

# **Abilene Oil and Gas Limited**

**(Formerly known as World Oil Resources Limited)**

**ABN 41 000 752 849**

## **Half-year Financial Report - 31 December 2014**

**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Contents**  
**31 December 2014**

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**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Corporate directory**  
**31 December 2014**

Directors	Mr Paul Salter (Non-executive Chairman) Mr Peter Best (Executive Director) Mr Mordechai Benedikt (Non-executive Director) Mr Craig Mathieson (Non-executive Director)
Company secretaries	Ms Melanie Leydin Mr Justin Mouchacca
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205
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
Auditor	Grant Thornton Audit Pty Ltd The Rialto, Level 30 525 Collins Street MELBOURNE VIC 3000
Bankers	National Australia Bank 330 Collins Street MELBOURNE VIC 3000
Stock exchange listing	Abilene Oil and Gas Limited shares are listed on the Australian Securities Exchange (ASX code: ABL)

## OPERATIONAL REVIEW

### 1. Klick Oil Project

- Klick East Oil Field
- Woods County, Oklahoma USA (ABL 49.2% WI)

#### Location and Description

Klick East Oil Field is located in Section 22 of T29N-R14W, Woods County, Oklahoma, which is in the middle of a vast oil and gas producing province being the Northern Shelf of the Anadarko Basin.

The Northern Shelf Area is bounded by the Pratt Anticline to the north-east and the Southern Oklahoma fold belt to the southwest. The Anadarko Basin is a large Paleozoic basin with a long history of oil and gas production.

Klick East Oil Field comprises 320 acres.

#### Operator

CMX Inc (**CMX**) is the operator of the project.

#### Joint Operation Partners

##### ▪ **CMX Inc.**

CMX Inc. (**CMX**) is an experienced producer in Woods County, and is actively engaged in drilling and development of natural gas and oil prospectus in continental USA, with a primary focus in mid-continent regions including Kansas and Oklahoma.

##### ▪ **Chesapeake Energy Corp (Minority participating interest of 1.6%)**

Chesapeake Energy Corp (**Chesapeake**) is an on-shore producer in the United States known for its use of horizontal drilling and sophisticated fracturing techniques.

#### Working Interest and Net Revenue Interest

Party	Working Interest (%)	Net Interest (%)	Revenue Interest (%)
CMX	49.2	40.0	
Abilene	49.2	40.0	
Chesapeake	1.6	1.3	
Other parties with over-riding royalty interests	-	18.7	

#### Well

Klick 22-1H horizontal well is located in Klick East Oil Field in the east half of Section 22-T29N-R14W. The well was commissioned in March 2011.

#### Drilling or production status

The Klick 22-1H horizontal well has been producing since March 2011

### 2. Welch-Bornholdt Wherry Project

- Welch-Bornholdt Wherry Oil Fields
- Rice and McPherson Counties, Kansas USA (ABL 50% WI)

**Abilene Oil and Gas Limited**  
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**Review of operations**  
**31 December 2014**

<b>Location and Description</b>	<p>The Welch-Bornholdt and Wherry Oil Fields are located in Rice and McPherson Counties, Kansas, United States, approximately 140 miles from the Klick East Oil Field in Oklahoma.</p> <p>The Welch-Bornholdt and Wherry Oil Fields are mature, developed and mostly abandoned crude oil accumulation. Approximately 1,400 vertical wells have been drilled over more than 60 years on the fields, and aggregate production totals 46 million barrels of mainly high quality sweet crude oil.</p> <p>Abilene and its joint operation partner CMX have established a large 15,000 acre position in the Welch-Bornholdt and Wherry Oil Fields. This acreage covers a significant contingent resource, mainly in the Mississippian age cherty carbonate rock formation that is up to 10 metres thick across the area. Abilene and CMX (also joint operation partners for the Klick Project) produce from this Mississippian formation at the Klick Project.</p> <p>The Welch-Bornholdt and Wherry Oil Fields are uniquely positioned, and benefit from having a refinery at the city of McPherson approximately 30 kilometres by road, which is serviced by trucks and pipelines.</p>
<b>Operator</b>	CMX is the operator of the project.
<b>Joint Operation Partner</b>	CMX
<b>Working Interest</b>	Under the joint operation arrangement with CMX, each of CMX and Abilene has a 50% net working interest in leases covering approximately 15,000 acres of the Welch-Bornholdt and Wherry Oil Fields.
<b>Well</b>	In January and February 2012, horizontal well Krehbiel 1H was drilled at the Welch-Bornholdt and Wherry Oil Fields. Krehbiel 1H is the first modern horizontal well on the fields.
<b>Drilling or production status</b>	Production due to commence at #1-1 Krehbiel Trust well.

