

Abilene Oil and Gas Limited

(Formerly known as World Oil Resources Limited)

ABN 41 000 752 849

Annual Report - 30 June 2015

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Contents
30 June 2015

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Abilene Oil and Gas Limited
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Corporate directory
30 June 2015

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 Ph: (03) 9692 7222 Fax: (03) 9077 9233
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
Stock exchange listing	Abilene Oil and Gas Limited shares are listed on the Australian Securities Exchange (ASX code: ABL)

Abilene Oil and Gas Limited
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Review of operations
30 June 2015

Klick Oil Project

49.2% Working Interest – 40% Net Revenue Interest)

Operator – CMX Inc. (CMX) is the operator of the project

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

The 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.

JV Partners

- CMX Inc. (49.2% Working Interest – 40% Net Revenue Interest)
- Chesapeake Energy Corp (Minority participating interest of 1.6%)
- Other parties with over-riding royalty interests amount to 18.7%.

The gross production during the year by the joint venture was:

Oil: 4,944 Bbls
Gas: 30,082 MCF

The Company (together with its joint operation partner CMX) plans to review operating reliability to maintain production volumes at the Klick Oil Field and consequently expedite revenues from this project.

As at 30 June 2015, the economic potential of the Klick well was not able to be determined as the production results have not been continuous. Further assessments are being carried out on the economic potential of this project and as such the net realisable value has not been able to be determined. During the year, the Company impaired the carrying amount this project in full until such time as the economic potential of the well is determined.

Welch-Bornholdt Wherry Project

(ABL 50% Working Interest)

Operator – CMX Inc. (CMX) is the operator of the project

- Welch-Bornholdt Wherry Oil Fields
- Rice and McPherson Counties, Kansas USA

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.

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.

Abilene Oil and Gas 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.

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.

In January and February 2012, horizontal well Socrates 1H was drilled at the Welch-Bornholdt and Wherry Oil Fields. Socrates 1H is the first modern horizontal well on the fields.

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During the 2014 calendar year, the joint venture drilled the #1-1 Krehbiel Trust Well and decided to place the well into production following positive oil shows.

The joint venture continues to undertake technical evaluations of the surrounding acreage in order to define potential areas of interest and future possible drill locations.

The gross production during the year by the joint venture was 2,284 Bbls.

It is advised that the #1-1 Krehbiel Trust well production still has variable operating rates. Once the operator advises that it the well has stabilised the Company will report initial production rates. The Company along with its joint operation partner will continue to review the production results from the #1-1 Krehbiel Trust well.

As at 30 June 2015, the recoverable amount of this well has not been determined and an impairment of the carrying amount has been realised until such time as the future potential resources have been defined.

Kinsley Prospect

(ABL 35% Working Interest)

Operator – CMX Inc. (CMX) is the operator of the project

- Edwards County, Kansas USA
- Covers approximately 6,400 acres in Edwards County, Kansas

During the year, the operator continued to analyse 3D seismic available and the joint venture intends to review drilling by neighbouring companies for future drilling prospects.

Mount Outlook Prospect

(ABL 50% Working Interest)

Operator – CMX Inc. (CMX) is the operator of the project

- Morrison Oil fields
- Clark County, Kansas USA
- Covers approximately 1,200 acres of the Morrison Oil Fields

During the year, the operator continued to analyse 3D seismic available and to assess the most suitable locations for drilling. Planning for proposed drilling expenditure and discussions with joint venture parties continued with discussions to be held later in the year.

Central Kansas Uplift Appraisal and Development Project (CKU)

(ABL 49% Working Interest)

Operator – CMX Inc. (CMX) is the operator of the project

- Russell, Rice, Ellsworth and Barton Counties, Kansas USA

JV Partners

- CMX (25% WI)
- Cade Production LLC (20.8%)
- Panther Energy, Inc. (2.6%)
- Thomas P. Tenneson (2.6%)

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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. ABL and its partners in the CKU project have established a joint venture entity, Lodestone Resources LLC (Lodestone) which holds the group's interests in the CKU project. Abilene owns 49% of the equity of Lodestone and has one of the three managers (i.e. Directors) of that entity. Lodestone acquired the first land package (5,078 acres) in October 2014, including all rights to the completed 3D seismic. Lodestone paid US\$1,497m to the land owners.

On 9 April 2015 the Company announced that it agreed to fund its share of the second option to acquire further acreage and leases in the Central Kansas Uplift Project ('CKU Project'). Through the second option payment, Lodestone acquired a further 5,178 acres.

The final option to acquire land includes a further 5,378 acres and will require a further payment of US\$777,458. This option is due to expire on 15 December 2015. The Company will assess the value of exercising this option prior to expiry of the option.

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 mbbbl EUR) that can be drilled with a single vertical well at a low cost. The use of 3D allows the joint venture to recognise smaller drilling targets than can be detected by geologic mapping. The use of 3D seismic is expected to lower the drilling risk.

As at 30 June 2015, the results of the joint operation have not yet been able to provide sufficient production results in order for the economic potential of each well to be defined. The joint venture operator continues to monitor the production results in order to determine whether the relevant wells can be deemed to be economic and at which time will be reclassified from exploration to development. It is further noted that all production results to date are subject to fluctuation during the exploration phase.

Below is a summary of the Lodestone wells drilled to date and current information:

Well	County/State	ABL Equity	Status
Clafin # 1-35	Barton County, Kansas	49%	Producing
Demel # 1-25	Barton County, Kansas	49%	Cased and suspended
Woelk #1 -21	Russell County, Kansas	49%	Producing
Woelk #1 -19	Russell County, Kansas	49%	Producing
Homolka # 1-35	Barton County, Kansas	14.7%	Production recently commenced
Clafin #1-34	Barton County, Kansas	49%	Production recently commenced
Woelk #1-18	Russell County, Kansas	49%	Production recently commenced
Steiner #1-25	Barton County, Kansas	49%	Plugged and abandoned
Abel-Robl #1-19	Rice County, Kansas	49%	Production to commence soon
Bushton #1-36	Ellsworth County, Kansas	49%	Production to commence soon
Bushton #1-20	Ellsworth County, Kansas	49%	Production to commence soon

[#] all reported production rates are based on information provided by the operator of the project.

During the year Lodestone also drilled a Salt Water Disposal Well ('SWDW') which will be used as a dedicated SWDW for the Woelk area production wells and allows for optimal and efficient production.

The gross production for the joint operation during the year since incorporating the joint operation was 14,563 barrels of oil.

As each of the wells are further reviewed for their economic potential, further assessments will be carried out to determine the potential for future potential reserves and at 30 June 2015, these amounts had not been able to be determined from the results received to date.

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Directors' report
30 June 2015

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 year ended 30 June 2015.

Directors

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

Mr Paul Salter
Mr Mordechai Benedikt
Mr Craig Mathieson
Mr Peter Best (resigned 6 July 2015)

Principal activities

During the financial 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.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$6,632,562 (30 June 2014: \$1,917,880).

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

Financial Position

The net assets of the consolidated entity have decreased by \$445,015 to \$4,794,239 (30 June 2014: 5,239,254). The reduction in net assets was a result of impairments to production assets amounting to \$1,880,123 and write off of exploration and evaluation expenditure amounting to \$4,043,973. The consolidated entity also carried out equity raisings during the year raising \$4,992,089 before costs. The funds were used to fund the company's Lodestone Joint Venture (refer to review of operations for further information). During the period the consolidated entity had cash outflows of \$4,217,872 on its joint venture investment and operation activities.

