4 August 2014

Dear Shareholders and holders of Convertible Loan Notes

GPS Subscription

Introduction

As previously announced, the proposed subscription for ordinary shares in Ascent Resources plc by Global Power Sources S.r.l. ("GPS") of up to £15 million (“the Subscription”), of which some £7 million was to be used to repay existing debt, was approved by Ascent's shareholders at a general meeting on 5 June 2014. However, to date GPS has failed to make payment to Ascent of the £11.7m required to fund the initial tranche of the Subscription (“the Initial Subscription”). Accordingly the associated offer by Ascent to holders of 2013 Convertible Loan Notes for the redemption of up to half of the outstanding 2013 Convertible Loan Notes and the conversion of the remaining 2013 Convertible Loan Notes and the conversion of the outstanding 2014 Convertible Loan Notes have not completed.

Under the Subscription Agreement entered into between GPS and Ascent the long stop date for completion of the Initial Subscription was 31 July 2014 and whilst GPS is still contractually bound by the terms of the Subscription Agreement, Ascent is in a position to conclude alternative arrangements to provide working capital to the Company.

It is important to note that Ascent still has access to up to £3m in funding under the terms of the 2014 Convertible Loan notes agreed with Henderson Global Investors on 5 February 2014. Based on the Ascent board’s expectations on permitting progress this should provide sufficient funding to take the project through the permitting stage.

This letter sets out the background to the default by GPS; the alternative funding arrangements open to the Company and updates shareholders and Convertible Loan Note holders with developments at the Petišovci project.

Background

Subscription agreement

On 16 May 2014 Ascent announced the conditional subscription for ordinary shares by GPS of an initial sum of £11.7 million at a price of 0.8p per share. Also announced was an additional subscription by GPS of a further £3.3 million subject to the performance of the Petišovci project and the adjacent methanol plant before 31 December 2014.

The new shares to be issued as part of the Initial Subscription, together with the shares GPS already owns, would have taken GPS’s holding to some 47.9% of the enlarged share capital of Ascent and to some 53.1% of the enlarged total should the additional subscription have been made.

GPS’s funding arrangements

As set out in the circular to shareholders dated 16 May 2014, GPS entered into a joint venture agreement with Salomon Werner HAB Privee Limited, formerly known as Salomon Partners WRS Werner Rothschild & CIE Limited (“WRS”) to, *inter alia*, provide GPS with funds to complete the Subscription.

Eidos Partners s.r.l. ("Eidos Partners"), as financial adviser to GPS, confirmed in writing to the Ascent board the availability of the funds to make the Initial Subscription and that these funds would not be used for any other purpose but to complete the Initial Subscription.

Additionally WRS separately confirmed in writing to Ascent that in the event GPS did not pay for the Initial Subscription by 30 June 2014, WRS would provide Ascent with collateral pending receipt of the Initial Subscription funds from GPS.

Current position

The Ascent board believes that WRS has not honored its joint venture agreement with GPS and specifically has not put GPS in funds to complete the Initial Subscription.

The Ascent board has also been informed that GPS has commenced legal proceedings against WRS for non-performance of WRS's obligations under the joint venture agreement.

To date, the Ascent board has received no adequate explanation as to why the funds identified to make the Initial Subscription have not been transferred to Ascent nor why WRS has failed to honour its agreement with GPS.

Additionally, WRS has failed to fulfill an undertaking to Ascent to provide adequate security to Ascent in the event that GPS did not transfer the Initial Subscription monies by 30 June 2014.

Furthermore, to date, Eidos Partners have shown little interest in securing the payment that they confirmed would be made.

Relationship with GPS

One of the attractions of the GPS subscription arrangement was that GPS would be able to provide both practical assistance in developing the Petišovci project and additional investment opportunities, including in the alternative energy space (wind, solar and hydro) in which GPS is already active.

GPS currently owns 21.1% of the issued share capital of Ascent and on a fully diluted basis would hold 11.4%, making them the Company's second largest shareholder. Ascent believes that GPS is doing all that it can to remedy the situation and to the extent that Ascent can assist GPS in this process it will.

