

Abilene Oil and Gas Limited

ABN 41 000 752 849

Annual Report - 30 June 2016

Abilene Oil and Gas Limited

Contents

30 June 2016

Corporate directory	2
Review of operations	3
Directors' report	10
Auditor's independence declaration	20
Statement of profit or loss and other comprehensive income	21
Statement of financial position	22
Statement of changes in equity	23
Statement of cash flows	24
Notes to the financial statements	25
Directors' declaration	55
Independent auditor's report to the members of Abilene Oil and Gas Limited	56
Shareholder information	59

The Company's 2016 Corporate Governance Statement has been released to ASX on 30 September 2016 and is available on the Company's website.

Abilene Oil and Gas Limited
Corporate directory
30 June 2016

Directors	Mr Paul Salter (Non-executive Chairman) Mr Craig Mathieson (Non-executive Director) Mr Mordechai Benedikt (Non-executive Director)
Company secretary	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 Ph: 1300 850 505
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)

REVIEW OF OPERATIONS

Below is a summary of the review of the operations of Abilene Oil and Gas Limited ('the Company' or 'Abilene') for the year ended 30 June 2016.

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. 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 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 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	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.

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.
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 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.

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 year, 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</p>
---------------------------------	---

Abilene Oil and Gas Limited
Review of operations
30 June 2016

Project ('CKU Project'). Following the acquisition of the third and final option payment, Lodestone acquired a further 5,378 acres.

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.

Operator CMX is the operator of the project.

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%.

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

Well	County/State	ABL Equity	Status
Claflin # 1-35 & # 2-35	Barton County, Kansas	49%	Operating
Woelk #1 -21	Russell County, Kansas	49%	Operating
Woelk #1 -19	Russell County, Kansas	49%	Operating
Homolka # 1-35	Barton County, Kansas	14.7%	Operating
Claflin #1-34	Barton County, Kansas	49%	Operating
Woelk #1-18	Russell County, Kansas	49%	Operating
Ames-Robl #1-19	Rice County, Kansas	49%	Operating
Bushton #1-36 & # 2-36	Ellsworth County, Kansas	49%	Operating
Bushton #1-20	Ellsworth County, Kansas	49%	Operating
Susank #1-29	Barton County, Kansas	49%	Operating
Bushton #1-30	Ellsworth County, Kansas	49%	Operating
Susank B #1-5 & #2-5	Barton County, Kansas	49%	Operating

It is advised that the joint venture was reviewing the potential production potential of each of the above wells during the year 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.
Joint Operation Partner	CMX. Cade Production LLC.
Working Interest	Joint venture working interest structure (Net revenue interest 80%): <ul style="list-style-type: none"> • Abilene – 49% • CMX – 25% • Cade Production LLC – 26%
Drilling or production status	<p>During the year, 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.</p> <p>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.</p> <p>Abilene’s share of costs associated with the acquisition of acreage, geology and geophysics work was US \$220,667.</p> <p>During the year, the Joint Venture drilled the Aussie #1-16 and Money Shot #1-21 wells, both wells were drilled to a total depth of 4,780 feet. Both wells ran production casing in an attempt to complete the wells as potential producers. Further testing will need to be completed before the joint venture operator can confirm the economic potential of each well. Initial production commenced subsequent to year end.</p>

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%): <ul style="list-style-type: none"> • Abilene – 49% • CMX – 25% • Cade Production LLC – 26%
Drilling or production status	<p>During the year, 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</p>

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.

During the year 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.

The joint venture is carrying out further drill targets for the coming periods.

8. Rodinia 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 Production 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	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 north-western 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

Abilene Oil and Gas Limited
Review of operations
30 June 2016

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.

**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 second half of 2016 and drilling targets reviewed.

CORPORATE UPDATE

Funding

On 9 December 2015 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. On 15 January 2016 the Company completed the rights issue and a total of 31,497,877 fully paid ordinary shares were subscribed for by shareholders, raising a total of \$629,957.

During the year the company entered into a number of loan agreements with director related entities. A summary of the loans and the terms are listed below:

<u>Lender</u>	<u>Amount</u>	<u>Repayment date</u>
Map Capital Pty Ltd	\$1,000,000	12 October 2017
Map Capital Pty Ltd	\$350,000	12 October 2017
Map Capital Pty Ltd	\$150,000	31 October 2016 [#]
Mathieson Downs Pty Ltd	\$500,000	13 August 2017
Mathieson Downs Pty Ltd	\$850,000	18 August 2017
Mathieson Downs Pty Ltd	\$150,000	31 October 2016 [#]
Mathieson Downs Pty Ltd	\$250,000	31 October 2016 [#]

[#] The repayment date of these loans were amended subsequent to year end.

All loans listed above bear interest at a rate of 8% per annum and are unsecured loans.

Abilene Oil and Gas Limited
Directors' report
30 June 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Abilene Oil and Gas Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

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 \$976,232 (30 June 2015: \$6,632,562).

