ascent resources plc

Annual Review 2011

report & financial statements

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Ascent Resources plc ('Ascent' or 'the Company') Ascent is a European-focussed oil and gas exploration and production company with a broad portfolio of projects at various stages of maturity including low-risk development assets, revenue-generating production assets and higher risk exploration projects with the potential for high returns.

The Company has an experienced management team, implementing defined development programmes, utilising modern techniques and technology on primarily onshore European projects, providing Ascent with a solid platform to grow and generate value for stakeholders.

Contents

Ascent Operation Overview

- **Experienced Board,** management and operational team
- **Geographically spread portfolio** across Europe, operating in stable fiscal and legislative regimes
- **Balanced portfolio** with near term production and other high impact opportunities
- **Attractive economics - prioritising** on-shore gas production, appraisal and exploration, leveraging strong European gas prices with reduced drilling and production costs
- **Cost effective operations** providing maximum drill bit exposure
- **Initiating simple development models** utilising latest technological advances to maximise success and profitability
- Strategy to **aggressively ramp up production** and increase portfolio value in the near term
- **Primary objective to commence production at the Petišovci Tight Gas Project**; independent P50 estimate of gas-in-place recently upgraded to 504 Bcf

Drilling rig at Pg-10, Petišovci, Slovenia

Chairman's Statement

John Kenny
Chairman

I am pleased to report that 2011 saw Ascent make progress towards achieving its targeted step change in production and revenues and I remain confident that this will deliver the strategic aim of creating value for shareholders.

Ascent's strategy is to build and progress a portfolio of principally onshore European hydrocarbon assets at various stages of the development cycle including production, development and exploration projects. The Company's focus is Europe where local gas market dynamics and prices are seen as remaining favourable for the foreseeable future. During 2011 priority was given to those assets located in proven but undeveloped plays where the application of advanced technologies has the potential to transform projects previously considered to be uncommercial into profitable enterprises. This strategy has the potential to deliver considerable returns for investors, at acceptable levels of exploration and execution risk. Today, Ascent has a European-based portfolio that meets the Company's strict investment criteria including: ongoing production in Hungary, a substantially de-risked near-term production project in Slovenia and earlier stage redevelopment/exploration opportunities in Switzerland, Italy and the Netherlands.

Much of our energies and focus during the year have been centred on the Slovenian part of our late stage Petišovci/Lovászi tight gas project. Slovenia is a country dependent on imported gas with negligible domestic production. In 2010, 47% of its gas was supplied by Russia, 33% came from Algeria, 15% from Austria and 5% from Italy. Petišovci is an undeveloped gas field that has previously produced gas. This places the project at the lower end of the exploration risk spectrum and thereby satisfies one of our key investment requirements. Modern drilling techniques such as hydraulic fracture stimulation can be applied to enhance recovery and flow rates and make Petišovci commercially viable. At the time of last year's report, the project had an independently verified P50 gas-in-place estimate for the entire project of 412 Bcf. (11.7 Bm^3; 68.7 MMboe). The challenge we set ourselves for 2011 was to learn more about the geology of Petišovci through drilling that, subject to satisfactory results, would lead to an increase in resources and enable us to draw up a detailed plan of action to optimise the commercial recovery of hydrocarbons from the field. In addition, whilst ambitious, we were hoping to be in a position to commence production by the end of the year.

Over the course of 2011 we worked hard and made substantial progress in the project despite technical setbacks and an asset that proved more complex than expected. We have answered many of the key questions surrounding the gas field, specifically regarding potentially recoverable gas volumes and flow rates which have proved up the commercial potential. We drilled three wells at Petišovci during the year. We also carried out hydraulic fracture stimulation treatments on two of these wells to test gas flow rates and the results from both were positive. Subject to the construction of pipeline connections to link the producing wells in the project to the national pipeline network, a carbon dioxide ('CO_2') removal plant and other ancilliary equipment. Petišovci is now ready to commence production. It had been hoped that production would come on stream by the end of 2011, but this target date had to be extended into 2012 as significantly more work was needed than had first been envisaged to achieve the required commercial flow rates.

The work programme confirmed the commercial viability of the project and the three wells drilled resulted in RPS Energy Group plc ('RPS'), an independent consultant, significantly increasing gas-in-place estimates to 504 Bcf, a 22% increase on their previous figure.

The large amount of data we have acquired has greatly added to our understanding of the geology at Petišovci which provides scope for upgrades in the future, subject to further exploratory work being carried out. We commissioned Petroleum Development Consultants ('PDC') to produce a detailed study of the expected commercial potential of the Petišovci project, which includes analysis of local supply and demand for gas, evaluation of the transport network and infrastructure, pricing, production and development expectations. PDC's report supports our belief that Petišovci will prove to be a highly profitable investment for our shareholders. So, armed with this and the results of our work programme, our immediate priority is to start producing gas at the site later in 2012.

Going forward we believe that production at the field will come in two phases. The first will be using the existing infrastructure and a new CO_2 removal plant that we plan to build in 2012. This should enable us to produce up to 7 MMscfd of gas. In the second phase we plan a full scale field development with between 30 and 40 more wells being drilled over the next decade. The cash flow projections remain strong which provides me with the comfort that we have every opportunity to deliver value to shareholders.

The main task in hand is moving Petišovci into production but our earlier stage assets will play an increasingly key role in Ascent's portfolio as we look to further build the Company's reserves and production levels. These assets therefore hold considerable latent value which we intend to realise fully in the years ahead.

During 2011, activity on our earlier stage assets in Switzerland, Italy and the Netherlands was limited and centred on securing the appropriate permits and licence extensions. In Switzerland, drilling and wellsite construction permits have now been received by the operator eCORP European International Ltd ('eCORP') and in the Netherlands a licence extension has been granted.

The Swiss project is an example of how we look to take out as much risk as possible from oil and gas exploration and production. An oil and gas discovery was made on the licence area in 1982, but this was unexploited due to the low prevailing price of gas at that time as well as a lack of pipeline infrastructure. We de-risked this project following the sale of our 90% interest to eCORP in April 2010 for €8 million, whilst retaining a 45% back-in right on any success with three conventional appraisal prospects and a 22.5% back-in right for a further three secondary conventional prospects for apportioned cost.

Whilst our development and exploration assets rightly take up the lion's share of this report our 48.8% held producing asset, the Penészlek project in Hungary, continues to generate revenues, albeit on a small and declining trend. The field has been producing for over 3 years and another sidetrack well, PEN-105A, has recently been successfully drilled to provide a boost to production and bring gross revenues generated to the joint venture back up to around €300,000 per month. The decline in production is in line with our expectations and previous announcements. The field will, over the next couple of years, become fully depleted but the lost output will be more than offset by production at Petišovci when this comes on stream.

During 2011, we acquired an additional 48.75% interest in the Petišovci Project from EnQuest PLC ('EnQuest'), increasing our stake to 75%. As a result of the deal, EnQuest became the largest shareholder in Ascent and currently holds a 15.69% interest in the Company. Following the transaction with EnQuest in February last year, Graham Cooper was appointed as a Non-executive Director. Graham is Head of Business Development at EnQuest, having previously been a Vice President of Global Exploration at Shell. As a trained geologist he brings valuable experience to the Board and his appointment underpins EnQuest's support of Ascent's management. EnQuest have and continue to be very supportive shareholders and provide us with access to their considerable technical expertise.

Whilst not without some disappointments, 2011 was very much a year of solid progress for Ascent and I am pleased with the milestones achieved in bringing a game-changing asset nearer to production. 2011 has laid the foundations for the Company but I recognise that we have much to achieve in 2012, not least the requirement for a significant upwards shift in production and revenue generation which I expect once the late stage Petišovci project starts producing. The recently announced signing of a €15 million facility with BNP Paribas (Suisse) SA ('BNPP') has been a huge achievement, one which we have been working towards for some time. It should provide us with enough capital in Slovenia to reach production, our key near-term milestone as a Group. We worked hard for a solution that minimised dilution on shareholders and should maximise your return. I think this is an excellent result which also provides third party validation of the potential we have with Petišovci. I would like to take this opportunity to thank all our employees for their dedication and efforts and also our shareholders for the patience they have shown over the last twelve months. Hydrocarbon exploration and development is not an exact science with timetables often having to be extended. Crucially though, key targets have been met at Petišovci and as a result we remain on course to generate value for shareholders.

John Kenny
29 May 2012

Over the course of 2011 we worked hard to substantially progress the project [in Petišovci] despite technical setbacks and an asset that proved more complex than expected.

Operations Review

Petišovci/Lovászi Project, Slovenia and Hungary

The Petišovci/Lovászi Tight Gas Project is located in a 200 km² area that straddles the Slovenian/Hungarian border. The project targets the development of substantial tight gas reservoirs that are known to be in Miocene clastic reservoirs.

The project area is divided more or less equally between the Hungarian and Slovene parts. In the Hungarian part Ascent has a 50:50 joint venture across an Area of Mutual Interest (AMI) with MOL, Hungary's preeminent oil and gas company. In Slovenia Ascent has a 75% interest in the joint venture and Geoenergo d.o.o. ('Geoenergo'), the concessionaire of the Petišovci Exploitation Concession, has a 25% interest. Geoenergo is a company jointly owned by Nafta Lendava d.o.o., the Slovenian state oil company, and Petrol d.d., Slovenia's leading energy trading enterprise.

In the project area, over which Ascent and its joint venture partners acquired 3-D seismic in 2009 and 2010, three structural highs are present. Each of these structures, Petišovci in Slovenia and Lovászi and Újfalu in Hungary, had previously produced oil and gas from the shallow conventional Pontian reservoirs; from the deeper Middle Miocene tight gas reservoirs, small quantities of gas have been produced from Petišovci and Lovászi.

Over the course of the year under review, most of the effort has been concentrated on the Slovene part of the project. The drilling of the Pg-11 well, which was started in 2010, continued. It was the first deep well to be drilled in the project area for 22 years and it evaluated previously unproduced reservoirs that are deeper in the Middle Miocene section. The Pg-11A sidetrack of the Pg-11 well and the Pg-10 well were next drilled, completed and successfully fracture stimulated. The Pg-11A well is proven productive from the deeper 'K' sands, the Pg-10 well from the 'F' sands. The advances in hydraulic fracturing methodology in the last twenty years contributed to flow rates of over 8 MMscfd from the Pg-10 well, productivity more than three times greater than previously achieved. The fracture stimulation in three stages of the Pg-11A well resulted in a more modest flow rate of slightly above 2 MMscfd. The well results obtained in 2011 led to an updated gas-in-place report by RPS, independent technical auditors. The RPS report increased gas-in-place with a P50 estimate of 464 Bcf and a mean of 522 Bcf for the Slovenia part of the project. The well results also confirmed the gas productivity, through an open-hole test, of the shallowest 'A' sands. The evaluation work included extensive coring and state-of-the-art electric-line log acquisition, the analysis of which has provided important new data that has been invaluable in planning the redevelopment of the reservoirs.

Leading on from the well results, a two phase redevelopment has been designed. This redevelopment plan takes into consideration the existing infrastructure as well as the expected productivity of gas in the longer term.

PHASE 1: After the recompletion of Pg-10 and Pg-11A with custom designed production strings, it is planned that gas from these wells will be brought on-stream via dedicated well-site facilities, through the modified, existing, gas production facility and, from there, to the national gas pipeline terminal. Previously, gas produced from the Petišovci wells was processed at a local methanol plant but this is temporarily shut down. The modifications to the gas production facility are therefore required to upgrade the gas to the national pipeline specifications; these will reduce the CO_2 content from approximately 3% to less than 1.5%, to remove the condensate in the gas for sale separately and to ensure dew point control by dehydration. The Phase 1 maximum production rate is set at 8,000 m³ per hour, approximately equal to 7 MMscfd. The Phase 1 maximum production rate is set at 8,000 m3 per hour, approximately equal to 7 MMscfd. The recently announced 15 million facility provided by BNPP should enable Phase 1 to move ahead quickly and for production to commence later this year.

PHASE 2: Once the medium term performance of the wells is established, a new 'greenfield' processing facility will be designed. It will perform the same function as the modified existing facility but will be of substantially higher capacity. Initial indications anticipate a 40,000 m³ per hour facility (34 MMscfd) which will then necessitate enlarged gas export capacity and modifications to the national grid connection. Over 30 new wells are expected to be required to maintain these flow rates for a period of over 10 years and to be able to maximise the recovery from the reservoirs. The Phase 2 facility is expected to take at least 30 months to design, permit, construct and commission and during this time the first of the new wells will be drilled.

Hermrigen and Linden, Switzerland

The exploration permits cover undeveloped discoveries made by Elf Aquitaine in 1972 and 1982 with a combined estimated gas resource base of over 360 Bcf. As the original Hermrigen well was drilled before gas pipeline infrastructure was built in the area, the discovery has remained unappraised. eCORP is the operator of the project and, despite selling its interest in 2010, Ascent retains various back-in rights on any successful outcome of six conventional appraisal prospects, provided relevant apportioned costs are covered.

Slow progress on permitting has delayed the planned drilling operations but drilling and well site construction permits have now been received. Ascent looks forward to working with eCORP to ensure the appraisal well on this prospect is drilled as soon as possible.

Latina Valley Exploration and Redevelopment, Italy

The Strangolagalli concession lies in a proven oil producing area. The project involves the redevelopment of the Ripi field, originally developed in the late 1960s without the benefit of any seismic data. The oil is of good quality from shallow reservoirs less than 1,000 m deep. New seismic was acquired in 2010 and drilling based on the interpretation of the acquired data is planned. The drilling permit has yet to be issued.

As with Strangolagalli, the Frosinone exploration licence targets shallow oil lying at less than 1,000 m. New 2D seismic acquisition is planned to follow up on satellite reconnaissance that confirmed existing targets and identified new ones.

North Sea Block M10/M11, The Netherlands

The M10/M11 blocks are located in the shallow waters off the north coast of the Netherlands in the southern North Sea. The licence area includes three structures, all of which contain gas discovery wells with gas present in the Slochteren unit of the Rotligendes sandstones.