### **3. Gavea Joint Venture Projects**

- Harpia Oil Field and Guara Oil Field
- Sergipe-Alagoas Basin, on-shore Brazil

<b>Location and Description</b>	The Harpia Oil Field and Guara Oil Field are located in Sergipe-Alagoas Basin, on-shore Brazil.
<b>Operator</b>	Nord Oil and Gas, an operating subsidiary of Gavea
<b>Joint Operation Partner</b>	Gavea
<b>Working Interest</b>	Abilene has a 40% interest in the Harpia and Guara Projects.
<b>Status</b>	Strategic review underway.

#### **4. Mount Lookout Prospect**

- Morrison Oil Fields
- Clark County, Kansas USA (ABL 50% WI)

<b>Location and Description</b>	The Morrison Oil Fields are located in the Clark County, Kansas USA
<b>Operator</b>	CMX is the operator of the project
<b>Joint Operation Partner</b>	CMX
<b>Working Interest</b>	Under the joint operation arrangement with CMX, each of CMX and Abilene has a 50% net working interest in leases covering approximately 1,200 acres of the Morrison Oil Fields
<b>Drilling or production status</b>	The Company and its joint operation partner have reviewed 3D seismic available and are narrowing the location of the proposed well.

#### **5. Kinsley Prospect**

- Edwards County, Kansas USA (ABL potential 35% WI)

<b>Location and Description</b>	The Kinsley Prospect is located in the Edwards County, Kansas USA
<b>Operator</b>	CMX is the operator of the project
<b>Joint Operation Partner</b>	CMX
<b>Working Interest</b>	Under the joint operation arrangement with CMX, Abilene has a 35% net working interest in leases covering approximately 6,400 acres in Edwards County, Kansas.
<b>Drilling or production status</b>	Conduct detailed analysis of the 3D seismic, which the Company expects to get the results of prior to the end of the first quarter next calendar year and then with our joint operation partner determine the most appropriate drilling program for the coming calendar year.

#### **6. Central Kansas Uplift Appraisal and Development Project (CKU)**

- Russell, Rice, Ellsworth and Barton Counties, Kansas USA (ABL 49% WI)

