Interim Financial Statements

Six months ended 30 June 2016

Company Number 05239285

Ascent Resources plc
Interim Financial Statements for the six months ended 30 June 2016

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Ascent Resources plc
("Ascent" or "the Company")

Interim results for the period ended 30 June 2016

Ascent Resources plc, the AIM quoted European oil and gas exploration and production company is pleased to report its interim results for the six months ended 30 June 2016.

Highlights:

- Raised £1.5million in new equity through three placings.
- Loan note conversions have reduced the cash owed on convertible loan notes by £2.8 million in six months.
- Administrative expenses reduced by (33%) to £676k compared with the same period in 2015.
- Preliminary approach from Cadogan Petroleum plc highlighting the potential value of the asset.
- Colin Hutchinson appointed as permanent CEO.

Post Period Highlights:

- Gas sales agreement signed with INA-Industrija Nafte d.d. giving a confirmed route to market independent of the IPPC Permit.
- Alternative route agreements implemented - cheaper and quicker than the construction of a new gas treatment facility.
- Acquisition of Trameta d.o.o guaranteeing access to key pipeline infrastructure required for the alternative route.
- Export pipeline has been successfully tested to the proposed operating pressure.
- First gas sales revenue expected by early 2017.

Colin Hutchinson, CEO of Ascent, commented:

"Progress to date has made 2016 one of the most significant years in the history of the Company. Following the signing of the INA gas sales agreement we can look forward to delivering gas revenue in early 2017".

Enquiries:

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Chairman's statement

Ascent presents its unaudited results for the six months ended 30 June 2016.

I am pleased to be able to issue our first report where we have a clear, short route to first gas production and income. On commencement of commercial production of gas from the Petišovci field Ascent will retain 90% of revenues from hydrocarbons until the full €42 million costs expended to date have been recovered.

First gas

In July 2016 we announced an agreement between the Petišovci project partners and INA. Under this agreement natural gas with excess water removed but otherwise untreated will be sold to INA at the Croatian border, some 5 kilometres from the Petišovci field. This was made possible by the re-commissioning of existing pipelines in Slovenia and the construction of 75 kilometres of new pipelines in Croatia to connect the Petišovci field with a Croatian treatment facility in Molve.

We also entered an agreement with the owner of Trameta to acquire the company and its rights over the first section of the Slovenian pipeline. Following the acquisition of Trameta, the existing Slovenian section of gas pipeline has been successfully tested to the optimal operating pressure without the need for any rectification work. The documentation to recertify the line has been submitted to the Ministry of Infrastructure in Ljubljana.

The remaining work required to commence production primarily consists of completing a short pipeline connecting the export pipeline to the pipeline from the CPP, the refurbishment of an existing gas separation facility (CPP) and working over the existing wells to ready them for production.

We hope to carry out the first test production in late Q4 2016 with commercial production commencing in Q1 2017.

In anticipation of the agreement with INA, Ascent has in the past few months raised £1.5 million by way of new shares issues. Additionally, some £2.8 million of Loan Notes have been converted into shares, thereby reducing the indebtedness of the Company.

There remains £8.2 million due on the 2013 & 2014 Convertible Loan Notes which are due for redemption on 19 November 2016. The Company has entered into discussions with the majority note holder with a view to extending their term.

To assist the Company with its future plans we have appointed Northland Capital Partners as joint broker with immediate effect.

IPPC Permit

In May 2016 the Company received the unexpected decision of the Administrative Court to revoke the IPPC Permit to allow the Joint Venture to construct its own processing plant in Slovenia. The Company remains of the view that constructing a processing plant in Slovenia remains the most economic solution for both the Company and the Country and will continue to work to resolve this issue. If this issue cannot be resolved through dialogue the Company reserves the right to progress the issue through the Slovenian and European Courts.

Outlook

The opportunity at Petišovci remains as strong as ever. Despite the prolonged delays Ascent still has a 75% economic interest in the Petišovci field, which has a net present value, including Phase 2 of some €200 million based on management estimates.

