2020

Annual Financial Accounts

PROMINENCE Energy NL

West Perth, Western Australia 6005
ASX Code: PRM
ABN: 69 009 196 810

CORPORATE DIRECTORY

Directors

Mr Ian McCubbing
B.Com (Hons), MBA (Ex), CA, GAICD
Non-Executive Director and Chairman

Mr Alexander Parks
GAICD, MEng
Chief Executive Officer and Managing Director

Mr Patric Glovac
B.Com , Dip Mngt
Non-Executive Director

Company Secretary and CFO

Ms Jo-Ann Long
BComm, FCA, GAICD

Registered Office

Level 2, 30 Richardson Street
West Perth, Western Australia 6005
Telephone: +61 (8) 9321 9886
Facsimile: +61 (8) 9321 8161
Email: admin@proinenceenergy.com.au
Website: www.prominenceenergy.com.au

Notice of AGM

The Annual General Meeting of Prominence Energy NL will be held at 10am on 27 November 2020. This meeting will be held in the offices of Prominence Energy, Level 2, 30 Richardson Street, West Perth, Western Australia 6005.

Corporate Manager

United States

Vistra
3rd Floor, 11-12 St James's Square
London, SW1Y 4LB
Telephone: +44 (0) 7703 882 686

Auditors

HLB Mann Judd (WA) Partnership
Level 4, 130 Stirling Street
Perth, Western Australia 6000

Solicitors

Australia
GTP Legal
68 Aberdeen Street,
Northbridge, Western Australia 6000

United States
Mr Faisal A. Shah, PLLC
Attorney at Law
2100 West Loop South.
Suite 1601
Houston, TX 77027

Share Registry

Computershare Investor Services Pty Limited
Level 11,172 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033
Website: www.investorcentre.com/contact

Bankers

National Australia Bank Limited
District Commercial Branch
Unit 7, 51 Kewdale Road
Welshpool, Western Australia 6106

Home Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000
ASX Code: PRM
ABN: 69 009 196 810

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REVIEW OF ACTIVITIES

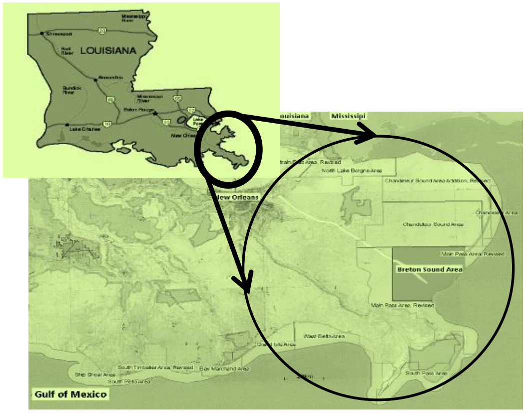
The Prominence Board has been focussed on identifying oil and gas development asset opportunities that deliver near-term oil production with breakeven economics below a US$40 per barrel benchmark price in today's dollars.

The Company continues to review new venture opportunities that it believes are commercially viable in the current market and will be value adding.

Prominence made a strategic shift to development of oil reserves in a neglected portion of the Gulf of Mexico. The Company's current focus area is the Breton Sound area, Louisiana.

UNITED STATES OF AMERICA

OIL AND GAS EXPLORATION AND DEVELOPMENT



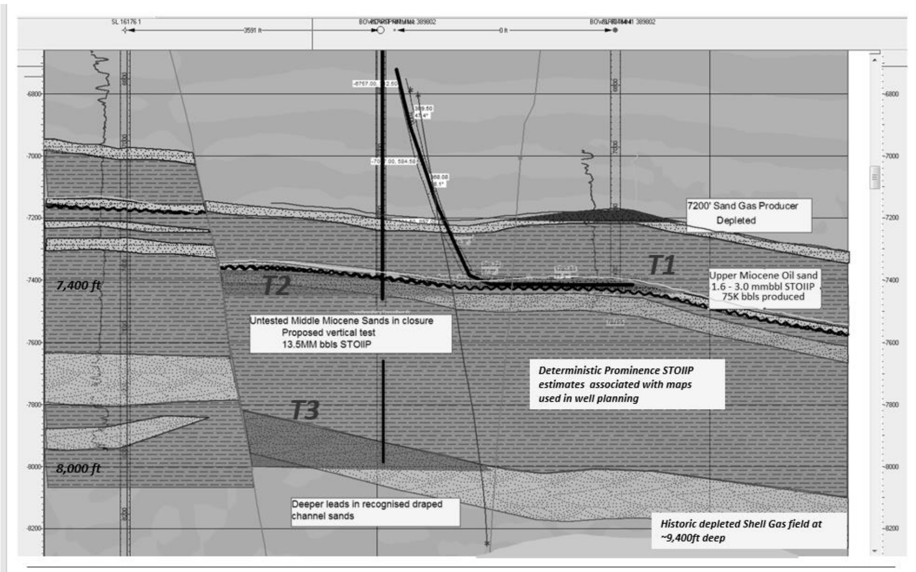
Bowsprit Oil Project ("Bowsprit") (Lease No. 21754 & 21787) - Prominence 50% working interest (100% if completion of buyout of Pinnacle occurs).

The leases are located approximately 70km southeast of New Orleans in approximately 3m of water in the north-west corner of the Breton Sound Area.

There are 16 historical wells, drilled between 1952 and 1982, within the lease and extensive existing 2D and 3D seismic over the lease. The leases are near the boundary of St Bernard and Plaquemines Parishes that covers the transition zone from onshore to the federal waters offshore Louisiana. The two Parishes have produced a combined 1.2 billion barrels of oil and 5.2 trillion scf of gas. The area is a prolific hydrocarbon province with over 1,800 wells drilled in the St Bernard parish alone.

Bowsprit is assessed to contain an undeveloped conventional Miocene aged oil sand at a depth of approximately 7,400ft (2,255m) that is located above a deeper, 9,500ft gas field that was developed in 1960s by Shell and produced through to 1980s. Consequently, the Bowsprit field contains 14 vertical well penetrations and has demonstrated producible oil. The 20 to 50ft thick oil sand was flowed successfully from four wells and produced approximately 75,000 bbls of oil, but was not of commercial significance at the time (~100bopd declining to 40 bopd / well). When a hurricane took out the production platform in the late 1960's, the field was never revisited. The deeper gas field was abandoned and the area relinquished by the former owner in the 1980s prior to the advent of horizontal drilling.

PRM plans to drill a vertical well to ~8,100ft / 2,500m depth in the middle of the field to test the potential of the T2 and T3 reservoir targets, then pull back to a depth of 6,000 ft and drill a horizontal section into the proven T1 oil reservoir. The well will be completed and tied back to a nearby production facility via a pipeline and produced.



Prominence will have 100% working interest and is Operator of the Leases on completion of a buyout of joint venture partner Pinnacle announced in July 2019. To Complete the transaction, PRM needs to pay Pinnacle US$250,000 prior to drilling. The Agreement with Pinnacle is due to expire on 30th September 2020 unless extended.

During the year, PRM secured the three environmental permits required for drilling of the Bowsprit-1 Well. The Permits last for 12 months. The only remaining permit required prior to drilling is the lodging of a P&A (Plug and Abandon) deposit with the state of ~US$122,400 no less than two weeks prior to drilling.

The Leases were extended to March 2021 due to the COVID pandemic disruptions.

Reserves Attributed to Bowsprit-1

Following extensive new work performed by the Company, permitting approval granted for the Bowsprit-1 well and anticipated imminent funding and drilling of the well[1], the Bowsprit project has now been reclassified from Contingent Resources to Reserves. A Reserves Report from Netherland, Sewell & Associates, Inc. (NSAI) on the Bowsprit Project was released on 5th February 2020.

The field consists of a proven Upper Miocene Reservoir (T1) at a depth of approximately 7,400ft TDSS overlying a secondary "Prospective" target Middle Miocene Reservoir (T2).

Resource Classification	Confidence Level	Net Reserves	CAPEX for Development	Net Cash Flow (NPV0)	NPV10	NPV10
		Mbbls	US$ million	US$ Million	US$ Million	A$ million[2]
Undeveloped Reserves	1P (90%)	nil	4.865			
	2P (50%)	330.7	4.865	8.0	6.3	9.4
	3P (10%)	643.5	4.865	19.2	14.0	20.9

Table 1 – Bowsprit Field Upper Miocene Reservoir T1 Reserves

Resource Classification	Confidence Level	Prospective Net Resources Mbbls	GCOS%
Prospective Resources	1U Low Case	890	NSAI estimate the Geological chance of finding and producing commercially significant hydrocarbons from the T2 reservoir as 25%. The Principal risk is whether the fault to the north-west of the field is sealing.
	2U Best Case	1,821	
	3U High Case	4,102	

Table 2 – Bowsprit Field Middle Miocene Reservoir (T2) Prospective Resources

Cautionary Statement – Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

See the ASX Release of 5 February 2020 for full report and cautionary statement.

Forward Plan

Prominence is in discussions with potential farm-in partners to join in the project and farm-in to earn a portion of the project, by contribution funds to the drilling of Bowsprit-1.

Once a funding partner is secured the Company will move to drilling of Bowsprit-1.

[1] Subject to finalisation of a farm out deal / financing
[2] 0.67 USD per AUD

REVIEW OF ACTIVITIES

Land Status

At the time of this report and subsequent to the end of the June 2020 Period, Prominence's total net land position in the Breton Sound, Louisiana was approximately 577 net acres of oil and gas leases. The Company has a binding agreement to purchase the other 50%, subject to payment of US$250,000 to Pinnacle. The current Agreement is set to expire on 30th September 2020 unless extended.

Oil Project Area	**Prominence Working Interest (%WI)**	**Prominence Net Royalty Interest (%NRI)**	**Project area Gross Acres (1ha = 2.471ac)**	**Prominence's Net Acres (1ha = 2.471ac)**
Bowsprit SL21754	50%	39.5%	1,000	500
Bowsprit SL21787	50%	39.5%	154	77
TOTAL	**-**	**-**	**1,154**	**577**

(Total acres are approximate, as at 30 June 2020)

DIRECTORS' REPORT

The Directors of Prominence Energy NL ("Prominence" or "the Company") present their report on the consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2020.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

1. DIRECTORS AND OFFICERS

The names of the Directors of the Company in office during the year and at the date of this report are as follows:

Mr Ian McCubbing (Non-Executive Chairman) B.Com (Hons), MBA (Ex), CA, GAICD

Mr Ian McCubbing was appointed to the Board as a Non-Executive Director and Chairman on 25 October 2016. Mr McCubbing is a Chartered Accountant with more than 30 years' corporate experience, including five years investment banking, principally in the areas of corporate finance and M&A. Mr McCubbing has spent more than 15 years' working with ASX 200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies. Mr McCubbing holds a Bachelor of Commerce (Honours) from UWA and an Executive MBA from the AGSM. Mr McCubbing is a Chartered Accountant and a Graduate of the Australian Institute of Company Directors. Current directorships are Swick Mining Services Limited and Rimfire Pacific Mining NL. In the last three years, Mr McCubbing has also held a directorship in, Symbol Mining Limited and Avenira Limited.