<b>Location and Description</b>	<p>On 21 October 2014, the Company announced that it had entered into definitive agreements to acquire an interest in over 15,600 acres in the area known as the Central Kansas Uplift, made up of 204 separate leases in a number of counties in Kansas.</p> <p>The CKU project is a low risk exploration and appraisal joint venture in the Central Kansas Uplift area. The project goal is to mature up to an initial 50 drillable locations in the first land package, by shooting 3D seismic in areas adjacent to existing (and mature oil fields). The premise is that 3D can identify smaller prospects (estimated at 50-60 mbbl EUR) that can be drilled with a single vertical well at a low cost. The use of 3D allows the joint venture to recognize smaller drilling targets than can be detected by geologic mapping. The use of 3D seismic is expected to lower the drilling risk, to allow a possible 70% success rate.</p>
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**Abilene Oil and Gas Limited**  
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<b>Operator</b>	CMX is the operator of the project.
<b>Joint Operation Partners</b>	<ul style="list-style-type: none"> <li>• CMX (25% WI)</li> <li>• Cade Production LLC (20.8%)</li> <li>• Panther Energy, Inc. (2.6%)</li> <li>• Thomas P. Tenneson (2.6%)</li> </ul>
<b>Working Interest</b>	Abilene has a 49% net working interest in leases covering 15,663 acres of the Russell, Rice, Ellsworth and Barton Counties, Kansas.
<b>Well</b>	4 wells have been approved for drilling.
<b>Drilling or production status</b>	<p>During the period, the joint venture commenced drilling at the CKU Project through an initial 4 well program. Details of the wells drilled are as follows:</p> <p><b><u>Claflin #1-35 Well</u></b></p> <p>This well was drilled to a total depth of 3,383 feet with oil recovered and the joint venture agreed to complete the well.</p> <p><b><u>Demel #1-25 Well</u></b></p> <p>This well was drilled to a total depth of 3,410 feet and the joint venture agreed to plug and abandon the well following non-commercial shows in the well.</p> <p><b><u>Woelk #1-21</u></b></p> <p>This well was drilled to a total depth of 3,276 feet with oil recovered and the joint venture agreed to complete the well.</p> <p><b><u>Woelk #1-19</u></b></p> <p>This well was drilled to a total depth of 3,303 feet with oil recovered and the joint venture agreed to complete the well.</p>

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## **CORPORATE UPDATE**

On 4 July 2013, the Company announced a Pro-Rata Non-Renounceable Rights Issue on a 1-for-1 basis at an issue price of \$0.006 (0.6 cents) per shares to raise up to \$2.34 million. The offer was non-underwritten, with shortfall facility to enable applications for additional shares. The Rights issue closed raising a total of \$1,127,657 through the issue of 375,885,654 fully paid ordinary shares. These funds were used to fund ongoing working capital requirements and also further advance its Oil and Gas projects.

During the period the Company completed the placement of the shortfall shares resulting from its June 2014 Non-renounceable Rights Issue. A total of \$479,500 was raised through the issue of 141,949,717 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share.

The Company also announced that it had entered into conditional placement and loan agreements with two director related entities and existing shareholders to raise a further \$465,000 through the issue of 155,000,000 shares at an issue price of \$0.003 (0.3 cents) per share, subject to shareholder approval at the Company's 2014 Annual General Meeting ('AGM') of shareholders. Shareholder approval was sought and the shares issued following the 2014 AGM.

The funds raised through these share issues provided the Company with funding in order to enter into the CKU Project acquisition and fund ongoing working capital requirements.

**Abilene Oil and Gas Limited**  
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**Review of operations**  
**31 December 2014**

The Company sought approval from shareholders at its 2014 AGM to change the name of the Company to Abilene Oil and Gas Limited from World Oil Resources Limited. This change was approved and processed with the Australian Securities and Investments Commission on 1 December 2014.

The Company also sought shareholder approval at its 2014 AGM for the consolidation of its issued capital on a 20:1 basis which was approved and the capital consolidation was finalised on 4 December 2014.

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**EVENTS SUBSEQUENT TO THE HALF YEAR ENDED 31 DECEMBER 2014**

**Funding**

On 19 January 2015 the Company announced it had entered into a Loan Agreement ('Loan') with a director related entity of Mr Craig Mathieson and substantial shareholder, Holdrey Pty Ltd ('Holdrey'), where Holdrey agreed to loan the Company \$160,000 to fund completion costs for the successful exploration Woelk #1-19 well. The Loan was increased on 23 January 2015 to \$320,000 through a Deed of Amendment to fund the successful Woelk #1-21 well.

The Company is currently reviewing funding mechanisms to fund the potential second option payment relating to the CKU Project and working capital requirements in conjunction with budgeting initiatives following the recent fall in oil prices. Further details on the proposed funding mechanism will be announced shortly once finalised and approved by the Board.

On 6 March 2015 the company announced a Renounceable Rights Issue on a 4 for 1 basis at \$0.01 (1 cent) per new security. The offer will raise a maximum of \$2,927,932 before costs and is underwritten by Holdrey Pty Ltd and Salter Brothers Private Pty Ltd to a maximum of \$2 million.

