WENTWORTH
RESOURCES LIMITED

Annual Report 2017

Exploration, Development and Gas Monetisation in East Africa

Wentworth Resources Limited is an independent energy company with gas reserves and exploration potential in the Rovuma Basin of southern Tanzania and northern Mozambique. The Company and its concession partners are exploring over 3,250 km^2 of onshore and near shore acreage and own two producing natural gas fields in Tanzania which commenced delivering gas to a new government owned and operated transnational gas pipeline in August 2015. Wentworth Resources is publicly-traded on the Alternative Investment Market of the London Stock Exchange (AIM: WRL) and the Oslo Stock Exchange (OSX: WRL).

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Executive Chairman's message

CORPORATE

2017 was the year in which the Board of Directors of Wentworth Resources Limited ("WRL") took the strategic decision to redomicile the company from Alberta, Canada to be incorporated into the Isle of Jersey in order to be closer to our shareholders and assets. The process is referred to as continuance, thereby protecting and maintaining the rights of all shareholders. This redomicile of the corporate jurisdiction is to be accompanied by the change in the senior management of the company as a new office in the United Kingdom is established. For personal reasons, both Mr. Geoffrey Bury and Mr. Lance Mierendorf, Managing Director and CFO respectfully, were unable to relocate to the United Kingdom. WRL has successfully recruited a replacement for Mr. Bury, Mr. Eskil Jersing who will take the position of Chief Executive Officer effective June 25, 2018. Ms. Katherine Roe, formerly Vice President Corporate Development & Investor Relations, has been promoted to the position of CFO effective April 1, 2018. Ms. Roe has and is continuing to manage the process of the redomicile of the company, scheduled to be completed early fourth quarter of 2018.

The future for WRL is to be centred around growth. Growth of our business will be achieved through a combination of expansion of the existing resource base in Mnazi Bay and the development of our Mozambique asset. In addition, the new management team will start an evaluation process of new exploration and production opportunities, primarily focused on east Africa.

I would like to take this opportunity to thank Mr. Bury and Mr. Mierendorf for their dedication and continuous efforts in managing WRL through some difficult times and substantially strengthening our balance sheet. Through their efforts the company is now in a solid financial position which will provide a robust platform for growth.

EXPLORATION AND PRODUCTION

Tanzania

2017 saw the stabilization of gas demand from Mnazi Bay toward our contracted volumes of 80 MMcfs/d. This production rate has continued into 2018 and we are confident that it will continue throughout the year. Additional power generation capacity continues to be put in place within Tanzania and TPDC, as the gas aggregator, has continued to secure additional industrial consumers. The challenge now will be for the Mnazi Bay partners to increase deliverability to keep up with the ever-increasing demand. This can only be done through a process of optimizing existing Mnazi Bay fields and to develop an exploration program on the concession area to prove up and bring onstream additional reserves.

Currently, there is surplus capacity in both the pipeline and gas processing facilities connecting Mnazi Bay to the gas markets both in the south of Tanzania and in the north, primarily Dar es Salaam. This surplus, available infrastructure creates an opportunity for the Mnazi Bay partners to put additional gas discoveries onstream and develop cashflow in a relatively short period of time.

It should be noted that Wentworth and its partners continue to be paid in a timely manner from the natural gas off takers, primarily TPDC, and the cash position of the company continues to improve on a monthly basis, allowing prompt repayment of our existing debt facility, further strengthening our balance sheet going forward.

Mozambique

During 2017, Wentworth began the process of securing a partner to drill an offset to the Tembo 1 discovery well. To date a partner has not been found although the process is ongoing.

WRL is very excited about the prospects in Mozambique: the government and the major oil companies involved offshore are now rapidly gaining traction to begin the implementation of a major LNG export facility in Palma, northern Mozambique. This facility will create many gas monetization opportunities for any discoveries made, be it either gas or crude oil, in the Rovuma Basin area.

WRL continues to work closely with the Government of Mozambique in developing a long-term strategy in Rovuma. We feel WRL is very well positioned to take advantage of its current position, good standing and close relationships.

I would like to take this opportunity to once again thank the Wentworth team for their continued hard work and dedication and in addition, would like to thank all the shareholders for their support.

Robert P. McBean
Executive Chairman

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For year ended December 31, 2017

2017 HIGHLIGHTS

Operations

Tanzania (Mnazi Bay)

- Increased average gross daily gas production of 49.1 MMscf/d (2016: 43.0 MMscf/d). Gross gas sales volumes up by 14 percent in 2017.
- The Company received total cash payments of $18.57 million relating to gas sales and recovery of the long-term government receivable during 2017.
- During the course of 2017, gas sales receivables from the main purchaser of gas increased from two to four months in arrears. Regular payments have been received since Q2 2017. The Company continues to proactively manage working capital, by matching settlement obligations with gas sales payment timing.

Mozambique (Tembo)

- Completed an integrated technical evaluation of the Wentworth operated Rovuma Onshore Appraisal Block, post the Tembo-1 well (2014), including reprocessing existing 2-D seismic data.
- Commenced well planning for a Tembo gas discovery appraisal, including optimising well design and costs, selecting a location, obtaining necessary environmental permits and initiating long lead time equipment procurement activities.
- Launched a farm-out process to secure an industry partner to participate in the joint venture, in advance of planned drilling in 2018.
- The Company has formally requested a one-year extension of the Appraisal License and continues to advance pre-drilling planning activities.

Corporate

- Wentworth's share of Tanzanian Proved + Probable (2P) reserves are $159.6 million NPV (10%) after tax at December 31, 2017, as independently valued by RPS Canada. Mnazi Bay gas fields net 2P reserves 115.1 Bscf (19.2 Mmboe).
- Completed a private placement on May 23, 2017 issuing 16,953,496 new common shares, for cash consideration of $0.326 (GBP 0.25 or NOK 2.73) per share for total gross proceeds of $5.53 million (GBP4.2 million or NOK46.3 million).
- Improved principal payment timing on existing $20.0 million credit facility and secured new $2.5 million overdraft facility for working capital purposes.
- Initiated relocation of executive management and head office from Calgary, Canada to London, UK.

Financial

- Increased Mnazi Bay gas sales revenue to $13.44 million, up 14 percent from 2016 due to gas-fired Kinyerezi-1 and Ubungo-II power stations operating at near full capacity during the second half of 2017, Kinyerezi-2 gas-fired power station commencing commissioning during Q4 2017 and lower quantities of gas supplied by industry competitors.
- Net loss of $0.71 million (2016: $5.09 million net loss).
- Incurred exploration capital expenditures of $2.38 million to advance the appraisal of the Tembo Appraisal License and development capital expenditures of $1.06 million on field infrastructure (tie-in) improvements in the Mnazi Bay Concession in Tanzania.
- Cash and cash equivalents on hand of $3.75 million (2016: $0.98 million).
- Working capital[1] of $15.48 million (2016: $4.96 million).
- Ongoing focus on capital discipline with 15% reduction in G&A expenses to $4.61 million.
- Reduced outstanding long-term loans by $5.35 million of principal repayments during 2017. Carrying value of long-term loans at year end was $15.15 million.

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[1]Working Capital is a non-IFRS measure which is calculated as current assets less current liabilities. For 2017, working capital is $32.81 million less $17.33 million. For 2016, working capital was $20.15 million less $15.19 million.

Financial and Operating Results

Financial (Figures $000's except per share data)	**Year ended December 31** **2017**	2016	% *Change*
Gas revenue	**13,440**	11,750	*14*
Adjusted EBITDA[(1)]	**5,342**	2,982	*79*
Profit/(loss) from operations before tax	**1,036**	(1,474)	*170*
Net loss and comprehensive loss	**(709)**	(5,092)	*(86)*
Basic and diluted net loss per share ($ per share)	**-**	(0.03)	*100*
Net cash generated (used in)/from operating activities	**(21)**	476	*(104)*
Capital expenditures (accrual basis)	**3,444**	4,459	*(23)*

[(1)]"Adjusted EBITDA", being a non-IFRS measure, is calculated on page 3 and represents revenue less production and operating expense and general and administrative expenses

Operating (Mnazi Bay Concession)	Year ended December 31		
	2017	2016	% Change
Sales to TPDC[(2)] (Transnational pipeline)			
Price per MMBtu (US$)	**3.04**	3.01	*1*
Gas sales - MMBtu (net to Wentworth)	**4,063,124**	3,551,575	*14*
Sales to TANESCO[(2)] (Mtwara 18MW Power Plant)			
Price per MMBtu (US$)	**5.36**	5.36	-
Gas sales - MMBtu (net to Wentworth)	**199,868**	200,259	-
Production[(2)]			
Production volumes (Mscf) – net to Wentworth	**4,167,148**	3,667,482	*14*
Production and operating cost per Mscf (US$)	**0.84**	0.92	*(9)*
Gross average daily production (MMscf/d)	**49.1**	43.0	*14*

[(2)]Gas sales are contracted in MMBtu while gas production is measured in Mscf. The conversion rate used is 1.023 MMBtu to 1 Mscf.

Statement of Financial Position *(Figures 000's)*	As at December 31		
	2017	2016	% *Change*
Total assets	**$206,780**	$208,231	*(1)*
Shareholders' equity	**$180,350**	$175,911	*3*
Cash and cash equivalents	**$3,750**	$979	*283*
Long-term receivables (including current portion)	**$20,509**	$30,317	*(32)*
Credit facilities (carrying amount)	**$17,650**	$20,512	*(14)*
Outstanding number of shares and options *(Figures 000's)*			
Common shares	**186,489**	169,535	10
Options	**10,600**	10,600	-

Reconciliation of Adjusted EBITDA (Figures $000's)	Year ended December	
	2017	2016
Net profit/(loss)	**(709)**	(5,092)
Add/deduct:		
Deferred tax (recovery)/expense	**394**	3,196
Finance Income	**(2,386)**	(4,693)
Finance expense	**3,737**	5,115
Share based compensation	**215**	592
Depreciation and depletion	**4,091**	3,864
Adjusted EBITDA	**5,342**	2,982

Reconciliation of Working Capital (Figures $000's)	As at December 31, **2017**	2016	% *Change*
Total current assets	**32,813**	20,148	*63*
Total current liabilities	**(17,330)**	(15,193)	*14*
Working Capital	**15,483**	4,955	*212*

Management Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is provided by management of Wentworth Resources Limited ("Wentworth", the "Company" or "WRL") and is based on information available as at March 27, 2018. This MD&A should be read in conjunction with the Company's audited consolidated financial statements, and notes thereto, for the year ended December 31, 2017. The audited annual consolidated financial statements have been prepared by management, presented in United States (US) dollars, and prepared in accordance with International Accounting Standards (IFRS).

Additional information related to the Company is available on the Company's website at www.wentworthresources.com. Unless otherwise stated, all dollar amounts are expressed in United States dollars, which is the Company's functional and presentation currency.

Operations Overview

Corporate

During Q4 2017, the Company initiated a restructuring process to better align its corporate and management governance model with its shareholders and African asset base, to increase management efficiencies and reduce certain operational and overhead costs.

As part of this process the Company is relocating its executive management team and head office from Calgary to London. Managing Director Geoffrey Bury is unable to relocate to London and will therefore be leaving the Company. In January 2018, the Company announced that Mr. Eskil Jersing has agreed to join Wentworth as Chief Executive Officer ("CEO"). Mr. Jersing will join the Company and Board of Directors in Q2 2018 following an orderly transition from his current role as CEO of Sterling Energy Plc. Mr. Bury has agreed to remain in his current role for a period of time to allow a smooth transition of responsibilities to Mr. Jersing.

Mrs. Katherine Roe has been promoted to Chief Financial Officer ("CFO") based in London effective April 1, 2018. Mrs. Roe has been Vice President Corporate Development & Investor Relations for the Company since 2014 and has nearly 20 years of senior corporate and capital markets experience. Mr. Lance Mierendorf is unable to relocate to London and will remain in the CFO role until March 31, 2018 and coordinate an efficient and orderly handover to Mrs. Roe.

In line with the head office relocation and given that the Company has few Canadian registered shareholders and

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very limited operational connections to Canada, the Board is planning to re-domicile the public Canadian legal entity listed on the Oslo Stock Exchange (ticker: WRL) and the AIM of the London Stock Exchange (ticker: WRL) from Canada to the British Isles. Following implementation, this initiative is primarily expected to optimise and further build shareholder engagement, reduce costs and decrease corporate complexity. The Company will consult and update shareholders, when appropriate, as to the progress on the corporate redomicile process.

In compliance with both reporting obligations as a public company, commencing in 2018, the Company will release a Half Yearly Financial Report and an Annual Financial Report. The Company will no longer publish first quarter and third quarter financial statements and management discussion and analyses as these are no longer mandatory filing obligations.

Mnazi Bay Concession, Tanzania

Production Operations
Mnazi Bay gas sold to Tanzania Petroleum Development Corporation ("TPDC") is primarily utilized by Tanzania Electricity Supply Company Limited ("TANESCO") as a fuel source to power its electrical generation plants serving the National Electricity Grid in Tanzania. During year 2017, Mnazi Bay gas was used to fuel three TANESCO-owned power stations located within the city of Dar es Salaam: Kinyerezi-I, Kinyerezi-II and Ubungo-II.

In December 2017, the first gas turbine (40MW) of 240 MW Kinyerezi-II power station, was commissioned taking up to 7 MMscf/d of gas during the month. As at March 27, 2018 four of the six gas turbines at Kinyerezi-II had been commissioned. Demand for Mnazi Bay gas in order to power this facility is expected to reach 36 MMscf/d when all six gas turbines become operational. Commissioning of the 185 MW Kinyerezi-I Extension is expected to commence during Q4 2018 and, once fully operational in 2019, is expected to utilize an additional 35 MMscf/d of gas to generate electrical power.

During Q4 2017 the Mnazi Bay gas fields delivered 62.2 MMscf/d compared to 39.4 MMscf/d during Q4 2016. Both the Kinyerezi-I and Ubungo-II power stations operated at near full capacity during the second half of 2017. Additionally, the Kinyerezi-II power station started the commissioning process during December 2017, a few months earlier than anticipated. During Q2 2017, TPDC commenced delivery of Mnazi Bay gas to its first industrial customer, a newly constructed $100 million roofing tile factory, Goodwill Ceramics. During 2017, gas deliveries to Goodwill Ceramics ranged between 4 MMscf/d to 7 MMscf/d.

Full year 2017 production from the Mnazi Bay gas field in Tanzania averaged 49.1 MMscf/d, compared to 43.0 MMscf/d during 2016, which was at the high end of Management's 2017 guidance of between 40 – 50 MMscf/d.

Production from Mnazi Bay peaked at over 80 MMscf/d (13,300 boepd) in February 2018 and averaged 72.5 MMscf/d during the first two months of 2018. Additional gas demand in the industrial sector is expected to be realized in H1 2018. TPDC concluded a commercial arrangement to supply gas to the Mtwara Dangote cement plant, the largest in Tanzania; for power generation and firing its clinker kilns used in the production of cement. A new gas pipeline connecting the temporary power generation unit to the TPDC owned 36-inch transnational pipeline is currently in the process of being installed. The installation of a 35MW power generation unit and associated power supply to the Dangote plant is expected to be commissioned during April 2018. Dangote also announced a plan to eliminate coal and convert the entire plant to gas, including the kiln furnaces, envisaging a permanent combined cycle power plant being built on the premises of the factory. Initial gas demand for temporary power generation is expected to be between 5 and 7 MMscf/d. The kilns are expected to be fired by natural gas commencing Q3 2018 and will require an additional 8 and 10 MMscf/d of natural gas, increasing to between 20 MMscf/d and 25 MMscf/d in 2019. The temporary 35MW gas fired plant is planned to be replaced by the combined cycle plant using steam turbines in Q1 2019.

On a smaller scale, Mnazi Bay gas is also currently sold directly to TANESCO for electrical power generation at a 18MW power plant at Mtwara. The power station provides electricity to an isolated grid serving the region and includes the towns of Mtwara, Madimba, Lindi, Msassi and Newala. Gas quantities of between 2 and 2.5 MMscf/d are being supplied to the power plant through an 8-inch pipeline, owned by the Mnazi Bay joint venture.

Development capital works
During 2017, engineering works were undertaken on the expansion of the Mnazi Bay Joint Venture owned processing facilities at Msimbati. Primary processing of Mnazi Bay produced gas is required at Msimbati to remove free liquids before the gas enters a sub-marine pipeline that connects into the Madimba Gas Processing Facility. Expansion of the processing facilities, together with tying-in of all 5 producing wells completes the necessary field infrastructure work to enable delivery of gas volumes in excess of 100 MMscf/d to the TPDC owned pipeline to Dar es Salaam. Commissioning of these facilities is expected in Q1 2018. With the completion of these works it is anticipated that there will not be a need for significant additional capital expenditure until the average daily demand from the Msimbati facility exceeds 100 MMscf/d.

Tanzania legislative changes
During July 2017, the Government of Tanzania enacted the following laws: the Natural Wealth and Resources (Permanent Sovereignty) Act, 2017, the Written Laws (Miscellaneous Amendments) Act, 2017, and the Natural Wealth and Resources Contracts (Review and Re-Negotiation of Unconscionable Terms) Act, 2017 which cover activities within the energy and mining sectors.

The first and second of these acts are forward looking and only apply to agreements entered into on or after the date of the legislative changes. These acts contain new regulations including but not limited to regulations that all arbitration processes must be heard within Tanzania and place restriction on the ability to move funds out of Tanzania. The third act covers existing agreements and provides, among other things, the right for the Government of Tanzania to renegotiate clauses within existing agreements that are deemed to have unconscionable terms. The Company has undertaken a review of these new laws to determine their implications on the Company's Tanzania operations. Based on our current understanding and given the existing terms and conditions of our relevant agreements, we do not anticipate any material impact on our existing operations in the short to medium term. It is unclear whether there will be any material impact in the long-term.

On 17 November 2017, the Speaker of the Tanzania National Assembly, via Speaker's Circular No. 6 of 2017, formed a Special Advisory Committee to probe any flaws in the law and policies governing the gas subsector and recommend how the nation can benefit from revenues accruing from the gas subsector. The Circular identified the challenges and flaws in the PSAs to include: the Cost sharing system between the Government and its partners; Partners having 'Redeemable Preference Shares' while the Government has only ordinary shares; Management of the Special Purpose Vehicle (SPV), Profit sharing formula between the Government and the partner; Restricted back-in-rights participation for the Government and Delays in evaluation and audits on projects implemented by the Governments.

According to the Circular, the Committee will have the following terms of reference:

1. to identify flaws in the policy and laws governing the implementation of agreements for production and exploration of gas;
2. to identify unconscionable terms in the agreements and contracts for exploration and production of gas in the country;
3. to recommend the best ways for management and regulation of the gas subsector in the country;
4. to recommend the best way for entering into contracts for extraction, exploration and gas business in the country; and
5. to deal with any other issues/matters related to gas subsector in the country.

Based on our current understanding of the Government initiative to review law and policies governing the gas subsector and given the existing terms and conditions of our relevant agreements, we do not anticipate any material impact on our existing Tanzania operations in the short to medium term. It is unclear whether there will be any material impact in the long-term.

Rovuma Onshore Block, Mozambique

Appraisal activities
An extension of the Rovuma Onshore Exploration Concession to conduct an appraisal of the Tembo-1 gas discovery was granted to Wentworth by the Government on June 15, 2016. On that same date, Wentworth was approved as the operator of the concession and now holds an 85 percent participation interest, with the Government holding the remaining 15 percent. Activities to date have included the reprocessing of existing 2D seismic data, re-evaluation of the Tembo-1 drilling results, 2D seismic survey program planning, obtaining environment permits and licenses, establishing both a field camp within the Concession and a field office in Maputo, Mozambique along with pre-drilling planning activities.