Mr Alexander Parks (Chief Executive Officer and Managing Director) GAICD, MEng

Mr Alexander Parks was appointed to the Board as Chief Executive Officer and Managing Director on 2 November 2017. Mr Parks previously served as a Non-Executive Director from 18 February 2016. Mr Parks is an energy expert with over 20 years' of experience in the oil and gas industry, commencing as a petroleum engineer with RPS Energy Australia (formerly Troy-Ikoda, UK & Australia) in 1997. Mr Parks has managed companies and company projects in Australia, SE Asia, North America, New Zealand, Europe, FSU and North Africa. Projects have included onshore and offshore exploration, development, production and significant new ventures and transactions. Recently Mr Parks has focused on building a sound knowledge of unconventional oil and gas plays in North America. Mr Parks was formerly Managing Director of Tamaska Oil & Gas Ltd (ASX:TMK), he has previously held the positions of Chief Commercial Officer at Cue Energy Resources Ltd, CEO of Mosaic Oil NL, CEO of Otto Energy Ltd and Technical Director at RPS Energy. Mr Parks has a Petroleum Engineering degree from Imperial College, London, is a member of the Society of Petroleum Engineers (SPE), is a Member Australian Institute of Company Directors (GAICD). In the last 3 years Mr Parks was A Director of Tamaska Oil and Gas Ltd and also a Director of TMK Montney Limited until it was acquired by Calima Energy Ltd (ASX:CE1) in August 2018.

Mr Patric Glovac (Non-Executive Director) B.Comm

Mr Patric Glovac was appointed to the Board as a Non-Executive Director on 23 August 2019. Mr Glovac holds a Bachelor of Commerce, majoring in Finance, Banking, Management, and also holds a Diploma of Management. In 2013 Mr Glovac co-founded GTT Ventures Pty Ltd. GTT has funded numerous listed and private companies since its inception across multiple markets including Australia, USA and the United Kingdom. Previously he worked as an investment advisor for Bell Potter Securities Limited, focusing on high net-worth clients and corporate advisory services. Over the past 5 years Mr Glovac has held numerous Director positions with ASX listed companies across the Resources and Oil & Gas sector. He is currently Executive Director at TAO Commodities Limited (ASX: TAO) and Non-Executive Director at Global Vanadium Limited (to be renamed Global Oil & Gas Limited) (ASX: GLV).

Ms Jo-Ann Long (Company Secretary and Chief Financial Officer) B.Comm, FCA, GAICD

Ms Long was appointed on 8 April 2018. Ms Long has over 30 years of experience building, leading and advising corporations on financial management, restructures, international expansion, acquisitions and risk management. Commencing with Deloitte's and then 18 years in the Oil and Gas industry, with Woodside and Transerv Energy (now Whitebark Energy) Ms Long has specialised expertise in joint venture operations, commercial agreements, tax strategies, risk management and governance. With strong broad commercial and business skills Ms Long brings a strong discipline of financial management and a track record of documented contributions of improved financial performance, heightened productivity and enhanced internal controls. Ms Long is Managing Director of Eco Smart Designs, and holds Non-Executive Directorships with Yijiyangu Corporation Limited and B2 Yaramarri Direct Benefits Trust.

DIRECTORS' REPORT

Mr William Bloking (Non-Executive Director) B.Sc. Mechanical Engineering (Summa cum Laude), FAICD
(Resigned on 10th August 2020)
Mr William Bloking was appointed to the Board as a Non-Executive Director on 25 October 2016. Mr Bloking is a leading energy expert with more than 40 years of experience in the oil and gas industry, mainly with ExxonMobil and BHP Billiton Petroleum. Prior to his retirement in 2007, Bill was President, Australia Asia Gas, for BHP Billiton Petroleum and prior to joining BHP Billiton he served in a number of senior executive roles in the USA, South America, Europe and Asia for ExxonMobil. Mr Bloking is currently Non-Executive Chairman of Torrens Mining Limited. He is a fellow of the Australian Institute of Company Directors. He was formerly a Chairman of Transerv Energy Limited, Cool Energy Limited, Norwest Energy NL, Nido Petroleum Limited and the National Offshore Petroleum Safety Authority Advisory Board, and Cullen Wines Australia Pty Ltd.; Managing Director of Eureka Energy Limited and Gunson Resources Limited; a Non-Executive Director of Challenger Energy Limited, the John Holland Group, Miclyn Express Offshore Limited, the Australian Petroleum Production and Exploration Association (APPEA), the Lions Eye Institute and the West Australian Symphony Orchestra; a Councilor of the West Australian Branch of the Australian Institute of Company Directors; a Governor of the American Chamber of Commerce in Australia; and an Adjunct Professor at Murdoch University. Mr Bloking has a Bachelor's Degree in Mechanical Engineering (Summa cum Laude) from the University of South Carolina in the USA. He is a citizen of both the USA and Australia. Current directorships include Torrens Mining Limited. Mr Bloking has held a directorship in Challenger Energy Limited and Nido Petroleum Ltd within the last 3 years.

2. DIRECTOR'S INTERESTS
As at the date of this report, the Director's interests in the securities of the Company are as follows:

		Ordinary Shares	Options over Ordinary Shares	Performance Rights
Mr Ian McCubbing	Non-Executive Chairman	40,949,177	21,666,667	
Mr William Bloking	Non-Executive Director	34,449,471	14,166,667	
Mr Alexander Parks	Managing Director	33,750,000	21,666,666	22,500,000(1)
Mr Patric Glovac	Non-Executive Director	-	-	

(1) Performance Rights will vest in two tranches Tranche A 7,500,000, and Tranche C 15,000,000. Tranche B Performance Rights 7,500,000 have lapsed. See Note 15.

Principal Activities of the Consolidated Entity
The principal activities of the consolidated entity during the financial year were oil and gas exploration and investment. There were no significant changes in these activities during the year. The consolidated entity's exploration and production activities are summarised in the "Review of Activities" preceding this report.

Operation Results
The net loss of the consolidated entity for the financial year after income tax was $1,036,379, [2019: loss of $1,066,566].

Dividends
No dividends were paid or declared during the financial year or subsequent to the year end.

Review of Operations
A review of the oil and gas operations of the Company and the consolidated entity is set out in the "Review of Activities" section of the Annual Report.

Likely Developments and Expected Results of Operations
The consolidated entity intends to continue the present range of activities during the forthcoming year. In accordance with its objectives, the consolidated entity may participate in exploration and appraisal wells and new projects and may grow its exploration effort and production base by farm-in or new lease acquisitions. Certain information concerning the future activity is set out in the "Review of Activities" section of the Annual Report. Other information on the likely developments and the expected results has been included where they can be reasonably anticipated.

DIRECTORS' REPORT

Changes in the State of Affairs
In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Events since the End of the Financial Year
The following material events occurred subsequent to the end of the year:

Capital Raising
In July 2020, the Company placed 30,000,000 shares at 0.5c per share to raise $150,000 before costs. 15,000,000 free attaching Options were agreed to be issued with the placement shares on the basis of 1 option for every 2 shares. The Options have an exercise price of 2c and an expiry date of 1 September 2023. Issue of the options is subject to shareholder approval at the next AGM.

Conversion of Convertible Notes
On 10th July 2020 $300,000 in Convertible Notes were converted to shares at a price of 0.4cents per share in accordance with the terms of the Convertible Note Agreements. The Convertible Notes were held by major shareholders, the Company's corporate advisor GTT and Chairman, Mr Ian McCubbing.

Non-renounceable Rights Issue
On 8 September 2020, the company issued a prospectus for a pro rata non-renounceable entitlement issue on the basis of one (1) New Share for every one (1) existing Share held at an issue price of $0.005 per New Share. The Offer included one free attaching option for every two shares subscribed for. The Options will have an exercise price of $0.02 and an expiry date of 1 September 2023. The Offer will raise up to $1.2 million (before expenses). The Rights Issue will close on 30 September 2020. Any shortfall shares will be placed by GTT Ventures in the subsequent weeks to complete the full raising.

Winform Converting Loan Agreement
In August 2020 the Company has reached an agreement with Winform Nominees Pty Ltd (ACN 152 706 717) (**Winform**) in respect of the loan the subject of the Converting Loan Agreement entered into in February 2015 that is repayable on the earlier of 31 March 2021 and the Company entering into a "Transaction" (capital raising of at least $15 million or takeover). Due to the delay in the Company finalising a farm-out of its interest in the Bowspirit Project due to COVID-19, the debt the subject of the Converting Loan Agreement has been restructured in a deal that is acceptable to both parties. Under this deal, Winform has agreed to accept the following in consideration of releasing the Company of its obligations under the Converting Loan Agreement and as consideration for the release of the security provided for the loan:

- $150,000 payable by the Company to Winform from the proceeds of the Rights Issue.
- the issue by the Company of 15 million Options (exercise price of 2c per option, expiry date of 1 October 2023; and
- a 1% royalty granted by its subsidiary, Sun Louisiana LLC, on the Company's net production of hydrocarbons produced from the Bowsprit Project.

Environmental and Occupational Health and Safety Regulations
The Company's environmental and occupational health and safety ("OHS") obligations are regulated under both State and Federal Law or in the case of the Company's overseas interests, by the governing laws of that country. All environmental and OHS performance obligations are monitored by the Board and subjected from time to time to Government agency audits and site inspections. The Company has a policy of complying, and in most cases exceeding its performance obligations. The Company ensures that it complies with all necessary conditions while exploring its permits, which is governed by the terms of respective joint operating agreements. The consolidated entity did not operate any of its exploration or producing assets. The Company has established environmental and OHS Board policies under which all exploration is carried out. Both policies ensure all employees, contractors and other service providers are fully acquainted with the Company's environment and OHS programs. The Company's primary goal in the environmental management of exploration activities is to prevent unnecessary environmental impact and reinstate sites where disturbance cannot be avoided, whilst its goal in OHS is to provide and foster a culture of carrying out exploration activities in a safe working environment at best exploration practice. The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007, which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2019 to 30 June 2020 the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

DIRECTORS' REPORT

Voting and comments made at the Company's 2019 Annual General Meeting
Prominence received in excess of 75% of 'yes' votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices. This report details the nature and amount of remuneration for each Director of Prominence and specified Executives (Executive officers) involved in the management of the Company who were not Directors.

REMUNERATION REPORT
The audited remuneration report is set out under the following main headings:

- **A. Principles used to determine the nature and amount of remuneration**
- **B. Details of remuneration**
- **C. Service agreements**
- **D. Share-based compensation**
- **E. Additional information**

A Principles used to determine the nature and amount of remuneration

The performance of the Company depends upon the quality of its Directors, Executives and staff. To achieve its financial and operating activities, the Company must attract, motivate and retain highly skilled Directors and Executives. The Company embodies the following principles in its remuneration framework:

- Provide competitive awards to attract high caliber Executives;
- Structure remuneration at a level and mix commensurate with their position and responsibilities within the Company so as to reward Executives for the Company and individual performance; and
- Align executive incentive rewards with the creation of value for Shareholders.

Executive remuneration policy
The policy is for Executives to be remunerated on terms that are competitive with those offered by entities of a similar size within the same industry. Packages are reviewed annually by the remuneration committee with any recommendation of this committee reviewed and approved by the Board.