With 90% of revenues coming preferentially to Ascent to cover historic costs to date of some €42 million and without the immediate obligation to construct a new Slovenian treatment works the cash flows of the company should materially strengthen during 2017.

The performance of the Phase 1 wells during 2017 will also be important in assessing the terms of project financing when we come to develop the much larger Phase 2 of the Petišovci project.

I would like to take this opportunity to thank shareholders for their patience and understanding during the past few years and look forward to bringing the first two wells on stream from Petišovci in the near future.

Clive Carver
Non-executive Chairman

Consolidated Income Statement

for the Period ended 30 June 2016

	Notes	**Six months ended 30 June 2016 Unaudited £ '000s**	Six months ended 30 June 2015 Unaudited £ '000s	Year ended 31 December 2015 Audited £ '000s
Administrative expenses	2	**(676)**	(1,011)	(1,888)
Loss from operating activities		**(676)**	(1,011)	(1,888)
Finance income	3	**153**	1	745
Finance cost	3	**(821)**	(1,674)	(2,501)
Net finance costs		**(668)**	(1,673)	(1,756)
Loss before taxation		**(1,344)**	(2,684)	(3,644)
Income tax expense		**-**	-	-
Loss for the period		**(1,344)**	(2,684)	(3,644)
Loss per share				
Basic & fully diluted loss per share (Pence) *	4	**0.52**	3.48	4.13

* as restated for the capital reorganisation in November 2015 which effectively reduced shares in issue by a factor of 20.

Consolidated Statement of Comprehensive Income

for the Period ended 30 June 2016

	Six months ended 30 June 2016 Unaudited £ '000s	Six months ended 30 June 2015 Unaudited £ '000s	Year ended 31 December 2015 Audited £ '000s
Loss for the period	**(1,344)**	(2,684)	(3,644)
Other comprehensive income			
Foreign currency translation differences for foreign operations	**2,293**	(1,809)	(1,059)
Total comprehensive gain / (loss) for the period	**949**	(4,493)	(4,703)

Consolidated Statement of Changes in Equity

for the Period ended 30 June 2016

	Share capital	Share premium	Equity reserve	Share based payment reserve	Translation reserve	Retained earnings	Total
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Balance at 1 January 2015	**1,459**	**55,911**	**2,576**	**861**	**(1,746)**	**(38,613)**	**20,448**
Loss for the period	-	-	-	-	-	(2,684)	(2,684)
Currency translation differences	-	-	-	-	(1,809)	-	(1,809)
Total comprehensive income	**-**	**-**	**-**	**-**	**(1,809)**	**(2,684)**	**(4,493)**
Issue of shares during the period net of costs	275	250	-	-	-	-	525
Extinguishment of convertible loan notes	-	-	(2,576)	-	-	2,576	-
Extension of convertible loan notes	-	-	1,910	-	-	-	1,910
Share-based payments and expiry of options	-	-	-	73	-	-	73
Balance at 30 June 2015	**1,734**	**56,161**	**1,910**	**934**	**(3,555)**	**(38,721)**	**18,463**
Balance at 1 January 2015	**1,459**	**55,911**	**2,576**	**861**	**(1,746)**	**(38,613)**	**20,448**
Loss for the period	-	-	-	-	-	(3,644)	(3,644)
Currency translation differences	-	-	-	-	(1,059)	-	(1,059)
Total comprehensive income	**-**	**-**	**-**	**-**	**(1,059)**	**(3,644)**	**(4,703)**
Extinguishment of convertible loan notes	-	-	(4,586)	-	-	4,586	-
Extension of convertible loan notes	-	-	3,582	-	-	-	3,582
Conversion of loan notes	4	1	-	-	-	-	5
Issue of shares during the period net of costs	415	781	-	-	-	-	1,196
Share-based payments and expiry of options	-	-	-	(378)	-	524	146
Balance at 31 December 2015	**1,878**	**56,693**	**1,572**	**483**	**(2,805)**	**(37,147)**	**20,674**
Balance at 1 January 2016	**1,878**	**56,693**	**1,572**	**483**	**(2,805)**	**(37,147)**	**20,674**
Loss for the period	-	-	-	-	-	(1,344)	(1,344)
Currency translation differences	-	-	-	-	2,293	-	2,293
Total comprehensive income	**-**	**-**	**-**	**-**	**2,293**	**(1,344)**	**949**
Conversion of loan notes	565	2,260	(369)	-	-	369	2,825
Issue of shares during the period net of costs	405	1,010	-	-	-	-	1,415
Share-based payments and expiry of options	-	-	-	83	-	-	83
Balance at 30 June 2016	**2,848**	**59,963**	**1,203**	**566**	**(512)**	**(38,122)**	**25,946**

