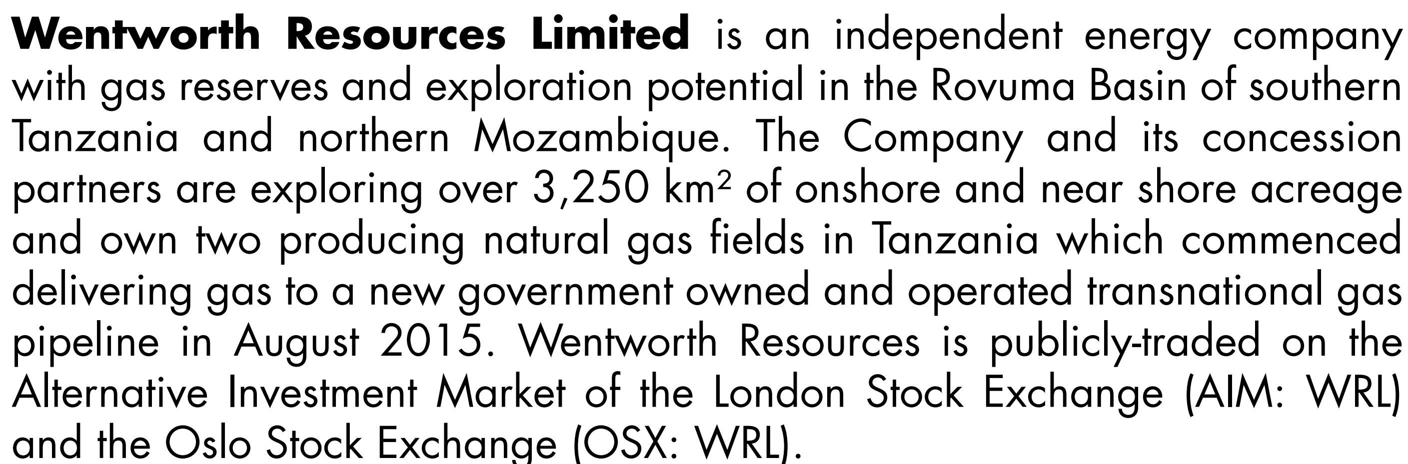
Annual Report 2016

Exploration, Development and Gas Monetisation in East Africa



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

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Executive Chairman's message

2016 was a year of stabilization as the crude oil prices recovered from lows in the early part of the year to settle within a $40 to $50 per bbl range. This stability has created an environment of consolidation within the industry and rationalizing of assets. What has not been evident is an increase in major capital expenditures, specifically on large green field projects such as LNG. Both Tanzania and Mozambique have faced significant delays in progressing their respective LNG developments to the FID stage. It was recently announced that the Anadarko-led LNG project in Mozambique has delayed its FID to mid-2018 at the earliest.

Fortunately, Wentworth is not in that situation, just the opposite. Infrastructure within our Mnazi Bay concession in Tanzania is fully operational with surplus capacity available to handle significantly larger volumes of gas above what is being produced to meet the current demand for natural gas in the country. This situation is unique in that any increase in demand can be supplied through the existing pipeline system and medium term demand can be fulfilled by the existing onshore production base.

TANZANIA

In my 2015 message, I stated that 2016 would be a year of stability and of steady growth in demand at or near our initial contracted volume of 80 MMscf/day. This has not happened as TPDC, the gas aggregator, has throughout 2016 taken between 20 MMscf/day and 70 mmcf/day. This wide variance occurred as the primary end user of the gas, TANESCO, continued to experience technical problems with its power generation facilities during 2016. This inconsistency in demand resulted in the actual 2016 gas sales volumes, and therefore revenues for the year, to be substantially less than Wentworth expected. At the request of TPDC, the Mnazi Bay joint venture partners have installed field gathering and processing facilities capable of delivering a minimum of 120 MMscf/day. This capital expenditure combined with the inconsistent demand has put the company in a tight cash situation. Fortunately, Wentworth has been able to work its way through this period and with limited capital expenditures forecasted for 2017, revenues and cashflow are expected to increase and allow the company to continue to strengthen its working capital position and balance sheet.

MOZAMBIQUE

During 2016, Wentworth became operator of the Rovuma Onshore Concession area and opened an office in Maputo to facilitate and best manage operations. Since acquiring an 85% controlling interest in the concession, Wentworth's exploration team has completed the reprocessing of existing seismic, conducted extensive core analysis of the Tembo I discovery well and developed a 500 km 2D seismic program. Wentworth is very excited about this opportunity due to the potential size of the Tembo 1 discovery and also because there is the possibility for additional gas condensate and crude oil discoveries within the appraisal area.

Wentworth plans to bring in an industry partner to the concession once all the preliminary work has been completed with a view to drilling a well in 2018 to appraise the Tembo discovery. Early discussions have been held with various potential industry partners in the past number of months.

2017 PLANS

Over the past number of months, Wentworth management has been working on developing additional markets for its surplus gas. These discussions are at an early stage with the objective of enabling the Mnazi Bay gas field to operate at or near capacity with the intention to reinvest that cashflow within the Mnazi Bay concession area to explore for and find additional reserves which then can be dedicated to the growing domestic market. The primary objectives are early production and if possible, an export solution which is stable and with an offtaker of substance. To date, an FLNG solution seems to best fit the criteria we have set for the Company and discussions with partners, offtakers and contractors are currently taking place.

I would like to thank all the members of the Wentworth team as well as the shareholders, for your continued support.

Robert P. McBean
Executive Chairman

Annual financial report

For year ended December 31, 2016

2016 HIGHLIGHTS

Reserves

- Independent reserves evaluation attributed Wentworth's share of Proved + Probable (2P) reserves valued at US$180.3 million NPV (10%) after tax at December 31, 2016 to the Company's gas fields in Tanzania
- Net 2P reserves were 115.9 Bscf (19.3 MMbbl BOE) which were higher than 2015 after taking into consideration gas production during the year.

Financial

- Gas sales revenue of $11.75 million up 153 percent from 2015 due to the commencement of gas sales to the new Mtwara to Dar es Salaam gas pipeline during Q3 2015.
- Net loss of $5.09 million ($0.03 per share) compared to a 2015 net profit of $27.03 million ($0.17 per share); 2015 profit includes a non-cash deferred tax recovery of $34.34 million.
- Development and exploration capital expenditures of $2.06 million and $2.40 million, respectively during 2016.
- Cash and cash equivalents on hand of $0.98 million compared with $2.75 million on hand at December 31, 2015.
- Working capital[1] was $4.96 million compared to $11.98 million at December 31, 2015.
- Reduced outstanding debt to $20.67 million (December 31, 2015 - $26.0 million) following $5.33 million of principal payments during the year.
- Subsequent to year end, amended the timing of principal payments on the existing $20.0 million credit facility and secured a new $2.5 million credit facility for working capital purposes.

[1] Working Capital is a non-GAAP measure which is calculated as current assets less current liabilities. For 2016, working capital is $20.15 million less $15.19 million. For 2015, working capital is $25.03 million less $13.05 million.

Operational

Tanzania

- The Mnazi Bay field achieved average gross daily gas production of 43.0 MMscf/d compared to 15.7 MMscf/d during 2015.
- Expansion of the liquid separation units and gas processing facilities at Mnazi Bay was ongoing during the year end with commissioning and full operations expected in Q2 2017.

Mozambique

- Received Mozambique Government approval of a two-year appraisal program for the Tembo gas discovery and increasing Wentworth's participation interest in the Tembo appraisal area of the Rovuma Onshore Block from 11.59 per cent to 85 per cent. Wentworth has been appointed Operator.
- Completed reprocessing of approximately 1,000 km of 1984/1985 vibroseis data which represents all the existing regional seismic coverage over the Tembo appraisal area.
- Finalized the design details of a new 2D seismic survey of approximately 700 km data. This survey will further Wentworth's ability to identify a suitable appraisal location for an appraisal well in 2018.

Financial and Operating Results

	Year ended December 31,		
Financial ***(Figures $000's except per share data)***	**2016**	2015	*% Change*
Gas revenue	**11,750**	4,637	*153*
Adjusted EBITDA[(1)]	**2,982**	(4,944)	*160*
Loss from operations	**(1,474)**	(7,418)	*(80)*
Net (loss)/profit and comprehensive (loss)/income	**(5,092)**	27,034	*(119)*
Basic and diluted net loss per share ($ per share)	**(0.03)**	0.17	*(118)*
Net cash generated/(used in) from operating activities	**476**	(4,769)	*110*
Capital expenditures	**4,459**	21,219	*(79)*

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

	Year ended December 31,		
Operating (Mnazi Bay Concession)	**2016**	2015	*% Change*
Sales to TPDC			
Price per MMBtu (US$)	**3.01**	3.00	-
Gas sales - MMBtu (net to Wentworth)	**3,551,575**	1,172,092	*203*
Sales to Tanesco (Mtwara 18MW Power Plant)			
Price per MMBtu (US$)	**5.36**	5.36	-
Gas sales - MMBtu (net to Wentworth)	**200,259**	209,206	*(4)*
Production			
Production volumes - Mscf (net to Wentworth)	**3,667,482**	1,381,298	*166*
Production and operating cost per Mscf (US$)	**0.92**	2.33	*(60)*
Gross average daily production (MMscf/d)	**43.0**	15.7	*174*

Statement of Financial Position *(Figures 000's)*	As at December 31, **2016**	 2015	 *% Change*
Total assets	**$208,231**	$216,577	*(4)*
Shareholders' equity	**$175,911**	$180,411	*(2)*
Cash and cash equivalents	**$979**	$2,746	*(64)*
Long-term receivables (including current portion)	**$30,317**	$37,087	*(18)*
Credit facilities (principal balance)	**$20,667**	$26,000	*(21)*
Outstanding number of shares and options (Figures 000's)			
Common shares	**169,535**	169,535	-
Options	**10,600**	11,950	*(11)*

Reconciliation of Adjusted EBITDA *(Figures $000's)*	Year ended December 31, **2016**	 2015	 *% Change*
Net (loss)/profit	**(5,092)**	27,034	
Add/deduct:			
Deferred tax expense/(recovery)	**3,196**	(34,341)	
Finance income	**(4,693)**	(4,818)	
Finance expense	**5,115**	4,707	
Share based compensation	**592**	767	
Depreciation and depletion	**3,864**	1,707	
Adjusted EBITDA	**2,982**	(4,944)	*160*

Management Discussion and Analysis

This management's discussion and analysis ("MD&A") is provided by management of Wentworth Resources Limited ("Wentworth", the "Company" or "WRL") and is based on information available to March 21, 2017. This MD&A should be read in conjunction with the Company's audited consolidated financial statements, and notes thereto, for the year ended December 31, 2016. The audited annual consolidated financial statements have been prepared by management, presented in United States (US) dollars, and prepared in accordance with International Financial Reporting Standards (IFRS).

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

Operations Overview

Mnazi Bay Concession, Tanzania

Mnazi Bay gas sold to Tanzania Petroleum Development Corporation ("TPDC") is utilized by Tanzania Electricity Supply Company Limited ("TANESCO") as a fuel source to power its electrical generation plants serving the National Electricity Grid. During year 2016, Mnazi Bay gas was used to fuel three power stations located within the city of Dar es Salaam: Kinyerezi-1, Symbion and Ubungo-II.

During 2016, the Mnazi Bay gas field delivered an average 43.0 MMscf/d, a 174 percent increase compared to 15.7 MMscf/d delivered during 2015. The Company had initially expected 2016 gas demand to be between 70 and 80 MMscf/d but certain events impacted the ability to reach these sales volumes. During July 2016, operations at the Symbion gas-fired power plant were suspended as a result of a dispute with the Tanzania Government, effectively eliminating 20 MMscf/d of gas demand. Also during July 2016, the government began allocating 15 MMscf/d of gas demand to industry competitors in order to commission and operate the new Songo Songo processing facility. Throughout 2016, downtime was experienced at the Kinyerzi-1 and Ubungo-II power plants due to commissioning, repairs, maintenance and overhaul works being undertaken. As a result, these power plants were operating below maximum generation capacity. All major works were completed by the end of 2016.