A conceptual development plan has been prepared and a final appraisal well for the Terschelling Noord discovery, a structure that lies partly within the M10/M11 licence area and partly in the area to the south, is planned to confirm reservoir parameters for the detailed project design.

Ascent holds a 54% interest in the project along with its partners EBN B.V. with 40% and GTO Ltd with the remaining 6%. In September 2011, the Company received confirmation of an extension to the licence until 30 June 2013.

PRODUCING ASSETS

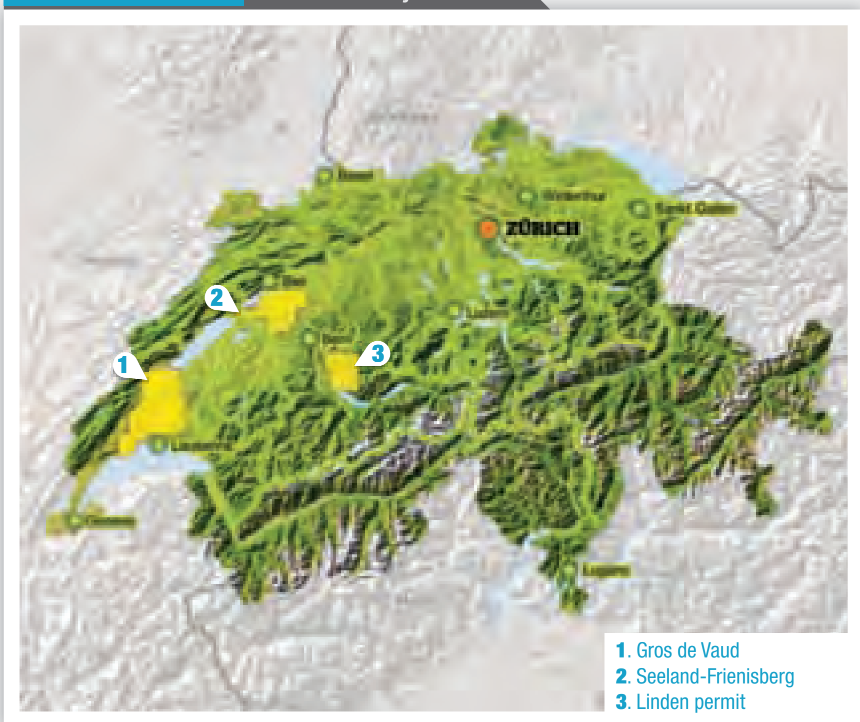
Penészlek Gas Production Project, Hungary

Gas production continues from the PEN-101 well and the newly drilled PEN-105A sidetrack. Both the original PEN-105 and PEN-101 produced throughout 2011 with a cumulative production of 551 MMscf and 814 tonnes of condensate (15.6 Mm³; 97,500 boe) generating gross sales of €4,512,000. After royalty payments, Ascent's net share was 1,463,000 or an average of €122,000 per month.

The production at Penészlek creates good cash flows as the operating costs are relatively low because of the automated production facilities. The production at Penészlek creates good cash flows as the operating costs are relatively low because of the automated production facilities. The produced hydrocarbons are sold via the Penészlek-Álmosd-Hosszúpályi pipeline. The PEN-105A sidetrack, drilled in March and April 2012, is the only well planned for the exploitation of the field in 2012. Results of the sidetrack, that was designed to drain gas reserves from the northern half of the PEN-105 structure that is bisected by a sealing fault, were better than expected and consequently production should continue into 2014. The original PEN-105 completion in the southern part of the structure has been abandoned. The commencement of production from PEN-105A and the subsequent increase in overall production will result in improved revenues over the coming months.

HUNGARY Ascent Projects

SWITZERLAND Ascent Projects

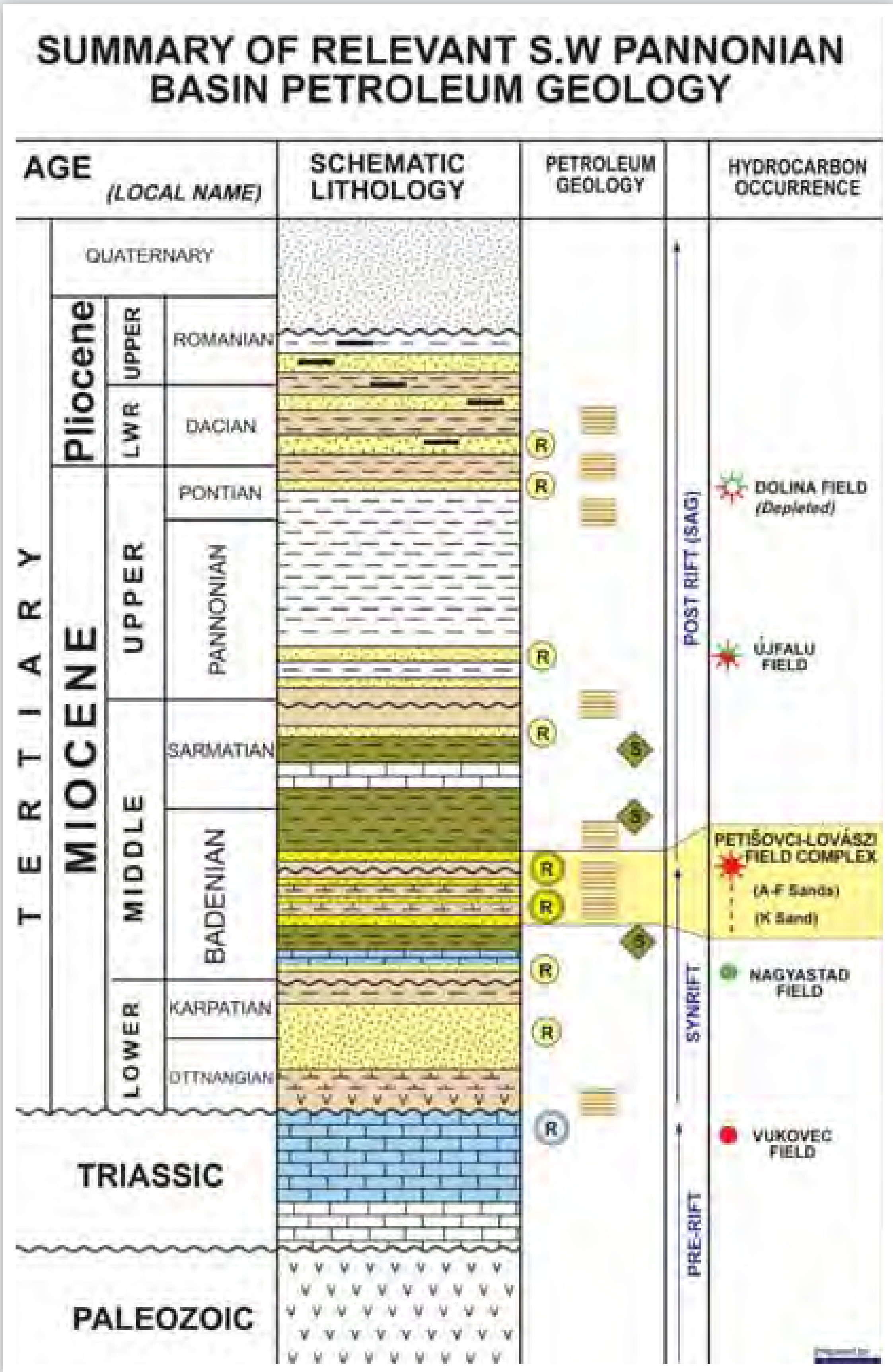


Operations Review continued

THE NETHERLANDS Ascent Projects

ITALY Ascent Projects

SLOVENIA Ascent Projects


SUMMARY OF RELEVANT S.W PANNONIAN BASIN PETROLEUM GEOLOGY
AGE (LOCAL NAME)
SCHEMATIC LITHOLOGY
PETROLEUM GEOLOGY
HYDROCARBON OCCURRENCE
TERTIARY
QUATERNARY
Pliocene
UPPER
ROMANIAN
LWR
DACIAN
MIOCENE
UPPER
PONTIAN
PANNONIAN
MIDDLE
SARMATIAN
BADENIAN
LOWER
KARPATIAN
OTTNANGIAN
TRIASSIC
PALEOZOIC
R
S
POST RIFT (SAG)
SYNRIFT
PRE-RIFT
DOLINA FIELD
(Depleted)
ÚJFALU FIELD
PETIŠOVCI-LOVÁSZI FIELD COMPLEX
(A-F Sands)
(K Sand)
NAGYASTAD FIELD
VUKOVEC FIELD

Directors & Advisers

Directors	**John Kenny** **Jeremy Eng** **Scott Richardson Brown** **Nigel Moore** **Cameron Davies** **Graham Cooper**
Secretary	**John Bottomley**
Registered Office	**One America Square** Crosswall London EC3N 2SG
Nominated Adviser and Broker	**finnCap Ltd** 60 New Broad Street London EC2M 1JJ
Auditors	**BDO LLP** 55 Baker Street London W1U 7EU
Solicitors	**SGH Martineau LLP** One America Square Crosswall London EC3N 2SG
Bankers	**Barclays Corporate Bank** 1 Churchill Place London E14 5HP
Financial PR	**Cardew Group** 12 Suffolk Street London SW1Y 4HG
Share Registry	**Computershare Investors Services Plc** The Pavilions Bridgwater Road Bristol BS13 8AE
Company's registered number	**05239285**

Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2011 (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 AIM Market of the London Stock Exchange.

The Group has its headquarters in London and has gas and oil interests in Europe: in Hungary, Slovenia, Switzerland, Italy and the Netherlands. The Group operates its own undertakings through both subsidiary companies and 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 2011 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 10-11 together with the Corporate Responsibility Statement, corporate governance statements and Principal Risks and Uncertainties section of the Annual Report, which are incorporated herein by reference, are considered to fulfil the requirements of the Business Review.

Principal risks and uncertainties

The Group operates in an industry characterised by a range of business risks. The 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. This risk is mitigated by the expertise of the Company's Directors and specialists.

- *Operations* – the operations of the Group may be adversely affected by its ability to find and develop adequate gas and oil reserves, to develop and exploit new gas and oil acreage and to recruit and retain management and staff with the right technical skills. This risk is mitigated through the experience and expertise of the Company's specialists and consultants, the application of appropriate technology and the selection of appropriate prospective exploration and development assets.

- *Financial* – the Group's ability to meet its obligations and achieve objectives is influenced by its liquidity, gearing, movements in commodity prices and costs, movements in foreign exchange, funding and financial reporting requirements. Foreign exchange risk is mitigated by close monitoring of exchange rate movements and holding cash reserves with a variety of different institutions in a variety of currencies being Euro, US Dollar, Hungarian Forint and British Pound. All other financial risks are mitigated by the expertise of the Company's financial staff.

- *Compliance* – the Group must comply with a range of corporate, legal and industry regulations and the nature of its operations necessitates strong controls around contractual arrangements, especially in respect of areas such as joint venture agreements. This risk is mitigated by the expertise of the Company's Directors and advisers.

- *Knowledge* – the Group is dependent on the efficient and effective operation of its information systems and the management and reporting of project data and reserves information is key. Loss of key personnel may also lead to the potential loss of corporate 'intellectual property'. This risk is mitigated by ensuring all company information is both readily available to the relevant company employees and is securely maintained on a regularly backed up, password protected IT system.

Key performance indicators

The Directors consider a range of financial and non-financial key performance indicators. Financial indicators are principally focussed on the regular review of major projects, comparing actual costs with budgets and projections. 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 31 to the financial statements.

Results and dividends

The loss for the year after taxation was £6.3 million (2010: £0.1 million). The Directors do not recommend the payment of a dividend.

Post balance sheet events

On 18 April 2012 PetroHungaria kft, in which Ascent has a 48.78% interest, completed the drilling of the PEN-105A sidetrack in the Penészlek Project in Eastern Hungary. The results of the well exceeded management's expectations and were better than the original PEN-105 well with approximately 20 m of gas-bearing formations drilled in the targeted Miocene volcaniclastic reservoirs.

The PEN-105A well was sidetracked from the existing PEN-105 well to a measured depth of 1,640 m and a location some 460 m northeast of the original well. It was designed to drain gas reserves from the northern half of the structure which is bisected by a sealing fault. The original well has recovered some 0.85 Bcf (24 Mm^3) of gas from the smaller southern part of the structure since production started from it in March 2010.

Preliminary testing of a 7 m perforated section of PEN-105A produced gas at a rate of 0.928 MMscfd (26,300 m^3/d; 154 boepd) and work is progressing to reconnect the well to the production facilities. Over the coming weeks, it is intended to add additional perforation and to stimulate the well with an acid wash. An acid wash on the original PEN-105 well was very effective resulting in a doubling of the production rate after treatment.

On 4 April 2012 the Group secured a three year, €1 million loan with Cassa Di Risparmio de Cento Bank. The interest is calculated by reference to the three month Euribor rate plus a margin of 7.5%.

On 29 May 2012 the Group signed a credit agreement with BNPP for a term loan facility totalling up to €15 million. The agreement provides Ascent with the ability to draw down up to €10 million immediately to fund the Petišovci field to production. Ascent will then be able to draw down up to a further €5 million, subject to certain performance criteria being met, to fund further developments on the field.

Directors

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

John Patrick Kenny

Jeremy Eng

Simon Cunningham

(resigned 4 January 2011)

Scott James Richardson Brown

(appointed Executive Finance Director on 4 January 2011)

Nigel Sandford Johnson Moore

William Cameron Davies

William Graham Cooper

(appointed 2 February 2011)

Relevant details of the Directors, which include committee memberships, are set out on page 21.

