Regulatory Story

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Ascent Resources PLC - AST Audited Final Results
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Ascent Resources plc

("Ascent" or "the Company")

Audited final results for the year ended 31 December 2016

Ascent Resources plc, the AIM quoted European oil and gas exploration and production company is pleased to report its audited full year results for the year ended 31 December 2016.

2016 Highlights:

- Gas sales agreement signed with INA giving the joint venture a route to market for gas via the export production pipeline.
- Acquisition of Trameta, providing the Company with access to the export production pipeline to Croatia.
- Raised £6.0 million via equity and convertible loan placings.
- Reduction in debt of £5.0 million though loan note conversions and repayment of short-term facility.
- Reduced loss for the year by £1.0 million through reduced administrative expenses (£0.5 million) and lower finance costs (£0.5 million).

Post Period Highlights:

- First commercial sale of gas delivered from Pg-10 in April 2017.
- £3.0m raised via equity placing through PrimaryBid.com in February 2017.
- Further £4.0 million of loan note conversions significantly reducing debt.

Colin Hutchinson, CEO of Ascent, commented:

"In the period under review and subsequently the Company has transformed itself from an explorer into a properly funded producer.

We look forward to continued success in the future."

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Chairman's Statement

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

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

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

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

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

However, much remains to be done.

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

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

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

Yours faithfully

Clive Carver
Non-executive Chairman.

Chief Executive's Review

Introduction

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

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

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

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

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

Financial Performance for the year

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

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

IPPC Permit

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

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

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

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

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

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

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

Sales agreement with INA

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

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

Acquisition of Trameta

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

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

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

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

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

Funding

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

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

Recompletion of Pg-10

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

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

Sales of gas

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

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

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

Colin Hutchinson
Chief Executive Officer

Operations Review

Slovenia

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

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

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

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

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

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

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

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

Back-in Rights

Netherlands

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

Switzerland

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

Strategic report

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

Fair review of the business

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

Principal risks and uncertainties

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

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

Analysis of the development and performance of the business

Information is contained in the Chairman's statement and Chief Executives Review. The Group incurred a loss of £2.7 million (2015: £3.6 million) arising from £1.4 million (2015: £1.9 million) of administrative costs and net finance costs of £1.3 million (2015: £1.8 million). Further details of the net finance costs are provided in Note 5.

Analysis of the position of the business

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

Analysis using other key performance indicators

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

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

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

Clive Carver
Chairman
21 April 2017

Summary of Group Net Oil and Gas Reserves

Net Reserves and Resources

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

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

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

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

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

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

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

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

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

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

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

Permit	Subsidiary	Working Interest (%)	Permit Area Gross (km^2)	Net (km^2)	Status
Operations					
Slovenia					
Petišovci Concession	Ascent Slovenia Limited	75	98	73	Oil & gas exploitation
Back in rights					
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		
m^3	Cubic metres		

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

Corporate Responsibility

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

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

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

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

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

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

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

Statement of Directors' Responsibilities

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

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

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

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

Independent Auditors Report to the Members of Ascent Resources plc

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

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

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

Consolidated Income Statement & Statement of Other Comprehensive Income

For the year ended 31 December 2016

	Notes	**Year ended 31 December 2016 £ '000s**	Year ended 31 December 2015 £ '000s
Other administrative expenses		**(1,382)**	(1,609)
Termination payments		**-**	(279)
Total administrative expenses		**(1,382)**	(1,888)
Loss from operating activities	**3**	**(1,382)**	(1,888)
Finance income	5	**159**	745
Finance cost	5	**(1,453)**	(2,501)
Net finance costs		**(1,294)**	(1,756)
Loss before taxation		**(2,676)**	(3,644)
Income tax expense	6	**-**	-
Loss for the year		**(2,676)**	(3,644)
Loss per share			
Basic & fully diluted loss per share (pence)	7	**(0.49)**	**(4.13)**

	Year ended 31 December 2016 £ '000s	Year ended 31 December 2015 £ '000s
Loss for the year	**(2,676)**	**(3,644)**
Other comprehensive income		
Foreign currency translation differences for foreign operations *	**2,997**	(1,059)
Total comprehensive gain / (loss) for the year	**321**	(4,703)

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

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

Company Statement of Changes in Equity

For the year ended 31 December 2016

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

Consolidated Statement of Financial Position

As at 31 December 2016

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

The Notes are an integral part of these consolidated financial statements.

