

Abilene Oil and Gas Limited

ABN 41 000 752 849

Half-year Financial Report - 31 December 2015

Abilene Oil and Gas Limited

Contents

31 December 2015

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Abilene Oil and Gas Limited
Corporate directory
31 December 2015

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

OPERATIONAL REVIEW

Below is a summary of the review of the operations of Abilene Oil and Gas Limited ('the Company' or 'Abilene') for the half-year ended 31 December 2015.

1. Klick Oil Project

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

Location and Description

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

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

Klick East Oil Field comprises 320 acres.

Operator

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

Joint Operation Partners

▪ **CMX Inc.**

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

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

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

Working Interest and Net Revenue Interest

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

Well

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

Drilling or production status

The Gross production during the period by the joint venture was:

Oil: 1,788 Bbls
Gas: 15,406 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.

2. Welch-Bornholdt Wherry Project

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

Location and Description	<p>The Welch-Bornholdt and Wherry Oil Fields are located in Rice and McPherson Counties, Kansas, United States, approximately 140 miles from the Klick East Oil Field in Oklahoma.</p> <p>The Welch-Bornholdt and Wherry Oil Fields are mature, developed and mostly abandoned crude oil accumulation. Approximately 1,400 vertical wells have been drilled over more than 60 years on the fields, and aggregate production totals 46 million barrels of mainly high quality sweet crude oil.</p> <p>Abilene and its joint operation partner CMX have established a large 15,000 acre position in the Welch-Bornholdt and Wherry Oil Fields. This acreage covers a significant contingent resource, mainly in the Mississippian age cherty carbonate rock formation that is up to 10 metres thick across the area. Abilene and CMX (also joint operation partners for the Klick Project) produce from this Mississippian formation at the Klick Project.</p> <p>The Welch-Bornholdt and Wherry Oil Fields are uniquely positioned, and benefit from having a refinery at the city of McPherson approximately 30 kilometres by road, which is serviced by trucks and pipelines.</p>
Operator	CMX is the operator of the project.
Joint Operation Partner	CMX
Working Interest	Under the joint operation arrangement with CMX, each of CMX and Abilene has a 50% net working interest in leases covering approximately 15,000 acres of the Welch-Bornholdt and Wherry Oil Fields.
Well	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. In 2014, the joint venture drilled the #1-1 Krehbiel Trust well and encouraging results were evidenced. The joint venture placed the well into testing phase and production levels have not been constant to date.
Drilling or production status	<p>The gross production for the period by the joint venture was 1,137 Bbls.</p> <p>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 joint venture be able to determine the future plans for the well. The Company along with its joint operation partner will continue to review the production results from the #1-1 Krehbiel Trust well.</p>

3. Mount Lookout Prospect

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

Location and Description	The Morrison Oil Fields are located in the Clark County, Kansas USA
Operator	CMX is the operator of the project

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Joint Operation Partner	CMX
Working Interest	Under the joint operation arrangement with CMX, each of CMX and Abilene has a 50% net working interest in leases covering approximately 1,200 acres of the Morrison Oil Fields
Drilling or production status	During the period, 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.

4. Kinsley Prospect

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

Location and Description	The Kinsley Prospect is located in the Edwards County, Kansas USA
Operator	CMX is the operator of the project
Joint Operation Partner	CMX
Working Interest	Under the joint operation arrangement with CMX, Abilene has a 35% net working interest in leases covering approximately 6,400 acres in Edwards County, Kansas.
Drilling or production status	During the period, the operator continued to analyse 3D seismic available and the joint venture intends to review drilling by neighbouring companies for future drilling prospects.

5. Central Kansas Uplift Appraisal and Development Project (CKU Project)

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

Location and Description	<p>On 21 October 2014, the Company announced that it had entered into definitive agreements to acquire an interest in over 15,600 acres in the area known as the Central Kansas Uplift, made up of 204 separate leases in a number of counties in Kansas. 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.</p> <p>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.</p> <p>On 16 December 2015 the Company announced that it had agreed to fund exercise the third and final option to acquire further acreage and leases in the Central Kansas Uplift Project ('CKU Project'). Following the acquisition of the third and final option payment, Lodestone acquired a further 5,378 acres.</p> <p>The CKU project is a low risk exploration and appraisal joint venture in the Central Kansas Uplift area. The project goal is to mature up to an initial 50 drillable locations in the first land package, by shooting 3D seismic in areas adjacent to existing (and mature oil fields). The 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.</p>
Operator	CMX is the operator of the project.