During 2016, work continued on the expansion of the Mnazi Bay joint venture owned processing facilities at Msimbati and is expected to be commissioned and fully operational during the first half of 2017. Primary processing of the Mnazi Bay gas is required at Msimbati to knock out free liquids before the gas enters the sub-marine pipeline that connects into the Madimba GPF. The expansion of these processing facilities completes all the necessary field infrastructure work to enable the delivery of up to 130 MMscf/d to the Madimba processing facility. When combined with the 5 existing wells, with an estimated average production rate of 20 MMscf/d per well, the Mnazi Bay Concession is able to deliver significantly higher volumes of gas without the need for any additional capital expenditure.

Rovuma Onshore Block, Mozambique

By its nature, the appraisal plan includes activities which are subject to certain contingencies but generally includes the reprocessing and re-interpretation of existing seismic followed by further acquisition of seismic, if warranted, with the aim of identifying a suitable drilling location. The re-processing and interpretation of existing seismic data focused on the sands encountered in the Tembo gas discovery and was completed during 2016. A new seismic acquisition program of up to 700 km is planned for the second half of 2017. Drilling of an appraisal well will proceed in 2018 subject to a suitable location being identified.

It is expected that the work program set out in the appraisal plan will be funded through a combination of internally generated cash flows and a possible addition of one or more industry partners.

Financial Overview

Revenue

Gas sales to TPDC

During 2016, the Company recorded net sales of 3,551,575 MMBtu, a 203 percent increase compared to year 2015 production.

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The gas sales price was $3.01/MMBtu (2015 - $3.00/MMBtu) for total revenue during 2016 of $10.68 million (2015 - $3.52 million).

Gas sales to Tanesco

Gas sales to an 18 MW gas-fired power plant in Mtwara, Tanzania during the year of 2016 were 200,259 MMBtu (2015 – 209,206 MMBtu) while the gas price remained fixed and unchanged at $5.36/MMBtu. Total revenue earned during the year was $1.07 million compared to $1.12 million during the year 2015.

Production and operating expense

Production costs within the Mnazi Bay Concession comprise the Company's share of field operating costs, Operator's administration and Operator's overhead required to manage production operations. Management expects that, on a per Mscf basis, production costs will generally reduce as gas volumes increase because most of the field operating costs are fixed in nature. Gross annual production was 43.0 MMscf/d compared to 15.7 MMscf/d during the year 2015. Production and operating expenses during the year were $3.37 million (2015 - $3.21 million). For 2016, operating expenses per mcf were 92 cents compared to $2.33 in 2015.

General and administrative expense

	Year ended December 31,	
(Figures in $000's)	**2016**	2015
Employee salaries and benefits	**2,392**	3,055
Contractors and consultants	**705**	591
Travel and accommodation	**515**	487
Professional, legal and advisory	**582**	798
Office and administration	**684**	750
Corporate and public company costs	**519**	686
	5,397	6,367

The Company maintains offices in Calgary, Canada, Dar es Salaam, Tanzania and Maputo, Mozambique and is listed on the public stock exchanges in both Oslo, Norway (Oslo Stock Exchange) and London, UK (AIM). Many general and administrative expenditures are fixed in nature and include such items as corporate and public company costs (exchange listing, transfer agent and directors' fees), legal fees supporting the compliance with corporate and public obligations (Canada, UK and Norway) and professional advisory (external audit, resources engineering and Nomad for our AIM listing).
Prior to being appointed Operator of the Rovuma Onshore Block in Mozambique, the Company incurred certain costs including geological, geophysical and technical analysis, with respect to the oversight of the operations in Mozambique, all of which were included in general and administration expenses. Commencing June 2016, the Company was appointed Operator of the Rovuma Onshore Block and during Q3 2016 established an operational presence in Mozambique. Direct and indirect costs relating to the appraisal activities within the Rovuma Onshore Block commenced being capitalized during Q3 2016.

Share based compensation

During 2016, the Company recognized $0.59 million (2015 - $0.77 million) as share based compensation expense.

During 2016, a total of 1,350,000 options were forfeited respectively while no options were granted or exercised during the same period (2,000,000 options were granted during year 2015, no options were exercised or forfeited). A total of 10,600,000 stock options were outstanding at December 31, 2016 with 8,066,661 vested and exercisable with an average exercise price per share of NOK 4.25 ($0.49).

Depreciation and depletion

Depreciation and depletion of gas producing assets of $3.86 million (2015 - $1.71 million) or $0.99/Mscf (2015 - $1.11/Mscf) were recorded during 2016. At December 31, 2016, the net book value of natural gas property, plant and equipment was $93.37 million (2015 – $95.17 million).

Finance income and costs

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

During the year ended December 31, 2016, interest expense on the long-term loans totalled $2.2 million (2015 - $1.71 million).

During the year ended December 31, 2016, non-cash accretion of the TPDC receivable of $4.17 million (2015 - $4.33 million) was recorded in finance income. The Company revised the accounting estimates used to determine the expected amounts and timing of future revenue streams to determine collection of the TPDC receivable resulting from revised gas demand estimates for future periods obtained from industry sources. This resulted in $2.57 million being charged to finance costs during the year ended December 31, 2016 (2015 - $2.13 million).

Non-cash accretion of the Tanzanian Government receivable (Umoja/power) of $0.47 million (2015 – $0.48 million) was recorded in finance income during 2016.

Deferred tax expense/recovery

At December 31, 2016, a deferred tax asset of $31.15 million reflects the estimated future tax benefit of accumulated tax losses within the Tanzanian operations. The commencement of commercial production and sale of gas under the long-term Gas Sales Agreement ("GSA") allowed for the recognition of deferred tax asset on the accumulated tax losses estimated to be utilized in the future. A non-cash deferred tax expense of $0.12 million (2015 - $34.34 million) has been recorded in year 2016.

Receivables from gas delivered to TANESCO

The Company's ongoing exposure to receivables from TANESCO is associated with gas sales from the Mnazi Bay Concession to the 18 MW gas-fired power plant located in Mtwara, Tanzania. At December 31, 2016, the Mnazi Bay joint venture partners were owed thirteen months of gas sales, with $2.16 million owed to Wentworth. Subsequent to year end, TANESCO has paid three months of invoices relating to the outstanding balance at year end. The Company is in discussions with TANESCO to arrange a payment process to expedite the settlement process. Receivables from gas delivered to TPDC

The amounts owed by TPDC to the Mnazi Bay joint venture for November 2016 and December 2016 gas sales were outstanding at December 31, 2016. The November 2016 invoice was paid subsequent to year end.

In addition, TPDC owes the Mnazi Bay joint venture $2.94 million ($1.28 million net to Wentworth) for gas delivered during Q3 2015 to fill and pressurize the new ~500 km pipeline. During Q4 2016, TPDC paid $0.72 million relating to the line pack and line file invoices which was used to settle VAT and excise duty related to these gas sales invoices. Subsequent to year end, TPDC paid $2.0 million (net $0.88 million to Wentworth) settling the line fill invoice in full. The Mnazi Bay joint venture partners expect full payment of the line pack invoice in 2017.

Long-term receivable - TPDC

The Company has a receivable from TPDC, a 20 percent participating interest partner in the Mnazi Bay Concession, for TPDC's share of past development and operating costs that were paid by the Company prior to June 30, 2009. In addition, the Company has been paying its proportionate share of TPDC's share of development and operating costs incurred subsequent to June 30, 2009, the value of which has been added to the TPDC receivable balance. The Company will recover this receivable from an agreed percentage of TPDC's share of current and future revenue from the Mnazi Bay Concession. The undiscounted face value of the TPDC receivable at December 31, 2016 is $27.15 million (December 31, 2015 - $35.29 million). Due to its long-term nature, the TPDC receivable has been discounted to $24.84 million (December 31, 2015 - $32.13 million). This reported fair value is discounted to reflect the time expected until the receivable is settled in the future. With the passage of time and as gas sales are realized, the carrying amount of the TPDC receivable is accreted up to the face value with a corresponding credit to finance income.

Based on the Company's internal estimates, the $27.15 million face value of this receivable as at December 31, 2016 is expected to be fully recovered by Q2 2018. The recovery of the TPDC receivable is expected to provide a significant source of cash flows for the Company during the next two years.

At December 31, 2016, the current portion of the TPDC receivable is $12.28 million compared to $18.19 million at December 31, 2015. During year 2016, $10.57 million was recovered from TPDC's share of gas sales. The current portion of the receivable is updated at each reporting period and is calculated taking into consideration the estimated timing and amounts of future gas sales.

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

The Company has an agreement with the Government of Tanzania (TANESCO, TPDC and the Ministry of Energy and Mines ("MEM")) to be reimbursed, at cost, for past project development costs associated with transmission and distribution ("T&D") expenditures. An audit of the Mtwara Energy Project ("MEP") development expenditures was completed in November 2012 and costs of approximately $8.12 million were verified to be reimbursable. After deducting costs associated with the Tariff Equalization Fund and VAT input credits associated with the MEP totaling $1.61 million, the amount agreed to be reimbursed was $6.51 million. The receivable is considered long-term in nature and has been discounted to reflect the anticipated timing of collection. This receivable is considered a financial instrument and was initially recorded at fair value based on discounted cash flows and at each reporting date it is revalued and amortized by accreting the instrument over the expected life of the receivable. The undiscounted face value of the Tanzanian Government receivable (Umoja/power) at December 31, 2016 is $6.51 million (December 31, 2015 - $6.51 million) while the discounted value, taking into consideration the anticipated time of collection, is $5.48 million (December 31, 2015 – $4.96 million). Timing of reaching an agreement on the reimbursement procedure is indeterminable but the Company has re-engaged with the Government of Tanzania following commencement of deliveries of gas to the NNGIP. Management continues working with the Government of Tanzania on agreeing a mechanism to settle the outstanding balance and anticipates to recover the amounts from the Government's share of revenue generated from the Mnazi Bay Concession.

Capital expenditures

During 2016, capital spending totaled $4.46 million which were primarily incurred in respect to field infrastructure and development capital activities within the Mnazi Bay gas field location. In Mozambique, appraisal costs include technical evaluation of the Tembo-1 well, preliminary planning for a possible 2017 seismic acquisition program and establishment of operations in Mozambique as Wentworth is now Operator of the Rovuma Onshore Block.

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(Figures in $000's)	Year ended December 31,	
	2016	2015
Exploration and evaluation assets		
Mozambique		
Exploration drilling	**951**	8,597
Seismic reprocessing and interpretation	**109**	-
Operator and indirect overhead	**1,310**	618
	2,370	9,215
Tanzania		
Seismic acquisition, processing and interpretation	**27**	164
	27	164
Property, plant and equipment		
Tanzania		
MB-4 development well	**-**	8,104
Field infrastructure connection work	**2,019**	3,288
Asset retirement obligation	**(388)**	-
Other field development capital	**404**	368
	2,035	11,760
Canada		
IT and office assets	**27**	80
	4,459	21,219

Long-term loans

On December 8, 2014, Wentworth Gas Limited ("WGL"), a subsidiary of the Company, executed two long-term credit facilities: 1) a $20.0 million loan to finance field infrastructure development within the Mnazi Bay Concession in Tanzania and 2) a $6.0 million loan to repay and replace an existing medium-term loan. The two loan facilities originally had similar commercial terms. Each loan was forty-eight months in duration commencing on the first drawdown date, carries interest of six months LIBOR rate plus 750 basis points subject to a minimum (floor) of 8 percent p.a. and a maximum (ceiling) of 9.5 percent p.a. In addition, principal repayments following the grace period of eighteen months after the first drawdown date are payable in six equal semi–annual instalments in arrears and have security in the form of a debenture creating first ranking charge over all the assets of the WGL (assets of WGL include a 25.4 percent participation interest in the Mnazi Bay Concession) and assignment over the TPDC long-term receivable. The loan facilities currently have no financial covenants.

Principal repayments commenced in June and December 2016 with two payments of the six equal semi-annual payments of $1.0 million each on the $6.0 million loan was made. In July 2016, the first of six equal semi-annual principal payments of $3.33 million on the $20.0 million loan was made. At the end of December 2016, the total principal balance owing on the debt facilities was $20.67 million.