The consolidated entity's working capital, being current assets less current liabilities was a deficit of \$16,966 (30 June 2014: \$385,604).

Significant changes in the state of affairs

On 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 \$0.003 (0.3 cents) per share. On 15 October 2014, the consolidated entity issued 141,949,717 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share as part of its shortfall facility resulting from the rights issue. 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 23 December 2014 as approved by shareholders at the Annual General Meeting held on 27 November 2014. The entity issued 7,600,000 fully paid ordinary shares at \$0.06 (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 \$0.08 (8 cents) on or before 31 October 2017.

On 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.

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On 16 January 2015, the consolidated entity entered into a Loan Agreement with a related entity of Mr Craig Mathieson and substantial shareholder, Holdrey Pty Ltd, to secure short term funding for the Company. The consolidated entity was provided with a loan of \$320,000 in order to fund completion costs relating to the wells drilled at the Company's Central Kansas Uplift Project. The loans provided by Holdrey did not bear any interest and were repaid following the successful capital raising under the Renounceable Rights Issue Offer dated 6 March 2015.

On 6 March 2015 the consolidated entity announced a Renounceable Rights Issue on a 4 for 1 basis at an issue price of \$0.01 (1 cent) per new share to raise a maximum of \$2,927,932 before costs. The offer was underwritten by Holdrey Pty Ltd and Salter Brothers Private Pty Ltd to a maximum of \$2 million. The Rights issue closed oversubscribed on 26 March 2015 and the underwriters did not receive any shares under the offer.

On 2 April 2015 the consolidated entity issued a total of 292,893,180 fully paid ordinary shares under the Renounceable Rights Issue Offer raising a total of \$2,928,931 before costs.

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

Matters subsequent to the end of the financial year

On 13 August 2015 the consolidated entity announced it had entered into a Loan Agreement with a related entity of Director, Mr Craig Mathieson, Mathieson Downs Pty Ltd, to secure funding for the Company. Under the Agreement, Mathieson Downs provided the Company with a loan of \$500,000 in order to fund the costs for the drilling and working capital purposes. The loan will accrue 8% interest per annum and is repayable by the Company no later than 24 months from entering into the Agreement.

On 21 August 2015 the consolidated entity announced that it had entered into a further Loan Agreement with a related entity of Director, Mr Craig Mathieson, Mathieson Downs Pty Ltd, to secure funding for the Company. Under the Agreement, Mathieson Downs has provided the Company with a further loan of \$850,000 in order to fund the costs of acquisition (see acquisition details below) of these working interests and working capital purposes. The loan will accrue 8% interest per annum and is repayable by the Company no later than 24 months from entering into the Agreement.

Also on 21 August 2015 the consolidated entity announced that it had acquired further acreage in Kansas, USA with joint venture partners. The additional acreage has been acquired through 3 separate transactions, one of which is through a new Joint Venture Company, Rodinia Resources LLC, and the other two being through a joint venture with CMX Inc. and Cade Production LLC.

No other matter or circumstance has arisen since 30 June 2015 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.

Likely developments and expected results of operations

The likely developments in the operations of the economic entity constituted by Abilene Oil and Gas Limited and the entities it controls in the subsequent financial years involve the ongoing principal activities of Oil & Gas exploration and development and appear in the Review of Operations in this Annual Report. Future developments are dependent upon the success of its exploration and development activities.

Environmental regulation

The Company's operations are subject to general environmental regulation under the laws of the states and territories of Australia, USA and Brazil in which it operates. In addition the various exploration licenses held by the Company impose environmental obligations on it in relation to site remediation following sampling and drilling programs. The board is aware of these requirements and management has been instructed to ensure that they are complied with. The Board of Directors are not aware of any breaches of these environmental regulations and license obligations during the year.

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Information on directors

Name: Mr Paul Salter
Title: Non-executive Chairman
Experience and expertise: Mr Salter is the Managing Director and CEO of MAP Capital Advisors (MAP Capital), a leading independent boutique investment and advisory house with offices in Sydney and Melbourne. MAP Capital was established in 2004 with a sector focus on the TRiMET market segments (namely: Technology, Retail, Internet, Media, Entertainment & Telecoms) and the Resources sectors (namely: Mining, Oil & Gas, and Cleantech).
Other current directorships: Invigor Group Limited (ASX code: IVO) (appointed 10 December 2014)
Former directorships (last 3 years): None
Special responsibilities: Member of Audit Committee
Interests in shares: 49,551,956 fully paid ordinary shares.
Interests in options: 1,600,000 unlisted options exercisable at \$0.0775 per option on or before 31 October 2017.

Name: Mr Craig Mathieson
Title: Non-executive Director
Experience and expertise: Craig Donald Mathieson is the Chief Executive Officer of The Mathieson Group, a large family group with diverse investments including property, business and mining and rural interests. Previously, he was the Managing Director of Don Mathieson & Staff Glass Pty Ltd, which was a leading Australian downstream value-added processor and distributor of flat glass prior to its acquisition by CSR in 2007.
Other current directorships: Great Western Exploration Limited (ASX code: GTE)
Former directorships (last 3 years): Funtastic Limited (ASX code: FUN) (resigned 26 May 2015). IPB Petroleum Limited (ASX code: IPB) (resigned 20 March 2014)
Special responsibilities: Chairman of Audit Committee
Interests in shares: 83,667,507 fully paid ordinary shares.
Interests in options: 1,600,000 unlisted options exercisable at \$0.0775 per option on or before 31 October 2017.

Name: Mr Mordechai Benedikt
Title: Non-executive Director
Experience and expertise: Mordechai Benedikt is an experienced businessman who has an extensive background in food imports. In addition, he is active in export trade to Asia. More recently, Mr Benedikt has been involved in the Melbourne commercial property market and public sector.
Other current directorships: Cohiba Minerals Limited (ASX code : CHK)
Former directorships (last 3 years): None
Special responsibilities: Member of Audit Committee
Interests in shares: 5,041,665 fully paid ordinary shares.
Interests in options: 1,600,000 unlisted options exercisable at \$0.0775 per option on or before 31 October 2017.

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Name:	Mr Peter Best
Title:	Non-executive Director (resigned 6 July 2015)
Experience and expertise:	Peter Best has over 30 years' experience in the oil and gas industry, both in exploration and banking and finance. Peter is currently working as a consultant global oil and gas analyst based in Toronto. Peter advises both investment funds and corporates on oil and gas projects and investments around the world. In his initial career Peter worked as an oil and gas exploration geophysicist in Canada, Australia and other countries. This was followed by an active career as a rated oil and gas research analyst with Credit Suisse based in Sydney, Hong Kong and Toronto. Peter has a Bachelor of Science in Geophysics from the University of Calgary and a Masters in Applied Finance from Macquarie University in Sydney.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	1,600,000 unlisted options exercisable at \$0.0775 per option on or before 31 October 2017.

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sector.

Melanie has over 23 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Justin Mouchacca holds a Bachelor of Business majoring in Accounting. He graduated from RMIT University in 2008, became a Chartered Accountant in 2011 and since July 2013 has been the principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sectors.