A 2D seismic acquisition program of approximately 500-700 kilometers was considered for the second half of 2017, with a tendering process completed in Q2 2017. Based on the reprocessing and re-interpretation of legacy seismic data, extensive analysis of the Tembo-1 drilling results and further subsurface studies, Wentworth has concluded that sufficient data and information exist, to support drilling an appraisal well confirming the Commercial potential of Tembo, without the need to acquire new seismic and therefore this seismic acquisition program has been postponed. Wentworth's technical team is focused on identifying a suitable drilling location for a Tembo appraisal well and associated well planning activities. The government of Mozambique is supportive of postponing the acquisition of new seismic until after an appraisal well is drilled.

A planned Tembo-2 appraisal well will appraise the discovery made at Tembo-1 Well in December 2014. The appraisal well is designed to reach a total depth of 3,200m and planned as a vertical well to the Lower Cretaceous. Wentworth has started a process to procure the drilling rig and long lead items for the well. Expressions of interest (EOI) have been prepared for supply of the drilling rig and casing and tubing. The Company has identified several rigs currently located within the region which are capable of drilling the well. EOIs were published in the local Mozambican press in during Q4 2017. These have subsequently been evaluated and a short list of preferred bidders has been selected and will be invited to tender.

Surveying of the well location and associated civil works have been delayed due to a deteriorating security situation in and around the Macimboa da Praia region, adjacent to the Company's Concession area. Clashes between police and extremists which began in the early October have continued into 2018, preventing safe access to the area for Wentworth staff and contractors. Wentworth is monitoring the security situation closely and is in close liaison with the Mozambican Authorities, the Canadian High Commission, and other companies operating in the region and local security and risk management companies.

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Farm-out and license extension
In July 2017, a formal farm-out process was initiated in order to secure one or more industry partners for third party validation and help de-risk in the appraisal drilling of the Tembo discovery. The farm-out exercise is ongoing, and Wentworth anticipates securing an industry partner prior to commencing drilling operations, pending successful extension discussions with the Government of Mozambique.

Subsequent to year end, as a result of the lack of a safe above ground operating environment within the Concession area, certain pre-drill operations such as surveying, road construction, and well site preparation have been delayed until after the rainy season and improvements in the security situation for Wentworth personnel operating in the field. As a result, the Company has formally requested the Government grant an extension of the Appraisal License and is currently awaiting a response.

Financial Overview

Revenue

Gas sales to TPDC

The Company recorded 2017 net sales to TPDC of 4,063,124 MMBtu, an increase of 14% from 2016. A more stable level of gas demand from gas fired electrical power facilities was experienced in 2017 as many of the start-up, commissioning, repairs to power plants and problems with Government owned electrical power transmission and distribution infrastructure experienced during 2016, were resolved.

The gas sales price was $3.04/MMBtu (2016: $3.01/MMBtu) for revenue of $12.35 million (2016: $10.68 million) for the year ended December 31, 2017.

Gas sales to TANESCO

Gas sales to an 18 MW gas-fired power plant in Mtwara, Tanzania, during 2017 were 199,868 MMBtu (2016: 200,259 MMBtu) while the gas price remained fixed and unchanged at $5.36/MMBtu. The Mtwara power plant generally operates at below capacity and consumes on average between 2.0 and 2.5 MMscf/d. Total revenue earned during 2017 was $1.09 million (2016: $1.07 million).

Production and operating expense
Production costs within the Mnazi Bay Concession comprise the Company's share of field operating costs, Operator's administration and Operator's overhead required to manage production operations. Management expects that, on a per Mscf basis, production costs will generally reduce as gas volumes increase, due to most operating costs being fixed in nature. For 2017, production averaged 49.1 MMscf/d in 2017 compared to 43.0 MMscf/d during 2016. Production and operating expenses were $3.48 million (2016: $3.37 million). For 2017, operating expenses were $0.84 per Mcf compared to $0.92 per Mcf for the same period in 2016.

General and administrative ("G&A") expense
During 2017, G&A expenses were $4.61 million compared to $5.40 million, a reduction of 15%. Cost saving initiatives and capitalization of costs for Mozambique operations, post the Company became the operator in Q3 2016 have contributed to a reduction in ongoing expenses. A continued focus on optimizing G&A will be undertaken in 2018, through corporate structure simplification and re-domicile activities. The table below shows the breakdown of G&A expenses:

	Year ended December 31,	
(Figures in $000's)	**2017**	2016
Employee salaries and benefits	**2,026**	2,392
Contractors and consultants	**510**	705
Travel and accommodation	**329**	515
Professional, legal and advisory	**713**	582
Office and administration	**529**	684
Corporate and public company costs	**507**	519
	4,614	5,397

The Company maintains offices in Calgary, Canada, Dar es Salaam, Tanzania and Maputo, Mozambique and is listed on the public stock exchanges in both Oslo, Norway (Oslo Stock Exchange) and London, UK (AIM). Many G&A expenditures are fixed in nature and include such items as corporate and public company costs (exchange listing, transfer agent and directors' fees), legal fees supporting the compliance with corporate and public obligations (Canada, UK and Norway) and professional advisory (external audit, resources engineering and Nomad for our AIM listing). The Company has undertaken to relocate its head office and executive team from Calgary, Canada to London, UK to streamline operations and reduce costs.

The redomicile process commenced during 2017 with $0.19 million (2016: $nil) of professional, legal and advisory having been incurred. Additional one-time costs associated with the redomicile process are expected to be incurred during 2018.

In June 2016, following the appointment as Operator of the Rovuma Onshore Block in Mozambique, the Company established an operational presence in Mozambique; directly attributable costs relating to all operational activities within the Rovuma Onshore Block are being capitalized. Directly attributable costs during 2017 totaling $0.97 million (2016: $1.08 million) were capitalized.

Share based compensation
For 2017, $0.22 million was recognised compared to $0.59 million during the same period in year 2016.

During 2017, no options were granted, exercised or forfeited (during 2016: 1,350,000 options were forfeited, and no options were granted or exercised). A total of 10,600,000 stock options were outstanding at December 31, 2017 with 9,333,338 vested and exercisable with an average exercise price per share of NOK 4.33 ($0.53).

Depreciation and depletion
Depreciation and depletion of gas producing assets for 2017 totalled $4.09 million (2016:- $3.86 million) or $0.98/Mscf (2016: $0.99/Mscf). At December 31, 2017, the net book value of natural gas property, plant and equipment was $90.34 million (December 31, 2016: $93.37 million).

Finance income and costs
Finance income and costs that are settled in cash are interest income, interest expense and realized foreign exchange gain/(loss) on current transactions. All other finance income and costs are non-cash in nature.

For 2017, interest expense was $1.66 million (2016: $2.19 million). During 2017, non-cash accretion of the TPDC receivable of $2.08 million (2016: $4.17 million) was recorded in finance income. The Company revised the accounting estimates used to determine the expected amounts and timing of future revenue streams to determine collection of the TPDC receivable resulting from revised gas demand estimates for future periods obtained from industry sources. This resulted in $0.87 million being charged to finance costs during the year (2016: $2.57 million). Non-cash accretion of the Tanzanian Government receivable (Umoja/power) of $0.31 million (2016: $0.47 million) was recorded in finance income during 2017. Similar to the determination of the TPDC receivable, the Company revised the accounting estimates resulting in an amount of $0.83 million being charged to finance cost (2016: $0.05 million finance income).

Deferred tax expense/recovery
At December 31, 2017, the deferred tax asset of $30.75 million reflects the estimated future tax benefit of accumulated tax losses within the Tanzanian operations. The commencement of commercial production and sales of gas under the long-term Gas Sales Agreement ("GSA") allowed for the recognition of deferred tax asset on the accumulated tax losses estimated to be utilized in the future. A non-cash deferred tax expense of $0.39 million (2016: expense of $3.20 million) has been recorded in 2017.

Contingencies
On March 16, 2018 the Company received correspondence from the Tanzania Revenue Authority ("TRA") regarding their preliminary findings for Wentworth Gas Limited ("WGL"), the Company's Tanzanian subsidiary, for taxation years 2013 to 2016. The preliminary findings do not constitute a formal tax assessment or demand notice but do require a formal response from the Company. The TRA has indicated that the 2014 tax filing of WGL should have included in taxable income an impairment reversal in the amount of $23.81 million, the impact of which would result in a non-cash deferred income tax expense of $7.14 million and a corresponding reduction of the Company's deferred income tax asset. The TRA has also indicated that $3.49 million of withholding taxes, including interest and penalties, are due on account of imputed interest on intercompany loans provided by WGL during the years 2013 to 2015.

Management is not in agreement with TRA's preliminary findings on the above items and has concluded that no provision is required with respect to these matters. Provision, if any, will be made in the period of determination.

Receivables from gas delivered to TANESCO
The Company's ongoing exposure to receivables from TANESCO is associated with gas sales from the Mnazi Bay Concession to the 18 MW gas-fired power plant, located in Mtwara, Tanzania. At December 31, 2017, the Mnazi Bay joint venture partners were owed seven months of gas sales, with $1.14 million owed to Wentworth. Subsequent to year end, TANESCO has paid two months of invoices relating to the outstanding balance at December 31, 2017 totaling $0.33 million (inclusive of the Company's share of the TPDC receivable amount relating to this gas sale).

Receivables from gas delivered to TPDC
An amount of $12.01 million is owed to Wentworth at December 31, 2017, of which approximately 4 months were past due. Subsequent to year end, TPDC has paid $4.12 million net to Wentworth (inclusive of the Company's share of the TPDC receivable amount relating to this gas sale) for the November and December 2017 gas sales invoices. At December 31, 2016, two months' worth of invoices was outstanding. TPDC's ability to settle gas sales invoices to the Mnazi Bay joint venture in a timely manner is directly impacted by the timeliness of TPDC receiving payment for gas it sales to the TANESCO owned electrical power generation plants. Recently, TANESCO has been inconsistent with paying TPDC in a timely manner for the gas that TANESCO purchases. This has a direct impact on cash flow from operating activities of the Mnazi Bay joint venture partners. Wentworth and Maurel and Prom, the operator of the Mnazi Bay Concession continue to engage with both TPDC and TANESCO to find ways to improve the timeliness of the settlement of its obligations.

Long-term receivable - TPDC
In terms of the Joint Operating Agreement entered into between TPDC, Wentworth and Maurel et Prom, entered into in 2006, TPDC is a 20 percent participating interest partner in the Mnazi Bay Concession. The Company has a receivable from TPDC, for their (TPDC's) share of past development and operating costs that were paid by the Company prior to June 30, 2009. In addition, the Company has been paying its proportionate share of TPDC's share of development and operating costs incurred subsequent to June 30, 2009, the value of which has been added to the TPDC receivable balance. The Company will recover this receivable from an agreed percentage of TPDC's share of current and future revenue from the Mnazi Bay Concession. The undiscounted face value of the TPDC receivable at December 31, 2017 is $17.33 million (December 31, 2016: $27.15 million). The TPDC

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receivable has been discounted to $15.55 million (December 31, 2016: $24.84 million). With the passage of time and as gas sales are realized, the carried amount of the TPDC receivable is accreted up to the face value with a corresponding credit to finance income.

Based on the Company's internal estimates of potential gas sales volumes, the $17.33 million receivable as at December 31, 2017 is expected to be fully recovered by the end of 2018. The recovery of the TPDC receivable is expected to provide a significant source of cash flow to the Company during 2018. As gas sales are realized, the current portion of the long-term receivable is transferred to accounts receivable and settled at the time cash payments are received from purchasers of Manzi Bay gas.

At December 31, 2017, the current portion of the TPDC receivable is $15.55 million compared to $12.28 million at December 31, 2016. During year 2017, $11.63 million was recovered from TPDC's share of gas sales. The receivable is updated at each reporting period and is calculated taking into consideration the estimated timing and amounts of future gas sales.

Long-term receivable - Tanzanian Government (Umoja/power)

The Company has an agreement with the Government of Tanzania (TANESCO, TPDC and the Ministry of Energy and Mines ("MEM")) to be reimbursed, at cost, for past project development costs associated with transmission and distribution ("T&D") expenditures. An audit of the Mtwara Energy Project ("MEP") development expenditures was completed in November 2012 and costs of approximately $8.12 million were verified to be reimbursable. After deducting costs associated with the Tariff Equalization Fund and VAT input credits associated with the MEP totaling $1.61 million, the amount agreed to be reimbursed was $6.51 million. The receivable is considered long-term in nature and has been discounted to reflect the anticipated timing of collection. The undiscounted face value of the Tanzanian Government receivable (Umoja/power) at December 31, 2017 is $6.51 million (December 31, 2016: $6.51 million) while the discounted value, taking into consideration the anticipated time of collection, is $4.96 million (December 31, 2016: $5.48 million). Management continues to work with the Government of Tanzania on agreeing a mechanism to settle the outstanding balance and anticipates recovering the amounts from the Government's share of revenue generated from the Mnazi Bay Concession. Timing of reaching an agreement on the reimbursement procedure is uncertain. The Government initiated a second audit of the costs to verify the balance owing, the results of which are expected to be communicated to the Company during 2018.

Capital expenditures

During 2017, capital activities were focused on field infrastructure and development capital activities within the Mnazi Bay gas field location and Tembo appraisal activities in Mozambique.

(Figures in $000's)	**Year ended December 31,**	
	2017	2016
Exploration and evaluation assets		
Mozambique		
Seismic reprocessing and interpretation and analysis of Tembo-1 well results	**696**	109
Drilling preparation and planning	**525**	-
Exploration drilling	**-**	951
Operator and indirect overhead	**1,162**	1,310
	2,383	2,370
Tanzania		
Seismic acquisition, processing and interpretation	-	27
Property, plant and equipment		
Tanzania		
Field infrastructure	**549**	2,019
Asset retirement obligation	**-**	(388)
Other field development capital	**508**	404
	1,057	2,035
Canada and United Kingdom		
IT and office assets	**4**	27
	3,444	4,459

External debt facilities

Medium term $20 million credit facility

The principal balance outstanding on the $20.0 million credit facility at December 31, 2017 was $13.32 million. During 2017, principal payments of $3.35 million were made.

During the second quarter of 2017, the Company executed amendments to the credit facility agreement which include the restructuring of principal loan payments and the addition of the following new provisions:

- the interest rate changed six-month LIBOR rate plus 750 basis points subject to a minimum (floor) of 8.5% p.a. and no maximum (ceiling);
- the addition of a Debt Service Coverage Ratio and Loan Live

Coverage Ratio as financial covenants;
- a requirement to maintain a minimum cash balance;
- a cash flow waterfall procedure to ensure certain cash proceeds from gas sales are used in settling obligations in priority; and
- in the event the Company decides to accelerate principal payments using funds not generated internally a prepayment fee of 25 percent of interest forgone is required.

The Company and the lender are in ongoing discussions on agreeing the details and processes relating to implementing and monitoring the new provisions.

Principal repayments on the credit facility are set out in the following table.

Principal repayment date	**Repayment amount *(Figures in $000's)***
April 30, 2018	1,665
July 30, 2018	1,665
October 30, 2018	1,665
January 30, 2019	1,666
April 30, 2019	1,665
July 30, 2019	1,666
October 30, 2019	1,665
January 30, 2020	1,664
	13,321

Medium term $6 million credit facility

At December 31, 2017, the principal amount outstanding on this facility was $2.0 million. During 2017, principal payments of $2.0 million were made.

All provisions of the $6.0 million credit facility remain unchanged from the original loan agreement executed in December 2014. Interest is paid on a semi-annual basis, in arrears, on the principal repayment date. The 2018 principal repayment dates are as follows:

Principal repayment date	**Repayment amount *(Figures in $000's)***
June 8, 2018	1,000
December 8, 2018	1,000
	2,000

Overdraft $2.5 million credit facility

During 2017, the Company secured $2.5 million overdraft credit facility with a TIB Corporate Bank ("TIB Corp"). The overdraft facility has an interest rate of the lender's base lending rate minus 1% per annum to be paid monthly. At December 31, 2017, the lender's base lending rate was 9%. The full amount of the overdraft credit facility was drawn during the fourth quarter of 2017.

Security provided to the lender includes a debenture over the fixed and floating assets of the Company's Tanzanian assets and a deed of assignment equivalent to approximately 20% of the revenue/cash flow from sales of natural gas from the Tanzanian assets. During the second half of 2017, the Company drew on the full amount of the facility and used the funds for short-term working capital purposes.

On March 26, 2018, the Company received approval from the lender of the $2.5 million overdraft credit facility for one year extension up to April 5, 2019 with the other existing terms of the overdraft credit facility remaining in effect for the extended period. The overdraft credit facility was set to expire on April 6, 2018.

Related party transactions
There were no related party transactions during 2017.

Shares, share capital and dividends
On May 23, 2017, the Company completed a private placement and issued 16,953,496 new common shares, for cash consideration of $0.326 (GBP0.25 or NOK2.73) per share for total gross proceeds of $5.53 million (GBP4.2 million or NOK46.3 million).

Following the private placement offering the Company had 186,488,465 common shares issued and outstanding. All outstanding shares at December 31, 2017 are of the same class and with equal voting and dividend rights. The Company's ordinary shares are listed on the Oslo Stock Exchange (ticker: WRL) and denominated in Norwegian Kroner. The Company's shares are also traded on the Alternative Investment Market of the London Stock Exchange (ticker: WRL) and denominated in British Pounds.

As the Company is in the early stage of its production and revenue generating operations, it does not have a formal dividend policy. No dividends have ever been declared or paid by the Company. There are no restrictions on dividend distributions. At the Annual General Meeting in 2017, the Board of Directors did not propose dividends to be paid for the year ended December 31, 2017. Proposals for dividend distribution in future years will be subject to assessment of business performance, operating environment, and growth opportunities in determining the appropriate level in any specific year.

Financial Condition and Liquidity

At December 31, 2017, Wentworth had cash and cash equivalents of $3.75 million and trade and other receivables, prepaids and deposits, and a current portion of the long-term receivable from TPDC of $29.06 million. At current gas sales volumes, the Company is collecting substantial amounts of this long-term receivable from TPDC. Outstanding receivable for gas sales sold to TPDC and TANESCO total $13.15 million at December 31, 2017. A total of $4.45 million of the outstanding gas sales receivables has been settled subsequent to December 31, 2017.

During May of 2017, the Company raised gross proceeds of $5.53 million through the issuance of 10% of the Company's

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share capital. These additional funds provide the Company with required funding for working capital and the ongoing Mozambique appraisal activities.

Current liabilities include outstanding cash calls issued by the Operator of the Mnazi Bay Concession for 2017 operating costs of $3.55 million. Subsequent to year end, the Company has settled $2.35 and expects to settle the remainder during Q1 2018.

Current liabilities also include the principal repayment obligations on external credit facilities and the anticipated settlement of other liabilities also due within the next 12 months. During Q1 2017, the Company reached agreement with its main corporate lender to enhance short-term liquidity by deferring payment of the January 28, 2017 principal payment of $3.33 million to Q2/Q3 2017, deferring the July 28, 2017 and January 28, 2018 principal payments and extending the term of the credit facility by one year. Principal payments totaling $6.99 million are scheduled to be made within the next 12 months.

The Company is working closely with the Operator of the Mnazi Bay Concession and external lenders to match settlement of obligations with the receipt of cash from gas purchasers for settlement of gas sales invoices. To date, the cooperation amongst all parties has allowed the company to effectively manage working capital. Existing gas sales receivables at December 31, 2017 of $13.15 million exceed the immediate obligations to the Operator of the Mnazi Bay Concession and to external lenders, allowing for certain flexibility in the precise timing of settling obligations.

During 2018, the Company expects to have no significant capital commitments relating to exploration and development activities in Tanzania. Anticipated development capital spending is limited to approximately $0.8 million for general field development maintenance activities. In Mozambique, spending on appraisal activities is expected to be limited to completing the necessary work to support drilling of an appraisal well, costs associated with securing a farm-in partner and administrative and support costs for managing operations under the Rovuma Onshore Block in country.