On February 3, 2017, the Board of Directors of TIB Development Bank approved amendments to certain provisions of the existing $20.0 million credit facility. The most significant amendments that impact the principal and interest payments are set out below. Principal repayments on the outstanding $16.67 million balance at December 31, 2016 have been amended to the following:

Principal repayment date	Repayment amount *(Figures in $000's)*
April 30, 2017	500
May 31, 2017	500
June 30, 2017	1,000
July 31, 2017	1,333
April 30, 2018	1,667
July 30, 2018	1,667
October 30, 2018	1,666
January 30, 2019	1,667
April 30, 2019	1,667
July 30, 2019	1,666
October 30, 2019	1,667
January 30, 2020	1,667
	16,667

The term of the credit facility has been extended by one year. Interest will be paid on a quarterly basis, in arrears, commencing July 31, 2017. The Company is working with TIB Development Bank to execute all the amendments to the credit facility agreement.

All provisions of the $6.0 million credit facility, of which $4.0 million principal was outstanding at December 31, 2016, remain unchanged. Interest is paid on a semi-annual basis, in arrears, on the principal repayment date. The principal repayment dates are as follows:

Principal repayment date	Repayment amount *(Figures in $000's)*
June 8, 2017	1,000
December 8, 2017	1,000
June 8, 2018	1,000
December 8, 2018	1,000
	4,000

Shares, share capital, dividends

The Company has 169,534,969 shares issued and outstanding as at December 31, 2016, all of which are of the same class and with equal voting and dividend rights. The Company's ordinary shares are listed on the Oslo Stock Exchange (ticker: WRL) and denominated in Norwegian Kroner. The Company's shares are also traded on the Alternative Investment Market of the London Stock Exchange (ticker: WRL) and denominated in British Pounds.

As the Company is in the early stage of its commercial operations, it does not have a formal dividend policy. No dividends have ever been declared or paid by the Company. There are no restrictions on dividend distributions other than those contained in the Business Corporations Act (Alberta). At the Annual General Meeting in 2016, the Board of Directors did not propose dividends to be paid for the year ended December 31, 2015. Proposals for dividend distribution in future years will be subject to assessment of business performance, operating environment, and growth opportunities in determining the appropriate level in any specific year.

Financial Condition and Liquidity

At December 31, 2016, Wentworth had cash on hand of $0.98 million and receivables, deposits and advances of $19.17 million, most of which, $12.28 million, is the current portion of the long-term receivable from TPDC for carrying TPDC's share of development and operating costs. The Company has started collecting substantial amounts of this long-term receivable following the commencement of gas sales to the new NNGIP. Outstanding receivable for gas sales to TPDC and TANESCO total $6.60 million at December 31, 2016.

Current liabilities include outstanding cash calls to the Operator of the Mnazi Bay Concession of $6.5 million. A total of $1.0 million has been paid in 2017 and the remaining $5.5 million is expected be settled through a combination of cash receipts from existing gas sales receivables and funds from a new working capital facility. A $2.5 million working capital facility agreement was signed in 2016 between the Company and TIB Corporate Bank, however it was not fully executed in 2016 as the loan was not required at that time. The Company expects to finalize the legal documentation and draw the full amount of the facility for working capital purposes during the next few months.

Current liabilities also include the principal repayment obligations on external credit facilities and the anticipated settlement of other liabilities also due within the next 12 months. Subsequent to year end, the Company reached agreement with its main corporate lender, TIB Development Bank, to enhance short-term liquidity by deferring payment of the January 28, 2017 principal payment of $3.33 million to Q2/Q3 2017, deferring the July 28, 2017 and January 28, 2018 principal payments and extending the term of the credit facility by one year. The Company is working with TIB Development Bank to execute all the amendments to the credit facility agreement.

Gas sales from the Mnazi Bay Concession during 2016 was 43.0 MMscf/d. Lower than anticipated volumes realized during the second half of 2016 were a direct result of the suspension of electrical power generation operations at the Symbion power plant due to a contractual dispute with the Tanzanian Government, eliminating gas demand of 20 MMscf/d, and the commissioning of a Songo Songo gas processing facility, diverting 15 MMscf/d to an industry competitor. There is no indication as to when the Symbion power plant will return to operations.

During 2017, the Company expects to have no significant capital commitments relating to exploration and development activities in Tanzania. Anticipated development capital spending is limited to the completion of Mnazi Bay infrastructure tying field producing assets to the NNGIP with Wentworth's share of costs being approximately $1.0 million. In Mozambique, spending on appraisal activities is expected to be limited to 2D seismic reprocessing and planning for a possible 2D seismic acquisition program anticipated for the second half of 2017.

The existing level of external debt, including the new working capital facility, is expected to be supported by the current forecasted gas production levels and therefore, the Company is no longer pursuing an expanded debt facility of up to $50 million at this time.

Outlook

The lower than anticipated gas production volumes impacted cash flows available to the Company during 2016 but we remain confident with current guidance of gas sales averaging between 40 and 50 MMscf/d during 2017. The Company has taken steps to ensure that it can meet its ongoing obligations in a timely manner including amending the timing of principal payments under an existing credit facility and securing a $2.5 million working capital facility. The working capital facility, combined with the proceeds from gas sales to TPDC, are expected to be sufficient to meet existing, near-term obligations. Minimal capital spending is anticipated for Tanzania and spending on appraisal activity in Mozambique is expected to take place during the second half of 2017. Annual corporate general and administrative expenses have been reduced by more than 10 percent and the Company continues to work closely with the Operator of the Mnazi Bay Concession and TPDC to increase sales volumes in Tanzania. It is anticipated that an increase in gas sales volumes will have a significant impact on the free cash flow to the Company as no additional significant capital expenditures are planned and a majority of the field operating costs are fixed in nature. As a result, minimal spending is required in order to meet any increase in gas demand in the short-term. The Company is well positioned to take full and immediate advantage of future growth in gas demand in Tanzania.

In Mozambique, seismic reinterpretation and evaluation of the Tembo-1 well and gas discovery was completed during Q4 2016. Reprocessing of existing seismic data commenced during Q4 2016 and will be completed in Q1 2017. A 2D seismic acquisition program over the retained area of the Rovuma Onshore Block is planned for the second half of 2017. It is expected that the work program in Mozambique will be funded through a combination of internally generated cash flow and a possible addition of one or more industry partners.

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Background

Mnazi Bay Concession, Tanzania

Gas operations

Wentworth has a 31.94 percent participation interest in the Mnazi Bay Concession agreement covering an area of 756 square kilometers in the southeastern region of Tanzania. Wentworth and its joint venture partners have spent over $300 million within the concession on oil and gas exploration, development and operations since signing the concession agreement in 2004. Two gas fields, Mnazi Bay and Msimbati, have been discovered within the concession, with full field gross 2P reserves of 566.6 Bscf (94.4 MMboe) of natural gas (RPS Energy Canada Ltd ("RPS"), Mnazi Bay Reserves Report, December 31, 2016.

There are five producing wells in the field capable of a combined total production of approximately 100 MMscf/d (management's best estimate). Extensive gas gathering and processing infrastructure has been built by Wentworth and its joint venture partners to supply the TPDC owned NNGIP which consists of a 36" gas pipeline extending ~500km from Madimba, located within the Mnazi Bay Concession in the south of Tanzania, to the commercial capital Dar es Salaam. The construction of new field infrastructure by the Mnazi Bay joint venture, including liquid separation units at the joint venture owned Msimbati Gas Processing Facility ("Msimbati GPF") is in the final stages of completion and commissioning. This new field infrastructure is necessary to ensure that the gas meets the specifications of the GSA signed with TPDC in September 2014.

Currently, gas is sold to two customers in Tanzania, both of which are 100 percent owned by the Tanzanian Government: TPDC and TANESCO.

Gas is delivered to TPDC at a transfer point being the inlet to the NNGIP located adjacent to the Mnazi Bay gas field. The gas is sold and purchased at the metering station located at the inlet to a 16" pipeline connecting the existing Mnazi Bay gas production facility to the new Tanzanian Government owned Madimba GPF. In September 2014, the Mnazi Bay joint venture partners signed a long-term GSA with TPDC. The GSA includes contractual volumes of 80 MMscf/d for the first eight months after commissioning increasing to 130mmscf/day thereafter and remaining at this level for the duration of the GSA term. Gas sales under the GSA attract a price of $3.01/MMbtu escalating annually at US CPI. Currently, the NNGIP project remains in the commissioning phase with gas deliveries having commenced in August 2015. The Mnazi Bay joint venture partners are not responsible for paying a tariff for transporting the gas nor paying third party processing fees, therefore, the price of US$3.01/MMBtu is equivalent to a wellhead "netback price".

Gas is sold to TANESCO, the state-owned electricity utility company, as fuel supply to an 18 MW, gas-fired, power plant located approximately 27 kilometres from the Mnazi Bay field operations. Gas deliveries commenced in 2006 and gas is currently sold at a price of $5.36/MMbtu.

Expanding market for natural gas

Clear route to market
The Government owned NNGIP provides a direct and secure route to market for the existing discovered gas and future gas discovered within the Mnazi Bay Concession. The pipeline has a capacity to transport ~784 MMscf/d of natural gas with the Mnazi Bay gas being the first gas transported though the pipeline. The full cost of the NNGIP has been borne by the Tanzanian Government, therefore, Wentworth can monetize significant quantities of discovered gas with a nominal amount of additional capital infrastructure and cost.

The Company commenced gas deliveries to the NNGIP in August 2015 when commissioning of the pipeline and processing facilities began. Gas is sold to TPDC at the metering stations located adjacent to the Company owned Msimbati GPF. The TPDC owned Madimba Gas Processing Facility ("Madimba GPF"), with a processing capacity of 210 MMscf/d, is located within the Mnazi Bay Concession approximately 20 kilometres from the Company's discovered gas fields and was built for processing Mnazi Bay gas. Wentworth's existing discovered gas is an integral and essential component of the Tanzanian Government's gas-to-power initiative.

Ultimate end users of Mnazi Bay Gas
The Tanzanian Government has plans to add an additional 1,155 MW of electricity to the national grid over the next three to five years by constructing three new power stations and expanding the recently completed Kinyerezi-1 power plant. The additional gas fired power plants are to be located at Kinyerezi, Kilwa and Mtwara. The Kinyerezi-1 expansion project (185 MW) has reached financial close and the construction contract was signed during Q2 2016 with the expansion expected to be completed during H1 2018. Construction has commenced on the Kinyerezi-II (240 MW) power plant with start-up and commissioning expected in H2 2018. Other power stations in the planning conduit include Kinyerezi III (300 MW), Kinyerezi IV (330 MW) and Kilwa (300 MW); all of which are due to be commissioned and operational by 2020.

In addition to gas fired power generation facilities, growth in the industrial demand in Tanzania is expected to increase the throughput of natural gas within the transnational NNGIP. TPDC has recently signed a GSA with Goodwill Ceramic Limited for

the gas purchase (7–12 MMscf/d) to be used to power the ceramics plant. A 1.4km 10" pipeline to connect the factory is being constructed and is expected to be completed by the end of Q1 2017. Another initiative undertaken by TPDC is to agree to supply approximately 10 - 40 MMscf/d to meet the power requirements of an existing Dangote Cement Factory at some point in 2017. This factory, which is the largest cement factory in Tanzania, is located in the Mtwara region. The cement factory is also considering the use of natural gas to power the kilns, which would result in an additional gas demand of approximately 30 - 40 MMscf/d. Other industrial users have shown interest in utilizing natural gas and discussions with TPDC are ongoing. This estimated demand for Mnazi Bay gas is expected to exceed our current production potential by the end of 2018 which provides strong incentive for further exploration by Wentworth in its acreage.

Gas sales agreement

During 2014, the Mnazi Bay joint venture partners and TPDC, the Government entity aggregating natural gas in Tanzania, executed a long-term GSA to supply existing discovered natural gas from the Mnazi Bay and Msimbati gas fields within the Mnazi Bay Concession. The GSA covers the supply up to 80 MMscf/d rising to a maximum of 130 MMscf/d after commissioning is complete. The Mnazi Bay joint venture partners have agreed payment security terms with TPDC and various other parties. The payment security provides the joint venture partners with sufficient assurance that sales of natural gas will be settled in accordance with the agreed payment terms.

Gas specifications contained in the GSA stipulate the temperature, pressure and liquids content of the Mnazi Bay gas at the transfer point which is adjacent to the Msimbati GPF. The Msimbati processing facilities are essential in ensuring the gas specifications set out in the GSA are met. Field infrastructure was installed by the Mnazi Bay joint venture during 2015-16 to ensure the gas specification can be met.