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 December 2011**	At 31 December 2010
John Kenny	**700,000**	700,000
Jeremy Eng	**5,981,890**	5,508,372
Nigel Moore	**119,500**	119,500
Cameron Davies	**150,000**	150,000
Graham Cooper	–	–
Scott Richardson Brown	**200,000**	–
Simon Cunningham	**N/A**	–

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

Directors' Report continued

Directors' emoluments

Director	Salary/fees £	Bonus £	Pension £	Taxable Benefits £	2011 Total £
Executive Directors					
Jeremy Eng	161,626	–	58,881	15,187	235,694
Scott Richardson Brown	173,878	–	–	–	173,878
Simon Cunningham	–	–	–	–	–
Non-executive Directors					
John Kenny	30,000	–	–	–	30,000
Cameron Davies	30,000	–	–	–	30,000
Nigel Moore	30,000	–	–	–	30,000
Graham Cooper	–	–	–	–	–

Directors' incentive share options

Director	As at 1 January 2011	Granted/ (Lapsed)	As at 31 December 2011	Date Granted	Share Price at Grant	Exercise Price	Exercise Period
Nigel Moore	500,000	(500,000)	–	28.06.06	9p	9.5p	28.06.07 – 28.06.11
	500,000	–	500,000	17.11.10	5.25p	7.313p	17.11.11– 17.11.15
	500,000	–	500,000	17.11.10	5.25p	15p	17.11.11– 17.11.15
Jeremy Eng	5,000,000	–	5,000,000	17.11.10	5.25p	7.313p	17.11.11– 17.11.15
	5,000,000	–	5,000,000	17.11.10	5.25p	15p	17.11.11– 17.11.15
Cameron Davies	500,000	–	500,000	17.11.10	5.25p	7.313p	17.11.11– 17.11.15
	500,000	–	500,000	17.11.10	5.25p	15p	17.11.11– 17.11.15
John Kenny	500,000	–	500,000	17.11.10	5.25p	7.313p	17.11.11– 17.11.15
	500,000	–	500,000	17.11.10	5.25p	15p	17.11.11– 17.11.15
Graham Cooper	–	–	–	–	–	–	–
Scott Richardson Brown	1,000,000	–	1,000,000	01.11.10	4.875p	4.875p	01.11.11 – 01.11.15
	1,000,000	–	1,000,000	01.11.10	4.875p	7.313p	01.11.12 – 01.11.15
	–	2,500,000	2,500,000	07.09.11	3.16p	5p	30.06.12 - 07.09.16
	–	2,500,000	2,500,000	07.09.11	3.16p	12p	30.06.12 - 07.09.16

Simon Cunningham resigned as a Director on 4 January 2011. None of his share options either lapsed or were exercised during his employment as a Director of Ascent in 2011, nor was he granted any further options. He retained his share options on leaving the Company. For details of his share options at 1 January 2011 please see Note 5(d).

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 24 to the financial statements.

As at 23 May 2012 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	%
EnQuest PLC	160,903,958	**15.69**
Henderson Global Investors	133,551,970	**13.02**
Barclayshare Nominees Limited	71,718,269	**6.99**
Vidacos Nominees Limited <2303>	63,208,917	**6.16**
TD Direct Investing Nominees (Europe) Limited <SMKTNOMS>	59,363,347	**5.79**
Nortrust Nominees Limited <SLEND>	47,551,126	**4.64**
L R Nominees Limited <NOMINEE>	45,372,829	**4.42**
HSDL Nominees Limited	38,605,273	**3.76**
Morstan Nominees Limited <SEG>	38,428,416	**3.75**

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 2011 and 2010.

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 2011, the Group had an average of 35 days (2010: 77 days) purchases owed to trade creditors. At 31 December 2011, the Company had an average of 139 days (2010: 144 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 the corporate code of conduct and an ambition to excel in their various disciplines.

Directors' Report continued

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 section 418 of the Companies Act 2006.

Going Concern

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

On 29 May 2012 the Group secured a €15 million facility from BNPP which is being made available to finance the primary capital expenditure requirements of the Group, being the Petišovci project in Slovenia, which should ensure first production in the next twelve months.

Existing cash resources are sufficient to meet overheads for the next 3 months. In order to fund the work programmes for non-core assets and overheads for the required 12 month period further funds will be required. The Group has a SEDA facility in place which could bridge this gap; drawdowns on this facility are dependent upon both liquidity and the prevailing share price, however the Directors have no present intention to issue equity either directly or through the SEDA while the prevailing market price significantly undervalues the business.

Although it is not immediately pressing, the Directors are considering a number of non-equity financing options including but not limited to, further loans, farm-in agreements or asset sales. These options are currently under negotiation with various counterparties and on this basis the Directors are confident of the Group's ability to continue as a going concern.

However there can be no guarantee over the outcome of these negotiations and as a consequence there is a material uncertainty of the Group's ability to raise additional finance, which casts significant doubt on the Group's ability to continue as a going concern. Further, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors however remain confident of the Group's ability to operate as a going concern given the funding discussions that have and continue to take place and in light of the significant recent support from BNPP.

Auditors

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

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

Scott Richardson Brown
Finance Director
29 May 2012

Board of Directors

John Kenny (70)

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 (53)

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 28-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.

Scott Richardson Brown (36)

Finance Director

Scott Richardson Brown is a qualified Chartered Accountant with wide experience working with AIM, FTSE 250 and FTSE 100 companies. Beginning his career at Coopers & Lybrand (later PricewaterhouseCoopers) in the Banking and Capital Markets division, Scott then became a Partner in the Corporate Broking/Finance division of Oriel Securities Limited where he gained significant experience in a range of sectors including oil and gas. His most recent role prior to joining Ascent was that of Corporate Finance and Investor Relations Director for CSR plc, a FTSE 250 semiconductor company, where, in addition to the day-to-day capital and corporate finance activities, he managed a number of corporate transactions.

Nigel Moore (68)

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 as well as TEG Group plc.

Cameron Davies (68)

Non-executive Director

Chairman of the Remuneration Committee and member of the Audit Committee

Cameron Davies is an international energy sector specialist and the former Chief Executive of Alkane Energy plc. He has an excellent track record of exploration success and growing profits in a quoted energy company. Beginning his career as a geologist, Dr Davies has over 35 years' experience in the oil and gas sectors. He founded AIM listed Alkane Energy plc in 1994 and managed the business from original concept through venture capital funding and an IPO, to become a profitable operator of gas to power generation plants using Coal Mine Methane as fuel. He has a PhD from Imperial College, is a Fellow of the Geological Society of London and a member of the European Petroleum Negotiators Group, the London Energy Group and the PESGB.

Graham Cooper (55)

Non-executive Director

Member of the Audit and Remuneration Committees

Graham Cooper has over 30 years' oil and gas technical and commercial experience, gained mainly in upstream positions. A geologist and petrophysicist by background, his career has mainly focussed on Europe, with the exception of four years in the Middle East. Graham is Head of Business Development at EnQuest PLC. Prior to this Graham worked for Conoco and Shell in various senior technical and business development roles including VP Commercial for Global Exploration and Head of the Commercial Academy at Shell's headquarters in The Hague. Graham served as a Director on the Board of the Association of International Petroleum Negotiators from 2007 to 2011.

Summary of Group Net Oil & 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)		
		1-C	2-C	3-C	Low	Best	High
Hungary (1)	0.4	-	-	-	-	-	-
Hungary (2)	-	6.0	8.9	12.7	-	-	-
Netherlands (4)	-	72.4	85.8	102.1	-	-	-
Switzerland (3)(a)	-	2.0	4.8	9.5	78.0	156.0	304.0
Italy (3)(b)	0.1	-	2.0	-	-	87	-
Slovenia (2)	-	87.0	183.8	225.8	-	-	-
Net Attributable at 31 December 2011	0.5	167.4	285.3	380.1	78.0	243.0	304.0

(1) These figures are based upon Management evaluations of the Penészlek Mining Plot
(2) These figures are based on the RPS gas-in-place estimates with a management assumption of a 50% recovery factor
(3) These figures are based upon independent evaluations provided by:
 (a) Tracs International
 (b) ECL
(4) These figures are based upon Management evaluations of the gas-in-place in the M11-1 structure in the M11 licence area, the Terschelling Noord structure, both in the M10 licence area and the open acreage to the south of that area, and assuming a 50% recovery factor

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

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

Summary of Ascent Resources plc's Licence Interests as at 29 May 2012

Permit	Subsidiary	Working Interest (%)	Permit Area Gross (km²)	Net (km²)	Status
Hungary					
Nyírség	PetroHungaria kft	48.78	2,483	1,211	Gas exploitation
Lovászi*	Ascent Hungary Limited	50.00	90	45	Gas exploration and exploitation
Igal II	Pelsolaj kft	60.00	1,990	1,194	Gas exploration
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 exploitation
Slovenia					
Petišovci Exploitation Concession	Ascent Slovenia Limited	75.00	98	73	Oil & gas exploitation
Switzerland					
Seeland-Frienisberg		†	364	-	Gas appraisal
Linden		†	330	-	Gas appraisal
Gros de Vaud		†	736	-	Oil & gas exploration
The Netherlands					
M10/M11	Ascent Resources NL BV	54.00	110	57	Gas exploration and appraisal

* The Lovászi Area of Mutual Interest ('AMI') consists of four Mining Plots (Exploitation Concessions) and a part of an exploration licence Option to acquire between 22.5% and 45% interest in any conventional discovery

† Option to acquire between 22.5% and 45% interest in up to 6 conventional discoveries

Corporate Responsibility

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

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

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

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

- **Ascent shall manage** all operations in a manner that protects the environment and the health and safety of employees, third parties, and the community.

- The **Executive Directors** provide the vision, establish the framework, set the objectives and provide the resources for responsible management of Ascent's operations.

- **Leadership and visible** commitment to continuous improvement are critical elements of successful operations.

- A process that **measures performance** relative to policy aims and objectives is essential to improving performance. Sharing best practices and learning from each other promotes improvement.

- **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.

- 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.

- **Effective business controls** ensure the prevention, control and mitigation of threats and hazards to business stewardship.

- Operationswit hin **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.

- **Thirdpar ties** who provide materials and services (personnel and equipment) or operate facilities on Ascent's behalf have an impact on EHS and SR excellence. It is essential that third-party services are provided in a manner consistent with Ascent's EHS and SR Policy and Management System Guidelines.

- Compliancewit hr egulatory 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.

- The use of **internationally recognised standards,** procedures and specifications for design, construction, commissioning, modifications and decommissioning activities is essential for achieving operating excellence.

- The minimisation of **environmental risks and liabilities** are integral parts of Ascent's operations.

During 2011, the Group was Operator of several exploration projects, all of which were closely managed for maintaining the EHS and 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 financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

In preparing these financial statements the Directors are required to:

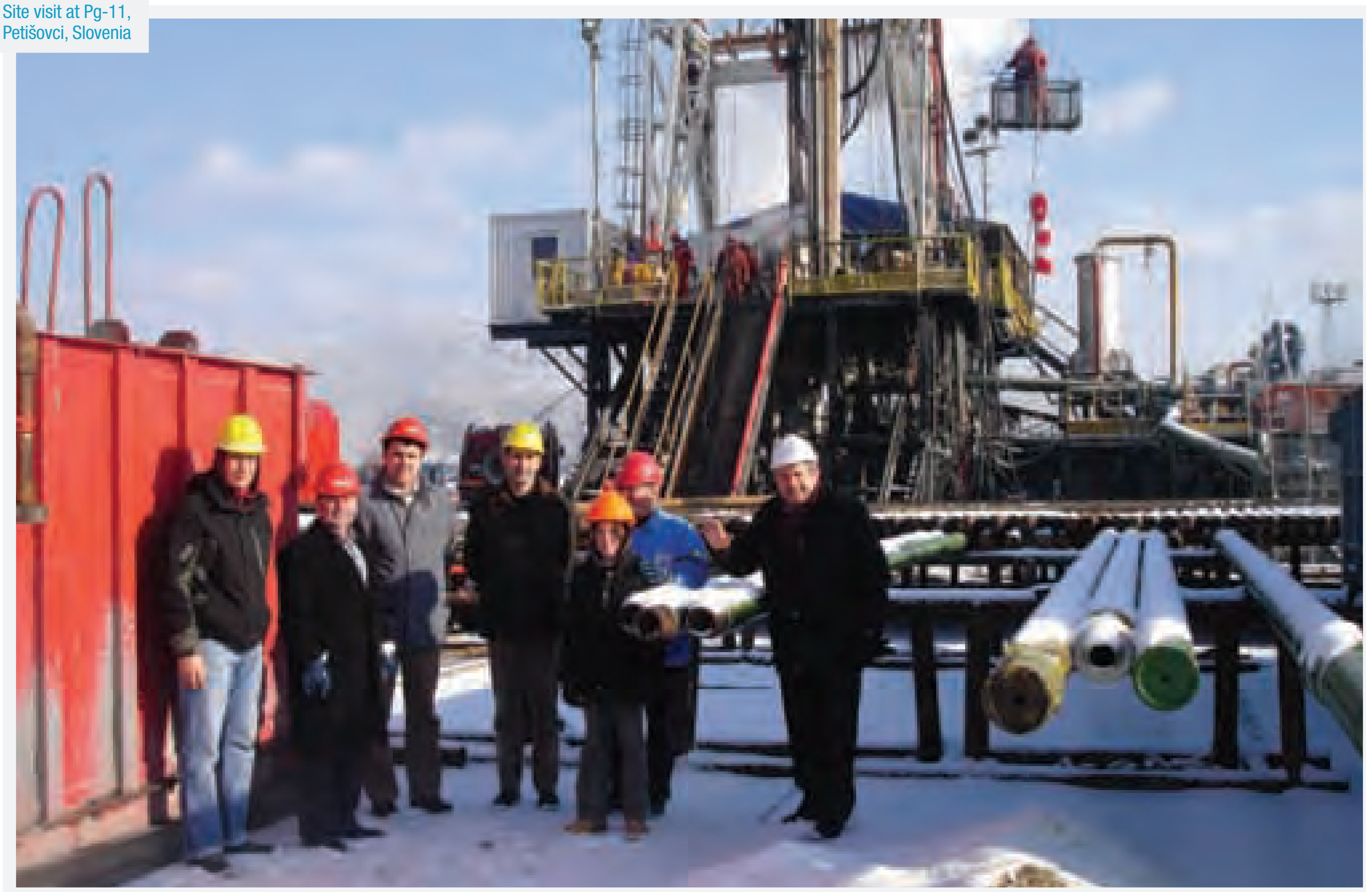
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained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

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

Website publication

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

Site visit at Pg-11, Petišovci, Slovenia



Independent Auditors' Report to the Members of Ascent Resources plc

We have audited the financial statements of Ascent Resources plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Cash Flows and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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/private.cfm**.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. Further funds will be required to finance the Company's planned work programme. While the Directors are confident of being able to acquire the finance necessary to meet both capital and administrative obligations as they fall due, a significant uncertainty exists given that sufficient facilities are not currently in place.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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.

