Annual Review 2009

report & financial statement

Annual Review 2009

report & financial statement

One doesn't discover new lands without consenting to lose sight of the shore for a very long time.

Andre Gide 1869 - 1951
Writer and Nobel Prize Winner

Operations Review	06
Chairman's Statement	10
Board of Directors	11
Oil and Gas Reserves	14
Directors' Report	16
Corporate Governance Statement	20
Corporate Responsibility	22
Statement of Directors' Responsibilities	23
Independent Auditors' Report	24
Directors and Advisers	25
Consolidated Statement of Comprehensive Income	29
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Financial Position	33
Company Statement of Financial Position	34
Consolidated Cash Flow Statement	35
Company Cash Flow Statement	36
Notes to the Financial Statements	37
Notice of Annual General Meeting	73

OPERATIONS REVIEW

United Kingdom

Head Office
Ascent Resources plc
5 Charterhouse Square
London EC1M 6EE
Tel: 020 7251 4905
www.ascentresources.co.uk

Netherlands

Ascent Resources NL BV (100%)
27% of M10/11 gas exploration

Slovenia

Nemmoco Slovenia Corporation (100%)
45% Petišovci Dolina oil and gas development
15.75% Petišovci Globocki gas development
75% Petišovci extended area oil and gas development
40% Eastern Exploration gas development

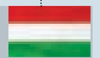
Switzerland

Back in option (22.5% – 45%)
Frienisberg-Seeland gas exploration
Linden gas exploration
Gros de Vaud oil and gas exploration

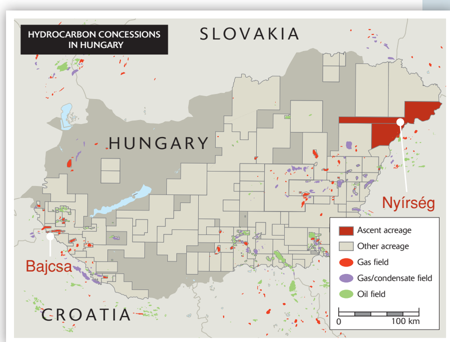
Italy

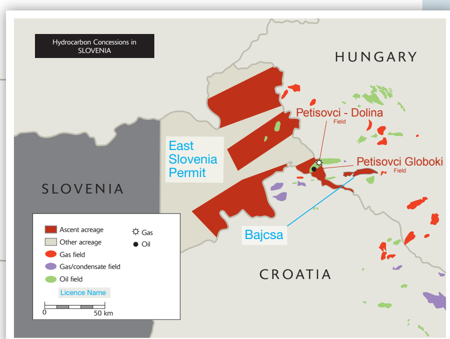
Ascent Resources Italia srl (100%)
100% Cento gas exploration
100% Bastiglia gas exploration
56% Fiume Arrone gas exploration
80% Frosinone oil exploration
50% Strangolagalli oil exploration

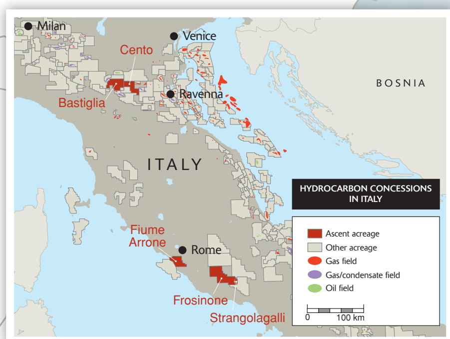
Hungary

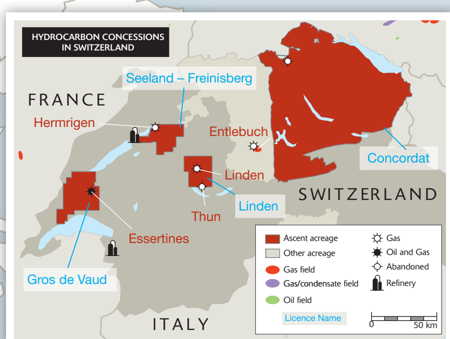


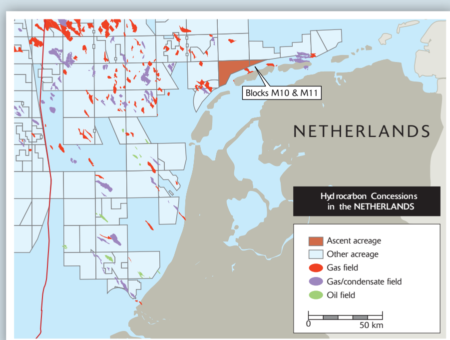
PetroHungaria kft (48.78%)
100% Penészlek gas development
ZalaGasCo kft (98.0%)
50% Bajcsa gasfield redevelopment
Ascent Hungary Ltd (100%)
50% Lovaszi gas development
HN Ventures Inc (20.17%)
100% Nyírség gas exploration











Operations Review 2009

Ascent Resources Plc ('Ascent' or 'the Company') is a multi-project oil and gas exploration company, operating in five countries with a focus on Europe. The Company has a balanced portfolio of hydrocarbon exploration and development projects located in Italy, Switzerland, Hungary, Slovenia and the Netherlands.

The Company's assets are categorised according to their status and risk profile as producing, development or redevelopment projects or appraisal and exploration projects. The Company funds its activities through a combination of debt and equity funding for lower risk development projects and farm-outs for higher risk exploration projects.

The Company continues to focus on low cost onshore oil and gas assets with high upside potential. This potential is realised by advancing projects from the exploration and appraisal stages, through to development and cash generating production. Modern exploration and development techniques such as 3-D seismic are utilised with a proven success record within the Company's portfolio.

The scale of Ascent's European portfolio and an improved financial position resulted in 2009 being an active year, with a number of key successes and continuous progress made across the Company's projects.

Production, Development & Redevelopment Projects

Hungary, Nyírség - Penészlek Area - Development

(48.78% interest through PetroHungaria kft ('PetroHungaria'))

The Penészlek area has seen a number of successes for the Company, with gas production from shallow Miocene reservoirs in the first half of 2009 from the PEN-104 site and PEN-105 beginning production at a rate of over 2 MMscfd in March 2010. Gas from the Penészlek area is sold via a dedicated automated facility directly into the high pressure Hungarian gas pipeline network.

The PEN-101 well has been successfully drilled and tested and is ready for the production and sale of gas. It is anticipated that the revenues generated from the producing wells in Penészlek will provide the Company with positive cash flow during the remainder of 2010 and through to 2011.

The PEN-104 well site which started production in 2008 is to be restored following the depletion of commercially available gas. Further exploration and appraisal prospects exist in both Pannonian clastic and Miocene tuffaceous formations.

Since the year end, Leni Gas & Oil ('LGO') has relinquished its interest in the Penészlek project (announced by LGO on 5 March 2010). The LGO interest has been distributed among the remaining project partners in proportion to their prior interest in the project, at no additional cost.

Following the reallocation of LGO's interest and the conversion of Geomega's interest in the PEN-101 and PEN-106 wells from a working to a carried interest, the partners' interests in the project are now:

	Project Interest	PEN-101 & PEN-106 Revenue Interest	PEN-101 & PEN-106 Cost Share
Ascent Resources plc	48.78%	51.66%	53.38%
DualEx	40.44%	42.83%	44.26%
Swede Resources	2.16%	2.29%	2.36%
Geomega kft	8.63%	3.24%	0%

Hungary, Bajcsa Gasfield Redevelopment

(49% interest through a 98%% holding in ZalaGasCo kft ('ZGC'))

The Bajcsa gasfield was originally developed in the 1980's using vertical wells and standard completions. Production from these low permeability sandstone reservoirs recovered only about a quarter of the gas-in-place. Going forward, modern techniques should be able to recover substantially more of the gas and a horizontal well has been designed with the intention of substantially increasing both productivity and recovery. The drilling of this Bj-28 well awaits final approval. As a redevelopment project, any production can be immediately transported to market through the existing infrastructure with minimal further investment.

Work on the Bajcsa field confirmed gas in at least two of seven identified reservoirs and considerable effort has been spent in the planning stages of this project in order to establish the most efficient way to develop these gasfields. Once the first well is drilled and the results analysed, it is envisaged that a number of similar wells will be possible. The project is a 50:50 joint venture with MOL RT ('MOL'), Hungary's leading oil and gas company and the project is operated by them with technical input from ZGC.

Hungary, Nyírség – Panhandle

(20.167% interest through HN Ventures Inc)

The Görbehàza-1 (GH-1) gas discovery was the first of two gas zones targeted for completion and has produced gas at over 3.5 MMscfd from the first of its two completion intervals. The well has been completed as a gas producing well and is awaiting the construction of a 2.5km export pipeline to the Hajdúnánás Gas Production Facility for sale into the main Hungarian gas pipeline network. Gas is reservoired in shallow Pannonian sands and there are other exploration targets in both Pannonian clastics and deeper Miocene tuffaceous formations.

Slovenia & Hungary, Petišovci & Lovsázi/Ujfalu - Development & Redevelopment

(45% interest in Petišovci Dolina and 15.75% interest in Globoki with 75% interest in extended project area through Ascent Slovenia Limited ('ASL'), formerly Nemmoco Slovenia Corporation ('NSC')) (50% interest in Lovászi/Ujfalu, through Ascent Hungary Limited)

The Petišovci field area in Slovenia and the immediately adjacent Lovsázi project area across the Hungarian-Slovenian border will be key to the Company's work programme for 2010. A substantial tight gas reserve is known to exist in the deeper part of both the Lovászi and Petišovci fields and, in addition to the shallower conventional oil and gas reservoirs already known, the successful completion of 3-D seismic undertaken late in 2009 has revealed new exploration and appraisal targets in both shallow and deep horizons. Operations in Slovenia are conducted through the Company's wholly owned subsidiary ASL, while MOL, partners the Company on the Hungarian side of the border.

As a result of the successful completion of 3-D seismic processing and interpretation in Slovenia announced in March 2010, 12 new drilling targets have been identified and plans have been made to drill a number of wells throughout 2010 and in 2011. The project areas have been extended and the majority of new prospects have been identified in these new areas. These new prospects are in addition to the reserves identified in the Independent Person's Report on the deep prospects completed in 2004 and management estimates there could be the potential for some additional 75 Bcf of recoverable gas.

Both projects are of significant importance to the Company, with ASL holding a 75% interest in both the shallow and the deep reservoirs of the 61.5 km^2 extended Slovenian area and the acquisition of 65 km^2 of 3-D seismic in the Lovászi field in Hungary recently completed. This is a previously producing field with an established infrastructure which will facilitate early production. The project could have the potential to provide a significant contribution to the local gas market.

Italy, Strangolagalli, Ripi - Redevelopment

(50% interest through Ascent Resources Italia s.r.l.)

The Ripi field is an oilfield which has produced oil for more than 50 years from shallow flysch sediments between 400m and 800m deep. The first stage of the redevelopment of Ripi is the acquisition of a shallow high resolution 2-D seismic survey, designed and commissioned by the Company and field operator Pentex Italia Ltd. Here, the productive horizons are clastic reservoirs within the flysh that overlies the carbonate platform that provides the reservoirs in the nearby Anagni/Fontana project.

The new seismic, which is expected to be acquired in 2010, is designed to image the reservoir units so that state-of-the-art wells can be drilled to efficiently produce the remaining oil.

Appraisal Projects

Switzerland, Canton of Bern Frienisberg-Seeland Permit

(45% optional interest from disposal of wholly owned subsidiary PEOS AG)

The Frienisberg-Seeland Hermrigen gas exploration and appraisal project follows on from a gas discovery drilled by Elf Aquitaine in 1982. The original Hermrigen well was drilled before gas pipeline infrastructure was built in the area and consequently was not developed at this time. Following extensive analysis of the geological and seismic data and further geochemical analyses, an appraisal well has been designed to assess the original gas discovery before going on to drill down to the primary target of the Hermrigen-1 well. This well is planned and will confirm the commercial viability of this discovery.

In April 2010 Ascent sold its 100% owned Swiss subsidiary, PEOS AG, to eCORP Europe International Ltd. ('eCORP'), for cash consideration of €8 million, together with various farm-in options on certain potentially successful discoveries ('the Transaction').

Under the terms of the Transaction Ascent retains the right to acquire 45% of any conventional discovery from the Hermrigen 2, Essertines 2 and Linden 2 appraisal wells by paying 45% of drilling costs post any discovery - with no obligation to participate. Additionally Ascent retains right to 22.5% of any discovery from certain additional conventional prospects by paying 22.5% of the drilling costs post discovery, again with no obligation to participate. eCORP has irrevocably committed to drill the Hermrigen-2 appraisal well with permitting underway for drilling in Q4 2010.

Italy, Latina Valley Frosinone Exploration Permit

(80% interest through Ascent Resources Italia s.r.l.)

The Anagni-1 well, within the Frosinone project area was drilled by Ascent in 2006 and had strong oil shows. Despite extensive testing, the well only produced small amounts of oil and in 2008, additional seismic was acquired and it became apparent that the well had intersected the side of the structure. In late 2009, Fontana-1 was drilled to collect cores and appraise the shallow part of the Anagni structure, however the original well experienced mechanical problems after reaching the target depth. A replacement Fontana well was drilled in February 2010. A core sample taken from the limestone of the target Carbonate

Platform formations contained live oil, while deeper dolomite horizons have been shown to contain water from data acquired from logging tools. The Partners believe that the results are sufficiently encouraging to proceed with the permitting of a hydrocarbon appraisal well, Anagni-2, located within 1 km of the Fontana-1 location, which will target a smaller adjacent structure. The Fontana well, was permitted and drilled as a geological appraisal well to collect cores from the carbonate platform identified while drilling the nearby Anagni-1 well. The target carbonate platform formations have been found over 300m shallower than in the original Anagni-1 well. At the planned Anagni-2 location, it is expected that they will be even shallower still at an estimated 300m below ground level. Importantly, the Fontana-1 well has confirmed the presence of a second thrust formation within the complex geology of this region.

Netherlands, Blocks M10/M11.

(27% interest through Ascent Resources (Netherlands) B.V.)

This appraisal project is in shallow blocks M10 and M11 in the southern part of the North Sea. The discovery well, M-11-1 was drilled by NAM in 1985. The complete area benefits from full 3-D seismic coverage and in addition to the structure in the Rotligendes sandstones, a number of other prospects and leads have been identified. The Company has until December 2010 to make a decision with regards the drilling of appraisal wells.