Existing production capability – sales under the GSA

The existing five gas wells are expected to produce sufficient gas to meet the initial contracted quantity of 80 MMscf/d set out in the GSA. In prior years, workovers were performed on three wells (MS-1X, MB-2 and MB-3) allowing for production from multiple zones within these wells. The MB-4 well, drilled during Q2 2015, was tested and achieved a combined constrained flow-rate of up to 41 MMscf/d.

MS-1X, MB-2, MB-3 and MB-4 are tied-in to the NNGIP. The fifth well, MB-1, is currently producing approximately 2.5 MMscf/d which fuels the TANESCO-owned 18 MW Power Plant in Mtwara was tied into the new Tanzanian Government owned NNGIP infrastructure during Q1 2017.

Subject to further testing of production levels achievable from the existing Mnazi Bay wells and the drilling of additional development wells, as deemed necessary, the Company anticipates gas sales to TPDC to increase to 130 MMscf/d to meet the anticipated growth in gas demand resulting from expanding gas to power generation infrastructure, primarily through the completion of Kinyerezi I expansion and Kinyerezi II power stations, and through growth in industrial demand. Gas production capacity could increase up to 270 MMscf/d should additional exploration success occur within the Mnazi Bay Concession. Of the 270 MMscf/d, 210 MMscf/d is expected to be supplied to the Madimba GPF and 60 MMscf/d is anticipated to be supplied directly to a power plant planned for construction in the Mtwara region or supplied to industrial customers in the Mtwara region.

Exploration opportunities

Given the direct access to market for Mnazi Bay Concession gas and the spare capacity available in the transnational NNGIP, the Company will seek to advance its exploration drilling activities to increase production to match growth in demand. The Company expects the cost of these exploration activities to be fully funded from internally generated cash flows. The Company has 328 km2 offshore 3D seismic (2013) and over 2,000 km onshore/offshore 2D seismic including 315 km new data (2014) which is available for use in determining future exploration drilling prospects.

Participation interest

The participation interest in the production operations and exploration operations in the Mnazi Bay Concession, as at December 31, 2016, are as follows:

Partner	Percentage interest in development and production	Percentage interest in exploration
M&P (Operator)	48.06	60.075
Wentworth	31.94	39.925
TPDC	20.00	-

General industry overview - Tanzania

Finance Bill 2016

The Tanzanian Government published a new Finance Bill that came into effect on July 1, 2016. It introduces measures aimed at reducing tax evasion and plugging loop holes for tax avoidance, to create new sources of revenue in order to increase revenue collection and in the same spirit to control unnecessary expenditure. The Bill introduces a number of changes to the tax regime which impacts the oil and gas sector. Wentworth has ongoing discussions with industry participants and the Tanzania Revenue Agency ("TRA") to better understand how these new changes will impact the sector, be implemented on a go forward basis and be interpreted by the TRA.

Petroleum Act 2015 and Extractive Industries (Transparency and Accountability) Act 2015

The Petroleum Act 2015 ("PA 2015") and the Extractive Industries (Transparency and Accountability) Act 2015 ("TEITI 2015") were enacted in late 2015. The PA 2015, which has replaced the Petroleum Exploration and Production Act

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of 1980 (“PEPA 1980”) and the Petroleum Act of 2008 (“PA 2008”) covers upstream, midstream and downstream oil and gas activities. Agreements previously entered into pursuant to provisions of the PEPA 1980 and PA 2008, including the Mnazi Bay Concession Production Sharing Agreement, are deemed to have been made under PA 2015 and shall remain in force and effect.

The TEITI 2015 is another piece of new legislation which provides the foundation of the Tanzania Extractive Industries Transparency and Accountability Initiative (“TEITI”). The TEITI Committee is an independent government body charged with the oversight responsibilities for promoting and enhancing transparency and accountability. The Company does not expect operations in Tanzania to be significantly impacted by the introduction of the PA 2015 and TEITI 2015 but continues to engage with industry and Tanzanian Government to determine the full extent of the changes on the energy industry in Tanzania.

Rovuma Onshore Block, Mozambique

Appraisal of the Tembo gas discovery

The Rovuma Onshore Block in northern Mozambique is onshore and forms part of the Rovuma Basin. The current area of the Block consists of the approximately 2,500 sq. km Tembo appraisal area and is south of the Company’s Mnazi Bay Concession in Tanzania.

On June 17, 2016, the Mozambique Government, through the Minister of Minerals & Energy, approved an appraisal plan and appraisal area for the Tembo gas discovery of December 2014. The Tembo-1 well was drilled to a total depth of 4,553 meters (4,401 meters True Vertical Depth Sub Sea) and a gas discovery was made in Cretaceous aged sands. Natural gas and a skim of oil was recovered by modular formation dynamics testing ("MDT"). Preliminary evaluation of the Tembo-1 well results and the regional seismic evaluation suggests the possibility of a substantial hydrocarbon accumulation.

The appraisal plan covers a two-year period from the date of the Mozambique Government’s approval. Wentworth has been approved as the Operator of the Rovuma Onshore Block and has increased its participation interest in the Block from 11.59 percent to 85 percent. State owned Empresa Nacional de Hidrocarbonetos ("ENH") retained 15 percent participation interest as a carried partner through to the commencement of commercial operations. In addition, ENH has the right to acquire a further 15 percent participation interest in the Block from Wentworth within 18 months from the date of submission for a development plan for consideration equal to the proportionate share of past costs incurred.

Participation interest

At December 31, 2016, the participation interests in production operations and exploration (and appraisal) operations in the Rovuma Onshore Block were agreed between the Company and ENH as follows:

Partner	Percentage interest in development and production [1]	Percentage interest in exploration (and appraisal)
Wentworth	85.00	100.00
ENH	15.00	-

[1] Should the results of the appraisal of the Tembo gas discovery lead to the submission of a development plan, ENH shall have the right to acquire, within 18 months, an additional 15 percent participation interest in the block for a consideration equal to the proportionate share of costs incurred by Wentworth.

General Industry Overview - Mozambique

New Petroleum Law Regulations

Decree 34/2015 of December 31, 2015, approves the Regulations for Petroleum Operations and repeals the Regulations approved by Decree No. 24/2004 of August 20, 2004. The new Decree details the rules according to which petroleum operations are carried out in Mozambique through a concession contract. The Regulations apply to all petroleum operations and to any infrastructures owned by the concessionaires or by third parties that are related to those operations, as defined by Law No. 21/2014 of August 18, 2014. Amongst other things, the Decree details the requirements and procedures applicable to the work programs, plans and evaluations, the management of petroleum operations, particularly with regards to the environment, health and safety standards for drilling operations and other activities in the upstream operations, emergency requirements and contingency measures, development and production of oil and gas and applicable penalties. Further to this, the Regulations provide more clarification regarding the local content requirements and the participation of Mozambican nationals in the sector.

Wentworth does not expect to be negatively affected by these new regulations but continues to work with legal advisors in Mozambique to gain a comprehensive understanding of the new regulations, particularly as the Company has assumed operatorship of the Rovuma Onshore Block.

Other

Risk factors

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

Responsibility for risk management
Risk management is integral to all of the Company's activities. Each member of executive management is responsible for continuously monitoring and managing risk within the relevant business areas. Every material decision is preceded by an evaluation of applicable business risks. Reports on the Company's risk exposure and reviews of its risk management are regularly undertaken and presented to the Board of Directors.

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

Credit risk
Wentworth's maximum credit exposure risk is equal to the carrying value of its trade, other and long-term receivables. Trade and other receivables are comprised predominantly of amounts due from government departments in Tanzania, tax input credits for Goods and Services Tax (GST) in Canada and Value Added Tax (VAT) in Tanzania and Mozambique. The Company's ongoing exposure to receivables from TANESCO, the state power company, relates to the gas sales from the Mnazi Bay Concession to the 18 MW gas-fired power plant located in Mtwara, Tanzania. At December 31, 2016, the Mnazi Bay joint venture partners were owed thirteen months of gas sales, with $2.16 million owing to Wentworth of which three months has been collected subsequently to year end.

A long-term undiscounted receivable of $27.15 million is due from TPDC, which is a partner in the Mnazi Bay Concession. The Company receives a significant portion of TPDC's share of gas production from the Mnazi Bay Concession directly from the operator of the Mnazi Bay Concession before TPDC receives cash from its share of revenue. There is a risk that future production from the Mnazi Bay Concession may not be sufficient to settle the receivable and should such a determination be made, a provision against the receivable will be recorded.

At December 31, 2016, the Company has a receivable from the Government of Tanzania of $6.51 million related to the Company's disposal of transmission and distribution assets and the costs associated with the Mtwara Energy Project incurred by a wholly owned subsidiary of Wentworth. On February 6, 2012, the Company, TANESCO, TPDC and MEM reached an agreement that the Company's cost of historical operations in respect of the Mtwara Energy Project should be reimbursed. Wentworth is currently in discussions with TANESCO, TPDC and MEM on agreeing a method of reimbursement. There is a risk that the cost reimbursement method may not be in cash, but rather in a long-term recovery from other sources.

Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. Other than routine trade and other payables, incurred in the normal course of business, the Company also has a long-term loan.

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

Measurement uncertainty and use of estimates and judgments

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

Workplace

Wentworth aims to be a workplace with equal opportunities for women and men in all areas. In terms of gender equality within the Company, no Board Members are women but 22 percent of the executive & senior management team, including the corporate secretary, are women. The Corporation promotes a productive working environment and does not tolerate disrespectful behavior. The Corporation has not experienced any discriminatory treatment of men and women and special measures to promote greater equality has therefore not been considered necessary.

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Director compensation table

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

Name	Fees Earned (US$)	Share-Based Awards (US$)	Option- Based Awards (US$)	Non-Equity Incentive Plan Compensation (US$)	Pension Value (US$)	All Other Compensation (US$)	Total (US$)
Robert P. McBean	80,000	Nil	Nil	Nil	Nil	Nil	80,000
John W. S. Bentley	80,000	Nil	Nil	Nil	Nil	Nil	80,000
Cameron Barton	80,000	Nil	Nil	Nil	Nil	Nil	80,000
Neil B. Kelly	80,000	Nil	Nil	Nil	Nil	Nil	80,000
Richard Schmitt[(1)]	7,500	Nil	Nil	Nil	Nil	Nil	7,500

[(1)] Richard Schmitt resigned as a board member on February 15, 2016.

Environmental impact

Exploration, development and production of oil and gas may cause emissions to the sea and air. Wentworth's operations are in accordance with all regulatory requirements, and there were no breaches of these requirements in 2016. Wentworth did not operate any wells in 2016.

Research and development

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

Exemption

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

Recent accounting pronouncements

The following standards and amendments applicable to the Company are issued but not yet effective and have not been early adopted in these consolidated financial statements.

		Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 2 – (Amendments)	Share based payments	January 1, 2019

The Company intends to adopt these standards and amendments to IFRS in its financial statements for the applicable annual period. The Company has not completed an assessment of the impact of the above standards on the financial statements. The Company's financial instruments are not complex, therefore the preliminary assessment of IFRS 9 is that the impact will be limited to the application of the expected credit loss model to amounts outstanding from TANESCO and TPDC. The Company anticipates commencing analyzing and estimating the impact of IFRS 9 in the second half of 2017.

The Company's source of revenue relates to the sale of natural gas to TANESCO and TPDC under the terms of gas sales agreements. The impact of adopting IFRS 15 will be focused on these revenue streams. The Company expects completing the analysis of IFRS 15 during the second half of 2017. ■

Annual Statement of Reserves 2016

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

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

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

RESERVES

In this annual statement of reserves (the "ASR"), Wentworth reports the company's reserves, estimated by Wentworth in accordance with the SPE-PRMS standard. Economic limit tests have been performed based on a market forward oil price as at December 31, 2016 as well as the company's best assumptions of future operating costs.

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

As at December 31, 2016, Wentworth has reserves in the Mnazi Bay and Msimbati gas fields in Tanzania. Further information about the reserves, including the independent reserves analysis prepared by RPS, is available on Wentworth's website www.wentworthresources.com.

Wentworth's reserves overview is shown in Tables 1 and 2. The division is as suggested in Oslo Børs Circular 1/2013 Annex III, and the SPE PRMS reserves categories used is shown in brackets.

