



ABILENE OIL AND GAS LIMITED
ABN 41 000 752 849

HALF YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Abilene Oil and Gas Limited
Contents
31 December 2017



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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
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 Collins Square, Tower 1 727 Collins Street Melbourne VIC 3008
Stock exchange listing	Abilene Oil & Gas Limited shares are listed on the Australian Securities Exchange (ASX code: ABL)



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 2017.

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 \$499,395 (31 December 2016: \$451,061).

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 consolidated entity during the half-year period.

Financial Position

The net assets of the consolidated entity have decreased by \$577,082 to \$385,217 (30 June 2017: \$962,299). The decrease related to additional exploration and evaluation expenditure carried out during the half year.

The consolidated entity's working capital, being current assets less current liabilities was a deficit of \$5,332,770 (30 June 2017: a net deficit \$3,603,705). The increase in the deficit is largely due to the additional borrowings received during the half year period.

Significant changes in the state of affairs

On 17 July 2017, the consolidated entity announced that the Logan joint venture (Rodinia Resources LLC) had sold 30% of its interest to third parties which diluted each partner's interest by 30% for consideration of USD\$200,000. As a result the consolidated entity now holds a 34.3% interest in the joint venture.

During August 2017, the consolidated entity announced that it had extended current short-term loans provided by a related entity of Mr Craig Mathieson, Mathieson Downs Pty Ltd amounting to \$1,350,000 which will now have a repayment date of 5 July 2018.

On 22 August 2017, the consolidated entity entered into a Loan Agreement (Agreement) with a related entity of Mr Craig Mathieson, Mathieson Downs Pty Ltd ('Mathieson Downs'), to secure further short term funding for the consolidated entity. Under the Agreement, Mathieson Downs will provide the consolidated entity with an additional \$420,000 loan in order to fund the consolidated entity's oil and gas activities and working capital. The loan provided by Mathieson Downs will bear interest of 8% per annum has a repayment date of 5 July 2018.

On 29 September 2017, the consolidated entity announced that it had extended current short-term loans provided by a related entity of Mr Paul Salter, Map Capital Pty Ltd which were due for repayment during October 2017 amounting to \$1,350,000 which will now have a repayment date of 5 July 2018.

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 25 January 2018, the consolidated entity received a distribution of profits from its Investment in associate Lodestone Resources LLC in the amount of US\$180,743.



No other matter or circumstance has arisen since 31 December 2017 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 immediately after this directors' report.

Rounding of amounts

Abilene Oil and Gas Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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

Paul Salter
Non-executive Chairman

16 March 2018
Melbourne

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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 2017, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 16 March 2018

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Abilene Oil and Gas Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



		Consolidated	
		31 December 2017	31 December 2016
	Note	\$	\$
Revenue	4	61,016	73,922
Expenses			
Production costs		(22,151)	(65,762)
Employee benefits expense		(109,095)	(108,000)
Impairment of assets	5	(129,174)	-
Administration costs		(4,913)	(9,091)
Corporate costs		(94,472)	(169,588)
Other expenses		(11,185)	(28,782)
Finance costs		(190,685)	(151,684)
Foreign exchange gain		2,994	10,813
Loss on share of associate		(1,730)	(2,889)
Loss before income tax expense		(499,395)	(451,061)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Abilene Oil and Gas Limited		(499,395)	(451,061)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(77,687)	218,332
Other comprehensive income for the half-year, net of tax		(77,687)	218,332
Total comprehensive income for the half-year attributable to the owners of Abilene Oil and Gas Limited		(577,082)	(232,729)
		Cents	Cents
Basic earnings per share	12	(0.13)	(0.11)
Diluted earnings per share	12	(0.13)	(0.11)

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 2017



		Consolidated	
		31 December	30 June 2017
Note		2017	2017
		\$	\$
Assets			
Current assets			
		71,121	6,332
	Cash and cash equivalents		
	Trade and other receivables	37,982	3,672
	Prepayments	9,076	12,659
	Total current assets	118,179	22,663
Non-current assets			
	Investments accounted for using the equity method	5,974,199	6,059,833
6	Available-for-sale financial assets	-	3,480
	Total non-current assets	5,974,199	6,063,313
	Total assets	6,092,378	6,085,976
Liabilities			
Current liabilities			
	Trade and other payables	502,209	525,188
	Borrowings	4,948,740	3,101,180
7	Total current liabilities	5,450,949	3,626,368
Non-current liabilities			
	Borrowings	-	1,237,500
	Provisions	256,212	259,809
	Total non-current liabilities	256,212	1,497,309
	Total liabilities	5,707,161	5,123,677
	Net assets	385,217	962,299
Equity			
	Issued capital	64,101,323	64,101,323
	Reserves	9,152,788	9,431,662
8	Accumulated losses	(72,868,894)	(72,570,686)
	Total equity	385,217	962,299

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 2017



Consolidated	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
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>
Consolidated	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2017	64,101,323	(72,570,686)	9,431,662	962,299
Loss after income tax expense for the half-year	-	(499,395)	-	(499,395)
Other comprehensive income for the half-year, net of tax	-	-	(77,687)	(77,687)
Total comprehensive income for the half-year	-	(499,395)	(77,687)	(577,082)
<i>Transactions with owners in their capacity as owners:</i>				
Lapse of options	-	201,187	(201,187)	-
Balance at 31 December 2017	<u>64,101,323</u>	<u>(72,868,894)</u>	<u>9,152,788</u>	<u>385,217</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 2017



