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22 May 2020

ASX Query Response

Request for Information

In light of the Half Year Accounts and the Auditor's Report, the March 2020 Quarterly Activities Information, the Appendix 5B Information and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is PRM able to confirm that in the Directors' Opinion the Half Year Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of PRM's financial performance and position?

Response - On page 7 of the Half Year Accounts the Directors declare that the Half Year Accounts have been prepared to comply with the relevant Accounting Standards and give a true and fair view of PRM's financial performance and position at the time of publication.

2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that PRM could continue as a going concern.

Response - The factors considered by the Directors with respect to going concern are detailed in Note 1 on Page 14 of the Half Year Accounts. Additional information on the Trade and Other Payables is detailed in Note 5 on Page 17 of the Half Year Accounts.

3. Does PRM consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this:
 - 3.1 please explain the basis for this conclusion; and
 - 3.2 please comment on the nature of the PRM's current business activities.

Response – Yes, the Company's level of operations is sufficient to warrant continued quotation of its securities on ASX

3.1 Response –the Company has in the last 9 months expended \$303,030 on:

- *Advancing the Bowsprit Project to be ready for drilling by securing the relevant drilling permits and ensuring the Bowsprit-1 well is fully permitted for drilling in the period up to December 2020;*
- *Engaging an independent reserves evaluator to assess the Bowsprit field in the USA, resulting in the Bowsprit asset being upgraded from contingent resources to reserves; The Reserves evaluator estimates initial production will be ~50,000bbls per month.*
- *Commencing a farm-out process with a number of interested parties across multiple countries resulting in final stage documents with a prospective farm-in partner just prior to*

the COVID-19 downturn, that would have seen the company potentially drilling as early as June 2020;

- *Ongoing discussions with additional prospective farminees, that may result in further offers;*
- *Finalising discussions and an agreement to buy out the 50% partner in the project; and*
- *Appointing a Corporate Advisor to raise funds as required.*

3.2 Response

- *Based on discussions with the prospective farminees the Company believes that once the markets stabilise, as the health crisis conditions ease, it should be possible to conclude agreements with a farm-out/drilling partner for the project and move quickly to drilling the project;*
- *It is to be noted that the USA is a low cost drilling environment and the remaining activities required to achieve a drilling start will require minimal investment.*

4. In light of PRM's cash balance at 31 March of \$9,000 and estimated quarters funded of '0', does PRM consider that its financial condition is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion.

Response – The Directors continue to believe that the Company's financial position is sufficient to warrant continued listing on the ASX. Please see below for the detailed basis for this conclusion, and refer to ASX Announcement of 22 May 2020 regarding the Company's forward plan.

Immediate Cash Position

The Company confirms an immediate \$75,000 in short term loans from Mr Ian McCubbing (Chairman) and GTT Ventures (Corporate Advisor). The Directors confirm that this amount is sufficient to fund the current quarter.

Cost cutting measures

The Company has implemented the following cost cutting measures until a farm-out deal is announced:

- *The CEO is on 50% salary, with 50% deferred;*
- *The CFO is on a capped fee, with the remainder deferred, which is a 35% reduction in cost;*
- *The Non-Executive Directors, and Corporate Adviser have agreed to a suspension in fees;*
- *The Convertible Note holders (Major Shareholders) have agreed to an extension of the repayment date to 30 September 2020.*
- *Historical fees and salary owed to the CEO, CFO and Directors will not be paid until post farm-out, and until the Company has adequate financial resources.*
- *Further reduction in overheads and administration costs, include the redundancy of an engineer, and the minimising of fixed costs to \$75,000 for the current quarter and a similar amount for quarter three.*

Expected Project expenditure requirements

The Bowsprit project is a low CAPEX, low OPEX project. As the well is fully permitted, drilling planning advanced, and reserves evaluation completed, the Company's project related costs are expected to be minimal, until the farm-out deal is executed and there is a move to drilling operations anticipated within months thereafter.

New Capital

The Company is currently planning the following activities to raise funds:

- *Consolidation of the Company's shares on a 10:1 basis. The notice of meeting for an EGM will be dispatched within the week and the meeting held in the week of 29th June 2020.*
- *Raise further capital from an underwritten rights issue in July 2020:*
 - *The Company has written confirmation of \$200,000 in firm support for a capital raising from existing major shareholders.*
 - *The total raise is intended to be at least \$350,000 of working capital with additional funds for operations if a farm-out deal has been announced.*
 - *This raising will be announced and executed in early July once the share consolidation has taken effect and there has been a few trading days to establish a post consolidation price.*
 - *The Company's Corporate advisor has indicated an underwriting will likely be possible once the terms and price of the capital raising are firm.*

On the basis of the cost saving measures implemented, the planned capital raisings, and likelihood of a farm-out agreement in the coming months, the Directors are of the opinion that the Company has adequate funding arrangements in place to at least 30 September 2020.

5. If the answer to questions 3 or 4 is "No", please explain what steps PRM has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.

Response – Not Applicable

6. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of PRM's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of PRM have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of PRM and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?

Response – the Board received the CFO and CEO declaration.

7. If the answer to Question 6 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of PRM's Corporate Governance Disclosure?

Response – Not Applicable

8. What enquiries did the Board make of management to satisfy itself that the financial records of PRM have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of PRM?