Scott Knight
(senior statutory auditor)
For and on behalf of BDO LLP
statutory auditor
London
United Kingdom
29 May 2012

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

Glossary of Abbreviations & Technical Terms

M	Thousand*
MM	Million*
B	Billion*
km^2	Square kilometres
m^3	Cubic metres
cf	Cubic feet
scf	Standard cubic feet
scfd	Standard cubic feet per day
boe	Barrels of oil equivalent. One barrel of oil or condensate is assumed to be equivalent to 6 Mcf of natural gas

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

Miocene	A geological epoch of the Neogene Period that extended from about 13 to 25 million years ago (see figure on page 13)
P90 (P50; P10) reserves	At least a 90% (50%; 10%) probability that the quantities will equal or exceed the estimate. This is a measure of uncertainty not geological or commercial risk.
Christmas tree	An assembly of valves and other fittings at the top of a well controlling the flow of fluids
production packers	A component which provides a seal between the casing and tubing in the lower part of a well bore.
prospect	A potential trap which geologists believe may contain hydrocarbon resources
reservoirs	A subsurface body of rock having sufficient porosity and permeability to store and transmit hydrocarbons
work-string	String of drill pipe or of tubing run into a well

ascent resources plc

Annual Review 2011

financial statements

Consolidated Income Statement

for the year ended 31 December 2011

	Notes	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s
Revenue	2	**2,105**	1,821
Cost of sales	3	**(1,711)**	(1,379)
Gross profit		**394**	442
Administrative expenses	4	**(2,625)**	(2,389)
Impairment write down of exploration costs	13	**(3,471)**	(3,099)
Loss from operating activities		**(5,702)**	(5,046)
Other operating income		–	165
Finance income	6	**282**	21
Finance cost	6	**(830)**	(1,127)
Profit on sale of investments	7	–	5
Net finance costs		**(548)**	(1,101)
Loss before taxation from continuing operations		**(6,250)**	(5,982)
Income tax expense	8	**(48)**	(46)
Loss for the year from continuing operations		**(6,298)**	(6,028)
Discontinued operations			
Profit for the year from discontinued operations	9	–	5,899
Loss for the year		**(6,298)**	(129)
Loss attributable to:			
Owners of the Company		**(6,295)**	(129)
Non–controlling interests		**(3)**	–
Loss for the year		**(6,298)**	(129)
Loss per share			
Continuing operations			
Basic and diluted loss per share	10	**(0.68)p**	(1.18p)
Discontinued operations			
Basic and diluted profit per share	10	–	1.15p
Total operations			
Basic and diluted Loss per share	10	**(0.68)p**	(0.03p)

The notes on pages 41 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s
Loss for the year		**(6,298)**	(129)
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(210)**	201
Transferred to gain on disposal		–	(146)
Other comprehensive income for the year		**(210)**	55
Total comprehensive income for the year		**(6,508)**	(74)
Total comprehensive income attributable to:			
Owners of the Company		**(6,505)**	(74)
Non–controlling interest		**(3)**	–
Total comprehensive income for the year		**(6,508)**	(74)

The notes on pages 41 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	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 2010	**500**	**84**	**22,540**	**2,496**	**2,873**	**(19,853)**	**8,640**	**174**	**8,814**
Comprehensive income									
Loss for the year	–	–	–	–	–	(129)	(129)	–	(129)
Other comprehensive income									
Currency translation differences	–	–	–	–	55	–	55	–	55
Total comprehensive income	–	–	–	–	**55**	**(129)**	**(74)**	–	**(74)**
Transactions with owners									
Convertible Loan	–	(34)	–	–	–	84	50	–	50
Purchase of non–controlling interest	–	–	–	–	–	174	174	(174)	–
Issue of shares during the year net of costs	20	–	1,023	–	–	–	1,043	–	1,043
Share based payments	–	–	–	140	–	–	140	–	140
Reserve transfer	–	–	–	(724)	–	724	–	–	–
Balance at 31 December 2010	**520**	**50**	**23,563**	**1,912**	**2,928**	**(19,000)**	**9,973**	–	**9,973**
Balance at 1 January 2011	**520**	**50**	**23,563**	**1,912**	**2,928**	**(19,000)**	**9,973**	–	**9,973**
Comprehensive income									
Loss for the year	–	–	–	–	–	(6,295)	(6,295)	(3)	(6,298)
Other comprehensive income									
Currency translation differences	–	–	–	–	(210)	–	(210)	–	(210)
Total comprehensive income	–	–	–	–	**(210)**	**(6,295)**	**(6,505)**	**(3)**	**(6,508)**
Transactions with owners									
Convertible Loan	–	(50)	–	–	–	50	–	–	–
Purchase of non–controlling interest	–	–	–	–	–	–	–	–	–
Issue of shares during the year net of costs	506	–	28,635	–	–	–	29,141	–	29,141
Share based payments	–	–	–	2,823	–	–	2,823	–	2,823
Balance at 31 December 2011	**1,026**	–	**52,198**	**4,735**	**2,718**	**(25,245)**	**35,432**	**(3)**	**35,429**

The notes on pages 41 to 78 are an integral part of these consolidated financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2011

	Share capital £ '000s	Equity reserve £ '000s	Share premium £ '000s	Share based payment reserve £ '000s	Retained earnings £ '000s	Total parent equity £ '000s
Balance at 1 January 2010	**305**	**84**	**13,067**	**1,042**	**(710)**	**13,788**
Comprehensive income						
Profit and total comprehensive income for the year	–	–	–	–	2,336	2,336
Transactions with owners						
Convertible loan	–	(34)	–	–	84	50
Issue of shares during the year	20	–	1,023	–	–	1,043
Share based payments	–	–	–	140	–	140
Reserve transfers	–	–	–	(724)	724	–
Balance at 31 December 2010	**520**	**50**	**23,563**	**1,912**	**(1,393)**	**24,652**
Balance at 1 January 2011	**520**	**50**	**23,563**	**1,912**	**(1,393)**	**24,652**
Comprehensive income						
Loss and total comprehensive income for the year	–	–	–	–	(16,809)	(16,809)
Transactions with owners						
Convertible loan	–	(50)	–	–	50	–
Issue of shares during the year net of costs	506	–	28,635	–	–	29,141
Share based payments	–	–	–	2,823	–	2,823
Balance at 31 December 2011	**1,026**	**–**	**52,198**	**4,735**	**(18,152)**	**39,807**

The notes on pages 41 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2011

	Notes	31 December 2011 £ '000s	31 December 2010 £ '000s
Assets			
Non–current assets			
Property, plant and equipment	11	**734**	2,045
Exploration and decommissioning costs	13	**33,834**	9,536
Total non–current assets		**34,568**	11,581
Current assets			
Inventories	16	**264**	341
Trade and other receivables	17	**1,269**	1,664
Cash and cash equivalents	15	**2,906**	2,048
		4,439	4,053
Total assets		**39,007**	15,634
Equity and liabilities			
Attributable to the equity holders of the Parent Company			
Share capital	24	**1,026**	520
Equity reserve		–	50
Share premium account		**52,198**	23,563
Share based payment reserve		**4,735**	1,912
Translation reserves		**2,718**	2,928
Retained earnings		**(25,245)**	(19,000)
		35,432	9,973
Total equity attributable to the shareholders of the Company			
Non–Controlling interest		**(3)**	–
Total equity		**35,429**	9,973
Non–current liabilities			
Borrowings	20	**435**	–
Provisions	21	**524**	594
Total non–current liabilities		**959**	594
Current liabilities			
Trade and other payables	22	**2,463**	2,314
Borrowings	20	**156**	2,753
Total current liabilities		**2,619**	5,067
Total liabilities		**3,578**	5,661
Total equity and liabilities		**39,007**	15,634

The notes on pages 41 to 78 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 29 May 2012 and were signed on its behalf by:

Scott Richardson Brown
Finance Director
29 May 2012

Company Statement of Financial Position

as at 31 December 2011

	Notes	31 December 2011 £ '000s	31 December 2010 £ '000s
Non–current assets			
Property, plant and equipment	12	**5**	2
Investment in subsidiaries and joint ventures	14	**16,023**	1,970
Intercompany receivables	28	**22,185**	24,088
Total non–current assets		**38,213**	26,060
Current assets			
Trade and other receivables	18	**35**	23
Cash and cash equivalents	15	**2,317**	1,815
Total current assets		**2,352**	1,838
Total assets		**40,565**	27,898
Equity			
Share capital	24	**1,026**	520
Equity reserve		–	50
Share premium		**52,198**	23,563
Share based payment reserve		**4,735**	1,912
Retained loss		**(18,152)**	(1,393)
Total equity		**39,807**	24,652
Non–Current liabilities			
Borrowings	20	**435**	–
Total non–current liabilities		**435**	–
Current liabilities			
Trade and other payables	23	**170**	504
Borrowings	20	**153**	2,742
Total current liabilities		**323**	3,246
Total liabilities		**758**	3,246
Total equity and liabilities		**40,565**	27,898

The notes on pages 41 to 78 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 29 May 2012 and signed on its behalf by:

Scott Richardson Brown
Finance Director
29 May 2012

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Notes	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s
Cash used in operations			
Loss for the year		**(6,298)**	(129)
DD&A charge		**1,233**	953
Decrease in receivables		**395**	1,359
Decrease in payables		**(484)**	(25)
Decrease in inventories		**77**	90
Profit on sale of subsidiary		–	(5,899)
Profit on sale of current asset investments		–	(5)
Impairment of exploration expenditure		**3,471**	3,099
(Decrease)/Increase in decommissioning provision		**(296)**	409
Share–based payment charge		**517**	140
Exchange differences		**227**	–
		(1,158)	(8)
Finance income		**(282)**	(26)
Finance cost		**830**	1,127
Net cash generated in operating activities		**(610)**	1,093
Cash flows from investing activities			
Interest received		**60**	26
Payments for investing in exploration[1]		**(12,828)**	(9,091)
Purchase of property, plant and equipment		**(1)**	(529)
Proceeds from disposal of subsidiary		–	7,032
Costs of disposal of subsidiary		–	(601)
Proceeds from disposal of current asset investment		–	51
Proceeds from disposal of equity accounted investee		–	1,191
Net cash flows used in investing activities		**(12,769)**	(1,921)
Cash flows from financing activities			
Interest paid		**(157)**	(512)
Proceeds from loan notes		–	2,100
Loans repaid		**(2,708)**	(3,110)
Proceeds from issue of shares[1]		**17,841**	50
Share issue costs		**(751)**	–
Net cash flows used by financing activities		**14,225**	(1,472)
Net increase/(decrease) in cash and cash equivalents for the year		**846**	(2,300)
Net foreign exchange differences		**12**	(282)
Cash and cash equivalents at beginning of the year		**2,048**	4,630
Cash and cash equivalents at end of the year		**2,906**	2,048

[1] There were significant non–cash transactions during the year. For further details please see Note 13.

Company Cash Flow Statement

for the year ended 31 December 2011

	Notes	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s
Cash used in operations			
(Loss)/profit for the year		**(16,809)**	2,336
Depreciation charge		**1**	1
Decrease/(Increase) in receivables		**11,833**	(719)
Increase in payables		**218**	519
Profit on sale of subsidiary		–	(5,899)
Write off of investment		**190**	–
Share based payment		**516**	140
		(4,051)	(3,622)
Finance income		**(59)**	(4)
Finance cost		**251**	1,218
Net cash used in operating activities		**(3,859)**	(2,408)
Cash flows from investing activities			
Interest received		**59**	4
Advances to subsidiaries		**(9,905)**	(5,560)
Investment in PPE		**(4)**	–
Proceeds from disposal of subsidiary		–	7,032
Costs of disposal of subsidiary		–	(601)
Net cash flows (used)/generated in investing activities		**(9,850)**	875
Cash flows from financing activities			
Interest paid		**(140)**	(514)
Repayment of loan		**(2,700)**	(1,728)
Receipt of loan		–	2,100
Cash proceeds from issue of shares [1]		**17,841**	50
Share issue costs		**(751)**	–
Net cash from/(used by) financing activities		**14,250**	(92)
Net increase/(decrease) in cash and cash equivalents		**541**	(1,625)
Cash and cash equivalents at beginning of the year		**1,815**	3,677
Foreign exchange		**(39)**	(237)
Cash and cash equivalents at end of the year		**2,317**	1,815

[1] There were significant non–cash transactions during the year. For further details please see Note 13.

Notes to the Financial Statements

for the year ended 31 December 2011

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 2011 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and joint ventures. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

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

The consolidated financial statements of the Group for the year ended 31 December 2011 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 2011 were approved and authorised for issue by the Board of Directors on 29 May 2012 and the Statements of Financial Position 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 section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Measurement Convention

The financial statements have 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 are prepared on a going concern basis.

On 29 May 2012 the Group secured a €15 million facility from BNPP which is being made available to finance the primary capital expenditure requirements of the Group, being the Petišovci project in Slovenia, which should ensure first production in the next twelve months.

Existing cash resources are sufficient to meet overheads for the next 3 months. In order to fund the work programmes for non-core assets and overheads for the required 12 month period further funds will be required. The Group has a SEDA facility in place which could bridge this gap; drawdowns on this facility are dependent upon both liquidity and the prevailing share price, however the Directors have no present intention to issue equity either directly or through the SEDA while the prevailing market price significantly undervalues the business.

