ABILENE OIL AND GAS LIMITED
ABN 41 000 752 849

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Abilene Oil and Gas Limited
Contents
30 June 2018

Directors	Mr Paul Salter (Non-Executive Chairman) Mr Peter Best (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 Collins Square, Tower 1 727 Collins Street Docklands VIC 3008
Stock exchange listing	Abilene Oil and Gas Limited shares are listed on the Australian Securities Exchange (ASX code: ABL)
Corporate Governance Statement	The Company's 2018 Corporate Governance Statement has been released to ASX on 27 September 2018 and is available on the Company's website.

REVIEW OF OPERATIONS

Highlights:

- **Distribution of CKU profits commenced during Q3 of 2018 financial year totalling A$457k**
- **Exploration at the Company's CKU Project continued with promising operating results considering world oil prices**
- **Drilling continued on Logan and Pratt projects**
- **Divesting of non-core assets**

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 2018.

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

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

Location and Description

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 the three managers (i.e. Directors) of that entity. Lodestone acquired the first land package (5,078 acres) in October 2014, including all rights to the completed 3D seismic. Lodestone paid US$1,497m to the land owners.

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

On 16 December 2015 the Company announced that it had agreed to fund exercise the third and final option to acquire further acreage and leases in the Central Kansas Uplift Project ('CKU Project'). Following the acquisition of the third and final option payment, Lodestone acquired a further 5,378 acres.

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 that 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%.

Operating 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[1]	Barton County, Kansas	49%	To be plugged and abandoned
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
Leghorn #1-22	Barton County, Kansas	49%	Operating
Foghorn #1-27	Rice County, Kansas	49%	Operating

[1]The Claflin #1-34 well is currently in the process of being plugged and abandoned. The joint venture will subsequently proceed with restoration of the well site once the process is complete.

It is advised that the joint venture continues to review the potential production potential of each of the above wells during the year.

2. Logan County Project

- Logan County Kansas USA

Location and Description Logan County Project is located in Logan County, Kansas USA.

Operator Joint Operation Partner CMX is the operator of the project.
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.

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.

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.

Thomas P. Tenneson: is USA based oil and gas investor.

Working Interest Working Interest and ownership structure (Net revenue interest 80%):

- Abilene – 34.3%
- CMX – 17.5%
- Cade Production LLC – 14.56%
- Panther Energy, Inc. – 1.82%
- Thomas P. Tenneson – 1.82%
- Other – 30%

Operating 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 located 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, known for the deposition of incised valley channel sandstones. These have proven to be prolific reservoir west of our prospect area. Additionally, carbonates of Cherokee, Marmaton, and Lansing-Kansas City age are proving to be an excellent reservoir in several new discoveries south, north and east of our prospect acreage. A new Lansing –Kansas City and Marmaton field to the east has produced over 400 MBO in less than 1 year. Many of these new wells were reported 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

During June 2018, drilling activities re-commenced in the Logan County on the Gaskill Range #1-5 well. Subsequent to the end of the year the company announced that the well will undergo further testing before the joint venture operator can confirm the economic potential of the well. The joint venture operator has advised that the well has been completed, the company will provide further updates to the market when available.

3. Rawlins County Prospect Joint Venture

- Rawlins County Kansas USA

Location and Description

The Rawlins County Prospect Joint Venture is located in Rawlins County, Kansas USA.

Operator

CMX is the operator of the project.

Joint Operation Partner

CMX.
Cade Production LLC.

Working Interest

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

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

Operating status

During 2015, the consolidated entity entered into a joint venture agreement in relation to the Rawlins County Prospect which is located in Rawlins County, Kansas T.1S-R33W, approximately 8 miles north of the town of Atwood in extreme northwest Kansas and covers approximately 800 acres and includes 5 leases. The regional setting is the Anadarko Basin, east of the western flank of the Cambridge Arch (Ancestral Central Kansas Uplift). Locally, the prospect is situated within a vast area of cyclic deposition of Lansing-Kansas City sediments on a portion of a broad epeiric shelf. Fluctuations in sea level over the Kansas shelf and variation in terrigenous clastic influx are proposed as the major processes that produced the Lansing-Kansas City alternating sequence of carbonate and clastic sediments representing marine, shoreface, and continental environments. Locally structural anticlines and synclines provide the trap for hydrocarbon accumulation in numerous carbonate zones within the Lansing-Kansas City Super Group.

