



52-wk Range:	3.13-10.75p	Market Cap (M):	£18.1
12 month target	£0.20	EV (M):	£18.1

Oil & Gas

Another good deal for Ascent

Summary

Ascent Resources is a pure European exploration play with interests in Italy, Hungary and Slovenia.



Key Metrics

Shares Outstanding (M):	500.1
Closing Price (GBP):	3.63p

Event

Ascent Resources Plc, through its subsidiary Ascent Slovenia Limited ('ASL'), has increased its interest in the Petišovci project in Slovenia, following the transfer of Kulczyk Oil Ventures Inc's (formerly Loon Energy Inc) ('KOV') 30% stake in the Dolina shallow oil field, and 10.5% stake in the Globoki deep gas field. In addition to a diminutive cash payment, a royalty will be paid by ASL to KOV of an additional US\$60,000 for each Bcf of independently produced 2P gas reserves documented in the future, applicable to the acquired interest. Under the terms, Ascent will assume all development costs related to the acquired interest.

The Petišovci project, which has been independently estimated to have gas reserves in excess of 300Bcf, is contiguous to the Company's Lovászi project in Hungary. Both projects are key to Ascent's work programme for 2010 with four wells, currently under sole risk, targeted over the projects this year. These targets follow the results of the processing of 3D seismic data announced in March 2010.

The original Petišovci project area covers 35.5 km² with ASL being partnered in the joint venture by Geoenergo and Stratic Energy. Following the transaction, ASL now has a 75% interest in the shallow oil and gas reservoirs and a 26.25% interest in the deeper tight gas reservoirs in the original project area. In the surrounding additional 61.5km² project area Ascent, through ASL, has a 75% interest in both the shallow and the deep reservoirs, which is in partnership with Geoenergo only.

In the adjacent Hungarian part of the project, Ascent, through its wholly owned subsidiary Ascent Hungary Limited ('AHL'), has a 50% interest in an area of 90 km² in partnership with MOL Oil and Gas plc. Further 3D seismic has been acquired in this area and processing of this data is currently underway.

Comment

This is an excellent deal for Ascent. We estimate the increase in net unrisked recoverable resources resulting from the deal at 2.4MMbbl of oil and 15.75Bcf of gas from our very conservative initial assessment. This equates to an aggregate increase of some 1.4MMboe of net risked recoverable resources. The total impact on our net risked NAV is about 3.6p, including an increase in royalty payment of less than US\$1m.

Our net risked NAV now stands at 27p per share and, although we are not changing our target price of 20p, we still believe the stock offers considerable upside from current levels.

Recommendation

We maintain our Buy rating and price target of 20p.

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Lionel Therond

Lionel has worked at Fox-Davies since April 2009. Prior to this, he had 13 years experience as an investor at JPMorgan Asset Management and had previously spent 10 years in the Oil&Gas industry at Shell. Lionel graduated in Geology and Geophysics (MSc) before gaining an MBA at Insead; he is also a CFA charterholder.

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Research disclosure as of 01 July 2010

Company Name	Disclosure
Ascent Resources (AST)	7, 8

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Fox-Davies Capital Coverage

Fox-Davies corporate client & coverage universe as of 01 July 2010

Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	01.07.10	£0.20	£0.04
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.69
Bowleven	BLVN LN Equity	BUY	28.06.10	£3.00	£1.28
Circle Oil	COP LN Equity	BUY	25.06.10	£0.90	£0.33
Desire Petroleum	DES LN Equity	HOLD	29.03.10	£1.00	£0.89
Enegi Oil	ENEG LN Equity	SELL	17.05.10	£0.10	£0.17
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£2.48
Gulf Keystone	GKP LN Equity	BUY	25.05.10	£2.00	£0.67
Gulfsands Petroleum	GPX LN Equity	HOLD	04.05.10	£3.00	£2.56
Hardy Oil & Gas	HDY LN Equity	BUY	26.05.10	£3.00	£1.74
Heritage Oil	HOIL LN Equity	BUY	28.06.10	£7.00	£3.74
Matra Petroleum	MTA LN Equity	BUY	26.05.10	£0.07	£0.01
Max Petroleum	MXP LN Equity	BUY	15.06.10	£0.50	£0.12
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.05
Po Valley	PVE AU Equity	BUY	29.04.10	A\$1.50	A\$0.32
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.05
Rockhopper Exploration	RKH LN Equity	BUY	04.06.10	£4.00	£2.88
San Leon Energy	SLE LN Equity	BUY	02.06.10	£0.80	£0.16
Sterling Energy	SEY LN Equity	SELL	11.06.10	£1.00	£1.40
Tower Resources	TRP LN Equity	HOLD	23.03.10	£0.02	£0.02
Victoria Oil & Gas	VOG LN Equity	BUY	21.04.10	£0.09	£0.03

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