Switzerland, Bern Canton, Linden Exploration Permit

(45% optional interest from disposal of wholly owned subsidiary PEOS AG)

The Linden-1 well was drilled by Elf Aquitaine in 1972 and tested gas at the time. Ascent was awarded the permit in August 2005 and in April 2008 the permit was extended to 2011.
In April 2010 Ascent sold its 100% owned Swiss subsidiary, PEOS AG, to eCORP, for cash consideration of €8 million, together with various farm-in options on certain potentially successful discoveries ('the Transaction'). Under the terms of the Transaction Ascent retains right to acquire 45% of any conventional discovery from the Linden 2 appraisal well by paying 45% of drilling costs post any discovery - with no obligation to participate.

Exploration Projects

Italy, Po Valley, Cento and Bastiglia Exploration Permit

(100% interest through Ascent Resources Italia s.r.l.)

The Cento and Bastiglia exploration permits contain both shallow Pliocene and deep Miocene exploration targets and are located in the Po Valley, in the heart of the largest onshore gas producing area in Europe. The Gazzata-1 well was spudded in May 2009. This well was funded under the terms of the farm-out agreement with Otto Energy Limited ('Otto'). The Gazzata-1 well was abandoned in 2009 due to a lack of commercial gas reserves. In April 2010 the farm-out agreement was cancelled and Otto withdrew from the permit.

The Cento and Bastiglia Permit is one of the largest in this prolific region. The acquisition of new seismic data over a variety of targets should determine new drilling locations within the prospect. The Italian gas market remains strong and a discovery here could be particularly valuable to the Company.

Slovenia, East Slovenian Exploration Project

(40% interest through wholly owned Ascent Slovenia Limited, formerly Nemmoco Slovenia Corporation)

The East Slovenia Exploration project is located just to the north of the development projects at Petišovci. This encompasses an area of 864 sq km in three blocks and is located within the Pomurje Regional Exploration Area where some 65 exploration wells have been drilled over the past 50 years. Almost 50% of these exploration wells reported good shows of gas and oil. 3-D seismic was acquired over a 200 sq km area in the Filovci exploration area and at least two wells are planned to be drilled in this area during 2010.

Switzerland, Vaud Canton, Gros de Vaud Exploration Permit

(45% optional interest from disposal of wholly owned subsidiary PEOS AG)

The Vaud Concession is an exploration project for both oil and gas and is situated north of Lausanne, it was awarded to Ascent in May 2006 and was been extended to June 2010 last year. The Gros de Vaud exploration area includes the 1962 oil discovery at Essertines that produced several thousand barrels of oil from Jurassic aged reservoirs and surface seeps of both oil and gas are present in the area, with the sub-salt Triassic gas potential providing the biggest targets.

In April 2010 Ascent sold its 100% owned Swiss subsidiary, PEOS AG, to eCORP Europe International Ltd. ('eCORP'), for cash consideration of €8 million, together with various farm-in options on certain potentially successful discoveries ('the Transaction'). Under the terms of the Transaction Ascent retains the right to acquire 45% of any conventional discovery from the Essertines 2 appraisal well by paying 45% of drilling costs post any discovery - with no obligation to participate.

Italy, Latium Coast, Fiume Arrone Exploration Permit

(56% interest through Ascent Resources Italia, s.r.l.)

The 2006 well, drilled by Ascent Italia at Fiume Arrone, had good gas shows but lacked adequate reservoir. New seismic will be required to determine new drilling locations.

Netherlands, Blocks P4, M8

The licences for exploration in the M8 and P4 blocks have been relinquished.

Other Enterprises

Perazzoli Drilling

The Company, through its subsidiary company Ascent Drilling Limited ('Ascent Drilling') originally acquired a share in Perazzoli Drilling in order to obtain priority access and ensure optimal contract terms for drilling services. Since the year end, the Company has disposed of its stake in Perazzoli and retained these advantages through a five year service alliance with Perazzoli.

The service alliance provides a 30% discount on €10 million of drilling services to Ascent and first call on uncommitted drilling units. In order to facilitate the transaction, Ascent first bought out their 50% partner in Ascent Drilling using equity. The resulting 45% stake of Perazzoli was then sold generating cash of €1.85 million.

This has been a year of great progress for Ascent

We have advanced a number of key projects with production from new wells in Hungary, sizeable new prospects identified from new 3-D seismic in both Slovenia and Hungary, and of course the recent sale of our Swiss subsidiary for €8 million post period end. The fact that we were able to obtain such a strong price for our Swiss subsidiary, while retaining the opportunity to participate in any conventional development in the Swiss permits, illustrates the inherent value in our portfolio of multiple oil and gas production, exploration and appraisal assets across Europe.

Our established strategy of participating in low-cost onshore assets with high upside potential gives us a degree of flexibility and mobility that has proved invaluable given the recent market uncertainty. Indeed, the diversity of our portfolio has become one of our key strengths in such a volatile market and has allowed us to schedule a very active technical programme for 2010. This programme is intended to enhance our asset base by increasing reserves and generating additional production volumes and revenues.

During the year we continued gas production from the Penészlek area of the Nyírség permits in Hungary. We also announced additional discoveries that will provide a valuable revenue stream in the coming years that will enable us to pursue a number of larger opportunities across our portfolio. The Penészlek project, although small in size, demonstrates our ability to accomplish the full cycle of the exploration and production process, from the preliminary geological analysis and the acquisition of seismic, through to the drilling and construction of facilities and in due course, to gas sales.

Slovenia and Hungary remain the core focus for 2010 in particular the Petišovci-Lovászi project which covers an area of 178 square kilometres, about 90 km^2 in either country. 120 km^2 of 3-D seismic data has already been acquired and the interpretation of this seismic data has revealed a number of new drilling targets mapped outside the area of the core deep gas field. In addition to the substantial deep gas reserves, independently estimated at greater than 300bcf only on the Slovenian part of the project, our estimates for these newly identified prospects show a combined potential of over 75 Bcf of additional recoverable gas and it is likely that successful drilling of some of these prospects could lead to further follow-on targets. Slovenia, like Hungary, has a strong demand for domestic gas production and with this in mind, planning is now underway for a number of wells to be drilled both in 2010 and in 2011 and discussions are on-going with project partners to prioritise the drilling of identified prospects.

Acquisition of a further 65 km^2 of 3-D seismic in the adjacent Lovászi field area across the Hungarian border has been completed and an initial two exploration wells in this area are planned and possible locations have been identified.

In Italy's Latina Valley our project partners agree that the results of the Fontana-1 well are sufficiently encouraging to proceed with the permitting of a hydrocarbon appraisal well, Anagni-2, located within 1 km of the Fontana-1 location, targeting an adjacent structure.

As previously referenced, in April, Ascent sold its 100% owned Swiss subsidiary, PEOS AG, to eCORP Europe International Ltd., for a cash consideration of €8 million along with various participation options. We believe this was an outstanding transaction, having retained, without obligation, the opportunity to participate in the development of fields within the permits whilst simultaneously realising €8 million from our investment in the Swiss assets. We expect that the drilling of the Hermrigen-2 appraisal well will commence later this year. Our estimates of reserves is 150 Bcf in the Muschelkalk and Bunter layers of the Hermrigen prospect and Ascent has the right to a 45% interest in the development of these reserves by choosing to pay 45% of the well cost after discovery.

With a portfolio of European assets and a technical team with in-depth experience both operationally and corporately, we believe we have a structure that can be utilised to generate substantial additional shareholder value.

Outlook for 2010

I believe that the Company has never been in a stronger position to move forward. We have a diverse portfolio of assets with a healthy balance of development, appraisal and exploration projects. We have a significant amount of work scheduled across the portfolio for 2010 with our priority being the Petišovci / Lovászi project in Slovenia and Hungary. We believe this to be a potentially sizable onshore European project and we look forward to accelerating the development of this exciting opportunity in the coming period.

Finally I would like to take this opportunity to thank everyone involved in the Company for their continued hard work and the part they have all played in moving Ascent further towards achieving its goals this year. We continue to place significant belief in the value of our assets to generate genuine returns to shareholders and I look forward to updating you with further developments, during what I believe, will be a year of great activity for the Company.

John Kenny
Chairman

John Kenny

(68)
Non-Executive Chairman. Member of the Audit Committee

John Kenny has enjoyed an extensive career in the oil and gas sector where he has an excellent record of creating shareholder value. He co-founded the JP Kenny Group of Companies, which traded internationally in oil and gas engineering, sub-sea survey and inspection and shipping. He was a founder of JP Kenny Exploration & Production Ltd; the forerunner of LSE listed JKX Oil & Gas plc. He holds a degree in chemical engineering from University College London and is an Honorary Fellow of the College.

Jeremy Eng

(51)
Managing Director

Jeremy Eng has extensive experience in the independent oil and gas sector and a wide network of contacts within the sector. In his 27-year career in the industry he has specialised in operations and technical management for the independent sector. Prior to joining Ascent Resources, Jeremy was CEO of a private upstream gas company and Technical Director of WPN Resources Ltd, a Canadian junior-listed oil & gas company. Previously he worked for a successful petroleum engineering consultancy business. He started his career with Schlumberger and after earning a Masters degree in petroleum engineering worked for Premier, Tullow, Lundin and other independent operators.

Simon Cunningham

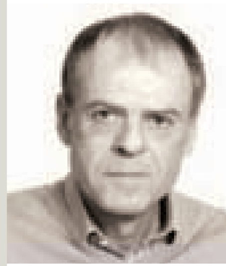
(35)
Finance Director

Simon Cunningham, a certified accountant, has extensive energy and resources experience having held senior corporate finance roles with diversified engineering services group Ausenco Limited, international renewable energy provider Energy Developments Limited and independent power producer NRG Energy Inc. Prior to joining Ascent Resources he served as the Chief Financial Officer of Reverse Corp Limited, a telecommunications provider with operations in the United Kingdom and Australia where he was responsible for all aspects of the finance, treasury, investor relations, investment analysis and company secretarial functions.

Malcolm Groom

(59)
Legal Director

Malcolm Groom is an experienced energy lawyer having previously been head of both Denton Hall and Norton Rose energy groups. He was a co-founder and managing director of Consort Resources founded in 2000. He is now also a consultant to a number of foreign governments on legal matters concerning the oil industry.



Jonathan Legg

(57)
Non-Executive Director. Chairman of the Remuneration Committee

Jonathan Legg has wide experience of the energy industry at a senior level. In 1997, he formed Energy Business Consultants, which advised UK and international clients on commercial aspects of gas and power. In 1999 Jonathan founded Consort Resources, which by the time of its sale in 2003 was a top 10 UK gas producer. Jonathan has also been a senior executive of Conoco (U.K.) and BG E&P. Jonathan has also served on the board of UK Offshore Operators' Association, and was a member of the Government's UK-Continental Interconnector Steering Group. He was also a director of the company owned by the UK's gas shippers to administer the Network Code.

Nigel Moore

(66)
Non-Executive Director. Chairman of the Audit Committee and Member of the Remuneration Committee

Nigel Moore is a Chartered Accountant and was a former partner at Ernst & Young for 30 years until 2003. For the last ten years at Ernst & Young he specialised in the oil and gas sector, advising large international companies, providing significant input to strategic options, new opportunities and delivering shareholder value. Nigel is also on the Boards of Hochschild Mining plc, JKX Oil and Gas plc, Vitec Group plc, TEG Group plc as well as Production Services Network Ltd, a major Aberdeen-based Oilfields Services company.

SNAPSHOT

Summary of Group Net Oil and Gas Reserves

Net Gas Reserves and Gas Resources by country

	Net Proven + Probable Reserves (Bcf))	Net Attributable Contingent Resources (Bcf))			Net Attributable Prospective Resources (Bcf))		
		Low	Best	High	Low	Best	High
Hungary (2)	1.9	8.8	10.8	16.8	–	18	–
Netherlands (1)(a)	–	3.7	8.8	18.8	–	–	–
Netherlands (2)	–	–	–	–	7	11	18
Switzerland (1)(b)	–	4.0	9.6	19.1	157	313	609
Italy (1)(c)	0.1	–	2.0	–	–	87	–
Slovenia (1)(d)	–	–	–	–	31	59	102
Net Attributable at 31 December 2009	2.0	16.5	31.2	54.7	195	488	729

(1) These figures are based upon independent evaluations provided by:
- (a) ERC Energy Resource Consultants Limited and Equipoise Solutions
- (b) Tracs International
- (c) RPS Energy
- (d) Troy-Ikoda Limited

(2) These figures are based upon Management evaluations

Proven Reserves are those quantities of petroleum which can be estimated with reasonable certainty to be commercially recoverable, from known reservoirs and under current economic conditions, operating methods, and government regulations. There is at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

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

Contingent Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable.

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

Summary of Ascent Resources plc Licence Interests as at 30 April 2010

Permit	Subsidiary	Working Interest (%)	Permit Area Gross (sq km)	Net (sq km)	Status
Hungary					
Nyírség	PetroHungaria kft	48.78	2,483	1,211	Gas exploration & development
Bajcsa	ZalaGasCo kft	49.00	27	13	Gas redevelopment
Lovászi	Ascent Hungary Limited	50.00	90	45	Gas redevelopment
Italy					
Cento	Ascent Resources Italia srl	100.00	357	357	Gas exploration
Bastiglia	Ascent Resources Italia srl	100.00	471	471	Gas exploration
Frosinone	Ascent Resources Italia srl	80.00	858	686	Oil exploration
Fiume Arrone	Ascent Resources Italia srl	56.00	358	200	Gas exploration
Strangolagalli	Ascent Resources Italia srl	50.00	41	21	Oil exploration
Slovenia					
Petišovci Dolina	Ascent Slovenia Limited	45.00	36	16	Oil & Gas redevelopment
Petišovci Globoki	Ascent Slovenia Limited	15.75	36	6	Gas redevelopment
Petišovci extension area	Ascent Slovenia Limited	75.00	62	47	Oil & Gas development
Eastern Exploration	Ascent Slovenia Limited	40.00	864	346	Gas exploration
Switzerland					
Seeland-Freinisburg		*	364	–	Gas appraisal
Linden		*	330	–	Gas appraisal
Gros de Vaud		*	736	–	Oil & Gas exploration
The Netherlands					
M10/M11	Ascent Resources NL BV	27.00	211	57	Gas exploration & appraisal

* 22.5% - 45% option to acquire conventional discovery

Glossary

Bbl	Barrel	Bcf	Billion cubic feet
Bbls	Barrels	Bcfe	Billion cubic feet equivalent
Bpd	Barrels per day	Bcfpd	Billion cubic feet per day
Bopd	Barrels oil per day	Tcf	Trillion cubic feet
MMBbl	Million barrels	Tcfe	Trillion cubic feet equivalent
MBpd	Thousand barrels per day	BTU	British thermal unit
MMBpd	Million barrels per day	BTUpcf	British thermal unit per cubic foot
MBopd	Thousand barrels oil per day	MMBTU	Million British thermal unit
MMBopd	Million barrels oil per day	MMBTUpd	Million British thermal unit per day
BOE	Barrels oil equivalent	$MM	Millions of Dollars
MMBoe	Million Barrels oil equivalent	MTpd	Metric Tons per day
MMBoepd	Million Barrels oil equivalent per day	LPG	Liquefied Petroleum Gas
Mcf	Thousand cubic feet	Gal	Gallon
MMcfepd	Million cubic feet equivalent per day	KWH	Kilowatt Hour
MMcfpd	Million cubic feet per day	MWH	Megawatt Hour
MMscfd	Million Standard cubic feet of gas per day	GWH	Gigawatt Hour

One barrel of oil or condensate is equivalent to 6 Mcf of natural gas

Directors' Report

The Directors present their Directors' report and financial statements for the year ended 31 December 2009 (the 'year').