The prospect is situated within the producing confines of the Drift Southeast Pool and within close Proximity Pools productive from the Lansing-Kansas City. The prospect will target prospective zones within the Lansing-Kansas City based upon the results of a large group 3D seismic shoot by locally active Operators. Drill targets are currently being assessed.

The joint venture continues to review the acreage for further drill targets.

4. Welch-Bornholdt Wherry Project

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

Location and Description	The Welch-Bornholdt and Wherry Oil Fields are located in Rice and McPherson Counties, Kansas, United States, approximately 140 miles from the Klick East Oil Field in Oklahoma. The Welch-Bornholdt and Wherry Oil Fields are mature, developed and mostly abandoned crude oil accumulation. Approximately 1,400 vertical wells have been drilled over more than 60 years on the fields, and aggregate production totals 46 million barrels of mainly high quality sweet crude oil. Abilene 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. 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.
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.
Operating status	During the year, the joint venture operator notified the Company that the #1-1 Krehbiel Trust well was shutting down. The joint venture continues to review the acreage for further drill targets.

5. 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%): • Abilene – 49% • CMX – 25% • Cade Production LLC – 26%
Operating status	During 2015, the consolidated entity entered into a joint venture agreement in relation to the Pratt County Prospect which is located in Pratt County, Kansas, T27S, R14W, prospect, and covers approximately 2,560 acres, between the city of Pratt and Greensburg, Kansas in south-central Kansas and includes 9 leases. The regional setting is the Anadarko Basin, west of the Pratt Anticline. Local structural anticlines and synclines along with a stratigraphic element provide the trap for hydrocarbon accumulation in numerous carbonate zones and sand reservoirs within the Lansing-Kansas City, Mississippian, Viola and Simpson formations. The prospect is situated amongst known multi-pay pools.

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

During the year, the joint venture operator notified the consolidated entity that the Aussie #1-16 well was shut down. The joint venture operator also advised that the Money Shot #1-21 will be shut down.

6. Klick Oil Project

During the year, the joint venture operator notified the Company that the Klick #1-22 well was shutting down. During the quarter the Company announced that it had sold its 49.2% working interest in the Klick asset for US$50,000.

CORPORATE UPDATE

Funding

During the year the consolidated entity entered into and extended a number of short-term loans with director related entities. A summary of the loans and the terms are listed below:

Lender	Amount	Repayment date
Salter Brothers Asset Management Pty Ltd##	$1,000,000	5 July 2018#
Salter Brothers Asset Management Pty Ltd##	$350,000	5 July 2018#
Salter Brothers Asset Management Pty Ltd##	$150,000	5 July 2018#
Salter Brothers Asset Management Pty Ltd##	$250,000	5 July 2018#
Salter Brothers Asset Management Pty Ltd##	$156,000	5 July 2018#
Mathieson Downs Pty Ltd	$500,000	5 July 2018#
Mathieson Downs Pty Ltd	$850,000	5 July 2018#
Mathieson Downs Pty Ltd	$150,000	5 July 2018#
Mathieson Downs Pty Ltd	$250,000	5 July 2018#
Mathieson Downs Pty Ltd	$420,000	5 July 2018#
Holdrey Pty Ltd	$200,000	5 July 2018#

The original repayment date of these loans was 5 July 2018 however this was extended to 5 January 2019 subsequent to year end.
Salter Brothers Asset Management Pty Ltd (Formerly MAP Capital Pty Ltd)

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

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 2018.

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 (Non-Executive Chairman)
Mr Peter Best (Non-Executive Director) (appointed 11 June 2018)
Mr Mordechai Benedikt (Non-Executive Director)
Mr Craig Mathieson (Non-Executive Director) (resigned 11 June 2018)

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 $1,330,295 (30 June 2017: $3,225,040).

