



**ABILENE OIL AND GAS LIMITED**

**ABN 41 000 752 849**

**HALF YEAR FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

# **Abilene Oil and Gas Limited**

## **Contents**

**31 December 2016**

Corporate directory	2
Directors' report	3
Auditor's independence declaration	5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	17
Independent auditor's review report to the members of Abilene Oil and Gas Limited	18

**Abilene Oil and Gas Limited**  
**Corporate directory**  
**31 December 2016**

Directors	Mr Paul Salter (Non-executive Chairman) Mr Craig Mathieson (Non-executive Director) Mr Mordechai Benedikt (Non-executive Director)
Company secretaries	Ms Melanie Leydin Mr Justin Mouchacca
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205 Phone number: (03) 9692 7222
Principal place of business	Level 4 100 Albert Road South Melbourne VIC 3205
Share register	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnson Street Abbotsford VIC 3067 Phone number: 1300 850 505
Auditor	Grant Thornton Audit Pty Ltd The Rialto, Level 30 525 Collins Street MELBOURNE VIC 3000
Stock exchange listing	Abilene Oil & Gas Limited shares are listed on the Australian Securities Exchange (ASX code: ABL)

**Abilene Oil and Gas Limited**  
**Directors' report**  
**31 December 2016**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Abilene Oil and Gas Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

**Directors**

The following persons were directors of Abilene Oil and Gas Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Paul Salter (Non-executive Chairman)  
Mr Craig Mathieson (Non-executive Director)  
Mr Mordechai Benedikt (Non-executive Director)

**Principal activities**

During the financial half-year the principal continuing activities of the consolidated entity consisted of resource exploration and investment in Australia and the USA, with a focus on oil and gas.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$451,061 (31 December 2015: \$368,817).

The increase in loss for the period compared to the previous corresponding period was a result of finance costs relating to additional loans provided to the Company during the half-year period.

**Financial Position**

The net assets of the consolidated entity have decreased by \$272,729 to \$4,224,630 (30 June 2016: 4,497,359). The increase related to additional exploration and valuation expenditure carried out during the half year.

The consolidated entity's working capital, being current assets less current liabilities was a deficit of \$4,268,528 (30 June 2016: \$886,361). The increase in the deficit is largely due to the reclassification of borrowings from non-current borrowings to current borrowings.

**Significant changes in the state of affairs**

During the period the consolidated entity received confirmation from lenders of short term financing arrangements that the loans had been extended.

On 3 August 2016, the consolidated entity entered into a Loan Agreement (Agreement) with a related entity of Mr Paul Salter, MAP Capital Pty Ltd ('MAP'), to secure further short term funding for the Company. Under the Agreement, MAP will provide the Company with an additional \$250,000 loan in order to fund the Company's oil and gas activities and working capital requirements. The loan provided by MAP will bear interest of 8% per annum with a repayment date of 30 April 2017 and is an unsecured loan.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

**Matters subsequent to the end of the financial half-year**

On 31 January 2017, the consolidated entity entered into a Loan Agreement (Agreement) with a related entity of Mr Craig Mathieson, Holdrey Pty Ltd ('Holdrey'), to secure further short term funding for the Company. Under the Agreement, Holdrey will provide the Company with an additional \$200,000 loan in order to fund the Company's oil and gas activities and working capital. The loan provided by Holdrey will bear interest of 8% per annum with a repayment date of 30 April 2017 and is an unsecured loan.

On 2 March 2017, the consolidated entity entered into a Loan Agreement (Agreement) with a related entity of Mr Paul Salter, MAP Capital Pty Ltd ('MAP'), to secure further short term funding for the Company. Under the Agreement, MAP will provide the Company with an additional \$156,000 loan in order to fund the Company's oil and gas activities and working capital requirements. The loan provided by MAP will bear interest of 8% per annum with a repayment date of 30 April 2017 and is an unsecured loan.

**Abilene Oil and Gas Limited**  
**Directors' report**  
**31 December 2016**

The Board is of the view that the terms on which Holdrey and MAP have agreed to provide the facilities are substantially better than those available to the Company from commercial lenders and that the Agreement is otherwise on arms' length terms.

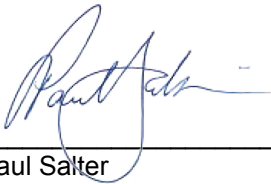
No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Paul Salter', is written over a horizontal line.