The Ascent board's primary concern however is the best outcome for Ascent shareholders and Convertible Loan Note holders. Accordingly, Ascent intends to commence proceedings against GPS and others in the event that a different funding plan is pursued and a loss to Ascent occurs. This could occur through alternative funding being raised on less favourable terms, or due to the costs associated with the Subscription and the £1 million due to Ascent under a previous agreement with GPS, which was due to be waived as part of the negotiations in relation to the current subscription by GPS.

Financial position of the Company

In the event that the Initial Subscription is not completed, Ascent is able to call on the undrawn portion of the 2014 Convertible Loan Notes, which amounts to £3 million in total.

The terms of any drawdown under this facility would depend, *inter alia,* on the price at which any third party investors provide the Company with new funds.

In the absence of alternatives sources of funding the Ascent board plans to begin the drawdown of the 2014 Convertible Loan Notes at the end of August 2014.

Petišovci project

Permitting

The permitting phase in relation to the Petišovci project has taken longer to complete than was originally expected. This is in part due to changes in the circumstances of the project and the permitting regulations, but also in part due to the exceptional level of technical detail required by the Slovenian authorities.

Most recently, the decision by the state-owned electricity company to construct a new high voltage power line in the vicinity of the existing gas processing plant has resulted in several months delay while the various interested parties and regulatory authorities assessed the impact thereof. In addition, extended negotiations have been underway between the project partners and certain land owners, to acquire a suitable site for construction of a new gas processing plant.

Further delays have been caused by the considerable uncertainty and conflicting legal advice on the applicability of new EU regulations regarding competitive tendering for all parts of the construction phase.

Ascent management's expectation is that, in line with stated government timelines, the permitting required for phase one of the Petišovci project will be put to public consultation early in Q1 2015.

Notwithstanding the above difficulties, progress has been made as follows:

- We have reached advanced stages of discussions with the owners of the methanol plant in relation to the terms of an offtake agreement to supply gas from the Pg-10 & Pg-11A wells. The methanol plant continues to offer the potential for early revenue in advance of the construction of infrastructure required for the sale of gas into the national grid.
- We have submitted the key Integrated Pollution Prevention and Control permit application to the Slovenian Environment Agency
- Certain rules on public procurement in Slovenia have been relaxed, which should lead to shorter lead times when issuing tenders for construction contracts.
- We reached mutual agreement with Plinovodi d.o.o., the Company which owns the pipeline to which our gas would flow, regarding the contract for the upstream pipeline network connection to the natural gas transmission system. This is being reviewed by the market regulator (the Energy Agency).

- We believe that a new gas processing plant, in addition to processing the gas from Pg-10, Pg-11A and the existing older Pt (shallow wells) and Pg (deep wells), will also allow us to increase the production from the old wells. In particular, it will open up opportunities to stimulate, re-perforate or take other actions to improve production rates, which has not been worthwhile up to now, due to the lack of any market for unprocessed gas.
- We are in advanced discussions with an international funding institution for a project loan for phase one of the project. This is subject to their due diligence which we expect to be completed in the coming months.

Ascent funding strategy

To date, Ascent has sought to fund the permitting and construction phases with a mixture of project finance and equity. A prime concern was to shorten the period to first gas by funding the acquisition of long lead-time items before the permitting phase is complete.

On the basis of the delays in permitting referred to above, the commercial banks we have been working with have now made the receipt of full permitting a condition precedent for providing any funding advances. This effectively precludes Ascent from using such facilities to fund long lead-time equipment.

Revised funding strategy

In recognition of the above, the Ascent board has decided to focus on funding the Company through to completion of permitting. Once this has been achieved, the Company will look to other sources of finance to fund the construction stage, including project loans and farm-out funding.

Longer-term outlook

The Ascent board believes that Petišovci remains a project with significant potential, which has been confirmed by the interest shown by GPS and other parties.

Significant progress continues to be made, together with our partners in Slovenia, to bring the asset into production. Once the project is fully permitted and with workable project loans in place, Ascent is expected to move steadily towards production and income. Management's estimate of the NPV10 of Ascent's share of the asset is in excess of €150m. The Ascent board expects that the project will provide material cash flows to the Company from Q1 2016.

Yours faithfully

Clive Carver
Chairman