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

Working Interest Abilene has a 49% net working interest in leases covering 15,663 acres of the Russell, Rice, Ellsworth and Barton Counties, Kansas. Royalties to land owners range between 12.50% and 16.67%.

Well During the half-year, the joint venture drilled three wells which were deemed to be deemed to be successful wells and the joint venture agreed to complete the wells in order to determine their potential economic production.

Drilling or production status Below is a summary of the Lodestone wells drilled to date and current information:

Well	County/State	Status	Production during period
Claflin # 1-35	Barton County, Kansas	Producing	9,599
Demel # 1-25	Barton County, Kansas	Cased and suspended	-
Woelk #1 -21	Russell County, Kansas	Producing	1,607
Woelk #1 -19	Russell County, Kansas	Producing	2,642
Homolka # 1-35	Barton County, Kansas	Producing	2,659
Claflin #1-34	Barton County, Kansas	Producing	1,169
Woelk #1-18	Russell County, Kansas	Production commenced	815
Steiner #1-25	Barton County, Kansas	Plugged and abandoned	-
Abel-Robl #1-19	Rice County, Kansas	Production	483
Bushton #1-36	Ellsworth County, Kansas	Production	3,419
Bushton #1-20	Ellsworth County, Kansas	Production	1,946
Susank #1-29	Barton County, Kansas	Production recently commenced	1,861
Claflin # 2-35	Barton County, Kansas	Production recently commenced ^{##}	-
Bushton #2-36	Ellsworth County, Kansas	Production recently commenced ^{##}	-
Bushton #1-30	Ellsworth County, Kansas	Drilling completed January 2016 and commenced completion of the well	-
Kozisek#1-8	Ellsworth County, Kansas	Plugged and abandoned in January 2016	-
Susank B #1-5	Barton County, Kansas	Drilling completed January 2016 and commenced completion of the well	-

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

^{##} Further information from the operator on initial production has yet to be received.

The gross production during the half-year by the joint venture was 26,200 Bbls.

It is advised that the joint venture was reviewing the potential production potential of each of the above wells during the period and given the current oil prices, did not place each of the wells into full production. Further reviews are being carried out by the joint venture and will be subject to the oil price fluctuations in the coming months on whether production rates are increased or continual reviews carried out.

6. Pratt County Prospect Joint Venture

- Pratt County Kansas USA

Location and Description The Pratt County Prospect Joint Venture is located in Pratt County, Kansas USA

Operator CMX is the operator of the project

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Joint Operation Partner CMX
Cade Production LLC

Working Interest Joint venture working interest structure (Net revenue interest 80%):

- Abilene – 49%
- CMX – 25%
- Cade Production LLC – 26%

Drilling or production status During the period, Abilene entered into a joint venture agreement in relation to the Pratt County Prospect which is located in Pratt County, Kansas, T27S, R14W, prospect, and covers approximately 2,560 acres, between the city of Pratt and Greensburg, Kansas in south-central Kansas and includes 9 leases. The regional setting is the Anadarko Basin, west of the Pratt Anticline. Local structural anticlines and synclines along with a stratigraphic element provide the trap for hydrocarbon accumulation in numerous carbonate zones and sand reservoirs within the Lansing-Kansas City, Mississippian, Viola and Simpson formations. The prospect is situated amongst known multi-pay pools.

The prospect will target prospective zones based upon the results of 3D seismic carried out by CMX. A nearby excellent “show hole” confirms the presence of hydrocarbons in the Lansing-Kansas City and Ordovician reservoirs and based upon the results of the 3D survey, drilling targets are currently being assessed.

Abilene’s share of costs associated with the acquisition of acreage, geology and geophysics work was US \$220,667.