Justin has over 8 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

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Directors' report
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Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held	Audit Committee Attended	Audit Committee Held
P Salter	9	9	2	2
C Mathieson	9	8	2	2
P Best	9	9	2	2
M Benedikt	9	9	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Company does not have a separately constituted remuneration committee. The Company is not of a sufficient size to warrant the existence of a separate remuneration committee. All matters that could be delegated to such a committee are dealt with by the full Board.

The Company seeks to remunerate Directors and executives in accordance with the general principles recommended by the ASX. The Company is committed to remunerating executives in a manner that is market-competitive, reflects duties and supports the interests of shareholders. The Company has not entered into any employment contracts with Key Management Personnel.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

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In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

The amount paid may vary from director to director, depending upon the level of responsibilities on the company's board and the boards of controlled entities.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the Board as a whole. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 November 1999, where the shareholders approved an aggregate remuneration of \$30,000 per Director. No amendments have been made to the available non-executive director remuneration pool since that date.

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- share-based payments

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments. Options are awarded to executives from time to time on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to remuneration

The remuneration of the Directors and executives are not linked to the performance, share price or earnings of the consolidated entity.

Voting and comments made at the company's 2014 Annual General Meeting ('AGM')

At the 27 November 2014 AGM, 98.96% of the votes received supported the adoption of the remuneration report for the year ended 2014. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Options	Total
2015	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr P Salter	50,000	-	-	-	-	50,297	100,297
Mr C Mathieson	36,000	-	-	-	-	50,297	86,297
Mr M Benedikt	36,000	-	-	-	-	50,297	86,297
<i>Executive Directors:</i>							
Mr P Best *	60,000	-	-	-	-	50,297	110,296
<i>Other Key Management Personnel:</i>							
Mr J Mouchacca & Ms M Leydin **	84,000	-	-	-	-	-	84,000
	266,000	-	-	-	-	201,187	467,187

* On 30 April 2015 Mr Peter Best became a Non-executive director and on 6 July 2015 Mr Peter Best resigned as Non-executive of company.

** Fees paid to Leydin Freyer Corp Pty Ltd, of which Justin Mouchacca is also a director, in respect of the Company Secretarial and Accounting Services.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Options	Total
2014	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr P Salter	46,656	-	-	-	-	-	46,656
Mr C Mathieson	36,000	-	-	-	-	-	36,000
Mr M Benedikt	36,000	-	-	-	-	-	36,000
Mr M Walker *	9,000	-	-	-	-	-	9,000
Mr T Johnston *	9,000	-	-	-	-	-	9,000
Mr J Weston *	18,000	-	-	-	-	-	18,000
<i>Executive Directors:</i>							
Mr P Best **	41,441	-	-	-	-	-	41,441
<i>Other Key Management Personnel:</i>							
Mr J Mouchacca & Ms M Leydin ***	70,500	-	-	-	-	-	70,500
	266,597	-	-	-	-	-	266,597

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- * Resigned during the financial year. Mr Matthew Walker and Mr Timothy Johnston resigned 27 September 2013. Mr John Weston Resigned 19 November 2013.
- ** Appointed during the year. Mr Peter Best appointed 2 December 2013.
- *** Fees paid to Leydin Freyer Corp Pty Ltd, of which Justin Mouchacca is also a director, in respect of the Company Secretarial and Accounting Services.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2015	2014	2015	2014	2015	2014
<i>Non-Executive Directors:</i>						
Mr P Salter	50%	100%	-%	-%	50%	-%
Mr C Mathieson	42%	100%	-%	-%	58%	-%
Mr M Benedikt	42%	100%	-%	-%	58%	-%
<i>Executive Directors:</i>						
Mr P Best *	54%	100%	-%	-%	46%	-%
<i>Other Key Management Personnel:</i>						
Mr J Mouchacca & Ms M Leydin						
**	100%	100%	-%	-%	-%	-%

- * On 30 April 2015 Mr Peter Best became a Non-executive director and on 6 July 2015 Mr Peter Best resigned as Non-executive of company.
- ** Fees paid to Leydin Freyer Corp Pty Ltd, of which Justin Mouchacca is also a director, in respect of the Company Secretarial and Accounting Services.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date	Expiry date	Exercise price	Fair value per option at grant date
23/12/2014*	23/12/2014	31/10/2017	\$0.0775	\$0.031

- * On 2 April 2015 the unlisted options on issue changed their exercise price from \$0.08 to \$0.0775 per option following the consolidated entity's renounceable rights issue.

Options granted carry no dividend or voting rights.

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Directors' report
30 June 2015

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Number of options granted during the year 2015	Number of options granted during the year 2014	Number of options vested during the year 2015	Number of options vested during the year 2014
Mr Paul Salter	1,600,000	-	1,600,000	-
Mr Peter Best *	1,600,000	-	1,600,000	-
Mr Craig Mathieson	1,600,000	-	1,600,000	-
Mr Mordechai Benedikt	1,600,000	-	1,600,000	-

* On 6 July 2015 Mr Peter Best resigned as Non-executive director of the company.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2015 are summarised below:

	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$
Revenue	465,185	341,746	360,015	732,861	289,257
Loss after income tax	(2,291,291)	(1,917,880)	(8,241,419)	(2,229,924)	(3,714,348)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2015	2014	2013	2012	2011
Share price at financial year start (\$)	0.010	0.003	0.010	0.020	0.030
Share price at financial year end (\$)	0.025	0.010	0.020	0.030	0.050

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Share consolidation	Balance at the end of the year
<i>Ordinary shares</i>					
Mr Paul Salter	41,666,667	-	72,004,750	(65,972,223)	47,699,194
Mr Craig Mathieson	151,877,880	-	177,621,215	(246,933,310)	82,565,785
Mr Mordechai Benedikt	1,100,000	-	5,683,332	(1,741,667)	5,041,665
Ms M Leydin & Mr J Mouchacca	-	-	12,500,000	(9,500,000)	3,000,000
	<u>194,644,547</u>	<u>-</u>	<u>267,809,297</u>	<u>(324,147,200)</u>	<u>138,306,644</u>

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Directors' report
30 June 2015

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Mr Paul Salter	-	1,600,000	-	-	1,600,000
Mr Craig Mathieson	-	1,600,000	-	-	1,600,000
Mr Mordechai Benedikt	-	1,600,000	-	-	1,600,000
Mr Peter Best *	-	1,600,000	-	-	1,600,000
	-	6,400,000	-	-	6,400,000

* On 6 July 2015 Mr Peter Best resigned as a Non-executive director of the company.

Loans from key management personnel and their related parties

During the financial year the consolidated entity entered into loan agreements with director related entity's, none of which remained outstanding at 30 June 2015.

On 15 October 2014 the company announced that it had entered into Loan and Placement Agreements with 2 director related entities being Mr Mordechai Benedikt and Holdrey Pty Ltd (a related entity to Mr Craig Mathieson) in the amount of \$55,000 and \$220,000 respectively. The respective loans did not bear any interest. The loans were subsequently repaid through the issue of shares as approved by shareholders at the company's Annual General Meeting held on the 27 November 2014 with the exception of \$9,000 (this loan was repaid in cash at a later date) from Holdrey Pty Ltd on the 23 December 2014.

On 16 January 2015 the company announced it had entered into a loan agreement with the related entity of Mr Craig Mathieson (Holdrey Pty Ltd) in the amount of \$160,000. The loan provided by Holdrey Pty Ltd did not bear any interest, had repayment date of 30 April 2015 and was not a secured loan.

