Interim Financial Statements

Six months ended 30 June 2018

Company Number 05239285

Chairman's statement

Introduction

Throughout the period under review and subsequently we had only one asset to develop, Petišovci, in eastern Slovenia.

At the start of the period under review income from production at these wells covered the Group's operating costs in Slovenia and the UK. However, despite increases in European gas prices, by Q2 2018 interruptions in production, particularly at Pg-11A and the steady decline in production at Pg-10 indicated that, in the absence of fresh capital, the cashflows from production would be unlikely to meet the Group's projected costs by the end of the year.

New permits

Without new permits we are limited at Petišovci to operating Pg-10 & Pg-11A. The CEO's report provides further information on the permits applied for and the responses received from ARSO, the relevant Slovenian regulatory authority, to date.

In summary, by early August it was clear to the board the only way to get the permit process moving was to make our case more publicly in Slovenia. Thankfully this has resulted in a significant change of approach from ARSO, such that we now expect to receive the much-heralded IPPC permit in the near future and hope that the permit to re-stimulate the existing wells follows shortly thereafter.

We intend to maintain the high public profile of the project and highlight the benefits of the project for Slovenia to the new government which is currently being formed.

Corporate options

The decline in production from our two operational wells and the continued failure of the Slovenian authorities to process our outstanding permits at the pace we expected led the board to conclude the best opportunity to preserve shareholder value was by a corporate transaction.

The overwhelming feedback from shareholders during the period under review, was there was no support for attempts to diversify by the issue of new shares at the share prices then prevailing. Given our lack of cash this ruled out any acquisitions so it was clear that the further development of the Petišovci project would require the involvement of a better funded partner.

In April 2018, we therefore initiated a strategic review, which allowed the canvassing of likely partners without falling foul of recent UK Takeover Panel rules, which can lead to the early identification and resultant departures of otherwise interested parties.

Action taken

The option of raising additional funding without a General Meeting disappeared following the failure to pass the relevant 75% resolution at the Annual General Meeting in June 2018. This and the expected impending cash flow pressures and with no certainty on the outcome of the strategic review led the board in early August to its decision to reduce expenditure to the minimum required to maintain our interest in the Petišovci asset.

There was limited scope to make significant savings in Slovenia, where costs are relatively low.

In the UK non-executive directors have agreed to take no further payment from the business until the cash position of the company improves. The only executive director, Colin Hutchinson our CEO, agreed from the end of August to move to a part-time basis. Our office manager has also agreed to take redundancy. We thank them both for their continued hard work in difficult circumstances over a prolonged period.

These actions extend the date by which either new funding needs to be raised or a deal with a better funded partner is completed.

To be clear Colin Hutchinson remains CEO and our lead in Slovenia, albeit now on a part time basis. We expect in the near future he will take up part-time employment outside the group.

Corporate Governance

We draw shareholders attention to the Company's website www.ascentresources.co.uk which includes a full response to the new QCA Corporate Governance Code.

Outlook

Petišovci remains a very attractive project in the longer run. However, to reach the longer run we need to deal with the position as it is now. We would also benefit from successfully diversifying into other projects.

Having articulated the need for a better funded partner to achieve these objectives we look forward to the outcome on the strategic review currently drawing to a close.

Clive Carver
Non-executive Chairman
19 September 2018

Chief Executive Officer's report

Financial performance

Revenue for the first six month of 2018 was £1,281,000 up from £154,000 which was obtained from test production in the same period last year.

Cost of sales has risen with production, but despite the increase in operational activity, administrative costs were below the corresponding period in the prior year and the company is now close to breakeven on an EBITDA basis.

Following the start of commercial production in November 2017, we have begun depreciating the historic cost of the wells and infrastructure. The wells are depreciated in line with production and the infrastructure over a two-year period. This has resulted in a charge of £599,000 for the six-month period.

Closing cash at 30 June 2018 was £577,000 which includes £351,000 of restricted cash that is held on deposit as over for the €400,000 bank guarantee which supports the INA Gas Sales Agreement. As previously announced, following some amendments to that agreement in July 2018, the bank guarantee has been reduced to €200,000 and therefore a portion of these funds have been moved from restricted to unrestricted cash, post period end.

The company generated £135,000 from operations during the period and used £634,000 in investing activities. We invested £407,000 in fixed assets, during the workovers of Pg-11A and the installation of the filter separator. A further £227,000 was invested in future exploration activities, being the permitting for new wells and the extension of the concession itself. This has resulted in a net cash outflow of £499,000 during the period as no new debt or equity was raised.