Outlook

Realized gas sales during Q4 2017 were the highest quarterly sales volumes in the Company's history and the Company expects gas demand to continue to grow in the coming months with the ongoing commissioning and start-up of the Kinyerezi-II power station and imminent commencement of delivery of gas to the Dangote cement plant in southern Tanzania. Wentworth is well positioned to meet this growing demand with sufficient gas reserves and in place infrastructure allowing for immediate delivery up to approximately 100 MMscf/d (16,660 boepd). The Company expects gross gas sales from the Mnazi Bay asset to average between 65 and 75 MMscf/d throughout 2018 and anticipates nominal capital spending in Tanzania during this period.

The Company continues to carry significant receivables from TPDC and TANESCO but regular monthly payments have been made during the past several months into 2018. With each monthly cash settlement, the Company continues to strengthen its balance sheet by deleveraging of its credit facilities and settling accumulated working capital obligations.

With the support of the Government of Mozambique, the Company plans to secure an industry partner to participate in appraisal drilling of the Tembo discovery on the Rovuma Onshore Block. The Company expects a positive response from the Government on the Company's request to obtain an extension of the appraisal license beyond the June 16, 2018 expiry date.

With a new London based executive management team expected to be in place in the near future, the Company will examine various strategic alternatives to grow the Company, reduce overheads and drive value throughout the Company and through to shareholders.

Other

Risk factors

The Company emphasizes that the information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, many of which are beyond its control and all of which are subject to risks and uncertainties. Wentworth is subject to many risk factors including but not limited to normal market risks inherent in the oil and gas business such as: operational and technical risks, reserve estimates, risks of operating in a foreign country (including economic, political, social and environmental risks), commodity price fluctuations, and available resources. Wentworth recognizes these risks and manages operations to minimize exposure to the extent practical. Because of these and other risk factors, actual events and actual results may differ materially from those indicated or implied in such forward-looking statements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk and other price risk, for example, commodity price risk. The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns.

Credit risk

Wentworth's credit exposure risk is equal to the carrying value of its trade, other and long-term receivables. Trade and other receivables are comprised predominantly of amounts due from government departments in Tanzania, tax input credits for Goods and Services Tax (GST) in Canada and Value Added Tax (VAT) in Tanzania and Mozambique. The Company's ongoing exposure to receivables from TANESCO, the state power company, relates to the gas sales from the Mnazi Bay Concession to the 18 MW gas-fired power plant located in Mtwara, Tanzania. At December 31, 2017, the Mnazi Bay joint venture partners were owed twelve months of gas sales, with $1.14 million owing to Wentworth of which $0.33 million representing one month of gas sales has been collected subsequently to year end. In addition, TPDC's primary source of funds is generated from gas sales to TANESCO. TANESCO has been slow in paying its obligations to TPDC thereby negatively impacting TPDC's ability to pay for gas purchase from the Mnazi Bay joint venture partners. At December 31, 2017, the Mnazi Bay joint venture partners were owed five months gas sales, with $12.01 million owing to Wentworth. Subsequent to year end, TPDC has paid $4.12 million for the November and December 2017 gas sales invoices.

A long-term undiscounted receivable of $17.33 million is due from TPDC, which is a partner in the Mnazi Bay Concession. The Company receives a significant portion of TPDC's share of gas production from the Mnazi Bay Concession directly from the operator of the Mnazi Bay Concession before TPDC receives cash from its share of revenue. There is a risk that future production from the Mnazi Bay Concession may not be sufficient to settle the receivable and should such a determination be made, a provision against the receivable will be recorded.

At December 31, 2017, the Company has a receivable from the Government of Tanzania of $6.51 million related to the Company's disposal of transmission and distribution assets and the costs associated with the Mtwara Energy Project incurred by a wholly owned subsidiary of Wentworth. On February 6, 2012, the Company, TANESCO, TPDC and MEM reached an agreement that the Company's cost of historical operations in respect of the Mtwara Energy Project should be reimbursed. Wentworth is currently in discussions with TANESCO, TPDC and MEM on agreeing a method of reimbursement. There is a risk that the cost reimbursement method may not be in cash, but rather in a long-term recovery from other sources. The Government initiated a second audit of the costs to verify the balance owing, the results of which are expected to be communicated to the Company during 2018.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. Other than routine trade and other payables, incurred in the normal course of business, the Company also has two medium term loans with principal repayments obligations totalling $6.99 million during the next twelve months and an overdraft facility of $2.5 million.

With no material firm capital expenditures expected during the next twelve months and ongoing operating costs being generally fixed in nature, the cash flow generated from gas sale and the resulting ability to receive payment for gas sales in a timely manner has a significant impact on the liquidity of the Company. An increase or decline in gas production and/or accelerated payments of current and outstanding gas sales invoices or delays in collections of receivables from TPDC and/or TANESCO would have a material impact on the Company's working capital position. The Company is mitigating issues with respect to liquidity by maintaining open and transparent dialogue with key creditors and external lenders while working with debtors to arrange payments for gas sales in a timely manner. Should production volumes decline or a delay in receiving payment for gas sales be experienced, the Company would seek additional forms of financing to meet its obligations such as extending payment terms on current liabilities, discussing alternatives with existing lenders and seeking additional debt or equity financing if deemed appropriate.

The Company has working capital surplus at December 31, 2017 and positive adjusted EBITDA for 2016 and 2017. The Company is dependent upon the buyers of natural gas, TPDC and TANESCO, to meet their payment obligations in a timely manner and failure to obtain payment for an extended period of time could negatively impact the Company's ability to meet it ongoing obligations.

Taxation

The Company operates in multiple jurisdictions with complex tax laws and regulations, which are evolving over time. The Company has taken certain tax positions in its tax filings and these filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax impact may differ significantly from that estimated and recorded by management. Taxation years 2013 to 2016 of the Company's Tanzanian subsidiary are currently being audited by the Tanzania Revenue Authority.

Measurement uncertainty and use of estimates and judgments

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates.

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Workplace

Wentworth is committed to providing a workplace free of discrimination where all employees are afforded equal opportunities and are rewarded on merit and ability. In terms of gender equality within the Company, no Board Members are currently female, though 22 percent of the executive & senior management team, including the corporate secretary, are women. The Corporation promotes a productive working environment and does not tolerate disrespectful behavior. Wentworth is committed to achieving the highest possible standards of conduct, accountability and propriety and to a culture of openness in which employees can report legitimate concerns without fear of penalty or punishment.

Director compensation table

The following table sets out all amounts of compensation provided to the current Directors for the Corporation's most recently completed financial year.

Name	Fees Earned (US$)	Share-Based Awards (US$)	Option- Based Awards (US$)	Non-Equity Incentive Plan Compensation (US$)	Pension Value (US$)	All Other Compensation (US$)	Total (US$)
Robert P. McBean	80,000	Nil	Nil	Nil	Nil	Nil	80,000
John W. S. Bentley	80,000	Nil	Nil	Nil	Nil	Nil	80,000
Cameron Barton	80,000	Nil	Nil	Nil	Nil	Nil	80,000
Neil B. Kelly	80,000	Nil	Nil	Nil	Nil	Nil	80,000

Environmental impact

Exploration, development and production of oil and gas may cause emissions to the sea and air. Wentworth's operations are in accordance with all regulatory requirements, and there were no breaches of these requirements in 2017. Wentworth did not operate any wells in 2017.

Research and development

Wentworth, in coordination with the operating companies for its investments in Tanzania and Mozambique, collaborates with external research institutions to increase the understanding of several complex challenges within the oil and gas industry's upstream segment. The Company has no particular plans to participate in the commercialization of these efforts.

Exemption

The Company has received an exemption from the requirement to present parent company financial statements on an annual basis.

Future accounting pronouncements

At the date of these financial statements, the standards and interpretations listed below were issued but not yet effective. The adoption of these standards may result in future changes to existing accounting policies and disclosures. The Company is currently evaluating the impact that these standards will have on results of operations and financial position.

IFRS 9 - In July 2014, the IASB issued the last version of IFRS 9 "Financial Instruments" ("IFRS 9") to replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages it financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The IAS 39 measurement categories for financial assets will be replaced by fair value through profit or loss, fair value through other comprehensive income ("FVOCI") and amortized cost. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivable and available for sale.

IFRS 9 retains most of the IAS 39 requirements for financial liabilities. However, where fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded through other comprehensive income rather than net earnings. Wentworth currently does not designate any financial liabilities as fair value through profit or loss; therefore, there will be no impact on the accounting for financial liabilities.
The new standard also changes how debt modifications are

treated. Under IAS 39, debt modifications did not have an impact on profit and loss. However, under IFRS 9, the difference between the carrying amount of the financial liability, and the present value of the estimated future contractual cash flows discounted at the original effective interest rate, must be recognized in profit and loss. As the Company renegotiated the repayment terms on its long-term debt, effective January 31, 2017, the impact of IFRS 9 will be to recognize a modification loss of $0.7 million on the $20 million TIB loan, which is a loss as it increases the present value of the $20 million debt and would decrease the opening retained earnings as at January 1, 2018.

The new standard also introduces an expected credit loss model for evaluating impairment of financial assets. The new model will result in more timely recognition of expected credit losses. The Company does not expect the change in the impairment model to have a material impact on the consolidated financial statements.

In addition, IFRS 9 provides a simplified hedge accounting model, aligning hedge accounting more closely with risk management activities. The Company currently does not apply hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018 with early adoption permitted.

The Company will apply the new standard retrospectively and elect to use the practical expedient of a provision matrix when calculating expected credit losses on trade receivables. Comparative periods will not be restated.

IFRS 15 - Revenue from Contracts with Customers, which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations, was issued in May 2014 with effective date January 1, 2018. The standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. An entity recognizes revenue when a performance obligation is satisfied, i.e. when control over the goods or services underlying the particular performance obligation is transferred to the customer. Disclosures have also been expanded to include the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The Company has completed the process of reviewing sales contracts with its two customers (TPDC and TANESCO) and determined that there is no impact on the accounting and reporting of the Company. The Company will expand the disclosure in the notes to the consolidated financial statements as required by the standard in its half-year report for the period ending June 30, 2018.

IFRS 16 - Leases, which replaces IAS 17 Leases, was issued in January 2016 with effective date January 1, 2019. IFRS 16 requires lessees to recognize most leases on the statement of financial position. The standard provides using a single recognition and measurement model for leases with required recognition of assets and liabilities for most leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue and what assets would be recorded.

IFRS 16 is effective for years beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 Revenue From Contracts With Customers has been adopted. The standard shall be applied retrospectively to each period presented or using a modified retrospective approach where the Company recognizes the cumulative effect as an adjustment to the opening retained earnings and applies the standard prospectively. The Company is currently in the process of identifying, gathering, and analyzing contracts that fall into the scope of the standard. The extent of the impact of the adoption of the standard has not yet been determined. The Company plans to apply IFRS 16 effective January 1, 2019. The Company intends to adopt the standard using the modified retrospective approach recognizing the cumulative impact of adoption in retained earnings as of January 1, 2019 and apply several of the practical expedients available such as low-value and short-term exemptions.

There are no other standards and interpretations in issue but not yet adopted that are expected to have a material effect on the reported earnings or net assets of the Company. ■

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ANNUAL STATEMENT OF RESERVES 2017

Wentworth Resources Limited's ("Wentworth") classification of reserves follows the SPE/WPC/AAPG/SPEE Petroleum Resources Management System (SPE-PRMS) published in 2007. The system is a recognized resource classification system in accordance with the Oslo Stock Exchange Circular 1/2013 "Revised listing and disclosure requirements for oil and natural gas companies".

The SPE-PRMS uses "reserves", "contingent resources" and "prospective resources" to classify hydrocarbon resources of varying technical maturity and commercial viability. The maturity within each class is also described to help guide classification of a given asset.

Details of SPE-PRMS can be found at: http://www.spe.org/industry/reserves/prms.php

RESERVES

In this annual statement of reserves (the "ASR"), Wentworth reports the company's reserves, estimated by Wentworth in accordance with the SPE-PRMS standard. Economic limit tests have been performed based on a market forward oil price as at December 31, 2017 as well as the company's best assumptions of future operating costs.

In addition, Wentworth uses an external company (RPS Energy Consultants Limited) to perform an independent reserves analysis. Both the in-house and the independent reserves estimation follow SPE-PRMS.

As at December 31, 2017, Wentworth has reserves in the Mnazi Bay and Msimbati gas fields in Tanzania. Further information about the reserves, including the independent reserves analysis prepared by RPS, is available on Wentworth's website www.wentworthresources.com.
Wentworth's reserves overview is shown in Tables 1 and 2. The division is as suggested in Oslo Børs Circular 1/2013 Annex III, and the SPE PRMS reserves categories used is shown in brackets.

Table 1: Wentworth gross reserves by asset

Developed Assets (On Production) as at December 31, 2017

Gross Reserves (100% Field)

	1P					2P				
	Liquids (MMstb)	**Gas (Bscf)**	**MMboe**	**Interest %**	**Net MMBoe**	**Liquids (MMstb)**	**Gas (Bscf)**	**Mmboe**	**Interest %**	**Net MMBoe**
Mnazi Bay	0	86.01	14.3	31.94%	4.58	0	223.16	37.19	31.94%	11.88
Total	**0**	**86.01**	**14.3**		**4.58**	**0**	**223.16**	**37.19**	**31.94%**	**11.88**

Under Development (Approved for Development) as at December 31, 2017

Gross Reserves (100% Field)

	1P					2P				
	Liquids (MMstb)	**Gas (Bscf)**	**MMboe**	**Interest %**	**Net MMBoe**	**Liquids (MMstb)**	**Gas (Bscf)**	**Mmboe**	**Interest %**	**Net MMBoe**
Mnazi Bay	0	-	-	31.94%	-	0	-	-	31.94%	-
Total	**0**	**-**	**-**		**-**	**0**	**-**	**-**	**31.94%**	**-**

Non-Development assests (Justified for Development) as at December 31, 2016

Gross Reserves (100% Field)

	1P					2P				
	Liquids (MMstb)	Gas (Bscf)	MMboe	Interest %	Net MMBoe	Liquids (MMstb)	Gas (Bscf)	Mmboe	Interest %	Net MMBoe
Mnazi Bay	0	218.72	36.5	31.94%	11.64	0	329.16	54.86	31.94%	29.40
Total	**0**	**218.72**	**36.5**		**11.64**	**0**	**329.16**	**54.86**	**31.94%**	**17.52**

Total Reserves as at December 31, 2016

Gross Reserves (100% Field)

	1P					2P				
	Liquids (MMstb)	Gas (Bscf)	MMboe	Interest %	Net MMBoe	Liquids (MMstb)	Gas (Bscf)	Mmboe	Interest %	Net MMBoe
Mnazi Bay	0	304.73	50.8	31.94%	16.22	0	552.32	92.05	31.94%	29.40
Total	**0**	**304.73**	**50.8**		**16.22**	**0**	**552.32**	**92.05**	**31.94%**	**29.40**

Table 2: Wentworth reserves development

Net attributable MMBoe	Developed On Prod		Under Development (Approved for Dev)		Non-Development		Total	
	1P Net (MMBoe)	2P Net (MMBoe)	1P Net (MMBoe)	2P Net (MMBoe)	1PNet (MMBoe)	2PNet (MMBoe)	1P Net (MMBoe)	2P Net (MMBoe)
Mnazi Bay								
Opening Balance (Dec.31, 2016)	4.54	6.19	-	-	8.76	13.13	13.30	19.32
Production	(0.72)	(0.72)	-	-	-	-	(0.72)	(0.72)
Acquisitions / disposals								
Extension & Discoveries								
New Developments								
Technical Revisions	(0.13)	4.41	-	-	(0.32)	(3.82)	(0.46)	0.59
Closing Balance (Dec. 31, 2017)	3.68	9.88	-	-	8.44	9.31	12.12	19.19

For conversion between gas volumes (scf) and oil equivalents (boe), Wentworth has used 6,000 scf equals 1 boe.

Mnazi Bay, operated by Maurel et Prom, Wentworth 31.94%

The reserves for Mnazi Bay and Msimbati are based on detailed reservoir modelling.

CONTINGENT AND PROSPECTIVE RESOURCES

Wentworth's contingent resources are from discoveries in various stages of maturation towards development in the Mnazi Bay concession in Tanzania.

In accordance with guidelines from Oslo Stock Exchange, Wentworth does not quantify contingent resources in this ASR.

For a description and overview of our contingent resources, reference is made to Wentworth's homepage www.wentworthresources.com.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The reported reserve estimates are based on standard industry practices and methodology such as decline analysis, reservoir modelling and geological and geophysical analysis. The evaluations and assessments have been performed by engineers with extensive industry experience, and the methodology and results have been quality controlled as part of the company's internal reserves estimation procedures. The 2P reserves estimate represents the expected outcome for the fields based on the performance observed to date, the Company's understanding of the fields, and planned activities in the licenses.

A third party independent assessment has been performed by RPS Energy Consultants Limited on all of Wentworth's fields categorized as reserves. The assessment is based on input data provided by Wentworth, as well as full access to subsurface data and licence documentation. RPS Energy Consultants Limited performed an independent review of reserves on this basis. The independent review concludes with a reserves estimate that is consistent with Wentworth's overall 2P estimate and hence serves as a verification of the Wentworth reserves estimate.

The information included herein may contain certain forward-looking statements that address activities, events or developments that Wentworth expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by Wentworth, which are beyond its control and are subject to certain additional risks and uncertainties. As a result of these factors, actual events may differ materially from those indicated in or implied by such forward-looking statements. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, technical, geological and geotechnical conditions, economic and market conditions in the geographical areas and industries that are or will be major markets for Wentworth, oil and natural gas prices, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time in the ASR. Although Wentworth believes that its expectations and this ASR are based upon reasonable assumptions, the company cannot give any assurance that the expectations will be achieved or that the actual results will be as set out in the ASR. None of Wentworth's directors, employees or advisors makes any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of any information contained in the ASR, and no such persons shall have any liability whatsoever arising directly or indirectly from the use of this ASR.

Total net Proved Reserves (1P) as of December 31, 2017 for Wentworth are estimated at 12.1 million (2016: 13.3 million) barrels of oil equivalents (boe) and the 2P net reserve estimate for Wentworth's portfolio is 19.2 million (2016: 19.3 million) barrels of oil equivalents (boe). Slight decrease due to higher production levels in 2017.

Geoffrey Bury
Managing Director
Wentworth Resources Limited
■

Board of Directors and Corporate Governance

The Company's Board of Directors are Robert 'Bob' McBean (Executive Chairman), John Bentley (Deputy Chairman), Cameron Barton, and Neil Kelly. The Board has established four subcommittees: An Audit Committee, Compensation Committee, Governance & Nomination Committee and Reserves Committee. The committees act as preparatory bodies for the Board of Directors and assist the Directors in exercising their responsibilities.

The Company is committed to maintaining high standards of corporate governance and believes that effective corporate governance is essential to the success of Wentworth. As a Canadian corporation registered under Alberta corporate law, with its primary listing on the Oslo Børs (the "OSE"), the Company is subject to the rules of the OSE, including its continuing obligations for listed companies. As such, the Company has adopted the Norwegian Code of Practice for Corporate Governance. Wentworth also implements corporate governance guidelines beneficial to the business and which add value to the shareholders. Corporate governance principles are adopted by the Board of Directors and are periodically reviewed. The Corporate Governance Report is prepared and approved by the board on an annual basis. The Company's articles of association, in addition to full versions of the Board of Directors Mandate and Terms of Reference, the board subcommittees' Charters, Corporate Governance Report and Code of Ethics and Business Conduct are available on the Company website at www.wentworthresources.com.

The Company maintains a compliance hotline operated by an external service provider to facilitate reporting of any concerns regarding inappropriate business conduct. Wentworth encourages the use of the hotline by anyone who has concerns relating to compliance with laws and regulations, breaches of the code of conduct, fair treatment, or any other matter. Concerns can also be raised directly with the corporate secretary or any Board member.