On 23 January 2015 the company announced that it had entered into a further agreement with Holdrey Pty Ltd to provide the company with an additional \$160,000. The loan provided by Holdrey Pty Ltd did not bear any interest, had repayment date of 30 April 2015 and was not a secured loan.

The two loans totalling \$320,000 along with the \$9,000 provided by Holdrey Pty Ltd were subsequently repaid following the completion of the renounceable rights issue completed on 2 April 2015.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Abilene Oil and Gas Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
27 November 2014 *	31 October 2017	\$0.0775	6,400,000

* Following the renounceable rights issue completed by the consolidated entity on 2 April 2015 the exercise price of the options were subsequently reduced to \$0.0775.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Abilene Oil and Gas Limited issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Directors' report
30 June 2015

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

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.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Directors' report
30 June 2015

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Paul Salter
Chairman

30 September 2015
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 year ended 30 June 2015, 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, 30 September 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
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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 year ended 30 June 2015

	Note	Consolidated 2015 \$	2014 \$
Revenue	5	477,615	341,746
Expenses			
Production costs		(90,163)	(250,657)
Employee benefits expense		(182,827)	(194,083)
Amortisation expense	6	-	(111,120)
Exploration expenditure written off	6	(4,043,973)	2,705
Impairment expense	6	(1,880,123)	(1,275,366)
Administration costs		(18,017)	(9,451)
Corporate costs		(453,897)	(327,239)
Loss on share of associate		(113,446)	-
Other expenses		(20,479)	(54,523)
Finance costs		-	(577)
Foreign exchange gain/(loss)		(106,065)	(315)
Share based payments		(201,187)	(39,000)
Loss before income tax expense		(6,632,562)	(1,917,880)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Abilene Oil and Gas Limited		(6,632,562)	(1,917,880)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,091,920	(130,708)
Other comprehensive income for the year, net of tax		1,091,920	(130,708)
Total comprehensive loss for the year attributable to the owners of Abilene Oil and Gas Limited		<u>(5,540,642)</u>	<u>(2,048,588)</u>
		Cents	Cents
Basic earnings per share	33	(4.886)	(5.706)
Diluted earnings per share	33	(4.886)	(5.706)

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 30 June 2015

	Note	Consolidated 2015 \$	2014 \$
Assets			
Current assets			
Cash and cash equivalents	8	68,210	326,823
Trade and other receivables	9	25,379	6,448
Other assets	10	11,384	10,026
Total current assets		<u>104,973</u>	<u>343,297</u>
Non-current assets			
Investments accounted for using the equity method	11	4,104,427	-
Available-for-sale financial assets	12	9,944	24,860
Exploration and evaluation assets	13	881,086	4,250,498
Production and development assets	14	-	1,500,000
Total non-current assets		<u>4,995,457</u>	<u>5,775,358</u>
Total assets		<u>5,100,430</u>	<u>6,118,655</u>
Liabilities			
Current liabilities			
Trade and other payables	15	121,939	668,901
Borrowings	16	-	60,000
Total current liabilities		<u>121,939</u>	<u>728,901</u>
Non-current liabilities			
Trade and other payables		-	500
Provisions	17	184,252	150,000
Total non-current liabilities		<u>184,252</u>	<u>150,500</u>
Total liabilities		<u>306,191</u>	<u>879,401</u>
Net assets		<u>4,794,239</u>	<u>5,239,254</u>
Equity			
Issued capital	18	63,555,507	58,661,067
Reserves	19	9,608,146	8,315,039
Accumulated losses		<u>(68,369,414)</u>	<u>(61,736,852)</u>
Total equity		<u>4,794,239</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
(Formerly known as World Oil Resources Limited)
Statement of changes in equity
For the year ended 30 June 2015

Consolidated	Issued capital \$	Accumulated Losses \$	Reserves \$	Total equity \$
Balance at 1 July 2013	56,357,445	(60,051,472)	8,678,247	4,984,220
Loss after income tax expense for the year	-	(1,917,880)	-	(1,917,880)
Other comprehensive income for the year, net of tax	-	-	(130,708)	(130,708)
Total comprehensive income for the year	-	(1,917,880)	(130,708)	(2,048,588)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	2,281,518	-	-	2,281,518
Capital raising costs	(16,896)	-	-	(16,896)
Share based payments	39,000	-	-	39,000
Performance rights expired	-	232,500	(232,500)	-
Balance at 30 June 2014	<u>58,661,067</u>	<u>(61,736,852)</u>	<u>8,315,039</u>	<u>5,239,254</u>
Consolidated	Issued capital \$	Accumulated Losses \$	Reserves \$	Total equity \$
Balance at 1 July 2014	58,661,067	(61,736,852)	8,315,039	5,239,254
Loss after income tax expense for the year	-	(6,632,562)	-	(6,632,562)
Other comprehensive income for the year, net of tax	-	-	1,091,920	1,091,920
Total comprehensive income for the year	-	(6,632,562)	1,091,920	(5,540,642)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 34)	-	-	201,187	201,187
Issue of shares	4,992,089	-	-	4,992,089
Capital raising costs	(97,649)	-	-	(97,649)
Balance at 30 June 2015	<u>63,555,507</u>	<u>(68,369,414)</u>	<u>9,608,146</u>	<u>4,794,239</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 year ended 30 June 2015

	Note	Consolidated 2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		439,141	274,017
Payments to suppliers		(1,197,367)	(1,099,801)
Interest received		7	33
Other revenue		10,879	67,696
Finance costs		-	(577)
Net cash used in operating activities	32	(747,340)	(758,632)
Cash flows from investing activities			
Payments for joint venture investment activities		(4,217,872)	-
Payments for exploration assets		(254,119)	(1,082,275)
Net cash used in investing activities		(4,471,991)	(1,082,275)
Cash flows from financing activities			
Proceeds from issue of shares	18	4,992,089	2,281,518
Capital raising costs	18	(97,649)	(16,896)
Proceeds from borrowings		-	60,000
Repayment of borrowings		(60,000)	(100,000)
Net cash from financing activities		4,834,440	2,224,622
Net increase/(decrease) in cash and cash equivalents		(384,891)	383,715
Cash and cash equivalents at the beginning of the financial year		326,823	25,171
Effects of exchange rate changes on cash and cash equivalents		126,278	(82,063)
Cash and cash equivalents at the end of the financial year	8	<u>68,210</u>	<u>326,823</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
30 June 2015

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 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, VIC 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 30 September 2015. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
- AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

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 financial year ended 30 June 2015 the consolidated entity experienced operating losses of \$6,632,562 (30 June 2014: \$1,917,880). At 30 June 2015 the consolidated entity had cash and cash equivalents of \$68,210 (30 June 2014: \$326,823) and net current liabilities, being current assets less current liabilities, of \$16,966 (30 June 2014: \$385,604). Cash outflows during the 2015 financial year were \$384,891 compared to 2014 which had a positive cash flow of \$383,715. Consequently a significant uncertainty exists as to the consolidated entity's ability to continue as a going concern.