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

Financial Position

The net assets of the consolidated entity have decreased by \$296,880 to \$4,497,359 (30 June 2015: \$4,794,239). Working capital, being current assets less current liabilities, which is in deficit increased by \$869,395 to \$886,361 (30 June 2015: \$16,966), due to short-term loans provided by related entities of the Directors. The consolidated entity had negative cash flows from operating activities for the period of \$38,483 (30 June 2015: \$747,340). The total cash and cash equivalents increased by \$17,624 to \$85,834 at 30 June 2016 (30 June 2015: \$68,210).

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 loan amounted to \$500,000 and bears 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 and 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, and the other two being through joint ventures with CMX Inc. being the operator of each of the joint ventures.

On 12 October 2015, the consolidated entity entered into a loan agreement amounting to \$1,000,000 with a related entity of Mr Paul Salter, MAP Capital Pty Ltd ATF Atlas Capital Series D (Bond) Fund. The loan bears interest of 8% per annum with a repayment date of 24 months from the commencement of the loan. The loan is unsecured.

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 were unsecured and repaid during January 2016.

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.

On 15 January 2016, the consolidated entity completed a rights issue that was announced on 9 December 2015. A total of 31,497,877 fully paid ordinary shares were subscribed to at an issue price of \$0.002 (2 cents) per share raising a total of \$629,958 (before costs).

Abilene Oil and Gas Limited
Directors' report
30 June 2016

On 11 April 2016, the consolidated entity entered into a further agreement in the amount of \$350,000 with a related entity of Director, Mr Paul Salter, MAP Capital Pty Ltd ATF Atlas Capital Series D (Bond) Fund. The loan will bear interest of 8% per annum with a repayment date of 12 October 2017. The loan is an unsecured loan.

On 5 May 2016, the consolidated entity entered into two further loan agreements in the amount of \$150,000 each with related entities of Directors, Mr Paul Salter (MAP Capital Pty Ltd) and also of Craig Mathieson (Mathieson Downs Pty Ltd). The loans are unsecured and bear interest of 8% per annum and are repayable by 31 October 2016.

On 16 June 2016, the consolidated entity entered into a further loan agreement in the amount of \$250,000 with a related entity of Mr Craig Mathieson, Mathieson Downs Pty Ltd. The loan agreement is an unsecured loan, bearing an interest of 8% per annum with a repayment date of 31 October 2016.

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

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

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 and the USA 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.

Information on directors

Name:	Mr Paul Salter
Title:	Non-executive Chairman
Experience and expertise:	Mr Salter is the Managing Director of a number of financial services and funds management companies, including Atlas Capital, SB&G Hotel Group, Salter Brothers Asset Management and MAP Capital. These businesses have collectively assets under management in excess of \$1 billion, with offices in Sydney, Melbourne, Shanghai and Hong Kong.
Other current directorships:	None
Former directorships (last 3 years):	Invigor Group Limited (ASX: IVO) (resigned 5 November 2015)
Special responsibilities:	Member of Audit Committee
Interests in shares:	56,630,807 fully paid ordinary shares.
Interests in options:	1,600,000 unlisted options exercisable at \$0.0775 per option on or before 31 October 2017.

Abilene Oil and Gas Limited
Directors' report
30 June 2016

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, 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: GTE) and Shaver Shop Group Limited (ASX: SSG)
Former directorships (last 3 years): Funtastic Limited (ASX: FUN) (resigned 26 May 2015). IPB Petroleum Limited (ASX: IPB) (resigned 20 March 2014)
Special responsibilities: Chairman of Audit Committee
Interests in shares: 95,620,008 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: CHK) and Real estated Partners USA (ASX: RCU) (appointed 21 September 2016)
Former directorships (last 3 years): None
Special responsibilities: Member of Audit Committee
Interests in shares: 5,708,333 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 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, 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: N/A
Former directorships (last 3 years): N/A
Special responsibilities: N/A
Interests in shares: N/A
Interests in options: N/A

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.

Abilene Oil and Gas Limited
Directors' report
30 June 2016

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 9 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.

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 2016, and the number of meetings attended by each director were:

	Full Board		Audit Committee	Audit Committee
	Attended	Held	Attended	Held
P Salter	2	2	1	1
C Mathieson	2	2	1	1
M Benedikt	2	2	-	1

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 it is considered to conform 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.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing 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
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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 requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 November 2015, where the shareholders approved a maximum aggregate remuneration of \$350,000. 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 two components:

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

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

Abilene Oil and Gas Limited
Directors' report
30 June 2016

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 2015 Annual General Meeting ('AGM')

At the 30 November 2015 AGM, 99.78% of the votes received supported the adoption of the remuneration report for the year ended 2015. 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.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Options	
2016	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr P Salter**	75,000	-	-	-	-	-	75,000
Mr C Mathieson**	58,000	-	-	-	-	-	58,000
Mr M Benedikt**	36,000	-	-	-	-	-	36,000
<i>Other Key Management Personnel:</i>							
Mr J Mouchacca & Ms M Leydin*	98,000	-	-	-	-	-	98,000
	267,000	-	-	-	-	-	267,000

* 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 of which \$24,000 remained outstanding at 30 June 2016.