Table 1: Wentworth gross reserves by asset

Developed Assets (On Production) as at December 31, 2016

	1P					2P				
	Liquids (MMstb)	**Gas (Bscf)**	**MMboe**	**Interest %**	**Net MMBoe**	**Liquids (MMstb)**	**Gas (Bscf)**	**Mmboe**	**Interest %**	**Net MMBoe**
Mnazi Bay	0	105.09	17.5	31.94%	5.59	0	213.75	35.63	31.94%	11.38
Total	**0**	**105.09**	**17.5**		**5.59**	**0**	**213.75**	**35.63**	**31.94%**	**11.38**

Under Development (Approved for Development) as at December 31, 2016

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

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

	1P					2P				
	Liquids (MMstb)	**Gas (Bscf)**	**MMboe**	**Interest %**	**Net MMBoe**	**Liquids (MMstb)**	**Gas (Bscf)**	**Mmboe**	**Interest %**	**Net MMBoe**
Mnazi Bay	0	239.49	39.9	31.94%	12.75	0	352.80	58.80	31.94%	18.78
Total	**0**	**239.49**	**39.9**		**12.75**	**0**	**352.80**	**58.80**	**31.94%**	**18.78**

Total Reserves as at December 31, 2016

	1P					2P				
	Liquids (MMstb)	**Gas (Bscf)**	**MMboe**	**Interest %**	**Net MMBoe**	**Liquids (MMstb)**	**Gas (Bscf)**	**Mmboe**	**Interest %**	**Net MMBoe**
Mnazi Bay	0	344.58	57.4	31.94%	18.34	0	566.56	94.43	31.94%	30.16
Total	**0**	**344.58**	**57.4**		**18.34**	**0**	**566.56**	**94.43**	**31.94%**	**30.16**

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Table 2: Wentworth reserves development

Net attributable MMBoe	Developed On Prod		Under Development (Approved for Dev)		Non-Development		Total	
	1P Net (MMBoe)	2P Net (MMBoe)	1P Net (MMBoe)	2P Net (MMBoe)	1PNet (MMBoe)	2PNet (MMBoe)	1P Net (MMBoe)	2P Net (MMBoe)
Mnazi Bay								
Opening Balance (Dec.31, 2015)	6.48	2.07	-	-	6.26	12.74	12.74	19.11
Production	(2.14)	(1.69)	-	-	-	-	(2.14)	(1.69)
Acquisitions / disposals	-	-	-	-	-	-	-	-
Extension & Discoveries	-	-	-	-	-	-	-	-
New Developments	-	-	-	-	-	-	-	-
Technical Revisions	0.20	5.81	-	-	2.49	0.39	2.69	1.90
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Closing Balance (Dec. 31, 2016)	**4.54**	**6.19**	**-**	**-**	**8.76**	**13.13**	**13.30**	**19.32**

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

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

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

CONTINGENT AND PROSPECTIVE RESOURCES

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

Total net Proved Reserves (1P) as of December 31, 2016 for Wentworth are estimated at 13.3 million (2015 – 12.7 million) barrels of oil equivalents (boe) and the 2P net reserve estimate for Wentworth's portfolio is 19.3 million (2015 – 19.1 million) barrels of oil equivalents (boe). This slight increase is the result of revision of volume estimates taking into consideration higher production levels in 2016 compared to 2015 resulting in an enhanced knowledge and understanding of the reservoir characteristics.

Geoffrey Bury
Managing Director
Wentworth Resources Limited

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Board of Directors and Corporate Governance

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

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

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

Approved by the Board March 21, 2017

Directors

Robert P. McBean
Executive Chairman

John W.S. Bentley
Deputy Chairman

Cameron Barton
Non-Executive Director

Neil B. Kelly
Non-Executive Director

Executive Management

Geoffrey Bury
Managing Director

Lance Mierendorf
Chief Financial Officer

■

Responsibility Statement

We confirm that, to the best of our knowledge, the consolidated financial statements for the year ended December 31, 2016, which are prepared in accordance with IFRS give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations and the MD&A includes a fair review of the development and performance of the business and the position of the issuer and the group taken as a whole, together with a description of the principal risks and uncertainties that they face under Norwegian Securities Trading Act sections 5-6 fourth paragraph.

Approved by the Board March 21, 2017

Directors

Robert P. McBean
Executive Chairman

John W.S. Bentley
Deputy Chairman

Cameron Barton
Non-Executive Director

Neil B. Kelly
Non-Executive Director

Executive Management

Geoffrey Bury
Managing Director

Lance Mierendorf
Chief Financial Officer

■

REPORTING – PAYMENTS TO GOVERNMENTS STATEMENT

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

In 2016, the Company was engaged in extracting activities encompassed by the legislation above in Tanzania and Mozambique which is unchanged from the prior year. This report discloses relevant payments to governments for extractive activities in the countries above, in addition to some contextual information as required by the regulation in the "Forskrift om land-for-land rapportering". In preparing this information the following principles were applied:

Definitions

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

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

This report includes all payments made (on a cash basis of accounting and hence it excludes accruals that are made in the preparation of our 2016 annual consolidated financial statements) regardless of whether the Company is the operator or not. The report includes the Company's proportionate share of payments made to governments.

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

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

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

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

Taxes
Includes Withholding tax and payroll tax.

Fees and other payments
Includes municipal and regulator levies.

Consolidated overview

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

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

Annual financial report
continued

The consolidated overview below discloses the sum of the Company's payments to governments during year 2015 in each individual country where extractive activities are performed, per payment type.

2015	Host government entitlements *(mmscf)*	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Tanzania	2,364	362	141	8,002	**8,505**
Mozambique	-	-	-	-	**-**
Total	2,364	362	141	8,002	**8,505**

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

Payments by country

Tanzania - Operations

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

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

Tanzania - payments per government

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

Tanzania - payments per government

2015	Host government entitlements *(mmscf)*	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Tanzania Revenue Authority	-	362	60	-	**422**
Mtwara/Mikindani Municipal	-	-	19	-	**19**
Tanzania Petroleum Development Corporation	2,364	-	-	8,002	**8,002**
Energy and Water Utilities Regulatory Authority	-	-	62	-	**62**
Total	2,364	362	141	8,002	**8,505**

Mozambique - Operations

The Company's operations in Mozambique are conducted under a single production sharing agreement in the onshore north-eastern area of Mozambique bordering the Ruvuma River to the north and extending east into the Indian Ocean. At December 31, 2016, the Company held an 85 percent non-operated participating participation interest in the concession (100 percent in the exploration stage), prior to allocation of the participation interest held by certain partners that elected not to continue into the appraisal stage of the concession. The Company is currently working with the government and the remaining concession partner to determine an appraisal program, appoint an operator and allocation of the participation interest of the relinquished parties.

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

Mozambique - payments per government

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

Mozambique - payments per government

2015	Host government entitlements (mmscf)	Taxes $000's	Fees and other payments $000's	Host government entitlements $000's	**Total $000's**
Government 1 (Federal)	-	-	-	-	-
Government 2 (Municipality)	-	-	-	-	-
Government 3 (State owned company)	-	-	-	-	-
Total	-	-	-	-	-

Contextual information

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

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

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

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

2015	Investments $000's[(1)]	Revenue $000's	Purchase of goods and services $000's	Production volume (mmscf)
Tanzania	104,330	4,637	-	1,350
Mozambique	35,040	-	-	-
Total	139,370	4,637	-	1,350

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

Annual financial report
continued

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

2016	Country of incorporation	Country of operations	Employees	Net intercompany interest[1] $000's
Wentworth Resources Limited	Canada	N/A	4	-
Wentworth Resources (UK) Limited	United Kingdom	N/A	1	-
Wentworth Holdings (Jersey) Limited	Jersey	N/A	0	-
Wentworth Tanzania (Jersey) Limited	Jersey	N/A	0	-
Wentworth Gas (Jersey) Limited	Jersey	N/A	0	(861)
Wentworth Gas Limited	Tanzania	Tanzania	14	861
Cyprus Mnazi Bay Limited	Cyprus	N/A	0	-
Wentworth Mozambique (Mauritius) Limited	Mauritius	N/A	0	-
Wentworth Mocambique Petroleos, Limitada	Mozambique	Mozambique	2	-
Total			21	-

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

Responsibility statement

We confirm to the best of our knowledge that the country-by-country report for 2016 has been prepared in accordance with the Norwegian Security Trading Act §5-5a.

Directors
Robert P. McBean
Executive Chairman

Cameron Barton
Non-Executive Director

John W.S. Bentley
Deputy Chairman

Neil B. Kelly
Non-Executive Director

Executive Management
Geoffrey Bury
Managing Director

Lance Mierendorf
Chief Financial Officer

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

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

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

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Forward-Looking and Cautionary Statements

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

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

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

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

Management's responsibility for financial reporting

For year ended December 31, 2016

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 external 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 external 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 21, 2017

Consolidated statement of financial position

United States dollars $000s, unless otherwise stated

	Note	**December 31, 2016**	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		**979**	2,746
Trade and other receivables		**6,699**	3,253
Prepayments, deposits and advances to partners		**187**	841
Current portion of long-term receivables	**5**	**12,283**	18,190
		20,148	25,030
Non-current assets			
Long-term receivables	**5**	**18,034**	18,897
Exploration and evaluation assets	**6**	**45,538**	43,141
Property, plant and equipment	**7**	**93,366**	95,168
Deferred tax asset	**15**	**31,145**	34,341
		188,083	191,547
Total assets		**208,231**	216,577
LIABILITIES			
Current liabilities			
Trade and other payables		**8,675**	6,269
Current portion of long-term loans	**9**	**5,258**	5,270
Current portion of other liability	**10**	**1,260**	1,508
		15,193	13,047
Non-current liabilities			
Long-term loans	**9**	**15,254**	20,512
Other liability	**10**	**1,100**	1,634
Decommissioning provision	**8**	**773**	973
		17,127	23,119
EQUITY			
Share capital		**411,493**	411,493
Equity reserve		**26,275**	25,683
Accumulated deficit		**(261,857)**	(256,765)
		175,911	180,411
Total liabilities and equity		**208,231**	216,577
Subsequent event	**19**		

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

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

United States dollars $000s, unless otherwise stated

	Note	Year ended December 31, 2016	2015
Total revenue		**11,750**	4,637
Operating expenses			
Production and operating		**(3,371)**	(3,214)
General and administrative		**(5,397)**	(6,367)
Depreciation and depletion	**7**	**(3,864)**	(1,707)
Share based compensation	**12**	**(592)**	(767)
Loss from operations		**(1,474)**	(7,418)
Finance income	**11**	**4,693**	4,818
Finance costs	**11**	**(5,115)**	(4,707)
Loss before tax		**(1,896)**	(7,307)
Deferred tax (expense)/recovery	**15**	**(3,196)**	34,341
Net (loss)/profit and comprehensive(loss)/profit		**(5,092)**	27,034
Net (loss)/profit per ordinary share			
Basic and diluted (US$/share)	**14**	**(0.03)**	0.17

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

Consolidated statements of changes in equity

United States dollars $000s, unless otherwise stated

	Note	Number of shares	Share capital $	Equity reserve $	Accumulated deficit $	Total equity $
Balance at December 31, 2014		154,122,700	404,225	24,916	(283,799)	145,342
Net profit and comprehensive income		-	-	-	27,034	27,034
Share based compensation	12	-	-	767	-	767
Issue of share capital	13	15,412,269	7,639	-	-	7,639
Share issue costs		-	(371)	-	-	(371)
Balance at December 31, 2015		169,534,969	411,493	25,683	(256,765)	180,411
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	**12**	**-**	**-**	**592**	**-**	**592**
Balance at December 31, 2016		**169,534,969**	**411,493**	**26,275**	**(261,857)**	**175,911**

Consolidated statement of cash flows

United States dollars $000s, unless otherwise stated

	Note	Year ended December 31, 2016	2015
Operating activities			
Net (loss)/profit for the year		**(5,092)**	27,034
Adjustments for:			
Depreciation and depletion	**7**	**3,864**	1,707
Finance costs/(income), net	**11**	**422**	(111)
Deferred tax expense	**15**	**3,196**	(34,341)
Share based compensation	**12**	**592**	767
Change in non-cash working capital	**17**	**(2,506)**	175
Net cash generated from/(utilized in) operating activities		**476**	(4,769)
Investing activities			
Additions to evaluation and exploration assets	**17**	**(2,371)**	(10,299)
Additions to property, plant and equipment	**17**	**(2,347)**	(12,926)
Reductions of/(additions to) long-term receivable	**17**	**10,763**	(1,116)
Interest income		**-**	7
Net cash from/(used in) investing activities		**6,045**	(24,334)
Financing activities			
Proceeds from long-term loan	**9**	**-**	20,000
Repayment of long-term loans	**9**	**(5,333)**	-
Interest paid	**9**	**(2,073)**	(906)
Issue of share capital, net of issue costs	**13**	**-**	7,268
Payment of other liability	**10**	**(882)**	-
Net cash (used in)/from financing activities		**(8,288)**	26,362
Net change in cash and cash equivalents		**(1,767)**	(2,741)
Cash and cash equivalents, beginning of the year		**2,746**	5,487
Cash and cash equivalents, end of the year		**979**	2,746

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

Notes to the consolidated financial statements

United States dollars $000s, unless otherwise stated

1. Nature of business

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 and shares of the Company are widely held and listed on the Oslo Stock Exchange (ticker: WRL) and the AIM of the London Stock Exchange (ticker: WRL).