Operational performance

Production KPI's	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018
Total production (000s Cubic Metres)	2,250	1,788	1,243	1,191	1,067	1,028
Total production (MCF)	79,464	63,129	43,894	42,062	37,673	36,301
Days producing	31	27	31	30	31	30
Average daily - 000s cubic metres	72.6	67.5	40.1	39.7	34.4	34.3
Average daily - MMscfd	2.6	2.4	1.4	1.4	1.2	1.2
Condensate production (litres)	96,147	65,470	59,130	58,428	29,646	29,647
Litres per 1000 cubic metres of gas	43	37	48	49	28	29
BOE - Gas	13,701	10,884	7,568	7,252	6,495	6,259
BOE - Condensate	605	412	372	368	186	186

Total production for the six months to 30 June 2018 was 8.6 million cubic metres (0.3 BCF) of gas and 0.4 million litres (2,129 barrels) of condensate.

The majority (86%) of production came from well Pg-10 which has performed in line with expectations. However the pressure is declining, and the volume of gas produced has dropped off in recent months. If funding was available, we could install compression equipment to prolong production from the current completion. Ultimately, to maximise production from the well, we will need to re-stimulate this well once the relevant permits have been received.

Our other well, Pg-11A, has not yet been capable of producing the expected volumes of gas based on previous testing. The well is producing larger than anticipated quantities of water which are restricting gas flows. Subject to funding, we intend to re-enter the well with a view to isolating and closing the water source.

Permitting

There are two separate permits which the partners have been progressing for quite some time.

The IPPC Permit ("The Permit") is required to enable Ascent (and its partners in Slovenia) to construct a processing plant adjacent to the Petišovci gas field near Lendava in Slovenia.

The processing plant is required for phase two of the development plan, and the anticipated increased production from the field. The Company is currently exporting production (raw natural gas) from the first two wells, Pg-10 and Pg-11A, via an export pipeline to INA in Croatia. Average monthly production from these wells over the first nine months of export production has been between 1.0 and 2.4 MMscfd.

While there is capacity to significantly increase production through the existing export facilities, with the levels of production projected in the field development plan, it would be more economic to treat these through a facility in Slovenia. This facility would allow Slovenian gas to be treated in Slovenia and sold to Slovenian customers thereby ensuring that the country captures the maximum amount of added value from the resource.

The estimated reserves and resources of the Petišovci field are very significant in the context of Slovenia's national annual natural gas consumption, and the country currently imports a large majority of its natural gas requirement.

The second permit relates to the re-stimulation of Pg-10 and Pg-11A which will be required when the reservoirs on which these wells are currently completed have depleted. The timing of this depletion is uncertain and depends, among other things, on whether compression equipment is installed to prolong production. In any case the current completion at Pg-10 is unlikely to produce for more than a further twelve months before re-stimulation is required. The productive capability of the current Pg-11A reservoirs is dependent on whether successful remedial works can be carried out.

The Petišovci gas field has a layered reservoir structure which means the hydrocarbon resource is contained in 15 identified gas bearing sands. Pg-10 currently produces from the 'F' sand and Pg-11A from the 'L, M and N' sands. Once these sands have depleted the current well structure can be reused and the well recompleted targeting different layers.

In relation to the IPPC Permit, the partners have answered the last call for amendments which were requested by the Environment Agency ("ARSO"). Based on recent discussions we remain hopeful that a final positive decision should be forthcoming in the near future.

In relation to the second permit, ARSO had previously sent a further request for amendments to the partners which we have already responded to. We are hopeful that this will be dealt with by ARSO without further delay.

Outlook

The Company has endured a number of setbacks during the period under review and subsequently in the form of operational issues with Pg-11A and the extended permitting processes. While these setbacks are frustrating and the resultant impact on the Company share price deeply disappointing I am encouraged by the level of interest shown by participants in the strategic review process and am confident in the long-term value of the asset. We have a significant asset and once the necessary permits have been delivered I look forward to the further development of the field.