Approved by the Board March 27, 2018

Directors

Robert P. McBean Executive Chairman	**John W.S. Bentley** Deputy Chairman
Cameron Barton Non-Executive Director	**Neil B. Kelly** Non-Executive Director

Executive Management

Geoffrey Bury Managing Director	**Lance Mierendorf** Chief Financial Officer

Responsibility Statement

We confirm that, to the best of our knowledge, the consolidated financial statements for the year ended December 31, 2017, which are prepared in accordance with IFRS give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations for the issuer and the group taken as a whole and the MD&A includes a fair review of the development and performance of the business and the position of the issuer and the group taken as a whole, together with a description of the principal risks and uncertainties that they face under Norwegian Securities Trading Act paragraph 5.5.

Approved by the Board March 27, 2018

Directors

Robert P. McBean Executive Chairman	**John W.S. Bentley** Deputy Chairman
Cameron Barton Non-Executive Director	**Neil B. Kelly** Non-Executive Director

Executive Management

Geoffrey Bury Managing Director	**Lance Mierendorf** Chief Financial Officer

Annual financial report
continued

REPORTING – PAYMENTS TO GOVERNMENTS STATEMENT

This country-by-country report has been developed to comply with the legal requirements in the Norwegian Accounting Act ("Regnskapsloven") §3-3d and the Norwegian Security Trading Act ("Verdipapirhandelloven") §5-5a, valid from 2014. The detailed regulation can be found in the regulation "Forskrift om land-for-land rapportering".

In 2017, the Company was engaged in extracting activities encompassed by the legislation above in Tanzania and Mozambique which is unchanged from the prior year. This report discloses relevant payments to governments for extractive activities in the countries above, in addition to some contextual information as required by the regulation in the "Forskrift om land-for-land rapportering". In preparing this information the following principles were applied:

Definitions

Government
In the context of this report, a government means any national, regional or local authority of a country. It includes a department, agency or undertaking (i.e. corporation) controlled by that governmental authority.

Basis for preparation
This report includes payments to governments from all entities in the consolidated group that engage directly in extractive industry. It excludes payments to governments made by holding companies and other entities in the group that have limited to no active operations except for payments made, if any, by the holding company on behalf of its operating subsidiary to governments in the operating jurisdiction.

This report includes all payments made (on a cash basis of accounting and hence it excludes accruals that are made in the preparation of our 2017 annual consolidated financial statements) regardless of whether the Company is the operator or not. The report includes the Company's proportionate share of payments made to governments.

A considerable amount of the payments made to governments is in the form of gas production entitlements. Under the terms of the Company's production sharing contracts, the local government is entitled to a portion of the production from the concession. This report includes the Company's proportionate share of these production payments. The production payments have been valued based on the volumes allocated to the government at the same commodity price that was realized on the Company's share of production.

Project definition
The Company conducts its oil and gas operations in Tanzania and Mozambique under a single production sharing contract in each jurisdiction. As such, this report is based on two projects, which are aligned to the geographic areas of operation. Payments that are not directly linked to a specific project but are levied at an entity level are reported at the country level.

Reporting currency
The payments to governments are reported in US dollars, the Company's functional and reporting currency. Payments made in local currencies have been translated to US dollars in accordance with the policies applied in preparation of the Company's consolidated financial statements.

Host government entitlements
The entitlements to the host government in terms of mmscf and US dollar value of hydrocarbon produced from the respective concession.

Taxes
Includes Withholding tax and payroll tax.

Fees and other payments
Includes municipal and regulator levies.

Consolidated overview

The consolidated overview below discloses the sum of the Company's payments to governments during the year in each individual country where extractive activities are performed, per payment type.

2017	Host government entitlements (mmscf)	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Tanzania	7,488	398	291	24,124	**24,813**
Mozambique	-	-	-	-	**-**
Total	7,488	398	291	24,124	**24,813**

The consolidated overview below discloses the sum of the Company's payments to governments during year **2016** in each individual country where extractive activities are performed, per payment type.

2016	Host government entitlements (mmscf)	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Tanzania	6,565	436	264	21,012	**21,712**
Mozambique	-	-	-	-	**-**
Total	6,565	436	264	21,012	**21,712**

There were no payments to governments in respect to bonuses, dividends, transfer of shares or infrastructure improvements.

Payments by country

Tanzania - Operations

The Company's operations in Tanzania are conducted under a single production sharing agreement in the coastal (onshore and offshore), south-eastern Tanzania area bordering the Ruvuma River to the south and extending east into the Indian Ocean. At December 31, 2017, the Company held a 31.94 percent non-operated participation interest in the concession in the production stage (39.925 percent in the exploration stage). In 2017, gross gas production from the Mnazi Bay field averaged 49.1 MMscf/d (2016: 43.0 MMscf/d).

As the Company's operations in the country consist of a single project the amounts reported in the consolidated overview represent all payments by project during year.

Tanzania - payments per government

2017	Host government entitlements (mmscf)	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Tanzania Revenue Authority	-	398	51	-	**449**
Mtwara/Mikindani Municipal	-	-	55	-	**55**
Tanzania Petroleum					
Development Corporation	7,488	-	-	24,124	**24,124**
Energy and Water Utilities					
Regulatory Authority	-	-	185	-	**185**
Total	7,488	398	291	24,124	**24,813**

Annual financial report
continued

Tanzania - payments per government

2016	Host government entitlements (mmscf)	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Tanzania Revenue Authority	-	436	55	-	**491**
Mtwara/Mikindani Municipal	-	-	48	-	**48**
Tanzania Petroleum Development Corporation	6,565	-	-	21,012	**21,012**
Energy and Water Utilities Regulatory Authority	-	-	161	-	**161**
Total	6,565	436	264	21,012	**21,712**

Mozambique - Operations

The Company's operations in Mozambique are conducted under a single production sharing agreement in the onshore north-eastern area of Mozambique bordering the Ruvuma River to the north and extending east into the Indian Ocean. At December 31, 2017, the Company held an 85 percent Operated participating participation interest in the concession (100 percent in the exploration stage), prior to allocation of the participation interest held by certain partners that elected not to continue into the appraisal stage of the concession. The Company is currently working with the government to determine an appraisal program for the 2014 Tembo discovery and secure an extension on the Appraisal License.

As the Company's operations in the country consist of a single project the amounts reported in the consolidated overview represent all payments by project.

Mozambique - payments per government

2017	Host government entitlements (mmscf)	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Government 1 (Federal)	-	-	-	-	**-**
Government 2 (Municipality)	-	-	-	-	**-**
Government 3 (State owned company)	-	-	-	-	**-**
Total	-	-	-	-	**-**

Mozambique - payments per government

2016	Host government entitlements (mmscf)	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Government 1 (Federal)	-	-	-	-	**-**
Government 2 (Municipality)	-	-	-	-	**-**
Government 3 (State owned company)	-	-	-	-	**-**
Total	-	-	-	-	**-**

Contextual information

As per the "Forskrift om land-for-land rapportering" the Company is required to report on certain contextual information at corporate level. The below tables provide the required information as at and for the year ended:

2017	Investments $000's[1]	Revenue $000's	Purchase of goods and services $000's	Production volume (mmscf)
Tanzania	107,449	13,440	-	4,167
Mozambique	39,793	-	-	-
Total	147,242	13,440	-	4,167

[1]Investments have been reported in the above table based on total assets within the respective country

As per the "Forskrift om land-for-land rapportering" the Company is required to report on certain contextual information at corporate level. The below tables provide the required information as at the year ended:

2016	Investments $000's[1]	Revenue $000's	Purchase of goods and services $000's	Production volume (mmscf)
Tanzania	106,391	11,750	-	3,667
Mozambique	37,410	-	-	-
Total	143,801	11,750	-	3,667

[1]Investments have been reported in the above table based on total assets within the respective country

The following contains information on the Company and its subsidiaries as required under "Forskrift om land-for-land rapportering":

2017	Country of incorporation	Country of operations	Employees	Net intercompany interest[1] $000's
Wentworth Resources Limited	Canada	N/A	4	-
Wentworth Resources (UK) Limited	United Kingdom	N/A	1	-
Wentworth Holdings (Jersey) Limited	Jersey	N/A	0	-
Wentworth Tanzania (Jersey) Limited	Jersey	N/A	0	-
Wentworth Gas (Jersey) Limited	Jersey	N/A	0	(848)
Wentworth Gas Limited	Tanzania	Tanzania	15	848
Cyprus Mnazi Bay Limited	Cyprus	N/A	0	-
Wentworth Mozambique (Mauritius) Limited	Mauritius	N/A	0	-
Wentworth Mocambique Petroleos, Limitada	Mozambique	Mozambique	2	-
Total			22	-

[1]Net intercompany interest (income)/expense charged on the intercompany loans.

Annual financial report
continued

2017 (numbers in §000's)	Core business (*)	Revenues	Net income/ (loss) before tax	Current and deferred Income tax expense	Income tax paid	Retained earnings/ (deficit)
Wentworth Resources Limited	ADM	-	(2,800)	-	-	(132,162)
Wentworth Resources (UK) Limited	ADM	-	43	-	-	69
Wentworth Holdings (Jersey) Limited	ADM	-	(164)	-	-	20,896
Wentworth Tanzania (Jersey) Limited	ADM	-	(7)	-	-	(18,228)
Wentworth Gas (Jersey) Limited	ADM	-	(236)	-	-	(5,962)
Wentworth Gas Limited	UPS	10,688	1,410	(394)	-	(119,305)
Cyprus Mnazi Bay Limited	UPS	2,752	1,070	-	-	1,543
Wentworth Mozambique (Mauritius) Limited	ADM	-	(22)	-	-	24,111
Wentworth Mocambique Petroleos, Limitada	UPS	-	(3)	-	-	(33,528)
Total		13,440	(709)	(394)	-	(262,566)

(*) ADM companies are administrative companies owning shares in subsidiaries and/or providing administrative services within the group. UPS are upstream companies with external sales of natural gas.

Responsibility statement

We confirm to the best of our knowledge that the country-by-country report for 2017 has been prepared in accordance with the Norwegian Security Trading Act §5-5a.

Directors

Robert P. McBean
Executive Chairman

John W.S. Bentley
Deputy Chairman

Cameron Barton
Non-Executive Director

Neil B. Kelly
Non-Executive Director

Executive Management

Geoffrey Bury
Managing Director

Lance Mierendorf
Chief Financial Officer

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Wentworth Resources Limited is a publicly traded international oil and gas, exploration and production company with rights extending over the Rovuma Basin play in southern Tanzania and northern Mozambique. The Company is focused on the exploration and development of oil and natural gas reserves. The Company has producing Tanzania gas assets, oil and gas exploration activities in both Mozambique and Tanzania. The Company's strategy is centered on proving up additional gas resources in its Mnazi Bay Concession in Tanzania to satisfy third party demand for natural gas and to identify significant resources for consumption by industrial gas buyers. Competitive business environments in both Tanzania and Mozambique combined with the Tanzanian Government working to solve electricity shortages by way of planned large-scale gas to power projects utilizing the transnational NNGIP connecting Mtwara, Tanzania, the location of the Mnazi Bay Concession, to the commercial capital of Dar es Salaam, provides Wentworth with an opportunity to monetize its assets in a relatively short period of time.

Wentworth is incorporated in Canada and is listed on the Oslo Stock Exchange (ticker: WRL) and the AIM market of the London Stock Exchange (ticker: WRL). The Company has offices in Calgary, Canada, Dar es Salaam, Tanzania and Maputo, Mozambique.

For more information on Wentworth Resources Limited visit www.wentworthresources.com.

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Forward-Looking and Cautionary Statements

Certain statements made herein, other than statements of historical fact relating to Wentworth, are forward-looking statements. These include, but are not limited to, statements with respect to anticipated business activities, planned expenditures, including those relating to the exploration, development and production of its petroleum assets, corporate strategies, participation in projects and financing operations, the outcome of development activities in the exploration for, appraisal of, and development and operations relating to oil and natural gas assets in Tanzania and Mozambique, technical risks and resource potential of the drilling prospects, and the financing and timing of construction and future field plans for the Mnazi Bay Concession, and other statements that are not historical facts. When used in this MD&A, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions, are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Risk Factors" elsewhere in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. The Company assumes no obligation to update forward looking statements except to the extent required by applicable securities laws.

All such forward-looking information is based on certain assumptions and analysis made by management in light of experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, including, without limitation: the risks associated with foreign operations, foreign exchange fluctuations, commodity prices; equipment and labour shortages and inflationary costs, general economic conditions, industry conditions, changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced, the ability of oil and natural gas companies to raise capital, the existence of operating risks, volatility of oil and natural gas prices, oil and natural gas product supply and demand, risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations, increased competition, stock market volatility, opportunities available to or pursued by the Company and other factors, many of which are beyond the Company's control.

In addition to the foregoing, this MD&A contains forward looking information with respect to estimated resources, the potential size and distribution of fields and recovery factors. Such forward looking information is based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of resource estimates; the uncertainty associated with geological interpretations, the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks associated with the implementation of new technology, risks associated with obtaining, maintaining and the timing of receipt of regulatory approvals, permits, and licenses, uncertainties relating to access to capital markets and the risk of volatile global economic conditions. Statements relating to resources are deemed to be forward looking information, as they involve implied assessment, based on certain estimates and assumptions, that the resources exist in the quantities predicted or estimated. The actual resources discovered may be greater or less than those calculated.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

Management's responsibility for financial reporting

For year ended December 31, 2017

To the Shareholders of Wentworth Resources Limited:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgments are required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Audit Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee is also responsible for recommending the appointment of the Company's independent auditors.

KPMG LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Directors to audit the consolidated financial statements and report directly to them; their report follows. The independent auditors have full and free access to both the Audit Committee and management to discuss their audit findings.

(Signed) "Robert McBean"
Executive Chairman

(Signed) "Geoffrey Bury"
Managing Director

(Signed) "Lance Mierendorf"
Chief Financial Officer

Calgary, Alberta
March 27, 2018

Consolidated statement of financial position

United States dollars $000s, unless otherwise stated

	Note	**December 31, 2017**	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		**3,750**	979
Trade and other receivables		**13,322**	6,699
Prepayments and deposits		**191**	187
Current portion of long-term receivables	**5**	**15,550**	12,283
		32,813	20,148
Non-current assets			
Long-term receivables	**5**	**4,959**	18,034
Exploration and evaluation assets	**6**	**47,921**	45,538
Property, plant and equipment	**7**	**90,336**	93,366
Deferred tax asset	**16**	**30,751**	31,145
		173,967	188,083
Total assets		**206,780**	208,231
LIABILITIES			
Current liabilities			
Trade and other payables		**5,726**	8,675
Overdraft credit facility	**9**	**2,500**	-
Current portion of long-term loans	**10**	**6,915**	5,258
Current portion of other liability	**11**	**2,189**	1,260
		17,330	15,193
Non-current liabilities			
Long-term loans	**10**	**8,235**	15,254
Other liability	**11**	**-**	1,100
Decommissioning provision	**8**	**865**	773
EQUITY			
Share capital		**416,426**	411,493
Equity reserve		**26,490**	26,275
Accumulated deficit		**(262,566)**	(261,857)
		180,350	175,911
Total liabilities and equity		**206,780**	208,231
Commitments	**19**		
Contingencies	**20**		
Subsequent event	**21**		

The accompanying notes are an integral part of these consolidated financial statements
Approved by the Board of Directors and Management

Robert P. McBean Chairman of the Board	John W.S. Bentley Deputy Chairman	Cameron Barton Non-Executive Director
Neil Kelly Non-Executive Director	Geoffrey Bury Managing Director	Lance Mierendorf Chief Financial Officer

Consolidated statements of (loss)/profit and comprehensive (loss)/profit

United States dollars $000s, unless otherwise stated

		Year ended December 31,	
	Note	**2017**	2016
Total revenue		**13,440**	11,750
Operating expenses			
Production and operating		**(3,484)**	(3,371)
General and administrative		**(4,614)**	(5,397)
Depreciation and depletion	**7**	**(4,091)**	(3,864)
Share based compensation	**13**	**(215)**	(592)
Profit/(loss) from operations		**1,036**	(1,474)
Finance income	**12**	**2,386**	4,693
Finance costs	**12**	**(3,737)**	(5,115)
Loss before tax		**(315)**	(1,896)
Deferred tax expense	**16**	**(394)**	(3,196)
Net loss and comprehensive loss		**(709)**	(5,092)
Net loss per ordinary share			
Basic and diluted (US$/share)	**15**	**-**	(0.03)

The accompanying notes are an integral part of these consolidated financial statements

Consolidated statements of changes in equity

United States dollars $000s, unless otherwise stated

	Note	Number of shares	Share capital $	Equity reserve $	Accumulated deficit $	Total equity $
Balance at December 31, 2015		169,534,969	411,493	25,683	(256,765)	180,411
Net loss and comprehensive loss		-	-	-	(5,092)	(5,092)
Share based compensation	13	-	-	592	-	592
Balance at December 31, 2016		169,534,969	411,493	26,275	(261,857)	175,911
Net loss and comprehensive loss		**-**	**-**	**-**	**(709)**	**(709)**
Share based compensation	**13**	**-**	**-**	**215**	**-**	**215**
Issue of share capital	**14**	**16,953,496**	**5,527**	**-**	**-**	**5,527**
Share issue costs, net of tax	**14**	**-**	**(594)**	**-**	**-**	**(594)**
Balance at December 31, 2017		**186,488,465**	**416,426**	**26,490**	**(262,566)**	**180,350**

The accompanying notes are an integral part of these consolidated financial statements

Year ended December 31,

Consolidated statement of cash flows

United States dollars $000s, unless otherwise stated

	Note	2017	2016
Operating activities			
Net loss for the year		**(709)**	(5,092)
Adjustments for:			
Depreciation and depletion	**7**	**4,091**	3,864
Finance costs, net	**12**	**1,351**	422
Deferred tax expense		**394**	3,196
Share based compensation	**13**	**215**	592
Change in non-cash working capital	**18**	**(5,363)**	(2,506)
Net cash (utilized in)/generated from operating activities		**(21)**	476
Investing activities			
Additions to exploration and evaluation assets	**18**	**(2,383)**	(2,371)
Additions to property, plant and equipment	**18**	**(1,728)**	(2,347)
Reductions of long-term receivable	**18**	**7,030**	10,763
Net cash from investing activities		**2,919**	6,045
Financing activities			
Issue of share capital, net of issue costs	**14**	**4,933**	-
Principal payments	**10**	**(5,346)**	(5,333)
Debt restructuring fee	**10**	**(83)**	-
Draw on overdraft credit facility	**9**	**2,500**	-
Interest paid	**9/10**	**(1,809)**	(2,073)
Payment of other liability	**11**	**(322)**	(882)
Net cash used in financing activities		**(127)**	(8,288)
Net change in cash and cash equivalents		**2,771**	(1,767)
Cash and cash equivalents, beginning of the year		**979**	2,746
Cash and cash equivalents, end of the year		**3,750**	979

The accompanying notes are an integral part of these consolidated financial statements

Notes to consolidated financial statements

United States dollars $000s, unless otherwise stated

1. Incorporation and basis of preparation

Wentworth Resources Limited ("Wentworth" or the "Company") is an East Africa-focused upstream oil and natural gas company. These consolidated financial statements include the accounts of the Company and its subsidiaries (collectively referred to as "Wentworth Group of Companies" or the "Group"). The Company is actively involved in oil and gas exploration, development and production operations. Wentworth is incorporated in Canada; shares of the Company are widely held and listed on the Oslo Stock Exchange (ticker: WRL) and the Alternative Investment Market ("AIM") of the London Stock Exchange (ticker: WRL). The Company's principal place of business is located at 3210, 715 - 5 Avenue, SW in Calgary, Canada. The Company maintains offices in Dar es Salaam, Tanzania and Maputo, Mozambique.

Basis of presentation and statement of compliance
These consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting. The consolidated financial statements are prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors on March 27, 2018.