Included in the loss after providing for income tax noted above was exploration expenditure written off amounting to $262,212 (2017: $1,966,108), Impairment expense of $298,420 (2017: $349,693) which largely related to the impairment the investment in Rodinia Resources LLC, Finance costs relating to borrowings amounting to $390,819 (2017: $317,383) and corporate costs from continuing operations of $197,639 (2017: $246,035)

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

Financial Position

The net assets of the consolidated entity have decreased by $1,131,370 to a deficiency amounting to $169,071 (2017: $962,299 surplus). Working capital, being current assets less current liabilities, which is in deficit increased by $1,806,584 to $5,410,289 (2017: $3,603,705), due to short-term loans provided by related entities of the Directors and former Directors, all of which have been extended subsequent to year end. The consolidated entity had negative cash flows from operating activities for the year amounting to $251,927 (2017: $378,651). The total cash and cash equivalents increased by $290,933 to $297,265 at 30 June 2018 (2017: $6,332).

Significant changes in the state of affairs

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

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

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

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

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

Matters subsequent to the end of the financial year

On 6 July 2018, the consolidated entity announced that it was granted an extension on short term loan facility's amounting to $4,276,000. The loans will now have a repayment date of the earlier of 5 January 2019 or such other date that the Lender and Borrower agree in writing. The loans will continue to accrue interest of 8% per annum.

No other matter or circumstance has arisen since 30 June 2018 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 and 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 and CEO of Salter Brothers Asset Management Pty Ltd (Formerly Map Capital Pty Ltd) (Salter Brothers), a leading independent boutique investment and advisory house with offices in Sydney and Melbourne. Salter Brothers was established in 2004 with a sector focus on the TRiMET market segments (namely: Technology, Retail, Internet, Media, Entertainment & Telecoms) and the Resources sectors (namely: Mining, Oil & Gas, and Cleantech).
Other current directorships:	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

Name:	Mr Peter Best
Title:	Non-Executive Director (appointed 11 June 2018)
Experience and expertise:	Peter Best has over 30 years' experience in the oil and gas industry, both in exploration and banking and finance. Peter is currently working as a consultant global oil and gas analyst based in Ottawa. 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:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	Nil

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)
Former directorships (last 3 years):	Ante Real Estate Trust (ASX: ATT) (resigned 19 April 2017)
Special responsibilities:	Member of Audit Committee
Interests in shares:	5,708,333 fully paid ordinary shares

Name:	Mr Craig Mathieson
Title:	Non-Executive Director (resigned 11 June 2018)
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:	Shaver Shop Group Limited (ASX: SSG)
Former directorships (last 3 years):	Great Western Exploration Limited (ASX: GTE) (resigned 29 November 2016)
Special responsibilities:	N/A
Interests in shares:	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.

Company secretaries

Melanie Leydin, CA
Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

Justin Mouchacca CA
Mr Mouchacca holds a Bachelor of Business majoring in Accounting. Justin became a Chartered Accountant in 2011 and since July 2013 has been a principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd, specialising in outsourced company secretarial and financial duties. Justin has over 11 years' experience in the accounting profession including 5 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

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

Held: represents the number of meetings held during the time the director held office.

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 determining 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.

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 2017 Annual General Meeting ('AGM')
At the 30 November 2017 AGM, 94.48% of the votes received supported the adoption of the remuneration report for the year ended 2017. 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	
2018	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	$	Total $
Non-Executive Directors:							
Mr P Salter	100,000	-	-	-	-	-	100,000
Mr C Mathieson***	75,238	-	-	-	-	-	75,238
Mr M Benedikt	36,000	-	-	-	-	-	36,000
Mr P Best***	3,866	-	-	-	-	-	3,866
Other Key Management Personnel:							
Mr J Mouchacca & Ms M Leydin*	96,000	-	-	-	-	-	96,000
	311,104	-	-	-	-	-	311,104

* Fees paid to Leydin Freyer, of which Justin Mouchacca and Melanie Leydin are directors, in respect of the Company Secretarial and Accounting Services of which $16,000 remained outstanding at 30 June 2018.
** At 30 June 2018 fees due to Paul Salter amounted to $215,000. The amounts due to Craig Mathieson and Mordechai Benedikt as at 30 June 2018 amount to $170,238 and $78,000 respectively.
*** Mr C Mathieson resigned as a director on 11 June 2018 and Mr P Best was appointed.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	$	Total $
Non-Executive Directors:							
Mr P Salter**	100,000	-	-	-	-	-	100,000
Mr C Mathieson**	80,000	-	-	-	-	-	80,000
Mr M Benedikt**	36,000	-	-	-	-	-	36,000
Other Key Management Personnel:							
Mr J Mouchacca & Ms M Leydin*	96,000	-	-	-	-	-	96,000
	312,000	-	-	-	-	-	312,000