Colin Hutchinson
Chief Executive Officer
19 September 2018

Consolidated Income Statement

for the Period ended 30 June 2018

	Period ended 30 June 2018 £ '000s	Period ended 30 June 2017 £ '000s
Revenue	**1,281**	154
Cost of sales	**(404)**	(154)
Gross profit	**877**	**-**
Administrative expenses	**(888)**	(921)
Depreciation	**(599)**	-
Loss from operating activities	**(610)**	(921)
Finance income	**5**	7
Finance cost	**(6)**	(305)
Net finance costs	**(1)**	(298)
Loss before taxation	**(611)**	(1,219)
Income tax expense	**-**	-
Loss for the period after tax	**(611)**	(1,219)
Loss for the year attributable to equity shareholders	**(611)**	(1,219)
Loss per share		
Basic & fully diluted loss per share (Pence)	**(0.03)**	(0.08)

Consolidated Statement of Comprehensive Income

for the Period ended 30 June 2017

	Period ended 30 June 2018 £ '000s	Period ended 30 June 2017 £ '000s
Loss for the year	**(611)**	**(1,219)**
Other comprehensive income		
Foreign currency translation differences for foreign operations	**(178)**	500
Total comprehensive gain / (loss) for the year	**(789)**	(719)

Consolidated Statement of Changes in Equity

for the Period ended 30 June 2018

	Share capital	Share premium	Merger Reserve	Equity reserve	Share based payment reserve	Translation reserve	Retained earnings	Total
	£ '000s	**£ '000s**	**£ '000s**	**£ '000s**	**£ '000s**	**£ '000s**	**£ '000s**	**£ '000s**
Balance at 1 January 2017	**3,732**	**63,273**	**-**	**3,147**	**1,680**	**192**	**(38,157)**	**33,867**
Comprehensive income								-
Loss for the year	-	-	-	-	-	-	(1,219)	(1,219)
Other comprehensive income								
Currency translation differences	-	-	-	-	-	500	-	500
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**500**	**(1,219)**	**(719)**
Transactions with owners								
Conversion of loan notes	813	3,259	-	(1,826)	-	-	1,826	4,072
Issue of shares during the year net of costs	323	2,503	-	-	-	-	-	2,826
Share-based payments and expiry of options	-	-	-	-	102	-	-	102
Balance at 30 June 2017	**4,868**	**69,035**	**-**	**1,321**	**1,782**	**692**	**(37,550)**	**40,148**
Balance at 1 January 2017	**3,732**	**63,273**	**-**	**3,147**	**1,680**	**192**	**(38,157)**	**33,867**
Comprehensive income								-
Loss for the year	-	-	-	-	-	-	(1,966)	(1,966)
Other comprehensive income								
Currency translation differences	-	-	-	-	-	898	-	898
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**898**	**(1,966)**	**(1,068)**
Transactions with owners								
Conversion of loan notes	1,803	4,564	-	(3,131)	-	-	3,131	6,367
Issue of shares during the year net of costs	516	3,810	-	-	-	-	-	4,326
Shares issued under Trameta acquisition	50		300	-	(350)	-	-	-
Share-based payments and expiry of options	-	-	-	-	239	-	-	239
Balance at 31 December 2017	**6,101**	**71,647**	**300**	**16**	**1,569**	**1,090**	**(36,992)**	**43,731**
Balance at 1 January 2018	**6,101**	**71,647**	**300**	**16**	**1,569**	**1,090**	**(36,992)**	**43,731**
Comprehensive income								-
Loss for the year	-	-	-	-	-	-	(611)	(611)
Other comprehensive income								
Currency translation differences	-	-	-	-	-	(178)	-	(178)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(178)**	**(611)**	**(789)**
Transactions with owners								
Share-based payments and expiry of options	-	-	-	-	200	-	-	200
Balance at 30 June 2018	**6,101**	**71,647**	**300**	**16**	**1,769**	**912**	**(37,603)**	**43,142**

Consolidated Statement of Financial Position

As at 30 June 2018

	30 June 2018	31 December 2018
Assets	**£ '000s**	£ '000s
Non-current assets		
Property, plant and equipment	**23,605**	23,902
Exploration and evaluation costs	**18,819**	18,587
Prepaid abandonment fund	**263**	279
Total non-current assets	**42,687**	42,768
Current assets		
Inventory	**2**	2
Trade and other receivables	**612**	763
Cash and cash equivalents	**226**	721
Restricted cash	**351**	355
Total current assets	**1,191**	1,841
Total assets	**43,878**	44,609
Equity and liabilities		
Attributable to the equity holders of the Parent Company		
Share capital	**6,101**	6,101
Share premium account	**71,647**	71,647
Merger reserve	**300**	300
Equity reserve	**16**	16
Share-based payment reserve	**1,769**	1,569
Translation reserves	**912**	1,090
Retained earnings	**(37,603)**	(36,992)
Total equity attributable to the shareholders	**43,142**	43,731
Non-Controlling interest	**-**	-
Total equity	**43,142**	43,731
Non-current liabilities		
Borrowings	**41**	36
Provisions	**266**	266
Total non-current liabilities	**307**	302
Current liabilities		
Trade and other payables	**429**	576
Total current liabilities	**429**	576
Total liabilities	**736**	878
Total equity and liabilities	**43,878**	44,609