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 13 August 2015 that it has entered into a loan Agreement with a related entity Mr Craig Mathieson. Under the terms of the agreement the company would be provided with a loan of \$500,000 with an interest rate of 8% per annum. This loan agreement will continue to further fund exploration project expenditure as well as ongoing working capital purposes;
- the company entered into a further loan agreement with a related entity of Mr Craig Mathieson in the amount \$850,000 under the same terms as the first loan provided to the company;
- the oil & gas revenue from the company's CKU project will continue to see positive cashflow in the in the 2016 financial year with expected distribution of profits during the first half of the 2016 financial year; and
- the operating cost base that existed as at the June 2014 full year reporting period has 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.

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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Abilene Oil and Gas Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Abilene Oil and Gas Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 2. Significant accounting policies (continued)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Identification of reportable operating segments

The consolidated entity does not have any reportable operating segments as it solely operates in the exploration sector for oil and gas assets within the United States. This internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources are prepared on the consolidated entity as a whole.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Abilene Oil and Gas Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 2. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Investments in associates and joint ventures

An associate is an entity over which the consolidated entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the consolidated entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the consolidated entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the consolidated entity's net investment in the associate or joint venture), the consolidated entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Note 2. Significant accounting policies (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the consolidated entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the consolidated entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the consolidated entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The consolidated entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the consolidated entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the consolidated entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the consolidated entity accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the consolidated entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The consolidated entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the consolidated entity reduces its ownership interest in an associate or a joint venture but the consolidated entity continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the consolidated entity, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the consolidated entity.

Note 2. Significant accounting policies (continued)

Production and Development Assets

Production assets represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which mining has commenced or in the process of commencing. When further development expenditure is incurred in respect of production asset after the commencement of production, such expenditure is carried forward as part of the production asset only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis (other than restoration and rehabilitation expenditure detailed below) which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

The Group provides for environmental restoration and rehabilitation at site which includes any costs to dismantle and remove certain items of plant and equipment. The cost of an item includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when an item is acquired or as a consequence of having used the item during that period. This asset is depreciated on the basis of the current estimate of the useful life of the asset.

In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets an entity is also required to recognise as a provision the best estimate of the present value of expenditure required to settle the obligation. The present value of estimated future cash flows is measured using a current market discount rate.

Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

Abilene produces test oil from its development well prior to entering full production. This test oil may be sold to third parties. Where the test oil is considered necessary to the completion of the asset, the proceeds from sales are usually offset against the asset cost instead of being recognised as revenue within the income statement.

When production commences, the accumulated costs for the relevant area of interest are transferred to production and development reserves and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review for impairment is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the leases. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Investments in joint arrangements (Joint operations)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Interests in joint operations are accounted for by recognising the consolidated entity's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly)

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 2. Significant accounting policies (continued)

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Abilene Oil and Gas Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

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

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Rehabilitation provision

The consolidated entity's production and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of production asset estimates and discount rates could affect the carrying amount of this provision.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Units-of-production amortisation

Estimated recoverable reserves are used in determining the amortisation of production assets. This results in a amortisation charge proportional to the depletion of the anticipated remaining life of the production asset. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the production assets at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

Exploration and evaluation expenditure

The application of the consolidated entity's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management are required to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Impairment

The consolidated entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the consolidated entity that may be indicative of impairment trigger. Recoverable amounts of relevant assets are reassessed using the higher of fair value less cost of sell and value in-use calculations which incorporate various key assumptions.

Production start date

The consolidated entity assesses the stage of each asset under construction to determine when it transitions into the production phase, this being when the asset is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each asset, such as the complexity of the project and its location. The consolidated entity considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Assets under construction' to 'Producing assets' and/or 'Property, plant and equipment.'

When a development project moves into the production phase, the capitalisation of certain development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation. It is also at this point that depreciation/amortisation commences.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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Note 3. Critical accounting judgements, estimates and assumptions (continued)

Joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements.. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries, as set out in Note 2.1. Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

1. The structure of the joint arrangement – whether it is structured through a separate vehicle
2. When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
 - a) The legal form of the separate vehicle;
 - b) The terms of the contractual arrangement; and
 - c) Other facts and circumstances, considered on a case by case basis

This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

Note 4. 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 5. Revenue

	Consolidated	
	2015	2014
	\$	\$
<i>Sales revenue</i>		
Oil & gas revenue	278,718	266,359
Other sales revenue	-	6,871
	<u>278,718</u>	<u>273,230</u>
<i>Other revenue</i>		
Interest revenue	7	33
Tax refund received	-	67,696
Other revenue	198,890	787
	<u>198,897</u>	<u>68,516</u>
Revenue	<u><u>477,615</u></u>	<u><u>341,746</u></u>

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Note 6. Expenses

	Consolidated	
	2015	2014
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Amortisation</i>		
Production assets	-	111,120
<i>Rental expense relating to operating leases</i>		
Production lease	89,434	85,101
<i>Impairment expense</i>		
Impairment of available for sale financial assets	14,916	20,423
Impairment of exploration assets	4,043,973	143,849
Impairment of production assets	1,865,207	1,108,389
Total impairment expense	5,924,096	1,272,661

Refer to note 13 for details regarding the impairment of exploration assets. Refer to note 14 for details regarding the impairment of development and production assets.

Note 7. Income tax benefit

	Consolidated	
	2015	2014
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(6,632,562)	(1,917,880)
Tax at the statutory tax rate of 30%	(1,989,769)	(575,364)
Current year and temporary differences not recognised	132,767	185,362
Difference in overseas tax rates	-	(3,337)
Sundry	111,572	-
Non-allowable/ non-assessable items	1,745,430	393,339
Income tax expense	-	-
	Consolidated	
	2015	2014
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	14,166,621	13,715,861
Potential tax benefit @ 30%	4,249,986	4,114,758

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

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Note 7. Income tax benefit (continued)

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- (i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- (ii) The consolidated entity continues to comply with the conditions for deductibility imposed by law and;
- (iii) No change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2015	2014
	\$	\$
Cash at bank	68,210	326,823

Note 9. Current assets - trade and other receivables

	Consolidated	
	2015	2014
	\$	\$
Trade receivables	21,558	1,982
GST receivable	3,821	4,466
	25,379	6,448

Note 10. Current assets - Other assets

	Consolidated	
	2015	2014
	\$	\$
Prepayments	11,384	10,026

Note 11. Non-current assets - investments accounted for using the equity method

	Consolidated	
	2015	2014
	\$	\$
Investment in associates	4,104,427	-

Refer to note 30 for further information on interests in associates.

During the 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 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.

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Note 11. Non-current assets - investments accounted for using the equity method (continued)

Details of each of the Group's material associates at the end of the reporting period are as follows:

The above associate is accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with AASBs adjusted by the Group for equity accounting purposes.

	Consolidated	
	2015	2014
	\$	\$
Lodestone Resources LLC		
Current assets	434,439	-
Non-current assets	7,695,750	-
Current liabilities	(107,376)	-
Non-current liabilities	-	-
	Consolidated	Consolidated
	2015	2014
Lodestone Resources LLC		
Profit (loss) for the year	(193,761)	-
Total comprehensive income for the year	(193,761)	-
Reconciliation of the above summarised financial information to the carrying amount of the interest in Lodestone Resources LLC recognised in the consolidated financial statements:		
Net assets of the associate	8,022,814	-
Proportion of the Group's ownership interest in Lodestone Resources LLC	49%	-
Goodwill	-	-
Foreign exchange fluctuations	173,247	-
Carrying amount of the Group's interest in Lodestone Resources LLC	4,104,426	-

Details of material associates

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the consolidated entity	
			30/06/2015	30/06/2014
Lodestone Resources LLC	Oil & Gas	USA	49%	-%

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Note 12. Non-current assets - available-for-sale financial assets

	Consolidated	
	2015	2014
	\$	\$
Investments in Bisan Limited	<u>9,944</u>	<u>24,860</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	24,860	47,453
Disposals	-	(2,170)
Impairment of assets	<u>(14,916)</u>	<u>(20,423)</u>
Closing fair value	<u>9,944</u>	<u>24,860</u>

Refer to note 22 for further information on fair value measurement.