Paul Salter  
Non-Executive Chairman

15 March 2017  
Melbourne

The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000

Correspondence to:  
GPO Box 4736  
Melbourne Victoria 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

**Auditor's Independence Declaration**  
**To the Directors of Abilene Oil and Gas Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Abilene Oil and Gas Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



**GRANT THORNTON AUDIT PTY LTD**  
Chartered Accountants



**B. A. Mackenzie**  
Partner - Audit & Assurance

Melbourne, 15 March 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

**Abilene Oil and Gas Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2016**

		<b>Consolidated</b>	
		<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	4	73,922	236,096
<b>Expenses</b>			
Production costs		(65,762)	(71,122)
Employee benefits expense		(108,000)	(61,186)
Administration costs		(9,091)	(8,797)
Corporate costs		(169,588)	(173,487)
Other expenses		(28,782)	(17,225)
Finance costs		(151,684)	(58,591)
Foreign exchange gain/(loss)		10,813	(2,038)
Loss on AFS financial assets		-	(2,486)
Loss on share of associate		(2,889)	(209,981)
<b>Loss before income tax expense</b>		(451,061)	(368,817)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Abilene Oil and Gas Limited</b>		(451,061)	(368,817)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		218,332	226,965
Other comprehensive income for the half-year, net of tax		218,332	226,965
<b>Total comprehensive income for the half-year attributable to the owners of Abilene Oil and Gas Limited</b>		<u>(232,729)</u>	<u>(141,852)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	14	(0.11)	(0.10)
Diluted earnings per share	14	(0.11)	(0.10)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Abilene Oil and Gas Limited**  
**Statement of financial position**  
**As at 31 December 2016**

		<b>Consolidated</b>	
		<b>31 December</b>	
	<b>Note</b>	<b>2016</b>	<b>30 June 2016</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		10,322	85,834
Trade and other receivables		778	12,683
Other		11,941	11,633
Total current assets		<u>23,041</u>	<u>110,150</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	5	6,701,398	6,543,963
Available-for-sale financial assets		7,458	7,458
Exploration and evaluation	6	2,019,853	1,885,721
Total non-current assets		<u>8,728,709</u>	<u>8,437,142</u>
<b>Total assets</b>		<u>8,751,750</u>	<u>8,547,292</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		473,891	441,763
Borrowings	7	3,817,678	554,748
Total current liabilities		<u>4,291,569</u>	<u>996,511</u>
<b>Non-current liabilities</b>			
Borrowings	8	-	2,863,488
Provisions		235,551	189,934
Total non-current liabilities		<u>235,551</u>	<u>3,053,422</u>
<b>Total liabilities</b>		<u>4,527,120</u>	<u>4,049,933</u>
<b>Net assets</b>		<u>4,224,630</u>	<u>4,497,359</u>
<b>Equity</b>			
Issued capital	9	64,101,323	64,141,323
Reserves	10	9,920,014	9,701,682
Accumulated losses		<u>(69,796,707)</u>	<u>(69,345,646)</u>
<b>Total equity</b>		<u>4,224,630</u>	<u>4,497,359</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*



**Abilene Oil and Gas Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2016**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
Balance at 1 July 2015	63,555,507	(68,369,414)	9,608,146	4,794,239
Loss after income tax expense for the half-year	-	(368,817)	-	(368,817)
Other comprehensive income for the half-year, net of tax	-	-	226,965	226,965
Total comprehensive income for the half-year	-	(368,817)	226,965	(141,852)
<i>Transactions with owners in their capacity as owners:</i>				
Capital raising costs	(44,140)	-	-	(44,140)
Balance at 31 December 2015	<u>63,511,367</u>	<u>(68,738,231)</u>	<u>9,835,111</u>	<u>4,608,247</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
Balance at 1 July 2016	64,141,323	(69,345,646)	9,701,682	4,497,359
Loss after income tax expense for the half-year	-	(451,061)	-	(451,061)
Other comprehensive income for the half-year, net of tax	-	-	218,332	218,332
Total comprehensive income for the half-year	-	(451,061)	218,332	(232,729)
Capital raising costs	(40,000)	-	-	(40,000)
Balance at 31 December 2016	<u>64,101,323</u>	<u>(69,796,707)</u>	<u>9,920,014</u>	<u>4,224,630</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Abilene Oil and Gas Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2016**