Principal activities

The principal activities of the Group comprise gas and oil exploration and production. The Company is registered in England and Wales and is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

The Group has its headquarters in London and has gas and oil interests in Europe, principally in Hungary, Slovenia, Italy, Switzerland and the Netherlands. The Group operates in its own undertakings and through subsidiary companies and through joint ventures. The subsidiary undertakings affecting the Group's results and net assets are listed in Note 14 to the financial statements.

Business review

The Companies Act 2006 requires the Company to set out in the Directors' Report a fair review of the business of the Company during the financial year ended 31 December 2009 including an analysis of the position of the business at the end of the financial year and a description of the principal risks and uncertainties facing the Company (the 'Business review'). The purpose of the Business review is to enable shareholders to assess how the directors have performed their duties under section 172 of the Companies Act 2006, being the duty to promote the success of the Company. The Chairman's Statement and the Group Operations Review set out on pages 3-10 together with the Corporate Responsibility Statement, Corporate Governance Statements and Uncertainties section of the Annual Report, which are incorporated herein by reference are considered to fulfil the requirements of the Business review.

Principal risks and uncertainties

The Group operates in an industry characterised by a range of business risks. The Company maintains a risk register that categorises risks under the headings: Strategic, Operations, Financial, Compliance, and Knowledge. The key risks and uncertainties faced by the Group are summarised below.

- Strategic – the achievement of corporate objectives is dependent on the strategy followed by the Group, as well as the interaction with stakeholders and shareholders, good governance and an understanding of economic and market dynamics.
- 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.
- Financial – the Group's ability to meet its obligations and achieve objectives is influenced by its liquidity and gearing, movements in commodity prices and costs, movements in foreign exchange and financial reporting requirements.
- 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.
- 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'.

Key performance indicators

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

Future developments

The Company has identified the European gas market as a relatively stable and secure arena in which to compete. The European market continues to be a net importer of gas whilst diversity of supply is central to the energy security strategy of most nations. The Company continues to seek to exploit the market through the identification and exploration of gas reserves near to core industrial and residential conurbations. It competes in the European gas and oil exploration and production sector by seeking to realise value rapidly from its assets, minimising risk through spreading investment over a range of European countries.

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in Note 36 to the financial statements.

Results and dividends

The loss for the year after taxation was £10.6 million (2008: loss £2.9 million). The Directors do not recommend the payment of a dividend.

Post balance sheet events

Anagni project

Since the year end, the Group has completed operations on the Fontana-1 well in Italy's Latina Valley. A core sample taken from the limestone of the target Carbonate Platform formations contained live oil, while deeper dolomite horizons have been shown to contain water from data acquired from logging tools. The Partners believe that

the results are sufficiently encouraging to proceed with the permitting of a hydrocarbon appraisal well, the Anagni-2, located within 1 km of the Fontana-1 location, which will target a smaller adjacent structure.

The Fontana well, was permitted and drilled as a geological appraisal well to collect cores from the carbonate platform identified while drilling the nearby Anagni-1 well. The target Carbonate platform formations have been found over 300m shallower than in the original Anagni-1 well. At the planned Anagni-2 location, it is expected that they will be even shallower still at an estimated 300m below ground level. Importantly, the Fontana-1 well have confirmed the presence of a second thrust formation within the complex geology of this region.

Perazzoli

The Company agreed to sell a 45% interest in Italian drilling contractor Perazzoli Drilling Srl ('Perazzoli') for a consideration of €1.35 million. The Company's original interest was purchased to provide priority access, and ensure optimal contract terms for drilling services.

The Company's original 45% interest in Perazzoli was held through its 50% owned subsidiary, Ascent Drilling Limited ('Ascent Drilling'), which was owned jointly with Ascent Director Mr Malcolm Groom. To facilitate the transaction, the Company agreed to purchase Mr Groom's 50% interest in Ascent Drilling and therefore a further 22.5% interest in Perazzoli by placing 15,529,981 Ascent shares to him, providing Ascent with a 45% interest in Perazzoli. These shares, on issue, were priced at 5.105p each representing a 9% discount to the 15 day average trading price preceding 26 January 2010, which is the pricing mechanism used for Ascent's Equity Line of Credit with GEM Global Yield Fund arranged in 2009.

The purchase of Mr Groom's 50% interest in Ascent Drilling was approved by Shareholders at an Extraordinary General Meeting of the Company held on 12 March 2010. At the date of this report, Mr Groom has an interest in 17,527,686 shares of Ascent representing 3.39% of the total issued shares.

Penészlek project

In the Penészlek project in eastern Hungary, PetroHungaria kft has successfully completed the PEN-101 sidetrack, part of the Penészlek Project in the Nyírség exploration permits of eastern Hungary. The PEN-101 sidetrack will produce gas from the Miocene tuffaceous gas formation, the target of which was defined by 3-D seismic in 2008. The well was originally drilled in February 2010 to a total depth of 1,500m, however during completion an acid stimulation treatment had broken through a repair to the cement isolation behind the steel casing and allowed water production from a deeper formation. The sidetrack was drilled to overcome this problem and the well has now been successfully completed and perforated, with gas flowed on a short test. Once the rig has been demobilised from the location, the PEN-101 well will be acidized and connected to the adjacent production facility where the PEN-105 gas is already processed.

The project Partners have made the decision to plug and abandon the PEN-106 well after a drill stem test ('DST') showed the target Miocene tuffaceous formations to be water bearing at the well location

Since the year end, Leni Gas & Oil's ('LGO') has relinquished its interest in the Penészlek project (announced by LGO on 5 March 2010), The LGO interest has been distributed among the remaining project partners in proportion to their prior interest in the project, at no additional cost to them.

Following the reallocation of LGO's interest and the conversion of Geomega's interest in the PEN-101 and PEN-106 wells from a working to a carried interest, the partners' interests in the project are now:

	PEN-101 & PEN-106		
	Project Interest	Revenue Interest	Cost Share
Ascent Resources plc	48.78%	51.66%	53.38%
DualEx	40.44%	42.83%	44.26%
Swede Resources	2.16%	2.29%	2.36%
Geomega kft	8.63%	3.24%	0%

Sale of PEOS AG

On 22 April the Company announced it had sold the entire share capital of its fully owned subsidiary, PEOS AG ('PEOS') for a total consideration of approximately £6.9 million. Of the total proceeds, £4.4 million was received on completion of the deal with the remainder payable on completion of agreed commercial conditions.

PEOS holds beneficial interest in various permits in Switzerland including a 90% beneficial interest in the Hermrigen, Linden and Gros de Vaud permits (with the remaining 10% retained by the Company's Swiss joint venture partner, SEAG), and a 35% interest in the Concordat permit. As part of the Transaction, the Acquirer has irrevocably committed to drill the Hermrigen-2 appraisal well prior to October 2011, however it is expected that site operations will commence in the fourth quarter of 2010 subject to permitting. Management estimate gross contingent reserves of potentially 150Bcf in the Muschelkalk and Bunter layers of the Hermrigen prospect. The Acquirer will fund the entire cost of the Hermrigen-2 well and if successful, the Company has the retrospective right to participate by paying 45% of the conventional well cost to earn a 45% interest in the conventional discovery. The Company has no rights to any unconventional gas development or gas storage project should it be undertaken. The Company retains the equivalent rights for the appraisal of the Essertines 1 and Linden 1 appraisal wells should the Acquirer elect to drill these prospects. Should the Acquirer elect not to drill these wells the Company retains the option, subject to certain conditions, to fund their development in its own right.

A further three prospects in the licence areas held by PEOS have been identified. Should the Acquirer elect to drill these additional prospects, the Company has the right to 22.5% of any successful conventional discovery by paying 22.5% of the drilling costs post discovery. Again, should the Acquirer elect not to drill these wells the Company retains the option, subject to certain conditions, to fund their development in its own right.

The profit on sale arising on this transaction will be incorporated into the financial statements of the Company and Group in the year ended 31 December 2010.

Directors

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

John Patrick Kenny

Jeremy Eng

Malcolm David John Groom

Simon Cunningham

Jonathan Victor Lewis Legg

Nigel Sandford Johnson Moore

Relevant details of the Directors, which include committee memberships, are set out on pages 11.

Directors' interests

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

Ordinary shares of 0.1p each	At 31/12/09	At 31/12/08
John Patrick Kenny	700,000	700,000
Jeremy Eng	3,808,557	2,000,000
Malcolm David John Groom	1,997,750	1,597,750
Simon Cunningham	-	-
Jonathan Victor Lewis Legg	533,526	533,526
Nigel Sandford Johnson Moore	119,500	119,500

Details of Directors' share options and remuneration are set out in Note 5 to the financial statements under the heading: 'Directors' remuneration'.

Third party indemnity provision

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

Share capital

Details of changes to share capital in the period are set out in Note 26 to the financial statements.

As at 27 April 2010, the Company has been notified of the following significant interests in its ordinary shares, being a holding of 3% and above:

	Number of ordinary shares	%
TD Waterhouse Nominees (Europe) Ltd	51,646,971	10.00
Barclayshare Nominees Ltd	47,282,800	9.15
L R Nominees	45,181,455	8.74
HSDL Nominees Limited	34,636,802	6.70
HSDL Nominees Limited	25,835,516	5.00
Mr R B Rowan	25,000,000	4.84
M D J Groom	17,527,686	3.30

Shareholder communications

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

Charitable and political contributions

No charitable or political contributions were made by the Group during 2009 and 2008.

Supplier payment policy and practice

It is the Group's and Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and the Company and their suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2009, the Group had an average of 306 days (2008: 240 days) purchases owed to trade creditors. At 31 December 2009, the Company had an average of 163 days (2008: 82 days) purchases owed to trade creditors.

Employees

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

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

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

Disclosure of information to auditors

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

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

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going Concern

The financial statements of the Group and Company are prepared on a going concern basis.

In common with many similar companies, the Group and Company raise finance for their exploration and appraisal activities in discrete tranches. Ultimately, the Group and Company must either raise additional tranches of funding and/or generate sufficient net cash flows from operations.

The Directors are of the opinion that the Group and Company will have sufficient cash to fund its activities based on forecast cash flow information for a period in excess of twelve months from the date of approval of these financial statements' approval. Management continues to monitor all working capital commitments and balances on a weekly basis and believe that they have secured appropriate levels of financing for the Group and Company to continue to meet their liabilities as they fall due for at least the next twelve months. In preparing base and sensitised cash flow forecasts the directors have identified a number of cash receipts and cash payments where they have had to use their best judgement to make certain estimates.

The base forecasts are based upon estimates of planned production from producing fields, future gas prices and estimates of costs for planned exploration activities. On a number of projects certain assumptions have also been made with regard to working capital management and matching cash inflows from cash calls to cash outflows.

Accordingly, the Directors have also prepared sensitised forecasts to reflect the risk that production volumes and gas prices may be lower than estimated and exploration costs may be higher. These forecasts indicate that the Group and Company can continue to operate within existing facilities (including the Equity Credit Facility) for the foreseeable future. If the amount or timing of forecast inflows and outflows were to change adversely the Group and Company may be required to reconsider discretionary exploration activity and/or seek additional bridging finance to meet any shortfall.

At the date of approving these financial statements the Group's and Company's cash position is positive, the Company has in place facilities to raise additional funds and it is trading as a going concern.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

Jeremy Eng
Managing Director

13 May 2010

Corporate governance statement

The Directors are committed to maintaining the highest standards of corporate governance and this statement describes how the principles of the Combined Code have, where appropriate for a company of this size and nature, been adopted and applied.

Board of Directors

The Board is responsible to shareholders for the proper management of the Group. The Board comprises three Executive Directors and three Non-Executive Directors. Each of the Executive Directors has extensive knowledge of the oil and gas industry combined with a range of general business skills. Brief biographies are set out on page 11 and these demonstrate the range of relevant experience of the Board.

All of the Directors bring independent judgement to bear on issues of strategy, performance, resource allocation and governance standards. There is clear division of responsibilities between the Chairman and the Managing Director. Non-Executive Directors have been issued with share options which is contrary to the best practice guidelines in the Combined Code. However, in the opinion of the Board, this aligns their objectives with those of shareholders and, in overall terms the Board, considers that all of the Non-Executive Directors are independent.

The Board meets at least quarterly and as issues arise that require the Board's attention. During 2009 all Board meetings were attended by the majority of Board members in office at the time. All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. The Directors have access to independent professional advice, at the Company's expense, if and when required.

There is a formal schedule of matters reserved for consideration by the Board and other matters are delegated to Board Committees. The Memorandum and Articles of Association require that at every AGM a Director who has been a director at each of the preceding two annual general meetings, and has not been appointed or re-appointed at another general meeting, should seek re-election.

Sub-Committees

The Board has appointed the two sub-committees as summarised below. Terms of reference of the Committees can be found on the Company website, **www.ascentresources.co.uk**. A Nomination Committee has not been appointed given the size of the Company.

(a) Audit Committee

This Committee comprises two Non-Executive Directors, under the Chairmanship of Nigel Moore. It meets at least twice a year and reviews the interim and annual financial statements, internal control matters and the scope and effectiveness of external audit. The external auditors have unrestricted access to the Chairman of the Audit Committee and the audit partner is normally invited to attend meetings. A member of the management team is also invited to attend meetings. The Committee held two meetings during the year to review the 2008 annual financial statements and the 2009 interim report. Additionally a number of informal meetings and communications took place between the Chairman, the external auditors, Company executives and staff.