Consolidated Statement of Financial Position

As at 30 June 2016

		30 June	30 June	31 December
		2016	2015	2015
		Unaudited	Unaudited	Audited
Assets	Notes	**£ '000s**	£ '000s	£ '000s
Non-current assets				
Property, plant and equipment		**4**	2	3
Exploration and evaluation costs	5	**35,214**	31,455	32,711
Total non-current assets		**35,218**	31,457	32,714
Current assets				
Trade and other receivables		**23**	142	61
Cash and cash equivalents		**860**	239	32
Total current assets		**883**	381	93
Total assets		**36,101**	31,838	32,807
Equity and liabilities				
Attributable to the equity holders of the Parent Company				
Share capital	7	**2,848**	1,734	1,878
Share premium account		**59,963**	56,161	56,693
Equity reserve		**1,203**	1,910	1,572
Share-based payment reserve		**566**	934	483
Translation reserves		**(512)**	(3,555)	(2,805)
Retained earnings		**(38,122)**	(38,721)	(37,147)
Total equity		**25,946**	18,463	20,674
Non-current liabilities				
Provisions		**434**	370	386
Total non-current liabilities		**434**	370	386
Current liabilities				
Trade and other payables		**297**	535	508
Borrowings	6	**9,424**	9,691	11,239
Other current liabilities		**-**	2,779	-
Total current liabilities		**9,721**	13,005	11,747
Total liabilities		**10,155**	13,375	12,133
Total equity and liabilities		**36,101**	31,838	32,807

Consolidated Statement of Cash Flows

for the six months ended 30 June 2016

		6 months ended 30 June	6 months ended 30 June	**Year ended 31 December**
		2016 Unaudited	2015 Unaudited	**2015 Audited**
		£ '000s	£ '000s	**£ '000s**
Cash flows from operations				
Loss after tax for the period		**(1,344)**	(2,684)	(3,644)
DD&A charge		**-**	-	(1)
Decrease/ (increase) in receivables		**38**	(44)	37
(Decrease in payables		**(211)**	(112)	(222)
Increase in share based payments		**83**	73	146
Exchange differences		**(8)**	30	36
Finance income		**(153)**	(1)	(745)
Finance cost		**821**	1,674	2,501
Net cash used in operating activities		**(774)**	(1,064)	(1,892)
Cash flows from investing activities				
Interest received		**-**	1	1
Payments for investing in exploration	5	**(158)**	(174)	(661)
Purchase of property, plant and equipment		**(1)**	-	-
Net cash used in investing activities		**(159)**	(173)	(660)
Cash flows from financing activities				
Interest paid and other finance fees		**-**	(1)	(18)
Proceeds from loans		**350**	500	950
Loan issue costs		**(6)**	(1)	-
Proceeds from issue of shares		**1,455**	550	1,252
Share issue costs		**(40)**	(25)	(56)
Net cash generated from financing activities		**1,759**	1,023	2,128
Net increase in cash and cash equivalents for the period		**826**	(214)	(424)
Effect of foreign exchange differences		**2**	(3)	-
Cash and cash equivalents at beginning of the period		**32**	456	456
Cash and cash equivalents at end of the period		**860**	239	32

Notes to the Interim Financial Statements

For the six months ended 30 June 2016

1. Accounting Policies

Reporting entity

Ascent Resources plc ('the Company') is a company domiciled in England. The address of the Company's registered office is 5 New Street Square, London EC4A 3TW. The unaudited consolidated interim financial statements of the Company as at 30 June 2015 comprise the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation

The interim financial statements have been prepared using measurement and recognition criteria based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted for use in the EU. The interim financial information has been prepared using the accounting policies which will be applied in the Group's statutory financial statements for the year ended 31 December 2016 and were applied in the Group's statutory financial statements for the year ended 31 December 2015.