Remuneration consultants are not used by the Company
As predominately an exploration entity, performance outcomes are uncertain, notwithstanding endeavour. As such, remuneration packages are not linked to profit performance. Present policy is to reward successful performance via incentive options that are priced on market conditions at the time of issue. The number of options granted is at the full discretion of the Board.

The Options are not issued in relation to past performance, but are considered to promote continuity of employment and provide additional incentive to Executive Officers to increase Shareholder wealth.

The Company's security trading policy provides acceptable transactions in dealing with the Company's securities, including shares and options. The full policy can be read on the Company's website.

The Executive Directors receive a superannuation guarantee contribution required by the government, which is 9.5%.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed.

Shares given to Directors and Executives are valued as the difference between the market price of those shares and the amount paid by the Director or Executive. Options are valued using the Black-Scholes model.

Non-Executive remuneration policy
The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. The maximum aggregate amount of fees (inclusive of the 9.5% superannuation guarantee contribution required by government) that can be paid to Directors is currently AU$400,000.

Executive Officers
The Board's policy for determining the nature and amount of compensation of Executive Officers for the Group is as follows:

The compensation structure for Executive Officers is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and Executive Officers are on a fixed term basis.

Upon retirement, Executive Officers are paid employee benefit entitlements accrued to the date of retirement. The remuneration committee recommends the proportion of fixed and variable compensation (if applicable) for each Executive Officer which is approved by the Board.

B Details of Executive Remuneration

The Executive Officers included the Directors who had the responsibility for planning, directing and controlling the activities of the entity during the financial year.

Mr Alexander Parks - Managing Director and CEO
Mr Parks has an Executive Services Agreement ("the agreement") which specifies the duties and obligations to fulfilled in his role. Mr Parks' remuneration is both salary and performance based, designed to minimise cash cost to the Company, and to align objectives that should benefit the shareholders. The near-term incentives are based on achieving key development milestones of the Bowsprit project. Mr Parks receives a fixed remuneration component of $260,000 (including superannuation) per annum.

The Contract has a fixed term of 1 years and the Company may terminate the executive's engagement 'for cause' with immediate effect, with only statutory accrued entitlements or 'without cause' by giving 6 months' notice, or salary in lieu with associated benefits.

Mr Parks has been issued 22,500,000 Performance Rights as a long term performance incentive in 2017. The Performance Rights will vest subject to completion of the following vesting conditions:

(1) 7.5 million Performance Rights vesting on successful farming out (or full funding) of Prominence's share of the first Bowsprit well.
(2) $50,000 bonus and 15 million Performance Rights vesting on achieving 60 days of commercial production within a 75 day period.

The remuneration recognised for the performance rights at 30 June 2020, is assessed on the probability of achieving each milestone within the performance time constraint or during the five-year duration of the Performance Rights if no date is specified. The probability is reassessed at each reporting date. Tranche A are deemed likely to be awarded; and Tranche C is considered contingent on too many variables to be given any value as at 30 June 2020. The value of the Performance Rights at the grant date was assessed at $90,000. At 30 June 2020 the reconciled value is assessed as $32,813 to Mr Parks for annual share based remuneration.

Ms Jo-Ann Long - Chief Financial Officer and Company Secretary
Ms Long has a contract with the Company to provide on call services of Chief Financial Officer and Company Secretary through a related company. The contract may be terminated by either party by giving 14 days' notice. Ms Long is paid an hourly rate of $200 per hour for these services.

DIRECTORS' REPORT

Emoluments of Directors and Other KMP

2020	Short-term employee benefits				Post-employment benefits	Share base payments		
Name	Cash salary Consulting fees and Directors' fees	Non-monetary Benefits-Shares/ Options(2)	Other	Accrued Fees(5)	Superannuation	Performance Rights	Total	Performance Related %
	$	$	$	$	$	$	$	
Executive Director								
Mr A Parks(1)	184,582	30,000	-	57,883	17,535	32,813	322,813	10%
Sub-Total	**184,582**	**30,000**	**-**	**57,883**	**17,535**	**32,813**	**322,813**	**10%**
Non-Executive Directors								
Patric Glovac	9,000	-	-	13,140	855	-	22,995	-
Mr I McCubbing(4)	12,500	6,000	-	23,812	1,188	-	43,500	-
Mr W Bloking(3)	18,750	6,000	-	8,488	1,757	-	34,995	-
Sub-Total	**40,250**	**12,000**	**-**	**45,440**	**3,800**	**-**	**101,490**	**-**
Executive Officers								
Ms J Long(2)	102,125	-	-	7,450	-	-	109,575	-
Sub-Total	**102,125**	**-**	**-**	**7,450**	**-**	**-**	**109,575**	
Total	**326,957**	**42,000**	**-**	**110,773**	**21,335**	**32,813**	**533,878**	

(1) Mr Parks has also accrued fees including superannuation for FY20 amounting to $89,317 not included in the table above (2) Ms Long also has accrued fees for FY20 amounting to $7,450 not included in the table above. (3) Mr William Bloking also has accrued fees including superannuation for FY20 amounting to $54,000 not included above (4) Mr Ian McCubbing also has accrued fees including accrued superannuation for FY20 not included above amounting to $75,000 (5) Other includes accrued salary, Director fees, accrued superannuation and travel allowances related to FY20. (6) As part of a capital raise in August 2019 the directors acquired shares with free attaching options. The accounting standards require the free attaching options to be valued and disclosed in the remuneration report.

2019	Short-term employee benefits				Post-employment benefits	Share base payments		
Name	Cash salary Consulting fees and Directors' fees	Non-monetary Benefits - Shares/Options	Other	Accrued Fees(5)	Superannuation	Performance Rights	Total	Performance Related %
	$	$	$	$	$	$	$	
Executive Director								
Mr A Parks(1)	150,000	-	-	95,750	14,250	3,749	263,749	1%
Sub-Total	**150,000**	**-**	**-**	**95,750**	**14,250**	**3,749**	**263,749**	**1%**
Non-Executive Directors								
Mr I McCubbing(4)	-	-	-	50,000	-	-	50,000	-
Mr W Bloking(3)	-	-	-	36,000	-	-	36,000	-
Sub-Total	**-**	**-**	**-**	**86,000**	**-**	**-**	**86,000**	
Executive Officers								
Ms J Long(2)		-	-	93,032	-	-	93,032	-
Sub-Total	**-**	**-**	**-**	**93,032**	**-**	**-**	**93,032**	
Total	**150,000**	**-**	**-**	**274,782**	**14,250**	**3,749**	**442,781**	

(1) Mr Parks has also accrued fees including superannuation for FY18 amounting to $43,567 not included in the table above (2) Ms Long also has accrued fees for FY18 amounting to $15,700 not included in the table above. (3) Mr William Bloking also has accrued fees including superannuation for FY18 amounting to $18,000 not included above (4) Mr Ian McCubbing also has accrued fees including superannuation for FY18 not included above amounting to $25,000 (5) Other includes accrued salary, Director fees, superannuation and travel allowances related to FY19.

Remuneration consists of the following key elements:

a) Fixed remuneration: being base salary, superannuation and other benefits (including non-monetary); and
b) Share based incentives as determined.

Fixed remuneration

Fixed remuneration is reviewed annually by the remuneration committee. The process consists of a review of group and individual performance, relevant comparative remuneration information for a variety of sources including industry associations, and where considered appropriate, external advice on policies and practices.

C Service agreements

Mr Ian McCubbing

Term of agreement: Retires as determined by Director Rotation
Chairman fees: $50,000 per annum including Superannuation
Incentives: Share based incentives as determined
Mr Ian McCubbing was appointed as Non-Executive Director and Chairman on 25 October 2016.

Mr Alexander Parks

Term of agreement: 1 years
Salary: $260,000 per annum including superannuation
Director fees: Included in salary
Incentives: Share based incentives as determined
Mr Parks was appointed Managing Director and CEO on 2 November 2017.

Ms Jo-Ann Long

Term of agreement: Unlimited

Base consultancy: $200 per hour

Termination: 14 days

Ms Long was appointed as Company Secretary and CFO on 8 April 2018.

Mr William Bloking (Resigned on 10th August 2020)

Term of agreement: Retires as determined by Director Rotation

Director fees: $36,000 per annum plus Superannuation

Incentives: Share based incentives as determined

Mr William Bloking was appointed as Non-Executive Director and on 25 October 2016.

Mr Patric Glovac

Term of agreement: Retires as determined by Director Rotation

Director fees: $36,000 per annum plus Superannuation

Incentives: Share based incentives as determined

Mr Patric Glovac was appointed as Non-Executive Director on 23 August 2019.

D Share-based compensation

The Board does not have any specific criteria when deciding on the terms of option incentives, however, will look at conditions prevailing in the market for Executives in other companies.

Whilst the consolidated entity does not have a formal ownership-based compensation scheme for Directors and employees of the Company, certain share options may be granted to Directors and employees as part of their remuneration at the discretion of the Board. Each option converts into one ordinary share of the Company on exercise.

No amounts have been paid for any options by the recipient upon receipt of the options. The options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. During the current and previous financial year the following options were granted to Directors and Executive Officers.

2020

During 2020 Tranche B 7,500,000 Performance Rights lapsed on 31 December 2019. Mr Parks now has 22,500,000 Performance Rights remaining as a long term performance incentive in connection with his promotion from Non-Executive Director to Managing Director and Chief Executive Officer. The rights will vest subject to conditions as detailed above in Details of Executive Remuneration.

E Additional information

Share-based compensation: Options

No new share-based payments were made during the 2020 financial year.

Share holdings

The number of shares in the Company held during the financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below:

DIRECTORS' REPORT

Ordinary shares

Name	Balance at start of the year or appointment	Placement Acquisition	Other changes during the period	Balance at the end of the year or on retirement/ resignation	Nominally held
2020					
Directors					
Mr I McCubbing	30,949,177	10,000,000	-	40,949,177	12,500,000
Mr W Bloking	24,449,471	10,000,000	-	34,449,471	-
Mr A Parks	8,750,000	25,000,000	-	33,750,000	-
Mr P Glovac	-	-	-	-	-
Executive Officers					
Ms J Long	3,000,000	16,950,000	-	19,950,000	19,950,000

Name	Balance at start of the year or appointment	Placement Acquisition	Other changes during the period	Balance at the end of the year or on retirement/ resignation	Nominally held
2019					
Directors					
Mr I McCubbing	14,699,177	16,250,000	-	30,949,177	30,949,177
Mr W Bloking	8,199,471	16,250,000	-	24,449,471	-
Mr A Parks	5,000,000	3,750,000	-	8,750,000	-
Executive Officers					
Ms J Long	-	3,000,000	-	3,000,000	3,000,000

Option holdings

The number of **listed options** over ordinary shares in the Company held during the 2020 financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Acquisition	Exercised	Expired	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2020							
Directors							
Mr I McCubbing	15,000,000	-	-		15,000,000	-	-
Mr W Bloking	7,500,000	-	-		7,500,000	-	-
Mr A Parks	5,000,000	-	-		5,000,000	-	-
Mr P Glovac	-	-	-		-	-	-
Executive Officers							
Ms J Long	-	-	-	-	-	-	-

Name	Balance at the start of the year	Acquisition	Exercised	Expired	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2019							
Directors							
Mr I McCubbing	19,849,588	-	-	4,849,588	15,000,000	15,000,000	-
Mr W Bloking	10,349,735	-	-	2,849,735	7,500,000	7,500,000	-
Mr A Parks	7,500,000	-	-	2,500,000	5,000,000	5,000,000	-
Executive Officers							
Ms J Long	-	-	-	-	-	-	

The number of **unlisted options** over ordinary shares in the Company held during the 2020 financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Acquisition[(1)]	Exercised	Expired	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2020							
Directors							
Mr A Parks	-	16,666,666	-	-	16,666,666	16,666,666	-
Mr I McCubbing	-	6,666,667			6,666,667	6,666,667	-
Mr W Bloking	-	6,666,667	-	-	6,666,667	6,666,667	-
Mr P Glovac	-	-	-	-	-	-	-
Executive Officers							
Ms J Long	-	10,308,333	-	-	10,308,333	10,308,333	-

Note 1: Free attaching options as part of participation in capital raising.