** At 30 June 2016 fees due to Paul Salter amounted to \$16,667. The amounts due to Craig Mathieson and Mordechai Benedikt as at 30 June 2016 amount to \$13,333 and \$6,000 respectively.

Abilene Oil and Gas Limited
Directors' report
30 June 2016

	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	-	-	-	-	50,296	110,296
<i>Other Key Management Personnel:</i>							
Mr J Mouchacca & Ms M Leydin **	84,000	-	-	-	-	-	84,000
	266,000	-	-	-	-	201,187	467,187

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
Mr P Salter	100%	50%	-	-	-	50%
Mr C Mathieson	100%	42%	-	-	-	58%
Mr M Benedikt	100%	42%	-	-	-	58%
<i>Executive Directors:</i>						
Mr P Best	-	54%	-	-	-	46%
<i>Other Key Management Personnel:</i>						
Mr J Mouchacca & Ms M Leydin	100%	100%	-	-	-	-

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 2016.

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
27/12/2014	23/12/2014	31/10/2017	\$0.0775	\$0.031

Options granted carry no dividend or voting rights.

Abilene Oil and Gas Limited
Directors' report
30 June 2016

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 2016 are set out below:

Name	Number of options granted during the year 2016	Number of options granted during the year 2015	Number of options vested during the year 2016	Number of options vested during the year 2015
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 2016 are summarised below:

	2016 \$	2015 \$	2014 \$	2013 \$	2012 \$
Revenue	293,111	477,615	341,746	360,015	732,861
Loss after income tax	(976,232)	(6,632,562)	(1,917,880)	(8,241,419)	(2,229,924)

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

	2016	2015	2014	2013	2012
Share price at financial year start (\$)	0.026	0.010	0.003	0.010	0.020
Share price at financial year end (\$)	0.009	0.025	0.010	0.020	0.030

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	Other	Balance at the end of the year
<i>Ordinary shares</i>					
Mr Paul Salter	47,699,194	-	8,931,613	-	56,630,807
Mr Craig Mathieson	82,565,785	-	13,054,223	-	95,620,008
Mr Mordechai Benedikt	5,041,665	-	666,668	-	5,708,333
Ms M Leydin & Mr J Mouchacca	3,000,000	-	428,572	-	3,428,572
	<u>138,306,644</u>	<u>-</u>	<u>23,081,076</u>	<u>-</u>	<u>161,387,720</u>

Abilene Oil and Gas Limited
Directors' report
30 June 2016

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)	-
	<u>6,400,000</u>	<u>-</u>	<u>-</u>	<u>(1,600,000)</u>	<u>4,800,000</u>

* On 6 July 2015 Mr Peter Best resigned as a Non-executive director of the company and therefore disclosure is no longer required.

Loans from key management personnel and their related parties

During the year the consolidated entered into various loan agreements with director related entities. At 30 June 2016 a total of \$3,418,236 (principle and interest) loans remained outstanding.

The loans associated with Mr Paul Salter's director related entity amounted to \$1,567,487 (principle and interest) of which a total \$151,847 is repayable on 31 October 2016 and the remaining \$1,415,640 is repayable on 12 October 2017.

The loans associated with Mr Craig Mathieson's director related entity amounted to \$1,850,749 (principle and interest) of which a total \$402,901 is repayable on 31 October 2016 and the remaining \$1,447,848 is repayable during August 2017.

All loans noted above bear an interest rate of 8% per annum and are unsecured loans.

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

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 2016 and up to the date of this report.

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.

Abilene Oil and Gas Limited
Directors' report
30 June 2016

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 25 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 25 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 immediately after this directors' report.

Auditor

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

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
Non-Executive Chairman

30 September 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 audit of Abilene Oil and Gas Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 30 September 2016

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

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

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Abilene Oil and Gas Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Revenue	5	293,111	477,615
Expenses			
Production costs	6	(156,569)	(90,163)
Employee benefits expense		(169,187)	(182,827)
Exploration expenditure written off	6	(125,760)	(4,043,973)
Impairment expense	6	(2,486)	(1,880,123)
Administration costs		(9,618)	(18,017)
Corporate costs		(308,017)	(453,897)
Loss on share of associate		(303,315)	(113,446)
Other expenses		(35,361)	(18,958)
Finance costs		(169,518)	(1,521)
Foreign exchange gain/(loss)		10,488	(106,065)
Share based payments		-	(201,187)
Loss before income tax expense		(976,232)	(6,632,562)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Abilene Oil and Gas Limited		(976,232)	(6,632,562)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		93,536	1,091,920
Other comprehensive income for the year, net of tax		93,536	1,091,920
Total comprehensive income for the year attributable to the owners of Abilene Oil and Gas Limited		<u>(882,696)</u>	<u>(5,540,642)</u>
		Cents	Cents
Basic earnings per share	34	(0.257)	(4.886)
Diluted earnings per share	34	(0.257)	(4.886)

