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Dear Shareholder

We have received correspondence asking similar questions from several different shareholders. As such we have prepared a single response and will make the same available to all shareholders on the company website.

Please note that the responses in this letter do not contain any new material information that has not already been released to the market via regulatory announcements and which is considered price sensitive information.

Content and timing of production updates

When we announced production for November and December in January 2018 we undertook to provide further updates on a quarterly basis – i.e. the next scheduled update would have been in April for the first quarter of 2018. As it has turned out we have released figures every month in order to keep shareholders as updated as possible.

The total monthly production and the average daily flow rates have been released monthly with comparative figures and a table of statistics included in the annual report. This is a significantly greater level of detail than is usual for comparable companies.

Pg-11A past issues

As previously reported, when the well operation was completed in August 2017 a gradient tool was left downhole and the bottom mandrel was only partially opened.

The workover was considered to have completed satisfactorily and the well was expected to flow normally despite the tooling and downhole choke.

The opinion given to the company by expert technical contractors was that the well should flow satisfactorily with the downhole choke as the effect would be similar to choking production at the surface. The tooling itself was sufficiently small that it posed no issue – the reason for not fishing this item in August was a desire to conserve cash and to avoid the risk of getting anything else stuck down hole.

It took some time to bring the well into initial production as the volumes of water being generating caused freezing issues and required modifications to separating equipment. These are considered usual operating issues and matters such as freezing are common when commissioning new wells of this kind.

As already announced both wells were shut in during October while the facilities for production to INA were commissioned.

During November several adaptations were made to the setup of surface facilities to better deal with the production characteristics of Pg-11A which produces significantly more water than Pg-10.

After it had been producing for some time, management was of the view that the well had the potential to perform better. Analysis provided by a consultant reservoir engineer suggested that the well should "clean up" with water production decreasing and gas production increasing once it had been allowed to flow for a prolonged period. During January and February performance was analysed and the anticipated improvement in well performance did not materialise.

After analysing production data in February, we decided to carry out an operation to remove the tooling and open up the bottom mandrel to see whether this would improve well performance.

As previously announced, this operation was carried out in March, with tooling removed and the downhole choke opened significantly, however the performance of the well, as announced, has not as yet improved.

Pg-11A future performance

As announced, the operation to remove the tooling and open up the bottom plug has had limited impact on the performance of the well. The issue is that the well is producing significant volumes of water. Over the past few weeks we have adjusted some of the surface facilities in order to improve water separation without significant success. Our next step will be to rent test separator equipment to see whether an additional stage of separation improves the ability of the well to flow. As we have announced further investigation will be undertaken to determine the underlying reasons for the presence of liquids before other remedies are sought.

These may include the use of a coil tubing unit to remove the mandrel and run a gradient survey in the well to identify the source of the water. This could then be sealed using a plug or a cement operation. The cost of the coil operation and gradient survey is likely to be around €100,000 depending on how long the operation takes. If this is unsuccessful we still have the option to use a rig to pull and clear the tubing.

Our other well, Pg-10, wasn't impacted by the Pg-11A workover and has been producing without significant interruption since the beginning of November. There have been stoppages of a few hours on occasion to facilitate planned maintenance. Until March 2018, Pg-10 was being produced harder to make up for the reduced production from Pg-11A. In March we decided to reduce the production volumes to maximise the long-term recoverability of the well.

We mentioned in our interim release the minimum quantities in the INA contract and we have disclosed the monthly production rates. Whilst there are month on month variabilities in the level of production which has meant we have been below this minimum for part of the time since the contract's inception, we do not expect there to be any material impact to the Company as a result.

Future permitting

We submitted applications to re-enter Pg-10 and Pg-11A last year for zones beyond the current area of activity and these applications are currently being reviewed by the environment agency in Slovenia. These are the most straightforward applications as they concern the carrying out of operations on existing wells which are the same as those permitted in the past and executed without any negative impact.

Once these permits have been awarded we will submit the applications for future wells. To submit one application for all potential future wells would be a lengthy and costly process.

Availability of debt funding

Notwithstanding the outcome of the strategic review, a portion of future funding for field development may well come from debt. Most of the funding for the new processing plant is expected to come from either bank debt, vendor finance or prepaid gas sales. However, it is very unlikely that debt, or at least debt without a convertible element, could be obtained for well workovers at this time. This is not peculiar to Ascent and applies to all similar E&P companies.

Strategic review

We announced the start of a strategic review on 17 April 2018. Our objective in this was to identify industry and/or financial partners who could help us unlock the long-term value at Petišovci.

The review is at an early stage and there can be no assurance that it will result in a transaction acceptable to the Company. In the absence of an acceptable deal the Company would continue to progress the Petišovci project as it has done successfully for the past ten years.

I am pleased with the progress made by the Company since I became CEO and was delighted to finally overcome several significant obstacles and commence commercial production from the Petišovci field. While production to date from Pg-11A has been lower than management initially expected we believe the fundamentals of the project remain strong.

We look forward to the future development of the project, creating energy independence for Slovenia and creating value for Ascent shareholders.

Yours sincerely

Colin Hutchinson
Chief Executive Officer