The investment in Bisan Limited (ASX :BSN) held by the consolidated entity at fair value are valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 30 June 2015 and 30 June 2014. In accordance with AASB 139, available-for-sale financial assets have been impaired through the statement of profit and loss and other comprehensive income due to the nature of the significant and prolonged decrease in the valuation of the assets.

Note 13. Non-current assets - Exploration and evaluation assets

	Consolidated	
	2015	2014
	\$	\$
Exploration and evaluation assets	5,302,250	4,250,498
Less: Impairment	<u>(4,421,164)</u>	<u>-</u>
	<u>881,086</u>	<u>4,250,498</u>

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Note 13. Non-current assets - Exploration and evaluation assets (continued)

Reconciliations

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

Consolidated	Exploration & evaluation \$	Total \$
Balance at 1 July 2013	3,267,072	3,267,072
Additions	1,082,275	1,082,275
Exchange differences	(5,000)	(5,000)
Impairment of assets	(143,849)	(143,849)
Write off of assets	50,000	50,000
Balance at 30 June 2014	4,250,498	4,250,498
Expenditure during the year	254,120	254,120
Exchange differences	617,099	617,099
Impairment of assets	(4,043,973)	(4,043,973)
Transfers in/(out)	(196,658)	(196,658)
Balance at 30 June 2015	<u>881,086</u>	<u>881,086</u>

The exploration and evaluation assets relate to three projects been to the Welch-Bornholdt/Wherry project in Kansas, the Kinsley project in Edwards County, Kansas and the Mt Outlook 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.

The Company has carried out an impairment review of the carrying amount of its exploration expenditure in the Welch-Bornholdt / Wherry asset following the end of the financial year and it is noted that the majority of the exploration expenditure carried forward relates to significant expenditure carried out in the 2012 financial year on the Socrates -1H well. The carrying amount consists of expenditure on this project and foreign exchange movements on the carrying amount. As a result of the decrease in oil prices since the previous year, an assessment of the carrying amount of project and has been fully impairment in the amount of \$4,043,973.

During the current financial year the consolidated entity put into production its Krehbiel Trust #1-1 well which is part of the Welch-Bornholdt/Wherry project in Kansas. Following this decision the costs incurred by this well which was previously carried as exploration expenditure have been transferred out to production and development assets.

Note 14. Non-current assets - production and development assets

	Consolidated	
	2015	2014
	\$	\$
Production assets	4,171,043	3,395,653
Less: Accumulated amortisation	(999,615)	(813,788)
Less: Impairment	<u>(3,171,428)</u>	<u>(1,081,865)</u>
	<u>-</u>	<u>1,500,000</u>

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Note 14. Non-current assets - production and development assets (continued)

Reconciliations

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

Consolidated	Production Assets \$	Total \$
Balance at 1 July 2013	2,663,154	2,663,154
Exchange differences	(43,645)	(43,645)
Impairment of assets	(1,108,389)	(1,108,389)
Transfers in/(out)	100,000	100,000
Amortisation expense	(111,120)	(111,120)
Balance at 30 June 2014	1,500,000	1,500,000
Transfers in/(out)	196,658	196,658
Exchange differences	168,549	168,549
Impairment of assets	(1,865,207)	(1,865,207)
Balance at 30 June 2015	-	-

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

During the current financial year the consolidated entity put into production its Krehbiel Trust #1-1 well which is part of the Welch-Bornholdt/Wherry project in Kansas. Following this decision the costs incurred by this well which was previously carried as exploration expenditure have been transferred in to production and development assets, the carrying value of the asset totals \$196,658 and has subsequently been fully impaired.

During the current year the directors have carried out a review of the carrying amount during the period on the Klick asset and based on the reduction of oil and gas prices, a reduction in production revenue and increased expenditure on the producing assets, an impairment of \$1,865,207 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.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2015 \$	2014 \$
Trade payables	113,733	354,752
Other payables	8,206	314,149
	<u>121,939</u>	<u>668,901</u>

Refer to note 21 for further information on financial instruments.

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

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Note 16. Current liabilities - borrowings

	Consolidated	
	2015	2014
	\$	\$
Loan provided from director related entity	-	60,000

Refer to note 21 for further information on financial instruments.

Note 17. Non-current liabilities - Provisions

	Consolidated	
	2015	2014
	\$	\$
Provision for rehabilitation	184,252	150,000

The consolidated entity makes full provision for the future cost of rehabilitation exploration and productions sites on a discounted basis.

Note 18. Equity - issued capital

	2015	Consolidated	2015	2014
	Shares	2014	\$	\$
		Shares		
Ordinary shares - fully paid	366,116,475	776,753,056	63,555,507	58,661,067

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2013	390,000,000		56,357,445
Rights issue	8 August 2013	120,610,529	\$0.0060	723,663
Shortfall facility following rights issue	9 August 2013	62,675,860	\$0.0060	376,055
Share placement	18 November 2013	85,000,000	\$0.0060	510,000
Share placement	6 December 2013	111,966,667	\$0.0060	671,800
Share based payment	23 December 2013	6,500,000	\$0.0060	39,000
Capital raising costs		-		(16,896)
Balance	30 June 2014	776,753,056		58,661,067
Rights issue	21 July 2014	375,885,654	\$0.0030	1,127,657
Additional shares issued under the shortfall facility	15 October 2014	141,949,717	\$0.0030	425,849
Share placement	15 October 2014	17,883,587	\$0.0030	53,651
Share consolidation (1 for 20)	4 December 2014	(1,246,848,719)	\$0.0000	-
Share placement	23 December 2014	7,600,000	\$0.0600	456,000
Rights issue	4 April 2015	292,893,180	\$0.0100	2,928,932
Capital raising costs		-		(97,649)
Balance	30 June 2015	366,116,475		63,555,507

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.

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Note 18. Equity - issued capital (continued)

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.

Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the market and working capital needs of the company are constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 19. Equity - reserves

	Consolidated	
	2015	2014
	\$	\$
Foreign currency translation reserve	6,519,828	5,427,908
Capital profits reserve	2,887,131	2,887,131
Options reserve	201,187	-
	<u>9,608,146</u>	<u>8,315,039</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.