The Company has offices located in Calgary, Canada, Dar es Salaam, Tanzania and Maputo, Mozambique.

2. Summary of accounting policies

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 21, 2017.

Functional and presentation currency

These consolidated financial statements are presented in US dollars which is the functional currency of the parent company and a 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 power 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, 2016	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	Tanzania	100%	US dollar
Cyprus Mnazi Bay Limited	Cyprus	39.925%	US dollar
Wentworth Mozambique (Mauritius) Limited	Mauritius	100%	US dollar
Wentworth Mocambique Petroleos, Limitada	Mozambique	100%	US dollar

The Group holds its 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% (e.g. based on Wentworth's interest of 39.925% interest in CMBL multiplied by 16.38% participation interest).

CMBL is a jointly controlled entity and the Group proportionately consolidates CMBL as the 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.

Measurement uncertainty and use of estimates and judgments

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

Notes to the consolidated financial statements

continued

2. Summary of accounting policies (continued)

Measurement uncertainty and use of estimates and judgments (continued)
with estimates. Significant estimates and judgments used in the preparation of these consolidated financial statements include the valuation of E&E and PP&E, decommissioning obligations, collectability of trade and other receivables and of long-term receivables, recognition of a deferred tax asset and determination of classification of joint arrangements.

The Company's significant accounting judgments and 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 infrastructures and the way in which management monitors the Company's operations.

Carrying value of exploration and evaluation assets and PP&E
Exploration and evaluation assets are inherently judgmental to value. The amounts for exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment at the reporting date. The outcome of ongoing exploration and evaluation activities, therefore, whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Management performs impairment tests on the Company's property, plant and equipment if 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, which were prepared by an external reserve evaluator as at December 31, 2016, are used in the calculation of depletion, impairment and impairment reversals 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 interpretations. 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, testing and production levels and may be affected by changes in commodity prices.

Decommissioning provisions
The costs of decommissioning are reviewed annually and are estimated by reference to information provided by operators and where applicable third party consulting engineers. Provisions for future clean-up and remediation costs is 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 increase 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, other in-direct taxes and legal contingencies. A provision is recognized in the financial statements for such matters if it is considered probable that a future outflow of 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 reserve report. Changes in reserve estimates, commodity prices and tax legislation may significantly impact the amount of the recognized deferred income tax asset.

Collectability of trade and other receivables and the long-term receivables
Collectability of the receivable from Tanzania Petroleum Development Corporation ("TPDC") and the Tanzanian government receivable (Umoja/power) involves estimating the quantities and timing of future gas production volume quantities from the Mnazi Bay Concession and estimating a discount rate in addition to assessing credit risk (Note 5). Timing of collection of the receivable is impacted by the rate of production, the timing of the increase of production rates and how payment is allocated

between partners to the Mnazi Bay Concession. The assessment of collectability of amounts owed from Tanzania Electricity Supply Company Limited ("TANESCO") is subject to significant estimates. Payment cycles from TANESCO 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.

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
All financial instruments are initially recognized at fair value on the consolidated statement of financial position. 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.

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 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 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.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

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. 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 also included in this category unless they are designated as hedges.

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

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

The fair value of the Company's trade and other receivables approximates their carrying values due to the short-term nature of these instruments.

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

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

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

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

Long-term receivables
Long-term receivables plus applicable accrued interest is initially recognized at their fair value based on the discounted cash flows. The discounted cash flows are reviewed at least every year to adjust for variations in the estimated future cash flows. 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.

Exploration and evaluation assets, property, plant and equipment

Exploration and evaluation assets
Exploration and evaluation ("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. The 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.

Notes to consolidated financial statements

continued

2. Summary of accounting policies (continued)

Exploration and evaluation assets (continued)

The technical feasibility and commercial viability of extracting a mineral 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 and then reclassified from E&E assets to a separate category within tangible assets within property, plant and equipment 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.

Property, plant and equipment - crude oil and natural gas properties

Items of property, plant and equipment ("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 crude oil and natural gas properties are capitalized to PP&E when it is probable that a future economic benefit will flow to the Company as a result of the expenditure and the cost can be reliably measured. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligations associated with the asset and borrowing costs on qualifying assets. When significant parts of an asset with PP&E, including oil and gas interests, have different useful lives, they are accounted for as separate items (major components).

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as 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 servicing of PP&E are recognized in profit or loss as incurred.

Depletion

The net carrying amount of development or production assets 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 independent reserve 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

Crude 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.

Property, plant and equipment - 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 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 decommissioning provision is subsequently allocated in a rational and systematic method over the underlying

asset's useful life. The initial amount of the liability is accreted by charges to the profit or loss to its estimated future value.

Impairment

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

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

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

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

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

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

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

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

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

Notes to consolidated financial statements

continued

2. Summary of accounting policies (continued)

Revenue recognition
Revenue is recognized when services have been performed and collectability of the revenue is probable.

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.

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.

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

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

Deferred income tax
Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences 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 the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will 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 taxable profit will 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 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.
Wentworth Resources (UK) Limited uses the Great British Pound as its functional currency. The asset 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, 2016,

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 exploration and development assets.

Recent accounting pronouncements
The following standards, amendments and interpretations applicable to the Company are issued but not yet effective and have not been early adopted in these consolidated financial statements.

New and amended atandards

		Effective for annual periods beginning on or after
IFRS 12 – (Amendments)	Disclosure of interest in other entities	January 1, 2017
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 2 – (Amendments)	Share-based payments	January 1, 2018
IFRS 16	Leases	January 1, 2019

The Company intends to adopt amendments to IFRS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the interpretation to have a material impact on the financial statements. The Company has not completed an assessment of the impact on the other standards.

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.

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 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 makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint arrangements or acquire or dispose of assets. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. The Company has no external debt covenants. The Company's overall strategy remains unchanged from the prior year.

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

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

The Company's ongoing exposure to receivables from TANESCO, the state power company, is connected with the gas sales from the Mnazi Bay Concession to an 18-megawatt gas-fired power plant located in Mtwara, Tanzania. At December 31, 2016, the Mnazi Bay Concession partners were owed thirteen months of invoices for gas sales made to TANESCO, with $2,159 (2015 - $438) owing to Wentworth of which $488, three months of invoices, was received subsequent to year end. The receivable has been discounted by $96. 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 under a long-term gas sales agreement to TPDC, the operator of the new transnational gas pipeline in Tanzania. Credit risk relating to sales to TPDC is mitigated though a payment guarantee structure which involves a prepayment amount equivalent to approximately three months of sales and once formally established, a replenishable letter of credit mechanism. At December 31, 2016, the November and December 2016 gas sales invoices totalling $3,217 (2015 – December sales of $1,660) were outstanding and the November invoices totalling $1,481 were paid subsequent to year end. Receivables of $1,279 (2015 - $1,279) from TPDC for filling and packing the transnational pipeline during Q3 2015 were also outstanding at December 31, 2016. During Q4 2016, TPDC paid $715 relating to the line pack and line file invoices which was used to settle VAT and Excise tax owing on these gas invoices. Subsequent to year end, TPDC paid $2,044 (net $877 million to Wentworth) in respect of these outstanding invoices. The Mnazi Bay joint venture partners expect full payment of the line pack invoice in 2017.

Notes to consolidated financial statements
continued

3. Risk management (continued)

Credit risk (continued)
In addition to the receivable for current gas sales to TPDC, at December 31, 2016, an undiscounted long-term receivable of $27,153 is due from TPDC, a partner in the Mnazi Bay Concession. 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 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, 2016, an undiscounted long-term receivable of $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. 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.

Substantially all the Company's cash and cash equivalents are held at one recognized international financial institution in Canada and an investment bank in the United Kingdom. As a result, the Company was exposed to a concentration of credit risk associated with these institutions. The Company manages its risk on investments by limiting them to guaranteed investment certificates purchased at this financial institution and investing for short periods of time.

The maximum exposure to credit risk as at:

	Balance at December 31, 2016	Balance at December 31, 2015
Trade and other receivables	**6,699**	3,253
Long-term receivables (Note 5)	**30,317**	37,087
Cash and cash equivalents	**979**	2,746
	37,995	43,086

Aged trade and other receivables

	Current 1-30 days	31-60 days	61-90 days	>90 days	Total
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**
Balance at December 31, 2015					
Trade receivables	2,724	84	91	177	3,076
Other receivables	177	-	-	-	177
	2,901	84	91	177	3,253

Credit risk relating to sales to TPDC is mitigated though a payment guarantee structure which involves a prepayment amount equivalent to approximately three months of sales and once formally established, a replenishable letter of credit mechanism.

Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. Other than routine trade and other payables, incurred in the normal course of business, the Company also has a long-term loan.

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, 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**
Balance at December 31, 2015				
Trade and other payables	6,269	-	-	6,269
Other liability	1,508	1,634	-	3,142
Long-term loans, including interest[(1)]	7,344	10,497	13,802	31,643
	15,121	12,131	13,802	41,054

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

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

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

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 crude oil or natural gas prices. The Company's exposure to commodity price risk is negligible 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's debt, in the form of the long-term loan, 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 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 $207 (2015 - $260) 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 and Canadian dollar against its functional currency of its operating entities, the US dollar. The Company's objective is to minimize its risk by borrowing funds in US dollars as revenues are paid (or indexed) to the US dollar. In addition, the Company holds substantially all its cash and cash equivalents in US dollars, and converts to other currencies only when cash requirements demand such conversion.

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

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

	Canadian Dollar	Tanzanian Shilling	Other Currency	Total
Balance at December 31, 2015				
Cash and cash equivalents	26	44	-	70
Trade and other receivables	22	155	-	177
Trade and other payables	(12)	(33)	(19)	(64)
	36	166	(19)	183

A 10% increase/decrease of the Canadian dollar against the US dollar would result in a change in profit or loss before tax of $10 (2015 - $4). 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 (2015 – $17).

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.

Notes to consolidated financial statements
continued

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, and these activities are carried out in two operating segments - Tanzania ("Mnazi Bay Concession") and Mozambique ("Rovuma Onshore Block"). The Corporate segment activities include investment income, interest expense, financing related expenses, share based compensation relating to corporate activities and general corporate expenditures. Inter-segment transfers of products, which are accounted for at market value, are eliminated on consolidation.