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 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	8	85,834	68,210
Trade and other receivables	9	12,683	25,379
Other assets	10	11,633	11,384
Total current assets		<u>110,150</u>	<u>104,973</u>
Non-current assets			
Investments accounted for using the equity method	11	6,543,963	4,104,427
Available-for-sale financial assets	12	7,458	9,944
Exploration and evaluation assets	13	1,885,721	881,086
Total non-current assets		<u>8,437,142</u>	<u>4,995,457</u>
Total assets		<u>8,547,292</u>	<u>5,100,430</u>
Liabilities			
Current liabilities			
Trade and other payables	15	441,763	121,939
Borrowings	16	554,748	-
Total current liabilities		<u>996,511</u>	<u>121,939</u>
Non-current liabilities			
Borrowings	17	2,863,488	-
Provisions	18	189,934	184,252
Total non-current liabilities		<u>3,053,422</u>	<u>184,252</u>
Total liabilities		<u>4,049,933</u>	<u>306,191</u>
Net assets		<u>4,497,359</u>	<u>4,794,239</u>
Equity			
Issued capital	19	64,141,323	63,555,507
Reserves	20	9,701,682	9,608,146
Accumulated losses		(69,345,646)	(68,369,414)
Total equity		<u>4,497,359</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 year ended 30 June 2016

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 35)	-	-	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>
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 year	-	(976,232)	-	(976,232)
Other comprehensive income for the year, net of tax	-	-	93,536	93,536
Total comprehensive income for the year	-	(976,232)	93,536	(882,696)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	629,958	-	-	629,958
Capital raising costs	(44,142)	-	-	(44,142)
Balance at 30 June 2016	<u>64,141,323</u>	<u>(69,345,646)</u>	<u>9,701,682</u>	<u>4,497,359</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 year ended 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		153,670	439,141
Payments to suppliers		(353,149)	(1,197,367)
Interest received		12	7
Other revenue		160,984	10,879
		<u> </u>	<u> </u>
Net cash used in operating activities	33	(38,483)	(747,340)
Cash flows from investing activities			
Payments for joint venture investment activities		(2,672,815)	(4,217,872)
Payments for exploration assets		(1,122,413)	(254,119)
		<u> </u>	<u> </u>
Net cash used in investing activities		(3,795,228)	(4,471,991)
Cash flows from financing activities			
Proceeds from issue of shares	19	629,959	4,992,089
Capital raising costs	19	(44,142)	(97,649)
Repayment of borrowings		(446,000)	(60,000)
Proceeds from borrowings		3,696,000	-
		<u> </u>	<u> </u>
Net cash from financing activities		3,835,817	4,834,440
		<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents		2,106	(384,891)
Cash and cash equivalents at the beginning of the financial year		68,210	326,823
Effects of exchange rate changes on cash and cash equivalents		15,518	126,278
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	8	<u>85,834</u>	<u>68,210</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 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 2016. 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.

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.

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 2016 the consolidated entity experienced operating losses of \$976,232 (30 June 2015: \$6,632,562). At 30 June 2016 the consolidated entity had cash and cash equivalents of \$85,834 (30 June 2015: \$68,210) and net current liabilities, being current assets less current liabilities, of \$886,361 (30 June 2015: \$16,966). Cash inflows during the 2016 financial year amounted to \$2,106 compared to 2015 which had outflows of \$384,891. 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:

Note 2. Significant accounting policies (continued)

- the company entered into a further loan agreement with a related entity of Mr Paul Salter in the amount \$250,000 which bears interest of 8% per annum repayable by 31 October 2016;
- the company will continue to be supported by the major shareholders if and when required;
- the oil & gas revenue from the company's CKU project will continue to see positive cashflow in the 2017 financial year with expected distribution of profits during the first half of the 2017 financial year; and
- the operating cost base that existed as at the June 2015 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.

At present the consolidated entity has placement capacity to issue 99,403,588 fully paid ordinary shares without shareholder approval. As at 29 September 2016, the consolidated entities share price was \$0.007 and therefore the entity has the ability to raise \$695,825 within the existing placement capacity.

In the event the consolidated entity is not successful in raising funds via the method above or any other capital raising initiatives, the entity will seek to extend the current loan facilities from the financiers, of which are related entities to the Company's Directors Mr Paul Salter and Mr Craig Mathieson.

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 29.

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 2016 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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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 the consolidated entity's 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 the consolidated entity's 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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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 statement profit or loss and other comprehensive income.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 2016. 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.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018. The company has made a preliminary assessment of the changes and does not expect any material impact on implementation other than a reclassification of AFS financial assets to fair value through OCI.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 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.

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.

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

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.

Significant accounting judgement - 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. Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the consolidated entity to assess their rights and obligations arising from the arrangement. Specifically, the consolidated entity 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 consolidated entity also considers the rights and obligations arising from:
 - a) The legal form of the separate vehicle
 - b) The terms of the contractual arrangement
 - 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.

Significant accounting judgement - Impairment of exploration and evaluation costs

The consolidated entity assesses impairment of exploration and evaluation costs at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in use calculations, which incorporate a number of key estimates and assumptions.