7. Rawlins County Prospect Joint Venture

- Rawlins County Kansas USA

Location and Description The Rawlins County Prospect Joint Venture is located in Rawlins County, Kansas USA

Operator CMX is the operator of the project

Joint Operation Partner CMX
Cade Production LLC

Working Interest Joint venture working interest structure (Net revenue interest 80%):

- Abilene – 49%
- CMX – 25%
- Cade Production LLC – 26%

Drilling or production status During the period, Abilene entered into a joint venture agreement in relation to the Rawlins County Prospect which is located in Rawlins County, Kansas T.1S-R33W, approximately 8 miles north of the town of Atwood in extreme northwest Kansas and covers approximately 800 acres and includes 5 leases. The regional setting is the Anadarko Basin, east of the western flank of the Cambridge Arch (Ancestral Central Kansas Uplift). Locally, the prospect is situated within a vast area of cyclic deposition of Lansing-Kansas City sediments on a portion of a broad epeiric shelf. Fluctuations in sea level over the Kansas shelf and variation in terrigenous clastic influx are proposed as the major processes that produced the Lansing-Kansas City alternating sequence of carbonate and clastic sediments representing marine, shoreface, and continental environments. Locally structural anticlines and synclines provide the trap for hydrocarbon accumulation in numerous carbonate zones within the Lansing-Kansas City Super Group.

The prospect is situated within the producing confines of the Drift Southeast Pool and within close Proximity Pools productive from the Lansing-Kansas City. The prospect will target prospective zones within the Lansing-Kansas City based upon the results of

a large group 3D seismic shoot by locally active Operators. Drill targets are currently being assessed.

Abilene's share of costs associated with the acquisition of acreage, geology and geophysics work was US \$84,250.

Subsequent to the end of the period, the joint venture drilled the Huss #1-22 well to a total depth of 4,285 feet. The well did not flow to surface and following analysis of logs and drill stem test results, the joint venture determined the well to be non-commercial and therefore decided to plug and abandon the well.

It is noted that this well was drilled as part of the Rawlins County joint venture and not the CKU project as announce on 9 February 2016. The joint venture is carrying out further drill targets for the coming periods.

8. Rodina Resources LLC (Logan County Project)

- Logan County Kansas USA

Location and Description	Logan County Project is located in Logan County, Kansas USA
Operator	CMX is the operator of the project
Joint Operation Partner	<p>CMX: is an experienced producer in Kansas, and is actively engaged in drilling and development of natural gas and oil prospectus in continental USA, with a primary focus in mid-continent regions including Kansas and Oklahoma.</p> <p>Cade Resources LLC: is an oil gas exploration company which is a related company to Cade Drilling, LLC which provides onshore contract drilling services to exploration and production companies in North America. Cade Drilling, LLC has a number of land-based drilling rigs that operate primarily in oil and natural gas producing regions of Colorado and Wyoming.</p> <p>Panther Energy, Inc: is owned by a Kansas based oil & gas geologist, Kenneth M. LeBlanc, who was involved in identifying and acquiring the land packages.</p> <p>Thomas P. Tenneson: is USA based oil and gas investor.</p>
Working Interest	<p>Working Interest and ownership structure (Net revenue interest 80%):</p> <ul style="list-style-type: none"> • Abilene – 49% • CMX – 25% • Cade Production LLC – 20.8% • Panther Energy, Inc – 2.6% • Thomas P. Tenneson – 2.6%
Drilling or production status	<p>The Logan County Prospect is a 9,530 acre wildcat project located in T14S, R36W in Logan County, Kansas, approximately 25 miles east of the town of Sharon Springs in northwestern Kansas and includes 35 leases. Regionally, this prospect is situated near the north flank of the Hugoton Embayment, which plunges to the southward towards the Anadarko Basin, and the easternmost edge of the Las Animas Arch of eastern Colorado. Throughout the lower Pennsylvanian time, specifically Morrowan age, this was a fluvial-deltaic environment, which is known for the deposition of incised valley channel sandstones. These have proven to be prolific reservoir west of our prospect area. Additionally, carbonates of Cherokee, Marmaton, and Lansing-Kansas City age are proving to be an excellent reservoir in several new discoveries south, north and east of our prospect acreage. A new Lansing –Kansas City and Marmaton field to the east has produced over 400 MBO in less than 1 year. Many of these new wells were reportedly completed for in excess of 150 BOPD. These new fields appear to have a geographic distribution of 2-3 square miles and were discovered using 3D seismic evaluation.</p>

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**Joint Venture
Strategy**

The operator proposes a 3D seismic shoot over the prospect acreage to define areas that have positive structural features for drill site selection. The 3D survey will likely commence during the first part of 2016 and drilling targets reviewed.

CORPORATE UPDATE

On 6 July 2015, Mr Peter Best resigned as a Director of the Company.