(b) Remuneration Committee

This Committee comprises two Non-Executive Directors under the Chairmanship of Jonathan Legg. The Committee is responsible for making recommendations to the Board on the Company's overall framework for remuneration and its cost. In addition, it determines the individual remuneration of Executive Directors. Non-Executive fees are considered and agreed by the Board.

Relationships with shareholders

The Board remains fully committed to maintaining regular communication with its shareholders. There is regular dialogue with major institutional shareholders and meetings are offered through the year and following significant announcements. Press releases have been issued throughout the year and these are posted on the Company website (www.ascentresources.co.uk). Enquiries from individual shareholders on matters relating to their shareholdings and the business of the Group are welcomed through info3@ascentresources.co.uk. Shareholders are also encouraged to attend the Annual General Meeting to discuss the progress of the Group.

Internal controls

The Board acknowledges its responsibility for establishing, maintaining and reviewing the Group's system of internal controls and for reviewing its effectiveness. The internal control system includes financial, operational and compliance controls and risk management. The systems are designed to safeguard the assets of the Group from inappropriate use or from loss and fraud; to help ensure the quality of internal and external reporting; and to help ensure compliance with applicable laws and regulations and internal policies with respect to the conduct of business.

The Board has put in place formal lines of responsibility and delegation of authority and has delegated to executive management the implementation of material internal control systems. Policies and procedures have been reviewed and a number have been updated to reflect changes in the business. A budgeting process is in place for all material items of expenditure, especially in respect of the major exploration projects, and an annual budget is approved by the Board. Costs are reviewed against budget and the Group's cash position is monitored on a weekly basis. There is a risk and control register to support the Board's primary responsibility of identifying and managing the critical business risks facing the Group.

Given the inherent limitations in any system of internal control a sound system reduces but cannot eliminate the possibility of poor judgement, human error, management or staff override and any unforeseen circumstances. The Board continue to review the effectiveness of internal control and, whilst some additional processes and procedures have been identified that will enhance the current systems, the Board considers that the system of internal control operated effectively throughout the year and up to the date of the financial statements.

Corporate responsibility

Ascent Resources plc operates a Management System that embodies Environmental, Health, Safety ('EHS') and Social Responsibility ('SR') principles. This system defines objectives to be met by Ascent Resources plc, 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 & 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 & 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 & Social Responsibility Policy are:

- Ascent shall manage all operations in a manner that protects the environment and the health and safety of employees, third parties, and the community.
- The Executive Directors provide the vision, establish the framework, set the objectives and provide the resources for responsible management of Ascent's operations.
- Leadership and visible commitment to continuous improvement are critical elements of successful operations.
- A process that measures performance relative to Policy Aims & 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 is 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 Ascents' operations.
- Third parties who provide materials and services (personnel and equipment) or operate facilities on Ascent's behalf have an impact on EHS & SR excellence. It is essential that third-party services are provided in a manner consistent with Ascent's EHS & SR Policy & 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 2009, the Group was Operator of several exploration projects, all of which were closely managed for maintaining the EHS&SR policy aims.

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

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Ascent Resources Plc

We have audited financial statements of Ascent Resources Plc for the year ended 31 December 2009 set out on pages 29 to 72. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU 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 Directors' Responsibilities Statement set out on page 23, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 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 EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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 the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Adrian John Wilcox
(Senior Statutory Auditor) for and on behalf of **KPMG Audit Plc, Statutory Auditor Chartered Accountants**

8 Salisbury Square,
London EC4Y 8BB, United Kingdom

14 May 2010

DIRECTORS AND ADVISERS

Directors	John Patrick Kenny Jeremy Eng Simon Cunningham Malcolm David John Groom Jonathan Victor Lewis Legg Nigel Sandford Johnson Moore
Secretary	John Michael Bottomley
Registered office	One America Square Crosswall London, EC3N 2SG
Nominated Adviser and Broker	Astaire Securities Plc 3rd Floor, 30 Old Broad Street London, EH2N 1HT
Co-Broker	Fox-Davies Capital Whitefriars House Carmelite Street London, EC4Y 0BS
Auditors	KPMG Audit Plc 20 Farringdon Street London, EC4A 4PP
Solicitors	Sprecher Grier Halberstam LLP One America Square Crosswall London, EC3N 2SG
Bankers	Barclays Commercial 1 Churchill Place London E14 5HP
Financial PR	St Brides Media and Finance 38 Bow Lane London, EC4M 9AY
Share Registry	Computershare Investors Services Plc The Pavilions Bridgwater Road Bristol, BS13 8AE
Company's registered number	05239285

Annual Review 2009

financial statement

REPORT AND FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £ 000s	Year ended 31 December 2008 £ 000s
Revenue		898	1,475
Cost of sales	3	(1,117)	(1,088)
Gross (loss)/profit		(219)	387
Administrative expenses	4	(1,519)	(1,727)
Results from operating activities before other costs		(1,738)	(1,340)
Impairment write down of exploration costs	12	(8,528)	(3,240)
Impairment of equity accounted investee	17	(300)	–
Loss from operating activities		(10,566)	(4,580)
Finance income	6	53	160
Finance cost	6	(510)	(473)
Profit on sale of investments	7	127	1,985
Net finance costs		(330)	1,672
Share of profit of equity accounted investees	17	274	88
Loss before taxation		(10,622)	(2,820)
Income tax expense	8	–	–
Loss for the year		(10,622)	(2,820)
Loss attributable to:			
Owners of the Company		(10,756)	(2,860)
Non-controlling interests		134	40
Loss for the year		(10,622)	(2,820)
Loss per share			
Basic loss per share	9	(3.11p)	(0.94p)
Fully diluted loss per share	9	(3.11p)	(0.94p)

All amounts relate to continuing operations.

The notes on pages 37 to 72 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £ 000s	Year ended 31 December 2008 £ 000s
Loss for the year		(10,622)	(2,820)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(1,055)	3,779
Other comprehensive income for the year		(1,055)	3,779
Total comprehensive income for the year		(11,677)	959
Total comprehensive income attributable to:			
Owners of the Company		(11,811)	919
Non-controlling interest		134	40
Total comprehensive income for the year		(11,677)	959

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Share capital £'000s	Equity reserve £'000s	Share premium £'000s	Share based payment reserve £'000s	Translation reserve £'000s	Retained earnings £'000s	Total £'000s	Non-controlling interest £'000s	Total equity £'000s
Balance at 1 January 2008	**305**	**84**	**13,067**	**1,191**	**149**	**(4,956)**	**9,840**	**–**	**9,840**
Comprehensive income									
Loss for the year	–	–	–	–	–	(2,860)	(2,860)	40	(2,820)
Other comprehensive income:									
Currency translation differences	–	–	–	–	3,779	–	3,779	–	3,779
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**3,779**	**(2,860)**	**919**	**40**	**959**
Transactions with owners recorded directly in equity									
Share based payments	–	–	–	68	–	–	68	–	68
Share based payments lapsed during the year	–	–	–	(217)	–	–	(217)	–	(217)
Total transactions with owners	**–**	**–**	**–**	**(149)**	**–**	**–**	**(149)**	**–**	**(149)**
Balance at 31 December 2008	**305**	**84**	**13,067**	**1,042**	**3,928**	**(7,816)**	**10,610**	**40**	**10,650**
Balance at 1 January 2009	**305**	**84**	**13,067**	**1,042**	**3,928**	**(7,816)**	**10,610**	**40**	**10,650**
Comprehensive income									
Loss for the year	–	–	–	–	–	(10,756)	(10,756)	134	(10,622)
Other comprehensive income:									
Currency translation differences	–	–	–	–	(1,055)	–	(1,055)	–	(1,055)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1,055)**	**(10,756)**	**(11,811)**	**134**	**(11,677)**
Transactions with owners									
Issue of shares during the year	195	–	9,872	–	–	–	10,067	–	10,067
Share issue costs	–	–	(399)	–	–	(1,281)	(1,680)	–	(1,680)
Share based payments	–	–	–	1,454	–	–	1,454	–	1,454
Total transactions with owners	**195**	**–**	**9,473**	**1,454**	**–**	**(1,281)**	**9,841**	**–**	**9,841**
Balance at 31 December 2009	**500**	**84**	**22,540**	**2,496**	**2,873**	**(19,853)**	**8,640**	**174**	**8,814**

Company Statement of Changes in Equity

for the year ended 31 December 2009

	Share capital £000's	Equity reserve £000's	Share premium £000's	Share based payment reserve £000's	Retained earnings £000's	Total parent equity £000's
Balance at 1 January 2008	**305**	**84**	**13,067**	**1,191**	**(3,222)**	**11,425**
Comprehensive income						
Profit for the year	–	–	–	–	2,512	2,512
Total comprehensive income	**–**	**–**	**–**	**–**	**2,512**	**2,512**
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners:						
Share based payments	–	–	–	68	–	68
Share based payments lapsed during the year	–	–	–	(217)	–	(217)
Total transactions with owners	**–**	**–**	**–**	**(149)**	**–**	**(149)**
Balance at 31 December 2008	**305**	**84**	**13,067**	**1,042**	**(710)**	**13,788**
Balance at 1 January 2009	**305**	**84**	**13,067**	**1,042**	**(710)**	**13,788**
Comprehensive income						
Loss for the year	–	–	–	–	(2,546)	(2,546)
Total comprehensive income	**–**	**–**	**–**	**–**	**(2,546)**	**(2,546)**
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners:						
Issue of shares during the year	195	–	9,872	–	–	10,067
Share issue costs	–	–	(399)	–	(1,281)	(1,680)
Share based payments	–	–	–	1,454	–	1,454
Total transactions with owners	**195**	**–**	**9,473**	**1,454**	**(1,281)**	**9,841**
Balance at 31 December 2009	**500**	**84**	**22,540**	**2,496**	**(4,537)**	**21,083**

Consolidated Statement of Financial Position

as at 31 December 2009

	Notes	31 December 2009 £ 000's	31 December 2008 £ 000's
Assets			
Non-current assets			
Property, plant and equipment	10	158	266
Exploration and decommissioning costs	12	9,738	13,146
Investments in equity-accounted investees	17	1,191	1,300
Total non-current assets		11,087	14,712
Current assets			
Inventories	16	431	609
Trading investments	18	46	145
Other financial assets	15	888	955
Trade and other receivables	19	2,927	2,627
Cash and cash equivalents		4,630	1,236
Total current assets		8,922	5,572
Total assets		20,009	20,284
Equity and liabilities			
Attributable to the equity holders of the parent company			
Share capital	26	500	305
Equity reserve		84	84
Share premium account		22,540	13,067
Share based payment reserve		2,496	1,042
Translation reserves		2,873	3,928
Retained earnings		(19,853)	(7,816)
Total equity attributable to the shareholders of the Company		8,640	10,610
Minority interest		174	40
Total equity		8,814	10,650
Non-current liabilities			
Borrowings	22	851	4,525
Provisions	23	152	32
Total non-current liabilities		1,003	4,557
Current liabilities			
Trading and other payables	24	6,601	4,515
Borrowings	22	3,591	562
Total current liabilities		10,192	5,077
Total liabilities		11,195	9,634
Total equity and liabilities		20,009	20,284

The financial statements were approved and authorised for issue by the Board of Directors on 13 May 2010 and were signed on its behalf by:

Jeremy Eng
Managing Director

Company Statement of Financial Position

as at 31 December 2009

	Notes	31 December 2009 £ 000's	31 December 2008 £ 000's
Non-current assets			
Property, plant and equipment	11	3	6
Investment in subsidiaries and joint ventures	14	1,842	1,948
Intercompany receivables	32	18,663	13,977
Total non-current assets		20,508	15,931
Current assets			
Trade and other receivables	20	17	206
Cash and cash equivalents		3,677	904
Total current assets		3,694	1,110
Total assets		24,202	17,041
Equity			
Share capital	26	500	305
Equity reserve		84	84
Share premium		22,540	13,067
Share based payment reserve		2,496	1,042
Retained loss		(4,537)	(710)
Total equity		21,083	13,788
Non-current liabilities			
Borrowings	22	–	2,416
Total non-current liabilities		–	2,416
Current liabilities			
Trade and other payables	25	638	837
Borrowings	22	2,481	–
Total current liabilities		3,119	837
Total liabilities		3,119	3,253
Total equity and liabilities		24,202	17,041

The financial statements were approved and authorised for issue by the Board of Directors on 13 May 2010 and were signed on its behalf by:

Jeremy Eng
Managing Director

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £ 000s	Year ended 31 December 2008 £ 000s
Cash used in operations			
Loss before tax		(10,756)	(2,860)
Depreciation charge		125	560
Increase in receivables		(301)	(369)
Increase in payables		2,089	103
Decrease in inventories		178	–
Impairment in associate		300	–
Profit on sale of subsidiary		–	(1,363)
Profit on sale of current asset investments		(127)	(621)
Revaluation of quoted securities		(18)	454
Impairment of exploration expenditure		8,528	3,240
Amortisation of decommissioning costs		–	336
Increase in decommissioning provision		–	(214)
Share-based payment charge/(credit)		173	(149)
Exchange differences		(66)	611
Share of profit of associate undertakings		(140)	(88)
		(15)	(360)
Finance income		(53)	(160)
Finance cost		510	374
Net cash generated/(used) in operating activities		442	(146)
Cash flows from investing activities			
Interest received		36	160
Payments for investing in exploration		(6,031)	(4,602)
Increase in payables		–	2,282
Acquisition of property, plant and equipment		(30)	(813)
Proceeds from disposal of subsidiary		–	1,582
Proceeds from disposal of current asset investment		247	659
Aquisition of subsidiaries		–	(20)
Net cash received from non-controlling interest		–	40
Net cash flows used in investing activities		(5,778)	(712)
Cash flows from financing activities			
Interest paid		(328)	(374)
Proceeds from loans		–	2,103
Loans repaid		(524)	(1,070)
Proceeds from issue of shares		10,067	–
Share issue costs		(399)	–
Net cash flows from financing activities		8,816	659
Net decrease in cash and cash equivalents for the year		3,480	(199)
Net foreign exchange differences		(85)	110
Cash and cash equivalents at beginning of the year		1,235	1,324
Cash and cash equivalents at end of the year		4,630	1,235

Company Cash Flow Statement

for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £ 000s	Year ended 31 December 2008 £ 000s
Cash used in operations			
(Loss)/profit before tax		(2,546)	2,512
Depreciation charge		3	1,669
Decrease in receivables		189	195
(Decrease)/increase in payables		(199)	249
Loss on sale of current asset investments		–	(593)
Loss/(profit) on sale of subsidiary		106	(1,614)
Share-based payment/(credit)		173	(149)
		(2,274)	(2,269)
Finance income		–	(14)
Finance cost		276	216
Net cash (used)/generated in operating activities		(1,998)	2,471
Cash flows from investing activities			
Interest received		–	14
Payments for investing in exploration		–	(1,645)
Acquisition of property, plant and equipment		–	(7)
Aquisition of subsidiary		–	(20)
Proceeds from disposal of subsidiary		–	1,583
Advances to subsidiaries		(4,686)	(2,663)
Proceeds from sale of current asset investment		–	608
Net cash flows used in investing activities		(4,686)	(2,130)
Cash flows from financing activities			
Interest paid		(211)	(216)
Cash proceeds from issue of shares		10,067	–
Share issue costs		(399)	–
Net cash from/(used by) financing activities		9,457	(216)
Net increase in cash and cash equivalents		2,773	125
Cash and cash equivalents at beginning of the year		904	779
Cash and cash equivalents at end of the year		3,677	904

1 Accounting policies

Reporting entity

Ascent Resources plc ('the Company') is a company domiciled and incorporated in England. The address of the Company's registered office is One America Square, Crosswall, London, EC3N 2SG. The consolidated financial statements of the Company for the year ended 31 December 2009 comprises 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 the Alternative Investment Market ('AIM') of the London Stock Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2009 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 2009 were approved and authorised for issue by the Board of Directors on 17 May 2010 and the Balance Sheets were signed on behalf of the Board by Jeremy Eng.