Although it is not immediately pressing, the Directors are considering a number of non-equity financing options including but not limited to, further loans, farm-in agreements or asset sales. These options are currently under negotiation with various counterparties and on this basis the Directors are confident of the Group's ability to continue as a going concern.

However there can be no guarantee over the outcome of these negotiations and as a consequence there is a material uncertainty of the Group's ability to raise additional finance, which casts significant doubt on the Group's ability to continue as a going concern. Further, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors however remain confident of the Group's ability to operate as a going concern given the funding discussions that have and continue to take place and in light of the significant recent support from BNPP.

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies *(continued)*

New and amended Standards effective for 31 December 2011 year-end adopted by the Group:

(i) The following new standards and amendments to standards are mandatory for the first time for the Group for financial year beginning 1 January 2011. Except as noted, the implementation of these standards is not expected to have a material effect on the Group.

Standard	Effective date	Impact on initial application
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010	This Interpretation addresses transactions in which an entity issues equity instruments to a creditor in return for the extinguishment of all or part of a financial liability.
Revised IAS 24 Related Party Disclosures	1 Jan 2011	The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive
Improvements to IFRSs (2010)	Generally 1 January 2011	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The improvements did not have any impact on the current or prior years' financial statements.

No other IFRS issued and adopted are expected to have an impact on the Group's financial statements. All other new standards and interpretations that were effective for the year ended 31 December 2011 have been adopted, but have not had a material effect on the Group.

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

Standard	Description	Effective date
IFRS 7	Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)	1 Jul 2011
IAS 12 *	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IAS 1 *	Presentation of items of other comprehensive income (amendments to IAS 1)	1 Jul 2012
IFRS 10*	Consolidated Financial Statements	1 Jan 2013
IFRS 11*	Joint Arrangements	1 Jan 2013
IFRS 12*	Disclosure of Interests in Other Entities	1 Jan 2013
IFRS 13*	Fair Value Measurement	1 Jan 2013
IAS 27*	Separate Financial Statements	1 Jan 2013
IAS 28*	Investments in Associates and Joint Ventures	1 Jan 2013
IAS 19*	Employee Benefits	1 Jan 2013
IFRS 7*	Disclosures—Offsetting Financial Assets and Financial Liabilities	1 Jan 2013
IAS 32*	Offsetting financial assets and financial liabilities	1 Jan 2014
IFRS 9*	Financial Instruments	1 Jan 2015

* Not yet endorsed by European Union.

The Group has not yet assessed the impact of IFRS 9 or IFRS 13. Except for the adoption of IFRS 11 joint arrangements and IAS 28 Investments in associates and joint ventures, which would both materially affect the presentation and financial impact of several of Ascent's subsidiaries, the above standards, interpretations and amendments will not significantly affect the Group's results or financial position. The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material effect on the presentation, classification, measurement and disclosures of the Group's financial instruments.

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies *(continued)*

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 recorded 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 areas 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 13);

(b) *Decommissioning provision* – the cost of decommissioning is estimated by reference to operators and internal specialist staff (see Note 21);

(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 20);

(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;

(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 30).

(g) *Commercial reserves* – Commercial reserves are proven and probable oil and gas reserves, calculated on an entitlement basis. Estimates of commercial reserves underpin the calculation of depletion and amortisation on a unit of production basis. Estimates of commercial reserves include estimates of the amount of oil and gas in place, assumptions about reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future oil and gas price.

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 using the proportional consolidation 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.

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies *(continued)*

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

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

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

Where the Group acquires an equity interest from non-controlling parties, the excess/(shortfall) between the consideration paid and the element of the reserve for non-controlling interest that has been acquired is taken directly to retained earnings. No gain or loss is recognised through profit or loss.

Jointly controlled operations are arrangements in which the Group holds an interest on a long term basis which are jointly controlled by the Group and one or more ventures under a contractual arrangement. The Group's exploration, development and production activities are sometimes conducted jointly with other companies in this way. Since these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests.

Business combinations

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

Non-current assets held for sale and disposal groups

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from date of classification.

Non-current assets held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets are not depreciated.

The results of operations during the year are included in the consolidated income statement up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated income statement (including the comparative period) as a single line which comprises the post-tax loss of the discontinued operation. Operations are classified as discontinued when the decision is made to dispose of the operation by the Directors and the operations are actively marketed.

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies *(continued)*

Interest in jointly controlled entities

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.

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% 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 other comprehensive income 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 acquired is measured at cost at the date of additional investment with any surplus accounted for as goodwill.

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 recovered through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

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

When production commences the accumulated costs for the relevant area of interest are transferred from intangible fixed assets to 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.

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, which is defined as the higher of fair value less 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.

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies *(continued)*

Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying 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 proven and probable oil and gas 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 proven and probable oil and gas 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. Revenue is recognised when the risks and rewards of ownership are transferred to the purchaser of the oil or gas.

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.

Foreign currency

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

Transactions in foreign currency are translated to the respective functional currency of the Group entity at the rates of exchange prevailing on the dates of the transactions. At each 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.

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies *(continued)*

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.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

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

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.

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

Provisions

A provision is recognised in the 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

Upon issue of a convertible loan where the convertible option is at a fixed rate, 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.

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies *(continued)*

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

However, where, at inception, the conversion option is such that the option will not be settled by the Company exchanging a fixed number of its own equity instruments for a fixed amount of cash, the convertible loan does not meet the definition of a compound financial instrument. In such cases, the convertible loan (the host contract) is a hybrid financial instrument and the option to convert is an embedded derivative. Attached options (options entered into in consideration for entering into the host contract) on similar terms are also embedded derivatives. The embedded derivatives are separated from the host contract as their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. At each reporting date the embedded derivatives are measured at fair value with changes in fair value recognised in the income statement as they arise. The method used for revaluation is the Black Scholes method. The host contract carrying value on initial recognition is based on the net proceeds of issuance of the convertible loan reduced by the fair value of the embedded derivatives and is subsequently carried at each reporting date at amortised cost.

Non-derivative financial instruments

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

Financial instruments

Financial assets and financial liabilities are recognised on the 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.

Investments and loans

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

Notes to the Financial Statements

for the year ended 31 December 2011

1 Accounting policies *(continued)*

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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Managing Director ('MD') and the Finance Director.

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 MD 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 (2011 the Netherlands, 2010 the Netherlands and Switzerland)	– exploration and development
UK	– head office

The costs 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 arm's 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 MD by the level of capitalised exploration costs and the results from studies carried out at the individual locations of the wells. The MD uses these measures to evaluate project viability within each operating segment.

All revenue in the year derives from one customer.

Notes to the Financial Statements

for the year ended 31 December 2011

2 Segmental Analysis *(continued)*

2011	Italy £ '000s	Hungary £ '000s	Slovenia £ '000s	Other Europe £ '000s	UK £ '000s	Inter segment eliminations £ '000s	Total £ '000s
Revenue by location of asset:							
Hydrocarbons	–	1,972	–	–	–	–	**1,972**
Stock sale	133	–	–	–	–	–	**133**
Intercompany sales	487	–	–	–	278	(765)	–
Operating costs:							
Cost of sales	(380)	(1,645)	–	–	–	314	**(1,711)**
Administrative expenses	(553)	(254)	(312)	(50)	(1,569)	113	**(2,625)**
Other income	–	–	–	–	–	–	–
Material non-cash items:							
Impairment of exploration assets	(1,750)	(1,599)	–	(122)	–	–	**(3,471)**
Impairment of investments	–	–	–	–	(190)	190	–
Net finance costs	(5)	(62)	(30)	–	(451)	–	**(548)**
Reportable segment loss before tax from continuing operations	**(2,068)**	**(1,588)**	**(342)**	**(172)**	**(1,932)**	**(148)**	**(6,250)**
Profit from discontinued operations	–	–	–	–	–	–	–
Reportable segment loss before taxation	**(2,068)**	**(1,588)**	**(342)**	**(172)**	**(1,932)**	**(148)**	**(6,250)**
Taxation	–	(48)	–	–	–	–	**(48)**
Reportable segment loss after taxation	**(2,068)**	**(1,636)**	**(342)**	**(172)**	**(1,932)**	**(148)**	**(6,298)**
Reportable segment assets							
Carrying value of exploration assets	1,834	504	31,374	122	–	–	**33,834**
Additions to exploration assets	418	183	27,671	(18)	–	–	**28,254**
Additions to decommissioning asset	–	–	203	–	–	–	**203**
Total plant and equipment	–	730	–	–	4	–	**734**
Total non-current assets	**1,834**	**1,234**	**31,374**	**122**	**4**	**–**	**34,568**
Other assets	6,489	2,220	1,229	1,023	48,631	(55,153)	**4,439**
Consolidated total assets	**8,323**	**3,454**	**32,603**	**1,145**	**48,635**	**(55,153)**	**39,007**
Reportable segmental liabilities							
Trade payables	(564)	(42)	(550)	–	(94)	–	**(1,250)**
External loan balances	(3)	–	–	–	(588)	–	**(591)**
Inter-group borrowings	(7,216)	(5,998)	(18,660)	(1,199)	(2,751)	35,824	–
Other liabilities	(52)	(244)	(1,497)	(1)	(6,547)	6,503	**(1,838)**
Consolidated total liabilities	**(7,835)**	**(6,284)**	**(20,707)**	**(1,200)**	**(9,980)**	**42,327**	**(3,679)**

Notes to the Financial Statements

for the year ended 31 December 2011

2 Segmental Analysis *(continued)*

2010	Italy £ '000s	Hungary £ '000s	Slovenia £ '000s	Other Europe £ '000s	UK £ '000s	Inter segment eliminations £ '000s	Total £ '000s
Revenue by location of asset:							
Hydrocarbons	–	1,821	–	–	–	–	**1,821**
Management fees	–	–	–	–	205	(205)	–
Operating costs:							
Cost of sales	–	(1,134)	–	–	(245)	–	**(1,379)**
Administrative expenses	(536)	(24)	(88)	(56)	(1,890)	205	**(2,389)**
Other income	165	–	–	–	–	–	**165**
Material non-cash items:							
Impairment of exploration assets	(14)	(1,231)	(1,854)	–	–	–	**(3,099)**
Impairment of investments	–	–	–	–	–	–	–
Net finance costs	(52)	(187)	(4)	(1)	(857)	–	**(1,101)**
Reportable segment (loss)/profit before tax from continuing operations	**(437)**	**(755)**	**(1,946)**	**(57)**	**(2,787)**	**–**	(5,982)
Profit from discontinued operations	–	–	–	5,899	–	–	**5,899**
Reportable segment (loss)/profit before taxation	(437)	(755)	(1,946)	5,842	(2,787)	–	**(83)**
Taxation	–	(46)	–	–	–	–	**(46)**
Reportable segment (loss)/profit after taxation	**(437)**	**(801)**	**(1,946)**	**5,842**	**(2,787)**	**–**	**(129)**
Reportable segment assets							
Carrying value of exploration assets	3,251	1,965	4,069	251	–	–	**9,536**
Additions to exploration assets	393	2,820	1,908	200	–	–	**5,321**
Additions to decommissioning asset	208	22	201	–	–	–	**431**
Total plant and equipment	–	2,042	–	–	3	–	**2,045**
Total non-current assets	**3,251**	**4,007**	**4,069**	**251**	**3**	–	**11,581**
Other assets	5,192	2,181	635	1,022	29,900	(34,877)	**4,053**
Consolidated total assets	**8,443**	**6,188**	**4,704**	**1,273**	**29,903**	**(34,877)**	**15,634**
Reportable segmental liabilities							
Trade payables	(1,003)	(24)	(278)	–	(350)	–	**(1,655)**
External loan balances	(11)	–	–	–	(2,742)	–	**(2,753)**
Inter-group borrowings	(15,478)	(8,707)	(6,356)	(1,586)	(2,729)	34,856	–
Other liabilities	(363)	(328)	(372)	(61)	(129)	–	**(1,253)**
Consolidated total liabilities	**(16,855)**	**(9,059)**	**(7,006)**	**(1,647)**	**(5,950)**	**34,856**	**(5,661)**

Notes to the Financial Statements

for the year ended 31 December 2011

3 Cost of sales

	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s
Operating costs relating directly to producing assets	**348**	402
Depletion, depreciation and amortisation of producing assets	**1,233**	732
Other directly incurred costs	**130**	245
	1,711	1,379

4 Administrative Expenses

	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s
Depreciation of plant and equipment	**2**	–
Employee costs (see Note 5)	**895**	1,183
Consulting charges	**140**	128
Other office costs	**1,588**	1,078
	2,625	2,389

The following is included within Administrative Expenses:	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s
Auditors' remuneration		
Current year audit of financial statements	**55**	53
Non audit services	**3**	–
Audit of subsidiaries pursuant to legislation	**5**	5
Prior year audit of financial statements	**13**	–
	76	58

Notes to the Financial Statements

for the year ended 31 December 2011

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 2011 Number	Year ended 31 December 2010 Number
Management and technical	**11**	11

	£ '000s	£ '000s
Wages and salaries	**776**	903
Social security costs	**85**	107
Pension costs	**58**	49
Share-based payments (Note 34)	**493**	123
Taxable benefits	**15**	18
	1,427	1,200

(b) Directors' and key management remuneration	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s
Fees and emoluments	**426**	562
Social security costs	**34**	50
Pension costs	**59**	49
Share-based payments (Note 30)	**476**	121
Taxable benefits	**15**	18
Total key management remuneration	**1,010**	800

Pension costs relate to payments made to a director's own personal pension plan.

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.