Consolidated Statement of Cash Flows

for the six months ended 30 June 2018

	Period ended 30 June 2018 £ ’000s	Period ended 30 June 2017 £ ’000s
Cash flows from operations		
Loss after tax for the year	**(611)**	(1,219)
Adjustment related to test production	-	115
Depreciation	**599**	-
Decrease / (Increase) in receivables	**151**	(524)
Increase / (Decrease) in payables	**(147)**	38
Increase in share-based payments	**200**	102
Exchange differences	**(58)**	(23)
Finance income	**(5)**	(7)
Finance cost	**6**	305
Net cash generation from (used in) operating activities	**135**	(1,213)
Cash flows from investing activities		
Payments for fixed assets	**(407)**	-
Payments for investing in exploration	**(227)**	(2,062)
Net cash used in investing activities	**(634)**	(2,062)
Cash flows from financing activities		
Interest paid and other finance fees	**-**	(2)
Proceeds from issue of shares	**-**	2,988
Share issue costs	**-**	(162)
Net cash generated from financing activities	**-**	2,824
Net increase in cash and cash equivalents for the year	**(499)**	(451)
Effect of foreign exchange differences	-	6
Cash and cash equivalents at beginning of the year	**1,076**	3,153
Cash and cash equivalents at end of the year	**577**	2,708

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 2018 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 2018 and were applied in the Group's statutory financial statements for the year ended 31 December 2017.

The Group has adopted the standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2018. The adoption of these standards and amendments did not have a material effect on the financial statements of the Group.

The Company adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Customers' in the six-month period, following the standards becoming effective for periods commencing on or after 1 January 2018.

IFRS 9 'Financial instruments' addresses the classification and measurement of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The Group has applied the modified retrospective approach to transition. The adoption of IFRS 9 did not result in any material change to the consolidated results of the Group. Following assessment of the consolidated financial assets no changes to classification of those financial assets was required. The Group has applied the expected credit loss impairment model to its financial assets.

IFRS 15 introduced a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of IFRS 15 did not result in any material change to the Group's revenue recognition following analysis of its contract.

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 2018 and 30 June 2017 is unaudited and does not constitute statutory financial information. The comparatives for the full year ended 31 December 2017 are not the Group's full statutory accounts for that year. The information given for the year ended 31 December 2017 does not constitute statutory financial statements as defined by Section 435 of the Companies Act. The statutory accounts for the year ended 31 December 2017 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. 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.

In the past six months the Company has encountered production issues at Pg-11A which have substantially reduced the anticipated production from the field. Significantly increased production from the field is unlikely to be possible until the Company has the funding and the permits required for further well re-entries. As a result, anticipated production revenue is not now expected to cover anticipated costs for the next twelve months.

As such the Company will require further funding to cover working capital and further development in Slovenia. The Directors have a range of different options including, but not limited to, a successful corporate transaction arising from the strategic review, 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 levels of interest expressed during the strategic review and the recent progress on permitting that has been made in Slovenia.

Principal Risks and Uncertainties:

The principal risks and uncertainties affecting the business activities of the Group remain those detailed on pages 46-48 of the Annual Review 2017, a copy of which is available on the Company's website at www.ascentresources.co.uk.