The total number of fully paid ordinary shares on issue as at the date of this report are 73,223,295 shares.



**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Directors' report**  
**31 December 2014**

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 2014.

**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 Peter Best (Executive Director)  
Mr Mordechai Benedikt (Non-executive Director)  
Mr Craig Mathieson (Non-executive Director)

**Principal activities**

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Continued resource exploration and investment in Australia and overseas, with a focus on oil and gas in the USA.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$1,578,243 (31 December 2013: \$537,030).

Refer to the detailed Review of Operations preceding this Directors' Report.

**Financial Position**

The net assets of the consolidated entity have increased by \$1,620,728 to \$6,859,982 (30 June 2014: 5,239,254). This is largely due to equity raisings during the period providing \$2,063,157 before costs. The funds were used to fund the Company's CKU project (refer to review of operations for further information). During the period the company had cash outflows amounting to \$1,533,476 relating to investment in associates.

The consolidated entity's working capital, being current assets less current liabilities was a deficit of \$211,400 (30 June 2014: \$385,604).

**Significant changes in the state of affairs**

On the 21 July 2014 the consolidated entity completed a rights issue which resulted in the entity issuing 375,885,654 fully paid ordinary shares at an issue price of 0.3 cents per share. Following the rights issue the company completed a shortfall placement for the rights issue on the 15 October 2014 in which 141,949,717 fully paid ordinary shares were issued at \$0.003 (0.3 cents) per share. Also on this date the entity also performed a private placement to sophisticated investors issuing 17,883,587 fully paid ordinary shares at \$0.003 (0.3) cents per share.

As approved at the 2014 Annual General Meeting held on 27 November 2014 the consolidated entity completed a share consolidation on a basis of 20 for 1 during December 2014.

The consolidated entity also completed a share placement to sophisticated investors on the 23 December 2014 as approved by shareholders at the Annual General Meeting. The entity issued 7,600,000 fully paid ordinary shares at 6 cents per share. On this date the consolidated entity also issued 6,400,000 options to directors which were also approved at the company's Annual General Meeting with an exercise price of 8 cents on or before 31 October 2017.

On the 2 December 2014 the changed its name to Abilene Oil and Gas Limited (ASX : ABL) as approved by shareholders at the 2014 Annual General Meeting held on 27 November 2014.

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

**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 page 10.

**Abilene Oil and Gas Limited**  
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**Directors' report**  
**31 December 2014**

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', with a stylized flourish at the end.

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Paul Salter  
Chairman

16 March 2015  
Melbourne



# Grant Thornton

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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 2014, 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 2015

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**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2014**

		<b>Consolidated</b>	
		<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	4	142,201	158,060
<b>Expenses</b>			
Production costs		(25,742)	(48,022)
Employee benefits expense		(91,295)	(131,582)
Depreciation and amortisation expense		-	(64,010)
Impairment of production assets		(1,125,814)	-
Administration costs		(5,425)	(66,554)
Corporate costs		(220,681)	(178,587)
Occupancy expense		-	(4,016)
Other expenses		(10,890)	(172,237)
Foreign exchange loss		(29,466)	-
Share based payments		(201,187)	-
Loss on AFS financial assets		(9,944)	(30,082)
<b>Loss before income tax expense</b>		<b>(1,578,243)</b>	<b>(537,030)</b>
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Abilene Oil and Gas Limited</b>		<b>(1,578,243)</b>	<b>(537,030)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		945,057	213,615
Other comprehensive income for the half-year, net of tax		945,057	213,615
<b>Total comprehensive income for the half-year attributable to the owners of Abilene Oil and Gas Limited</b>		<b>(633,186)</b>	<b>(323,415)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(2.668)	(0.101)
Diluted earnings per share		(2.668)	(0.101)

*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**  
**(Formerly known as World Oil Resources Limited)**  
**Statement of financial position**  
**As at 31 December 2014**