	<b>Consolidated</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(100,244)	(192,913)
Receipts from customers	-	99,068
Other revenue	3,245	155,283
Interest Received	-	8
Extraction costs	-	(71,122)
Finance costs	(310)	-
	<hr/>	<hr/>
Net cash used in operating activities	(97,309)	(9,676)
<b>Cash flows from investing activities</b>		
Payments for joint venture investment activities	(241,211)	(2,318,407)
Payments for exploration assets	-	(421,855)
	<hr/>	<hr/>
Net cash used in investing activities	(241,211)	(2,740,262)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	250,000	2,796,000
Share issue transaction costs	-	(23,422)
	<hr/>	<hr/>
Net cash from financing activities	250,000	2,772,578
Net increase/(decrease) in cash and cash equivalents	(88,520)	22,640
Cash and cash equivalents at the beginning of the financial half-year	85,834	68,210
Effects of exchange rate changes on cash and cash equivalents	13,008	25,426
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	<u>10,322</u>	<u>116,276</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Abilene Oil and Gas Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 1. General information**

The financial statements cover Abilene Oil and Gas Limited as a consolidated entity consisting of Abilene Oil and Gas Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Abilene Oil and Gas Limited's functional and presentation currency.

Abilene Oil and Gas Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4  
100 Albert Road  
South Melbourne, Victoria 3205

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2017. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Going concern**

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. However, during the half year ended 31 December 2016 the consolidated entity experienced operating losses of \$451,061 (31 December 2015: \$368,817). At 31 December 2016 the consolidated entity had cash and cash equivalents of \$10,322 (30 June 2016: \$85,834) and net current liabilities, being current assets less current liabilities, of \$4,268,528 (30 June 2016: \$886,361). Cash outflows during the half year amounted to \$88,520 compared to 2015 which had inflows of \$22,640. Consequently, a significant uncertainty exists as to the consolidated entity's ability to continue as a going concern.

**Note 2. Significant accounting policies (continued)**

The directors have considered the position of the consolidated entity and the company and consider that the going concern basis is appropriate for the preparation of the financial report due to the following factors:

- the company will continue to be supported by the major shareholders if and when required either through equity raisings or further loan agreements;
- the director related loans and associated interest due within the next 12 months will be extended in the event that the company does not source sufficient funding when the loans fall due;
- At present the consolidated entity has placement capacity to issue 99,403,588 fully paid ordinary shares without shareholder approval. As at 9 March 2017, the consolidated entities share price was \$0.011 and therefore the entity has the ability to raise \$1,093,439 within the existing placement capacity; and
- the oil & gas revenue from the company's Central Kansas Uplift Project will continue to see positive cashflow in the 2017 financial year with expected distribution of profits during the second half of the 2017 financial year.

In the event the consolidated entity is not successful in raising funds via the methods noted above or any other capital raising initiatives, the entity will seek to extend the current loan facilities from the financiers, of which are related entities to the Company's Directors Mr Paul Salter and Mr Craig Mathieson. While there have been no formal agreements to date to extend the loans due within the next 12 months, the consolidated entity is in advanced discussions with the financiers to extend these loans in the event the company is unable to raise funds through the measures listed above.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be incurred should the consolidated entity not continue as a going concern.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors. The Board of Directors has determined that segment reporting does not apply for the current reporting period, and the information in this report is reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Oil & Gas Revenue	70,677	80,805
Royalty	3,245	155,291
Revenue	<u>73,922</u>	<u>236,096</u>

**Abilene Oil and Gas Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 5. Non-current assets - investments accounted for using the equity method**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2016</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Lodestone Resources LLC	6,129,604	5,986,799
Rodinia Resources LLC	571,794	557,164
	<u>6,701,398</u>	<u>6,543,963</u>

During the 2015 financial year, the consolidated entity entered into a joint venture arrangement. A Joint Venture Company was established, Lodestone Resources LLC, which was incorporated in October 2014 with Abilene Oil & Gas Limited owning a 49% shareholding in the entity. Based on the structure of this arrangement the joint venture interest is treated as an investment in associate and accounted for using the equity method of accounting. The carrying value of the consolidated entity's investment in associates represents contributions to the entity for the acquisition of exploration and evaluation prospects and expenditure during the year through its requirement to meet cash calls for future expenditure.