Significant accounting judgement - Investment in associates

Judgment is required to determine if the consolidated entity has significant influence or joint control over an arrangement. The consolidated entity notes that its interest in investments in associates are recognised as having significant influence over its Joint Venture entities being Lodestone Resources LLC and Rodinia Resources LLC. Both Joint Venture entities have a composition of three board members of which the consolidated entity occupies one position. Therefore it has been deemed as having significant influence and not joint control.

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.

Abilene Oil and Gas Limited
Notes to the financial statements
30 June 2016

Note 5. Revenue

	Consolidated	
	2016	2015
	\$	\$
<i>Sales revenue</i>		
Oil & gas revenue	132,114	278,718
<i>Other revenue</i>		
Interest revenue	12	7
Royalty revenue	160,985	198,890
	<u>160,997</u>	<u>198,897</u>
Revenue	<u><u>293,111</u></u>	<u><u>477,615</u></u>

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

Note 6. Expenses

	Consolidated	
	2016	2015
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Operating expenses</i>		
Production costs	156,569	90,163
<i>Impairment expense</i>		
Impairment of available for sale financial assets	2,486	14,916
Impairment of exploration assets	125,760	4,043,973
Impairment of production assets	-	1,865,207
Total impairment expense	<u>128,246</u>	<u>5,924,096</u>

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

Note 7. Income tax expense

	Consolidated	
	2016	2015
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(976,232)	(6,632,562)
Tax at the statutory tax rate of 30%	(292,870)	(1,989,769)
Current year and temporary differences not recognised	133,906	132,767
Sundry	156,371	111,572
Non-allowable/ non-assessable items	-	1,745,430
Under / (over) provision in prior years	<u>2,593</u>	<u>-</u>
Income tax expense	<u><u>-</u></u>	<u><u>-</u></u>

Note 7. Income tax expense (continued)

	Consolidated	
	2016	2015
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	14,671,225	14,166,621
Potential tax benefit @ 30%	4,401,368	4,249,986

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.

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	
	2016	2015
	\$	\$
Cash at bank	85,834	68,210

Note 9. Current assets - trade and other receivables

	Consolidated	
	2016	2015
	\$	\$
Trade receivables	-	21,558
GST receivable	12,683	3,821
	12,683	25,379

Note 10. Current assets - Other assets

	Consolidated	
	2016	2015
	\$	\$
Prepayments	11,633	11,384

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

	Consolidated	
	2016	2015
	\$	\$
Lodestone Resources LLC	5,986,799	4,104,427
Rodinia Resources LLC	557,164	-
	<u>6,543,963</u>	<u>4,104,427</u>

Refer to note 31 for further information on interests in associates.

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.

During the year the company established a second Joint Venture entity, Rodinia Resources LLC, which was incorporated during August 2015 with Abilene Oil and Gas Limited owning a 49% shareholding in the entity. The Joint Venture entity has been treated as an investment in associate of which only acquisition costs of US\$413,750 have been recorded as at 30 June 2016.

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

Details of each of the consolidated entities material associates at the end of the reporting period are as follows:

Summarised financial information in respect of each of the Group's material associates 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 consolidated entity for equity accounting purposes.

	Consolidated	
	2016	2015
	\$	\$
Lodestone Resources LLC		
Current assets	6,680	434,439
Non-current assets	12,410,391	7,695,750
Current liabilities	(446,439)	(107,376)
Non-current liabilities	-	-
	<u>11,970,632</u>	<u>8,022,813</u>
	Consolidated	
	2016	2015
Lodestone Resources LLC		
Profit (loss) for the year	<u>(619,008)</u>	<u>(231,523)</u>

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

	Consolidated	
	2016	2015
	\$	\$
Net assets of the associate		
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	11,970,632	8,022,814
Proportion of the Group's ownership interest in Lodestone Resources LLC	49%	49%
Goodwill	-	-
Foreign exchange fluctuations	121,189	173,247
Carrying amount of the consolidated entities interest in Lodestone Resource LLC	<u>5,986,799</u>	<u>4,104,426</u>

The carrying value of the investment in Rodinia Resources LLC represents the acquisition costs (USD\$413,750) only as the Joint Venture did not undertake any activities during the year.

Details of material associates

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

Name	Principle activity	Place of incorporation and operation	Proportion of ownership interest held by the consolidated entity	
			2016	2015
			%	%
Lodestone Resources LLC	Oil & Gas	USA	49.00%	49.00%
Rodinia Resources LLC	Oil & Gas	USA	49.00%	-

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

	Consolidated	
	2016	2015
	\$	\$
Investments in Bisan Limited	<u>7,458</u>	<u>9,944</u>
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	9,944	24,860
Impairment of assets	(2,486)	(14,916)
Closing fair value	<u>7,458</u>	<u>9,944</u>

Refer to note 23 for further information on fair value measurement.

The investment in Bisan Limited (ASX: BSN) held by the consolidated entity at fair value is 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 2016 and 30 June 2015. 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.