	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(175,174)	(100,244)
Other revenue	804	3,245
Finance costs	(624)	(310)
Net cash used in operating activities	(174,994)	(97,309)
Cash flows from investing activities		
Payments for joint venture investment activities	-	(241,211)
Payments for exploration and evaluation assets	(180,276)	-
Net cash used in investing activities	(180,276)	(241,211)
Cash flows from financing activities		
Proceeds from borrowings	420,000	250,000
Net cash from financing activities	420,000	250,000
Net increase/(decrease) in cash and cash equivalents	64,730	(88,520)
Cash and cash equivalents at the beginning of the financial half-year	6,332	85,834
Effects of exchange rate changes on cash and cash equivalents	59	13,008
Cash and cash equivalents at the end of the financial half-year	<u>71,121</u>	<u>10,322</u>

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



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 16 March 2018. 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 2017 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 2017 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 2017 the consolidated entity experienced operating losses of \$499,395 (31 December 2016: \$451,061). At 31 December 2017 the consolidated entity had cash and cash equivalents of \$71,121 (30 June 2017: \$6,332) and net current liabilities, being current assets less current liabilities, of \$5,332,770 (30 June 2017: \$3,603,705). Net cash inflows during the half year amounted to \$64,730 compared to 2016 which had outflows of \$88,520. 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 consolidated entity 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 consolidated entity 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 14 March 2018, the consolidated entities share price was \$0.008 and therefore the entity has the ability to raise \$795,229 within the existing placement capacity; and
- the oil and gas revenue from the consolidated entity's Central Kansas Uplift Project will continue to see positive cash flow in the 2018 financial year;
- subsequent to the end of the half year the consolidated entity received a distribution of profits amounting to USD \$180,743.

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 consolidated entity's Directors Mr Paul Salter and Mr Craig Mathieson.

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

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
<i>Sales revenue</i>		
Oil & Gas Revenue	60,212	70,677
Royalty	804	3,245
Revenue	<u>61,016</u>	<u>73,922</u>



Note 5. Expenses

Consolidated	
31 December 2017	31 December 2016
\$	\$

Loss before income tax includes the following specific expenses:

Impairment

Exploration and evaluation	125,694	-
Available for sale financial assets	3,480	-
Total impairment	129,174	-

Note 6. Non-current assets - investments accounted for using the equity method

Consolidated	
31 December	30 June 2017
2017	
\$	\$
5,681,037	5,762,553
293,162	297,280
<hr/>	<hr/>
5,974,199	6,059,833

During prior financial years, 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 and 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 company established a second Joint Venture entity, Rodinia Resources LLC, which was incorporated during August 2015 with Abilene Oil and Gas Limited owning a 49% shareholding in the entity.

During the half year the Joint Venture sold 30% of the interest to third parties which diluted each partner's interest by 30%. The consolidated entity's interest in the Joint Venture has reduced to 34.3%. The consideration upon the dilution was US\$200,000. Therefore an impairment of Investments accounted for using the equity method in the amount of \$345,715 was booked at 30 June 2017 as a result of the dilution of the consolidated entity's interest in Rodinia Resources LLC. The impairment expense was booked based off the implied value less the at cost value carried by the consolidated entity.



Note 7. Current liabilities - borrowings

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Loans provided from director related entities	4,276,000	2,700,000
Interest payable on loans	672,740	401,180
	<u>4,948,740</u>	<u>3,101,180</u>

The borrowings listed above bear interest at a rate of 8% per annum and are unsecured loans. The repayment date for all loans listed above is on or before 5 July 2018.

Note 8. Equity - reserves

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Foreign currency translation reserve	6,265,657	6,343,344
Capital profits reserve	2,887,131	2,887,131
Options reserve	-	201,187
	<u>9,152,788</u>	<u>9,431,662</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.

Movements in reserves

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

	Foreign currency translation reserve \$	Capital profits reserve \$	Options reserve \$	Total \$
Consolidated				
Balance at 1 July 2017	6,343,344	2,887,131	201,187	9,431,662
Foreign currency translation	(77,687)	-	-	(77,687)
Lapse of options	-	-	(201,187)	(201,187)
Balance at 31 December 2017	<u>6,265,657</u>	<u>2,887,131</u>	<u>-</u>	<u>9,152,788</u>



Note 9. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2017 and 30 June 2017.

Note 10. Commitments

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

Note 11. Events after the reporting period

On 25 January 2018, the consolidated entity received a distribution of profits from its Investment in associate Lodestone Resources LLC in the amount of US\$180,743.

No other matter or circumstance has arisen since 31 December 2017 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 12. Earnings per share

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Loss after income tax attributable to the owners of Abilene Oil and Gas Limited	<u>(499,395)</u>	<u>(451,061)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>397,614,352</u>	<u>397,614,352</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>397,614,352</u>	<u>397,614,352</u>
	Cents	Cents
Basic earnings per share	(0.13)	(0.11)
Diluted earnings per share	(0.13)	(0.11)

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.



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 2017 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

Paul Salter
Non-executive Chairman

16 March 2018
Melbourne



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Independent Auditor's Review Report to the Members of Abilene Oil and Gas Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Abilene Oil and Gas Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Abilene Oil and Gas Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$499,395 during the half year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by \$5,332,770. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Group 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with 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 Group's financial position as at 31 December 2017 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.

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 have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 16 March 2018