Response - The Board maintains an Audit and Risk sub-committee, and the Board is in regular communication with management. Management prepares the financial reports which are externally Audited. The Audit and Risk committee oversees the preparation, review, and approval of the Company's financial reports.

9. Commenting specifically on the material uncertainty related to going concern, does the board consider that PRM has a sound system of risk management and internal control which is operating effectively?

Response - The Board considers that the Company has a sound system of risk management and internal control that is operating effectively.

10. Please confirm that PRM is complying with the Listing Rules and, in particular, Listing Rule 3.1.

Response – The Company confirms it is in compliance with the Listing rules.

11. Please confirm that PRM’s responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of PRM with delegated authority from the board to respond to ASX on disclosure matters

Response – The Company confirms the above responses have been approved by the Managing Director, CFO/Company Secretary and Chairman of the Company with delegated authority of the Board in accordance with its continuous disclosure policy.

Yours faithfully

PROMINENCE ENERGY NL



Jo-Ann Long
Company Secretary

For further information please contact Prominence Energy at:

Web: www.prominenceenergy.com.au
Phone: +61 8 9321 9886
Email: admin@prominenceenergy.com.au



8 May 2020

Reference: 17868

Ms Jo-Ann Long
Company Secretary
Prominence Energy NL

By email

Dear Ms Long

Prominence Energy NL ('PRM'): Financial Condition Query

ASX refers to:

- A. PRM's half year accounts for the half year ended 31 December 2019 lodged with ASX announcements platform ('MAP') and released on 16 March 2020 ('Half Year Accounts').
- B. ASX notes that the Independent Auditor's Report attached to the Half Year Accounts ('Auditor's Report') contains a material uncertainty related to going concern.
- C. The notes to the financial statements in the Half Year Accounts include the following:

at Note 1 'Basis of Preparation of Half-Year Financial Statements':

"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 and key management of Prominence have agreed to defer payment of fees and short-term working capital loans to an aggregate amount of A\$394,284.

In addition to the above, to enable the Group to continue its activities, the Group will seek to raise additional funds through equity and/or debt. During the half-year ended 31 December 2019, the Group raised capital of \$827,500. 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 half year financial report."

- D. PRM's Quarterly Activities Report for the quarter ended 31 March 2020 lodged with MAP and released on 30 April 2020 ('March 2020 Quarterly Activities Report') which, among other things, disclosed that:

"During the Coronavirus period the Company has taken measures to minimise expenditure. The Non-executive Directors are not drawing salaries, and other cost saving measures have been implemented to minimise outgoings. The Managing Director will only draw 50% of salary, and CFO has also agreed to a reduction in fees, with the balance of salaries deferred until a farm-out is achieved. The deferred salaries will be either paid in cash or shares or a combination (subject to Shareholder approval) if/when a successful farm out of the Company's Bowsprit project is achieved.

PRM held cash of \$9,000 at the end of the March 2020 Quarter.

Cash expenditure is forecast to be in the order of \$100,000 for the July quarter. The Company's two major Shareholders have provided letters stating it is their intention to support the company to remain a going concern in the interim, until the Company can raise funds in an orderly market or execute a farm-out."

(‘March 2020 Quarterly Activities Report Information’)

- E. PRM’s Appendix 5B lodged lodged with MAP and released on 30 April 2020 which, among other things, includes at Item 4.6, cash and cash equivalents at the end of the quarter in the amount of \$9,000, at item 8.7 estimated quarters of funding available of ‘0’ and at Item 8.8, the following statements:

- *“The company is in the project development phase and does not yet have production revenue. The Company relies on capital raisings to fund ongoing operating costs until production is established. Funds may also be secured via farm out.”*
- *“The Company is preparing to raise capital as soon as markets stabilise. The company is in active discussions with prospective farm in partners.”*
- *“The company has radically reduced operating costs, until a capital raising is executed. The directors and major shareholders have supported the Company in the last 12 months with capital as required and intend to support until a capital raise or farm-out can be executed.”*

(the ‘Appendix 5B Information’).

- F. PRM’s Corporate Governance Statement for 2019 lodged on the ASX Market Announcements Platform on 1 November 2019 which provides confirmation that PRM complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

“The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.”

- G. Listing Rule 12.1 which states:

12.1 The level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant the continued +quotation of the entity’s +securities and its continued listing.

- H. Listing Rule 12.2 which states:

12.2 An entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

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 5. If the answer to questions 3 or 4 is "No", please explain what steps PRM has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
 6. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of PRM's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of PRM have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of PRM and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
 7. If the answer to Question 6 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of PRM's Corporate Governance Disclosure?
 8. What enquiries did the Board make of management to satisfy itself that the financial records of PRM have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of PRM?
 9. Commenting specifically on the material uncertainty related to going concern, does the board consider that PRM has a sound system of risk management and internal control which is operating effectively?
 10. Please confirm that PRM is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 11. Please confirm that PRM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of PRM with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and PRM's response to the market. Accordingly, PRM's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **2:00 PM AWST Friday, 22 May 2020**.

Any response should be sent to me by return email at ListingsCompliancePerth@asx.com.au. It should not be sent to the ASX Market Announcements Office.

Enquiries

If you have any queries regarding any of the above, please contact me.

Yours sincerely

Simon Barcham
Listings Compliance (Perth)