Abilene Oil and Gas Limited
Notes to the financial statements
30 June 2016

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

	Consolidated	
	2016	2015
	\$	\$
Exploration and evaluation assets	6,769,280	5,302,250
Less: Impairment	<u>(4,883,559)</u>	<u>(4,421,164)</u>
	<u><u>1,885,721</u></u>	<u><u>881,086</u></u>

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 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)	<u>(196,658)</u>	<u>(196,658)</u>
Balance at 30 June 2015	881,086	881,086
Additions	1,122,413	1,122,413
Exchange differences	7,982	7,982
Impairment of assets	<u>(125,760)</u>	<u>(125,760)</u>
Balance at 30 June 2016	<u><u>1,885,721</u></u>	<u><u>1,885,721</u></u>

The exploration and evaluation assets relate to the consolidated entity's five projects: Welch-Bornholdt/Wherry project in Kansas, the Kinsley project in Edwards County, Kansas, the Mt Lookout project in Clark County, Kansas, the Pratt Project in the Pratt County and the Rawlins Project in Logan County. 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.

During the year the Company carried out an impairment review of the carrying amount of its carrying exploration expenditure values and as a result the company has impaired \$125,760, relating to the HUSS #1-22 (located in the Pratt county) well drilled during the year, which was plugged and abandoned.

During the prior period the Company 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. 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 prior year, an assessment of the carrying value of the project was reviewed and the Directors decided to fully impair in the amount of \$4,043,973.

During the prior financial year the consolidated entity placed the Krehbiel Trust #1-1 well into production, which is located in 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	
	2016	2015
	\$	\$
Production assets	-	4,171,043
Less: Accumulated amortisation	-	(999,615)
Less: Impairment	-	(3,171,428)
	<u>-</u>	<u>-</u>

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 2014	1,500,000	1,500,000
Additions	196,658	196,658
Exchange differences	168,549	168,549
Impairment of assets	(1,865,207)	(1,865,207)
Balance at 30 June 2015	<u>-</u>	<u>-</u>
Balance at 30 June 2016	<u>-</u>	<u>-</u>

The production assets relate to the consolidated entity's Klick area of interest in Oklahoma, USA and the Krehbiel Trust #1-1 well which are both currently producing.

During the previous financial year the consolidated entity placed the Krehbiel Trust #1-1 well into production 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 previous financial year the directors carried out a review of the carrying amount of the consolidated entity's 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 was 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	
	2016	2015
	\$	\$
Trade payables	433,900	113,733
Other payables	7,863	8,206
	<u>441,763</u>	<u>121,939</u>

Refer to note 22 for further information on financial instruments.

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

Abilene Oil and Gas Limited
Notes to the financial statements
30 June 2016

Note 16. Current liabilities - borrowings

	Consolidated	
	2016	2015
	\$	\$
Loans provided from director related entities	550,000	-
Interest payable on loans	4,748	-
	<u>554,748</u>	<u>-</u>

Refer to note 22 for further information on financial instruments.

The borrowings listed above bear interest at a rate of 8% per annum and are unsecured loans. All loans listed above are repayable on or before 31 October 2016, which occurred following the company signing deed of variations to amend prior repayments dates.

Note 17. Non-current liabilities - borrowings

	Consolidated	
	2016	2015
	\$	\$
Loans provided from director related entities	2,700,000	-
Interest payable on loans	163,488	-
	<u>2,863,488</u>	<u>-</u>

Refer to note 22 for further information on financial instruments.

The borrowings listed above bear interest at a rate of 8% per annum and are unsecured loans. There are four separate loan agreements included in the amounts above with a total of \$1,350,000 repayable in August 2017 and the remaining \$1,350,000 repayable in October 2017. Refer to note 28 for further information.

Note 18. Non-current liabilities - Provisions

	Consolidated	
	2016	2015
	\$	\$
Provision for rehabilitation	<u>189,934</u>	<u>184,252</u>

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

Note 19. Equity - issued capital

	2016	Consolidated	2016	2015
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>397,614,352</u>	<u>366,116,475</u>	<u>64,141,323</u>	<u>63,555,507</u>

Note 19. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2014	776,753,056		58,661,067
Rights issue	21 July 2014	375,885,654	\$0.003	1,127,657
Additional shares issued under the shortfall facility	15 October 2014	141,949,717	\$0.003	425,849
Share placement	15 October 2014	17,883,587	\$0.003	53,651
Share consolidation (1 for 20)	4 December 2014	(1,246,848,719)	-	-
Share placement	23 December 2014	7,600,000	\$0.060	456,000
Rights issue	4 April 2015	292,893,180	\$0.010	2,928,932
Capital raising costs		-	-	(97,649)
Balance	30 June 2015	366,116,475		63,555,507
Rights issue	15 January 2016	31,497,877	\$0.020	629,958
Capital raising costs		-	-	(44,142)
Balance	30 June 2016	<u>397,614,352</u>		<u>64,141,323</u>

Ordinary shares

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

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

Share buy-back

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

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.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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 20. Equity - reserves

	Consolidated	
	2016	2015
	\$	\$
Foreign currency translation reserve	6,613,364	6,519,828
Capital profits reserve	2,887,131	2,887,131
Options reserve	201,187	201,187
	<u>9,701,682</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.