Options 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 and previous financial year are set out below:

	Foreign currency translation reserve \$	Capital profits reserve \$	Share-based payments reserve \$	Total \$
Consolidated				
Balance at 1 July 2013	5,558,616	2,887,131	232,500	8,678,247
Foreign currency translation	(130,708)	-	-	(130,708)
Performance rights expired	-	-	(232,500)	(232,500)
	<u>5,427,908</u>	<u>2,887,131</u>	<u>-</u>	<u>8,315,039</u>
Balance at 30 June 2014	5,427,908	2,887,131	-	8,315,039
Foreign currency translation	1,091,920	-	-	1,091,920
Issue of options	-	-	201,187	201,187
	<u>6,519,828</u>	<u>2,887,131</u>	<u>201,187</u>	<u>9,608,146</u>
Balance at 30 June 2015	6,519,828	2,887,131	201,187	9,608,146

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Note 20. Equity - dividends

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

Note 21. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

At 30 June 2015 and 30 June 2014 the consolidated entity did not have significant exposure to foreign exchange risks on financial instruments held in foreign currencies other than its interests in exploration assets and associates in the United States. The net assets of the US operation at 30 June 2015 was \$4,936,265 (2014: \$5,616,955 and the net assets of the Brazilian operations was \$nil (2014: \$4,438).

Sensitivity analysis on the net assets of foreign operations and subsidiaries included in the consolidated assets and liabilities is shown below. A variation of 15% in the foreign exchange rates would not impact profit or loss significantly and is not reported. There would be a significant impact in net assets and equity.

	AUD strengthened % change	AUD strengthened Effect on equity	AUD weakened % change	AUD weakened Effect on equity
Consolidated - 2015				
US Operation	15%	<u>1,433,113</u>	15%	<u>(1,433,113)</u>
	AUD strengthened % change	AUD strengthened Effect on equity	AUD weakened % change	AUD weakened Effect on equity
Consolidated - 2014				
US Operation	15%	842,543	15%	(842,543)
Brazilian Operation	15%	<u>666</u>	15%	<u>(666)</u>
		<u>843,209</u>		<u>(843,209)</u>

The US operation is sensitive to changes in the exchange rates between Australian dollars and US dollars.

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Note 21. Financial instruments (continued)

The Brazilian operation is sensitive to changes in the exchange rates between Australian dollars and Brazilian reals, Australian dollars and British pounds, and British pounds and Australian reals, as the Brazilian operation is owned by a UK subsidiary.

Price risk

The consolidated entity's revenues and cash flows are exposed to commodity price fluctuations, in particular oil and gas prices.

Interest rate risk

The consolidated entity's is not exposed to major interest rate risk

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties and only banks and financial institutions with an 'A' rating are utilised. The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Receivables due from major debtors are not normally secured by collateral, however the credit worthiness of debtors is monitored.

The maximum credit risk for the consolidated entity arising from cash and cash equivalents and receivables at 30 June 2015 is \$93,589 (2014: \$333,271).

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2015	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-%	121,939	-	-	-	121,939
Total non-derivatives		121,939	-	-	-	121,939

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Note 21. Financial instruments (continued)

Consolidated - 2014	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-%	668,901	-	-	500	669,401
Other loans	-%	60,000	-	-	-	60,000
Total non-derivatives		<u>728,901</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>729,401</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Ordinary shares	9,944	-	-	9,944
Total assets	<u>9,944</u>	<u>-</u>	<u>-</u>	<u>9,944</u>
Consolidated - 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Ordinary shares	24,860	-	-	24,860
Total assets	<u>24,860</u>	<u>-</u>	<u>-</u>	<u>24,860</u>

There were no transfers between levels during the financial year.

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Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	266,000	266,597
Share-based payments	201,187	-
	<u>467,187</u>	<u>266,597</u>

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2015	2014
	\$	\$
<i>Audit services - Grant Thornton</i>		
Audit or review of the financial statements	<u>43,000</u>	<u>45,000</u>
<i>Other services - Grant Thornton</i>		
Preparation of the tax return and related taxation advice	<u>23,400</u>	<u>53,100</u>
	<u>66,400</u>	<u>98,100</u>

Note 25. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2015 and 30 June 2014.

Note 26. Commitments

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

Note 27. Related party transactions

Parent entity

Abilene Oil and Gas Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Associates

Interests in associates are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report in the directors' report.

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Note 27. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	\$	\$
Payment for goods and services:		
Payment for geological services to Longreef Management (an entity associated with Mr Peter Best)	12,794	-

Receivable from and payable to related parties

On 6 March 2015, the consolidated entity entered into an Underwriting Agreement with Holdrey Pty Ltd as trustee for the Don Mathieson Family Trust, an entity controlled by Mr Craig Mathieson, a director of the Company; and Salter Brother Private Pty Ltd, an entity associated with Mr Paul Salter, a director of the Company (collectively, the Underwriters). The Underwriters agreed to severally underwrite the March 2015 Renounceable Rights Issue Offer made by the Company in equal proportions up to a maximum of 200,000,000 new shares in aggregate at an aggregate issue price of \$2,000,000. Underwriting fees payable amounted to 4% of the total amount underwritten (\$80,000) which remained due and payable at 30 June 2015.

Loans to/from related parties

Loans from related parties are detailed in note 16.

During the financial year the consolidated entity entered into loan agreements with director related entity's, none of which remained outstanding at 30 June 2015.

On 15 October 2014 to company announced that it had entered into Loan and Placement Agreements with 2 director related entities being Mr Mordechai Benedikt and Holdrey Pty Ltd (a related entity to Mr Craig Mathieson) in the amount of \$55,000 and \$220,000 respectively. The respective loans did not bear any interest. The loans were subsequently repaid through the issue of shares as approved by shareholders at the company's Annual General Meeting held on the 27 November 2014 with the exception of \$9,000 (this loan was repaid in cash at a later date) from Holdrey Pty Ltd on the 23 December 2014.

On 16 January 2015 the announced it had entered into a loan agreement with the related entity of Mr Craig Mathieson (Holdrey Pty Ltd) in the amount of \$160,000. The loan provided by Holdrey Pty Ltd did not bear any interest, had repayment date of 30 April 2015 and was not a secured loan.

On 23 January 2015 the company announced that it had entered into a further agreement with Holdrey Pty Ltd to provide the company with an additional \$160,000. The loan provided by Holdrey Pty Ltd did not bear any interest, had repayment date of 30 April 2015 and was not a secured loan.

The two loans totalling \$320,000 along with the \$9,000 provided by Holdrey Pty Ltd were subsequently repaid following the completion of the renounceable rights issue completed on 2 April 2015.

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Note 28. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2015	2014
	\$	\$
Loss after income tax	(814,462)	(656,874)
Total comprehensive income	(814,462)	(656,874)

Statement of financial position

	Parent	
	2015	2014
	\$	\$
Total current assets	10,884,580	7,174,614
Total assets	10,947,632	7,227,351
Total current liabilities	135,926	728,896
Total liabilities	136,426	729,396
Equity		
Issued capital	63,555,506	58,661,067
Foreign currency translation reserve	32,085	-
Capital profits reserve	2,835,500	2,835,500
Options reserve	201,187	-
Accumulated losses	(55,813,072)	(54,998,612)
Total equity	10,811,206	6,497,955

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2015 and 30 June 2014.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2015 and 30 June 2014.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as revenue by the parent entity and its receipt may be an indicator of an impairment of the investment.

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Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
Exploration & Geological Services Pty Ltd	Australia	100.00%	100.00%
101-103 George Street, East Melbourne Pty Ltd	Australia	100.00%	100.00%
Eromanga USA Pty Ltd	Australia	100.00%	100.00%
Mercury Brazil Ltd	United Kingdom	100.00%	100.00%
Mercury do Brasil Oil & Gas Ltd	Brazil	100.00%	100.00%

Note 30. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
Lodestone Resources LLC *	USA	49.00%	-%

* On 21 October 2014 the company entered into an arrangement with other parties relating to Lodestone Resources LLC to acquire a 49% shareholding in the entity, which was incorporated in October 2014.