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

Net loss for the twelve months 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 twelve months 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**

Net income/(loss) for the twelve months ended December 31, 2015

	Tanzania Operations	Mozambique Operations	Corporate	Consolidated
Natural gas sales	4,637	-	-	4,637
Production and operating	(3,214)	-	-	(3,214)
General and administrative	(3,224)	(628)	(2,515)	(6,367)
Depreciation and depletion	(1,550)	-	(157)	(1,707)
Other	81	(10)	(727)	(656)
Total segment expenses	(7,907)	(638)	(3,399)	(11,944)
Deferred tax recovery	34,341	-	-	34,341
Net income/(loss)	31,071	(638)	(3,399)	27,034

Selected balances at December 31, 2015

	Tanzania Operations	Mozambique Operations	Corporate	Consolidated
Current assets	23,328	732	970	25,030
Long-term receivables	18,897	-	-	18,897
Exploration and evaluation assets	8,101	35,040	-	43,141
Property, plant and equipment assets	95,110	-	58	95,168
Deferred tax assets	34,341	-	-	34,341
Current liabilities	12,219	22	806	13,047
Non-current liabilities	23,119	-	-	23,119

Capital additions for the twelve months December 31, 2015

	Tanzania Operations	Mozambique Operations	Corporate	Consolidated
Net additions to exploration and evaluation assets	164	9,215	-	9,379
Net additions to property, plant and equipment assets	11,760	-	80	11,840

5. Long-term receivables

	Balance at December 31, 2016	**Balance at December 31, 2015**
TPDC receivable (i)	**24,836**	32,128
Tanzanian Government receivable (Transmission & Distribution) (ii)	**5,481**	4,959
	30,317	37,087
Current portion		
TPDC receivable (i)	**12,283**	18,190
Long-term portion		
TPDC receivable (i)	**12,553**	13,938
Tanzanian Government receivable (Transmission & Distribution) (ii)	**5,481**	4,959
	18,034	18,897

The first gas delivery to the new government owned Mtwara to Dar es Salaam gas pipeline commenced on August 20, 2015. The current portion of TPDC receivable as at December 31, 2016 represents those amounts that are expected to be collected within the next twelve months.

Notes to consolidated financial statements
continued

5. Long-term receivables *(continued)*

(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, the 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, 2016, the undiscounted receivable from TPDC is $27,153 (2015 - $35,291).

	TPDC receivable
Balance at December 31, 2014	28,914
Accretion	4,327
Change in estimated timing of receipt	(2,129)
Retained gas revenue to offset receivable	(2,279)
Share of TPDC Mnazi Bay Concession costs paid by the Company	3,295
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**

The fair value of the TPDC receivable at December 31, 2016 calculated at 8.25% (2015 - 8%) was $25,413 (2015 - $33,489).

ii) Tanzanian government receivable

As at December 31, 2016 the undiscounted Tanzanian Government receivable is $6,511 (2015 - $6,511).

	Tanzanian government receivable
Balance at December 31, 2014	5,088
Accretion	484
Change in accounting estimates	(613)
Balance at December 31, 2015	4,959
Accretion	**471**
Change in accounting estimates	**51**
Balance at December 31, 2016	**5,481**

The fair value of the Tanzania Government receivable at December 31, 2016 is calculated at 8.25% (2015 - 8%) was $5,601 (2015 - $5,168).

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.

6. Exploration and evaluation assets ("E&E")

Cost	
Balance at December 31, 2014	33,762
Additions	9,379
Balance at December 31, 2015	43,141
Additions	**2,397**
Balance at December 31, 2016	**45,538**

On an ongoing basis, the Company considers if there are indicators of impairment of the E&E assets in Mozambique. At December 31, 2016, the Company concluded that an impairment test was not required. Significant 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 encounter 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 includes 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. The Company expects to use internally generated cash flows and possibly a farm-in of one or more industry partners to finance the work program.

7. Property, plant and equipment ("PP&E")

	Natural gas properties	Office and other equipment	Total
Cost			
Balance at December 31, 2014	88,002	489	88,491
Additions	11,760	80	11,840
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**
Accumulated depreciation and depletion			
Balance at December 31, 2014	(3,102)	(354)	(3,456)
Depreciation and depletion	(1,550)	(157)	(1,707)
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)**
Carrying amounts			
December 31, 2015	95,110	58	95,168
December 31, 2016	**93,349**	**17**	**93,366**

Non-cash reduction during the year of $388 (2015 - $nil) relate to the reduction in the estimated future decommissioning obligation for existing natural gas properties.

The Company assessed triggers for impairment on the natural gas properties and determined that 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 Company estimated a total of $4,229 as undiscounted inflation-adjusted amount of cash flow required to settle its decommissioning obligations. The costs are expected to be incurred around 2030. The decommissioning obligations have been estimated using existing technology at current prices 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, 2016 was 12.0% and 2.03%, respectively (2015 – 14.2% and 2.0%, respectively).

A reconciliation of the decommissioning obligations is provided below:

	2016	2015
Balance at January 1	**973**	782
Addition	**-**	70
Accretion	**188**	121
Change in accounting estimates	**(388)**	-
Balance at December 31	**773**	973

Notes to consolidated financial statements
continued

9. Long-term loans

Credit facilities from Tanzania based banks

On December 8, 2014, Wentworth Gas Limited ("WGL"), a 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 an existing medium-term loan.

The term of each loan 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. Principal repayments commenced following a grace period of eighteen months after the first draw down date. 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.

Principal balance drawn on credit facilities at December 31, 2014	6,000
Drawn during the year	20,000
Principal balance as at December 31, 2015	26,000
Loan repayments during the year	**(5,333)**
Principal balance as at December 31, 2016 (Note 19)	**20,667**
Net financing costs at December 31, 2014	(282)
Accretion during the year	64
Net financing costs at December 31, 2015	(218)
Accretion during the year	**63**
Net financing costs at December 31, 2016	**(155)**
Carrying amount of long-term loans at December 31, 2016	**20,512**
Current	**5,258**
Non-current	**15,254**
	20,512

During the year ended December 31, 2016, the Company incurred interest expense, inclusive of accretion of financing costs of $2,190 (2015 - $1,712). A total of $2,073 was settled in cash for the year ended December 31, 2016 (2015 - $906).

The carrying amount of the long-term loans include transaction costs of $155 (net of accretion). At December 31, 2016, the carrying amount of the credit facilities approximates its fair value as the loan's effective interest rate approximates market rates.

10. Other liability

	2016	2015
Balance at January 1	**3,142**	3,132
Accretion	**62**	239
Change in accounting estimate	**38**	(229)
Payments to reduce liability	**(882)**	-
Balance at December 31	**2,360**	3,142
Current portion	**1,260**	1,508
Long-term portion	**1,100**	1,634

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 face value of the payable at December 31, 2016 is $2,511 (2015 - $3,394). 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.

11. Finance income and finance costs

	Year ended December 31,	
	2016	2015
Finance income		
Accretion – TPDC receivable (Note 5)	**4,171**	4,327
Accretion – Tanzanian Government receivable (Note 5)	**471**	484
Change in estimates – Tanzanian Government receivable (Note 5)	**51**	-
Interest income	**-**	7
	4,693	4,818
Finance costs		
Accretion – decommissioning provision (Note 8)	**(188)**	(121)
Accretion – other liability (Note 10)	**(62)**	(239)
Change in estimates – TPDC receivable (Note 5)	**(2,568)**	(2,129)
Change in estimates – Tanzanian Government receivable (Note 5)	**-**	(613)
Change in estimates – other liability (Note 10)	**(38)**	229
Interest expense	**(2,190)**	(1,712)
Foreign exchange loss	**(69)**	(122)
	(5,115)	(4,707)

12. Share based payments

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

	2016		2015	
	Number of options	Weighted average exercise price (US$)(i)	Number of options	Weighted average exercise price (US$)
Outstanding at January 1	**11,950,000**	**0.50**	9,950,000	0.61
Granted	**-**	**-**	2,000,000	0.44
Forfeited	**(1,350,000)**	**-**	-	-
Outstanding at December 31	**10,600,000**	**0.50**	11,950,000	0.51

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

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

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

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

The following table summarizes share options outstanding and exercisable at December 31, 2015:

		Outstanding		Exercisable
Exercise price (NOK)	Exercise price (US$) (i)	Number of options	Weighted average remaining life (years)	Number of options
3.15	0.36	1,000,000	4.8	1,000,000
3.52	0.40	500,000	6.0	500,000
3.60	0.41	2,400,000	4.8	2,400,000
3.85	0.44	2,000,000	10.0	-
4.08	0.47	250,000	7.3	166,667
4.64	0.53	150,000	8.4	50,000
4.70	0.54	200,000	8.4	66,667
4.90	0.56	350,000	6.5	266,667
5.18	0.59	3,500,000	8.1	1,199,993
5.75	0.66	1,600,000	5.3	1,600,000
		11,950,000	**7.0**	**7,249,994**

(i) The US Dollar to Norwegian Kroner exchange rate used for determining the exercise price at December 31, 2015 is 0.11432.

The weighted average exercise price of options that have vested and are exercisable at December 31, 2015 is US$0.50 (NOK 4.34)

Share based payment charge

The following table indicates weighted average grant date fair value and the assumptions used in the determination of the fair value of options granted during 2015. There were no grants during 2016:

	2016	2015
Grant date fair value per option (US$)	-	0.25
Expected annual interest rate (%)	-	1
Expected volatility (%)	-	60
Expected life (in years)	-	6
Expected forfeiture rate (%)	-	8
Expected dividends (US$)	-	Nil

During the year ended December 31, 2016 a total of $592 (2015 - $767) in share based compensation was expensed with an offsetting charge to equity reserve.

Notes to consolidated financial statements
continued

13. 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

2015

On July 1, 2015, the Company closed a private placement issuing 15,412,269 new common shares for cash consideration of $0.50 (GBP 0.32, NOK 3.88) per share for total gross proceeds of $7,639 million (GBP 4.9 million, NOK 59.7 million).

Expenses incurred in relation to the private placement and offering were $371.

14. Per share amounts

Basic and diluted per share amounts

The calculation of loss per share for the year ended December 31, 2016 is based on a loss of $5,092 attributable to shareholders of the Company (2015 – profit of $27,034). Share options of 318,976 were dilutive during the year end December 31, 2015.

	Year ended December 31,	
	2016	2015
Weighted average number of shares outstanding	**169,534,969**	161,849,947
Dilutive weighted average number of shares outstanding	**169,534,969**	162,168,923

15. Income taxes

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

	2016	2015
Loss before income taxes	**(1,896)**	(7,307)
Expected income tax (recovery) expense at combined Canadian federal and provincial rate of 27.0% (2015 – 26.0%)	**(512)**	(1,900)
Rate differentials	**185**	(1,450)
Share based compensation	**160**	207
Movement in deferred tax assets not previously recognized and other	**3,363**	(31,198)
Income tax expense/(recovery)	**3,196**	(34,341)

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.
The Company has unrecognized deductible temporary differences that results in unrecognized deferred income tax assets of:

	2016	2015
Non-capital losses	**22,168**	21,600
Property and equipment	**486**	470
Asset retirement obligations	**270**	557
	22,924	22,627

The total non-capital losses of the Company are $271,672 (2015 – $275,638) of which $79,777 (2015 - $76,285) are in Canada, $189,932 (2015 - $196,218) are in Tanzania, and $1,963 (2015 - $3,135) are in Mozambique.

The unrecognized non-capital losses in Canada expire in the years 2026 – 2035 and in Mozambique they expire in the years 2017 – 2021.

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 $31,145 as at December 31, 2016 (2015 – $34,341) 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.

	2016	2015
Balance at January 1	**34,341**	-
Deferred income tax assets recognized in profit or loss:		
Non-capital losses	**(1,885)**	58,866
Asset retirement obligations	**(25)**	232
Deferred income tax liabilities recognized in profit or loss:		
PP&E	**(904)**	(24,757)
Receivables	**(382)**	-
Balance at December 31	**31,145**	34,341

16. 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,	
	2016	2015
Directors fees	**333**	340
Share based compensation	**203**	299
	536	639

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

	For the year ended December 31,	
	2016	2015
Salaries and benefits	**1,631**	2,335
Share based compensation	**291**	261
	1,922	2,596

17. Supplemental cash flow information

Non-cash working capital components

	For the year ended December 31,	
	2016	2015
Net change in non-cash working capital related to operating activities:		
Trade and other receivables	**(3,446)**	(640)
Prepayments, deposits and advances to partners	**654**	577
Trade and other payables	**286**	238
	(2,506)	175
Net change in non-cash working capital related to investing activities:		
Trade and other receivables	**-**	-
Trade and other payables	**1,997**	(2,175)
	1,997	(2,175)

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

	Exploration and evaluation	Property, plant and equipment	Long-term receivable
Twelve months 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)**
Twelve months ended December 31, 2015			
Total additions	9,379	11,840	1,016
Asset retirement obligation	-	(69)	-
Change in non-cash working capital	920	1,155	100
Cash additions	10,299	12,926	1,116

Notes to consolidated financial statements
continued

18. Commitments

Lease payments

The Company has office locations in Canada and Tanzania. The future minimum lease payments associated with these office premises as at December 31, 2016 are as follows:

Total future minimum lease payments	
2017	192
2018	44
	236

19. Subsequent event

On February 3, 2017, the Board of Directors of TIB Development Bank approved amendments to certain provisions of the existing $20,000 credit facility. The most significant amendments that impact the principal and interest payments are set out below. Principal repayments on the outstanding $16,667 balance at December 31, 2016 have been amended as follows:

Principal repayment date	Repayment amount
April 30, 2017	$500
May 31, 2017	$500
June 30, 2017	$1,000
July 31, 2017	$1,333
April 30, 2018	$1,667
July 30, 2018	$1,667
October 30, 2018	$1,666
January 30, 2019	$1,667
April 30, 2019	$1,667
July 30, 2019	$1,666
October 30, 2019	$1,667
January 30, 2020	$1,667
	$16,667

The term of the credit facility has been extended by a year. Interest will be paid on a quarterly basis, in arrears, commencing July 31, 2017. The Company is working with TIB Development Bank to execute all of the amendments to the credit facility agreement.