The total number of fully paid ordinary shares on issue as at the date of this report is 397,614,352.

Funding

During the September 2015 quarter the Company entered into a Loan Agreements with a related entity of Director, Mr Craig Mathieson, Mathieson Downs Pty Ltd ('Mathieson Downs'), to secure funding for the Company. Under the Agreement, Mathieson Downs provided the Company with funding of \$1,350,000 in order to fund the acquisition costs of the Company's newly acquired interests and working capital purposes. The loan provided by Mathieson Downs will accrue 8% interest per annum accruing on the loan and is repayable by the Company no later than 24 months from entering into the Agreement.

During the December 2015 quarter, the Company entered into a Loan Agreement into a Loan Agreement with a related entity of Mr Paul Salter, MAP Capital Pty Ltd ATF Atlas Capital Series D (Bond) Fund, to secure further funding for the Company. Under the Agreement, MAP Capital provided the Company with a \$1,000,000 loan in order to fund the Company's oil and gas activities in the US and working capital requirements. This loan will also accrue 8% interest per annum accruing on the loan and is repayable by the Company no later than 24 months from entering into the Agreement.

During the half-year the Company announced that it would undertake a 1 for 7 non-renounceable pro-rata rights issue at \$0.02 (2 cents) per share raising up to \$1,046,047. Subsequent to the end of the half-year the company announced the completion of the Offer and issued 31,497,877 fully paid ordinary shares at an issue price of \$0.02 (2 cents) per share raising a total of \$629,958.

The Company is currently reviewing other funding mechanisms to fund additional drilling expenditure proposed at the CKU Project and working capital requirements in conjunction with budgeting initiatives following the recent fall in oil prices. The Company intends to fund its operating costs from a portion of its share of cash being generated by Lodestone Resources LLC.

Abilene Oil and Gas Limited
Directors' report
31 December 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 half-year ended 31 December 2015.

Directors

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

Mr Paul Salter (Non-executive Chairman)
Mr Mordechai Benedikt (Non-executive Director)
Mr Craig Mathieson (Non-executive Director)
Mr Peter Best (Non-executive Director) (resigned 6 July 2015)

Principal activities

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$368,817 (31 December 2014: \$1,578,243).

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

Financial Position

The net assets of the consolidated entity have decreased by \$185,992 to \$4,608,247 (30 June 2015: 4,794,239). This was largely due to continued investments into the company's Lodestone operations and increased drilling and completion expenditure and the exercise of the third and final option to acquire further acreage in the project. The consolidated entity has also accounted for its share of losses arising from the Lodestone Joint Venture.

The consolidated entity's working capital, being current assets less current liabilities was a deficit of \$522,200 (30 June 2015: \$16,966). The increase in the deficit is largely due to short term loans which were provided to the company which were repaid subsequent to the end of the period.

Significant changes in the state of affairs

On 13 August 2015 the consolidated entity entered into a loan agreement with a related entity of Director, Mr Craig Mathieson, Mathieson Downs Pty Ltd. The agreement will provide the consolidated entity with a loan of \$500,000 in order to fund the cost for drilling and working capital purposes. The loan will bear interest of 8% per annum with repayment date of 24 months from the commencement of the loan. The loan is unsecured.

On 18 August 2015 the consolidated entity entered into a further loan agreement with a related entity of Director, Mr Craig Mathieson, Mathieson Downs Pty Ltd. The loan amounted to \$850,000, bears interest of 8% per annum with repayment date of 24 months from the commencement of the loan. The loan is unsecured.

On 21 August 2015 the consolidated entity announced that it had entered into agreements to fund the acquisition of further acreage in Kansas, USA with joint venture partners. The additional acreage was acquired through 3 separate transactions, one of which is through a new Joint Venture Company, Rodinia Resources LLC ('Rodinia'), and the other two being through joint ventures with CMX Inc. been the operator of each of the joint ventures.

On 12 October 2015, the consolidated entity entered into a loan agreement with a related entity of Mr Paul Salter, MAP Capital Pty Ltd ATF Atlas Capital Series D (Bond) Fund, to secure further funding for the consolidated entity. Providing a \$1,000,000 loan to the Company in order to fund the consolidated entity's oil and gas activities in the US and working capital requirements. The loan will bear interest of 8% per annum with repayment date of 24 months from the commencement of the loan. The loan is unsecured.