Notes to the Financial Statements

for the year ended 31 December 2011

5 Employees and Directors *(continued)*

(c) Directors' remuneration

2011

Director	Salary/ fees £	Bonus £	Pension £	Taxable Benefits £	2011 Total £
J Eng	161,626	–	58,881	15,187	235,694
S Richardson Brown	173,878	–	–	–	173,878
S Cunningham	–	–	–	–	–
Non-executive Directors					
J Kenny	30,000	–	–	–	30,000
C Davies[1]	30,000	–	–	–	30,000
N Moore	30,000	–	–	–	30,000
G Cooper[5]	–	–	–	–	–
Total	**425,504**	–	**58,881**	**15,187**	**499,572**

2010

Director	Salary/ fees £	Bonus £	Pension £	Taxable Benefits £	Gain on exercise of options £	2011 Total £
Executive Directors						
J Eng	175,511	–	49,880	18,738	173	244,302
S Cunningham[4]	175,000	30,000	–	–		205,000
Non-executive Directors						
J Kenny	30,000	–	–	–	–	30,000
C Davies[1]	9,115	–	–	–	–	9,115
M Groom[2]	61,930	–	–	–	–	61,930
J Legg[2]	49,578	–	–	–	–	49,578
N Moore	30,000	–	–	–	–	30,000
S Richardson Brown[3]	–	–	–	–	–	–
Total	**531,134**	**30,000**	**49,880**	**18,738**	**173**	**629,925**

Notes to the Financial Statements

for the year ended 31 December 2011

5 Employees and Directors *(continued)*

(d) Directors' Incentive Share Options

2011

Director	1 January 2011	As at Granted/ Lapsed	31 December 2011	As at Date Granted	Price at Grant	Share Exercise Price	Exercise Period
N S J Moore	500,000	(500,000)	–	28.06.06	9p	9.5p	28.06.07 – 28.06.11
	500,000	–	500,000	17.11.10	5.25p	7.313p	17.11.11 – 17.11.15
	500,000	–	500,000	17.11.10	5.25p	15p	17.11.11 – 17.11.15
J Eng	5,000,000	–	5,000,000	17.11.10	5.25p	7.313p	17.11.11 – 17.11.15
	5,000,000	–	5,000,000	17.11.10	5.25p	15p	17.11.11 – 17.11.15
C Davies[1]	500,000	–	500,000	17.11.10	5.25p	7.313p	17.11.11 – 17.11.15
	500,000	–	500,000	17.11.10	5.25p	15p	17.11.11 – 17.11.15
J Kenny	500,000	–	500,000	17.11.10	5.25p	7.313p	17.11.11 – 17.11.15
	500,000	–	500,000	17.11.10	5.25p	15p	17.11.11– 17.11.15
S Richardson Brown[3]	1,000,000	–	1,000,000	1.11.10	4.875p	4.875p	01.11.11 – 01.11.15
	1,000,000	–	1,000,000	1.11.10	4.875p	7.313p	01.11.12 – 01.11.15
	–	2,500,000	2,500,000	07.09.11	3.16p	5p	30.06.12 – 07.09.16
	–	2,500,000	2,500,000	07.09.11	3.16p	12p	30.06.12 – 07.09.16

2010

Director	As at 1 January 2010	Granted/ Lapsed	Exercised	As at 31 December 2010	Date Granted	Share Price at Grant	Exercise Price	Exercise Period
S Cunningham[4]	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[2]	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
	-	500,000	-	500,000	17.11.10	5.25p	7.313p	17.11.11– 17.11.15
	-	500,000	-	500,000	17.11.10	5.25p	15p	17.11.11 – 17.11.15
M D J Groom[2]	1,000,000	(1,000,000)	-	-	28.06.05	5.5p	5p	28.06.06 – 28.06.10
J Eng	10,000,000	(9,000,000)	(1,000,000)	-	10.04.05	5p	5p	10.04.06 – 10.04.10
	-	5,000,000	-	5,000,000	17.11.10	5.25p	7.313p	17.11.11 – 17.11.15
	-	5,000,000	-	5,000,000	17.11.10	5.25p	15p	17.11.11 – 17.11.15
C Davies[1]	-	500,000	-	500,000	17.11.10	5.25p	7.313p	17.11.11 – 17.11.15
	-	500,000	-	500,000	17.11.10	5.25p	15p	17.11.11 – 17.11.15
J Kenny	-	500,000	-	500,000	17.11.10	5.25p	7.313p	17.11.11 – 17.11.15
	-	500,000	-	500,000	17.11.10	5.25p	15p	17.11.11 – 17.11.15
S Richardson Brown[3]	-	1,000,000	-	1,000,000	1.11.10	4.875p	4.875p	01.11.11 – 01.11.15
	-	1,000,000	-	1,000,000	1.11.10	4.875p	7.313p	01.11.12 – 01.11.15

Notes to tables in (c) and (d) above

1 Dr Davies appointed on 14 September 2010
2 Mr Groom and Mr Legg resigned on the 14 September 2010
3 Mr Richardson Brown appointed on 1 November 2010
4 Mr Cunningham resigned on 4 January 2011

Notes to the Financial Statements

for the year ended 31 December 2011

6 Finance income and costs recognised in loss

	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s
Financial income		
Income on bank deposits	**60**	13
Foreign exchange movements realised	**190**	8
Revaluation of derivative instrument	**32**	–
	282	21
Financial cost		
Interest payable on borrowings	**(267)**	(375)
Unwinding of rehabilitation provision	**(23)**	–
Foreign exchange movements realised	**(540)**	(752)
	(830)	(1,127)

7 Profit on sale of investments

	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s
Sale of current asset investments		
Shares held in Leni Gas and Oil plc	–	5
	–	5

8 Income tax expense

	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s
Current tax expense	**38**	36
Deferred tax expense	**10**	10
Total tax expense for the year	**48**	46

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:

Notes to the Financial Statements

for the year ended 31 December 2011

8 Income tax expense *(continued)*

Reconciliation of effective tax rate:

	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s
Loss for the year	**(6,250)**	(83)
Income tax using the Company's domestic tax rate at 26.49% (2010: 28%)	**(1,656)**	(23)
Effects of:		
Current tax	–	–
Current year losses for which no asset recognised	**1,137**	1,564
Change in unrecognised temporary differences	**3**	37
Effect of tax rates in foreign jurisdictions	**136**	250
Other non-taxable items	**(3,737)**	2
Other non-deductible expenses	**4,221**	(1,747)
Utilisation of losses brought forward	**(46)**	–
Other	**(10)**	–
Capital(losses)/gains	–	(37)
Total tax expense for the year	**48**	46

9 Discontinued operations

The profit on sale of investments in 2010 related to the sale of Ascent's 100% owned Swiss subsidiary, PEOS AG, and consequently its interest in the SEAG-Borona Holdings joint venture, to eCORP Europe International Ltd. for a cash consideration of €8 million, together with various farm-in options on certain potentially successful discoveries. The cash consideration consists of €5 million payable immediately, with €3 million payable on completion of agreed commercial conditions which were met during the year.

The loss on sale of equity accounted investees in the prior year related to the sale of Ascent's 45% interest in Italian drilling contractor Perazzoli Drilling srl for a consideration of £1.19 million in addition to the return of a £441,000 deposit. The Company's original interest was purchased to provide priority access, and ensure optimal contract terms for drilling services. These advantages were be retained through a five year service alliance with Perazzoli, which provides for a 30% discount on €10 million of drilling services to Ascent and first call on uncommitted drilling units.

Profit on sale of subsidiary

	2011 £ '000s	2010 £ '000s
Sale proceeds	–	7,032
Less pre-disposal carrying values:		
Exploration costs	–	(539)
Liabilities	–	7
Less costs of disposal	–	(601)
Total gain on disposal of discontinued operations	–	5,899

Notes to the Financial Statements

for the year ended 31 December 2011

9 Discontinued operations *(continued)*

Loss on sale of equity accounted investees

	31 December 2011 £ '000s	31 December 2010 £ '000s
Sale proceeds	–	1,191
Less carrying value of investment	–	(1,191)
Loss on disposal	–	–

Result of discontinued operations

	31 December 2011 £ '000s	31 December 2010 £ '000s
Switzerland		
Loss for the year	–	–
Gain from selling discontinued operations after tax	–	5,899
Perazzoli Drilling		
Share of profit of equity accounted investees	–	–
Impairment of equity accounted investee	–	–
Gain from discontinued operations	–	5,899

The cash flow statement includes the following amounts relating to discontinued operations:

Result of discontinued operations

	31 December 2011 £ '000s	31 December 2010 £ '000s
Operating activities	–	–
Investing activities	–	6,431
Net cash from discontinued operations	–	6,431

Notes to the Financial Statements

for the year ended 31 December 2011

10 Loss per share

	31 December 2011 £ '000s	31 December 2010 £ '000s
Loss		
(Loss)/profit for the purposes of basic earnings per share being net loss attributable to equity shareholders		
From continuing operations	**(6,295)**	(6,028)
From discontinued operations	–	5,899
From total operations	**(6,295)**	(129)
(Loss)/profit for the purposes of diluted earnings per share being adjusted net loss attributable to equity shareholders		
From continuing operations	**(6,295)**	(6,013)
From discontinued operations	–	5,899
From total operations	**(6,295)**	(114)

Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**922,336,699**	513,383,470
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**922,336,699**	518,634,913

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares. Dilutive shares arise from share options and the convertible loan notes 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. Further details of the dilutive effect of potentially issuable shares are in Notes 5 and 30.

Notes to the Financial Statements

for the year ended 31 December 2011

11 Property, Plant and Equipment – Group

	Computer and equipment £ '000s	Developed oil and gas assets £ '000s	Total £ '000s
Cost			
At 1 January 2010	64	733	797
Transfer from exploration assets	-	2,437	2,437
Additions	-	529	529
Effects of movements in exchange rates	(2)	(111)	(113)
At 31 December 2010	**62**	**3,588**	**3,650**
At 1 January 2011	62	3,588	3,650
Additions	–	1	1
Effects of movements in exchange rates	–	(437)	(437)
At 31 December 2011	**62**	**3,152**	**3,214**
Depreciation			
At 1 January 2010	15	624	639
Depreciation for the year	1	952	953
Effects of movements in exchange rates	–	13	13
At 31 December 2010	**16**	**1,589**	**1,605**
At 1 January 2011	16	1,589	1,605
Depreciation for the year	2	1,231	1,233
Effects of movements in exchange rates	–	(358)	(358)
At 31 December 2011	**18**	**2,462**	**2,480**
Carrying amounts			
At 31 December 2011	**44**	**690**	**734**
At 31 December 2010	46	1,999	2,045
At 1 January 2010	49	109	158

Notes to the Financial Statements

for the year ended 31 December 2011

12 Property, Plant and Equipment – Company

	Plant and equipment £ '000s
Cost	
At 1 January 2010	11
Additions in the year	1
At 31 December 2010	**12**
At 1 January 2011	12
Additions in the year	5
At 31 December 2011	**17**
Depreciation	
At 1 January 2010	8
Depreciation for the year	2
At 31 December 2010	**10**
At 1 January 2011	10
Depreciation for the year	2
At 31 December 2011	**12**
Carrying amounts	
At 31 December 2011	**5**
At 31 December 2010	2
At 1 January 2010	3

Notes to the Financial Statements

for the year ended 31 December 2011

13 Exploration and decommissioning costs - Group

Group	Italy £ '000s	Hungary £ '000s	Slovenia £ '000s	Other Europe £ '000s	Total £ '000s
Cost					
At 1 January 2010	12,429	6,172	3,954	687	23,242
Additions	393	2,798	1,908	200	5,299
Disposals	–	(261)	–	–	(261)
Assets disposed of with subsidiaries	–	-	–	(539)	(539)
Transfer to property, plant and equipment	–	(2,437)	–	–	(2,437)
Impairment	–	–	(1,853)	–	(1,853)
Additions to decommissioning asset	208	22	201	–	431
Effects of movements in exchange rates	(411)	(290)	(141)	11	(831)
At 31 December 2010	**12,619**	**6,004**	**4,069**	**359**	**23,051**
At 1 January 2011	12,619	6,004	4,069	359	23,051
Additions	418	183	27,671	(18)	28,254
Eliminated in disposal	–	(337)	–	–	(337)
Additions to decommissioning asset	–	–	203	–	203
Effects of movements in exchange rates	(287)	(392)	(569)	(7)	(1,255)
At 31 December 2011	**12,750**	**5,458**	**31,374**	**334**	**49,916**
Impairment					
At 1 January 2010	9,699	3,030	–	96	12,825
Charge for the year	14	1,231	–	–	1,245
Disposal	–	(74)	–	–	(74)
Effects of movements in exchange rates	(345)	(132)	–	(4)	(481)
At 31 December 2010	**9,368**	**4,055**	–	**92**	**13,515**
At 1 January 2011	9,368	4,055	–	92	13,515
Charge for the year	1,750	1,599	–	122	3,471
Eliminated in disposal	–	(337)	–	–	(337)
Effects of movements in exchange rates	(202)	(363)	–	(2)	(567)
At 31 December 2011	**10,916**	**4,954**	**–**	**212**	**16,082**
Carrying value					
At 31 December 2011	**1,834**	**504**	**31,374**	**122**	**33,834**
At 31 December 2010	3,251	1,949	4,069	267	9,536
At 1 January 2010	2,730	3,142	3,954	591	10,417

'Other Europe' includes the Netherlands (2009-2011) and Switzerland (until mid-2010).

Notes to the Financial Statements

for the year ended 31 December 2011

13 Exploration and decommissioning costs - Group *(continued)*

For the purposes of impairment testing the intangible oil and gas assets are allocated to the Group's 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.

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.

During the year, Ascent entered into an agreement with EnQuest PLC ('EnQuest') to acquire their 48.75% interest in the Petišovci interest in Slovenia. As per the terms of the Agreement, Ascent issued 150,903,958 new Ordinary Shares of 0.1p each in the Company to EnQuest. Additionally, at completion, Ascent granted a nil cost option over 29,686,000 new Ordinary Shares of 0.1p each in the Company to EnQuest. The cost of both the share issue and the grant of the nil cost option (£14,243,000 combined) have been treated as additions to Slovenian exploration costs in the period at Group level.