* Fees paid to Leydin Freyer, of which Justin Mouchacca is also a director, in respect of the Company Secretarial and Accounting Services of which $80,000 remained outstanding at 30 June 2017.
** At 30 June 2017 fees due to Paul Salter amounted to $116,667. The amounts due to Craig Mathieson and Mordechai Benedikt as at 30 June 2017 amount to $93,333 and $42,000 respectively.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
Mr P Salter	100%	100%	-	-	-	-
Mr C Mathieson	100%	100%	-	-	-	-
Mr M Benedikt	100%	100%	-	-	-	-
Other Key Management Personnel:						
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 2018.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2018.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 $	2017 $	2016 $	2015 $	2014 $
Revenue	318,870	96,536	293,111	477,615	341,746
Loss after income tax	(1,330,295)	(3,225,040)	(976,232)	(6,632,562)	(1,917,880)

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

	2018	2017	2016	2015	2014
Share price at financial year end ($)	0.005	0.007	0.009	0.025	0.010

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
Ordinary shares					
Mr Paul Salter	56,630,807	-	-	-	56,630,807
Mr Craig Mathieson*	95,620,008	-	-	(95,620,008)	-
Mr Mordechai Benedikt	5,708,333	-	-	-	5,708,333
Ms M Leydin & Mr J Mouchacca	3,428,572	-	-	-	3,428,572
	161,387,720	-	-	(95,620,008)	65,767,712

* Resigned 11 June 2018 and Mr. P Best was appointed as a Director on the same date.

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
Options over ordinary shares					
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)	-
	4,800,000	-	-	(4,800,000)	-

Loans from key management personnel and their related parties
During the year and in prior years the consolidated entered into various loan agreements with director related entity's and former director related entity's. At 30 June 2018 a total of $5,148,473 (principle and interest) loans remained outstanding.

The loans associated with Mr Paul Salters' director related entity amounted to $2,304,399 (principle and interest), were extended subsequent to year end and are now repayable on or before 5 January 2019.

The loans associated with former director Mr Craig Mathieson's related entity amounted to $2,844,074 (resigned as a director 11 June 2018), were extended subsequent to year end and are now repayable on or before 5 January 2019.

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
There were no unissued ordinary shares of Abilene Oil and Gas Limited under option outstanding at the date of this report.

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 2018 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.

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 23 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.

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.

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

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

On behalf of the directors

Paul Salter
Non-Executive Chairman

27 September 2018
Melbourne

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Auditor's Independence Declaration

To the Directors of Abilene Oil and Gas Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Abilene Oil and Gas Limited for the year ended 30 June 2018, 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, 27 September 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue	5	318,870	96,536
Expenses			
Production costs		(23,185)	(161,071)
Employee benefits expense		(216,199)	(216,000)
Exploration expenditure written off	12	(262,212)	(1,966,108)
Impairment expense	6	(298,420)	(349,693)
Administration costs		(5,727)	(9,952)
Corporate costs		(197,639)	(246,035)
Share of loss from associates	10	(251,325)	(6,634)
Other expenses		(22,601)	(93,033)
Finance costs		(390,819)	(317,383)
Foreign exchange gain/(loss)		18,962	44,333
Loss before income tax expense		(1,330,295)	(3,225,040)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Abilene Oil and Gas Limited		(1,330,295)	(3,225,040)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		198,925	(270,020)
Other comprehensive income for the year, net of tax		198,925	(270,020)
Total comprehensive income for the year attributable to the owners of Abilene Oil and Gas Limited		(1,131,370)	(3,495,060)
		Cents	**Cents**
Basic earnings per share	32	(0.335)	(0.811)
Diluted earnings per share	32	(0.335)	(0.811)