Note 20. Equity - reserves (continued)

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:

Consolidated	Foreign currency translation reserve \$	Capital profits reserve \$	Share-based payments reserve \$	Total \$
Balance at 1 July 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
Balance at 30 June 2015	6,519,828	2,887,131	201,187	9,608,146
Foreign currency translation	93,536	-	-	93,536
Balance at 30 June 2016	<u>6,613,364</u>	<u>2,887,131</u>	<u>201,187</u>	<u>9,701,682</u>

Note 21. Equity - dividends

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

Note 22. 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.

Note 22. Financial instruments (continued)

At 30 June 2016 and 30 June 2015 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 investments in foreign subsidiaries. The net assets of the US operation at 30 June 2016 was \$8,224,724 (30 June 2015: \$4,822,819).

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 - 2016				
US Operation	15%	<u>1,233,709</u>	15%	<u>(1,233,709)</u>
	AUD strengthened % change	AUD strengthened Effect on equity	AUD weakened % change	AUD weakened Effect on equity
Consolidated - 2015				
US Operation	15%	<u>723,423</u>	15%	<u>(723,423)</u>

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

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 2016 is \$98,517 (2015: \$93,589).

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.

Note 22. Financial instruments (continued)

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.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2016						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	441,763	-	-	-	441,763
<i>Interest-bearing - fixed</i>						
Borrowings	8.00%	567,975	2,929,179	-	-	3,497,154
Total non-derivatives		1,009,738	2,929,179	-	-	3,938,917
Consolidated - 2015						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	121,939	-	-	-	121,939
Total non-derivatives		121,939	-	-	-	121,939

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 23. 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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 2016				
<i>Assets</i>				
Ordinary shares	7,458	-	-	7,458
Total assets	7,458	-	-	7,458

Abilene Oil and Gas Limited
Notes to the financial statements
30 June 2016

Note 23. Fair value measurement (continued)

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

There were no transfers between levels during the financial year.

Note 24. 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	
	2016	2015
	\$	\$
Short-term employee benefits	267,000	266,000
Share-based payments	-	201,187
	<u>267,000</u>	<u>467,187</u>

Note 25. 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	
	2016	2015
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	70,500	43,000
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Preparation of the tax return and related taxation advice	9,900	23,400
	<u>80,400</u>	<u>66,400</u>

Note 26. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2016 and 30 June 2015.

Note 27. Commitments

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

Note 28. Related party transactions

Parent entity

Abilene Oil and Gas Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Note 28. Related party transactions (continued)

Associates

Interests in associates are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2016	2015
	\$	\$
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 Brothers 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 2016.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2016	2015
	\$	\$
Current borrowings:		
Loan from MAP Capital Pty Ltd	150,000	-
Interest accrued on loan from MAP Capital Pty Ltd	1,847	-
Loan from Mathieson Downs Pty Ltd	400,000	-
Interest accrued on loan from Mathieson Downs Pty Ltd	2,901	-
Non-current borrowings:		
Loan from MAP Capital Pty Ltd	1,350,000	-
Interest accrued on loan from MAP Capital Pty Ltd	65,640	-
Loan from Mathieson Downs Pty Ltd	1,350,000	-
Interest accrued on loan from Mathieson Downs Pty Ltd	97,848	-

Loans from related parties are detailed in note 16 and note 17.

The loans noted above are payable to director related entities of Mr Craig Mathieson (Mathieson Downs Pty Ltd) and Mr Paul Salter (MAP Capital Pty Ltd). All loans listed above bear interest of 8% per annum and are unsecured.

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 were unsecured, did not bear interest and were repayable by 30 June 2016. The loans were subsequently repaid during the year.

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016	2015
	\$	\$
Loss after income tax	(522,254)	(814,462)
Total comprehensive income	(522,254)	(814,462)

Statement of financial position

	Parent	
	2016	2015
	\$	\$
Total current assets	14,675,270	10,884,580
Total assets	14,735,836	10,947,632
Total current liabilities	995,481	135,926
Total liabilities	3,859,469	136,426
Equity		
Issued capital	64,141,320	63,555,506
Foreign currency translation reserve	33,686	32,085
Capital profits reserve	2,835,500	2,835,500
Options reserve	201,187	201,187
Accumulated losses	(56,335,326)	(55,813,072)
Total equity	10,876,367	10,811,206

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 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

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

Note 30. 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	
		2016 %	2015 %
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 31. 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	
		2016 %	2015 %
Lodestone Resources LLC	USA	49.00%	49.00%
Rodinia Resources LLC*	USA	49.00%	-

* On 21 August 2015 the company entered into an arrangement with other parties relating to Rodinia Resources LLC to acquire a 49% shareholding in the entity, which was incorporated in August 2015.