The impairment charge for the year in Hungary of £1,599,000 relates to the plugging of the PEN-104AA well at the Penészlek development, the write off of balances held in respect to the Pelsolaj exploration permit and an internal assessment as to the estimated financing risks and therefore the associated carrying value of other Hungarian projects.

The impairment charge for the prior year in Hungary of £1,231,000 related to the abandonment of the Bajcsa Gasfield redevelopment (£342,000) and the plugging and abandonment of the PEN-106 well at the Penészlek development (£889,000). Both impairments were due to no recoverable oil and gas reserves being found.

The impairment charge for the year for both Italy (£1,750,000) and other Europe (£122,000) relates to an internal assessment of the estimated carrying value of the Company's assets held in those countries.

The impairment charge in the prior year in Slovenia of £1,853,000 related to the abandonment of the Company's East Slovenian exploration project. No recoverable and oil gas reserves were found, so the carrying value of the asset was written off in full.

The impairment charge in the prior year in Italy of £14,000 related to the impairment of historic costs related to general seismic projects in Italy. These costs related to interests on which work is no longer being undertaken and were therefore written off.

The transfer in the prior year to tangible assets related to the PEN-101 and PEN-105 wells in Hungary. Both wells went on production in 2010 and were therefore transferred in accordance with Ascent's accounting policies.

14 Investment in subsidiaries and jointly controlled entities – Company

	Shares in subsidiary undertakings £ '000s
At 1 January 2011	1,970
Additions	14,243
Impairment in year	(190)
At 31 December 2011	**16,023**

The impairment during the year relates to the write down of the carrying values of Ascent Production and Ascent Drilling.

Notes to the Financial Statements

for the year ended 31 December 2011

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

Name of company	Principal activity	Country of incorporation	% of share capital held 2011	% of share capital held 2010
Ascent Slovenia Limited	Oil and Gas exploration	British Virgin Islands	100%	100%
Ascent Slovenia d.o.o.	Oil and Gas exploration	Slovenia	100%	0%
Ascent Production Ltd	Holding company	England	100%	100%
Ascent Drilling Ltd	Holding company	England	100%	100%
Ascent Hungary Ltd	Holding company	England	100%	100%
PetroHungaria kft (Joint Venture)	Oil and Gas exploration	Hungary	48.8%	48.8%
Ascent Hungary Kft	Oil and Gas exploration	Hungary	60%	0%
Pelsolaj kft (joint venture)	Oil and Gas exploration	Hungary	60%	60%
ZalaGasCo kft (joint venture)	Oil and Gas exploration	Hungary	0%	77.45%
Ascent Resources Italia srl	Oil and Gas exploration	Italy	100%	100%
Ascent Netherlands BV	Oil and Gas exploration	Netherlands	100%	100%

ZalaGasCo kft was wound up in the year following the termination of activities in the Bajcsa exploration area.

The legal form of PetroHungaria kft, Pelsolaj kft, Ascent Hungary Kft and ZalaGasCo kft are limited liability companies of what is in substance joint venture agreements between the Group and its partners.

During the year, Ascent entered into an agreement with EnQuest to acquire their 48.75% interest in the Petišovci project in Slovenia. As per the terms of the Agreement, Ascent issued 150,903,958 new Ordinary Shares of 0.1p each in the Company to EnQuest. Additionally, at completion, Ascent granted a nil cost option over 29,686,000 new Ordinary Shares of 0.1p each in the Company to EnQuest. The cost of both the share issue and the grant of the nil cost option have been treated as additions to the Ascent Slovenia investment cost in the year at Company level.

15 Cash and cash equivalents – Group

	2011 £ '000s	2010 £ '000s
Cash and cash equivalents	**2,906**	1,247
Restricted cash	–	801
Total cash and cash equivalents	**2,906**	2,048

Cash and cash equivalents – Company

	2011 £ '000s	2010 £ '000s
Cash and cash equivalents	**2,317**	1,014
Restricted cash	–	801
Total cash and cash equivalents	**2,317**	1,815

The 2010 balance of £801,000 held in Ascent's Group and Company financial statements relates to a letter of credit deposited by Ascent in relation to the drilling of the Pg-11 well in Slovenia. This cash was held in escrow to guarantee payment of the drilling contractor's invoices. There was no restricted cash at 31 December 2011.

Notes to the Financial Statements

for the year ended 31 December 2011

16 Inventories – Group

	2011 £ '000s	2010 £ '000s
Equipment and spares	**264**	341

17 Trade and other receivables – Group

	2011 £ '000s	2010 £ '000s
Trade receivables	**316**	471
VAT recoverable	**659**	867
Other receivables	**265**	203
Prepayments & accrued income	**29**	123
	1,269	1,664

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

There were no trade receivables past due

18 Trade and other receivables – Company

	2011 £ '000s	2010 £ '000s
VAT recoverable	**13**	7
Prepayments	**22**	16
	35	23

19 Deferred tax

There is a deferred tax charge of £10,000 recognised in the accounts for the Group, but none for Company in the year (2010: £10,000 for Group, Nil for Company). Details of net deferred tax assets not recognised are set out below.

	2011 £ '000s	2010 £ '000s
Group		
Total tax losses	**(22,125)**	(16,457)
Unrecorded deferred tax asset	**5,753**	4,937
Company		
Total tax losses	**(5,912)**	(4,830)
Unrecorded deferred tax asset	**1,537**	1,449

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

Notes to the Financial Statements

for the year ended 31 December 2011

20 Borrowings

	2011 £ '000s	2010 £ '000s
Group		
Current		
Convertible loan note	**153**	2,742
Bank loan	**3**	11
	156	2,753
Non-current		
Convertible loan note	**399**	–
Derivative liability	**36**	–
	435	–
Group non-current borrowings are repayable as follows:		
In the third to fifth year	**435**	–
Company		
Current		
Convertible loan note	**153**	2,742
Non-current		
Convertible loan note	**399**	–
Derivative liability	**36**	–
	435	–
Company non-current borrowings are repayable as follows:		
In the third to fifth year	**435**	–

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% (2010: 5.2%).

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%.

Notes to the Financial Statements

for the year ended 31 December 2011

20 Borrowings *(continued)*

Convertible loan note

	Group and 2011 £ '000s	Group and 2010 £ '000s
Fair value of consideration received	**463**	2,100
Equity component	**(64)**	(50)
Liability component on initial recognition	**399**	2,050
Liability brought forward	**2,742**	2,481
Liability on initial recognition	**399**	2,050
Interest expense	**111**	43
Repayment	**(2,700)**	(1,748)
Deferral of set up costs	–	(84)
Liability at 31 December	**552**	2,742

a) On 21 July 2011, the Company placed convertible loan notes to settle balances with existing Italian creditors to raise €552,525 (£463,023) with an option to issue a further €70,000 of convertible loan notes in the future for additional services. This was valued at £399,000 on initial recognition and has a carrying value of £399,000 at the year end.

The unsecured loan notes, which carry interest of 8.5% per annum, are convertible into ordinary shares of 0.1p each in the Company ('Ordinary Shares') at a conversion price of 12 pence per Ordinary Share on or before 31 December 2013, reflecting a premium to the closing share price on 20 July 2010 of approx 310%. The loan notes may be repaid for their principal value plus any outstanding interest at any time by the Company.

On issue of this convertible debt, the value of the loan notes was equal to the value of the trade payables at the date of issue.

b) 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 loan note was extinguished on 13 November 2010 and the amount partially repaid.

c) On 19 November 2010, the Company secured a one year loan facility of £2.1m with YA Global Master SPV Ltd to contribute to the financing of the Pg-11 evaluation well on the Petišovci-Lovászi project area. The one year loan facility was drawn down following completion of certain conditions precedent, including (inter alia) provision of security over Ascent's interest in its Hungarian subsidiary. The loan carries an interest rate of 6% per annum, payment of which will be covered from cash flow from Ascent's existing production. During the term of the facility, Yorkville has the right to convert the outstanding loan balance into shares in Ascent at prices ranging from 8.4p-10.5p. The loan is secured by a charge over Ascent's assets. The amount was fully repaid during the year.

Notes to the Financial Statements

for the year ended 31 December 2011

21 Provisions – Group

	£ '000s
Decomissioning	
At 1 January 2010	152
Provisions made during the year	442
At 31 December 2010	**594**
At 1 January 2011	594
Used during the year	(296)
Provisions made during the year	203
Unwinding of discount	23
At 31 December 2011	**524**

The amount provided for decommissioning costs represents the Group's share of site restoration costs for the Penézlek field in Hungary and the Petišovci field in Slovenia. The most recent estimate is that the year-end provision will become payable between 2012 and 2020.

22 Trade and other payables – Group

	2011 £ '000s	2010 £ '000s
Trade payables	**1,250**	1,655
Tax and social security payable	**36**	92
Other creditors	**89**	148
Accruals and deferred income	**1,088**	419
	2,463	2,314

Trade and other payables represents the maximum credit exposure to the Group and Company.

23 Trade and other payables – Company

	2011 £ '000s	2010 £ '000s
Trade payables	**94**	350
Tax and social security payable	**14**	15
Accruals and deferred income	**62**	139
	170	504

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. As at 31 December 2011, there was tax and social security payable on share based payments of £Nil (2010: £Nil).

Notes to the Financial Statements

for the year ended 31 December 2011

24 Called up share capital

	2011 £ '000s	2010 £ '000s
Authorised		
10,000,000,000 ordinary shares of 0.10p each	**10,000**	10,000
Allotted, called up and fully paid		
1,025,509,722 (2010: 519,780,299) ordinary shares of 0.10p each	**1,026**	520

Reconciliation of share capital movement

	2011	2010
At 1 January	**519,780,299**	500,132,042
YA Global Master SPV Ltd Finance Fee	–	3,118,276
Malcolm Groom Issue	–	15,529,981
EnQuest transaction	**150,903,958**	–
Fund raising	**340,000,000**	–
Settlement of invoices	**1,512,886**	–
Conversion of options	**7,250,000**	1,000,000
SEDA facility drawdown	**6,062,579**	–
At 31 December	**1,025,509,722**	519,780,299

Reserve description and purpose

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

- Share capital: Amount subscribed for share capital at nominal value.
- Equity reserve: Amount of proceeds on issue of convertible debt relating to the equity component i.e. option to convert the debt into share capital.
- Share premium: Amounts subscribed for share capital in excess of nominal value less costs of shares associated with share issues.
- Share based payment reserve: Value of share options granted and calculated with reference to a binomial pricing model (see Note 30). When options lapse or are exercised, amounts are transferred from this account to retained earnings.
- Translation reserve: Exchange movements arising on the retranslation of net assets of operation into the presentation currency.
- Retained earnings: Cumulative net gains and losses recognised in consolidated income.

Shares issued during the year

EnQuest transaction

On 2 February 2011 the Company completed a transaction with EnQuest PLC ('EnQuest') whereby it acquired an additional 48.75% interest in the Petišovci Project in Slovenia.

As per the terms of the Agreement, Ascent issued 150,903,958 new Ordinary Shares of 0.1p each in the Company to EnQuest which commenced trading on 11 February 2011. Additionally Ascent granted a nil cost option over 29,686,000 new Ordinary Shares of 0.1p each in the Company to EnQuest, the exercise of which was subject to certain criteria related to the successful development of the Petišovci Project which were subsequently met.

Notes to the Financial Statements

for the year ended 31 December 2011

24 Called up share capital *(continued)*

Fund raising

On 17 March 2011 the Company raised £17 million, before expenses, by way of a Firm Placing of 100,000,000 New Ordinary Shares at a price of 5p per share and a Conditional Placing of a further 240,000,000 New Ordinary Shares at a price of 5p per share (together the 'Placing').

As part of the transaction, the Company agreed to grant to finnCap, with effect from Admission of the Conditional Placing Shares, as part of their fee on the Placing, a warrant to subscribe for 1,500,000 Ordinary Shares, exercisable at any time within 3 years from Admission at 7p per share. See Note 34 for details of the share-based payment charge related to this.

Convertible Loan Note-1

On 21 July 2011, the Company placed convertible loan notes with existing Italian creditors to raise €552,525 with an option to issue a further €70,000 of convertible loan notes in the future for additional services.

The unsecured loan notes, which carry interest of 8.5% per annum, are convertible into ordinary shares of 0.1p each in the Company ('Ordinary Shares') at a conversion price of 12 pence per Ordinary Share on or before 31 December 2013, reflecting a premium to the closing share price on 20 July 2011 of approx 310%. The loan notes may be repaid for their principal value plus any outstanding interest at any time by the Company.

Settlement of invoices

On 20 January 2011, 1,512,886 ordinary shares were issued and allotted to satisfy some outstanding historic invoices, in aggregate totalling £114,726

Conversion of options

During the year various, parties exercised options over a total of 7,250,000 ordinary shares of 0.1p each in the Company at prices varying from 4.75p per share to 6.75p per share

During the prior year, Jeremy Eng, Managing Director of Ascent, exercised options over 1,000,000 ordinary shares of 0.1p each in the Company at a price of 5.0p per share.

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 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.

No shares were issued in the year in relation to this facility.

Convertible Loan Note-2

On 19 November 2010, the Company secured a one year loan facility of £2.1m with YA Global Master SPV Ltd to contribute to the financing of the Pg-11 evaluation well on the Petišovci- Lovászi project area. A finance fee for setting up the loan note was settled via the issue of 3,118,276 Ascent shares.

Sale of Perazzoli Drilling

During the prior year, the Group disposed its interest in Perazzoli. The Company issued 15,529,981 Ascent shares at 5.105p in return for the 50% interest in Ascent Drilling Limited held by then Director Mr Malcolm Groom and the settlement of the debt owed to Mr Groom by Ascent Drilling Limited.

Notes to the Financial Statements

for the year ended 31 December 2011

24 Called up share capital *(continued)*

Other matters

The Standby Equity Distribution Agreement ('SEDA') facility

On 19 November 2010 the Company entered into an agreement with YA Global Master SPV Ltd ('Yorkville'), an investment fund managed by Yorkville Advisors LLC. The purpose of the agreement is to provide additional working capital for the Company and the Group.