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

	Note	Consolidated 2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	8	297,265	6,332
Trade and other receivables	9	4,655	3,672
Prepayments		12,741	12,659
Total current assets		314,661	22,663
Non-current assets			
Investments in associates	10	5,253,972	6,059,833
Available-for-sale financial assets	11	-	3,480
Exploration and evaluation assets	12	100,508	-
Total non-current assets		5,354,480	6,063,313
Total assets		5,669,141	6,085,976
Liabilities			
Current liabilities			
Trade and other payables	13	576,477	525,188
Borrowings	14	5,148,473	3,101,180
Total current liabilities		5,724,950	3,626,368
Non-current liabilities			
Borrowings	15	-	1,237,500
Provisions	16	113,262	259,809
Total non-current liabilities		113,262	1,497,309
Total liabilities		5,838,212	5,123,677
Net assets/(liabilities)		(169,071)	962,299
Equity			
Issued capital	17	64,101,323	64,101,323
Reserves	18	9,429,400	9,431,662
Accumulated losses		(73,699,794)	(72,570,686)
Total equity/(deficiency)		(169,071)	962,299

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

Abilene Oil and Gas Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital $	Accumulated Losses $	Reserves $	Total equity $
Balance at 1 July 2016	64,141,323	(69,345,646)	9,701,682	4,497,359
Loss after income tax expense for the year	-	(3,225,040)	-	(3,225,040)
Other comprehensive income for the year, net of tax	-	-	(270,020)	(270,020)
Total comprehensive income for the year	-	(3,225,040)	(270,020)	(3,495,060)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 17)	(40,000)	-	-	(40,000)
Balance at 30 June 2017	64,101,323	(72,570,686)	9,431,662	962,299

Consolidated	Issued capital $	Accumulated Losses $	Reserves $	Total deficiency in equity $
Balance at 1 July 2017	64,101,323	(72,570,686)	9,431,662	962,299
Loss after income tax expense for the year	-	(1,330,295)	-	(1,330,295)
Other comprehensive income for the year, net of tax	-	-	198,925	198,925
Total comprehensive income for the year	-	(1,330,295)	198,925	(1,131,370)
Transactions with owners in their capacity as owners:				
Lapse of options	-	201,187	(201,187)	-
Balance at 30 June 2018	64,101,323	(73,699,794)	9,429,400	(169,071)

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

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers		10,797	-
Payments to suppliers		(397,190)	(384,153)
Other revenue		134,466	5,502
Net cash used in operating activities	31	(251,927)	(378,651)
Cash flows from investing activities			
Payments for joint venture investment activities		-	(89,496)
Payments for exploration assets		(332,229)	(194,310)
Disbursements of profits in investments		457,234	-
Net cash from/(used in) investing activities		125,005	(283,806)
Cash flows from financing activities			
Proceeds from borrowings		420,000	606,000
Net cash from financing activities		420,000	606,000
Net increase/(decrease) in cash and cash equivalents		293,078	(56,457)
Cash and cash equivalents at the beginning of the financial year		6,332	85,834
Effects of exchange rate changes on cash and cash equivalents		(2,145)	(23,045)
Cash and cash equivalents at the end of the financial year	8	297,265	6,332

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 27 September 2018. 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 either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. However, during the financial year ended 30 June 2018 the consolidated entity experienced operating losses of $1,330,295 (30 June 2017: $3,225,040). At 30 June 2018 the consolidated entity had cash and cash equivalents of $297,265 (30 June 2017: $6,332) and net current liabilities, being current assets less current liabilities, of $5,410,289 (30 June 2017: $3,603,705). Cash inflows during the 2018 financial year amounted to $293,078 compared to 2017 which had net outflows of $56,457. Consequently a significant uncertainty exists as to the consolidated entity's ability to continue as a going concern.

The directors have considered the position of the consolidated entity and the company and consider that the going concern basis is appropriate for the preparation of the financial report due to the following factors:
- the consolidated entity will continue to be supported by the major shareholders if and when required either through equity raisings or further loan agreements;
- the loans from related entity's and other financiers (including associated interest) due within the next 12 months are anticipated to be extended in the event that the consolidated entity does not source sufficient funding when the loans fall due;
- At present the consolidated entity has placement capacity to issue 99,403,588 fully paid ordinary shares without shareholder approval. As at 25 September 2018, the consolidated entities share price was $0.002 and therefore the entity has the ability to raise $198,807 within the existing placement capacity;
- If required the consolidated entity has the ability to undertake either the full or partial sale of its existing asset portfolio, enter into farm-out arrangements of its existing tenement portfolio;
- the oil and gas revenue from the consolidated entity's Central Kansas Uplift Project will continue to see positive cashflow in the 2018 financial year which resulted in disbursements of amounting to USD$354,494 during the financial year; and
- subsequent to the end of the financial year the consolidated entity received a distribution of profits amounting to USD$185,703.