Functional and presentation currency
These consolidated financial statements are presented in US dollars which is the functional currency of the parent company and the majority of its subsidiaries.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities that the Company controls. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its authority over the investee. The existence and effect of potential voting rights are considered when assessing whether a company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The following legal entities are within the Wentworth Group of Companies:

Legal entity	Registered	Holdings at December 31, 2017	Functional currency
Wentworth Resources Limited	Canada	Ultimate Parent	US dollar
Wentworth Resources (UK) Limited	United Kingdom	100%	GBP
Wentworth Holdings (Jersey) Limited	Jersey	100%	US dollar
Wentworth Tanzania (Jersey) Limited	Jersey	100%	US dollar
Wentworth Gas (Jersey) Limited	Jersey	100%	US dollar
Wentworth Gas Limited ("WGL")	Tanzania	100%	US dollar
Cyprus Mnazi Bay Limited	Cyprus	39.925%	US dollar
Wentworth Mozambique (Mauritius) Limited	Mauritius	100%	US dollar
Wentworth Mocambique Petroleos, Limitada	Mozambique	100%	US dollar

The Group holds a 31.94% participation interest in the Mnazi Bay Concession through two subsidiaries. Wentworth Gas Limited, which is a wholly owned subsidiary, owns a 25.40% participation interest and Cyprus Mnazi Bay Limited ("CMBL") owns a 16.38% participation interest of which the Group's proportionate share is 6.54% (i.e. Wentworth's interest of 39.925% interest in CMBL multiplied by 16.38% participation interest).

CMBL is a jointly controlled entity. The Group proportionately consolidates CMBL as related contractual agreements establish that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of ownership in proportion to their interest in the arrangement.

All inter-company transactions, balances and unrealized gains on transactions between the parent and subsidiary companies are eliminated on consolidation.

Measurement uncertainty and use of estimates and judgments
In applying the Company's accounting policies, the preparation of consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated

Notes to consolidated financial statements

continued

1. Incorporation and basis of preparation (continued)

Measurement uncertainty and use of estimates and judgments (continued)

with estimates. Significant estimates and judgments used in the preparation of these consolidated financial statements include the assessment of impairment triggers related to exploration and evaluation assets ("E&E") and property, plant and equipment assets ("PP&E"), estimation of decommissioning obligations, collectability of trade and other receivables and of long-term receivables, and recognition of a deferred tax asset.

The Company's significant accounting judgments and critical accounting estimates are set out below:

Cash generating units ("CGU's")
Cash generating units ("CGUs") are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or group of assets. The classification of assets into cash generating units requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructure and the way in which management monitors the Company's operations.

Recoverable value of E&E and PP&E
E&E are inherently judgmental to value. The amounts for E&E represent active exploration projects and investments. These amounts are recorded to profit or loss as exploration costs unless the determination process is not completed and there are no indications of impairment at the reporting date or commercial reserves are established. The outcome of ongoing exploration and evaluation activities and whether the carrying value of E&E will ultimately be recovered is inherently uncertain and requires significant judgment and estimates.

Management performs impairment tests on the Company's PP&E when indicators of impairment are present. The assessment of impairment indicators is subjective and considers the various internal and external factors such as the financial performance of individual CGUs, market capitalization and industry trends. In addition, the impairment assessment is impacted by how management determines the composition of CGUs. Management has grouped assets into CGUs based on several factors with a primary focus on assets whose cash inflows are independent. If impairment indicators are present an impairment test is required to be performed and the CGU is written down to its recoverable amount. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimate of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

Reserve estimates
Oil and natural gas reserves, prepared by an external independent reserve evaluator as at December 31, 2017, are used in the calculation of depletion, impairment and impairment reversal determinations and recognition of deferred tax asset. Reserve estimates are based on engineering data, estimated future prices and costs, expected future rates of production and the timing of future capital expenditures; all of which are subject to many uncertainties and estimations. The Company expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, oil and gas production levels and reservoir performance and may also be affected by changes in commodity prices.

Decommissioning provisions
The cost of decommissioning oil and gas infrastructure is reviewed annually and is estimated by reference to information provided by operators and where applicable third-party consulting engineers. Provisions for future remediation costs are based on current legal and constructive requirements, technology and price levels.

Taxes
The Group operates in countries where the legal and tax systems are less developed, which increases the requirement for management to make estimates and assumptions as to whether certain payments will be required related to matters such as income taxes, value added taxes, and other in-direct taxes. A provision is recognized in the financial statements for such matters if it is considered probable that a future outflow of cash resources will be required. The provision, if any, is subject to management estimates and judgments with respect to the outcome of the event, the costs to defend, the quantum of the exposure and past practice in the country.

Deferred tax assets are recognized if it is probable that future taxable income will be earned sufficient to use the related tax attributes. The estimate of future taxable income is uncertain. Recognition of the Company's deferred tax asset is based on assumptions of future taxable income which are derived from the external independent reserve report. Changes in reserve estimates, commodity prices and tax legislation may significantly impact the amount of the recognized deferred tax asset.

Collectability of trade and other receivables and the long-term receivables
Collectability of the long-term receivables from Tanzania Petroleum Development Corporation ("TPDC") and the Tanzanian Government receivable involves estimating the volume and timing of future gas production from the Mnazi Bay Concession

and estimating a discount rate in addition to assessing credit risk. Timing of collection of the long-term receivables is impacted by the rate of production and the timing of the increase of production volumes.

The assessment of collectability of amounts owed from Tanzania Electricity Supply Company Limited ("TANESCO") and TPDC for past gas sales is subject to significant estimates. Payment cycles from TANESCO and TPDC vary and are not generally consistent with traditional industry terms of payment of between 30 and 90 days. Management is required to estimate the bad debts provision for this balance based on current and historical payment patterns. Prolonged periods of non-payment may also affect the amount of revenue recorded with respect to sales to TANESCO and TPDC.

2. Summary of accounting

The principal accounting policies applied in the preparation of these Company and Group consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Joint arrangements
The analysis of joint arrangements requires management to analyze numerous agreements and the requirements of IFRS 10 and IFRS 11. Several judgments and estimates are made by management including whether joint control exists and the extent of exposure to the underlying assets and liabilities of the joint arrangement. The Company has a joint arrangement through its 39.925% ownership in Cyprus Mnazi Bay Limited, which is classified as a joint operation.

Financial instruments
Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred to an independent third party and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported on the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intent to settle on a net basis or realize the asset and settle the liability simultaneously.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position depending on the purpose for which the instruments were acquired. The Company has classified each financial instrument into one of the following categories: i) fair value through profit and loss, ii) loans and receivables, and iii) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

i. *Financial assets and liabilities at fair value through profit and loss*
A financial asset or liability classified in this category is recognized at each period at fair value with gains and losses from revaluation being recognized in profit or loss. Additionally, a financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are included in this category unless they are designated as hedges.

ii. *Loans and receivables*
Loans and receivables are initially measured at fair value plus directly attributable transaction costs and are subsequently recorded at amortized cost using the effective interest method.

Long-term receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Long-term receivables are initially recognized at fair value based on the discounted cash flows. The discount rate is based on the credit quality and term of the financial instrument. The financial instrument is subsequently valued at amortized costs by accreting the instrument over the expected life of the assets. The accretion associated with instruments valued at amortized cost is reported in profit/(loss) each reporting period. The fair value of the Company's trade and other receivables approximates their carrying values due to the short-term nature of these instruments.

iii. *Other financial liabilities*
Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently recorded at amortized cost using the effective interest method.

Long-term loans and other long-term liabilities are non-derivative financial assets with either fixed or determinable payments or no payment terms and which are not quoted in an active market.

Long-term loans are initially recognized at fair value based on the amounts received.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, term deposits and short-term highly liquid investments with the original term to maturity of three months or less, which are convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

Long-term receivables
Long-term receivables plus applicable accrued interest is initially recognized at their fair value based on the discounted cash flows. The discounted cash flows are reviewed at least every year to adjust for variations in the estimated future cash flows with the change in estimate reported in profit or loss. The discount rate is based on the credit quality and term of the financial instrument. The financial instrument is subsequently valued at amortized costs by accreting the instrument over the life of the asset. The accretion is reported in profit or loss.

E&E
E&E costs, including costs of licence acquisition, technical services and studies, exploratory drilling, whether successful or unsuccessful, and testing and directly attributable overhead, are capitalized as E&E assets according to the nature of the assets acquired. These costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

Note to consolidated financial statements

continued

2. Summary of accounting (continued)

E&E (continued)

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a resource is generally considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether it is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability, intangible E&E assets attributable to those reserves are first tested for impairment with the unimpaired amounts reclassified from E&E assets to a separate category within tangible assets within PP&E referred to as oil and gas interests.

Costs incurred prior to the legal awarding of petroleum and natural gas licences, concessions and other exploration rights are recognized in profit or loss as incurred.

PP&E - oil and natural gas properties

Items of PP&E, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. PP&E assets include costs incurred in developing commercial reserves and bringing them into production, such as drilling of development wells, tangible costs of facilities and infrastructure construction, together with the E&E expenditures incurred in finding the commercial reserves that have been reclassified from E&E assets as outlined above, the projected cost of retiring the assets and any directly attributable general and administrative expenses. Expenditures on developed oil and natural gas properties are capitalized to PP&E when it is probable that a future economic benefit will flow to the Company as a result of the expenditure and the cost can be reliably measured. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligations associated with the asset and borrowing costs on qualifying assets. When significant parts of an asset with PP&E, including oil and gas interests, have different useful lives, they are accounted for as separate items (major components).

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as capitalized oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. Subsequent changes in estimated decommissioning obligation due to changes in timing, amounts, and discount rates are included in the cost of the asset. Such capitalized oil and gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day operating of PP&E are recognized in profit or loss as incurred.

Depletion

The net carrying amount of PP&E is depleted on a field by field unit of production method by reference to the ratio of production in the year to the related proven and probable reserves. If the useful life of the asset is less than the reserve life, the asset is depreciated over its estimated useful life using the straight-line method. Future development costs are estimated taking into account the level of development required to produce the proven and probable reserves. These estimates are reviewed by third party independent reserves engineers. Changes in factors such as estimates of reserves that affect unit-of-production calculations are dealt with on a prospective basis. Capital costs for assets under construction included in development and production assets are excluded from depletion until the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Disposals

Oil and natural gas properties are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset, including farm out transactions or asset sales or asset swaps, is calculated as the difference between the proceeds on disposal, if any, and the carrying value of the asset, is recognized in profit or loss in the period of derecognition.

PP&E - office and other equipment

Office and other equipment are carried at cost less accumulated depreciation and impairment losses. Depreciation of the cost of these assets less residual value is charged to profit and loss on a straight-line basis over their estimated useful economic lives of between three and five years.

Decommissioning obligation

Decommissioning obligations are recognized for legal obligations related to the decommissioning of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for decommissioning is recognized in the period in which it is incurred and when a reasonable estimate of the liability can be made with the corresponding decommissioning provision recognized by increasing the carrying amount of the related long-lived asset. The recognized decommissioning provision is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial amount of the liability is accreted by charges to the profit or loss to its estimated future value.

Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount and when they are reclassified to PP&E. For the purpose of impairment testing, E&E assets are grouped by concession or field with other E&E and PP&E belonging to the same CGU. The impairment loss will be calculated as the excess of the carrying value over recoverable amount of the E&E impairment grouping and any resulting impairment loss is recognized in profit or loss. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Fair value less costs to sell is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

PP&E will be tested for impairment whenever events and circumstances arising during the development and production phase indicate that the carrying amount of a PP&E may exceed its recoverable amount. For the purpose of impairment testing, PP&E will be grouped into the smallest group of assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets; the CGU. The aggregate carrying value will be compared against the expected recoverable amount of the CGU. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Fair value less costs to sell is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. CGU's are generally defined by field except where a number of field interests can be grouped because the cash inflows generated by the fields are interdependent. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of goodwill, if any, allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis. Impairment losses recognized in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. Impairments are reversed when events or circumstances give rise to changes in the estimate of the recoverable amount since the period the impairment was recorded. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Share capital

The proceeds from the exercise of share options and the issuance of shares from treasury are recorded as share capital in the amount for which the option, warrant, or treasury share enabled the holder to purchase a share in the Company.
Share capital issued for non-monetary consideration is recorded at an amount based on fair market value of the shares issued.

Share issuance costs

Commissions paid to underwriters, and other related share issue costs, such as legal, auditing and advisory, on the issue of the Company's shares are charged directly to share capital, net of tax.

Share based payments

The fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share based compensation is accrued and charged to profit or loss, with an offsetting credit to equity reserve over the vesting periods. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

Capitalization of interest

The Company capitalizes interest expense incurred during the construction phase of the projects, except E&E assets which were funded by the related financing.

Notes to consolidated financial statements

continued

2. Summary of accounting (continued)

Revenue recognition

Petroleum and natural gas revenues are recognized when the significant risks and rewards of ownership have been transferred, which is when title passes to the purchaser, and payment is reasonably assured.

Investment income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the profit or loss except to the extent it relates to items recognized in other comprehensive income ("OCI") or directly in equity.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their corresponding tax basis. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that future taxable profits are expected to be available against which deductible temporary differences to the tax basis can be utilized. Deferred income tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill, if any, or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and joint arrangements except where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future.
Deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits are expected to be available to allow all or part of the asset to be recovered. Deferred tax assets are recognized for taxable temporary differences arising on investments in subsidiaries to the extent that it is probable that the temporary difference will reverse in the foreseeable future and future taxable profits are expected to be available against which the temporary difference can be utilized.

Foreign currency translation

Items included in the financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the legal entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss.

The functional currency of all Wentworth subsidiaries is US dollars except for Wentworth Resources (UK) Limited which is Pound Sterling. The assets and liabilities of this Company are translated into US dollars at the period-end exchange rate. The income and expenses of the Company are translated to US dollars at the average exchange rate for the period.

Translation gains and losses are included in other comprehensive income; however, this subsidiary has limited operations so there is no significant amount of foreign exchange gains and losses to include in other comprehensive income. All other foreign exchange gains and losses are recognized in profit or loss.

Dividends

The Company's ability to declare and pay a dividend is subject to restrictions contained in the *Business Corporations Act (Alberta)*. Under the *Business Corporations Act (Alberta)*, a corporation cannot declare or pay a dividend if there are reasonable grounds for believing that: (a) the corporation is, or would, after the payment be unable to pay its liabilities as they become due or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. There is not a prescriptive calculation under the *Business Corporations Act (Alberta)* that is required to be met in order for the Company to pay dividends.

The Company is not required under the *Business Corporations Act (Alberta)* to maintain minimum capital and equity levels nor are there specific restrictions on the level of liquidity that the Company is required to maintain. At December 31, 2017, management believes that the Company could pay a dividend under the *Business Corporations Act (Alberta)*, however, no such dividend is currently planned or contemplated. The Company will use its capital resources in further development of its oil and gas E&E and PP&E.

Future accounting pronouncements

At the date of these financial statements, the standards and interpretations listed below were issued but not yet effective. The adoption of these standards may result in future changes to existing accounting policies and disclosures. The Company is currently evaluating the impact that these standards will have on results of operations and financial position.

IFRS 9 - In July 2014, the IASB issued the last version of IFRS 9 "Financial Instruments" ("IFRS 9") to replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages it financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The IAS 39 measurement categories for financial assets will be replaced by fair value through profit or loss, fair value through other comprehensive income ("FVOCI") and amortized cost. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivable and available for sale.

IFRS 9 retains most of the IAS 39 requirements for financial liabilities. However, where fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded through other comprehensive income rather than net earnings. Wentworth currently does not designate any financial liabilities as fair value through profit or loss; therefore, there will be no impact on the accounting for financial liabilities.

The new standard also changes how debt modifications are treated. Under IAS 39, debt modifications did not have an impact on profit and loss. However, under IFRS 9, the difference between the carrying amount of the financial liability, and the present value of the estimated future contractual cash flows discounted at the original effective interest rate, must be recognized in profit and loss. As the Company renegotiated the repayment terms on its long-term debt, effective January 31, 2017, the impact of IFRS 9 will be to recognize a modification loss of $0.7 million on the $20 million TIB loan, which is a loss as it increases the present value of the $20 million debt and would decrease the opening retained earnings as at January 1, 2018.

The new standard also introduces an expected credit loss model for evaluating impairment of financial assets. The new model will result in more timely recognition of expected credit losses. The Company does not expect the change in the impairment model to have a material impact on the consolidated financial statements.

In addition, IFRS 9 provides a simplified hedge accounting model, aligning hedge accounting more closely with risk management activities. The Company currently does not apply hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018 with early adoption permitted. The Company will apply the new standard retrospectively and elect to use the practical expedient of a provision matrix when calculating expected credit losses on trade receivables. Comparative periods will not be restated.

IFRS 15 - Revenue from Contracts with Customers, which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations, was issued in May 2014 with effective date January 1, 2018. The standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. An entity recognizes revenue when a performance obligation is satisfied, i.e. when control over the goods or services underlying the particular performance obligation are transferred to the customer. Disclosures have also been expanded to include the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers.

The Company has completed the process of reviewing sales contracts with its two customers (TPDC and TANESCO) and determined that there is no impact on the accounting and reporting of the Company. The Company will expand the disclosure in the notes to the consolidated financial statements as required by the standard in its half-year report for the period ending June 30, 2018.

IFRS 16 - Leases, which replaces IAS 17 Leases, was issued in January 2016 with effective date January 1, 2019. IFRS 16 requires lessees to recognize most leases on the statement of financial position. The standard provides using a single recognition and measurement model for leases with required recognition of assets and liabilities for most leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases.

Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue and what assets would be recorded.

IFRS 16 is effective for years beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 Revenue From Contracts With Customers has been adopted. The standard shall be applied retrospectively to each period presented or using a modified retrospective approach where the Company recognizes the cumulative effect as an adjustment to the opening retained earnings and applies the standard prospectively. The Company is currently in the process of identifying, gathering, and analyzing contracts that fall into the scope of the standard. The extent of the impact of the adoption of the standard has not yet been determined. The Company plans to apply IFRS 16 effective January 1, 2019. The Company intends to adopt the standard using the modified retrospective approach recognizing the

Notes to consolidated financial statements

continued

2. Summary of accounting (continued)

cumulative impact of adoption in retained earnings as of January 1, 2019 and apply several of the practical expedients available such as low-value and short-term exemptions.

There are no other standards and interpretations in issue but not yet adopted that are expected to have a material effect on the reported earnings or net assets of the Company.

Earnings or loss per share ("EPS")

Basic earnings or loss per share is calculated by dividing profit or loss attributable to owners of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator is calculated by adjusting the shares outstanding at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential ordinary shares deemed to have been converted at the beginning of the period or if later, the date of issuance. The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS.

3. Risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and commodity prices). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Credit risk

Wentworth's credit risk exposure is equal to the carrying value of its cash and cash equivalents, trade, other and long-term receivables.

Trade and other receivables are comprised predominantly of amounts due from government owned entities in Tanzania, tax input credits for Goods and Services Tax (GST) in Canada and Value Added Tax (VAT) in Tanzania and Mozambique.

The Company's ongoing exposure to trade receivables from TANESCO, the state power company, is connected with the gas sales from the Mnazi Bay Concession to a TANESCO owned 18-megawatt gas-fired power plant located in Mtwara, Tanzania. At December 31, 2017, the Mnazi Bay Concession partners were owed seven months of invoices for gas sales made to TANESCO, with $1,140 owing to Wentworth which includes sales revenue of $613 and the Company's share of TPDC sales revenue to recover a long-term receivable of $527 (2016 - $2,159 representing sales revenue of $1,179 and the Company's share of TPDC sales revenue to recover a long-term receivable of $980). Subsequent to year end, TANESCO has paid $323 net to Wentworth. The receivable from TANESCO was not discounted at year end (2016 - $96) as the receivable consisted of less than twelve months of invoices. The Company continues to be engaged in ongoing discussions with TANESCO to accelerate payment of amounts past due.