All provisions of the $6,000 credit facility, of which $4,000 principal was outstanding at December 31, 2016, remain unchanged. Interest is paid on a semi-annual basis, in arrears, on the principal repayment date. The principal repayment dates are as follows:

Principal repayment date	Repayment amount
June 8, 2017	$1,000
December 8, 2017	$1,000
June 8, 2018	$1,000
December 8, 2018	$1,000
	$4,000

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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 and its subsidiaries (the "Wentworth"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of profit (loss) and comprehensive profit (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wentworth as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). 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 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 report in United Stated Dollars).

The key audit matter	How the matter was addressed in our audit
Recoverability of deferred tax asset – $31.3 million Refer to note 15 to the consolidated financial statements.	
Wentworth has a $31.3 million deferred tax asset at December 31, 2016 in respect of accumulated tax losses and other timing differences from its operations in Tanzania. There is inherent uncertainty involved in forecasting future taxable profits generated from Wentworth's Tanzanian operations, which determines the extent to which deferred tax assets are or are not recognized. The key inputs in the future taxable profits forecast include significant estimates with respect to quantities of oil and gas reserves, future production volumes, and operating costs.	The procedures that we performed, among others, included: • Testing the future taxable profit forecast model including verifying the mathematical accuracy of Wentworth's calculations and agreeing the key inputs to Wentworth's reserve report, which is prepared by independent reservoir engineers; • 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 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.
Tax provisioning Refer to note 15 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; and • Analyzing and challenging the assumptions used to determine tax provisions based on our knowledge and experience with the application of the international and local legislation by the relevant authorities and courts.

The key audit matter	How the matter was addressed in our audit
Valuation of Exploration and Evaluation ("E&E") Assets in Mozambique – $37.4 million Refer to note 6 to the consolidated financial statements.	
At December 31, 2016, Wentworth has $37.4 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, 2016 includes significant judgment.	The procedures that we performed, among others, included: • Inspecting Wentworth's assessment of whether events and circumstances existed at December 31, 2016 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 and Production Concession Contract ("EPCC") to appraise a gas discovery, the status of Wentworth's negotiations with the Government of Mozambique for the approval of the budget for Wentworth's appraisal activities in Mozambique, and evaluation of Wentworth's planned appraisal activities; • Obtaining and reading correspondence and the relevant agreements between Wentworth and its partners and the Government of Mozambique supporting ongoing development subsequent to the gas discovery, including reading of the committee meeting minutes of the relevant governing bodies for Wentworth's operations in Mozambique; and • We also considered the adequacy of Wentworth's disclosures in this area.
Recoverability of accounts receivable from Tanzania Electrical Supply Company ("TANESCO") – $2.2 million Refer to note 3 to the consolidated financial statements.	
At December 31, 2016, Wentworth has $2.16 million of trade receivables from TANESCO representing thirteen months of gas deliveries. Subsequent to year end, three months of gas deliveries were paid by TANESCO. Wentworth has not recorded an allowance for doubtful accounts/provision for bad debts as at December 31, 2016 with respect to this outstanding balance. Wentworth has discounted the receivable for the time value of money resulting in a charge of $0.1 million.	Our audit procedures included among others: • Testing 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 testing the adequacy of Wentworth's provisions against trade receivables by assessing management's assumption, considering TANESCO's historical

The key audit matter	How the matter was addressed in our audit
Given the aging 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 accounts receivable from TANESCO is considered a risk.	cash collections trends and our own knowledge of the local economic environment; and • Evaluating 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 $261.8 million at December 31, 2016 and incurred a net loss of $5.1 million during 2016. Cash generated from operations was $0.48 million in 2016. Working capital has decreased at December 31, 2016 compared to the prior year. In addition, TANESCO and the Tanzania Petroleum Development Corporation ("TPDC"), the two purchases of the Company's natural gas had invoices payable to the Company which at December 31, 2016 were past due. Assessing the Company's liquidity and the impact it may have on the going concern assessment requires significant judgment.	The procedures that we performed, among others, included: • Discussing with senior management as to Wentworth's ability to fund its obligations as they come due in 2017; • Assessing the cash flow from operations in 2016 and the working capital surplus as at December 31, 2016; • Reviewing correspondence with respect to revisions to the repayment terms of the bank loans; • Inspecting Wentworth's budget for 2017 and comparing it to the actual results for 2016 with a focus on results in the fourth quarter of 2016; • 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, 2016 external reserve report; and • Obtaining specific representations from management with respect to their assessment of Wentworth's liquidity.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 responsible for issuing this independent auditors' report is Shane Doig.

Shane Doig
For and on behalf of KPMG LLP, Chartered Professional Accountants
Calgary, Canada
March 21, 2017

Statement of corporate governance

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

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

Canadian Securities Administrators National Policy 58-201 - *Corporate Governance Guidelines* provides guidance on corporate governance practices for Canadian legal entities. These guidelines, while not mandatory, deal with the constitution of Board of Directors and board committees, their functions, their independence from management and other means of addressing corporate governance practices. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (**"NI 58-101"**) mandates that a reporting issuer must disclose, on an annual basis, its approach to corporate governance with reference to the form prescribed by NI 58-101. Although the Corporation is not a reporting issuer in Canada, except as set out herein, the Corporation complies with the Canadian guidance and the Corporation's corporate governance practices, in Form 58-101F1, is attached as Schedule "B" to the Information Circular dated May 4, 2016, which was prepared in connection with the 2016 Annual Meeting of the Shareholders and is available on the Corporation's website. National Policy 58-201 is available at www.albertasecurities.com.

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

1. Implementation and Reporting on Corporate Governance

Wentworth has adopted the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (the "Code of Practice").
Wentworth shall be characterized by high ethical standards and sound corporate governance. The Corporation has adopted a Code of Ethics and Business Conduct which is designed to provide guidance on the conduct of the Corporation's business in accordance with all applicable laws, rules and regulations and with the highest ethical standards and integrity.
The Code of Ethics and Business Conduct applies to all directors, officers, employees and consultants ("Personnel") of the Corporation and its subsidiaries. Personnel are each responsible for being aware of, understanding and complying with the Code of Ethics and Business Conduct when making business decisions. Personnel must promptly report any problems or concerns and any actual or potential violation of the Code of Ethics and Business Conduct. To do otherwise, will be viewed as condoning a violation.
Failure to comply with the Code of Ethics and Business Conduct will be considered by the Corporation to be a very serious matter. Depending on the nature and severity of the violation, disciplinary action will be taken by the Corporation, up to and including termination.
Wentworth's Code of Ethics and Business Conduct is available on the Corporation's website at www.wentworthresources.com.

2. Business

Please refer to the Management Discussion and Analysis for the year ended December 31, 2016 for a description of the Corporation's objectives and principal strategies.

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

Wentworth's Articles of Incorporation and By-laws are available on the Corporation's website.

3. Equity and Dividends

Please refer to the 2016 audited financial statements for a description of the Corporation's equity. The Board considers the Corporation's equity level as satisfactory given the Corporation's expressed goals, strategy and risk profile.

Statement of corporate governance
continued

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

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

4. Equal Treatment of Shareholders and Transactions with Close Associates

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

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

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

The Board has established procedures with respect to the approval of material transactions with related parties including shareholders, directors, executive personnel and close associates of any such party. For more information about related party transactions, please refer to the notes to the consolidated financial statements for 2016.

5. Freely Negotiable Shares

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

6. General Meetings

Under Alberta corporate laws, a corporation's Annual Meeting must be held not later than 15 months after holding the last preceding Annual Meeting. During 2016, the Corporation's Annual Meeting was held in June at which the calendar year 2015 audited consolidated financial statements were tabled.

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

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

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

7. Nomination Committee

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

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

8. Board of Directors; Composition and Independence

According to Wentworth's Articles of Incorporation, the Board of Directors shall have from two to ten directors. The Board is currently composed of four directors who are elected for one year terms, or until their successors are duly elected or appointed. The four current directors were elected at the Annual Meeting held on June 22, 2016. According the Corporation's By-Laws, the Board may between Annual Meetings, appoint one or more additional directors to serve until the next Annual Meetings, provided that after such appointment the total number of directors would not be greater than one-third times the number of directors elected at the last Annual Meeting nor greater than the maximum number of ten. A brief presentation of each of the Directors can be found on the Corporation's website. The composition of the Board as a whole represents sufficient diversity of background and expertise to help ensure that the Board carries out its work in a satisfactory manner. The Board members have wide experience from both the oil and gas industry as well as broad financial experience. The Corporation is of the opinion that the composition of its Board of Directors enables the Board to meet the Corporation's need for expertise, capacity and diversity. It can also function effectively as a collegiate body.

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

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

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

9. The Work of the Board of Directors

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

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

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

The Board evaluates its performance and effectiveness annually.

10. Risk Management and Internal Control

The Corporation is of the opinion that it has sound internal controls and systems for risk management that are appropriate in relation to the extent and the nature of the Corporation's activities. The Board is responsible for ensuring that the Corporation has sound internal control and systems for risk management that are appropriate in relation to the extent and

Statement of corporate governance
continued

nature of the Corporation's activities. The overall purpose of the Audit Committee is to review and report on the integrity of the consolidated financial statements of the Corporation and to monitor the Corporation's internal control arrangements and its risk evaluation systems. The Board regularly reviews the Corporation's most important areas of exposure to risk and initiatives to manage those risks, and its internal control arrangements.

Contained in the MD&A and 2016 consolidated financial statements, the Board provides an account of the main features of the Corporation's internal control and risk management systems as they relate to the Corporation's financial reporting.

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

11. Remuneration of the Board of Directors

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

Information on all remuneration paid to the each of the Directors will be disclosed in the Corporation's management information circular for the Annual Meeting. This information includes board fees, salaries paid by the Corporation and stock options granted in 2016. In 2016, the chairs and members of each committee did not receive any additional compensation.

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

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

12. Remuneration of the Executive Management

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

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

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

13. Information and Communications

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

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

the OSE and AIM websites. The Corporation's website also offers subscription to the Corporation's press release service.

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

14. Take-Overs

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

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

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

15. Auditor

The Corporation's external auditor, currently KPMG LLP for calendar year 2016, was appointed by resolution of the shareholders at the Annual Meeting held on June 22, 2016.

The Corporation's auditor participates in meetings of the Audit Committee that deal with the financial accounts, and upon special request, the auditor presents to the Audit Committee a plan for the audit activities of the Corporation for their approval. KPMG LLP obtains an understanding of internal controls relevant to the annual consolidated financial statement audit and reports weaknesses and proposals for improvement to the Audit Committee.

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

All non-audit work is required to be submitted to the Audit Committee for its approval prior to the commencement of work. The remuneration paid to the auditor, including details of any fees paid for other specific assignments, is reported at the Corporation's annual information circular.

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

Corporate information

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

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

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

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

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

Corporate officers
Robert P. McBean
Executive Chairman

Geoffrey P. Bury
Managing Director

Lance Mierendorf
Chief Financial Officer

Heather L. Jones
Corporate Secretary

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Maputo
Mozambique

Annual meeting
Wentworth Resources Limited
Annual and Special Meeting
Thursday, June 22, 2017
In London, United Kingdom

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Chartered Accountants
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