



Wentworth Resources Limited
Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

WENTWORTH RESOURCES LIMITED
Consolidated Statements of Financial Position
United States \$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
		9,100	17,127
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

Geoff Bury
Managing Director

Lance Mierendorf
Chief Financial Officer

WENTWORTH RESOURCES LIMITED**Consolidated Statements of Loss and Comprehensive Loss**

United States \$000s, unless otherwise stated

	Note	Year ended December 31,	
		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

WENTWORTH RESOURCES LIMITED

Consolidated Statements of Changes in Equity

United States \$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
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

WENTWORTH RESOURCES LIMITED

Consolidated Statements of Cash Flows

United States \$000s unless otherwise stated

	Note	Year ended December 31,	
		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

WENTWORTH RESOURCES LIMITED
Notes to the Consolidated Financial Statements
United States \$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

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

United States \$000s unless otherwise stated

1. Incorporation and basis of preparation (continued)

Basis of consolidation (continued)

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 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.

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

United States \$000s unless otherwise stated

1. Incorporation and basis of preparation (continued)

Recoverable value of E&E and PP&E (continued)

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.

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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2. Summary of accounting policies

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.

2. Summary of accounting policies (continued)

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.

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).

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

United States \$000s unless otherwise stated

2. Summary of accounting policies (continued)

PP&E - oil and natural gas properties (continued)

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.

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

United States \$000s unless otherwise stated

2. Summary of accounting policies (continued)

Impairment (continued)

Non-financial assets (continued)

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.

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Notes to the Consolidated Financial Statements

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2. Summary of accounting policies (continued)

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.

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.

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2. Summary of accounting policies (continued)

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.

2. Summary of accounting policies (continued)

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 its 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.

2. Summary of accounting policies (continued)

Future accounting pronouncements (continued)

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.

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.

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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3. Risk management (continued)

Credit risk (continued)

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.

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3. Risk management (continued)

Credit risk (continued)

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.

3. Risk management (continued)

Liquidity risk (continued)

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.

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.

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3. Risk management (continued)

Foreign exchange risk (continued)

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.

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3. Risk management (continued)

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.

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4. Segment information (continued)**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 and evaluation assets	-	2,383	-	2,383
Additions to property, plant and 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

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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.

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5. Long-term receivables (continued)

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.

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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.

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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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

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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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.

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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10. Long-term loans (continued)

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
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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.

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

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Notes to the Consolidated Financial Statements

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10. Long-term loans (continued)

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)

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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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:

Exercise price (NOK)	Exercise price (US\$) (i)	Outstanding		Exercisable
		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).

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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13. Share based compensation (continued)

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

Exercise price (NOK)	Exercise price (US\$) (i)	<u>Outstanding</u>		<u>Exercisable</u>
		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.

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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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

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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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

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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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

WENTWORTH RESOURCES LIMITED

Notes to the Consolidated Financial Statements

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18. Supplemental cash flow information (continued)

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 December 31, 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

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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 States 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.	
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 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. 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



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,
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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 or 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.



- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is stylized, with the letters 'KPMG' being larger and more prominent than 'LLP'.

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