Name	Balance at the start of the year	Acquisition	Exercised	Expired	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2019							
Directors							
Mr A Parks	-	-	-	-	-	-	-
Mr I McCubbing	-	-			-	-	-
Mr W Bloking	-	-	-	-	-	-	-
Executive Officers							
Ms J Long	-	-	-	-	-	-	-

Performance Rights

The number of **Performance Rights** in the Company held during the 2020 financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Acquisition	Exercised	Lapsed	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2020							
Directors							
Mr I McCubbing	-	-	-	-	-	-	-
Mr W Bloking	-	-	-	-	-	-	-
Mr P Glovac	-	-	-	-	-	-	-
Mr A Parks	22,500,000	-	-	-	22,500,000	-	22,500,000
Executive Officers							
Ms J Long	-	-	-	-	-	-	-

Name	Balance at the start of the year	Acquisition	Exercised	Lapsed	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2019							
Directors							
Mr I McCubbing	-	-	-	-	-	-	-
Mr W Bloking	-	-	-	-	-	-	-
Mr A Parks	30,000,000	-	-	(7,500,000)	22,500,000	-	22,500,000
Executive Officers							
Ms J Long	-	-	-	-	-	-	-

DIRECTORS' REPORT

Loans from Directors and Executives

The Directors have loaned the Company the following during the year ended 30 June 2020:

1) I McCubbing $45,000 at 10% per annum. On 19th August 2019 $35,000 was repaid and $10,000 on 22nd August 2019 converted to fully paid ordinary shares with free attaching options in the Company as repayment and the interest has been accrued. Loans remaining amount to $67,500 and are subject to the repayment terms below.
2) W Bloking $25,000 at 10% per annum. On 19th August 2019 $25,000 was repaid and on 22nd August 2019. $ 10,000 was converted to fully paid ordinary shares with free attaching options in the Company as repayment and the interest has been accrued. Loans remaining amount to $15,000 and is subject to the repayment terms below.
3) A Parks $Nil at 10% per annum. On 23rd September 2019 $5,000 together with Interest was repaid on a loan from the previous year. There are no loans remaining.

See Note 9 for details on loans to the company by Directors.

Repayment Date of above loans –. All Directors have agreed to defer repayment of accrued salary, Directors fees and loans until– 30 September 2021 or after receipt of adequate funds from any equity capital raising.

Company Performance

An analysis of the Company's performance over the past five years is as follows:

	2020 $	2019 $	2018 $	2017 $	2016 $
Loss attribute to Shareholders of the parent entity	(1,081,462)	(1,100,065)	(850,430)	(3,457,734)	(13,961,879)
Dividends paid	-	-	-	-	-
Contributed equity	120,483,368	119,786,868	119,257,280	118,130,277	116,575,306
Return on contributed equity	(0.90%)	(0.92%)	(0.71%)	(2.92%)	(11.98%)

The Company has adjusted any oil and gas assets where there has been an impairment of the asset with the resulting write downs reflected in the loss attributable to Shareholders.

The share price of the Company, as listed on the ASX, has remained in a band between 0.1 cents and 1.0 cents depending on the market since the company performed a share consolidation in August 2016.

This is the end of the audited remuneration report.

Indemnification of Officers

Insurance and indemnity arrangements established in the previous year concerning Officers of the Company were retained during the year ended 30 June 2020. The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses' insurance contracts, for current and former Directors and Officers, including Executive Officers, Directors and secretaries of the Company. The terms of the insurance policy contract do not allow disclosure of the premium. The insurance premiums relate to:

i. costs and expenses incurred by the relevant Officers in defending proceedings, whether civil or criminal and whatever their outcome; and
ii. other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain a personal advantage.

Meetings of the Company's Directors

The number of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2020 and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees Audit & Risk		Remuneration	
	A	B	A	B	A	B
Mr Ian McCubbing	2	2	1	1	1	1
Mr William Bloking	2	2	1	1	1	1
Mr Alexander Parks	2	2	1	1	0	0
Mr Patric Glovac	2	2	0	0	0	0

A. Number of meeting attended
B. Number of meetings held during the time the Director held office or was a member of the committee during the year.

Any items with respect to the Audit and Risk and Remuneration Committee were addressed in Board meetings and in addition, a total of five circular resolutions were resolved during the financial year ended 30 June 2020. It should be noted that the Board of Directors also had 15 teleconferences during the year that were not considered formal meetings and therefore not minuted.

Retirement, election and continuation in office of Directors

The Directors retire by rotation in terms of the Constitution of the Company.

Proceedings on behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of Court under section 237 of the Corporations Act.

Non-audit services

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2020	**2019**
	$	**$**
Non-Audit Services		
Taxation compliance services	-	10,200
Total remuneration for Non-audit services	**-**	**10,200**

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non- audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's independence declaration

The auditor's independence declaration as required under section 307c of the Corporations Act 2001 on page 18 forms part of the Directors' Report for the financial year ended 30 June 2020.

Board of Directors' declaration for year ended 30 June 2020

The Board of Directors' Declaration for year ended 30 June 2020 on page 51 forms part of the above Directors' Report. This relates to the integrity of the financial statements, risk management and internal compliance and control systems of the Company for the financial year as set out in this Annual Financial Report.

For and on behalf of the Board in accordance with a resolution of Directors.

Mr Ian McCubbing
Chairman
Perth, Western Australia
30 September 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Prominence Energy NL for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**B G McVeigh**
30 September 2020	**Partner**

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FINANCIAL REPORT 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Other income	3a	35,860	76,651
Administration expense		(412,031)	(350,599)
Depreciation expense	3b	(6,282)	(7,653)
Employee benefits expense		(456,728)	(443,931)
Finance expense	3c	(123,400)	(60,468)
Occupancy expense	3d	(28,058)	(140,140)
Fair value loss on investments	3e	(12,927)	(136,677)
Share based payment expense	11	(32,813)	(3,749)
Loss before income tax expense		**(1,036,379)**	**(1,066,566)**
Income tax expense	4	-	-
Loss for the year after income tax		**(1,036,379)**	**(1,066,566)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation reserve movement	12	(45,083)	(33,499)
Other comprehensive income/ (loss) for the period, net income tax		**(45,083)**	**(33,499)**
Total loss and other comprehensive loss for the period attributable to owners of Prominence Energy NL		**(1,081,462)**	**(1,100,065)**
Loss per share attributable to the members of Prominence Energy NL			
Basic loss per share (cents)	23	(0.08)	(0.13)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Consolidated	
	Note	**2020 $**	**2019 $**
Current assets			
Cash and cash equivalents	5	58,501	40,136
Other receivables		27,599	49,558
Total current assets		**86,100**	**89,694**
Non-current assets			
Plant and equipment		-	6,029
Exploration and evaluation expenditure	6	1,150,351	775,495
Investment in unlisted shares	7	-	12,762
Total non-current assets		**1,150,351**	**794,286**
Total assets		**1,236,451**	**883,980**
Current liabilities			
Trade and other payables	8	1,706,111	1,609,505
Borrowings	9	1,705,164	108,494
Provisions		29,726	3,026
Total current liabilities		**3,441,001**	**1,721,025**
Non-current liabilities			
Borrowings	9	-	1,166,850
Total non-current liabilities		**-**	**1,166,850**
Total liabilities		**3,441,001**	**2,887,875**
Net liabilities		**(2,204,550)**	**(2,003,895)**
Equity			
Contributed equity	10	120,483,368	119,786,868
Share-based payment reserve	11	12,995,472	12,811,165
Foreign exchange translation reserve	12	17,868,930	17,914,013
Accumulated losses		(153,552,320)	(152,515,941)
Total deficiency		**(2,204,550)**	**(2,003,895)**

The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Attributable to equity holders of the Company				
	Share capital	Accumulated losses	Share-based payments reserve	Foreign exchange translation reserve	Total equity
2020	**$**	**$**	**$**	**$**	**$**
Balance at the 1 July 2019	**119,786,868**	**(152,515,941)**	**12,811,165**	**17,914,013**	**(2,003,895)**
Total comprehensive loss for the year					
Loss for the year	-	(1,036,379)	-	-	(1,036,379)
Other comprehensive loss:					
Exchange differences on translation of Foreign Entities	-	-	-	(45,083)	(45,083)
Total other comprehensive loss	**-**	-	**-**	(45,083)	(45,083)
Total comprehensive loss for the year	**-**	(1,036,379)	**-**	(45,083)	**(1,081,462)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	-	-	184,307	-	184,307
Contributions by and distributions to owners:					
Contributions of equity	827,000	-	-	-	827,000
Equity transaction costs	(130,500)	-	-	-	(130,500)
Total transactions with owners	**696,500**	**-**	**184,307**	**-**	**880,807**
Balance at the 30 June 2020	**120,483,368**	**(153,552,320)**	**12,995,472**	**17,868,930**	**(2,204,550)**

	Attributable to equity holders of the Company				
	Share capital	Accumulated losses	Share-based payments reserve	Foreign exchange translation reserve	Total equity
2019	**$**	**$**	**$**	**$**	**$**
Balance at the 1 July 2018	**119,257,280**	**(151,449,375)**	**12,807,416**	**17,947,512**	**(1,437,167)**
Total comprehensive loss for the year					
Loss for the year	-	(1,066,566)	-	-	(1,066,566)
Other comprehensive loss:					
Exchange differences on translation of Foreign Entities	-	-	-	(33,499)	(33,499)
Total other comprehensive loss	-	-	-	(33,499)	(33,499)
Total comprehensive loss for the year	**-**	**(1,066,566)**	**-**	(33,499)	**(1,100,065)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	-	-	3,749	-	3,749
Contributions by and distributions to owners:					
Contributions of equity	548,500	-	-	-	548,500
Equity transaction costs	(18,912)	-	-	-	(18,912)
Total transactions with owners	**529,588**	**-**	**3,749**	**-**	**533,337**
Balance at the 30 June 2019	**119,786,868**	**(152,515,941)**	**12,811,165**	**17,914,013**	**(2,003,895)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 $ Inflows (Outflows)	Consolidated 2019 $ Inflows (Outflows)
Cash flows from operating activities			
Receipts from rental and other income		35,733	76,023
Payments to suppliers and employees		(760,258)	(549,824)
Interest received		127	628
Net cash flow (used in) operating activities	5a	**(724,398)**	**(473,173)**
Cash flows from investing activities			
Payments for exploration costs		(320,304)	(112,457)
Payment for Purchase of Assets		(1,545)	-
Net cash flow (used in) investing activities		**(321,849)**	**(112,457)**
Cash flows from financing activities			
Proceeds from issue of shares		757,000	396,088
Share issue costs		(38,788)	-
Proceeds from Loans		421,400	172,500
Repayment of Loans		(75,000)	(25,000)
Net cash flow provided by financing activities		**1,064,612**	**543,588**
Net increase/ (decrease) in cash and cash equivalents held		**18,365**	**(42,042)**
Cash and cash equivalents at the beginning of the financial year		40,136	81,534
Effects of exchange rate changes on cash and cash equivalents		-	644
Cash and cash equivalents at the end of the financial year	5	**58,501**	**40,136**

The above Consolidated Statement of Cash Flows should be read in conjunction with the notes to the Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the consolidated entity (the Group) of Prominence Energy NL and its controlled subsidiaries. Prominence Energy is a listed public Company, incorporated and domiciled in Australia (ASX Code: PRM) and is a for- profit entity for the purpose of preparing the financial statements. These financial statements have been approved for issue by the Board of Directors on **30 September 2020**.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the annual report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Statement of Compliance

The annual report complies with Australian Accounting Standards, and also complies with International Financial Reporting Standards (IFRS).