Note 31. Events after the reporting period

On 13 August 2015 the consolidated entity announced it had entered into a Loan Agreement with a related entity of Director, Mr Craig Mathieson, Mathieson Downs Pty Ltd, to secure funding for the Company. Under the Agreement, Mathieson Downs provided the Company with a loan of \$500,000 in order to fund the costs for the drilling and working capital purposes. The loan will accrue 8% interest per annum and is repayable by the Company no later than 24 months from entering into the Agreement.

On 21 August 2015 the consolidated entity announced that it had entered into a further Loan Agreement with a related entity of Director, Mr Craig Mathieson, Mathieson Downs Pty Ltd, to secure funding for the Company. Under the Agreement, Mathieson Downs has provided the Company with a further loan of \$850,000 in order to fund the costs of acquisition (see acquisition details below) of these working interests and working capital purposes. The loan will accrue 8% interest per annum and is repayable by the Company no later than 24 months from entering into the Agreement.

Also on 21 August 2015 the consolidated entity announced that it had acquired further acreage in Kansas, USA with joint venture partners. The additional acreage has been acquired through 3 separate transactions, one of which is through a new Joint Venture Company, Rodinia Resources LLC, and the other two being through a joint venture with CMX Inc. and Cade Production LLC.

No other matter or circumstance has arisen since 30 June 2015 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.

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Note 32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2015	2014
	\$	\$
Loss after income tax expense for the year	(6,632,562)	(1,917,880)
Adjustments for:		
Depreciation and amortisation	-	111,120
Impairment of non-current assets	5,909,180	1,272,661
Share-based payments	201,187	39,000
Loss on disposal of available for-sale financial assets	-	2,170
Impairment of available for-sale financial assets	14,916	-
Loss on associate	113,446	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(18,936)	206,428
Increase in prepayments	(1,358)	(10,026)
Decrease in trade and other payables	(333,213)	(462,105)
Net cash used in operating activities	<u>(747,340)</u>	<u>(758,632)</u>

Note 33. Earnings per share

	Consolidated	
	2015	2014
	\$	\$
Loss after income tax attributable to the owners of Abilene Oil and Gas Limited	<u>(6,632,562)</u>	<u>(1,917,880)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>135,756,725</u>	<u>33,612,490</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>135,756,725</u>	<u>33,612,490</u>
	Cents	Cents
Basic earnings per share	(4.886)	(5.706)
Diluted earnings per share	(4.886)	(5.706)

There are no options outstanding at the end of the year as a result basic earnings per share and diluted earnings per share are consistent.

Note 34. Share-based payments

On 23 December 2014 the company issued 6,400,000 unlisted options to Key Management Personnel as approved by shareholders at the company's annual general meeting held on the 27 November 2014.

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Notes to the financial statements
30 June 2015

Note 34. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

2015							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/01/2010	31/10/2017	\$0.0775	-	6,400,000	-	-	6,400,000
			-	6,400,000	-	-	6,400,000

* 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 year:

Grant date	Expiry date	2015 Number	2014 Number
27/11/2014	31/10/2017	6,400,000	-
		6,400,000	-

For the options granted during the current financial year, the consolidated entity used a Black-Scholes valuation model, with the following inputs used to determine the fair value at grant date:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/11/2014	31/10/2017	\$0.0350	\$0.0775	213.86%	-%	2.24%	\$0.031

* Following the renounceable rights issue completed by the consolidated entity on 2 April 2015 the exercise price of the options were subsequently reduced to \$0.0775 in line with ASX Listing Rules.

The options listed above vested immediately at the date of grant being 27 November 2014 and have no performance conditions.

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Directors' declaration
30 June 2015


In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Paul Salter
Chairman

30 September 2015
Melbourne

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

Report on the financial report

We have audited the accompanying financial report of Abilene Oil and Gas Limited (the "Company"), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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Our Ref: Abilene - ABL Corporations Act Audit Report.Docx

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Abilene Oil and Gas Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern

Without modification to the audit opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 2 in the annual financial report the Company has incurred net operating cash outflows of \$747,340 during the year ended 30 June 2015 with a closing cash balance of \$68,210. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Abilene Oil and Gas Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 30 September 2015

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Shareholder information
30 June 2015

The shareholder information set out below was applicable as at 22 September 2015.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options
1 to 1,000	1,174	-
1,001 to 5,000	386	-
5,001 to 10,000	118	-
10,001 to 100,000	204	-
100,001 and over	82	4
	<u>1,964</u>	<u>4</u>
Holding less than a marketable parcel	<u>1,771</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	82,591,118	22.56
ROKEBA NOMINEES PROPRIETARY LIMITED (SILMAN PROPERTY A/C)	56,916,666	15.55
MAP CAPITAL PTY LTD (RICHMOND TCE CAP ARF A/C)	49,551,956	13.53
BOND STREET CUSTODIANS LIMITED (RXN - V38514 A/C)	37,500,000	10.24
PJP GROUP PTY LTD	23,129,995	6.32
MR ITZCHAK BENEDIKT + MRS ROZETTE BENEDIKT (SNIDER CARMEL P/L S/F A/C)	20,217,730	5.52
JAAGA PTY LTD	17,189,556	4.70
WONDERFUL TONIGHT PTY LTD (ROLLERCOATER SUPER FUND)	12,020,198	3.28
MR DARREN CHARLES ROUND + MRS MEAGHAN ROUND (DARREN ROUND SUPER FUND A/C)	4,605,290	1.26
JASCOT RISE PTY LTD (JASCOT RISE S/F A/C)	4,583,335	1.25
NEW HOPETOUN PTY LTD	4,166,665	1.14
DIMENSION INVESTMENTS PTY LTD	3,216,666	0.88
TMENA PTY LTD (COMBIVAN PTY LTD ACCOUNT)	3,000,000	0.82
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,747,474	0.75
TRAYBURN PTY LTD	2,500,000	0.68
BEN PORT JOSEPH PTY LTD	2,499,995	0.68
ANDERBY QLD PTY LTD	2,083,330	0.57
LOSK PTY LTD (RADOS FAMILY A/C)	1,666,665	0.46
SPYGLASS NOMINEES PTY LTD (AE BALE SUPER FUND A/C)	1,575,000	0.43
S H RAYBURN NOMINEES PTY LTD	1,385,071	0.38
	<u>333,146,710</u>	<u>91.00</u>

Abilene Oil and Gas Limited
(Formerly known as World Oil Resources Limited)
Shareholder information
30 June 2015

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	6,400,000	4

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued	
	Number held	
HOLDREY PTY LTD (DON MATHIESON FAMILY A/C)	83,636,507	22.84
ROKEBA NOMINEES PROPRIETARY LIMITED (SILMAN PROPERTY A/C)	56,916,666	15.55
MAP CAPITAL PTY LTD (RICHMOND TCE CAP ARF A/C)	49,551,956	13.53
BOND STREET CUSTODIANS LIMITED (RXN - V38514 A/C)	37,500,000	10.24
PJP GROUP PTY LTD	23,129,995	6.32
MR ITZCHAK BENEDIKT + MRS ROZETTE BENEDIKT (SNIDER CARMEL P/L S/F A/C)	20,217,730	5.52

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.