency risk

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

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

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

Foreign currency sensitivity analysis

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

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

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

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

Sensitivity analysis

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

	Euro currency change	
Group	**Year ended 31 December 2017**	Year ended 31 December 2016
Profit or loss		
10% strengthening of sterling	**44**	47
10% weakening of sterling	**(53)**	(58)
Equity		
10% strengthening of sterling	**(2,489)**	(1,983)
10% weakening of sterling	**3,040**	2,424
Company		
Profit or loss		
10% strengthening of sterling	**(146)**	(13)
10% weakening of sterling	**178**	16
Equity		
10% strengthening of sterling	**(2,948)**	(2,687)
10% weakening of sterling	**3,604**	3,288

(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 2017, the Group and Company has GBP loans valued at £36,000 rates of 0% per annum.

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

(iii) Liquidity risk

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

The Group and Company manages its liquidity requirements by using both short- and long-term cash flow projections and raises funds through debt or equity placings as required. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements.

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

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

	Group		**Company**	
Maturity analysis of financial liabilities	**2017**	**2016**	**2017**	**2016**
	£ '000s	**£ '000s**	**£ '000s**	**£ '000s**
Less than six months - loans and borrowings	-	-	-	-
Less than six months - trade and other payables	576	254	174	165
Between six months and a year	-	-	-	-
Over one year	36	-6,162	36	-6,162

c. Capital management

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

d. There are no externally imposed capital requirements.

e. Fair value of financial instruments

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

	Carrying amount	**Fair Value of financial instruments**	Carrying amount	Fair Value of financial instruments
	Year ended 31 December 2017	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2016
Financial assets				
Cash and cash equivalents - unrestricted	**721**	**721**	3,153	3,153
Cash and cash equivalents - restricted	**355**	**355**	-	-
Trade receivables	**655**	**655**	-	-
Prepaid abandonment fund (refundable)	**279**	**279**	-	-
Financial liabilities				
Trade and other payables	**576**	**576**	147	147
Convertible loans at fixed rate	**36**	**36**	6,162	6,162

Capital Management - Company	**Year ended 31 December 2017**	**Year ended 31 December 2017**	**Year ended 31 December 2016**	**Year ended 31 December 2016**
	Carrying	**Fair Value of financial instruments**	Carrying	Fair Value of financial instruments
Financial assets				
Cash and cash equivalents – unrestricted	**700**	**700**	3,154	3,154
Cash and cash equivalents – restricted	**355**	**355**	-	-
Trade and other receivables	**-**	**-**	-	-
Financial liabilities				
Trade and other payables	**174**	**174**	84	84
Convertible loans at fixed rate	**36**	**36**	6,162	6,162

Convertible loan at fixed rate

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

Trade and other receivables/payables & inter-company receivables

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

Cash and cash equivalents

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

26 Commitments & contingencies

Now that the Group is generating revenue from the Slovenian asset it has received legal claims relating to past activities. Based on legal advice received we consider these to be spurious and without merit. The Board will vigorously reject such opportunistic approaches.