		<b>Consolidated</b>	
		<b>31 December</b>	
	<b>Note</b>	<b>2014</b>	<b>30 June 2014</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		43,273	326,823
Trade and other receivables		30,694	6,448
Other		6,585	10,026
Total current assets		<u>80,552</u>	<u>343,297</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	5	1,533,476	-
Available-for-sale financial assets		14,916	24,860
Exploration and evaluation	6	5,172,990	4,250,498
Production and development assets	7	500,000	1,500,000
Total non-current assets		<u>7,221,382</u>	<u>5,775,358</u>
<b>Total assets</b>		<u>7,301,934</u>	<u>6,118,655</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		282,952	668,901
Borrowings		9,000	60,000
Total current liabilities		<u>291,952</u>	<u>728,901</u>
<b>Non-current liabilities</b>			
Payables		-	500
Provisions		150,000	150,000
Total non-current liabilities		<u>150,000</u>	<u>150,500</u>
<b>Total liabilities</b>		<u>441,952</u>	<u>879,401</u>
<b>Net assets</b>		<u>6,859,982</u>	<u>5,239,254</u>
<b>Equity</b>			
Issued capital	8	60,713,794	58,661,067
Reserves	9	9,461,283	8,315,039
Accumulated losses		<u>(63,315,095)</u>	<u>(61,736,852)</u>
<b>Total equity</b>		<u>6,859,982</u>	<u>5,239,254</u>

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

**Abilene Oil and Gas Limited**  
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**Statement of changes in equity**  
**For the half-year ended 31 December 2014**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
Balance at 1 July 2013	56,357,445	(60,051,472)	8,678,247	4,984,220
Loss after income tax expense for the half-year	-	(537,030)	-	(537,030)
Other comprehensive income for the half-year, net of tax	-	-	213,615	213,615
Total comprehensive income for the half-year	-	(537,030)	213,615	(323,415)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	2,316,707	-	-	2,316,707
Share options expired	-	232,500	(232,500)	-
Balance at 31 December 2013	<u>58,674,152</u>	<u>(60,356,002)</u>	<u>8,659,362</u>	<u>6,977,512</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
Balance at 1 July 2014	58,661,067	(61,736,852)	8,315,039	5,239,254
Loss after income tax expense for the half-year	-	(1,578,243)	-	(1,578,243)
Other comprehensive income for the half-year, net of tax	-	-	945,057	945,057
Total comprehensive income for the half-year	-	(1,578,243)	945,057	(633,186)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	2,052,727	-	-	2,052,727
Share-based payments (note 9 and 14)	-	-	201,187	201,187
Balance at 31 December 2014	<u>60,713,794</u>	<u>(63,315,095)</u>	<u>9,461,283</u>	<u>6,859,982</u>

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

**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Statement of cash flows**  
**For the half-year ended 31 December 2014**

	<b>Consolidated</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	121,379	234,439
Payments to suppliers and employees	(486,607)	(775,604)
	(365,228)	(541,165)
Interest received	3	25
Net cash used in operating activities	(365,225)	(541,140)
<b>Cash flows from investing activities</b>		
Payments for joint venture investment activities	(1,533,476)	-
Payments for exploration assets	(225,707)	(1,244,474)
Net cash used in investing activities	(1,759,183)	(1,244,474)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,699,403	2,281,518
Proceeds from borrowings	9,000	-
Share issue transaction costs	(10,430)	(3,811)
Repayment of borrowings	-	(100,000)
Net cash from financing activities	1,697,973	2,177,707
Net increase/(decrease) in cash and cash equivalents	(426,435)	392,093
Cash and cash equivalents at the beginning of the financial half-year	326,824	25,171
Effects of exchange rate changes on cash and cash equivalents	142,884	32,039
Cash and cash equivalents at the end of the financial half-year	<u>43,273</u>	<u>449,303</u>

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

**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Notes to the financial statements**  
**31 December 2014**

**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 2015. 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 2014 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 2014 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, revised or amending Accounting Standards and Interpretations adopted**

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

Any new, revised or amending 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 2014 the consolidated entity experienced operating losses of \$1,578,243 (31 December 2013: \$537,030). At 31 December 2014 the consolidated entity had cash and cash equivalents of \$43,273 (30 June 2014: \$326,823) and net current liabilities, being current assets less current liabilities, of \$211,400 (30 June 2014: \$385,604). Cash outflows during the 2014 half year were \$426,435 compared to 2013 which had a positive cash flow of \$392,093. Consequently a significant uncertainty exists as to the consolidated entity's ability to continue as a going concern.