A number of new or amended standards became applicable for the current reporting period resulting in the adoption of the following standards:

AASB 16 Leases
In the year ended 30 June 2020, the Directors have adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review the Group has applied AASB 16 from 1 July 2020. AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.
AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.
As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.
There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods as the short term lease exemption in AASB 16 was utilised.

The Directors have also reviewed all standards and interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the standards and interpretations in issue not yet adopted by the Group and, therefore, no change is necessary to Group accounting policies.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on the historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical Accounting Estimates and Judgements
The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Critical Accounting Estimates (continued)

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the annual reporting period are:

a) Recoverability of exploration and evaluation assets

The recoverability of exploration and evaluation assets is determined by the future discovery of economic oil and gas reserves of sufficient quantity and quality in the relevant area of interest to offset costs to date.

As at 30 June 2020, the carrying value of exploration and evaluation assets is $1,150,351 (2019: $775,495).

b) Convertible Notes carried at fair value through profit or loss

The Company recognises the derivative liability portion of the convertible loans at fair value through profit or loss. These are calculated based on present value of estimated cash flows taking into account credit risk profile of the Company and share price of the Company. See details in Note 9.

c) Investment carried at fair value through profit and loss

The company recognises unlisted equity investments at fair value through profit or loss. The shares have been deemed to have no value at 30 June 2020. See details in Note 7.

Going Concern

The Group recorded a net loss after tax of $1,036,379 (2019: loss of $1,066,566) and recorded operating cash outflows of $724,398 (2019: $473,173) for the year ended 30 June 2020. At the 30 June 2020 the Group has net liabilities of ($2,204,550) [2019: ($2,003,895)] and a net current liability position of $3,354,901 (2019: $1,631,331). A significant portion of the total trade and other payables balance of $1,706,111 is held in the US Subsidiaries of Prominence Energy NL and are ring fenced to the Subsidiaries in which they are recorded. (Note 8).

Subsequent to 30 June 2020 a Deed of Settlement with Winform Nominees Pty Ltd (Note 9) was agreed to in August 2020 whereby the convertible note loan of $1,214,872 which was due for repayment on the 31 March 2021 should be extinguished. The Group has at 30 September 2020 closed a fully subscribed rights issue raising $1.2 million before costs.

The ability of the Group to continue as going concern is dependent on securing additional funding through farming out a percentage of the Bowsprit Oil Project and capital raisings as and when required to continue to meet its operating activities in the next 12 months. These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharged its liabilities in the normal course of business.

Notwithstanding the above, the Directors of the Group have prepared the annual financial statements on a going concern basis. Capital has been raised on an as needs basis until the company farms out an interest in the Bowsprit Permit. The Company is planning to farm out a percentage of the Bowsprit Oil Project together with a Capital Raising to fund the appraisal drilling program planned for the Project and the Directors have assessed and considered the progress of the current farm out discussions. To support the Company prior to completing the proposed capital raising the Directors of Prominence had agreed to defer payment of fees and short-term working capital loans to an aggregate amount of A$340,836.

Over the course of the next 12 months, the Directors consider that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and that the going concern basis of preparation remains appropriate when preparing the full year financial report.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern..

A Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Prominence Energy NL ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

All inter-company balances and transactions between subsidiaries in the Group, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Where controlled subsidiaries have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

B Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from USA producing operations is recognised when received from the Operator and is two months in arrears due to lag between sales and when received. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

C Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where that amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

D Income Tax

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the year end date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited to the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic subsidiary will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Prominence Energy and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Prominence Energy is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidation group. The tax consolidated group has not entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. The parent will therefore have liability for all tax as the other companies in the group will not be liable. All contributions and distributions have been accounted for.

E Foreign Currency Transactions and Balances

Functional and Presentation Currency
The functional currency of each of the Group's subsidiaries is measured using the currency of the primary economic environment in which that subsidiary operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of the subsidiaries in the United States is US Dollar.

Transactions and Balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and other Comprehensive Income.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- contributed equity and accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

All resultant exchange differences have been recognised in the Statement of Profit or Loss and other Comprehensive Income.

F Oil and Gas Properties

i) Exploration Costs Carried Forward
Exploration, evaluation and relevant acquisition expenditure incurred is accumulated in respect of each identifiable area of interest. Areas of interest are recognised at the field level. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Economically recoverable reserves are defined as the estimated quantity of product in an area of interest, which can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.

Exploration and evaluation expenditure, which does not satisfy these criteria, is written-off in full against profit in the year in which a decision to abandon the area is made.

Bi-annual reviews are undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Revenue received from the sale of products, material or services during the exploration and evaluation phase of operations is offset against expenditure in respect of the area of interest or hydrocarbon resource concerned.

ii) Development Costs
Once an area of interest is identified as having commercial potential, exploration costs are transferred to development and further well development costs are capitalised.

iii) Producing Projects
When production commences on an area of interest an exploration and evaluating cost relating to the area of interest is transferred to producing projects within the oil and gas properties.

Transferred development, exploration and evaluation costs are amortised on the relevant UOP basis for each area of interest. The reserves used in these calculations are updated at least annually. Economic and technical developments are reviewed periodically in determining any rates.

G Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

H Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transactions costs. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

I Financial Instruments

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

J Cash and Cash Equivalents

Cash and cash equivalents include cash on-hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months of less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

K Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and other Comprehensive Income during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets are depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Depreciation Rate	
Plant and equipment	25% - 40%
Furniture and fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the year end.

L Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible asset's finite life to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

M Provisions and Contingent Liabilities

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Contingent liabilities are only disclosed when the probability for payment is not remote.

N Earnings per Share

i) Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing the entity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

O Segment Reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis using a "Management Approach". Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, plant and equipment and other assets, net of related provisions. Segment liabilities consist primarily of other creditors and provisions.

P Share-based Payments

In order to apply the requirements of AASB 2 "Share-based Payments" estimates were made to determine the "fair value" of equity instruments issued to Directors and incorporated into a Black-Scholes Valuation Model for options.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in equity over any applicable vesting period or where options are issued as consideration for an acquisition directly to the asset acquired.

The fair value of performance options is only recognised where it is probable that the relevant milestone will be attained. The fair value of all shares issued as consideration for an acquisition is valued at the market value of Prominence Energy NL shares at the date of allotment.

Q Contributed Equity

Ordinary shares are classified as equity.
Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

R Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Group contributes to its employees' superannuation plans in accordance with the requirements of the Superannuation Guarantee (Administration) Act. Contributions by the Group represent a defined percentage of each employee's salary. Employee contributions are voluntary.

S Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

At inception, the fair value of the host liability portion of convertible notes is determined as being the difference between the proceeds and the fair value of any identifiable derivative liabilities contained within the note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. Refer to Note 12 for details surrounding the valuation of embedded derivative liabilities contained in convertible notes issued during the year.

Derivative liabilities are carried at fair value through profit or loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.
Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

T COVID-19

The oil and gas industry has been adversely impacted by the COVID-19 pandemic and reduced demand and supply disruptions. Whilst the COVID-19 pandemic has presented significant challenges throughout the world energy sector this year, the Company remains well positioned to execute its strategy.

There were no material impacts of COVID-19 on the Financial Report as at 30 June 2020 however the Company will continue to monitor any future consequences due to the potential uncertainty in the medium to long term.

2. Segment Information

a Description of segments

The business is analysed in two geographical segments namely, Australia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects.

b Segment information provided to the Board

The following tables present, revenue, expenditure and certain asset information regarding geographical segments for the year ended 30 June 2020.

30 June 2020	Australia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	-	-	-
Other income	35,860	-	-	35,860
Total segment revenue	**35,860**	**-**	**-**	**35,860**
Segment result after income tax	(1,081,462)	45,083	-	(1,036,379)
Total segment assets	1,204,419	32,032	-	1,236,451
Segment liabilities	2,307,921	1,133,080	-	3,441,001
Segment amortisation and depreciation	6,282	-	-	6,282

30 June 2019	Australia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	-	-	-
Other income	76,651	-	-	76,651
Total segment revenue	**76,651**	**-**	**-**	**76,651**
Segment result after income tax	(1,145,983)	-	79,417	(1,066,566)
Total segment assets	840,494	30,720	12,766	883,980
Segment liabilities	1,801,189	1,086,686	-	2,887,875
Segment amortisation and depreciation	7,653	-	-	7,653

c Other segment information

The economic entity is domiciled in Australia with segment revenue from external customers based on the country in which the customer is located.

Unallocated segment amounts relate to cash balances and interest received on these cash balances.

3. Revenues and Expenses

	Consolidated	
	2020	**2019**
	$	**$**
a Other Income		
Rental and other income	3,603	76,023
Government assistance	32,130	-
Interest income from non-related parties	127	628
	35,860	**76,651**
b Depreciation Expense		
Depreciation - property, plant and equipment	6,282	7,653
c Finance Expense		
Interest expense	123,400	60,468
d Miscellaneous Expenses		
Rental expense - operating lease	28,058	140,140
e Investment		
Fair value movement of investment	12,927	136,677

4. Income Tax

	Consolidated	
	2020 $	2019 $
a Income Tax Expense		
Current tax	-	-
Deferred tax	-	-
b Reconciliation of income tax expense to prima facie tax payable:,		
Profit/(loss) before income tax	(1,036,379)	(1,066,566)
Prima facie income tax at 30% (2019: 30%)		
- Group	(310,914)	(319,970)
	(310,914)	(319,970)
Tax effect of amounts not deductible in calculating taxable income:		
Other permanent differences	220,814	110,330
	(90,100)	**(209,640)**
Deferred tax asset on current year losses not recognised	90,100	209,640
Income tax expense/(benefit)	-	-
Foreign tax rate differential		

The Group made an election in order that the Australian companies will form a tax-consolidated group from 1 July 2003. As a consequence, transactions between member equities will be ignored.