All amounts have been prepared in British pounds, this being the Group's presentational currency.

The interim financial information for the six months to 30 June 2016 and 30 June 2015 is unaudited and does not constitute statutory financial information. The comparatives for the full year ended 31 December 2015 are not the Group's full statutory accounts for that year. The information given for the year ended 31 December 2015 does not constitute statutory financial statements as defined by Section 435 of the Companies Act. The statutory accounts for the year ended 31 December 2015 have been filed with the Registrar and are available on the Company's web site www.ascentresources.co.uk. The auditors' report on those accounts was unqualified and included an emphasis of matter drawing attention to the importance of disclosures made in the annual report regarding going concern. It did not contain a statement under Section 498(2)-(3) of the Companies Act 2006.

Going Concern

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

During June 2016 the Company raised £1 million (£977,500 net of costs) in two separate equity placings. These funds are sufficient to fund current trading obligations of the Company until Q1 2017.

On 1 August 2016 the Company announced that it had signed a gas sales agreement with INA, Croatia's leading Oil & Gas Company, to sell joint venture gas production at the Croatian border. Additional funds will be required to complete the capital programme required in order to make existing wells and facilities ready for production however there is currently no committed expenditure in relation to this programme.

Additionally, the Company has £8.2 million of convertible loan notes currently due for redemption on 19 November 2016. While the share price is currently significantly above the conversion price there can be no guarantee that all of the notes will have converted by the redemption date.

As such the Company will require further funding to finance the capital programme in Slovenia and repay the loan notes as they fall due. The Directors have a range of different options including, but not limited to, new borrowings or new equity placings. However, there can be no guarantee over the outcome of these options and as a consequence there is a material uncertainty of the Group's ability to raise the necessary finance, which may cast doubt on the Group's ability to operate 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 signing of agreements which give the Company a clear route through to first gas and in light of the significant recent support from new and longer term shareholders.

Liquidity and Capital Resources:

The Company continues to be an emerging business and currently has no production cash flows; consequently, it manages its working capital and liquidity position by balancing the timing of critical expenditure with available funds. Further information on future funding arrangements and the Directors' assessment of the Group's going concern position is set out above.

Principal Risks and Uncertainties:

The principal risks and uncertainties affecting the business activities of the Group remain those detailed on pages 50-52 of the Annual Review 2015, a copy of which is available on the Company's website at www.ascentresources.co.uk.

2. Operating loss is stated after charging

	Six months ended	Six months ended	Year ended
	30 June	30 June	31 December
	2016	2015	2015
	Unaudited	Unaudited	Audited
	£ '000s	£ '000s	£ '000s
Employee costs	**277**	397	702
Termination payments	**-**	-	279
Share based payment charge	**83**	73	147
Foreign Exchange differences	**(1)**	-	3
Included within Admin Expenses			
Audit Fees	**25**	26	59
Fees payable to the company's auditor for other services	**-**	-	3
	25	26	62

3. Finance income and costs recognised in loss

	Six months ended	Six months ended	Year ended
	30 June	30 June	31 December
	2016	2015	2015
	Unaudited	Unaudited	Audited
	£ '000s	£ '000s	£ '000s
Finance income			
Income on bank deposits	**-**	1	1
Foreign exchange movements realised	**-**	-	3
Other income	**153**	**-**	**-**
Gain on EnQuest liability restructuring	**-**	-	741
	153	**1**	**745**
Finance cost			
Interest payable on borrowings	**(814)**	(624)	(1,451)
Bank Charges	**(8)**	(1)	(5)
Unwinding of EnQuest liability	**-**	(186)	(186)
Foreign exchange movements realised	**1**	(9)	(3)
Loss on extinguishment of loan notes	**-**	(854)	(856)
	(821)	(1,674)	(2,501)

The liability written off represented a creditor dating back more than five years which the Company no longer deems to be payable.