Note 2. Significant accounting policies (continued)

In the event the consolidated entity is not successful in raising funds via the methods noted above or any other capital raising initiatives, the entity will seek to extend the current loan facilities from the financiers, one of which is a related entity to the Company’s Director Mr Paul Salter and the other being a former Director's related entity.

If the loans repayable on 5 January 2019 are called upon by related entity's of a former Director, the Directors are confident support will be provided by the current Directors and their related entity's in order to meet ongoing working capital requirements, as evidenced by a signed letter of support.

In the event the consolidated entity is unable to raise sufficient capital through the methods above a material uncertainty exists due to the loans which are repayable on or before 5 January 2019. This would require one of the following to occur :

a. Extend the loans ;
b. Seek additional funding to settle outright.

On this basis no adjustments have made to the financial report relating to the recoverability and classification of the carrying amount of the assets or the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

If the going concern basis of accounting is found to be no longer appropriate, the recoverable amounts of the assets shown on the consolidated statement of financial position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly, from those reflected.

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.

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 27.

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 2018 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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

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.

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.

Note 2. Significant accounting policies (continued)

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 2018. 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 on the next page.

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. There will be no material impact on the carrying values. Changes in fair value are expected to continue being recorded through OCI, with the one-time election to record equity investments as such expected to be undertaken by the directors. Under AASB 9 the fair value gains/losses in relation to equity are not recycled to the Statement of Profit and Loss (even on disposal of the investment) and are not subject to impairment testing.

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 it is expected to have no material impact as there are no contracts with customers.

Note 2. Significant accounting policies (continued)

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 at 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 no material impact is expected as the consolidated entity currently has no leases.

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.

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 the 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.

Accounting policy for 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 5. Revenue

	Consolidated 2018 $	2017 $
Sales revenue		
Oil & gas revenue	10,797	91,034
Other revenue		
Royalty revenue	3,431	5,502
Other income*	304,642	-
Revenue	318,870	96,536

* Included in the amount noted above is the reversal of provision for rehabilitation for wells that have been fully rehabilitated. Initial recognition of the provision for rehabilitation involves increasing the Exploration and evaluation asset in conjunction with recognising the liability. Given the Exploration and evaluation assets relating to these wells were fully impaired in prior periods, the remaining balances have been recognised in the statement of profit and loss and other comprehensive income.

Accounting policy for 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.

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.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 6. Expenses

	Consolidated 2018 $	2017 $
Loss before income tax includes the following specific expenses:		
Impairment		
Available-for-sale financial assets	3,480	3,978
Investments accounted for using the equity method- Rodinia Resources LLC	294,940	345,715
Total impairment	298,420	349,693

As at 30 June 2018 the consolidated entity's investment in Bisan Limited (ASX: BSN) remained in suspension due to the company not having sufficient operations to warrant the continued quotation on the ASX. Due to the consolidated entity's uncertainty surrounding the realisable amount of the investment in BSN, management has impaired the carrying value in full at 30 June 2018.

During the year the consolidated entity reviewed the carrying value of its investment in Rodinia Resources LLC and due to a reduction in the lease acreage on which wells could be drilled or completed to a point that would permit the production of commercial quantities of oil and gas, the investment was impaired in full.

Note 7. Income tax

	Consolidated	
	2018	**2017**
	$	**$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,330,295)	(3,225,040)
Tax at the statutory tax rate of 30%	(399,089)	(967,512)
Tax losses and temporary differences not recognised as an asset	309,563	343,850
Impairment assets	88,482	589,832
Sundry	1,044	33,830
Income tax expense	-	-

	Consolidated	
	2018	**2017**
	$	**$**
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	14,857,178	14,039,840
Potential tax benefit @ 30%	4,457,153	4,211,952

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 includes 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

Accounting policy for 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.

Note 7. Income tax (continued)

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

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

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2018	**2017**
	$	**$**
Cash at bank	297,265	6,332

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash 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. Cash balance also comprises deposits held with US dollar bank accounts.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2018	**2017**
	$	**$**
GST receivable	4,655	3,672

Accounting policy for trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

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.