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

Clive Carver,
Chairman
21 April 2017

Company Statement of Financial Position

As at 31 December 2016

	Notes	31 December 2016 £ '000s	31 December 2015 £ '000s
Non-current assets			
Property, plant and equipment		**2**	1
Investment in subsidiaries and joint ventures	9	**15,443**	14,340
Intercompany receivables	20	**24,239**	19,108
Total non-current assets		**39,684**	33,449
Current assets			
Trade and other receivables	11	**10**	44
Cash and cash equivalents		**3,143**	28
Total current assets		**3,153**	72

Total assets		**42,837**	33,521
Equity			
Share capital	17	**3,732**	1,878
Share premium		**63,273**	56,693
Equity reserve		**3,147**	1,572
Share-based payment reserve		**1,680**	483
Accumulated losses		**(35,322)**	(38,762)
Total equity		**36,510**	21,864
Non-Current liabilities			
Borrowings	13	**6,162**	-
Total current liabilities		**6,162**	-
Current liabilities			
Trade and other payables	16	**165**	418
Borrowings	13	-	11,239
Total current liabilities		**165**	11,657
Total liabilities		**6,327**	11,657
Total equity and liabilities		**42,837**	33,521

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

The Notes are an integral part of these consolidated financial statements.

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

Clive Carver
Chairman
21 April 2017

Consolidated Cash Flow Statement

For the year ended 31 December 2016

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

Company Cash Flow Statement

For the year ended 31 December 2017

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

Notes to the accounts

1 Accounting policies

Reporting entity

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

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

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

Statement of compliance

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

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

Basis of preparation

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

Measurement Convention

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

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

Going Concern

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

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

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

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

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

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

* not yet adopted by the European Union

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

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

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

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

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

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

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

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

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

(a) *Exploration and evaluation assets* - exploration and evaluation costs are initially classified and held as intangible fixed assets rather than being expensed. The carrying value of intangible exploration and evaluation assets are then determined. Management considers these assets for indicators of impairment at least annually based on an estimation of the recoverability of the cost pool from future development and production of the related oil and gas reserves. This assessment requires estimates of gas reserves, production, gas prices, operating and capital costs associated with the field and discount rates (see Note 8);

(b) Decommissioning provision - the cost of decommissioning is estimated by reference to operators and internal specialist staff and requires estimates regarding the cost of decommissioning, inflation, discount rates and the timing of works (see Note 14);

(c) New CLNs and modification to existing CLNs - the Group has entered into a series of significant modifications to the maturity on its CLNs and subscribed to a new convertible loan note. These transactions required judgment in terms of the appropriate accounting treatment. In addition, judgment and estimation was required in determining the fair value of liability and equity components of the loan notes (see Note 13);

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

(e) The accounting treatment of the Trameta acquisition which, as it possessed land and pipeline rights but no employees or active business processes was accounted for as an asset acquisition. Estimates were required in determining the fair value of consideration (see Note 22).

Basis of consolidation

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

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

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

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

Business combinations

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

Joint arrangements

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

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

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

Oil and Gas Exploration Assets

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

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

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

Impairment of oil and gas exploration assets

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

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

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

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

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

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

Decommissioning costs

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

production basis once production begins. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

Foreign currency

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

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

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

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

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

Taxation

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

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

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

Equity-settled share-based payments

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

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

Provisions

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

Convertible loan notes

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

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

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

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

Non-derivative financial instruments

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

Financial instruments

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

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

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

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

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

Equity

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

Investments and loans

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

Segment reporting

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

2 Segmental Analysis

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

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

The two geographic reporting segments are made up as follows:

Slovenia - exploration and development
UK - head office

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

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

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

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

3 Operating loss is stated after charging:

	Year ended 31 December	Year ended

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

4 Employees and directors

a. Employees

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

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

b. Directors and key management remuneration

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

c. Directors remuneration

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

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

*Len Reece resigned on 14 August 2015

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

d. Directors' incentive share options

2016	**As at 01-Jan-16**	**Granted/ (Lapsed)**	**As at 31-Dec-16**	**Date Granted**	**Share Price at Grant***	**Exercise Price***	**Exercise Period Start**	**End**
C Carver	1,328,443	-	1,328,443	30-Apr-13	16.40p	20p	30-Apr-16	30-Apr-23

C Carver	-		13,985,884	13,985,884	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Hutchinson	265,688		-	265,688	23-May-13	13.00p	20p	23-May-16	30-Apr-23
C Hutchinson	-		34,964,709	34,964,709	05-May-16	1.58p	1.58p	05-May-19	06-May-26
N Moore	-		6,992,942	6,992,942	05-May-16	1.58p	1.58p	05-May-19	06-May-26
C Davies	-		6,992,942	6,992,942	05-May-16	1.58p	1.58p	05-May-19	06-May-26

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

* Post share consolidation. Refer to Note 18.

5 Finance income and costs recognised in the year

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

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

6 Income tax expense

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

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

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

7 Loss per share

	31 December 2016	31 December 2015
	£ '000s	£ '000s
Result for the year		
Total loss for the year attributable to equity shareholders	**2,676**	3,644

Weighted average number of ordinary shares	**Number**	Number
For basic earnings per share	544,270,848	88,160,768
Loss per share (pence)	(0.49)	(4.13)

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

8 Exploration and evaluation costs - Group

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

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

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

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

9 Investment in subsidiaries - Company

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

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

All subsidiary companies are held directly by Ascent Resources plc.