Convertible loan notes were restructured during the prior periods and a full commentary is contained within the audited financial statements for the year ended 31 December 2015 and are available at www.ascentresources.co.uk.

4. Loss per share

	Six months ended	Six months ended	Year ended
	30 June	30 June	31 December
	2016	2015	2015
	Unaudited	Unaudited	Audited
	£ '000s	£ '000s	£ '000s
Result for the period			
Total loss for the period attributable to equity shareholders	**1,344**	2,684	3,644
Weighted average number of ordinary shares	**Number**	Number	Number
For basic earnings per share	258,096,858	77,060,955	88,160,768
Loss per share (Pence)	0.52	3.48	4.13

The weighted average number of shares for six months ended 30 June 2015 has been adjusted for the share consolidation. The previously presented total was 1,514,219,096 which equated to 77,060,955 as if the share consolidation had taken place at the start of 2015.

Potential shares to be issued are antidilutive so the basic earnings per share is equivalent to the diluted earnings per share.

5. Exploration and Evaluation Costs

Exploration Costs	**Slovenia**	**Total**
Cost		
At 1 January 2015	33,166	33,166
Additions	174	174
Effects of exchange rate movements	(1,885)	(1,885)
At 30 June 2015	**31,455**	**31,455**
At 1 July 2015	31,455	31,455
Additions	487	487
Effects of exchange rate movements	769	769
At 31 December 2015	**32,711**	**32,711**
At 1 January 2016	32,711	32,711
Additions	144	144
Effects of exchange rate movements	2,345	2,345
At 30 June 2016	**35,200**	**35,200**
Carrying value		
At 30 June 2016	**35,200**	**35,200**
At 31 December 2015	32,711	32,711
At 30 June 2015	33,166	33,166

6. Borrowings

	2016 Unaudited £ '000s	2015 Unaudited £ '000s	2015 Audited £ '000s
Current			
Short term loan facility	**838**	-	461
Convertible loan notes	**8,586**	9,691	10,778
	9,424	9,691	11,239

Convertible Loan Note	**30 June 2016 Unaudited £ '000s**	30 June 2015 Unaudited £ '000s	31 December 2015 Audited £ '000s
Liability brought forward	10,778	9,624	9,624
Interest expense	786	624	1,346
Convertible loan notes drawn in the period	-	500	500
Modification to convertible loan notes – de-recognition (Feb 2015)	-	(9,983)	(9,983)
Modification to convertible loan notes - recognition of amended loan notes (Feb 2015)	-	8,930	8,930
EnQuest debt restructured into loan notes	-	-	1,937
Modification to convertible loan notes – de-recognition (Nov 2015)	-	-	(12,021)
Modification to convertible loan notes - recognition of amended loan notes (Nov 2015)	-	-	10,449
Other movements	(153)	-	-
Conversion of 2013 & 2014 Convertible Loan Notes	(2,825)	(4)	(4)
Liability carried forward	**8,586**	**9,691**	**10,778**

Conversion of loan notes during the period	**Shares issued Number**	**Principal £**	**Interest £**	**Total £**
07 April 2016	9,199,293	81,681	10,312	**91,993**
14 April 2016	12,218,647	108,490	13,696	**122,186**
14 April 2016	28,156,159	250,000	31,562	**281,562**
14 April 2016	20,731,493	184,076	23,239	**207,315**
25 April 2016	38,533,398	342,140	43,194	**385,334**
04 May 2016	23,786,327	211,200	26,663	**237,863**
17 May 2016	22,524,931	200,000	25,249	**225,249**
06 June 2016	99,334	882	111	**993**
13 June 2016	46,176,109	410,000	51,761	**461,761**
13 June 2016	46,176,109	410,000	51,761	**461,761**
21 June 2016	5,862,153	55,112	3,510	**58,622**
21 June 2016	29,078,558	258,190	32,596	**290,786**
Total for the period to 30 June 2016	**282,542,511**	**2,511,771**	**313,654**	**2,825,425**