Under the terms of the agreement, Ascent may draw down on funds over a period of up to three years in exchange for the issue of new shares in the Company. The shares issued by the Company will be at a 5% discount to the prevailing market price during the ten day pricing period of a draw down. The Company may also set a minimum price for each draw down. The maximum advance that may be requested is 200% of the average daily trading volume of Ascent shares multiplied by the volume weighted average price of such shares for each of the ten trading days prior to the draw down request.

6,062,579 shares were issued in the year under this facility at an average of 6.6p per share to raise £400,000 for the Company which assisted the Company's working capital needs following the drilling of its appraisal well Pg-11 in Slovenia. In 2010 3,118,276 shares were issued under this facility to cover initial financing fees in relation to setting up the convertible loan note.

25 Operating lease arrangements

At the balance sheet date, the Group had no outstanding commitments under non-cancellable operating leases (2010: £nil).

26 Exploration expenditure commitments

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

At 31 December 2011 the Group had exploration and expenditure commitments of £2.5 million (2010: £0.5m).

27 Contingent liabilities

At the balance sheet date there were no contingent liabilities (2010: £nil) in respect of litigation, overseas taxes or guarantees.

Notes to the Financial Statements

for the year ended 31 December 2011

28 Related party transactions

(a) Group Companies

Transactions and intercompany 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 2011 £ '000s	Services provided by Ascent Resources plc 2011 £ '000s	Cash advances 2010 £ '000s	Services provided by Ascent Resources plc 2010 £ '000s
Subsidiaries				
Ascent Production Ltd	**(178)**	**(192)**	422	(453)
PetroHungaria kft	**(1,036)**	**22**	622	83
Ascent Italia srl	**(9,424)**	**(902)**	886	113
SEAG-Borona JV	–	–	–	(150)
Ascent Drilling Ltd	**(1,085)**	**(35)**	529	4
PEOS AG	–	–	(47)	(327)
Ascent Netherlands BV	**2**	**(396)**	28	83
Ascent Resources Slovenia	**11,596**	**714**	2,768	341
Ascent Hungary Limited	–	**(810)**	–	913
ZalaGasCo kft	–	–	(573)	(4)
Ascent Hungary kft	**8**	–	–	–
Pelsolaj kft	–	**(187)**	–	187
	(117)	**(1,786)**	4,635	790

(b) Group Companies (continued)

Balances at the year end	Cash advances 2011 £ '000s	Trading balance 2011 £ '000s	Cash advances 2010 £ '000s	Trading balance 2010 £ '000s
Subsidiaries				
Ascent Production Ltd	–	–	178	192
PetroHungaria kft	**2,121**	**1,141**	3,157	1,119
Ascent Italia srl	**167**	**105**	9,591	1,007
Ascent Drilling Ltd	–	–	1,085	35
Ascent Netherlands BV	**(528)**	**637**	(530)	1,033
Ascent Resources Slovenia	**16,683**	**1,566**	5,087	852
Ascent Hungary Limited	–	**285**	–	1,095
Ascent Hungary kft	**8**	–	–	–
Pelsolaj kft	–	–	–	187
	18,451	**3,734**	18,568	5,520

The Directors have examined whether any of the intercompany balances should be impaired and whether they are recoverable given the current status of the projects. The Directors' assessment is that these balances should all be ultimately recoverable. This has led to a provision being made against the Italian and Netherlands' cash advances, and the Italian and Ascent Hungary trading balances. This provision has been made to reflect a prudent estimate of recoverable amounts in those locations.

Notes to the Financial Statements

for the year ended 31 December 2011

28 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.

2011

There were no related party transactions related to Directors other than their remuneration in 2011.

2010

During 2010, the Group disposed its interest in Perazzoli. The Company issued 15,529,981 Ascent shares at 5.105p in return for the 50% interest in Ascent Drilling Limited held by then Director Mr Malcolm Groom and the settlement of the debt owed to Mr Groom by Ascent Drilling Limited.

Thereafter, the 45% interest in Perazzoli held by the Group was sold for a consideration of €1.35 million (approximately £1.2 million) to a major shareholder of Perazzoli. The Company's original interest was purchased to provide priority access, and ensure optimal contract terms for drilling services. These advantages will be retained through a five year service alliance with Perazzoli, which provides for a 30% discount on €10 million of drilling services to Ascent and first call on uncommitted drilling units. This transaction was approved at an Extraordinary General Meeting of the Company on 12 March 2010.

29 Post balance sheet events

Penészlek Project

On 18 April 2012, PetroHungaria kft in which Ascent has a 48.78% interest completed the drilling of the PEN-105A sidetrack in the Penészlek Project in Eastern Hungary. The results of the well exceeded management expectations and were better than the original PEN-105 well with approximately 20 m of gas-bearing formations drilled in the targeted Miocene volcaniclastic reservoirs.

The PEN-105A well was sidetracked from the existing PEN-105 well to a measured depth of 1,640 m and a location some 460 m northeast of the original well. It was designed to drain gas reserves from the northern half of the structure which is bisected by a sealing fault. The original well has recovered some 0.85 Bcf (24 Mm^3) of gas from the smaller southern part of the structure since production started from it in March 2010.

Preliminary testing of a 7 m perforated section of PEN-105A produced gas at a rate of 0.928 MMscfd (26,300 m^3/d; 154 boepd) and work is progressing to reconnect the well to the production facilities. In the future it is intended to add additional perforation and to stimulate the well with an acid wash. An acid wash on the original PEN-105 well was very effective resulting in a doubling of the production rate after treatment.

Italian Loan Note

On 4 April 2012 the Group secured a three year, €1 million loan with Cassa Di Risparmio de Cento Bank. The interest is calculated by reference to the three month Euribor rate plus a margin of 7.5%.

BNPP Term Loan Facility

On 29 May 2012 the Group signed a credit agreement with BNPP for a term loan facility totalling up to €15 million. The agreement provides Ascent with the ability to draw down up to €10 million immediately to fund the Petišovci field to production. Ascent will then be able to draw down up to a further €5 million, subject to certain performance criteria being met, to fund further developments on the field.

Notes to the Financial Statements

for the year ended 31 December 2011

30 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:

	2011 Number of share options	**2011 Weighted average exercise price**
Outstanding at 1 January 2011	**44,500,000**	**9.38p**
Granted during the year	**36,186,000**	**9.67p**
Expired during the year	**(1,500,000)**	**11.17p**
Exercised during the year	**(7,250,000)**	**6.00p**
Outstanding at 31 December 2011	**71,936,000**	**9.82p**
Exercisable at 31 December 2011	**37,250,000**	**9.38p**

	2010 Number of share options	2010 Weighted average exercise price
Outstanding at 1 January 2010	45,975,000	9.93p
Granted during the year	15,500,000	10.38p
Expired during the year	(15,975,000)	12.22p
Exercised during the year	(1,000,000)	5p
Outstanding at 31 December 2010	44,500,000	9.38p
Exercisable at 31 December 2010	28,500,000	8.88p

The fair value of share options issued in the year was 2.4p (2010: 3.4p)

The charge for the year was £516,120 (2010: £140,000)

During the year, the Company entered into an agreement with EnQuest to acquire their 48.75% interest in the Petišovci project in Slovenia. As per the terms of the Agreement, Ascent granted a nil cost option over 29,686,000 new Ordinary Shares of 0.1p each in the Company to EnQuest and subsequently a charge. The cost of the grant of the nil cost option (£2,307,000) has been treated as additions to Slovenian exploration costs in the year at Group level.

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

	2011	2010
Share price at grant date	**3.16p – 7p**	4.88p – 5.25p
Exercise price	**0p – 12p**	4.875p – 15p
Volatility	**100%**	101%
Expected life	**3 – 4.2 years**	3 – 4 years
Risk free rate	**0.5%**	0.5%
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 2011 have an exercise price in the range of 4.75p and 14p (31 December 2010: 4.75p and 15p) and a weighted average contractual life of 4.29 years (31 December 2010: 3.46 years).

Notes to the Financial Statements

for the year ended 31 December 2011

31 Financial risk management

Group and Company

The Group's financial liabilities comprise bank loans, convertible loan notes, derivative financial liability, other loans and trade payables. All liabilities are measured at amortised cost with the exception of the derivative financial liability which is measured at fair value through the profit and loss. These are detailed in Notes 20 and 22.

The Group has various financial assets being trade receivables and cash, which arise directly from its operations. All are classified as loans and receivables. These are detailed in Notes 15 and 17.

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.

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.

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

b) Currency risk

The Group's operations are predominantly in Italy, Slovenia and Hungary. Foreign exchange risk arises from translating the Euro earnings, assets and liabilities of the Ascent Resources Italia srl 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.

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

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 Sterling. The currencies giving rise to this are the Euro, the United States Dollar 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 Sterling against the stated currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis comprises cash and cash equivalents held at the balance sheet date. A positive number below indicates an increase in profit and other equity where Sterling weakens 10% against the relevant currency.

Notes to the Financial Statements

for the year ended 31 December 2011

31 Financial risk management *(continued)*

Group	Euro currency change		Forint currency change		US Dollar currency change	
	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s
Profit or loss						
10% strengthening of Sterling	**(78)**	996	**(59)**	38	**(3)**	–
10% weakening of Sterling	**95**	(1,217)	**72**	(46)	**6**	–
Equity						
10% strengthening of Sterling	**(443)**	(599)	**(160)**	205	**39**	(21)
10% weakening of Sterling	**541**	732	**196**	(251)	**(48)**	21

Company	Euro currency change		Forint currency change		US Dollar currency change	
	Year ended 31 December 2011 £ '000s	Year ended 31 December 2010 £ '000s	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s	**Year ended 31 December 2011 £ '000s**	Year ended 31 December 2010 £ '000s
Profit or loss						
10% strengthening of Sterling	**(4)**	–	–	–	**(3)**	–
10% weakening of Sterling	**8**	–	–	–	**6**	–
Equity						
10% strengthening of Sterling	**(2,060)**	(1,595)	–	–	**39**	(21)
10% weakening of Sterling	**2,517**	1,949	–	–	**(48)**	21

Fair values

All financial assets and liabilities are shown in the balance sheet at their amortised costs, which approximates to underlying fair value with the exception of the derivative liability which is shown at fair value through profit and loss. Financial instruments listed above valued at fair value are assessed as tier 2. Tier 2 means inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

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 17, 18, 22 and 23

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.

Notes to the Financial Statements

for the year ended 31 December 2011

31 Financial risk management *(continued)*

d) Interest rate risk

The Group and Company'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 2011 the Group and Company has Euro loans at Sterling equivalent of £553,000 at a fixed rate of 8.5% and the Group has a Euro loan at sterling equivalent of £3,000 (2010: £11,000) at variable rate of Euribor + 1% (2010: Euribor + 1%).

At 31 December 2010, the Group and Company had a loan of £753,000 at a fixed rate of 8.5% and another loan of £2,100,000 at a fixed rate of 6%.

Financial assets (sterling equivalent)	Weighted Average Floating Interest Rate %	2011 Amount £ '000s	2010 Amount £ '000s
Cash in Euro	0.10%	2,153	1,864
Cash in United States Dollar	0.00%	31	158
Cash in Sterling	0.05%	706	7
Cash in Hungarian Forints	0.15%	16	19
		2,906	2,048

e) Liquidity risk

The Group manages its 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).

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

Notes to the Financial Statements

for the year ended 31 December 2011

31 Financial risk management *(continued)*

Group	**Carrying amount Year ended 31 December 2011 £ '000s**	**Fair value Year ended 31 December 2011 £ '000s**	Carrying amount Year ended 31 December 2010 £ '000s	Fair value Year ended 31 December 2010 £ '000s
Financial assets				
Cash and cash equivalents	**2,906**	**2,906**	2,048	2,048
Trade receivables	**316**	**316**	471	471
Financial liabilities				
Trade Creditors	**1,250**	**1,250**	1,655	1,655
Convertible loans at fixed rate	**552**	**616**	2,742	2,853

Company	**Carrying amount £ '000s**	**Fair value £ '000s**	Carrying amount £ '000s	Fair value £ '000s
Financial assets				
Cash and cash equivalents	**2,317**	**2,317**	1,815	1,815
Financial liabilities				
Trade Creditors	**94**	**94**	350	350
Convertible loan at fixed rate	**552**	**616**	2,742	2,853

At 31 December 2011 the Group has a Euro loan at Sterling equivalent of £552,000 at a fixed rate of 8.5% and a Euro loan at a Sterling equivalent of £3,000 (2010: £11,000) at variable rate of Euribor +1% (2010: Euribor + 1%).

At 31 December 2010 the Group had a loan of £753,000 at a fixed rate of 8.5% and another loan of £2,100,000 at a fixed rate of 6%.

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 SGH Martineau LLP, 5th Floor, One America Square, Crosswall, London EC3N 2SG on Wednesday 27 June 2012 at 1pm for the following purposes:-

Ordinary Business

1. To receive and adopt the report of the Directors and the financial statements for the year ended 31 December 2011 and the report of the auditors thereon.
2. To re-elect, as a director of the Company, Mr John Kenny, 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 Nigel Moore, 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 BDO LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be determined by the Directors.

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 £550,000.00 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 2013 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) for cash 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 250,000.00;

   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 2013. 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

1 June 2012

One America Square
Crosswall
London EC3N 2SG

Notice of AGM

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 6.00pm on 25 June 2012 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 ('Ordinary Shares') held in their name at that time. Changes to the register after 6.00pm on 25 June 2012 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. **Resolutions 2 and 3** – Article 25.2 of the Company's Articles of Association requires 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 2013, unless the authority is renewed or revoked prior to such time. This authority is limited to a maximum of 550,000,000 Ordinary Shares. This authority replaces the existing authorities granted at the AGM held on 30 June 2011.
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 250,000,000 Ordinary Shares. This authority replaces the existing authorities granted at the AGM held on 30 June 2011 and expires at the conclusion of the Annual General Meeting to be held in 2013.

Notes

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resources plc
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