**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Notes to the financial statements**  
**31 December 2014**

**Note 2. Significant accounting policies (continued)**  
**Going concern (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 announced on 6 March 2015 that it would undertake an underwritten Renounceable Rights Issue to a maximum of \$2,000,000 with the total amount that could be raised being \$2,928,931 to fund project expenditure and for ongoing working capital purposes;
- the company expects that oil & gas revenues from the Klick project area will equal or exceed those achieved in the 2014 financial year;
- the oil & gas revenue from the company's CKU project will begin to see positive cashflow in the second half of the 2015 financial year; and
- the operating cost base that existed as at the June 2014 full year reporting period have been reduced significantly

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 Group 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 2014</b>	<b>31 December 2013</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Oil & Gas Revenue	142,198	150,232
<i>Other revenue</i>		
Interest	3	25
Other revenue	-	7,803
	<u>3</u>	<u>7,828</u>
Revenue	<u>142,201</u>	<u>158,060</u>

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

	<b>Consolidated</b>	
	<b>31 December 2014</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
Investment in associates	<u>1,533,476</u>	<u>-</u>

The Company entered into an arrangement in October 2014 with other parties relating to Lodestone Resources LLC, which was incorporated in October 2014. This agreement enabled ABL to acquire a 49% shareholding in Lodestone. Based on the structure of this arrangement the interest is treated as an investment in associates and accounted for using the equity method of accounting. The carrying value represents \$899,935 contributed as share capital for the acquisition of acreage and \$633,541 as the Company's portion of cash calls during the period for the operational expenditure.

**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Notes to the financial statements**  
**31 December 2014**

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

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2014</b>
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation	<u>5,172,990</u>	<u>4,250,498</u>

*Reconciliations*

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

	<b>Exploration &amp; evaluation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Balance at 1 July 2014	4,250,498	4,250,498
Expenditure during the half-year	225,707	225,707
FX movements	696,785	696,785
Balance at 31 December 2014	<u>5,172,990</u>	<u>5,172,990</u>

The exploration and evaluation assets relate to three projects being the Welch-Bornholdt/Wherry project in Kansas, the Kinsley project in Edwards County, Kansas and the Mt Lookout project in Clark County, Kansas. The recoverability of the carrying amounts of the 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 7. Non-current assets - production and development assets**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2014</b>
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Production assets	3,685,488	3,395,653
Less: Accumulated amortisation	(938,211)	(813,788)
Less: Impairment	(2,247,277)	(1,081,865)
	<u>500,000</u>	<u>1,500,000</u>

*Reconciliations*

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

	<b>Production Assets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Balance at 1 July 2014	1,500,000	1,500,000
Impairment of assets	(1,000,000)	(1,000,000)
Balance at 31 December 2014	<u>500,000</u>	<u>500,000</u>

The production assets relate to the Klick area in Oklahoma, USA which currently producing.

**Abilene Oil and Gas Limited**  
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**Notes to the financial statements**  
**31 December 2014**

**Note 7. Non-current assets - production and development assets (continued)**

The directors have carried out a review of the carrying amount during the period and based on the reduction of oil and gas prices and increased expenditure on the producing asset, an impairment of \$1 million has been recognised. The review of the carrying amount in relation to the production asset used various estimates and assumptions generated from previous production and projected results.

Further impairment reviews will be carried out on the carrying amount at each reporting date as further production history is obtained.

**Note 8. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 December 2014 Shares</b>	<b>30 June 2014 Shares</b>	<b>31 December 2014 \$</b>	<b>30 June 2014 \$</b>
Ordinary shares - fully paid	<u>73,223,295</u>	<u>776,753,056</u>	<u>60,713,794</u>	<u>58,661,067</u>

On the 4 December 2014 the consolidated entity completed a consolidation of capital on a basis of 1 for 20.