No deferred tax assets have been recognised as it is not probable that future tax profits will be available to offset these balances.

	2020 $	2019 $
c Deferred Tax Liabilities		
Exploration and evaluation expenditure - Australia	-	-
Exploration and evaluation expenditure - USA	-	-
Temporary differences – Australia	-	-
Temporary differences – USA	-	-
Tax effect of other	(806)	
Difference in overseas tax rates	-	-
Off-set of deferred tax assets	806	-
Net deferred tax liabilities recognised	-	-
d Unrecognised deferred tax assets arising on timing differences		
Tax losses – Australia	5,143,764	5,052,306
Tax losses – USA	19,936,779	19,120,474
Temporary differences – Australia	35,183	28,101
Temporary differences – USA	-	**-**
	25,115,726	**24,200,881**
Difference in overseas tax rate		
Off-set of deferred tax liabilities	(806)	-
Net deferred tax assets not brought to account	**25,114,920**	**24,200,881**

5. Cash and Cash Equivalents

	Consolidated	
	2020 $	**2019 $**
Cash at bank and on-hand (Note 18)	58,501	40,136
Term Deposits	-	-
	58,501	**40,136**

Cash at bank bears floating interest rates between 0% and 0.20% (2019: 0% and 1.5%).

Non-cash financing and investing activities

2020

As at 30 June 2020 the Directors had converted a total of $70,000 of loan funds and accrued salary to ordinary shares in the Company.

2019

Directors converted a total of $100,000 of loan funds to ordinary shares in the company.

	Consolidated	
	2020 $	**2019 $**
a Reconciliation of (loss) after income tax with Cash Flow from Operations		
(Loss) after income tax	(1,036,379)	(1,066,566)
Non-cash flows in profit/(loss)		
- Depreciation	6,282	7,653
- Fair Value Movement of Investment	12,927	136,677
- Share Based Payments	32,813	3,749
- Other including accrued Interest	99,558	45,827
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	21,959	(16,135)
- Increase/(decrease) in trade and other payables	138,442	415,622
-Cash flow used in operations	**(724,398)**	**(473,173)**

6. Exploration and Evaluation Expenditure

	Consolidated	
	2020 $	2019 $
Carried forward	775,495	663,040
Net expenses incurred in the year and capitalized	374,856	103,994
Foreign exchange movement	-	8,461
Expenditure impairment	-	-
Net carrying value	**1,150,351**	**775,495**

a) Carrying value of capitalised expenditure

The carrying value of the Group's project was reviewed, and impairment recognised where the facts and circumstances identified the carrying amount to be greater than the recoverable amount. Exploration expenditure is carried forward in accordance with the accounting policy and comprises expenditure incurred on the acquisition and exploration of tenement interests for oil and gas.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of oil and gas or alternatively sale of the respective area of interest.

b) Impairment

2020

Nil expenditure impaired (2019: $Nil).

7. Investments

	Consolidated	
	2020 $	2019 $
Carrying value - opening	12,762	148,736
Acquisition of shares in Pinnacle	-	-
Write down to fair value	(12,762)	(136,677)
Foreign Exchange movement	-	703
Net carrying value - closing	**-**	**12,762**

The Company acquired 500,000 shares in Pinnacle Exploration Pte Ltd ("Pinnacle") for $48,204 on the 14 July 2017. Prominence acquired an additional 1,500,000 shares in Pinnacle for $144,274 on the 4 January 2018. The acquisition of the shares in Pinnacle was linked to the acquisition of the Bowsprit Oil Project Lease SL 21754. On 25th July 2019 the Company signed a binding MOU to acquire the Subsidiary of Pinnacle that owns the 50% share of the Bowsprit Lease for USD250,000 this agreement expires on 30 September 2020 unless extended. Management has assessed the current value of the Pinnacle investment to be A$Nil. As such the fair value of the investment has been reduced by $12,762. This is a significant judgement applied by management to assess the fair value of the investment at 30 June 2020. Refer to Note 18 for fair value measurement disclosure.

8. Trade and Other Payables – Current

	Consolidated	
	2020	**2019**
	$	**$**
Trade and Other Payables (i)	711,811	651,285
Richland Bankruptcy (ii)	265,756	245,258
Weatherford Dispute (iii)	728,544	712,962
Total Trade and Other Payables	**1,706,111**	**1,609,505**

Trade and other payables are normally settled within 30 days from receipt of invoice unless otherwise agreed.

A significant portion of the total trade and other payables balance of $1,706,112 is held in the US subsidiaries of Prominence Energy NL. Sun Delta Inc, in particular, holds $994,300 of the total trade payables as disclosed in Note 8 (ii) and (iii).

The following are also recorded as other payables at 30 June 2020:

(i) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which remain unpaid. The balance includes $329,089 of accrued key management personnel fees, salary and super for 2020 (2019: $361,348). All Directors have agreed to defer repayment of accrued salary, Directors fees and loans until the company has adequate funds. The amounts are unsecured and are usually paid within 30 days of recognition unless agreed otherwise.

(ii) Richland Bankruptcy – Sun Delta Inc

Sun Delta Inc, a wholly owned subsidiary Company of Prominence Energy NL, was previously involved in a dispute with the operator of the Beeler Oil Project, Richland Resources Corp. In 2013, Sun Delta Inc announced that Richland Resources Corp, a company operating in the United States of America was removed as operator by the non-operating working interest owners in the Beeler Oil Project. Richland Resources Corp. had failed to pay certain vendors and these vendors then filed liens against the entire Beeler Oil Project, including Sun Delta Inc's 16.67% non-operating working interest. Richland Resources Corp. subsequently filed for Bankruptcy. The Trustee obtained judgement against Sun Delta and Sun Delta Inc.'s liability to the Bankruptcy Trustee is US$172,000 with no specified due date of payment. The Trustee has not taken action to recover the amount due. The Group has recognised a US$172,000 (2019: US$172,000) liability as part of trade and other payables.

Sun Delta Inc. has no operating assets, cash or leases and has no capacity to make any payment. Any potential liability to the Prominence Group is limited to the subsidiary Sun Delta Inc.

(iii) Weatherford Dispute – Sun Delta Inc

In May 2015, Sun Delta Inc. assigned to Amerril Energy LLC ("Amerril"), then Operator of the Seale Production unit, its claims against Weatherford Inc. ("Weatherford") for related damages concerning the Seale #1H well, with Amerril to keep all awarded damages, if any. If Weatherford obtained damages or other compensation against an Amerril Entity of less than one million US dollars, Sun Delta agreed to pay 50% of such amount. If any compensation amount due to Weatherford from an Amerril Entity was in excess of one million dollars, Sun Delta agreed to pay Amerril US$500,000 with Amerril retaining the rights to seek additional damages and compensation from Sun Delta. Any such claim by Amerril would, however require a lawsuit by Amerril against Sun Delta and Sun Delta would have all of its rights and defences in such a lawsuit. The Group has recognised a US$500,000 (2019: US$500,000) liability as part of trade and other payables.

On 18 April 2017, Sun Delta Inc received a Notice of Demand from Amerril.

This Notice informed Sun Delta Inc of a judgement obtained by Weatherford Inc. against Amerril for more than US$1,000,000 in January 2017. The Notice demanded that Sun Delta Inc. pay Amerril US$500,000 within 15 days, in accordance with terms of a Settlement Agreement executed between Sun Delta Inc. and Amerril on the 8 May 2015. In terms of the Notice Amerril also reserved its rights to possibly take further legal action. Sun Delta Inc. has no operating assets, cash or leases and has no capacity to make any payment. Any potential liability to the Prominence Group is limited to the subsidiary Sun Delta Inc. Therefore, there is a potential claim by Amerril against Sun Delta Inc. for an amount in excess of the $500,000 already provided. This contingent liability has been noted in Note 19.

9. Borrowings

	1 July 2019	Cash Flows		Non-cash changes			30 June 2020
		Drawdown	Repayment	Interest Accrual	Fair Value Changes	Conversion to shares	
Credit card facility	-	16,398	-	-	-	-	16,398
Director Loans	$108,494	80,000	(75,000)	10,259	-	(20,204)	$103,549
Convertible Notes	$1,166,850	325,000	-	111,147	(50,000)	(17,780)	$1,535,217
Derivative Liability	-	-	-	-	50,000	-	$50,000
Total Liabilities from financing Activities	$1,275,344	421,398	(75,000)	121,406	-	(37,984)	1,705,164

		Consolidated	
		2020	2019
		$	$
Short-term borrowings			
Convertible Notes	a)	1,535,217	1,166,850
Derivative liability	b)	50,000	-
Loans from related Parties	c)	103,549	108,494
Short-term loan facility		16,398	-
Current liability		**1,705,164**	**1,275,344**

a) Convertible Notes

	Consolidated	
Reconciliation of movement in convertible notes	2020	2019
	$	$
Movement in convertible notes on issue		
Balance at the beginning of the year	957,806	957,806
Issued during the year	275,000	-
Capitalised borrowing costs	(17,780)	-
Accreted interest	50,000	-
	1,265,026	957,806
Movement in interest payable on convertible notes on issue		
Balance at the beginning of the year	209,011	161,154
Interest on convertible notes for the period	61,180	47,890
	270,191	209,011
	1,535,217	1,166,850

9. Borrowings (Continued)

b) Derivative Liability

On 30 June 2020, the Group recognised a derivative liability of $50,000 in respect to its convertible notes. The movement in the derivative liability for the year ended 30 June 2020, was as follows:

	Consolidated	
	2020	**2019**
	$	**$**
Opening Balance	-	-
Embedded derivative at inception of notes issued during the year	50,000	-
Fair value through profit or loss	-	-
Effect of foreign currency translation at period end	-	-
Closing balance	**50,000**	**-**

The Group classifies its derivative liabilities at fair value through profit or loss (FVTPL) on initial recognition. The derivatives are re-measured to fair value at each balance date and any movement in that fair value is taken directly to the income statement.

Winform Convertible Loan Facility

On 18 February 2015 the Company entered into a convertible loan facility agreement, (Loan Agreement) with Winform Nominees Pty Ltd (Winform), a subsidiary of Hancock Prospecting Pty Ltd under which Winform would loan A$957,806 to the Company.

The Winform Nominees Pty Ltd ("Winform") convertible loan is classified as a current liability due to a significant restructuring of the terms of the loan in September 2017, where it was agreed to:

- extend the date for repayment of the Loan to 31 March 2021; and
- allow Prominence to raise up to A$10 million in new funds for working capital for the appraisal and development of the Bowsprit Oil Project before repayment became due.

The Company accrues interest of 5% per annum.

Subject to the Company obtaining prior shareholder approval, Winform may elect to receive repayment of the loan through the issue of fully paid ordinary shares in the capital of Prominence, instead of cash, to be calculated on the date of conversion by dividing the outstanding sum by the lesser of:

- the price per share under a Qualifying Capital Raising; or
- a price per share equal to the VWAP of the shares for the five ASX trading days prior to the repayment date noted above.

The Company had previously entered into a Security Pledge Deed under which the Company had granted Winform security over the shares in the subsidiary, Sun Eagle Ford LLC which used to hold the expired leases in the Badger Oil Project.