On 9 December 2015 the consolidated entity announced a rights issue which with the offer to issue up to 52,302,354 fully paid ordinary shares at an issue price of \$0.002 (0.2 cents) per share on a 1-for-7 basis.

On 16 December 2015 the consolidated entity announced that it had entered into separate loans with certain related parties of the entity. The loans amounted to \$446,000. The loans are unsecured, do not bear an interest rate and are repayable by 30 June 2016.

Abilene Oil and Gas Limited
Directors' report
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Also on 16 December 2015 the consolidated entity announced that it had exercised its option to acquire further acreage and leases in the Central Kansas Uplift Project ('CKU Project') located in Kansas, USA for a cost of US\$777,458.

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

Matters subsequent to the end of the financial half-year

On 15 January 2016, the consolidated entity completed the issue and allotment of new shares through the Non-Renounceable pro-rata rights issue announced on 9 December 2015. The Company raised a total of \$629,958 for the application of 31,497,877 fully paid ordinary shares, at \$0.02 (2 cents) per share.

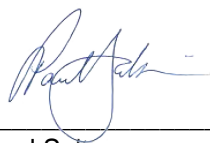
No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the directors



Paul Salter
Non-Executive Chairman

15 March 2016
Melbourne

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Abilene Oil and Gas Limited for the half-year ended 31 December 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



Brock Mackenzie
Partner - Audit & Assurance

Melbourne, 15 March 2016

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Abilene Oil and Gas Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

		Consolidated	
		31 December 2015	31 December 2014
	Note	\$	\$
Revenue	4	236,096	142,201
Expenses			
Production costs		(71,122)	(25,742)
Employee benefits expense		(61,186)	(91,295)
Impairment of production assets		-	(1,125,814)
Administration costs		(8,797)	(5,425)
Corporate costs		(173,487)	(220,681)
Other expenses		(75,816)	(10,890)
Foreign exchange loss		(2,038)	(29,466)
Share based payments		-	(201,187)
Loss on AFS financial assets		(2,486)	(9,944)
Loss on share of associate		(209,981)	-
Loss before income tax expense		(368,817)	(1,578,243)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Abilene Oil and Gas Limited		(368,817)	(1,578,243)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		226,965	945,057
Other comprehensive income for the half-year, net of tax		226,965	945,057
Total comprehensive income for the half-year attributable to the owners of Abilene Oil and Gas Limited		(141,852)	(633,186)
		Cents	Cents
Basic earnings per share	14	(0.10)	(2.67)
Diluted earnings per share	14	(0.10)	(2.67)

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

Abilene Oil and Gas Limited
Statement of financial position
As at 31 December 2015

		Consolidated	
		31 December	
	Note	2015	30 June 2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		116,276	68,210
Trade and other receivables		14,492	25,379
Other		12,913	11,384
Total current assets		<u>143,681</u>	<u>104,973</u>
Non-current assets			
Investments accounted for using the equity method	5	6,382,310	4,104,427
Available-for-sale financial assets		7,458	9,944
Exploration and evaluation	6	1,341,998	881,086
Total non-current assets		<u>7,731,766</u>	<u>4,995,457</u>
Total assets		<u>7,875,447</u>	<u>5,100,430</u>
Liabilities			
Current liabilities			
Trade and other payables		219,881	121,939
Borrowings	7	446,000	-
Total current liabilities		<u>665,881</u>	<u>121,939</u>
Non-current liabilities			
Borrowings	8	2,408,054	-
Provisions		193,265	184,252
Total non-current liabilities		<u>2,601,319</u>	<u>184,252</u>
Total liabilities		<u>3,267,200</u>	<u>306,191</u>
Net assets		<u>4,608,247</u>	<u>4,794,239</u>
Equity			
Issued capital	9	63,511,367	63,555,507
Reserves	10	9,835,111	9,608,146
Accumulated losses		(68,738,231)	(68,369,414)
Total equity		<u>4,608,247</u>	<u>4,794,239</u>

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

Abilene Oil and Gas Limited
Statement of changes in equity
For the half-year ended 31 December 2015