During 2015, the Company commenced gas sales to TPDC under a long-term gas sales agreement, the operator of the new transnational gas pipeline in Tanzania. Credit risk relating to sales to TPDC is substantially mitigated through a two-part payment guarantee structure. The first part relates to a prepayment amount of approximately three to four months of gas deliveries at current sales volumes which has been received and is held by the operator of the Mnazi Bay Concession. The second part is a one-month replenishable letter of credit which is not yet executed but expected to be executed during 2018. At December 31, 2017, the Mnazi Bay Concession partners were owed five months gas sales invoices, with $12,008 owing to Wentworth which includes sales revenue of $6,422 and the Company's share of TPDC sales revenue to recover a long-term receivable of $5,586 (2016 – $3,217 representing sales revenue of $1,728 and the Company's share of TPDC sales revenue to recover a long-term receivable of $1,489). Subsequent to year end, TPDC has paid $4,120 net to Wentworth. The Company continues to be engaged in ongoing discussions with TPDC to accelerate payment of amounts past due.

In addition to the receivable for current gas sales to TPDC, at December 31, 2017, an undiscounted long-term receivable of $17,330 net to Wentworth (2016 - $27,153) is due from TPDC, a partner in the Mnazi Bay Concession (see note 5(i)). The Company currently receives, directly from the operator of the Mnazi Bay Concession, a significant portion of TPDC's and the Government's share of gas sales from the Mnazi Bay Concession to reduce the long-term receivable from TPDC. There is a risk that future production from the Mnazi Bay Concession may not be sufficient to settle the receivable and, should such a determination be made, a provision against the receivable may be made.

At December 31, 2017, an undiscounted long-term receivable of $6,511 (2016 - $6,511) related to the Company's disposal of transmission and distribution assets, and the costs associated with the Mtwara Energy Project incurred in prior years by a wholly owned subsidiary of Wentworth (see note 5(ii)). On February 6, 2012, the Company, TANESCO, TPDC and the Ministry of Energy and Minerals ("MEM") reached an agreement that the Company's cost of historical operations in respect of the Mtwara Energy Project should be reimbursed. Wentworth is currently in discussions with TANESCO, TPDC and MEM on agreeing on a method of reimbursement. There is a risk that the cost reimbursement method may not be in cash, but rather in a long-term recovery from other sources. Timing of reaching an agreement on the reimbursement procedure is uncertain. The Government initiated a second audit of the costs to verify the balance owing, the results of which are expected to be communicated to the Company during 2018.

The Company's cash and cash equivalents are held at recognized international financial institutions.

The exposure to credit risk as at:

	Balance at December 31, 2017	Balance at December 31, 2016
Trade and other receivables	**13,322**	6,699
Long-term receivables (Note 5)	**20,509**	30,317
Cash and cash equivalents	**3,750**	979
	37,581	37,995

Aged trade and other receivables

	Current 1-30 days	31-60 days	61-90 days	>90 days	Total
Balance at December 31, 2017					
Trade receivables	**2,692**	**2,483**	**-**	**7,973**	**13,148**
Other receivables	**174**	**-**	**-**	**-**	**174**
	2,866	**2,483**	**-**	**7,973**	**13,322**
Balance at December 31, 2016					
Trade receivables	3,594	180	165	2,620	6,559
Other receivables	140	-	-	-	140
	3,734	180	165	2,620	6,699

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities as they become payable. Other than routine trade and other payables, incurred in the normal course of business, the Company also has long-term loans and an overdraft credit facility.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments including future interest payments on long-term loans.

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
Balance at December 31, 2017				
Trade and other payables	**5,726**	**-**	**-**	**5,726**
Other liability	**2,189**	**-**	**-**	**2,189**
Overdraft facility	**2,500**	**-**	**-**	**2,500**
Long-term loans, including interest [1]	**7,940**	**7,099**	**1,701**	**16,740**
	18,355	**7,099**	**1,701**	**27,155**
Balance at December 31, 2016				
Trade and other payables	8,675	-	-	8,675
Other liability	1,260	1,100	-	2,360
Long-term loans, including interest [1]	6,892	8,043	9,123	24,058
	16,827	9,143	9,123	35,093

[1] Includes future interest expense at the rate in effect at December 31.

The fair value of the Company's trade and other payables approximates their carrying values due to the short-term nature of these instruments. The fair value of the long-term loans approximates their carrying amounts as they bear market rates of interest. The fair value of the other liability approximates its carrying amount.

The Company has working capital surplus at December 31, 2017 and generated positive cash flow from operations in 2017, excluding changes in non-cash working capital. The Company plans to pay its financial liabilities in the normal course of operations and fund future operating and capital requirements through operating cash flows, bank debt, bank overdraft and equity raises, when deemed appropriate. Operating cash flow of the Company is dependent upon the purchasers of natural gas, TPDC and TANESCO, to meet their payment obligations on a timely manner. Any delays in collecting funds from these purchasers for an extended period of time could negatively impact the Company's ability to pay its financial liabilities on a timely manner in the normal course of business (see also Capital management section).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk and other price risk (e.g. commodity price risk). The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns.

Commodity price risk

Commodity price risk is the risk that the Company suffers financial loss as a result of fluctuations in oil or natural gas prices. The Company's exposure to commodity price risk is mitigated as the sale prices for gas sold by the Company is fixed under the existing gas sale and purchase agreements.

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3. Risk management (continued)

Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has two term debt facilities. One facility has a floating interest rate of six-month LIBOR plus 7.5 percentage points with a minimum 8% and maximum 9.5% interest rate per annum. The second facility has a floating interest rate of six-month LIBOR plus 7.5 percentage points with a minimum 8.5% with maximum interest rate per annum. The Company's objective is to minimize its interest rate risk on its cash balances by investing for short periods of time (less than 1 year) and only in term deposits. An increase of 1% in the six-month LIBOR rate would result in an increase of $178 (2017 - $207) in interest expense on an annualized basis.

Foreign exchange risk
Foreign exchange rate risk is the risk that the Company suffers financial loss as a result of changes in the value of an asset or liability or in the value of future cash flows due to movements in foreign currency exchange rates. Wentworth operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Tanzanian shilling, Pound Sterling and Canadian dollar against its functional currency of its operating entities, the US dollar. The Company's objective is to minimize its risk by borrowing funds in US dollars as revenues are paid (or indexed) to the US dollar. In addition, the Company holds substantially all its cash and cash equivalents in US dollars and converts to other currencies only when cash requirements demand such conversion.

The following $000 US dollar balances are denominated in foreign currency:

	Canadian Dollar	Tanzanian Shilling	Other Currency	Total
Balance at December 31, 2017				
Cash and cash equivalents	**70**	**102**	**3**	**175**
Other receivables	**27**	**103**	**44**	**174**
Trade and other payables	**(72)**	**(129)**	**(65)**	**(266)**
	25	**76**	**(18)**	**83**

	Canadian Dollar	Tanzanian Shilling	Other Currency	Total
Balance at December 31, 2016				
Cash and cash equivalents	38	64	10	112
Other receivables	31	100	9	140
Trade and other payables	(169)	(80)	(148)	(397)
	(100)	84	(129)	(145)

A 10% increase/decrease of the Canadian dollar against the US dollar would result in a change in profit or loss before tax of $3 (2016 - $10). In addition, a 10% increase/decrease of the Tanzanian shilling against the US dollar would result in a change in profit or loss before tax of approximately $8 (2016 - $8).

Financial instrument classification and measurement

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including expected interest rates, share prices, and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuation in this level are those with inputs for the asset or liabilities that are not based on observable market data.

The Company does not have any fair value measurements considered as Level 1 or 3. The Company's long-term receivables, long-term loans, and other liability are considered Level 2 measurements.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to develop its oil and gas properties and maintain a flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity as well as cash and long-term liabilities.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy, ongoing operations and liquidity of the Company. Budgets and forecasts are subject to judgement and estimates such as those relating to future gas demand and ultimate timing of collectability of trade receivables for gas sales. These factors may not be within the control of the Company, which may create near term risks that may impact the need to alter the capital structure. The Company continues to effectively manage its relationships with its gas purchasers to ensure timely collection and with external lenders such that lending facilities are available to the Company as and when needed. The Company may attempt to issue new shares, enter into joint arrangements or acquire or dispose of assets in order to maintain or adjust the capital structure. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. The Company's overall strategy remains unchanged from the prior year.

4. Segment information

The Company conducts its business through two major operating business segments. Gas operations include the exploration, development, and production of natural gas and other hydrocarbons. These activities are carried out in two operating segments - Tanzania ("Mnazi Bay Concession") and Mozambique ("Rovuma Onshore Block"). The Corporate segment activities include investment income, interest expense, financing related expenses, share based compensation relating to corporate activities and general corporate expenditures. Inter-segment transfers of products, which are accounted for at market value, are eliminated on consolidation.

Internal management reporting is used to monitor operations on the basis of operational business segments and associated projects. Reporting on operational results and financial reporting of key financial indicators to senior management is on a continuous basis. The Company's highest operative decision maker is the Managing Director, with the support of the executive management team and in some cases the Board of Directors. The Managing Director in conjunction with the Board of Directors assesses the Company's financial position and business activity based on the operational commitments and prospects of the business. This approach has been applied consistently in the current and prior period.

Net income/(loss) for the year ended December 31, 2017	**Tanzania Operations**	**Mozambique Operations**	**Corporate**	**Consolidated**
Natural gas sales	**13,440**	**-**	**-**	**13,440**
Production and operating	**(3,484)**	**-**	**-**	**(3,484)**
General and administrative	**(2,127)**	**(27)**	**(2,460)**	**(4,614)**
Depreciation and depletion	**(4,081)**	**-**	**(10)**	**(4,091)**
Other	**(1,109)**	**-**	**(457)**	**(1,566)**
Total segment expenses	**(10,801)**	**(27)**	**(2,927)**	**(13,755)**
Deferred tax expense	**(394)**	**-**	**-**	**(394)**
Net profit/(loss)	**2,245**	**(27)**	**(2,927)**	**(709)**
Selected balances at December 31, 2017				
Current assets	**30,994**	**169**	**1,650**	**32,813**
Long-term receivables	**4,959**	**-**	**-**	**4,959**
Exploration and evaluation assets	**8,129**	**39,792**	**-**	**47,921**
Property, plant and equipment	**90,327**	**-**	**9**	**90,336**
Deferred tax asset	**30,751**	**-**	**-**	**30,751**
Current liabilities	**16,664**	**84**	**582**	**17,330**
Non-current liabilities	**9,100**	**-**	**-**	**9,100**
Capital additions for year ended December 31, 2017				
Additions to exploration andevaluation assets	**-**	**2,383**	**-**	**2,383**
Additions to property, plantand equipment	**1,057**	**-**	**4**	**1,061**

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4. Segment information (continued)

Net loss for the year ended December 31, 2016

	Tanzania Operations	Mozambique Operations	Corporate	Consolidated
Natural gas sales	11,750	-	-	11,750
Production and operating	(3,371)	-	-	(3,371)
General and administrative	(2,708)	(395)	(2,294)	(5,397)
Depreciation and depletion	(3,797)	-	(67)	(3,864)
Other	(392)	-	(622)	(1,014)
Total segment expenses	(10,268)	(395)	(2,983)	(13,646)
Deferred tax expense	(3,196)	-	-	(3,196)
Net loss	(1,714)	(395)	(2,983)	(5,092)
Selected balances at December 31, 2016				
Current assets	19,646	191	311	20,148
Long-term receivables	18,034	-	-	18,034
Exploration and evaluation assets	8,129	37,409	-	45,538
Property, plant and equipment assets	93,349	-	17	93,366
Deferred tax asset	31,145	-	-	31,145
Current liabilities	14,625	154	414	15,193
Non-current liabilities	17,127	-	-	17,127
Capital additions for the year ended December 31, 2016				
Net additions to exploration and evaluation assets	27	2,370	-	2,397
Net additions to property, plant and equipment assets	2,035	-	27	2,062

5. Long-term receivables

	Balance at December 31, 2017	Balance at December 31, 2016
TPDC receivable [i]	**15,550**	24,836
Tanzanian Government receivable [ii]	**4,959**	5,481
	20,509	30,317
Current portion		
TPDC receivable [i]	**15,550**	12,283
Long-term portion		
TPDC receivable [i]	**-**	12,553
Tanzanian Government receivable [ii]	**4,959**	5,481
	4,959	18,034

i) TPDC receivable

On June 30, 2009, the Company and TPDC entered into a Joint Operating Agreement ("JOA") related to the Mnazi Bay Concession in Tanzania. Under the terms of the JOA, TPDC has a 20% participating interest share in the Mnazi Bay Development Area production and will pay the Company for 20% of past costs incurred in respect of the Mnazi Bay Concession from TPDC's share of future production. In addition, TPDC's share of costs incurred subsequent to June 30, 2009, which are paid by the Company, will be recovered by the Company from TPDC's share of future production. This receivable is subject to an interest charge of one (1) month term LIBOR plus 2% per annum. This receivable from TPDC is considered a financial instrument and initially recorded at fair value based on discounted cash flows and at each reporting date its carrying amount is adjusted for accretion and changes in the estimated timing of cash flows. The accretion over the expected term of the asset is based on future expected cash flows from the Mnazi Bay Concession and the accretion included in finance income.

As at December 31, 2017, the undiscounted receivable from TPDC is $17,330 ($27,153 at December 31, 2016).

	TPDC receivable
Balance at December 31, 2015	32,128
Accretion	4,171
Change in estimated timing of receipt	(2,568)
Retained gas revenue to offset receivable	(10,569)
Share of TPDC Mnazi Bay Concession costs paid by the Company	1,674
Balance at December 31, 2016	24,836
Accretion	**2,080**
Change in estimated timing of receipt	**(872)**
Retained gas revenue to offset receivable	**(11,629)**
Share of TPDC Mnazi Bay Concession costs paid by the Company	**1,135**
Balance of amortized cost at December 31, 2017	**15,550**

The $17,330 fair value of the TPDC receivable at December 31, 2017 is equal to the undiscounted receivable. At December 31, 2016, the $25,413 fair value of the TPDC receivable was calculated using an 8.25% discount rate.

ii) Tanzanian Government receivable

As at December 31, 2017, the undiscounted Tanzanian Government receivable is $6,511 (December 31, 2016 - $6,511).

	Tanzanian Government receivable
Balance at December 31, 2015	4,959
Accretion	471
Change in estimated timing of receipt	51
Balance of amortized cost at December 31, 2016	5,481
Accretion	**306**
Change in estimated timing of receipt	**(828)**
Balance of amortized cost at December 31, 2017	**4,959**

The fair value of the Tanzanian Government receivable at December 31, 2017 is calculated using an 8.25% discount rate (2016 - 8.25%) was $4,959 (December 31, 2016 - $5,601).

The Company has an agreement with the Government of Tanzania (TANESCO, TPDC and the MEM) to be reimbursed for all the project development costs associated with transmission and distribution ("T&D") expenditures at cost. An audit of the Mtwara Energy Project ("MEP") development expenditures was completed in November 2012 and costs of approximately $8,121 were verified to be reimbursable. After deducting costs associated with the Tariff Equalization Fund and VAT input credits associated with the MEP totaling $1,610, the amount agreed to be reimbursed was $6,511. Management is working with the Government of Tanzania to agree on a reimbursement method for the T&D costs. This receivable is considered a financial instrument and initially recorded at fair value based on discounted cash flows and at each reporting date its value is adjusted for accretion and changes in the estimated timing of cash flows is revalued and amortized by accreting the instrument over the expected life of the receivable.

The reduction of the receivable by $828 in 2017 is a result of change in estimated timing of receipt due to revised management's expectations for the anticipated timing of collection of the receivable following a recent audit of the costs by the Government of Tanzania.

Notes to consolidated financial statements
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6. Exploration and evaluation assets

	Tanzania	Mozambique	Total
Cost			
Balance at December 31, 2015	8,101	35,040	43,141
Additions	28	2,369	2,397
Balance at December 31, 2016	8,129	37,409	45,538
Additions	-	**2,383**	**2,383**
Balance at December 31, 2017	**8,129**	**39,792**	**47,921**

On an ongoing basis, the Company considers if there are indicators of impairment of the E&E assets in Mozambique. At December 31, 2017, the Company concluded that an impairment test was not required.

Mozambique E&E assets at December 31, 2017 were $39,792 (December 31, 2016 - $39,409). Factors that led to the conclusion that an impairment test was not required include: in June 2016, the Mozambique Government approval of a two-year appraisal plan for the gas discovery made within the Tembo-1 exploration well, the Company assuming operatorship of the Rovuma Onshore Block concession agreement and an increase in the participation interest in the Mozambique concession agreement to 85 percent. The appraisal plan included the reprocessing of existing seismic data, evaluation of the Tembo-1 well, acquiring additional 2D seismic over the Rovuma Onshore Block and, should a suitable drilling location be identified, drilling of an appraisal well. Subsequent to year end, the Company has formally requested a one-year extension of the Appraisal License and continues to advance pre-drilling activities for an appraisal well. In order to progress operations, the Company expects to utilize internally generated cash flows and is working on identifying one or more industry partners to dilute risk exposure and help finance the work program.

Tanzania E&E assets were $8,129 (December 31, 2016 - $8,129). The Mnazi Bay Concession agreement expires in 2031. The Mnazi Bay joint venture partners have identified several prospects within the concession area but outside of the area covering discovered gas reserves and therefore has concluded that an impairment test is not required for the Tanzanian asset.

7. Property, plant and equipment

	Natural gas properties	Office and other equipment	Total
Cost			
Balance at December 31, 2015	99,762	569	100,331
Additions	2,035	27	2,062
Balance at December 31, 2016	101,797	596	102,393
Additions	**1,057**	**4**	**1,061**
Balance at December 31, 2017	**102,854**	**600**	**103,454**
Accumulated depreciation and depletion			
Balance at December 31, 2015	(4,652)	(511)	(5,163)
Depreciation and depletion	(3,796)	(68)	(3,864)
Balance at December 31, 2016	(8,448)	(579)	(9,027)
Depreciation and depletion	**(4,079)**	**(12)**	**(4,091)**
Balance at December 31, 2017	**(12,527)**	**(591)**	**(13,118)**
Carrying amounts			
December 31, 2016	93,349	17	93,366
December 31, 2017	**90,327**	**9**	**90,336**

There was no change in the estimated future decommission obligation for existing natural gas properties during 2017 (2016 – reduction of $388).

The Company assessed triggers for impairment on the natural gas properties and determined that there were no triggers and accordingly an impairment test was not required. The majority of the Company's natural gas is sold under long-term, fixed price gas sales and purchase agreements, eliminating the current volatility in the commodity market. In addition, the valuation of the Company's reserves is in excess of the net book value of the Company's PP&E.

8. Decommissioning provision

The Company's decommissioning provisions result from net ownership interests in petroleum and natural gas assets including well sites, pipeline gathering systems, and processing facilities in Tanzania. The operator of the Mnazi Bay Concession estimated the Company's share of the undiscounted inflation-adjusted amount of cash flow required to settle decommissioning obligations for the infrastructure within the Mnazi Bay Concession to be $4.229. The costs are expected to be incurred around 2030. The decommissioning and abandonment obligations have been estimated using existing technology at current prices inflated and discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability. The discount and inflation rates used in determining the value of the decommission provision at December 31, 2017 were 12.0% and 2.03%, respectively (2016 – 12.0% and 2.03%, respectively).

A reconciliation of the decommissioning obligations is provided below:

	2017	2016
Balance at January 1	**773**	973
Accretion	**92**	188
Change in accounting estimates	**-**	(388)
Balance at December 31	**865**	773

9. Overdraft credit facility

During 2017, the Company secured a one-year, $2,500 overdraft credit facility with a Tanzanian Government owned bank. The overdraft facility has an interest rate of the lender's base lending rate, minus 1% per annum to be paid monthly and matures on April 6, 2018. At December 31, 2017, the lender's base lending rate was 9% and the overdraft credit facility was fully drawn.