Note 32. Events after the reporting period

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

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

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax expense for the year	(976,232)	(6,632,562)
Adjustments for:		
Share-based payments	-	201,187
Foreign exchange differences	(1,285)	-
Exploration costs written off	125,759	5,909,180
Impairment of available for-sale financial assets	2,486	-
Finance costs	169,518	14,916
Loss on associate	303,315	113,446
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	12,697	(18,936)
Increase in prepayments	(249)	(1,358)
Increase/(decrease) in trade and other payables	325,508	(333,213)
Net cash used in operating activities	<u>(38,483)</u>	<u>(747,340)</u>

Note 34. Earnings per share

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax attributable to the owners of Abilene Oil and Gas Limited	<u>(976,232)</u>	<u>(6,632,562)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>380,488,457</u>	<u>135,756,725</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>380,488,457</u>	<u>135,756,725</u>
	Cents	Cents
Basic earnings per share	(0.257)	(4.886)
Diluted earnings per share	(0.257)	(4.886)

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 35. 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.

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

2016							
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
27/11/2014	31/10/2017	\$0.0775	6,400,000	-	-	-	6,400,000
			6,400,000	-	-	-	6,400,000

Abilene Oil and Gas Limited
Notes to the financial statements
30 June 2016

Note 35. Share-based payments (continued)

Weighted average exercise price			\$0.0775	\$0.0000	\$0.0000	\$0.0000	\$0.0775
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
27/11/2014	31/10/2017	\$0.0775	-	6,400,000	-	-	6,400,000
			-	6,400,000	-	-	6,400,000
Weighted average exercise price			\$0.0000	\$0.0775	\$0.0000	\$0.0000	\$0.0775

* 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	2016 Number	2015 Number
27/11/2014	31/10/2017	6,400,000	6,400,000
		<u>6,400,000</u>	<u>6,400,000</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.33 years (2015: 2.33 years).

Abilene Oil and Gas Limited
Directors' declaration
30 June 2016

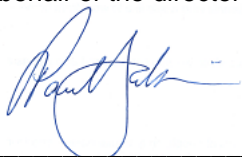
In the directors' opinion:

- 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 2016 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
Non-Executive Chairman

30 September 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 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 consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of 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.

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.

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

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

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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 2016 and of its 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 to the annual financial report, the Company has incurred net operating losses of \$976,232 for the year ended 30 June 2016, with a closing cash balance of \$85,834. 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 Company'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 pages 13 to 18 of the directors' report for the year ended 30 June 2016. 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 2016, 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 2016

Abilene Oil and Gas Limited
Shareholder information
30 June 2016

The shareholder information set out below was applicable as at 20 September 2016.

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	1,162	-
1,001 to 5,000	383	-
5,001 to 10,000	112	-
10,001 to 100,000	201	-
100,001 and over	79	4
	1,937	4
Holding less than a marketable parcel	1,823	-

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	94,381,730	23.74
Zaimo Nominees Pty Ltd – The Jumo Investment A/C	61,083,331	15.36
Bond Street Custodians Limited (RSALTE - D44396 A/C)	56,630,807	14.24
Bond Street Custodians Limited (RXN - V38514 A/C)	42,857,143	10.78
PJP Group Pty Ltd	23,129,995	5.82
Mr Itzhak Benedikt + Mrs Rozette Benedikt (Snider Carmel P/L S/F A/C)	19,868,835	5.00
Jaaga Pty Ltd	17,189,556	4.32
Wonderful Tonight Pty Ltd (Rollercoaster Super Fund A/C)	13,737,370	3.45
Jascot Rise Pty Ltd (Jascot Rise S/F A/C)	5,238,098	1.32
Mr Darren Charles Round + Mrs Meaghan Round (Darren Round Super Fund A/C)	4,605,290	1.16
HSBC Custody Nominees (Australia) Limited	3,777,843	0.95
Dimension Investments Pty Ltd	3,676,190	0.92
TMENA Pty Ltd (Combivan Pty Ltd Account)	3,428,572	0.86
B D Penfold Pty Ltd (B Merkaz Super Fund A/C)	3,285,715	0.83
Trayburn Pty Ltd	3,000,000	0.75
Ben Port Joseph Pty Ltd	2,857,138	0.72
Anderby QLD Pty Ltd	2,083,330	0.52
Losk Pty Ltd (Rados Family A/C)	1,666,665	0.42
Spyglass Nominees Pty Ltd (AE Bale Super Fund A/C)	1,575,000	0.40
S H Rayburn Nominees Pty Ltd	1,385,071	0.35
	365,457,679	91.91

Unquoted equity securities

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

Abilene Oil and Gas Limited
Shareholder information
30 June 2016

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Holdrey Pty Ltd	95,620,008	24.05
Zaimo Nominees Pty Ltd – The Jumo Investment A/C	61,083,331	15.36
MAP Capital Pty Ltd <Richmond Terrace Capital Absolute Return Fund>	56,630,807	14.24
Mr Raymond Cameron Salter and Mrs Joy Margaret Salter (Macquarie Lodge (Alpha account))	37,777,765	10.32
PJP Group Pty Ltd	23,129,995	5.82
Mr Itzhak Benedikt + Mrs Rozette Benedikt (Snider Carmel P/L S/F A/C)	19,868,835	5.00

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.