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 ('Adopted 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 s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Measurement Convention

The financial information has been prepared under the historical cost convention except for available-for-sale financial assets and financial instruments which are measured at fair value through profit and loss. The financial statements are presented in sterling and have been rounded to the nearest thousand (£'000s) except where otherwise indicated.

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

Going Concern

The financial statements of the Group and Company are prepared on a going concern basis.

In common with many similar companies, the Group and Company raise finance for its exploration and appraisal activities in discrete tranches. Ultimately, the Group and Company must either raise additional tranches of funding and/or generate sufficient net cash flows from operations.

The Directors are of the opinion that the Group and Company will have sufficient cash to fund its activities based on forecast cash flow information for a period in excess of twelve months from the date of approval of these financial statements. Management continues to monitor all working capital commitments and balances on a weekly basis and believe that they have secured appropriate levels of financing for the Group and Company to continue to meet their liabilities as they fall due for at least the next twelve months.

In preparing base and sensitised cash flow forecasts the Directors have identified a number of cash receipts and cash payments where they have had to use their best judgement to make certain estimates.

The base forecasts are based upon estimates of planned production from producing fields, future gas prices and estimates of costs for planned exploration activities. On a number of projects certain assumptions have also been made with regard to working capital management and matching cash inflows form cash calls to cash outflows.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

1 Accounting policies *(continued)*

Accordingly, the Directors have also prepared sensitised forecasts to reflect the risk that production volumes and gas prices may be lower than estimated and exploration costs may be higher. These forecasts indicate that the Group and Company can continue to operate within existing facilities for the foreseeable future. If the amount or timing of forecast inflows and outflows were to change adversely the Group and Company may be required to reconsider discretionary exploration activity and/or seek additional bridging finance to meet any shortfall.

Adoption of IFRSs in issue but not yet effective
The Company prepares its financial statements in accordance with applicable International Financial Reporting Standards (IFRSs) and interpretations issued by the International Accounting Standards Board as adopted by the European Union.

As at the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 1 First time adoption of International Financial Reporting Standards (revised 2008)
IFRS 3 Consolidated financial statements (revised 2008)
IFRS 2 Amendment – Group Cash-settled Share-based Payment Transactions
IFRS 7 Improving Disclosures about Financial Instruments Amendments to IFRS 7 Financial
IAS 39 Financial instruments: recognition and measurement (Amendment) – eligible hedged items
IAS 39 Amendment- Reclassification of financial assets effective date and transaction
Amendments to IAS 27 - Consolidated and separate financial statements
Amendments to IFRS 1 and IAS 27 - cost of investment in a subsidiary jointly controlled entity or associate
Amendment to IAS 1 - Presentation of financial statements: A revised presentation
IFRIC 17 Distribution of non-cash assets to owners
IFRIC 18 Transfer of assets from customers

In addition, there are certain requirements of Improvements to IFRSs which are not yet effective. The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's results.

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

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

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

The key area where management judgement will need to be applied will be in the areas of:

(a) *Oil and gas assets* – exploration and evaluation costs are initially classified and held as intangible fixed assets rather than being expensed. The carrying value of intangible exploration and evaluation assets are then determined. Management considers these assets for impairment at least annually based on an estimation of the recoverability of the cost pool from future revenues of the related oil and gas reserves (see Note 12);

1 Accounting policies *(continued)*

(b) *Decommissioning provision* – the cost of decommissioning is estimated by reference to operators and internal specialist staff (see Note 23);

(c) *Convertible loan notes* – management assessed the fair value of the liability component at issue and continue to review the appropriateness of the amortisation period annually (see Note 22);

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

(e) *Business combinations* – management assess the fair value of the assets and liabilities acquired based on the assessment of operations and internal specialist staff (see Note 28);

(f) *Share-based payments* – management assesses the fair value of each option using an appropriate pricing model based on option and share prices, volatility and the life of the option (see Note 34).

Basis of consolidation

The financial statements comprise the consolidation of the accounts of the Company and its subsidiary undertakings and incorporate the results of its share of jointly controlled entities, associates and joint ventures using the equity method of accounting. Consistent accounting policies have been used to prepare the consolidated financial statements.

Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of undertakings acquired or disposed of are consolidated from or to the date when control passes to or from the Group. For the Company's financial statements only, investments in subsidiary undertakings are stated at cost less provision for impairment.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from date that control commences until the date that control ceases.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and goodwill

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. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Interest in jointly controlled operations

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a company undertakes its activities under a joint venture arrangement directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with the other ventures are recognised in the financial statements of the relevant Group company and classified according to their nature.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

1 Accounting policies *(continued)*

Similarly, income from the sale and use of the Group's share of the output of jointly controlled assets and its share of joint venture expenses, are recognised in the financial statements of the relevant Group company and classified according to their nature.

Interests in Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Increase in interests in jointly controlled entities
When an entity acquires an additional interest in jointly controlled entities the entity's portion of identifiable net assets of the jointly controlled entity previously acquired is re-measured at fair value at the date of additional investment with the re-measurement being accounted for as a revaluation.

Oil and Gas Exploration Assets
The Group follows the 'successful efforts' method of accounting for exploration and evaluation costs. 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 recouped 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 against profit 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 tangible fixed assets 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. Any impairment arising is recognised in the Income Statement for the year.

Impairment reviews on development/producing assets are carried out on each cash-generating unit identified in accordance with IAS 36 'Impairment of Assets'. Ascent's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

1 Accounting policies *(continued)*

At each reporting date where there are indicators of impairment, the net book value of the cash generating unit is compared with the measurable recoverable amount, higher of fair value costs to sell or value in use. If the net book value is higher, then the difference is written off to the Income Statement as impairment. Forecast production profiles are determined on an asset-by-asset basis using appropriate petroleum engineering techniques.

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 value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Impairment of developed oil and gas assets

When events or changes in circumstances indicate that the carrying amount of expenditure attributable to a successful well may not be recoverable from future net revenues from oil and gas reserves attributable to that well, a comparison between the net book value of the cost attributable to that well and the discounted future cash flows from that well is undertaken. To the extent that the carrying amount exceeds the recoverable amount, the cost attributable to that well is written down to its recoverable amount and charged as an impairment.

Depletion of developed oil and gas assets

Costs carried in each well are depreciated on a unit of production basis using the ratio of oil and gas production in the period to the estimated quantity of commercial reserves at the end of the period plus production in the period. Costs in the unit of production calculation include the net book value of capitalised costs plus estimated future development costs.

Changes in estimates of commercial reserves or future development costs are dealt with prospectively.

Decommissioning costs

Where a material liability for the removal of 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. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

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

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

Computer and office equipment – 33% straight line.

Revenue recognition

Oil and gas sales revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the Group's share of oil and gas supplied in the period.

Inventories

Inventories, including materials, equipment and inventories of gas and oil held for sale in the ordinary course of business, are stated at weighted average historical costs, less provision for deterioration and obsolescence or, if lower, net realisable value.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

1 Accounting policies *(continued)*

Foreign currency
The Group's strategy is focused 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.

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to Sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Sterling at the average rate ruling during the period. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. They are released into the income statement upon disposal.

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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the functional currency at the rates prevailing on the balance sheet date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included with net interest payable.

Exchange differences on all other transactions, except relevant 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 balance sheet 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.

Cash-settled share based payments
The cost of cash-settled share based payments is measured at fair value using an appropriate option valuation model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period, a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount of the liability are recognised in profit or loss for the period

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the balance sheet 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

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

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

Non-derivative financial instruments

Non-derivative financial instruments comply 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 balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments classified as held-for-trading are revalued at each balance sheet date. Trading investments are initially measured at fair value, including transaction costs. At subsequent reporting dates trading investments are measured at fair value or at cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly to the income statement.

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

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

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

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

Equity

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

1 Accounting policies *(continued)*

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.

Pension costs
Contributions are made to the individual pension scheme of a director's choice and are charged to the Income Statement as they become payable.

2 Segmental Analysis

The Group has five reportable segments, as described below, which are based on the geographical area that the Group activities are carried out. Each area is then subdivided into a number of different sites based on the locations of the wells. The operations and day to day running of the business is carried out on a local level and therefore managed separately. In addition, each site has different technological requirements based on their stage of development which are coordinated based on their geographical location. Each operating segment reports to the UK head office who evaluate the segments 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 Chief Executive Officer ('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 five geographic reporting segments are made up as follows:

Italy	– exploration and development
Hungary	– production and exploration
Slovenia	– exploration and development
Other Europe (Netherlands and Switzerland)	– exploration and development
UK	– head office

The cost of exploration and development works are carried out under shared licences with joint ventures and associated companies which are co-ordinated by the UK head office. Transfer prices between segments are set on an arms length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between segments. Those transfers are eliminated on consolidation.

Information regarding the results of 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.

2 Segmental Analysis *(continued)*

2009 External Revenue	Italy £ 000's	Hungary £ 000's	Slovenia £ 000's	Other Europe £ 000's	UK £ 000's	Inter segment eliminations £ 000's	Total £ 000's
Revenue by location of asset:							
Hydrocarbons	–	898	–	–	–	–	898
Management fees	–	–	–	–	299	(299)	–
Operating costs:							
Cost of sales	(287)	(284)	(226)	(15)	(305)	–	(1,117)
Administrative expenses	–	(141)	(28)	(47)	(1,602)	299	(1,519)
Material non-cash items:							
Impairment of exploration assets	(7,810)	(622)	–	(96)	–	–	(8,528)
Impairment of investments	(300)	–	–	–	–	–	(300)
Net finance costs	(106)	(141)	(145)	(1)	63	–	(330)
Share of profits from equity accounted investees	274	–	–	–	–	–	274
Reportable segment loss before taxation	(8,229)	(290)	(399)	(159)	(1,545)	–	10,622
Reportable segment assets							
Carrying value of intangible assets	2,730	2,463	3,954	591	–	–	9,738
Additions to capitalised intangible assets	5,400	1,479	3,709	27	–	–	10,615
Externally funded	(4,584)	–	–	–	–	–	(4,584)
Funded by Group	816	1,479	3,709	27	–	–	6,031
Additions to decommissioning asset	–	120		–	–	–	120
Investment in associates	1,191	–	–	–	–	–	1,191
Other assets	3,286	708	1,331	12	22,406	(18,663)	9,080
Consolidated total assets	7,207	3,171	5,285	603	22,406	(18,663)	20,009
Reportable segmental liabilities							
Trade payables	(2,522)	(523)	(2,807)	(378)	–	–	(6,230)
External loan balances	(1,405)	–	–	–	(3,037)	–	(4,442)
Inter-group borrowings	(9,137)	(3,571)	(2,829)	(916)	(2,210)	18,663	–
Other liabilities	(124)	(94)	–	–	(304)	–	(522)
Consolidated total liabilities	(13,188)	(4,188)	(5,636)	(1,294)	(5,551)	18,663	(11,194)

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

2 Segmental Analysis *(continued)*

2008 External Revenue	Italy £ 000's	Hungary £ 000's	Slovenia £ 000's	Other Europe £ 000's	UK £ 000's	Inter segment eliminations £ 000's	Total £ 000's
Revenue by location of asset:							
Hydrocarbons	–	1,475	–	–	–	–	1,475
Management fees	–	–	–	–	223	(223)	–
Operating costs:							
Cost of sales	(257)	(747)	(26)	(50)	(88)	80	(1,088)
Administrative expenses	(301)	(320)	(56)	(60)	(1,133)	143	(1,727)
Material non-cash items:							
Impairment of exploration assets	(1,574)	(1,666)	–	–	–	–	(3,240)
Impairment of investments	–	–	–	–	–	–	–
Net finance costs	–	1,542	–	–	130	–	1,672
Share of profits from equity accounted investees	88	–	–	–	–	–	88
Reportable segment loss before taxation	(2,044)	284	(82)	(110)	(868)	–	(2,820)
Reportable segment assets							
Carrying value of intangible assets	10,581	1,598	274	693	–	–	13,146
Additions to capitalised intangible assets	2,361	1,772	–	115	–	–	4,248
Externally funded	–	–	–	–	–	–	–
Funded by Group	2,361	1,772	–	115	–	–	4,248
Additions to decommissioning asset	54	32	–	–	–	–	86
Investment in associates	1,300	–	–	–	–	–	1,300
Other assets	2,959	1,361	95	43	15,357	(13,977)	5,838
Consolidated total assets	14,840	2,959	369	736	15,357	(13,977)	20,284
Reportable segmental liabilities							
Trade payables	(3,596)	(18)	–	–	(253)	–	(3,867)
External loan balances	(2,671)	–	–	–	(2,416)	–	(5,087)
Inter-group borrowings	(7,752)	(2,997)	(624)	(939)	(1,665)	13,997	–
Other liabilities	(117)	(52)	–	(23)	(488)	–	(680)
Consolidated total liabilities	(14,136)	(3,067)	(624)	(962)	(4,822)	13,977	(9,634)

3 Cost of sales

	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Operating Costs relating directly to producing assets	173	204
DD&A of producing assets	122	556
Other directly incurred costs	822	328
	1,117	1,088

4 Administrative expenses

	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Depreciation of plant and equipment	3	4
Employee Costs (see note 5)	801	342
Consulting charges	178	906
Profit on sale of fixed assets	–	(1)
Revaluation of quoted securities	(18)	321
Other office costs	555	155
	1,519	1,727
The following is included within Administrative Expenses:		
Auditors' remuneration		
Audit of 2009 financial statements	85	–
Audit of 2008 financial statements	15	89
Audit of 2007 financial statements	–	50
Audit of 2008 half-yearly report	–	20
Audit of subsidiaries pursuant to legislation	15	39
	115	198

5 Employees and Directors

(a) Employees

The average number of persons employed by the Company and Group, including executive directors, was:

	Year ended 31 December 2009 Number	Year ended 31 December 2008 Number
Management and technical	6	6

	£ 000's	£ 000's
Wages and salaries	625	587
Social security costs	91	50
Pension costs	78	84
Share based payments (see note 34)	7	(379)
	801	342

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

5 Employees and Directors *(continued)*

All staff included above represents Directors and 'key management personnel' in the Company. During the year an employee was awarded 1 million options to subscribe for ordinary shares in the Company, at a price of 7.63p per share. The Company offers all staff the opportunity to enter into a stakeholder pension scheme.