10 Trade and other receivables - Group

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

11 Trade and other receivables - Company

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

12 Deferred tax - Group & Company

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

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

13 Borrowings - Group & Company

	2016	2015
Group	£ '000s	£ '000s
Current		
Short-term loan facility	-	461
Convertible loan notes	-	10,778
	-	11,239
Company		
Current		
Short-term loan facility	-	461
Convertible loan notes	-	10,778
	-	11,239
Group & Company		
Non-current		
Convertible loan notes	6,162	-
	6,162	-

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

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

(i) Background

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

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

(ii) Variation of terms in 2014

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

between September and December 2014. At 31 December 2014, the carrying value of the loan notes stood at £9,624,000. On 5 February 2015, the Company drew the final £500,000 available under the loan notes.

(iii) First variation of terms in 2015

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

(iv) EnQuest convertible loan note

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

(v) Second variation of loan note terms in 2015

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

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

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

(vi) Capital reorganisation - November 2015

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

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

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

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

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

(viii) Variation of loan note terms in 2016

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

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

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

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

(ix) Conversions

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

	2016 Notes converted (including rolled up interest)	**2016 Shares issued**	2015 Notes converted (including rolled up interest)	2015 Shares issued
January	**-**	**-**	-	-
February	**-**	**-**	-	-
March	**-**	**-**	139	138,520
April	**1,088,390**	**108,838,990**	473	473,030
May	**463,113**	**46,311,258**	-	-
June	**1,273,923**	**127,392,263**	-	-
July	**-**	**-**	244	244,392
August	**845,053**	**84,505,321**	-	-
September	**563**	**56,312**	2,747	2,746,912
October	**-**	**-**	-	-
November	**73,455**	**7,345,491**	-	-

December	**357**	**35,702**	1,014	101,362
Total	**3,744,853**	**374,485,337**	4,616	3,704,216

(x) £7 million short- term funding facility

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

The Loan accrued interest at the rate of 7.5% per annum on the amount drawn and this was added to the amount of the Loan. The Loan was subject to a drawdown fee of 1.75% per tranche which was deducted from the funds advanced. The Loan was also subject to a repayment fee of 1.25% on any amounts repaid by the Company. The balance outstanding was repayable on demand at any time.

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

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

14 Provisions - Group

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

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

15 Trade and other payables - Group

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

16 Trade and other payables - Company

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

17 Called up share capital

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

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

Shares issued during the year

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

The Company also raised funds through placings during the year:

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

Shares issued during the prior year

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

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

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

Reserve description and purpose

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

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

18 Operating lease arrangements

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

19 Exploration expenditure commitments

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

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

20 Related party transactions

a. Group companies - transactions

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

b. Group companies - balances

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

c. Directors

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

2016

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

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

2015

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

d. Henderson Global Investors

- Advanced £350,000 under the short-term loan facility during January and March 2016.
- Converted loan notes with a face value of £3,137,068 during the year into 434,297,145 Ordinary Shares.

- Subscribed £500,000 for 83,333,333 shares in June 2016.
- Subscribed £500,000 for 83,333,333 shares in June 2016.
- Subscribed £1,000,000 for 100,000,000 shares in October 2016.
- Subscribed £871,510 for 87,151,027 shares in November 2016.
- In November 2016, the Company repaid in full the balance of £871,150 due under the £7 million facility as described in Note 13.
- Henderson Global Investors provided £450,000 of short-term working capital funding in 2015

21 Events subsequent to the reporting period

Recompletion of Pg-10

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

Placing on PrimaryBid

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

Conversion of loan notes

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

22 Share based payments

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

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

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

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

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

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

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

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

Trameta acquisition

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

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

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

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

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

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

23 Financial risk management

Group and Company

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

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

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

a. Credit risk

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

The Group does not have any significant credit risk exposure.

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

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

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

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

b. Market risk

(i) Currency risk

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

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

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

Foreign currency sensitivity analysis

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

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

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

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

Sensitivity analysis

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

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

(ii) **Interest rate risk**

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

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

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

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

c. Liquidity risk

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

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

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

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

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

d. Capital management

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

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

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

	Carrying amount	**Fair Value of financial instruments**	Carrying	Fair Value of financial instruments
	Year ended 31 December 2016	**Year ended 31 December 2016**	Year ended 31 December 2015	Year ended 31 December 2015
Financial assets				
Cash and cash equivalents	**3,153**	**3,153**	32	32
Trade receivables	**-**	**-**	-	-
Financial liabilities				
Trade Creditors	**147**	**147**	171	171
Convertible loans at fixed rate	**6,162**	**6,162**	10,778	10,778

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

Convertible loan at fixed rate

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

Trade and other receivables/payables & intercompany receivables

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

Cash and cash equivalents

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

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