On 16 December 2015 the consolidated entity announced that it had exercised its option to acquire the third and final acreage package in Lodestone Resources LLC for a cost of US\$777,458.

During the 2016 financial year, the consolidated entity established a second Joint Venture entity, Rodinia Resources LLC, which was incorporated during August 2015 with Abilene Oil and Gas Limited owing a 49% shareholding in the entity. The Joint Venture entity has been treated as an investment in associate of which only acquisition costs of US\$413,750 have been recorded as at 31 December 2016.

All of the above associates are accounted for using the equity method in these consolidated financial statements.

**Note 6. Non-current assets - exploration and evaluation**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2016</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation	6,905,067	6,769,280
Less: Impairment	(4,885,214)	(4,883,559)
	<u>2,019,853</u>	<u>1,885,721</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	<b>Exploration &amp; evaluation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 July 2016	1,885,721	1,885,721
Additions	133,785	133,785
Foreign exchange movements	52,990	52,990
Oil & gas revenue	(52,643)	(52,643)
Balance at 31 December 2016	<u>2,019,853</u>	<u>2,019,853</u>

The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

**Note 6. Non-current assets - exploration and evaluation (continued)**

On 21 August 2015 the consolidated entity announced that it had acquired two further Joint Ventures, the Pratt County Prospect and the Rawlins County Prospect. The acquisition costs for the projects were US\$220,667 and \$84,250 respectively and Abilene holds a 49% working interest in both Joint Ventures.

**Note 7. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2016</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loans provided from director related entities	3,500,000	550,000
Interest payable on loans	317,678	4,748
	<u>3,817,678</u>	<u>554,748</u>

On 29 July 2016, the consolidated entity was granted an extension to the current short- term loans provided by a related entity of Mr Paul Salter, MAP Capital Pty Ltd and a related entity of Mr Craig Mathieson, Mathieson Downs Pty Ltd. The loans amounting to \$150,000 (MAP Capital) and \$400,000 (Mathieson Downs) will now have a repayment date of 31 October 2016.

On 3 August 2016, the consolidated entity entered into a further loan agreement with a related party of Mr Paul Salter, MAP Capital Pty Ltd. Under the agreement, the consolidated entity was provided with \$250,000. The loan will bear interest of 8% per annum with a repayment date of 31 October 2016 and is an unsecured loan.

On 28 October 2016, the consolidated entity was granted an extension to above loans which are now repayable by the earlier of 30 April 2017 or a minimum capital raising of \$1,500,000 or such other date that the Lender and Borrower agree in writing.

A total \$2,700,000 of loans (along with the interest payable on the associated loans) have been reclassified as a current liability since 30 June 2016.

The consolidated entity is in advanced discussions with the financiers to extend the loans listed above (refer to note 2).

**Note 8. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2016</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Borrowings	-	2,700,000
Interest payable on loans	-	163,488
	<u>-</u>	<u>2,863,488</u>

The loans listed above have been reclassified as a current liability since 30 June 2016 as the loans and associated interest are due to be repaid within 12 months.

**Abilene Oil and Gas Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 9. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 December 2016 Shares</b>	<b>30 June 2016 Shares</b>	<b>31 December 2016 \$</b>	<b>30 June 2016 \$</b>
Ordinary shares - fully paid	<u>397,614,352</u>	<u>397,614,352</u>	<u>64,101,323</u>	<u>64,141,323</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2016	397,614,352		64,141,323
Capital raising costs		-	-	(40,000)
Balance	31 December 2016	<u>397,614,352</u>		<u>64,101,323</u>

*Capital raising costs*

The capital raising costs listed above relate to an underwriting invoice from the 2015 rights issue.

**Note 10. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 December 2016 \$</b>	<b>30 June 2016 \$</b>
Foreign currency translation reserve	6,831,696	6,613,364
Capital profits reserve	2,887,131	2,887,131
Options reserve	<u>201,187</u>	<u>201,187</u>
	<u>9,920,014</u>	<u>9,701,682</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Option reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Capital profits reserve*

The reserve is used to accumulate realised capital profits. It can be used to pay dividends at a later date.