(b) Directors' remuneration

	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Fees and emoluments	449	314
Social security costs	35	24
Pension costs	78	84
Share-based payments (see note 34)	–	(371)
	562	51

In addition to the above, £nil (2008: £44,865) was paid to third parties as consideration for making available the services of directors. Pension costs relate to payments made to a director's own personal pension plan.

During the year ended 31 December 2008 the Group reversed part of its provision for National Insurance Contributions payable on directors' share options following a reduction in the Company's share price from 17.5p as at 31 December 2007 to 2.38p as at 31 December 2008.

(c) Highest paid director

	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Fees and emoluments	161	94
Social security costs	3	1
Pension costs	78	84
	242	179

(d) Directors' Incentive Share Options

Director	As at 1 January 2009	Granted/ Lapsed	As at 31 December 2009	Date Granted	Share Price at Grant	Exercise Price	Exercise Period
S Cunningham	1,000,000	–	1,000,000	21.09.08	4.75p	4.75p	21.09.09 – 21.09.13
	–	1,000,000	1,000,000	01.10.09	7.70p	7.63p	01.10.10 – 01.10.14
J V L Legg	1,000,000	(1,000,000)	–	23.09.05	13.5p	40p	23.09.06 – 23.09.09
	500,000	–	500,000	28.06.05	5.5p	5p	28.06.06 – 28.06.10
	500,000	–	500,000	28.12.05	10.5p	10.5p	28.12.06 – 28.12.10
N S J Moore	500,000	–	500,000	28.06.06	9p	9.5p	28.06.07 – 28.06.11
M D J Groom	1,000,000	–	1,000,000	28.06.05	5.5p	5p	28.06.06 – 28.06.10
	1,000,000	(1,000,000)	–	23.09.05	13.5p	40p	23.09.06 – 23.09.09
J Eng	10,000,000	–	10,000,000	10.04.05	5p	5p	10.04.06 – 10.04.10
	2,500,000	(2,500,000)	–	23.09.05	13.5p	40p	23.09.06 – 23.09.09

6 Finance income and costs recognised in loss

	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Financial income		
Income on bank deposits	36	160
Foreign exchange movements realised	17	–
	53	160
Financial cost		
Interest payable on borrowings	(393)	(374)
Foreign exchange movements realised	(117)	(99)
	(510)	(473)

7 Profit on sale of investments

	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Sale of subsidiary company		
Compania Petrolifera de Sedano sl	–	44
Teredo Oils Limited	–	38
Part disposal of subsidiary company		
PetroHungaria kft	–	1,123
ZalaGasCo kft	–	158
Sale of investments		
D9 (Netherlands)	–	424
Szolnok (Hungary)	–	184
Sale of current asset investments		
Shares held in Leni Gas and Oil plc	127	14
	127	1,985

Further details on the disposal of subsidiaries are set out in Note 29.

8 Income tax expense

	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Current tax	–	–
Deferred tax	–	–
Total tax expense for the period	–	–

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

8 Income tax expense *(continued)*

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 2009 £ 000's	Year ended 31 December 2008 £ 000's
Reconciliation of effective tax rate:		
Loss for the period	(10,622)	(2,820)
Income tax using the company's domestic tax rate 28% (2008: 28.5%)	(2,976)	(804)
Effects of:		
Current tax	–	–
Current year losses for which no asset recognised	713	387
Changes in unrecognised temporary differences	2,023	–
Effect of tax rates in foreign jurisdictions	390	158
Other non-taxable items	(74)	(667)
Other non-deductible expenses	(22)	1,163
Utilisation of losses brought forward	(8)	(90)
Capital (losses)/gains	(46)	175
Total tax expense for the year	–	–

9 Loss per share

	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Losses		
Losses for the purposes of basic earnings per share being net loss attributable to equity shareholders	10,622	2,860
Losses for the purposes of diluted earnings per share being adjusted net loss attributable to equity shareholders	10,622	2,860

Number of shares	Year ended 31 December 2009 Number	Year ended 31 December 2008 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	341,433,823	304,782,042

9 Loss per share *(continued)*

Number of shares	Year ended 31 December 2009 Number	Year ended 31 December 2008 Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share	341,433,823	304,782,042

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares. Dilutive shares arise from share options, warrants and the convertible bond held by the Company. A calculation is done to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to outstanding share options, warrants and convertible bonds.

10 Property, Plant and Equipment – Group

	Plant and equipment £ 000s
Cost	
At 1 January 2008	40
Additions	813
At 31 December 2008	**853**
At 1 January 2009	853
Additions	30
Effects of movements in exchange rates	(86)
At 31 December 2009	**797**
Depreciation	
At 1 January 2008	27
Depreciation for the year	560
At 31 December 2008	**587**
At 1 January 2009	587
Depreciation for the year	125
Effects of movements in exchange rates	(73)
At 31 December 2009	**639**
Carrying amounts	
At 31 December 2009	**158**
At 31 December 2008	266

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

11 Property, Plant and Equipment – Company

	Plant and equipment £ 000s
Cost	
At 1 January 2008	4
Additions	7
Disposals	–
At 31 December 2008	**11**
At 1 January 2009 and 31 December 2009	**11**
Depreciation	
At 1 January 2008	2
Depreciation for the year	3
At 31 December 2008	**5**
At 1 January 2009	5
Depreciation for the year	3
At 31 December 2009	**8**
Carrying amounts	
At 31 December 2009	**3**
At 31 December 2008	6

12 Exploration costs – Group

Group	Italy £ 000's	Hungary £ 000's	Slovenia £ 000's	Other locations £ 000's	Total £ 000's
Cost					
At 1 January 2008	8,087	1,422	274	1,402	11,185
Additions	2,361	1,772	–	115	4,248
Disposals	–	–	–	(1,028)	(1,028)
Additions to decommissioning asset	54	32	–	–	86
Effects of movements in exchange rates	1,968	448	–	204	2,620
At 31 December 2008	**12,470**	**3,674**	**274**	**693**	**17,111**
At 1 January 2009	12,469	3,674	274	693	17,110
Additions	816	1,479	3,709	27	6,031
Additions to decommissioning asset	–	120	–	–	120
Effects of movements in exchange rates	(856)	(158)	(29)	(33)	(1,076)
At 31 December 2009	**12,429**	**5,115**	**3,954**	**687**	**22,185**
Impairment					
At 1 January 2008	–	566	–	1,028	1,594
Charge for the year	1,574	1,666	–	–	3,240
On disposals	–	–	–	(1,028)	(1,028)
Decommissioning charge for the year	315	22	–	–	337
Effects of movements in exchange rates	–	(178)	–	–	(178)
At 31 December 2008	**1,889**	**2,076**	**–**	**–**	**3,965**
At 1 January 2009	1,889	2,076	–	–	3,965
Charge for the year	7,810	622	–	96	8,528
Decommissioning charge for the year	–	–	–	–	–
Effects of movements in exchange rates	–	(46)	–	–	(46)
At 31 December 2009	**9,699**	**2,652**	**–**	**96**	**12,447**
Carrying value					
At 31 December 2009	**2,730**	**2,463**	**3,954**	**591**	**9,738**
At 1 January 2009 and 31 December 2008	**10,581**	**1,598**	**274**	**693**	**13,146**
At 1 January 2008	**8,087**	**856**	**274**	**374**	**9,591**

'Other Locations' include the Netherlands and Switzerland.

For the purposes of impairment testing the intangible oil and gas assets are allocated to the Groups cash generating units, 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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

12 Exploration costs – Group *(continued)*

The amounts for intangible exploration assets represent costs incurred on active exploration projects. These amounts are written off to the income statement as an impairment expense unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of intangible exploration assets will ultimately be recovered, is inherently uncertain.

The impairment charge for the year relates to the Anagni-1 well and the Arrone site in Italy and abandoned and unsuccessful wells at the Penészlek site in Hungary. Further details of these are as follows:

Anagni

The Anagni-1 well was drilled in 2006 and deepened in 2007. After a protracted test the well was plugged and abandoned. The well was drilled and cored and the results of the core testing demonstrated significant oil shows. In 2008 2-D seismic data was obtained and based on the interpretation and mapping of the results from the seismic a new well location, "Fontana-1" was determined. Due to infrastructure constraints, the well location of Fontana-1 was chosen between, rather than on, two new seismic lines.

Fontana-1 commenced drilling in late 2009 and the well drilled carbonate formations approximately 550 meters below the surface. Two cores were recovered as well extensive data. The interpretation of this data confirms the presence of a shallower thrust structure over the original Anagni-1 structure.

The Directors consider the results from the Fontana drilling triggers an impairment in respect of expenditure capitalised in respect of the Anagni-1 well and accordingly have incorporated an impairment provision of approximately £7.8 million in respect of this asset. Given subsequent work undertaken in this licence area, the Directors believe the Anagni-1 well expenditure will not lead to the establishment of commercial reserves.

The results from the drilling from Fontana-1 are sufficiently encouraging to justify the acquisition of high-resolution 2D seismic and consequently, at this stage the determination process has not been completed in respect of expenditure on Fontana-1.

Arrone

The costs for exploration work on the Group's Arrone prospect in Italy were written off during 2009 and 2008 as these costs did not result in the establishment of commercial reserves.

Penészlek

During 2009 the PEN-104 well site at the Penészlek site, which started production in 2008, was abandoned following the depletion of commercially available gas. Additionally, other exploration costs were written off in respect of this project as these did not result in the establishment of commercial reserves. In total approximately £0.6 million has been impaired in respect of this project.

A decommissioning charge has been made in the year in respect to the Penészlek site in Hungary and the Anagni and Arrone sites in Italy.

Other Europe

Certain costs in relation to exploration work on the Group's interests in the Netherlands were written off during 2009 as the licences relating to these costs have been relinquished.

13 Exploration costs – Company

	£ 000s
Cost	
At 1 January 2008	–
Additions	1,666
At 31 December 2008	1,666
At 1 January 2009 and December 31	1,666
Impairment	
At 1 January 2008	–
Charge for the year	1,666
At 31 December 2008	1,666
As at 1 January 2009 and 31 December 2009	1,666
Net book amount	
At 31 December 2009	–
At 1 January 2009 and 31 December 2008	–
At 1 January 2008	–

14 Investment in subsidiaries and jointly controlled entities – Company

	Shares in subsidiary undertakings £ 000s
At 1 January 2009	**1,948**
Additions	**–**
Impairments	**(106)**
At 31 December 2009	**1,842**

During 2009 the Company divested its interests in Ascent Gabon Limited and Borona Holdings Limited as these companies had ceased trading. The Directors considered this triggered an impairment against the carrying value of these investments and accordingly these have been fully impaired.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

14 Investment in subsidiaries and jointly controlled entities – Company *(continued)*

Details of the Company's subsidiary undertakings and jointly controlled entities as at 31 December2008 and 2009 were as follows:

Name of company	Principal activity	Country of incorporation	% of share capital held
Nemmoco Slovenia Corporation	Oil and Gas exploration	British Virgin Islands	100%
Borona Holdings Ltd	Oil and Gas exploration	Cyprus	100%
Ascent Production Ltd	Holding company	England	100%
Ascent Drilling Ltd	Holding company	England	50%
Ascent Hungary Ltd	Holding company	England	100%
PetroHungaria kft (Joint Venture)	Oil and Gas exploration	Hungary	45.23%
ZalaGasCo kft	Oil and Gas exploration	Hungary	77.45%
Ascent Resources Italia srl	Oil and Gas exploration	Italy	100%
Ascent Netherlands BV	Oil and Gas exploration	Netherlands	100%
PEOS AG	Oil and Gas exploration	Switzerland	100%
SEAG (Joint Venture)	Oil and Gas exploration	Switzerland	90%

During the year the company disposed or divested its interests in Ascent Gabon Limited and Borona Holdings Limited. The interest in these companies was Immaterial and a nil profit on disposal was recorded.

As more fully explained in note 33 since the end of the year, the Company's interest in Ascent Drilling Limited increased to 100%, its interest in PetroHungaria kft increased to 48.776% and sold its interest in PEOS AG.

The legal rules governing foreign investments in Hungary outlaws the setting up of joint venture agreements in that country. Therefore the legal form of both PetroHungaria kft and ZalaGasCo kft are limited liability companies of what is in substance joint venture agreements between the Group and its partners. Where the Group maintains a minimum of 50% interest share of capital held in an entity, this constitutes control of that entity.

15 Other financial assets – Group

	2009 £ 000's	2008 £ 000's
Held to maturity financial assets	888	955

The Group has a loan outstanding with Cassa Di Risparmio de Cento Bank. The Loan expires on 5 June 2012, the interest is calculated by reference to the three month Euribor rate plus a margin of 1%.

The loan is secured by cash held in an interest bearing deposit account. This amount was previously included within 'Trade and other receiveables' and has been reclassified under 'other financial assets' as at 31 December 2009 as this disclosure more appropriately classifies the position.

Management has considered this reclassification and concluded that a third balance sheet as required by IAS 1 is not disclosed on the grounds of materiality.

16 Inventories – Group

	2009 £ 000's	2008 £ 000's
Equipment and spares	431	647

17 Interest in equity-accounted investees

The Company has a holding in Perazzoli Drilling Srl ('Perazzoli'), which it acquired through a subsidiary company Ascent Drilling Limited, in December 2007. Details of the investment as at 31 December 2009 were as follows:

Name of company	Principal activity	Country of incorporation	% of share capital held
Perazzoli Drilling Srl	Drilling rig owner and contractor	Italy	45%

	£ 000's
At 1 January 2009	1,300
Share of profit for the year	274
Impairment provision	(300)
Net exchange differences	(83)
At 31 December 2009	1,191

Aggregate amounts relating to associates

The summarised financial information of the associate company set out below is as at 31 December 2009.