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2014	776,753,056		58,661,067
Rights issue	21 July 2014	375,885,654	\$0.003	1,127,657
Additional shares issued under the shortfall facility	15 October 2014	141,949,717	\$0.003	425,849
Share placement	15 October 2014	17,883,587	\$0.003	53,651
Share consolidation (1 for 20)	4 December 2014	(1,246,848,719)	\$0.000	-
Share placement	23 December 2013	7,600,000	\$0.060	456,000
Capital raising costs		-		(10,430)
Balance	31 December 2014	<u>73,223,295</u>		<u>60,713,794</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 9. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 December 2014 \$</b>	<b>30 June 2014 \$</b>
Foreign currency translation reserve	6,372,965	5,427,908
Capital profits reserve	2,887,131	2,887,131
Share-based payments reserve	201,187	-
	<u>9,461,283</u>	<u>8,315,039</u>

**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Notes to the financial statements**  
**31 December 2014**

**Note 9. Equity - reserves (continued)**

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from 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.

*Share-based payments 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:

<b>Consolidated</b>	Foreign currency translation \$	Capital profits \$	Share-based payments reserve \$	Total \$
Balance at 1 July 2014	5,427,908	2,887,131	-	8,315,039
Foreign currency translation	945,057	-	-	945,057
Issue of options	-	-	201,187	201,187
Balance at 31 December 2014	<u>6,372,965</u>	<u>2,887,131</u>	<u>201,187</u>	<u>9,461,283</u>

**Note 10. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Note 11. Contingent liabilities**

The consolidated entity had no contingent liabilities at 31 December 2014 and 30 June 2014.

**Note 12. Commitments**

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

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

Subsequent to the end of the reporting period the consolidated entity entered into deed of amendment with a related entity of Mr Craig Mathieson and substantial shareholder, Holdrey Pty Ltd, to secure short term funding for the Company. Under the Deed, Holdrey provided the Company with an \$320,000 in order to fund completion costs relating to the recently successfully wells drilled, the Woelk #1-19 and Woelk #1-21 wells, at the Company's Central Kansas Uplift Project. The loans provided by Holdrey will not bear any interest, has repayment date of 30 April 2015 and is not a secured loan.

On 6 March 2015 the company announced a Renounceable Rights Issue on a 4 for 1 basis at an issue price of \$0.01 (1 cent) per new share. The offer will raise a maximum of \$2,927,932 before costs and is underwritten by Holdrey Pty Ltd and Salter Brothers Private Pty Ltd to a maximum of \$2 million.

No other matter or circumstance has arisen since 31 December 2014 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.

**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Notes to the financial statements**  
**31 December 2014**

**Note 14. Share-based payments**

Set out below are summaries of options approved at the company's 2014 Annual General Meeting :

31 December  
2014

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	\$0.080	-	6,400,000	-	-	6,400,000
			-	6,400,000	-	-	6,400,000

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

Grant date	Expiry date	31 December 2014 Number	30 June 2014 Number
27/11/2014	31/10/2017	6,400,000	-
		6,400,000	-

**Abilene Oil and Gas Limited**  
**(Formerly known as World Oil Resources Limited)**  
**Directors' declaration**  
**31 December 2014**

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 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



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Paul Salter  
Chairman

16 March 2015  
Melbourne

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## 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 ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, 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 or description 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 Abilene Oil and Gas Limited's consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

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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 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 2014 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 regarding continuation as a going concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 of the half-year financial report, which notes cash and cash equivalents of \$43,273 at 31 December 2014, net losses of \$1,578,243 and net cash outflows of \$426,435 for the half-year ended 31 December 2014. 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 consolidated entity's ability to continue as a going concern and therefore, the consolidated entity 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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B. A. Mackenzie  
Partner - Audit & Assurance

Melbourne, 16 March 2015