9. Borrowings (Continued)

Subsequent to 30 June 2020

In August 2020 the Company has reached an agreement with Winform Nominees Pty Ltd (ACN 152 706 717) (**Winform**) in respect of the loan the subject of the Converting Loan Agreement entered into in February 2015 that is repayable on the earlier of 31 March 2021 and the Company entering into a “Transaction” (capital raising of at least $15 million or takeover). Due to the delay in the Company finalising a farm-out of its interest in the Bowspirit Project due to COVID-19, the debt the subject of the Converting Loan Agreement has been restructured in a deal that is acceptable to both parties. Under this deal, Winform has agreed to accept the following in consideration of releasing the Company of its obligations under the Converting Loan Agreement and as consideration for the release of the security provided for the loan:

- $150,000 payable by the Company to Winform from the proceeds of the Rights Issue.
- the issue by the Company of 15 million Options (exercise price of 2c per option, expiry date of 1 October 2023; and
- a 1% royalty granted by its subsidiary, Sun Louisiana LLC, on the Company’s net production of hydrocarbons produced from the Bowsprit Project.

Convertible Loan Agreements with Related Parties

In December 2019 the Company entered into a convertible loan facility agreement, (Director Con Note) with related party of Director Patric Glovac, GTT Global Opportunities Pty Ltd for an amount of $125,000. The Company entered into a convertible loan facility agreement, (Director Con Note) with related party of Director Patric Glovac, GTT Global Opportunities Pty Ltd for a further $25,000. In May 2020 the Company entered into a convertible loan facility agreement, (Director Con Note) with Director and Chairman, Ian McCubbing for an amount of $50,000.

The terms of the agreements is as follows:

- Coupon rate of 10%
- Conversion price - either a twenty percent (20%) discount to VWAP of the five (5) trading days immediately preceding the date of issue of the Conversion Notice by the Noteholder or a 20% discount to the share-price achieved for an equity-based capital raising conducted during the term of the note.
- Repayment date 30th September 2020

On 10th July 2020 $175,000 in Convertible Notes were converted to shares at a price of 0.4cents per share in accordance with the terms of the Convertible Note Agreements. The Convertible Notes were held by major shareholders, the Company’s corporate advisor GTT and Chairman, Mr Ian McCubbing.

Convertible Loan Agreements with Shareholders

In December 2019 the Company entered into a convertible loan facility agreement, (Con Note Agreement) with Shareholders, Bellarine Gold Pty Ltd and Fast Lane Australia Pty Ltd under which the shareholders would loan A$125,000 to the Company.

The terms of the agreements is as follows:

- Coupon rate of 10%
- Conversion price - either a twenty percent (20%) discount to VWAP of the five (5) trading days immediately preceding the date of issue of the Conversion Notice by the Noteholder or a 20% discount to the share-price achieved for an equity-based capital raising conducted during the term of the note.
- Repayment date 30th September 2020

On 10th July 2020 $125,000 in Convertible Notes were converted to shares at a price of 0.4cents per share in accordance with the terms of the Convertible Note Agreements. The Convertible Notes were held by major shareholders.

c) Director Loans

As at 30 June 2020 The Directors, Mr I McCubbing, Mr W Bloking and Mr A Parks had loaned a total of $92,500 to the Company as short term loans for working capital. $5,204 was repaid and $10,000 was converted to shares during the year and the interest accrued. $103,549 remains owing to the Directors. The loans have the following terms:

- Interest 10% per annum (payable on repayment of loan)
- Total Principal Loan Amount $92,500
- Repayment Date – 30 September 2021or after receipt of adequate funds from any equity capital raising
- Maximum Gross Borrowing $92,500

10. Contributed Capital

	Consolidated	
	2020	2019
a Contributed Capital	$	$
1,319,557,588 fully paid ordinary shares (2019: 881,057,588)	126,879,386	126,052,386
Cumulative issue costs of share capital	(6,396,018)	(6,265,518)
	120,483,368	**119,786,868**

b Movements in shares on issue	Date	Number of Shares	Capital $
2020			
Ordinary shares			
Opening balance	1 July 2019	881,057,588	119,786,868
Share Placement (1)	18 July 2019	60,000,000	120,000
Share Placement	31 July 2019	15,000,000	30,000
Share Placement (2)	26 August 2019	363,500,000	727,000
Issue costs of share capital	-	-	(130,500)
Closing balance		**1,319,557,588**	**120,483,368**

Note 1: $30,000 in equity funds were received in the prior year 2019.

Note 2: Including issue of 35,000,000 shares at $0.002 per share in lieu of services received and Loan repayments.

	Date	Number of Shares	Capital $
2019			
Ordinary shares			
Opening balance	1 July 2018	756,432,588	119,257,280
Share Placement (Note 2)	5 November 2018	49,125,000	196,500
Loan Conversion	2 January 2019	25,000,000	100,000
Share Placement	2 January 2019	31,750,000	127,000
Share Placement	15 May 2019	18,750,000	75,000
Issue costs of share capital			(18,912)
Shares to be Issued (Note 1)			50,000
Closing balance		**881,057,588**	**119,786,868**

Note 1: The company received $30,000 in cash direct to its bank account with respect to the capital raising post 30 June 2019. The shares were issued in July 2019.

Note 2: Including issue of 12,375,000 shares at $0.004 per share in lieu of services received.

11. Share Based Payments Reserve

In the current year the cumulative reserve was $12,995,772 (2019: $12,811,165).

	Consolidated	
	2020 $	**2019 $**
Opening Balance	12,811,165	12,807,416
Placement options reserve	151,794	-
Performance Rights Issue	32,813	3,749
Cancellation of unlisted options	-	-
Closing balance	**12,995,772**	**12,811,165**

Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees and others but not exercised.
- the grant date fair value of shares issued to employees and others.
- the grant date fair value of performance options issued to third parties to acquire the Delta Oil Project.

12. Foreign Exchange Translation Reserve

In the current year the cumulative reserve was $17,868,930 (2019: $17,914,013)

	Consolidated	
	2020 $	**2019 $**
Opening Balance	17,914,013	17,947,512
Foreign currency translation	(45,083)	(33,499)
Closing balance	**17,868,930**	**17,914,013**

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 1(E) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investments is disposed of.

13. Options Over Unissued Shares

Options

Date Options granted	Expiry date	Exercise price of Options	Number of Options	Vested
Listed Options				
19 October 2016	19 October 2020	$0.01	393,842,846	393,842,846

14. Capital and Leasing Commitments

Exploration expenditure commitments

The Company has joint venture and statutory expenditure commitments on its areas of interest as at 30 June 2020.

	Consolidated	
	2020 $	**2019 $**
Within one year	146,525	163,500
Later than one year, but not later than five years	-	-
	146,525	**163,500**

Oil Projects Lease Renewal

The Company held the following net lease acres at the 30 June 2020:

	Net Acres 30 June 2020	**Net Acres 30 June 2019**
50% Bowsprit Oil Project SL21754 & SL21787	577	577

15. Share-based Payments

(a) Performance Rights issued in the prior year

The Company has issued 22,500,000 performance rights to Mr. Alexander Parks on the following terms:

Number of rights issued	: 22,500,000
Grant Date	: 30 November 2017
Expiry/Exercise date	: 30 November 2022
Exercise price	: Nil
Rights life	: 5 years
Value at grant date	: $0.003

One performance right can be converted into one ordinary share.

The total fair value of the performance rights was calculated to be $90,000 at grant date ($0.003 per right) which is the spot share price at grant date. This share based expense will be apportioned over the estimated period to achieve the various milestones.

The performance rights will vest on achieving the following milestones in the Bowsprit Oil Project:

Tranche A – successful farming out of the first well
Tranche B – spudding of first well by 31 December 2018
Tranche C – achieving 60 days of commercial production within 75 days

The Company has assessed the probability of achieving these milestones by the exercise date and the date when they will be achieved as follows:

Tranche A – 31 December 2020
Tranche B – Lapsed
Tranche C – 30 June 2021

As a result the Company has recognised share based payments of $3,749 during the period:

Tranche A – $32,813 (2019: $3,749)
Tranche C – $Nil

The probability is reassessed at each reporting date.

16. Related Party Transactions

a Parent entity

Transaction between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

b Subsidiaries

Interests in subsidiaries are set out in Note 21.

	Consolidated	
c Director and other key Management personnel compensation	**2020 $**	**2019 $**
Short-term employee benefits - paid	326,957	150,000
Short-term employee benefits – accrued and unpaid	110,773	274,782
Post-employment benefits	21,335	14,250
Share-based payments	74,813	3,749
	533,878	**442,781**

Loans from subsidiaries and loans from Directors and Executives

The Directors have loaned the Company the following during the year ended 30 June 2020:

- I McCubbing $45,000 at 10% per annum. On 19th August 2019 $35,000 was repaid and $10,000 on 22nd August 2019 converted to fully paid ordinary shares in the Company as repayment and the interest has been accrued. Loans remaining amount to $67,500 and are subject to the repayment terms below.
- W Bloking $25,000 at 10% per annum. On 19th August 2019 $25,000 was repaid and on 22nd August 2019. $10,000 was converted to fully paid ordinary shares in the Company as repayment and the interest has been accrued. Loans remaining amount to $15,000 and is subject to the repayment terms below.
- A Parks $Nil at 10% per annum. On 23rd September 2019 $5,000 together with Interest was repaid on a loan fro previous year. There are no loans remaining.

Repayment Date of above loans –. All Directors have agreed to defer repayment of the above loans until– 30 September or after receipt of adequate funds from any equity capital raising
See Note 9 for details on loans to the company by Directors.

Repayment Date of above loans – 31 December 2021 or after receipt of funds from any equity capital raising, of greater than $1,000,000, by the Company.

All Directors have agreed to defer repayment of accrued salary, Directors fees and loans until the Company has completed a capital raising.

- I McCubbing has loaned the Company $50,000 via convertible note facility agreement.

The terms of the convertible note agreement is as follows:

- Coupon rate of 10%
- Conversion price - either a twenty percent (20%) discount to VWAP of the five (5) trading days immediately preceding the date of issue of the Conversion Notice by the Noteholder or a 20% discount to the share-price achieved for an equity-based capital raising conducted during the term of the note.
- Repayment date 30th September 2020

- Patric Glovac, via GTT Global Opportunities Pty Ltd, has loaned the Company $150,000 via convertible note facility agreement.

The terms of the convertible note agreement is as follows:

- Coupon rate of 10%
- Conversion price - either a twenty percent (20%) discount to VWAP of the five (5) trading days immediately preceding the date of issue of the Conversion Notice by the Noteholder or a 20% discount to the share-price achieved for an equity-based capital raising conducted during the term of the note.
- Repayment date 30th September 2020

The Directors loaned the Company the following during the year ended 30 June 2019:

- I McCubbing $142,500 at 10% per annum. On 3rd January 2019 $50,000 was converted to fully paid ordinary shares in the Company as repayment and the interest has been accrued. On 14th May $25,000 was also repaid and interest accrued.
- W Bloking $75,000 at 10% per annum. On 3rd January 2019 $50,000 was converted to fully paid ordinary shares in the Company as repayment and the interest has been accrued.
- A Parks $5,000 at 10% per annum

Detailed remuneration disclosures are provided in the remuneration report on pages 10-15.