	2009 £ 000's
Assets	9,508
Liabilities	(7,646)
Revenues	8,484
Profit	608

After the year end, the group disposed its interest in Perazzoli. The Company issued 15,529,981 Ascent shares in return for the 50% interest in Ascent Drilling Limited held by Mr Malcolm Groom and the settlement of the debt owed to Mr Groom by the Ascent Drilling Limited.

Thereafter, the 45% interest in Perazzoli held by the Group was sold for a consideration of €1.35 million (approximately £1.2million) to a major shareholder of Perazzoli. This transaction was approved at an Extraordinary General Meeting of the Company on 12 March 2010.

Based on the value realised from the investment post year end, an impairment provision of £300,000 was incorporated into the financial statements against this carrying value at 31 December 2009.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

18 Trading investments – Group

	2009 £ 000's	2008 £ 000's
At 1 January 2009	145	500
Revaluation of fixed asset investment	18	(317)
Disposals	(117)	(38)
At 31 December 2009	46	145

The Group has not designated any financial assets as financial assets at fair value through profit and loss other than those classified as held for trading. The above trading investments represents shares in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. The fair values of all equity securities are based on quoted market prices.

19 Trade and other receivables – Group

	2009 £ 000's	2008 £ 000's
Trade receivables	39	31
VAT recoverable	1,277	880
Other receivables	451	160
Prepayments and accrued income	1,160	1,556
	2,927	2,627

Trade and other receivables, cash and trading investments represent the maximum credit exposure to the Group and Company. The aging of unimpaired trade receivables were:

	2009 £ 000's	2008 £ 000's
Past due 31-120 days	39	31
Total	39	31

There was no bad debt provision as at 31 December 2009 (2008: £nil)

20 Trade and other receivables – Company

	2009 £ 000's	2008 £ 000's
Trade receivables	–	4
VAT recoverable	8	25
Prepayments	9	–
Other receivables	–	177
	17	206

The aging of unimpaired trade receivables was as follows:

	2009 £ 000's	2008 £ 000's
Not past due	–	4

21 Deferred tax

There is no deferred tax charge for both the Group and Company in the year (2008: £nil). Details of net deferred tax assets not recognised are set out below.

	2009 £ 000's	2008 £ 000's
Group		
Tax losses	(11,744)	(6,329)
Company		
Tax losses	(3,376)	(2,124)

Deferred tax assets have not been recognised in respect of unprovided deferred tax items until it is probable that future taxable profits will be available to utilise these temporary differences.

22 Borrowings

	2009 £ 000's	2008 £ 000's
Group		
Current		
Convertible loan note	2,481	–
Bank loan	554	562
Other loans (see note 32)	556	–
	3,591	562
Non-current		
Convertible loan note	–	2,416
Bank loan	851	1,512
Other loans (see note 32)	–	597
	851	4,525
Group non-current borrowings are repayable as follows:		
In the first		
In the second year	554	3,928
In the third to fifth year	297	597
	851	4,525
Company		
Convertible loan note	2,481	2,416

The Directors consider that the carrying amount of the bank and other loans approximates to their fair value. The weighted average interest rate of the bank loan is 5.2% (2008: 5.2%).

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

22 Borrowings *(continued)*

Bank loan

The Group has a loan outstanding with Cassa Di Risparmio de Cento Bank. The Loan expires on 5 June 2012. Interest is calculated by reference to the three month Euribor rate plus a margin of 1%. The loan is secured by cash on deposit held as security (see Note 15).

Convertible loan note

On 14 November 2007 the Company issued 2,500,000 £1 loan notes at par to finance further working capital requirements of the Group. The term of the loan notes is three years and the debt is unsecured. The conversion price into ordinary shares is fixed at 20p (adjusted for equity issues post the issue of the loan note) and interest is calculated at a fixed 8.5% to be paid bi-annually on 1 January and 1 July each year.

The Company has the option to settle the accrued interest in shares and should this be exercised a 10% discount on market value would apply. The loan note holders can elect to convert the note at any time. The Company may elect to convert the notes at any time after the first anniversary of the loan notes being issued, if the value of the share is equal to or above 20p.

As at 31 December 2009, the loan notes mature within one year of the balance sheet date and therefore the carrying amount has been transferred to 'Current Liabilities' from 'Non-current liabilities'.

	£ 000's
Nominal value of the loan notes issued	2,500
Equity component	(84)
Total liability component at 31 December 2008 and 1 January 2009	2,416
Effective interest charge for year	277
Interest paid in the year	(212)
Total liability component at 31 December 2009	2,481

23 Provisions – Group

Decommissioning	£000's
At 1 January 2009	32
Provisions made during the year	120
Utilised	–
At 31 December 2009	152

The amount provided for decommissioning costs represents the Group's share of site restoration costs for the Frosinone and Fiume Arrone projects in Italy and the Penézlek field in Hungary. The decommissioning liabilities in 2008 were in respect of the Frosinone and Fiume Arrone projects in Italy. The most recent estimate is that the year-end provision will become payable in between 2010 and 2012.

24 Trade and other payables – Group

	2009 £ 000's	2008 £ 000's
Trade payables	6,230	3,867
Tax and social security payable	17	107
Other creditors	115	–
Accruals and deferred income	239	541
	6,601	4,515

25 Trade and other payables – Company

	2009 £ 000's	2008 £ 000's
Trade payables	377	505
Tax and social security payable	16	43
Accruals and deferred income	245	289
	638	837

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. As at 31 December 2009, there was tax and social security payable on share based payments of £8,000 (2008: £nil).

26 Called up share capital

	2009 £ 000's	2008 £ 000's
Authorised		
10,000,000,000 ordinary shares of 0.10p each	10,000	10,000
Allotted, called up and fully paid		
500,132,042 (2008: 304,782,042) ordinary shares of 0.10p each	500	305

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.
- 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 bionomial pricing model (see note 34).
- Translation reserve: Exchange movements arising on the retranslation of net assets of operation into the presentation currency.
- Retained earnings: Cumulative net gains and losses recognised in consolidated income.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

26 Call up share capital *(continued)*

Shares issued during the year

The GEM Facility

On 13 May 2009 the Company entered into an agreement with GEM Global Yield Fund ('GEM') whereby GEM made available to the Company an equity line of credit of up to £ 5 million ('the Facility'). This was amended to £10 million in October 2009. The purpose of the facility is to provide additional working capital for the Company and the Group.

Under the terms of the facility, the Company can make draw downs of cash, at times of its choosing, by issuing new ordinary shares to GEM. The facility is available for three years from 13 May 2009. The equity line is available for three years from 13 May 2009 and draw downs cannot be called by GEM. The Company may issue a subscription notice requesting GEM to subscribe for a number of shares up to a maximum of 5 times the average daily trading volume in the 15 trading days immediately preceding the date of the subscription notice. GEM has the right to buy between 50% and 130% of the subscribed shares and can buy up to 200% with Company consent. The shares are priced at a 9% discount to the average closing mid price of the shares over the 15 trading days immediately following the issue of the subscription notice.

During the year the Company issued 75,350,000 at an average price of 5.4p raising approximately £4.1 million. Since the year end, the Company has not issued further shares in relation to the £5.9 million remaining under this facility. The Company issued warrants to GEM over 15,000,000 shares which are exercisable at 10.16p for a period of five years from the date of issue. The warrants constitute equity based payments in accordance with IFRS 2 and have been classified as part of the share issue costs associated with the GEM shares and accordingly, deducted from share premium arising.

Placing December 2009

At an extraordinary General Meeting of the Company held on 14 December 2009, the Company obtained shareholder approval for a placing of 120 million new ordinary shares at a price of 5p per ordinary share ('the placing'). The placing raised £6 million before the issue costs. The placing was brokered by Astaire Securities plc ('Astaire') and as part of the agreement between the Company and Astaire, issued warrants over 5.7 million ordinary shares in the Company, exercisable at 6.25p.

The warrants constitute equity based payments in accordance with IFRS 2 and have been classified as part of the share issue costs associated with the placing shares and accordingly, deducted from share premium arising on the issue of the placing shares.

27 Operating lease arrangements

At the balance sheet date, the Group had no outstanding commitments under non-cancellable operating leases (2008: £nil).

28 Acquisition of Subsidiaries

(a) Petroswiss Limited

On 13 May 2008 the Group acquired 100 per cent of the issued share capital of Petroswiss Limited. Petroswiss Limited held a 35% interest in the Concordat exploration permit in Switzerland. Since the acquisition date Petroswiss did not generate any revenue and incurred a loss of £12,610. Post acquisition the Petroswiss licence interest was assigned to PEOS AG, a wholly owned subsidiary of the Company.

Net assets required:	Book value £ 000's	Fair value adjustments £ 000's	Fair value £ 000's
Plant, property and equipment	69	(49)	20
	69	(49)	20
Total consideration			20
Satisfied by:			
Cash			20
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			–

29 Disposal of investments

On 15 July 2008 the Group completed its disposal of 7.27% of its interest in PetroHungaria kft and 14.54% of ZalaGasCo kft for a cash consideration of €2,000,000. The net profit to the Group on disposal was the Euro equivalent of £1.2 million.

30 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 result in variation of the forecast programmes and resultant 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 2009 the Group had exploration and expenditure commitments of £1.1 million (2008 - £nil).

31 Contingent liabilities

At the balance sheet date there were no contingent liabilities (2008: £nil) in respect of litigation, overseas taxes and guarantees.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

32 Related party transactions

(a) Group Companies

Transactions and inter-company balances between the Company and its subsidiaries have been eliminated on consolidation. Intercompany balances are unsecured, have no fixed term and are interest free. A summary of transactions in the year and the year end balances follows.

Transactions in the year	Cash advances 2009 £ 000's	Services provided by Ascent Resources plc 2009 £ 000's	Cash advances 2008 £ 000's	Services provided by Ascent Resources plc 2008 £ 000's
Subsidiaries				
Ascent Production Ltd	(244)	53	(64)	593
Teredo Oils Ltd	–	–	(36)	(173)
Borona Holdings Ltd	–	–	–	205
PetroHungaria kft	547	28	440	410
Ascent Italia srl	1,622	187	1,647	(1,040)
SEAG Borona JV	–	15	–	33
Ascent Drilling Ltd	(3)	6	129	10
PEOS AG	(2)	309	49	10
Ascent Gabon Ltd	66	(70)	(18)	20
Ascent Netherlands BV	(18)	69	(240)	298
Nemmoco Slovenia Corporation	2,071	134	164	278
Ascent Hungary Limited	–	182	–	–
ZalaGasCo kft	290	(160)	283	164
	4,329	753	2,354	808

(b) Group Companies

Balances at the year end	Cash advances 2009 £ 000's	Trading balance 2009 £ 000's	Cash advances 2008 £ 000's	Trading balance 2008 £ 000's
Subsidiaries				
Ascent Production Ltd	(244)	646	–	593
Borona Holdings Ltd	–	–	–	396
PetroHungaria kft	2,535	1,036	1,988	1,009
Ascent Italia srl	8,705	894	7,083	669
SEAG Borona JV	–	150	–	135
Ascent Drilling Ltd	556	31	559	63
PEOS AG	47	327	49	18
Ascent Gabon Ltd	–	–	(66)	70
Ascent Netherlands BV	(558)	950	(540)	881
Nemmoco Slovenia Corporation	2,318	511	247	377
Ascent Hungary Ltd	–	182	–	–
ZalaGasCo kft	573	4	283	163
	13,932	4,731	9,603	4,374

The Directors have considered whether any of the intercompany balances should be impaired and are comfortable given the current status of the projects that these balances should all be ultimately recoverable.

32 Related party transactions *(continued)*

(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 5.

MDJ Groom

Malcolm Groom owns a 50% shareholding in Ascent Drilling Limited and at the year-end date had an outstanding loan balance of £556,000 (2008 – £597,000) (€625,000) due from Ascent Drilling Limited. The loan is unsecured with no fixed term and is interest free.

Ascent Drilling Limited is treated as a subsidiary company. At 31 December 2009, the Company held an investment in Perazzoli Drilling srl, representing 22.5% of the share capital. Ascent Drilling Limited made a profit of £268,000 in the year to 31 December 2009 (2008:£88,000).

As detailed in note 17 to these financial statements, the Company acquired the 50% holding in Ascent Drilling held by Mr Groom and thereafter, sold Ascent Drillings' holding in Perazzoli Drilling Srl for €1.35 million. As part of this transaction the amounts outstanding to Mr Groom were settled by the issue of 15,529,981 new ordinary shares in the Company.

(d) Other related party transactions

Perazzoli Drilling srl

During the year Ascent Resources Italia Srl purchased drilling rig services totalling approximately £1 million (2008: £nil) from the Group associate company Perazzoli Drilling srl ('Perazzoli'). At the year end there was an outstanding balance payable by Ascent Resources Italia srl to Perazzoli of approximately £1 million (2008: £nil). During the year ended 31 December 2009, Ascent Resources Italia Srl made prepayments valued at £478,000 towards the purchase costs of a drilling rig.

33 Post balance sheet events

Anagni project

Since the year end, the Group commenced the re-drilling of the Fontana-1 well. The initial drilling programme has been completed. A core sample taken from the limestone of the target Carbonate Platform formations contained live oil, while deeper dolomite horizons have been shown to contain water from data acquired from logging tools. The Company believe that the results are sufficiently encouraging to proceed with the permitting of a hydrocarbon appraisal well, the Anagni-2, located within 1 km of the Fontana-1 location, which will target a smaller adjacent structure.

Perazzoli

The Company agreed to sell a 45% interest in Italian drilling contractor Perazzoli Drilling srl ('Perazzoli') for a cash consideration of €1.85 million. The Company's original interest was purchased to provide priority access and ensure optimal contract terms for drilling services.

The net financial effect on the financial statements had this transaction occurred prior to the year end would be nil. As at the 31 December the Associate was held at fair value, being equal to the subsequent fair value of the disposal transaction. The financial effect of the transaction had this occurred prior to the year end on the company financial statements would of been to reduce investment in associate to nil and reduce the liabilities owed to Perazolli for the same amount.