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 half-year	-	(1,578,243)	-	(1,578,243)
Other comprehensive income for the half-year, net of tax	-	-	945,057	945,057
Total comprehensive income for the half-year	-	(1,578,243)	945,057	(633,186)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,052,727	-	-	2,052,727
Share-based payments (note 15)	-	-	201,187	201,187
Balance at 31 December 2014	<u>60,713,794</u>	<u>(63,315,095)</u>	<u>9,461,283</u>	<u>6,859,982</u>
Consolidated	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2015	63,555,507	(68,369,414)	9,608,146	4,794,239
Loss after income tax expense for the half-year	-	(368,817)	-	(368,817)
Other comprehensive income for the half-year, net of tax	-	-	226,965	226,965
Total comprehensive income for the half-year	-	(368,817)	226,965	(141,852)
<i>Transactions with owners in their capacity as owners:</i>				
Capital raising costs	(44,140)	-	-	(44,140)
Balance at 31 December 2015	<u>63,511,367</u>	<u>(68,738,231)</u>	<u>9,835,111</u>	<u>4,608,247</u>

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

Abilene Oil and Gas Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Cash flows from operating activities		
Receipts from customers	99,068	121,379
Payments to suppliers and employees	(192,913)	(486,607)
Extraction costs	(71,122)	-
	(164,967)	(365,228)
Interest received	8	3
Other revenue	155,283	-
Net cash used in operating activities	(9,676)	(365,225)
Cash flows from investing activities		
Payments for joint venture investment activities	(2,318,407)	(1,533,476)
Payments for exploration assets	(421,855)	(225,707)
Net cash used in investing activities	(2,740,262)	(1,759,183)
Cash flows from financing activities		
Proceeds from issue of shares	-	1,699,403
Proceeds from borrowings	2,796,000	9,000
Share issue transaction costs	(23,422)	(10,430)
Net cash from financing activities	2,772,578	1,697,973
Net increase/(decrease) in cash and cash equivalents	22,640	(426,435)
Cash and cash equivalents at the beginning of the financial half-year	68,210	326,824
Effects of exchange rate changes on cash and cash equivalents	25,426	142,884
Cash and cash equivalents at the end of the financial half-year	<u>116,276</u>	<u>43,273</u>

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

Note 1. General information

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

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

Level 4
100 Albert Road
South Melbourne, Victoria 3205

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Going concern

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. However, during the period ended 31 December 2015 the consolidated entity experienced operating losses of \$368,817 (31 December 2014: \$1,578,243). At 31 December 2015 the consolidated entity had cash and cash equivalents of \$116,276 (30 June 2015: \$68,210) and net current liabilities, being current assets less current liabilities, of \$522,200 (30 June 2015: \$16,966). Net cash inflows during the period were \$22,640 compared to 2014 which had a cash outflow of \$426,435. 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: -

- On 15 January 2016, the consolidated entity completed the issue and allotment of new share, through a Non-Renounceable Pro-rata Rights Issue Offer. Raising a total of \$629,957.54 for the application of 31,497,877 fully paid ordinary shares; and
- the oil & gas revenue from the company's CKU project is budgeted 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

Note 2. Significant accounting policies (continued)

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

Note 3. Operating segments

Identification of reportable operating segments

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

Note 4. Revenue

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
<i>Sales revenue</i>		
Oil & Gas Revenue	80,805	142,198
<i>Other revenue</i>		
Interest	8	3
Royalty	155,283	-
	155,291	3
Revenue	<u>236,096</u>	<u>142,201</u>

During the period the consolidated entity became aware of a royalty receivable which was received during the current period.

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

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Lodestone Resources LLC	5,815,374	4,104,427
Rodinia Resources LLC	566,936	-
	<u>6,382,310</u>	<u>4,104,427</u>

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

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

Note 5. Non-current assets - investments accounted for using the equity method (continued)

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

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	30 June 2015
	2015	2015
	\$	\$
Exploration and evaluation	6,185,710	5,302,250
Less: Impairment	(4,843,712)	(4,421,164)
	<u>1,341,998</u>	<u>881,086</u>

Reconciliations

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

Consolidated	Exploration & evaluation	Total
	\$	\$
Balance at 1 July 2015	881,086	881,086
Additions	421,855	421,855
Foreign exchange movements	39,057	39,057
Balance at 31 December 2015	<u>1,341,998</u>	<u>1,341,998</u>

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

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

Note 7. Current liabilities - borrowings

	Consolidated	
	31 December	30 June 2015
	2015	2015
	\$	\$
Borrowings	<u>446,000</u>	<u>-</u>

On 16 December 2015 the consolidated entity announced that it had entered into separate loans with certain related parties of the entity. The loans amounted to \$446,000. The loans are unsecured, do not bear an interest rate and are repayable by 30 June 2016. These loans were repaid subsequent to the end of the period.