Security provided to the lender includes a debenture over the fixed and floating assets of the Company's Tanzanian assets and a deed of assignment of 20% of the revenue and cash flow from sales of natural gas from the Tanzanian assets.

During the year ended December 31, 2017, the Company accrued and paid interest expense $75 (2016 - nil) on the overdraft credit facility.

10. Long-term loans

Credit facilities from Tanzania based banks

On December 8, 2014, Wentworth Gas Limited ("WGL"), a wholly owned subsidiary of the Company, entered into two long-term credit facilities: 1) a $20,000 loan to finance field infrastructure development within the Mnazi Bay Concession in Tanzania and 2) a $6,000 loan to repay a medium-term loan.

The term of each of these loans was initially forty-eight months in duration commencing on the first draw-down date and each loan bears interest at six-month LIBOR rate plus 750 basis points subject to a minimum (floor) of 8% p.a. and a maximum (ceiling) of 9.5% p.a. Security is in the form of a debenture creating first ranking charge over all the assets of the WGL (assets of WGL include a 25.4% participation interest in the Mnazi Bay Concession), assignment over the TPDC long-term receivable and assignment of revenues generated from the Mnazi Bay Concession.

During the year ended December 31, 2017, the Company incurred interest expense on long-term loans, inclusive of accretion of financing costs, of $1,684 (2016 - $2,190). A total of $1,734 was settled in cash during 2017 (2016 - $2,073).

The carrying amount of the long-term loans include transaction costs of $171 (net of accretion). At December 31, 2017, the carrying amount of the credit facilities approximates its fair value as the loan's effective interest rate approximates market rates.

Credit facilities balance	
Principal balance drawn on credit facilities at December 31, 2015	26,000
Loan repayments during the year	(5,333)
Principal balance as at December 31, 2016	20,667
Loan repayments during the year	**(5,346)**
Principal balance as at December 31, 2017	**15,321**
Net financing costs at December 31, 2015	(218)
Accretion during the year	63
Net financing costs at December 31, 2016	(155)
Additional finance cost	**(83)**
Accretion during the year	**67**
Net financing costs at December 31, 2017	**(171)**
Carrying amount of long-term loans at December 31, 2017	**15,150**
Current	6,915
Non-current	8,235
	15,150

The $20,000 credit facility

During 2017, the Company executed amendments to the credit facility agreement which include the restructuring of principal loan payments and the addition of the following new provisions:

- the interest rate changed to six-month LIBOR rate plus 750 basis points subject to a minimum (floor) of 8.5% p.a. and no maximum (ceiling).
- the addition of a Debt Service Coverage Ratio and Loan Live Coverage Ratio as financial covenants;
- a requirement to maintain a minimum cash balance;
- a cash flow waterfall procedure to ensure certain cash proceeds from gas sales are used in settling obligations in priority; and
- in the event the Company decides to accelerate principal payments using funds not generated internally a prepayment fee of 25 percent of interest forgone is required.

The Company and the lender are in discussions on agreeing the details and processes relating to implementing and monitoring the new provisions and as a result, as at December 31, 2017, none of the financial covenants are applicable to the Company.

The principal balance outstanding on the $20,000 credit facility at December 31, 2017 was $13,321 with repayment terms set out in the following table.

Notes to consolidated financial statements
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10. Long-term loans (continued)

Principal repayment date	Repayment amount
April 30, 2018	$1,665
July 30, 2018	$1,665
October 30, 2018	$1,665
January 30, 2019	$1,666
April 30, 2019	$1,665
July 30, 2019	$1,666
October 30, 2019	$1,665
January 30, 2020	$1,664
	$13,321

The $6,000 credit facility

The principal balance outstanding on the $6,000 credit facility at December 31, 2017 was $2,000 with repayment terms set out in the following table.

Principal repayment date	Repayment amount
June 8, 2018	$1,000
December 8, 2018	$1,000
	$2,000

11. Other liability

	2017	2016
Balance at January 1	**2,360**	3,142
Accretion	**142**	62
Change in accounting estimate	**9**	38
Payments to reduce liability	**(322)**	(882)
Balance at December 31	**2,189**	2,360
Current portion	**2,189**	1,260
Long-term portion	**-**	1,100

As a result of an asset purchase and sale transaction in 2012, the Company is obliged to make payments with a face value of $3,394 should certain future natural gas production thresholds from Mnazi Bay Concession be reached. The undiscounted payable at December 31, 2017 is $2,189 (2016 - $2,511). The other liability is recognized at its estimated fair value which is determined by discounting the future cash payments at based on the anticipated timing of the payments.

12. Finance income and finance costs

	Year ended December 31,	
	2017	2016
Finance income		
Accretion – TPDC receivable (Note 5)	**2,080**	4,171
Accretion – Tanzanian Government receivable (Note 5)	**306**	471
Change in estimates – Tanzanian Government receivable (Note 5)	**-**	51
	2,386	4,693
Finance costs		
Accretion – decommissioning provision (Note 8)	**(92)**	(188)
Accretion – other liability (Note 11)	**(142)**	(62)
Change in estimates – TPDC receivable (Note 5)	**(872)**	(2,568)
Change in estimates – Tanzanian Government receivable (Note 5)	**(828)**	-
Change in estimates – other liability (Note 11)	**(9)**	(38)
Interest expense and other finance costs	**(1,656)**	(2,190)
Foreign exchange loss	**(138)**	(69)
	(3,737)	(5,115)

13. Share based compensation

Movement in the total number of share options outstanding and their related weighted average exercise prices are summarized as follows:

	Number of options	Weighted average exercise price at December 31, 2017
Outstanding at December 31, 2016 and December 31, 2017	**10,600,000**	**0.52**

The following table summarizes share options outstanding and exercisable at December 31, 2017:

		Outstanding		Exercisable
Exercise price (NOK)	Exercise price (US$) (i)	Number of options	Weighted average remaining life (years)	Number of options
3.15	0.38	1,000,000	2.7	1,000,000
3.52	0.43	500,000	4.0	500,000
3.60	0.44	2,300,000	2.8	2,300,000
3.85	0.47	2,000,000	8.0	1,333,338
4.08	0.50	250,000	5.3	250,000
4.70	0.57	200,000	6.4	200,000
4.90	0.60	350,000	4.3	350,000
5.18	0.63	3,500,000	5.8	3,500,000
5.75	0.70	500,000	3.3	500,000
		10,600,000	**5.2**	**9,933,338**

(i) The US Dollar to Norwegian Kroner exchange rate used for determining the exercise price at December 31, 2017 is 0.12166.

The weighted average exercise price of options that are exercisable at December 31, 2017 is US$0.53 (NOK 4.33).

The following table summarizes share options outstanding and exercisable at December 31, 2016:

		Outstanding		Exercisable
Exercise price (NOK)	Exercise price (US$) (i)	Number of options	Weighted average remaining life (years)	Number of options
3.15	0.37	1,000,000	3.7	1,000,000
3.52	0.41	500,000	5.0	500,000
3.60	0.42	2,300,000	3.7	2,300,000
3.85	0.45	2,000,000	8.9	666,671
4.08	0.47	250,000	6.3	250,000
4.70	0.54	200,000	7.4	133,333
4.90	0.57	350,000	5.3	350,000
5.18	0.60	3,500,000	6.8	2,366,657
5.75	0.67	500,000	4.3	500,000
		10,600,000	**6.1**	**8,066,661**

(i) The US Dollar to Norwegian Kroner exchange rate used for determining the exercise price at December 31, 2016 is 0.11604.

The weighted average exercise price of options that have vested and are exercisable at December 31, 2016 is US$0.49 (NOK 4.25).

Share based payment charge

During the year ended December 31, 2017, no options were granted, exercised or forfeited (2016 – 1,350,000 options were forfeited, no options were granted and exercised).

During the year ended December 31, 2017, a total of $215 (2016 - $592) in share based compensation was expensed with an offsetting charge to equity reserve.

14. Share capital

A. Authorised share capital
Unlimited number of common voting shares without nominal or par value.
Unlimited number of non-voting preferred shares to be issued in series, without nominal or par value.

B. Issued common shares
On May 23, 2017, the Company completed a private placement and issued 16,953,496 new common shares, for cash consideration of $0.326 (GBP 0.25, NOK 2.73) per share for gross proceeds of $5.527 million (GBP 4.24 million or NOK 46.28 million). Following the private placement offering, the Company had 186,488,465 common shares outstanding.

Expenses incurred in relation to the private placement offering were $594, net of tax.

15. Per share amounts

Basic and diluted per share amounts

The calculation of loss per share for the year ended December 31, 2017 is based on a loss attributable to shareholders of the Company of $709. (2016 – $5,092). Share options were anti-dilutive during the year ended December 31, 2017 and year ended December 31, 2016.

	Year ended December 31,	
	2017	2016
Weighted average number of shares outstanding	**179,846,410**	169,534,969
Dilutive weighted average number of shares outstanding	**179,846,410**	169,534,969

Notes to consolidated financial statements
continued

16. Income taxes

The Company's income tax expense for the year end December 31 is as follows:

	2017	2016
Loss before income taxes	**(315)**	(1,896)
Expected income tax (recovery) expense at combined Canadian federal and provincial rate of 27.0% (2016 – 27.0%)	**(85)**	(512)
Rate differentials	**137**	185
Share based compensation	**58**	160
Movement in deferred tax assets not previously recognized and other	**284**	3,363
Income tax expense/(recovery)	**394**	3,196

The Company operates in multiple jurisdictions with complex tax laws and regulations, which are evolving over time. The Company has taken certain tax positions in its tax filings and these filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax impact may differ significantly from that estimated and recorded by management. Taxation years 2013 to 2016 of the Company's Tanzanian subsidiary are currently being audited by the Tanzania Revenue Authority.
The Company has unrecognized deductible temporary differences that results in unrecognized deferred income tax assets of:

	2017	2016
Non-capital losses	**22,691**	22,168
Property and equipment	**487**	486
Share issue costs	**168**	270
	22,346	22,924

The total non-capital losses of the Company are $273,433(2016 – $271,672) of which $83,338 (2016 - $79,777) are in Canada, $189,501 (2016 - $189,932) are in Tanzania, and $594 (2016 - $1,963) are in Mozambique.

The unrecognized non-capital losses in Canada expire in the years 2026 – 2035 and in Mozambique they expire in the years 2018 – 2022.

A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences and the loss carry forwards can be utilized. A deferred tax asset of $30,751 as at December 31, 2017 (2016 – $31,145) is attributable to the accumulated tax loss carry-forward of the Company's Tanzanian subsidiary, which are expected to be offset against future taxable income. Recognition of the tax asset is supported by the proven and probable reserves as determined by the third party external reserve engineer.

	2017	2016
Balance at January 1	**31,145**	34,341
Deferred income tax assets recognized in profit or loss:		
Non-capital losses	**(130)**	(1,885)
Asset retirement obligations	**28**	(25)
Deferred income tax liabilities recognized in profit or loss:		
PP&E	**(259)**	(904)
Receivables	**(33)**	(382)
Balance at December 31	**30,751**	31,145

17. Related party transactions

Details of transactions between the Company and other related parties are disclosed below.

The Company incurred the following expenses in respect of Directors:

	For the year ended December 31,	
	2017	2016
Directors fees	**320**	333
Share based compensation	**68**	203
	388	536

The Company incurred the following expenses in respect of key management personnel:

	For the year ended December 31,	
	2017	2016
Salaries and benefits	**1,836**	1,631
Share based compensation	**147**	291
	1,983	1,922

18. Supplemental cash flow information

Change in non-cash working capital:

	Year ended December 31,	
	2017	2016
Net change in non-cash working capital related to operating activities:		
Trade and other receivables	**(3,158)**	(3,446)
Prepayments and deposits	**(4)**	654
Trade and other payables	**(2,201)**	286
	(5,363)	(2,506)
Net change in non-cash working capital related to investing activities:		
Trade and other payables	**(667)**	1,997
	(667)	1,997

Cash additions from investing activities in the Statements of Cash Flows consists of the following:

	Exploration and evaluation	Property, plant and equipment	Long-term receivable
Year ended December 31, 2017			
Total additions/(reductions)	**2,383**	**1,061**	**(8,759)**
Change in non-cash investing activities	**-**	**-**	**1,729**
Change in non-cash working capital	**-**	**667**	**-**
Cash additions/(reductions)	**2,383**	**1,728**	**(7,030)**
Year ended December31, 2016			
Total additions/(reductions)	2,397	2,062	(8,895)
Asset retirement obligation	-	388	-
Change in non-cash working capital	(26)	(103)	(1,868)
Cash additions/(reductions)	2,371	2,347	(10,763)

19. Commitments

Lease payments

The Company has office locations in Canada, Tanzania and Mozambique. The future minimum lease payments associated with these office premises as at December 31, 2017 are as follows:

Total future minimum lease payments	
2018	213
2019	117
	330

20. Contingencies

On March 16, 2018 the Company received correspondence from the Tanzania Revenue Authority ("TRA") regarding their preliminary findings for WGL (the Company's Tanzanian subsidiary) for taxation years 2013 to 2016. The preliminary findings do not constitute a formal tax assessment or demand notice but do require a formal response from the Company. The two main issues raised in the correspondence are:

1. The TRA has indicated that the 2014 tax filing of WGL should have included in taxable income an impairment reversal in the amount of $23.81 million, the impact of which would result in a non-cash deferred income tax expense of $7.14 million and a corresponding reduction of the Company's deferred income tax asset.
2. The TRA has indicated that $3.49 million of withholding taxes, including interest and penalties, are due on account of imputed interest on intercompany loans provided by WGL during the years 2013 to 2015.

Management is not in agreement with TRA's preliminary findings on the above items and has concluded that no provision is required with respect to these matters. Provision, if any, will be made in the period of determination.

21. Subsequent event

Overdraft credit facility

On March 26, 2018, the Company received approval from the lender of the $2.5 million overdraft credit facility for one year extension up to April 5, 2019 with the other existing terms of the overdraft credit facility remaining in effect for the extended period. The overdraft credit facility was set to expire on April 6, 2018.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wentworth Resources Limited

Opinion

We have audited the consolidated financial statements of Wentworth Resources Limited ("Wentworth"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wentworth as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Wentworth in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion of these matters (amounts below are reported in United Stated Dollars).

The key audit matter	How the matter was addressed in our audit
Recoverability of trade receivable – $13.1 million Refer to note 3 to the consolidated financial statements.	
At December 31, 2017, Wentworth has $1.1 million of trade receivables from Tanzanian Electrical Supply Company Limited (“TANESCO”) and $12.0 million from Tanzania Petroleum Development Corporation (“TPDC”) representing seven months and five months of gas deliveries, respectively. Wentworth has not recorded a provision for bad debts as at December 31, 2017 with respect to these outstanding balances. Given the age profile, the amount of the receivable and the level of judgment required in determining if a provision for bad debts is necessary, the recoverability of trade receivable from TANESCO and TPDC are considered a significant risk.	The audit procedures that we performed, among others, included: • Testing the design and implementation of Wentworth’s control over the receivables collection processes and Wentworth’s assessment of provisions required at period end; • Testing the receipt of cash after the year-end from TANESCO and TPDC; and testing the adequacy of Wentworth’s provisions against trade receivables by assessing management’s assumption, considering TANESCO’s and TPDC’s historical cash collections trends and our own knowledge of the local economic environment; and, • Evaluating the adequacy of Wentworth’s financial statement disclosures in this area.
Recoverability of deferred tax asset – $30.8 million Refer to note 16 to the consolidated financial statements.	
Wentworth has a $30.8 million deferred tax asset at December 31, 2017 in respect of tax losses and other timing differences from its operations in Tanzania. There is inherent uncertainty involved in forecasting future taxable profits generated from Wentworth’s Tanzanian operations, which determines the extent to which deferred tax assets are or are not recognized. The key inputs in the future taxable profits forecast include significant estimates with respect to quantities of oil and gas reserves, future production volumes, and operating costs.	The procedures that we performed, among others, included: • Testing the future taxable profit forecast model including verifying the mathematical accuracy of Wentworth’s calculations and agreeing the key inputs to Wentworth’s reserve report, which is prepared by independent reservoir engineers; • Testing the design and implementation of the key controls over the recoverability assessment; • Performing procedures to establish a basis to use the work of the independent reservoir engineers. These procedures, among others, included: testing the design and implementation of

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The key audit matter	How the matter was addressed in our audit
	Wentworth's controls over the reserve report, assessing the qualifications of the individuals involved, assessing the accuracy of the input data and mathematical accuracy of the results. As part of this process, we also obtained written responses to reserve questionnaires from the independent reservoir engineers; • Challenging the key assumptions underpinning Wentworth's near and medium term financial projections against historical performance and our knowledge of the economic conditions in Tanzania; and • Evaluating the adequacy of Wentworth's disclosures in this area.
Assessment of impairment indicators with respect to Exploration and Evaluation ("E&E") Assets in Mozambique – $39.8 million Refer to note 6 to the consolidated financial statements.	
At December 31, 2017, Wentworth has $39.8 million in E&E assets in Mozambique. Impairment testing is required for an E&E asset when events or changes in circumstances indicate that its carrying amount may exceed its recoverable amount. The assessment of whether such events and circumstances exist at December 31, 2017 includes significant judgement.	The procedures that we performed, among others, included: • Inspecting Wentworth's assessment of whether events and circumstances existed at December 31, 2017 that would indicate the E&E assets in Mozambique are impaired and evaluated the assumptions used. Our evaluations focused on the status of the extension of the exploration license after June 2018, the status of Wentworth's negotiations with the Government of Mozambique for the approval of the budget for the exploration activities in Mozambique, and evaluation of Wentworth's planned exploration and development activities; • Obtaining and reading correspondence between Wentworth and its partners and the Government of Mozambique;

The key audit matter	How the matter was addressed in our audit
	• Reviewing with senior management their future exploration and development plans for the E&E asset; and, • We also considered the adequacy of Wentworth's disclosures in this area.

Assessment of liquidity
Refer to note 3 to the consolidated financial statements.

Wentworth has an accumulated deficit of $262.6 million at December 31, 2017 and incurred a net loss of $0.7 million during 2017. Cash utilized in operating activities was $0.02 million in 2017. Whilst working capital has improved at December 31, 2017 compared to the prior year, TANESCO and the Tanzania Petroleum Development Corporation ("TPDC"), the two purchasers of Wentworth's natural gas had invoices payable to Wentworth which at December 31, 2017 were past due. Assessing Wentworth's liquidity and whether there are material uncertainties which cast significant doubt as to Wentworth's ability to continue as a going concern requires significant judgment.	The procedures that we performed, among others, included: • Inspecting Wentworth's budget for 2018, comparing it to the actual results for 2017 with a focus on results in the fourth quarter of 2017, and performing sensitivity analysis over the key inputs used in the budget; • Reviewing and assessing management's analysis of whether key indicators (net debt, profitability, cash flow, etc.) present significant doubt regarding future operations. Reviewing with senior management their future plans and discussions as to Wentworth's ability to fund its obligations as they come due in 2018; • Challenging the appropriateness of key assumptions in the budget, including the estimated production levels, and comparing those assumptions to amounts estimated in the December 31, 2017 external reserve report; • Inspecting the amended debt agreements, which revised the repayment terms of the long-term loans and assessing compliance with the terms of the debt agreements; • Assessing the cash flow from operating activities in 2017 and the working capital surplus as at December 31, 2017; • Obtaining specific representations from management with respect to their assessment of Wentworth's liquidity; and,

The key audit matter	How the matter was addressed in our audit
	• Evaluating the adequacy of the relevant disclosure.
Tax provisioning and Contingency with respect to impairment reversal and withholding tax Refer to note 16 and note 20 to the consolidated financial statements.	
Wentworth operates in multiple jurisdictions with complex tax laws and regulations, which are evolving over time. Accruals for tax contingencies require Wentworth to make judgments and estimates in relation to tax issues and exposures, the complexities of transfer pricing and other international tax legislation and the time it may take for tax matters to be settled with the tax authorities.	The procedures that we performed, among others, included: • Using our own international and local tax specialists to assess Wentworth's tax positions; • Reading correspondence with the relevant tax authorities; • Reviewing with senior management their plans to respond to the tax authorities; • Analyzing and challenging the assumptions used in determining tax provisions based on our knowledge and experience with the application of the international and local legislation by the relevant authorities and courts; and, • Evaluating the adequacy of Wentworth's disclosures in respect of tax and uncertain tax positions and contingencies.