The Company's original 22.5% interest in Perazzoli was held through its 50% owned subsidiary, Ascent Drilling Limited ('Ascent Drilling'), which was owned jointly with Ascent Director Mr Malcolm Groom. To facilitate the transaction, the Company agreed to purchase Mr Groom's 50% interest in Ascent Drilling and therefore a further 22.5% interest in Perazzoli by placing to him 15,529,981 Ascent shares, providing Ascent with a 45% interest in Perazzoli. These shares, on issue, were priced at 5.105p each representing a 9% discount to the 15 day average trading price preceding 26 January 2010, which is the pricing mechanism used for Ascent's Equity Line of Credit with GEM Global Yield Fund.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

33 Post balance sheet events *(continued)*

The purchase of Mr Groom's 50% interest in Ascent Drilling was approved by Shareholders at an Extraordinary General Meeting on 12 March 2010. At the date of this report, Mr Groom has an interest in 17,527,686 shares of Ascent representing 3.30% of the total issued shares.

The financial effect on the financial statements had this transaction occurred prior to the year end would be to record an increase in the investment of Ascent Drilling of £792k and increase the share capital by the same amount. The impact on the consolidated financial statements had this transaction occurred prior to the year end would have been to increase share capital by £792k, reverse the minority interest of £174k and eliminate the loan from Malcolm Groom for £556k. The net impact on the balance sheet is not considered to be significant by management.

Penészlek project

In the Penészlek project in eastern Hungary PetroHungaria kft, has successfully completed the PEN-101 sidetrack, part of the Penészlek Project, in the Nyírség exploration permits of eastern Hungary. The PEN-101 sidetrack will produce gas from the Miocene tuffaceous gas formation, the target of which was defined by 3-D seismic in 2008. The well was originally drilled in February 2010 to a total depth of 1,500m, however during completion an acid stimulation treatment had broken through a repair to the cement isolation behind the steel casing and allowed water production from a deeper formation. The sidetrack was drilled to overcome this problem and the well has now been successfully completed and perforated, with gas flowed on a short test. Once the rig has been demobilised from the location, the PEN-101 well will be acidized and connected to the adjacent production facility where the PEN-105 gas is already processed.

The project Partners have made the decision to plug and abandon the PEN-106 well after a drill stem test ('DST') showed the target Miocene tuffaceous formations to be water bearing at the well location. Since the year end, Leni Gas & Oil's ('LGO') has relinquished its interest in the Penészlek project (announced by LGO on 5 March 2010). The LGO interest has been distributed among the remaining project partners in proportion to their prior interest in the project, at no additional cost to them.

Following the reallocation of LGO's interest and the conversion of Geomega's interest in the PEN-101 and PEN-106 wells from a working to a carried interest, the partners' interests in the project are now:

		PEN-101 & PEN-106	
	Project Interes t	Revenue Interes t	Cost Share
Ascent Resources plc	48.776%	51.654%	53.381%
DualEx	40.440%	42.826%	44.258%
Swede Resources	2.157%	2.285%	2.361%
Geomega kft	8.627%	3.235%	0%

Sale of PEOS AG

On 22 April the Company announced it had sold the entire share capital of its fully owned subsidiary, Peao AG('PEOS') for a total consideration of approximately £6.9 million. Of the total proceeds, £4.4 million were received on completion of the deal with the remainder payable on completion of agreed commercial conditions.

PEOS holds beneficial interest in various permits in Switzerland including a 90% beneficial interest in the Hermrigen, Linden and Gros de Vaud permits (with the remaining 10% retained by the Company's Swiss joint venture partner, SEAG), and a 35% interest in the Concordat permit.

33 Post balance sheet events *(continued)*

As part of the Transaction, the Acquirer has irrevocably committed to drill the Hermrigen-2 appraisal well prior to October 2011, however it is expected that site operations will commence in the fourth quarter of 2010 subject to permitting. Management estimate gross contingent reserves of potentially 150Bcf in the Muschelkalk and Bunter layers of the Hermrigen prospect. The Acquirer will fund the entire cost of the Hermrigen-2 well and if successful, the Company has the retrospective right to participate by paying 45% of the conventional well cost to earn a 45% interest in the conventional discovery. The Company has no rights to any unconventional gas development or gas storage project should it be undertaken. The Company retains the equivalent rights for the appraisal of the Essertines 1 and Linden 1 appraisal wells should the Acquirer elect to drill these prospects. Should the Acquirer elect not to drill these wells the Company retains the option, subject to certain conditions, to fund their development in its own right.

A further three prospects in the licence areas held by PEOS have been identified. Should the Acquirer elect to drill these additional prospects, the Company has the right to 22.5% of any successful conventional discovery by paying 22.5% of the drilling costs post discovery. Again, should the Acquirer elect not to drill these wells the Company retains the option, subject to certain conditions, to fund their development in its own right.

The financial effect of the disposal on the company financial statements had this transaction occurred prior to the year end would have been to eliminate the investment in PEOS of £58K and intercompany receivable of £374k and record the fair value of the consideration which comprises a non refundable £4.4m and a further contingent consideration of £2.2m. At this time management have not established a reliable fair value of the contingent consideration, which is reliant upon certain events in the next 12 months.

The financial effect of the disposal on the consolidated financial statements had this transaction occurred prior to the year end would have been to eliminate the current value of the E&E assets of £308k against a consideration as described above. The profit on sale arising on this transaction will be incorporated into the financial statements of the Company and Group in the year ended 31 December 2010.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

34 Share based payments

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

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

	2009 Number of share options	2009 Weighted average exercise price
Outstanding at 1 January 2009	25,875,000	16.38p
Granted during the year	24,600,000	8.65p
Expired during the year	(4,500,000)	40.00p
Outstanding at 31 December 2009	45,975,000	9.93p
Exercisable at 31 December 2009	**43,275,000**	**10.17p**

	2008 Number of share options	2008 Weighted average exercise price
Outstanding at 1 January 2008	29,750,000	16.80p
Granted during the year	2,075,000	7.81p
Exercised during the year	–	–
Expired during the year	(5,950,000)	14.62p
Outstanding at 31 December 2008	25,875,000	16.38p
Exercisable at 31 December 2008	23,800,000	17.13p

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

	2009	2008
Share price at grant date	4 – 11p	4 – 11p
Exercise price	4.75 – 30p	4.75 – 11p
Volatility	78.7% – 167.6%	90%
Expected life	3 – 5 years	3 – 5 years
Risk free rate	1 – 4.3%	4.37 – 4.5%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years. The expected life is the expiry period of the options from the date of issue.

Options outstanding at 31 December 2009 have an exercise price in the range of 4.75p and 12.5p and a weighted average contractual life of 2.40 years.

The Group reversed provisions of £150,000 in 2008. The Group reversed liabilities of £379,000 in 2008.

35 Financial risk management

Group and Company

The Group's financial liabilities comprise bank loans and trade payables. The Group has various financial assets such as trade receivables and cash, which arise directly from its operations.

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

a) Credit risk

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

The Group does not have any significant credit risk exposure. The Group's sole customer is the Hungarian state oil and gas company.

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.

Included in the Group receiveables is VAT recoverable from the state authority in Italy of £1.2 million (2008; £0.6million). Of this, approximately £0.4 million was repaid after the end of the year. The Company considers the residual balance will be fully recovered in 2010.

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

The carrying amount of financial assets recorded in the financial statements represents the fair value of the Group's exposure to credit risk.

b) Currency risk

The Group's operations are predominantly in Italy and Hungary. Foreign exchange risk arises from translating the euro earnings, assets and liabilities of the Ascent Resources Italia SpA subsidiary and PetroHungaria kft joint venture 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.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the European Union (Euro) and the currency of Hungary (Forint).

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 Pounds sterling. The currencies giving rise to this are the Euro and the Hungarian Forint.

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 the sterling against the stated currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents 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 the sterling weakens 10% against the relevant currency.

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

35 Financial risk management *(continued)*

Company	Euro currency change		Forint currency change	
	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's
Profit or loss				
10% strengthening of sterling	58	198	24	(38)
10% weakening of sterling	(58)	(198)	(24)	38
Equity				
10% strengthening of sterling	(51)	(1,418)	(120)	(80)
10% weakening of sterling	51	1,418	120	(80)

Fair values

All financial assets and liabilities are shown in the balance sheet at their amortised costs, which approximates to underlying fair value.

Interest bearing loans and borrowings

The fair value is estimated at the present value of future cash flows, discounted at market rates. Fair value is not significantly different from carrying value.

Trade and other receivables/payables

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 19, 20, 22 and 24.

c) Price risk

The Group does not operate a price-risk policy in relation to its investment in liquid securities, given that it only holds one such investment.

d) Interest rate risk

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

The impact of rate sensitivity analyses is immaterial to the Group's results.

At 31 December 2009, the Group had:

- Euro cash deposits at a sterling equivalent of: £869,000 (2008: £1,022,000),
- Hungarian Forint cash deposits at a sterling equivalent of: £115,000 (2008: £144,000); and
- • UK Pound Sterling cash deposits of: £3,646,000 (2008: £69,000)

At 31 December 2009 the Group also had a restricted Euro bond deposit at a sterling equivalent of: £888,000 (2008: £955,000).

At 31 December 2009, the Group had a loan of £2,500,000 at a fixed rate of 8.5% and a Euro loan at sterling equivalent of £1.4 million (2008: £2.1million) at variable rate of EURIBOR plus one per cent (2008: EURIBOR + 1%).

35 Financial risk management *(continued)*

	Weighted Average Floating Interest Rate %	Amount £
Financial assets (sterling equivalent)		
Cash in Euro	3.85	869,000
Cash in Sterling	0.50	3,646,000
Cash in Hungarian Forints	1.09	144,000
Euro bond deposit	5.0	888,000

e) Liquidity risk

The Group manages the liquidity requirements by use of 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).

The availability of £5.9 million of credit under the GEM Global Yield Fund, the finalisation of the placing in December 2009, cash generated by the sale of Peos AG results in the Group's forecasts and projections showing significant capacity and financial flexibility for the 12 months from the date of this Annual Report and Accounts.

f) Capital management

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

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

	Carrying amount	Fair value	Carrying amount	Fair value
Group	Year ended 31 December 2009 £ 000's	Year ended 31 December 2009 £ 000's	Year ended 31 December 2008 £ 000's	Year ended 31 December 2008 £ 000's
Financial assets				
Cash and cash equivalent	4,630	4,630	1,236	1,236
Restricted cash	888	888	955	955
Trading investments	46	46	145	145
Trade receivables	39	39	31	31
Financial liabilities				
Trade Creditors	6,230	6,230	3,867	3,867
Convertible loan at fixed rate	2,481	2,500	2,416	2,500
Bank loan at variable rate	1,405	1,405	2,074	2,074
Other non-interest bearing loans	555	555	597	597

Notes to the Financial Statements (continued)

for the year ended 31 December 2009

35 Financial risk management *(continued)*

	Carrying amount	Fair value	Carrying amount	Fair value
Company	£ 000's	£ 000's	£ 000's	£ 000's
Financial assets				
Cash and cash equivalent	3,677	3,677	904	904
Trade receivables	–	–	4	4
Financial liabilities				
Trade Creditors	377	377	505	505
Convertible loan at fixed rate	2,481	2,500	2,416	2,500

At 31 December 2009, the Group and the Company had a loan of £2.5 million (2008: £2.5 million) at a fixed rate of 8.5% and the Group had a Euro loan at sterling equivalent of £1.4 million (2008: £2.1 million) at variable rate of EURIBOR plus one per cent (2008: EURIBOR + 1%).

At 31 December 2009 the Group also had restricted cash comprising Euro deposits at a sterling equivalent of: £888,000 (2008: £956,000).

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Ascent Resources plc (the "Company") will be held at the offices of Sprecher Grier Halberstam LLP, 5th Floor, One America Square, Crosswall, London EC3N 2SG on Monday 28th June 2010 at 11 am for the following purposes:-

Ordinary Business

1. To receive and adopt the report of the directors and the financial statements for the year ended 31st December 2009 and the report of the auditors thereon.
2. To re-elect, as a director of the Company, Mr N S J Moore, who retires in accordance with Article 25.2 of the Company's Articles of Association and offers himself for re-election.
3. To re-elect, as a director of the Company, Mr M D J Groom, who retires in accordance with Article 25.2 of the Company's Articles of Association and offers himself for re-election.
4. To re-appoint KPMG Audit Plc as auditors to hold office until the conclusion of the next general meeting of the Company at which the accounts are laid before members and to authorise the directors to determine their remuneration.

Special Business

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

   THAT the directors be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ('the Act'), in substitution for all previous powers granted to them, to exercise all the powers of the Company to allot and make offers to allot relevant securities (within the meaning of the Act) up to an aggregate nominal amount of £300,000.00 such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2011 provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

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

   THAT the directors be and they are hereby empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority conferred by Resolution 5 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:-

(a) the allotment of equity securities in connection with an issue in favour of shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (or as nearly as may be practicable) to the respective number of Ordinary Shares in the capital of the Company held by them on the record date for such allotment, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of further equity securities up to an aggregate nominal amount of £300,000.00;

provided that this power shall, unless previously revoked or varied by special resolution of the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company to be held in 2011. The Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors are hereby empowered to allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD
J M Bottomley,
Company Secretary

One America Square
Crosswall
London EC3N 2SG

1st June 2010

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH by hand, or sent by post, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).
2. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.
3. The Company has specified that only those members entered on the register of members at 11 am on 26th June 2010 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of £0.001 each in the capital of the Company held in their name at that time. Changes to the register after 11 am on 26th June 2010 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. **Resolution 2-3** – Article 25.2 of the Company's Articles of Association require that one third of the directors of the Company who have held office since the last Annual General Meeting, must retire and, if they are eligible, may offer themselves for re-appointment.
5. **Resolution 5** – As required by the Act, this resolution, to be proposed as an Ordinary Resolution, relates to the grant to the directors of authority to allot unissued Ordinary Shares until the conclusion of the Annual General Meeting to be held in 2011, unless the authority is renewed or revoked prior to such time. This authority is limited to a maximum of 300,000,000 Ordinary Shares. This authority replaces the existing authorities granted at the AGM held on 23rd July 2009 and the EGM held on 14th December 2009.
6. **Resolution 6** – The Act requires that if the directors decide to allot unissued Ordinary Shares in the Company the shares proposed to be issued be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company the directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1) of the Act. Therefore this resolution, to be proposed as a Special Resolution, seeks authority to enable the directors to allot equity securities up to a maximum of 300,000,000 Ordinary Shares. This authority replaces the existing authorities granted at the AGM held on held on 23rd July 2009 and the EGM held on 14th December 2009 and expires at the conclusion of the Annual General Meeting to be held in 2011.

Ascent Resources plc, 5 Charterhouse Square, London EC1M 6EE
tel: 020 7251 4905 fax: 020 7681 2680 email: info@ascentresources.co.uk web: www.ascentresources.co.uk