**Abilene Oil and Gas Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 10. Equity - reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current financial half-year are set out below:

	Foreign currency translation \$	Capital profits \$	Share-based payments reserve \$	Total \$
<b>Consolidated</b>				
Balance at 1 July 2016	6,613,364	2,887,131	201,187	9,701,682
Foreign currency translation	218,332	-	-	218,332
Balance at 31 December 2016	<u>6,831,696</u>	<u>2,887,131</u>	<u>201,187</u>	<u>9,920,014</u>

**Note 11. Contingent liabilities**

The consolidated entity had no contingent liabilities at 31 December 2016 and 30 June 2016.

**Note 12. Commitments**

Further expenditure for exploration and development is at the discretion of the company.

**Note 13. Events after the reporting period**

On 31 January 2017, the consolidated entity entered into a Loan Agreement (Agreement) with a related entity of Mr Craig Mathieson, Holdrey Pty Ltd ('Holdrey'), to secure further short term funding for the Company. Under the Agreement, Holdrey will provide the Company with an additional \$200,000 loan in order to fund the Company's oil and gas activities and working capital. The loan provided by Holdrey will bear interest of 8% per annum with a repayment date of 30 April 2017 and is an unsecured loan.

On 2 March 2017, the consolidated entity entered into a Loan Agreement (Agreement) with a related entity of Mr Paul Salter, MAP Capital Pty Ltd ('MAP'), to secure further short term funding for the Company. Under the Agreement, MAP will provide the Company with an additional \$156,000 loan in order to fund the Company's oil and gas activities and working capital requirements. The loan provided by MAP will bear interest of 8% per annum with a repayment date of 30 April 2017 and is an unsecured loan.

The Board is of the view that the terms on which Holdrey and MAP have agreed to provide the facilities are substantially better than those available to the Company from commercial lenders and that the Agreement is otherwise on arms' length terms.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 14. Earnings per share**

	<b>Consolidated</b> <b>31 December 2016</b> \$	<b>31 December 2015</b> \$
Loss after income tax attributable to the owners of Abilene Oil and Gas Limited	<u>(451,061)</u>	<u>(368,817)</u>



**Note 14. Earnings per share (continued)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	397,614,352	366,116,475
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>397,614,352</u>	<u>366,116,475</u>
	Cents	Cents
Basic earnings per share	(0.11)	(0.10)
Diluted earnings per share	(0.11)	(0.10)

The calculation of the weighted average number of ordinary shares does not include options. The options are not dilutive as the consolidated entity made a loss in the current and prior year.

**Note 15. Share-based payments**

Set out below are summaries of options outstanding at 31 December 2016:

31 December  
2016

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
27/11/2014	31/10/2017	\$0.0775	6,400,000	-	-	-	6,400,000
			<u>6,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,400,000</u>

31 December  
2015

Grant date	Expiry date	Exercise price*	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
27/11/2014	31/10/2017	\$0.0775	6,400,000	-	-	-	6,400,000
			<u>6,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,400,000</u>

\* Following the Pro-rata renounceable Rights Issue completed on 2 April 2015, the exercise price of the Company's unlisted options on issue changed from \$0.08 (8 cents) to \$0.0775 (7.75 cents).

Set out below are the options exercisable at the end of the financial half-year:

Grant date	Expiry date	31 December 2016 Number	31 December 2015 Number
27/11/2014	31/10/2017	6,400,000	6,400,000
		<u>6,400,000</u>	<u>6,400,000</u>

**Abilene Oil and Gas Limited**  
**Directors' declaration**  
**31 December 2016**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Paul Salter', is written over a horizontal line.

Paul Salter  
Non-Executive Chairman

15 March 2017  
Melbourne

The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000

Correspondence to:  
GPO Box 4736  
Melbourne Victoria 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## Independent Auditor's Review Report To The Members of Abilene Oil And Gas Limited

We have reviewed the accompanying half-year financial report of Abilene Oil and Gas Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-year Financial Report

The Directors of Abilene Oil and Gas Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Abilene Oil and Gas Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Abilene Oil and Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Abilene Oil and Gas Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Material Uncertainty related to going concern

We draw attention to Note 2 to the financial statements. The consolidated entity incurred a net operating cash outflow of \$97,309 during the six months ended 31 December 2016, and as at that date the consolidated entity had net current liabilities of \$4,268,528. This condition along with other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our report is not modified in relation to this matter.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B. A. Mackenzie  
Partner - Audit & Assurance

Melbourne, 15 March 2017