Abilene Oil and Gas Limited
Notes to the financial statements
31 December 2015

Note 8. Non-current liabilities - borrowings

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Borrowings	2,350,000	-
Interest payable on loans	58,054	-
	<u>2,408,054</u>	<u>-</u>

The borrowings above are a combination of three separate loan agreements with director related entity's, the loans bear an interest rate of 8% per annum, are repayable within 24 months of their respective commencement dates and are all unsecured loans.

Note 9. Equity - issued capital

	Consolidated			
	31 December 2015	30 June 2015	31 December 2015	30 June 2015
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>366,116,475</u>	<u>366,116,475</u>	<u>63,511,367</u>	<u>63,555,507</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2014	366,116,475		63,555,507
Capital raising costs		-	-	(44,140)
Balance	31 December 2015	<u>366,116,475</u>		<u>63,511,367</u>

Capital raising costs

In the lead up to completion of Non-Renounceable Pro-rata Rights Issue completed on 15 January 2016 the consolidated entity incurred capital raising costs in relation to this share issue.

Share buy-back

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

Note 10. Equity - reserves

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Foreign currency translation reserve	6,746,793	6,519,828
Capital profits reserve	2,887,131	2,887,131
Options reserve	201,187	201,187
	<u>9,835,111</u>	<u>9,608,146</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.

Abilene Oil and Gas Limited
Notes to the financial statements
31 December 2015

Note 10. Equity - reserves (continued)

Share-based payments reserve

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

Capital profits reserve

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

Movements in reserves

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

Consolidated	Foreign currency translation \$	Capital profits \$	Share-based payments reserve \$	Total \$
Balance at 1 July 2015	6,519,828	2,887,131	201,187	9,608,146
Foreign currency translation	226,965	-	-	226,965
Balance at 31 December 2015	<u>6,746,793</u>	<u>2,887,131</u>	<u>201,187</u>	<u>9,835,111</u>

Note 11. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2015 and 30 June 2015.

Note 12. Commitments

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

Note 13. Events after the reporting period

On 15 January 2016, the consolidated entity completed the issue and allotment of new shares through the Non-Renounceable pro-rata rights issue announced on 9 December 2015. The Company raised a total of \$629,958 for the application of 31,497,877 fully paid ordinary shares, at \$0.02 (2 cents) per share.

No other matter or circumstance has arisen since 31 December 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.

Note 14. Earnings per share

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Loss after income tax attributable to the owners of Abilene Oil and Gas Limited	<u>(368,817)</u>	<u>(1,578,243)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>366,116,475</u>	<u>59,161,709</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>366,116,475</u>	<u>59,161,709</u>
	Cents	Cents
Basic earnings per share	(0.10)	(2.67)
Diluted earnings per share	(0.10)	(2.67)

Abilene Oil and Gas Limited
Notes to the financial statements
31 December 2015

Note 14. Earnings per share (continued)

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

Note 15. Share-based payments

Set out below are summaries of options outstanding at 31 December 2015:

31 December
2015

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

31 December
2014

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

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

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

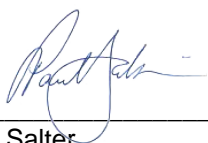
Abilene Oil and Gas Limited
Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Paul Salter
Non-Executive Chairman

15 March 2016
Melbourne

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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

We have reviewed the accompanying half-year financial report of Abilene Oil and Gas Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Abilene Oil and Gas Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Abilene Oil and Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

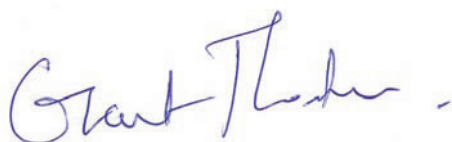
Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 to the interim financial report which notes that the consolidated entity incurred a loss of \$368,817 during the six months ended 31 December 2015, and as at that date the consolidated entity had a working capital deficiency of \$522,200. This condition along with other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brock Mackenzie
Partner - Audit & Assurance

Melbourne, 15 March 2016