17. Financing Arrangements

The Group and parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated	
	2020 $	**2019 $**
Amounts unused:		
Credit card facilities	43,600	59,935
Amounts used:		
Credit card facilities	16,400	65

18. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the performance of the Group. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures; preferring instead to hold money in bank accounts in the country and currency where significant expenditure is expected to be incurred. Projected capital expenditure on exploration and production will be funded by cash and capital raising (if required).

Risk management is carried out by the Executives of the Group and approved by the board of Directors.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, leases and shares.

The Group holds the following financial instruments:

	Consolidated	
Financial Assets	**2020 $**	**2019 $**
Cash and cash equivalents	58,501	40,136
Other receivables	27,599	29,992
	86,100	**70,128**
Financial Liabilities		
Payables	1,706,111	1,609,505
Borrowings	1,705,164	1,275,344
Total Payables	**3,411,275**	**2,884,849**

18. Financial Risk Management (continued)

a Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management have established a policy requiring Group companies to manage their foreign exchange risk against their functional currency and hold money in bank accounts in the country and currency where significant expenditure is expected to be incurred.

The Group's exposure to foreign currency risk at the reporting date is negligible as the USD cash balance is immaterial.

Cash flow and fair value interest rate risk

Group

To ensure that the Group has adequate liquidity, detailed cash flow analysis is completed on a monthly basis. The risk is immaterial because cash and borrowings subject to variable interest rates are immaterial.

b Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently related parties with a minimum rating of "A" are accepted. Customers are reviewed taking into account their financial position, past experience and other factors for compliance with credit limits. Historically, the Group has not had any issues with credit quality and late payment.

c Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

Maturities of financial assets and liabilities

2020 Consolidated

	Note	Floating interest rate (i) 0-6 Months	Fixed interest rate 0-6 months	Fixed interest rate more than 12 months	Non-interest bearing 0-6 months	Non-interest bearing 7-12 months	Total	Carrying amount as at 30 June 2019	Average interest rate Floating (i)	Average interest rate Fixed
		$	$	$	$	$	$	$	%	%
Financial assets										
Cash assets	5	58,501	-	-	-	-	58,501	58,501	0.75%	-
Other receivables	5	-	-	-	-	27,599	27,599	27,599	-	-
		58,501	**-**	**-**	**-**	**27,599**	**86,100**	**86,100**	**-**	**-**
Financial liabilities										
Payables	8	-	-	-	1,706,111	-	1,706,111	1,706,111	-	-
Borrowings	9	-	1,705,164	-	-	-	1,705,164	1,705,164	-	7.5%
		-	**1,705,164**	**-**	**1,706,111**	**-**	**3,411,275**	**3,411,275**		
Net financial assets/ (liabilities)		**58,501**	**(1,705,164)**	**-**	**(1,706,111)**	**27,599**	**(3,325,175)**	**(3,325,175)**		

18. Financial Risk Management (continued)

2019 Consolidated

	Note	Floating interest rate (i) 0-6 Months	Fixed interest rate 0-6 months	Fixed interest rate more than 12 months	Non-interest bearing 0-6 months	Non-interest bearing 7-12 months	Total	Carrying amount as at 30 June 2018	Average interest rate Floating (i)	Average interest rate Fixed
		$	$	$	$	$	$	$	%	%
Financial assets										
Cash assets	5	40,136	-	-	-	-	40,136	40,136	0.5	-
Other receivables	5	-	-	-	-	29,992	29,992	29,992	-	-
		40,136	**-**	**-**	**-**	**29,992**	**70,128**	**70,128**		
Financial liabilities										
Payables	8	-	-	-	1,609,605	-	1,609,505	1,609,505	-	-
Borrowings	9	-	108,494	1,166,850	-	-	1,275,344	1,275,344	-	7.5
		-	108,494	1,166,850	**1,609,505**	**-**	**2,884,849**	**2,884,849**		
Net financial assets/ (liabilities)		**40,136**	**(108,494)**	**(1,166,850)**	**(1,609,505)**	**29,992**	**(2,814,721)**	**(2,814,721)**		

d Fair value measurement of financial instruments

i Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision for trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The carrying value of the borrowings is equal to the fair value cash flows at the reporting date.

ii Fair value hierarchy

During the year ended 30 June 2020, there were no transfers between levels 1 and 2 for recurring fair value measurements during the year. There were also no transfers into or out of level 3 during the year.

Level 1: the fair value of financial instruments traded in active markets is based on quoted market prices at the end of the market period.
Level 2: the fair value of financial instruments not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.
Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The convertible loan with Winform and the investment in Pinnacle is determined as level 3 (Note 18). A significant input is not based on observable market data. Refer below for further detail of the valuation technique.

18. Financial Risk Management (continued)

iii Recognised fair value measurements

The following financial instruments are subject to recurring value measurements:

	Consolidated	
	2020 **$**	**2019** **$**
Derivative liability of the convertible loan (Level 2)	**50,000**	**-**
Investment in Pinnacle (Level 2)	**-**	**12,762**

19. Contingencies

Other than the potential claim from Amerril for an amount in excess of $500,000 as described in Note 8, there are no other contingent liabilities or assets as at 30 June 2020.

20. Parent Entity Information

The following details information related to the parent entity, Prominence Energy NL at 30 June 2020. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Parent	
	2020 $	2019 $
Current assets	85,086	88,721
Non-current assets	18,282	(291,429)
Total assets	**103,368**	**(202,708)**
Current liabilities	2,307,920	634,339
Non-current liabilities	-	1,166,850
Total liabilities	**2,307,920**	**1,801,189**
Contributed equity	120,483,368	119,786,870
Accumulated losses	(135,683,402)	(134,601,930)
Share based payment reserve	12,995,482	12,811,165
Total equity/ (deficiency)	**(2,204,552)**	**(2,003,895)**
Loss for the year	(1,081,462)	(1,145,983)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive loss for the year	**(1,081,462)**	**(1,145,983)**

21. Investment in Controlled Subsidiaries

Prominence Energy NL and its subsidiaries:		**Country of Incorporation**	**2020 Equity Holding %**	**2019 Equity Holding %**
Prominence Energy NL (parent entity)	a	Perth, AU	100	100
Sun Resources (Investments) Pty Ltd	b	Perth, AU	100	100
Sun Shale Ventures Inc.	c	Texas, USA	100	100
Sun Delta Inc.		Colorado, USA	100	100
Sun Beta LLC		Colorado, USA	100	100
Sun Woodbine Inc.		Texas, USA	100	100
Sun Eagle Ford LLC		Texas, USA	100	100
Sun Operating LLC		Texas, USA	100	100
Sun Southern Woodbine LLC		Texas, USA	100	100
Sun Louisiana LLC	d	Louisiana, USA	100	100

a) The ultimate parent entity is Prominence Energy NL.
b) Sun Resources (Investments) Pty Ltd carries out general investment activities.
c) Sun Shale Ventures Inc. is the US parent entity.
d) Sun Louisiana LLC holds rights to leases for Bowsprit Oil Project.

All of the above subsidiaries are economically dependent on Prominence Energy NL.

22. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Parent	
	2020 $	**2019 $**
a Audit services		
Audit and review of financial reports	**27,000**	**37,982**
Total remuneration for audit services	**27,000**	**37,982**
b Non-audit services		
Compliance services	**-**	**10,200**
Total remuneration for non-audit services	**-**	**10,200**

The Group's policy does not employ HLB Mann Judd on assignments additional to their statutory audit duties unless it is where HLB expertise and experience to the Group are important. It is the Group's policy to seek competitive tenders for tax compliance and all major consulting projects.

23. Loss per Share

	Parent	
	2020 $	**2019 $**
Loss used to calculate basic loss per share	**(1,036,379)**	**(1,066,655)**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**1,271,889,555**	**821,559,300**

Diluted loss per share is not reflected as the result is currently anti-dilutive in nature.

24. Events after the Reporting Date

The following material events occurred subsequent to the end of the year:

Capital Raising

In July 2020, the Company placed 30,000,000 shares at 0.5c per share to raise $150,000 before costs. 15,000,000 free attaching Options were agreed to be issued with the placement shares on the basis of 1 option for every 2 shares. The Options have an exercise price of 2c and an expiry date of 1 September 2023. Issue of the options is subject to shareholder approval at the next AGM.

Conversion of Convertible Notes

On 10th July 2020 $300,000 in Convertible Notes were converted to shares at a price of 0.4cents per share in accordance with the terms of the Convertible Note Agreements. The Convertible Notes were held by major shareholders, the Company's corporate advisor GTT and Chairman, Mr Ian McCubbing.

Non-renounceable Rights Issue

On 8 September 2020, the company issued a prospectus for a pro rata non-renounceable entitlement issue on the basis of one (1) New Share for every one (1) existing Share held at an issue price of $0.005 per New Share. The Offer included one free attaching option for every two shares subscribed for. The Options will have an exercise price of $0.02 and an expiry date of 1 September 2023. The Offer will raise up to $1.2 million (before expenses). The Rights Issue will close on 30 September 2020. Any shortfall shares will be placed by GTT Ventures in the subsequent weeks to complete the full raising.

24. Events after the Reporting Date (Continued)

Winform Converting Loan Agreement

In August 2020 the Company has reached an agreement with Winform Nominees Pty Ltd (ACN 152 706 717) (**Winform**) in respect of the loan the subject of the Converting Loan Agreement entered into in February 2015 that is repayable on the earlier of 31 March 2021 and the Company entering into a “Transaction” (capital raising of at least $15 million or takeover). Due to the delay in the Company finalising a farm-out of its interest in the Bowspirit Project due to COVID-19, the debt the subject of the Converting Loan Agreement has been restructured in a deal that is acceptable to both parties. Under this deal, Winform has agreed to accept the following in consideration of releasing the Company of its obligations under the Converting Loan Agreement and as consideration for the release of the security provided for the loan:

- $150,000 payable by the Company to Winform from the proceeds of the Rights Issue.
- the issue by the Company of 15 million Options (exercise price of 2c per option, expiry date of 1 October 2023; and
- a 1% royalty granted by its subsidiary, Sun Louisiana LLC, on the Company’s net production of hydrocarbons produced from the Bowsprit Project.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Prominence Energy NL (the "Company"):

   a) the consolidated financial statements and notes that are set out on pages 20 to 51 and the Remuneration report on pages 8 to 15 in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.

3. The Directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with the resolution of the Directors:

Mr Ian McCubbing
Chairman
Perth, Western Australia
30 September 2020

INDEPENDENT AUDITOR'S REPORT
To the members of Prominence Energy NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prominence Energy NL ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of deferred exploration and evaluation expenditure Refer to Note 6	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised deferred exploration and evaluation asset, as this is the most significant asset of the Group. We planned our work to address the audit risk that the capitalised expenditure might no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of the deferred exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: • We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; • We considered the Directors' assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for the year ending 30 June 2020 and discussed with management the nature of planned ongoing activities; • We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; and • We examined the disclosures made in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual financial report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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 the directors 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 the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Prominence Energy NL for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
30 September 2020

B G McVeigh
Partner

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