2. Operating loss is stated after charging

	Period ended 30 June 2018 £ '000s	Period ended 30 June 2017 £ '000s
Employee costs	390	449
Share based payment charge	200	102
Foreign Exchange differences	-	-
Included within Admin Expenses		
Audit Fees	32	31
Fees payable to the company's auditor other services	-	-
	32	**31**

3. Finance income and costs recognised in loss

	Period ended 30 June 2018 £ '000s	Period ended 30 June 2017 £ '000s
Finance income		
Foreign exchange movements realised	**5**	6
Other income	**-**	153
	5	**2,176**
Finance cost		
Interest payable on borrowings	**-**	(51)
Accretion charge on convertible loan notes	**(5)**	(1,380)
Loan fees	**-**	(16)
Bank Charges	**(1)**	(6)
	(6)	(1,453)

4. Loss per share

	Period ended 30 June 2018 £ '000s	Period ended 30 June 2017 £ '000s
Result for the period		
Total loss for the year attributable to equity shareholders	**611**	1,219
Weighted average number of ordinary shares	**Number**	Number
For basic earnings per share	**2,268,750,320**	1,580,679,071
Loss per share (Pence)	**(0.03)**	(0.08)

5. Property, plant & equipment and Exploration and Evaluation assets

Cost	**Computer Equipment £'000s**	**Developed Oil & Gas Assets £'000s**	**PP&E £'000s**	**Exploration & Evaluation £'000s**
At 1 January 2017	4	-	4	37,541
Additions	2	-	2	2,073
Adjustment related to test production	-	-	-	(115)
Effects of exchange rate movements	-	-	-	536
At 30 June 2017	**6**	**-**	**6**	**40,035**
At 1 January 2017				37,541
Additions	6	43	49	4,544
Transfer to PPE	-	24,092	24,092	(24,092)
Adjustment to decommissioning asset	-	-	-	(199)
Effects of exchange rate movements	-	-	-	793
At 31 December 2017	**6**	**24,135**	**24,141**	**18,587**
At 1 January 2018	6	24,135	24,141	18,587
Additions	-	407	407	227
Effects of exchange rate movements	-	(105)	(105)	5
At 31 December 2018	**6**	**24,437**	**24,443**	**18,819**

Depreciation	**Computer Equipment £'000s**	**Developed Oil & Gas Assets £'000s**	**PP&E £'000s**	**Exploration & Evaluation £'000s**
As at 1 January 2017 & 30 June 2017	**-**	**-**	**-**	**-**
At 1 January 2017	-	-	-	-
Charge for the period	-	(239)	(239)	-
At 31 December 2017	**-**	**(239)**	**(239)**	**-**
At 1 January 2018	-	(239)	(239)	-
Charge for the period	(3)	(596)	(599)	-
Effects of exchange rate movements	(1)	1	-	-
At 31 December 2018	**(4)**	**(834)**	**(838)**	**-**

Carrying value				
At 30 June 2018	**2**	**23,603**	**23,605**	**18,819**
At 31 December 2017	6	23,896	23,902	18,587
At 30 June 2017	6	-	6	40,035

6. Trade & other receivables

	30 June 2018	30 December 2017
	£ '000s	£ '000s
Trade receivables	**493**	655
VAT recoverable	**80**	72
Prepaid abandonment liability	**266**	279
Prepayments & accrued income	**36**	36
	875	1,042
Less non-current portion	**(263)**	(279)
Current portion	**612**	**763**

7. Trade & other payables

	30 June 2018	30 December 2017
	£ '000s	**£ '000s**
Trade payables	355	430
Tax and social security payable	17	30
Other payables	37	19
Accruals and deferred income	20	97
	429	**576**

8. Borrowings

Group	**30 June 2018 £ '000s**	30 December 2017 **£ '000s**
Non-current		
Convertible loan notes	**41**	36
	41	36

Convertible Loan Note	**30 June 2018 £ '000s**	30 December 2017 **£ '000s**
Liability brought forward	**36**	6,162
Interest expense	**5**	241
Converted notes	**-**	**(6,367**
Liability at 31 December	**41**	36

9. Share Capital

	30 June 2018 £ '000s	30 December 2017 **£ '000s**
Authorised		
10,000,000,000 ordinary shares of 0.10p each	10,000	10,000
Allotted, called up and fully paid		
157,306,901 (2015: 1,458,507,909) ordinary shares of 0.2pence each (2015: 0.10p each)	6,101	6,101
Reconciliation of share capital movement	**Number**	Number
Opening	**2,268,750,320**	1,084,074,224
Loan note conversions	-	901,790,555
Issue of Trameta consideration shares	-	25,000,000
Placings	-	257,885,541
Closing	**2,268,750,320**	2,268,750,320

10. Equity raised

There has been no equity raised during the period under review.

In the prior period, on 14 February 2017, the Company raised £2,987,750 (£2,825,863 net of costs) via a Placing of 161,500,000 Ordinary Shares through the PrimaryBid.com platform.