7. Share Capital

	No of Ordinary Shares	Nominal Share Price (Pence)	Share Capital £
1 January 2015 Opening Balance	1,458,507,909	0.10	1,458,508
Conversions to 30 June 2015	611,550	0.10	612
May 2015 Placing - PrimaryBid	275,000,000	0.10	275,000
Balance at 30 June 2015	**1,734,119,459**	0.10	**1,734,119**
Conversions from 1 July 2015 to 30 November 2015	2,991,304	0.10	2,991
Impact of capital re-organisation	(1,650,255,216)		
November 2015 Placing	70,350,000	0.20	140,700
Conversions from 1 December '15 to 31 December '15	101,362	0.20	203
Balance at 31 December 2015	**157,306,909**		**1,878,014**
Being:			
Ordinary shares	*157,306,909*	*0.20*	*314,614*
Deferred shares	*1,737,110,763*	*0.09*	*1,563,400*
			1,878,014
Balance at 1 January 2016	**157,306,909**		**1,878,014**
April 2016 Placing - Primary Bid	35,714,285	0.20	71,429
June 2016 Placing - PrimaryBid	83,333,333	0.20	166,667
June 2016 Placing - Henderson	83,333,333	0.20	166,667
Conversions in the period	282,542,511	0.20	565,085
Balance at 30 June 2016	**642,230,371**		**2,847,860**
Being:			
Ordinary shares	*642,230,371*	*0.20*	*1,284,461*
Deferred shares	*1,737,110,763*	*0.09*	*1,563,400*
			2,847,860

In total 484,923,471 new ordinary shares were issued during the period in three equity placings and a number of loan note conversions which are detailed in note 6 above.

On 7 April 2016 the Company raised £500,000 (£477,500 net of costs) via the placing of 35,714,285 new ordinary shares of 0.2pence each in the Company at a price of 1.4pence per placing share with investors using the PrimaryBid platform.

On 1 June 2016 the Company raised £500,000 (£477,500 net of costs) via the placing of 83,333,333 new ordinary shares of 0.2pence each in the Company at a price of 0.6pence per placing share with investors using the PrimaryBid platform.

On 7 April 2016 the Company raised £500,000 (£500,000 net of costs) via the placing of 83,333,333 new ordinary shares of 0.2pence each in the Company at a price of 0.6pence per placing share to Henderson Global Investors.

These funds have been used to confirm the alternative route to market and to begin planning and ordering of equipment for the connection of our existing wells and the refurbishment of processing facilities.

8. Events subsequent to the end of the reporting period

On 1 August 2016 the Company reported that, together with our Slovenian partners, it had signed the conditional agreements necessary to allow commercial gas production to commence as early as January 2017.

The Company and its Slovenian partners have negotiated a gas sale and purchase agreement with INA, Croatia's leading oil & gas company, which will enable the Joint Venture to sell untreated gas, within our partner's production systems, at the Slovenian / Croatian border.

The Company also announced the signing of a condition sale and purchase agreement to acquire 100% of Trameta doo. a company which owns access to a key section of pipeline in Slovenia in return for the issue of up to 75 million Consideration Shares plus Options over a further up to 7.5 million Subscription Shares.

On 22 August 2016 the resolutions necessary to approve these agreements were approved by shareholders.

Directors and Advisers

Directors	Clive Nathan Carver Colin Hutchinson William Cameron Davies Nigel Sandford Johnson Moore
Secretary	Colin Hutchinson
Registered Office	5 New Street Square London, EC4A 3TW
Nominated Adviser & Broker	Stockdale Securities Limited. Beaufort House 15 St Botolph Street London, EC3A 7BB
Joint Broker	Northland Capital Partners Limited 4th Floor, 60 Gresham Street London, EC2V 7BB
Auditors	BDO LLP 55 Baker Street London, W1U 7EU
Solicitors	Taylor Wessing LLP 5 New Street Square London, EC4A 3TW
Bankers	Barclays Corporate 1 Churchill Place London, E14 5HP
Share Registry	Computershare Investors Services PLC The Pavilions Bridgwater Road Bristol, BS13 8AE
Company's registered number	05239285