Other Information

Management is responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud of error.

In preparing the consolidated financial statements, management is responsible for assessing Wentworth's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Wentworth or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Wentworth's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wentworth's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Wentworth's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Wentworth to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Wentworth to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Petre G. Kotev.

KPMG LLP

Petre G. Kotev
For and on behalf of KPMG LLP, Chartered Professional Accountants
Calgary, Canada
March 27, 2018

Statement of corporate governance

As a Canadian corporation under Alberta corporate law, with its primary listing on the Oslo Børs ("OSE"), Wentworth Resources Limited ("Wentworth" or the "Corporation") is subject to the rules of the OSE, including its continuing obligations for listed companies. According to those rules, the Corporation is required to publish a statement on the Corporation's principles for corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of October 30, 2014 (the "Code of Practice"). According to section 1 of the Code of Practice, the Corporation must provide a corporate governance statement in the Management Discussion & Analysis ("MD&A") being the Director's Report, or in a document that is referred to in the MD&A. The Code of Practice is available at www.nues.no.

Pursuant to the admission of the Corporation's Common Shares for trading on AIM Market of the London Stock Exchange ("AIM") on October 25, 2011, the Corporation is subject to the AIM Rules for Companies. The Board considers it appropriate to comply with the Corporate Governance Guidelines for Smaller Quoted Companies (the "QCA Code") (published by the Quoted Companies Alliance, from time to time) to the extent that it is practical to do so, given the nature and current size of the Corporation. The QCA Code states that companies that wish to demonstrate good corporate governance are advised to publish an annual statement detailing their approach to corporate governance. The Corporation is not required to comply with the AIM listing rules which require companies to implement a higher level of corporate governance reporting than QCA Code. The QCA Code is available at www.theqca.com.

Canadian Securities Administrators National Policy 58-201 - *Corporate Governance Guidelines* provides guidance on corporate governance practices for Canadian legal entities. These guidelines, while not mandatory, deal with the constitution of Board of Directors and board committees, their functions, their independence from management and other means of addressing corporate governance practices. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (**"NI 58-101"**) mandates that a reporting issuer must disclose, on an annual basis, its approach to corporate governance with reference to the form prescribed by NI 58-101. Although the Corporation is not a reporting issuer in Canada, except as set out herein, the Corporation complies with the Canadian guidance and the Corporation's corporate governance practices, in Form 58-101F1, is attached as Schedule "B" to the Information Circular dated May 5, 2017, which was prepared in connection with the 2017 Annual Meeting of the Shareholders and is available on the Corporation's website. National Policy 58-201 is available at www.albertasecurities.com.

This report will explain the Corporation's compliance with the Code of Practice, including any deviations hereto. The numbering below corresponds with the relevant sections in the Code of Practice.

1. Implementation and Reporting on Corporate Governance

Wentworth has adopted the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (the "Code of Practice").

Wentworth shall be characterized by high ethical standards and sound corporate governance. The Corporation has adopted a Code of Ethics and Business Conduct which is designed to provide guidance on the conduct of the Corporation's business in accordance with all applicable laws, rules and regulations and with the highest ethical standards and integrity.

The Code of Ethics and Business Conduct applies to all directors, officers, employees and consultants ("Personnel") of the Corporation and its subsidiaries. Personnel are each responsible for being aware of, understanding and complying with the Code of Ethics and Business Conduct when making business decisions. Personnel must promptly report any problems or concerns and any actual or potential violation of the Code of Ethics and Business Conduct. To do otherwise, will be viewed as condoning a violation.

Failure to comply with the Code of Ethics and Business Conduct will be considered by the Corporation to be a very serious matter. Depending on the nature and severity of the violation, disciplinary action will be taken by the Corporation, up to and including termination.
Wentworth's Code of Ethics and Business Conduct is available on the Corporation's website at www.wentworthresources.com.

2. Business

Please refer to the Management Discussion and Analysis for the year ended December 31, 2017 for a description of the Corporation's objectives and principal strategies.

Deviations from the Code of Practice: As is customary for companies registered under Alberta corporate laws, the Corporation's business is not defined in its Articles of Incorporation or By-Laws, which is a deviation from the Code of Practice, other than a statement in its Articles of Incorporation that the Corporation's business is not restricted.
Wentworth's Articles of Incorporation and By-laws are available on the Corporation's website.

Statement of corporate governance
continued

3. Equity and Dividends

Please refer to the 2017 audited financial statements for a description of the Corporation's equity. The Board considers the Corporation's equity level as satisfactory given the Corporation's expressed goals, strategy and risk profile.

Deviations from the Code of Practice: As the Corporation is in the early stage of its commercial operations, it does not have a formal dividend policy. No dividends have ever been declared or paid by the Corporation. There are no restrictions on dividend distributions, other than those described under the *Business Corporations Act (Alberta)*

There are no outstanding authorizations from the general meeting to the Board to increase the Corporation's share capital or purchase its own shares. However, as is customary for Alberta companies, the authorized capital of the Corporation consists of an unlimited number of common shares and the Board may issue common shares without shareholder approval.

4. Equal Treatment of Shareholders and Transactions with Close Associates

The Corporation conducts itself having regard to the principle of equal treatment of all shareholders. The Corporation has only one class of issued shares, being common shares, and each share entitles the holder to one vote at the Annual Meeting. The Corporation's Articles of Incorporation and By-Laws contain no restrictions regarding the right to vote.

Deviations from the Code of Practice: As is customary for Alberta companies, the Corporation's shares do not give the shareholders any pre-emptive rights in the event of share issues. The Board reviews all share issues on a case by case basis having regard to equitable treatment of all shareholders.

The Board's Terms of Reference and the Corporation's Code of Ethics and Business Conduct establish procedures regarding the disclosure by Directors and executive personnel of interests in material transactions, and abstention from voting by that Director. The Board's Terms of Reference set out the role and responsibility of the Board of Directors. The Board's Terms of Reference is available on the Corporation's website.

The Board has established procedures with respect to the approval of material transactions with related parties including shareholders, directors, executive personnel and close associates of any such party. For more information about related party transactions, please refer to the notes to the consolidated financial statements for 2017.

5. Freely Negotiable Shares

The Corporation's shares are listed on the OSE and AIM and are freely negotiable.

6. General Meetings

Under Alberta corporate laws, a corporation's Annual Meeting must be held not later than 15 months after holding the last preceding Annual Meeting. During 2017, the Corporation's Annual Meeting was held in June at which the calendar year 2016 audited consolidated financial statements were tabled.

The Corporation encourages as many shareholders as possible to exercise their rights by participating in the general meetings of the Corporation. The Corporation has elected to use a notice-and-access model to send proxy-related materials to Shareholders prior to the Annual Meeting. Notice-and-Access was developed by the Canadian Securities Administrators to reduce the volume of materials that must be physically mailed to shareholders allowing a reporting issuer to post certain materials electronically. Under this system, shareholders will be sent at least 30 days before the meeting notification of the of the Annual Meeting and the proxy or voting instruction form enabling them to vote at the Annual Meeting. However, instead of a paper copy of the information circular or annual report, the notice will provide details on how shareholders may access such materials electronically. Under the Notice-and-Access system, the Corporation will post the meeting materials on its website concurrently with the sending of the notice of meeting to shareholders. The Board of Directors will ensure that the resolutions and supporting information is sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered in the meeting. Shareholders do not have to give notice of their intention to attend the Annual Meeting. The Corporation strives to have members of the Board and the Nomination Committee and the auditors present at the Annual Meeting.

Shareholders who are unable to attend can vote by proxy. The Corporation will provide information on the procedure for representation through a proxy and will, to the extent possible, prepare a form for the appointment of a proxy which allows separate voting instructions to be given for each matter to be considered by the meeting and for the candidates nominated for election.

Deviations from the Code of Practice: In accordance with Wentworth's By-laws, the Executive Chairman of the Board of Directors chairs the Annual Meeting and does not make arrangements for an independent chairman. The reason for this deviation is that the Corporation has found this more practical and that Wentworth wishes to ensure that Annual Meeting is chaired by a competent person having proper insight in Wentworth's overall operations.

7. Nomination Committee

The Corporation's Governance & Nomination Committee consists of three members, including the Executive Chairman of the Board, who is also a Director, and two independent Directors. The Committee establishes criteria for the Board and committee membership and makes recommendations with respect to the composition of the Board and its committees. The Corporation's Governance & Nomination Committee should have contact with shareholders, the Board and the Corporation's executive personnel as part of its work on proposing candidates for election to the Board. Shareholders who wish to propose new board members may do so by following the procedures that are documented on the Corporation's website at www.wentworthresources.com. The Governance & Nomination Committee justifies its recommendations. The Governance & Nomination Committee Charter is available on the Corporation's website at www.wentworthresources.com.

Deviations from the Code of Practice: The Corporation's Governance & Nomination Committee is organized as a Board committee appointed by the Board and it is not an independent committee elected by the shareholders. The composition of the Governance & Nomination Committee also differs from Canadian guidelines on corporate governance, which recommend that the nomination committee be composed entirely of independent directors. The provisions in the Corporation's By-Laws addressing the establishment of Committees provide that the Board of Directors can create Committees including a Governance & Nomination Committee. While not compliant with the Code of Practice and the Canadian guidelines, the Board is of the view that it is in the best interests of the Corporation and its shareholders that the members of the Governance & Nomination Committee be composed exclusively of members of the Board, one of which is the Executive Chairman, because of their expertise and familiarity with the affairs of the Corporation.

8. Board of Directors; Composition and Independence

According to Wentworth's Articles of Incorporation, the Board of Directors shall have from two to ten directors. The Board is currently composed of four directors who are elected for one-year terms, or until their successors are duly elected or appointed. The four current directors were elected at the Annual Meeting held on June 22, 2017. According the Corporation's By-Laws, the Board may between Annual Meetings, appoint one or more additional directors to serve until the next Annual Meetings, provided that after such appointment the total number of directors would not be greater than one-third times the number of directors elected at the last Annual Meeting nor greater than the maximum number of ten. A brief presentation of each of the Directors can be found on the Corporation's website. The composition of the Board as a whole represents sufficient diversity of background and expertise to help ensure that the Board carries out its work in a satisfactory manner. The Board members have wide experience from both the oil and gas industry as well as broad financial experience. The Corporation is of the opinion that the composition of its Board of Directors enables the Board to meet the Corporation's need for expertise, capacity and diversity. It can also function effectively as a collegiate body.

Information on Directors participation in board meetings and any matters which may have an impact on their competence or independence is disclosed in the Corporation's management information circular for the Annual Meeting.

The composition of the Board is in compliance with the independence requirement as majority of the Directors elected by the shareholders are independent of the executive management, of material business contacts and of the Corporation's larger shareholders. Members of the Board are encouraged to own shares in the Corporation. Currently, all Board members, directly or indirectly own Wentworth shares.

Deviations from the Code of Practice: One of the Directors is also member of the Corporation's executive management, being Mr. Robert P. McBean, Executive Chairman. The Executive Chairman is appointed by the Board and is not elected at the Annual Meeting. It is customary for Alberta companies to have members of executive management on their boards and to have them appointed by the Board.

9. The Work of the Board of Directors

The Board has approved Terms of Reference and a Mandate for the Board, both of which include provisions for the annual preparation of a strategic plan for the Corporation. The Board has also approved standing agendas that outline a number of topics that are to be on the agendas for regular meetings. Both documents address significant matters where the Executive Chairman is involved, and the procedure for a different Director to lead the discussions. The Terms of Reference and Mandate is available on the Corporation's website at www.wentworthresources.com.

The Board is responsible for the stewardship of the Corporation and is responsible for the governance and management of the Corporation's affairs.

The Board has established four board committees, including an Audit Committee, Compensation Committee, Governance & Nomination Committee and Reserves Committee. The Audit Committee is made up entirely of members who are independent of the Corporation's executive management. A primary role of each committee is to review certain specific matters in detail, and then to make recommendations to the Board. The final decisions are made by the Board. The Board has set out the roles and responsibilities for each committee of the Board.

The Board evaluates its performance and effectiveness annually.

10. Risk Management and Internal Control

The Board is responsible for ensuring that the Corporation's internal control processes and risk management systems are appropriate as they relate to the Corporation's financial reporting. The Board regularly reviews the Corporation's most important areas of exposure to risk and initiatives to manage

Statement of corporate governance
continued

those risks, and its internal control sufficiency in relation to those risks. The Corporation is of the opinion that it has sound internal control processes and risk management systems are appropriate in relation to the extent and the nature of the Corporation's activities.

The Board provides an account of the main features of the Corporation's internal control and risk management systems as they relate to the Corporation's financial reporting within note 3 of the 2017 consolidated financial statements, and within sections of the MD&A related to financial condition and liquidity and the section covering other risks.

The overall purpose of the Audit Committee is to review and report on the integrity of the consolidated financial statements of the Corporation and to monitor the Corporation's internal control arrangements and its risk evaluation systems. The Audit Committee annually undertakes an assessment of the Corporation's risks and internal control sufficiency. This assessment includes and evaluation of:

Overall control environment
. Director and auditor independence
. Organizational Structure
. Financial Reporting Competencies
. Delegation of Authority
. Appropriateness of Information Systems
. Oversight controls (budgeting and forecasting procedures)
. Corporate policies review (including Code of Ethics and Business Conduct)
. Accounting processes and procedures

The Corporation has also established a Reporting of Violations Policy that covers all instances of misconduct including illegal or unethical behavior, fraudulent activities and violation of the Corporation's policies with respect to the Code of Ethics and Business Conduct and accounting, internal accounting controls, or auditing matters. The Corporation has engaged a third-party provider, Grant Thornton LLP, to oversee and manage the process of receiving, analyzing, monitoring, compiling information and reporting to management and the Audit Committee all complaints received by the Corporation in respect to this policy. The Reporting of Violations Policy is available on the Corporation's website at www.wentworthresources.com.

11. Remuneration of the Board of Directors

The remuneration of the Directors reflects the Board's responsibility, expertise, time commitment and the complexity of the Corporation's activities. None of the Directors have a pension scheme, or agreements regarding pay after termination of their duties in the Corporation.

Information on all remuneration paid to the each of the Directors will be disclosed in the Corporation's management information circular for the Annual Meeting. This information includes board fees, salaries paid by the Corporation and stock options, if any, granted in 2017. In 2017, the chairs and members of each committee did not receive any additional compensation.

Save for the members of the Board of Directors who are also part of the Corporation's executive management, directors (and/or companies with which they are associated) do not take specific assignments for the Corporation in addition to their appointment as Director of the Board. In the event that such assignments are taken on either by members of the Board of Directors who are also part of the Corporation's executive management, or other members, this is disclosed to the Board in full and the remuneration for such additional duties is approved by the Board.

Deviations from the Code of Practice: As is customary for Alberta companies, the remuneration of the Board is reviewed and assessed by the Compensation Committee and set by the Board, not by shareholders at the Annual Meeting. The Directors of the Board have been and may in the future be granted stock options in the Corporation. It is customary for Alberta companies to provide stock options to Directors.

12. Remuneration of the Executive Management

The Compensation Committee recommends approval to the full Board of the compensation of the senior executive management, and grants of stock options to individuals.

The Compensation Committee has prepared guidelines for the remuneration of senior executive management, which set out the main principles applied in determining the salary and other remuneration of senior executive management. Information on the guidelines for the remuneration of the members of the senior executive management and information on all elements of the remuneration of the executive chairman and each member of the senior executive management team are disclosed in the management proxy circular prepared for the Annual Meeting. The management proxy circular is a separate appendix to the agenda of the general meeting. It is also clear in the circular which aspects of the guidelines are advisory and which, if any, are binding. The general meeting votes separately on each of these aspects of the guidelines.

The Corporation's Stock Option Plan was approved by the Board in 2005, and an amendment of that Plan was approved in 2008. A second amendment was approved in 2011. The granting of options to the senior executive management is tied to the Corporation's performance and is granted at the discretion of the Board. The purpose of the Plan is to incentivize the senior executive management to contribute to the future success and prosperity of the Corporation over time, thus enhancing the value of the Common Shares for the benefit of all shareholders. The relevant details of the Plan are disclosed in the management information circular prepared for the Annual Meeting.

13. Information and Communications

The Board of Directors has established guidelines for the Corporation's reporting of financial and other information in the Audit Committee Charter and the Disclosure Policy for fulfilling its oversight responsibility to the shareholders.

All material information about the Corporation is published on a continuous basis and based on openness and equal treatment of shareholders. Announcements are released through Nasdaq Corporate Solutions International Limited reporting channel and in addition to the Corporation's website, they are also posted on the OSE and AIM websites. The Corporation's website also offers subscription to the Corporation's press release service.

On its website, the Corporation publishes a Financial Calendar which is an overview of the dates for publication of its interim and annual reports and the Annual Meeting.

14. Take-Overs

The Board concurs with the principles for equal treatment of all shareholders and will strive to ensure that complete information is provided in all situations affecting the shareholders' interests. The Corporation will follow the law in respect of take-overs and the Board will aim to act in accordance with the relevant principles of the Code of Practice. In the event of a bid situation, the Board will not seek to hinder or obstruct take-over bids for the Corporation's activities or shares unless there are particular reasons to do so. In these situations, the Board will not pass any resolutions with the intention of obstruction the take-over bid.

The Board is responsible for ensuring that the shareholders have sufficient information to consider a bid and where appropriate will obtain a valuation by an independent expert. The Board will evaluate the bid and will make a statement that includes an evaluation of the bid and a recommendation as to whether an offer should be accepted by the shareholders.

The Board will convene the general meeting in the event a transaction is in effect a disposal of the Corporation's activities.

15. Auditor

The Corporation's external auditor, currently KPMG LLP for calendar year 2017, was appointed by resolution of the shareholders at the Annual Meeting held on June 22, 2017. The Corporation's auditor participates in meetings of the Audit Committee that deal with the financial accounts, and upon special request, the auditor presents to the Audit Committee a plan for the audit activities of the Corporation for their approval. KPMG LLP obtains an understanding of internal controls relevant to the annual consolidated financial statement audit and reports weaknesses and proposals for improvement to the Audit Committee.

The Board's Audit Committee handles all reports from the external auditor before they are discussed by the Board. The Audit Committee has opportunities for at every meeting with the external auditor, and for in camera sessions during those meetings at which the members of the executive management are not present.

All non-audit work is required to be submitted to the Audit Committee for its approval prior to the commencement of work.

The remuneration paid to the auditor, including details of any fees paid for other specific assignments, is reported at the Corporation's annual information circular.

Deviations from the Code of Practice: The Board currently does not hold an annual meeting with the external auditor at which members of the executive management are not present although the Board has the ability to request an in-camera meeting with the external auditors at any time.

Corporate information

Board of directors
Robert P. McBean [3,4]
Executive Chairman

John W.S. Bentley[1,2,3,4]
Deputy Chairman

Cameron Barton [1,2,3]
Non-executive Director

Neil B. Kelly [1,2,4]
Non-executive Director

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Governance and Nomination Committee
[4] Member of the Reserves Committee

Corporate officers
Robert P. McBean
Executive Chairman

Geoffrey P. Bury
Managing Director

Lance Mierendorf
Chief Financial Officer

Heather L. Jones
Corporate Secretary

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Annual meeting
Wentworth Resources Limited
Annual and Special Meeting
Wednesday, June 27, 2018
In London, United Kingdom

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