Note 10. Non-current assets - investments in associates

	Consolidated 2018 $	Consolidated 2017 $
Lodestone Resources LLC	5,253,972	5,762,553
Rodinia Resources LLC	-	297,280
	5,253,972	6,059,833

Refer to note 29 for further information on interests in associates.

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

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

During the 2016 financial year the company established a second Joint Venture entity, Rodinia Resources LLC, which was incorporated during August 2015 with Abilene Oil and Gas Limited owning a 49% shareholding in the entity.

During the year the consolidated entity reviewed carrying value of its investment in Rodinia Resources LLC and due to a reduction in the lease acreage on which wells could be drilled or completed to a point that would permit the production of commercial quantities of oil and gas, the investment was impaired in full.

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 consolidated entity'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 2018 $	Consolidated 2017 $
Lodestone Resources LLC		
Current assets	321,965	252,032
Non-current assets	11,206,102	11,752,376
Current liabilities	(137,111)	(155,897)
Non-current liabilities	(514,139)	-
	10,876,817	11,848,511

	Consolidated 2018	Consolidated 2017
Lodestone Resources LLC		
Profit (loss) for the year	(512,906)	(10,214)

Note 10. Non-current assets - investments in associates (continued)

	Consolidated 2018 $	Consolidated 2017 $
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	10,876,817	11,848,511
Proportion of the consolidated entity's ownership interest in Lodestone Resources LLC	49%	49%
Goodwill	-	-
Foreign exchange fluctuations	(75,669)	(43,216)
Carrying amount of the consolidated entities interest in Lodestone Resource LLC	5,253,971	5,762,553

Details of material associates

Details of each of the consolidated entity'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 2018 %	2017 %
Lodestone Resources LLC	Oil & Gas	USA	49.00%	49.00%
Rodinia Resources LLC	Oil & Gas	USA	49.00%	49.00%

Note 10. Non-current assets - investments in associates (continued)

Accounting policy for Investments in associates and joints 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 consolidated entity'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 10. Non-current assets - investments in associates (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 consolidated entity 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 consolidated entity transacts with an associate or a joint venture of the consolidated entity, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the consolidated entity.

Note 11. Non-current assets - available-for-sale financial assets

	Consolidated	
	2018 $	2017 $
Investments in Bisan Limited	-	3,480

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2018 $	2017 $
Opening fair value	3,480	7,458
Impairment of assets	(3,480)	(3,978)
Closing fair value	-	3,480

Refer to note 21 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 2018 and 30 June 2017. In accordance with AASB 139, available-for-sale financial assets have been impaired through the statement of profit and loss and other comprehensive income due to the nature of the significant and prolonged decrease in the valuation of the assets.

Note 11. Non-current assets - available-for-sale financial assets (continued)

Accounting policy for 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.

Note 12. Non-current assets - Exploration and evaluation assets

	Consolidated	
	2018	**2017**
	$	**$**
Exploration and evaluation assets	7,160,099	5,686,804
Less: Impairment	(7,059,591)	(5,686,804)
	100,508	-

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 $
Balance at 1 July 2016	1,885,721
Additions	110,130
Exchange differences	(29,743)
Impairment of assets	(1,966,108)
Balance at 30 June 2017	-
Additions	359,289
Exchange differences	3,431
Impairment of assets	(262,212)
Balance at 30 June 2018	100,508

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 consolidated entity carried out an impairment review of the carrying amount of its exploration and evaluation assets values and as a result the company has impaired $262,212 which largely related to dry wells drilled by the Pratt and Logan projects. The carrying amount relates to the Gaskill Range #1-5 well drilled during June 2018 of which the Joint Venture partner advised the company that the well will be completed as a potential producer.

Note 12. Non-current assets - Exploration and evaluation assets (continued)

Accounting policy for 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.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2018 $	2017 $
Trade payables	565,846	516,727
Other payables	10,631	8,461
	576,477	525,188

Refer to note 20 for further information on financial instruments.

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

Accounting policy for 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 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.

Note 14. Current liabilities - borrowings

	Consolidated 2018 $	Consolidated 2017 $
Loans provided from director related entities	4,276,000	2,700,000
Interest payable on loans	872,473	401,180
	5,148,473	3,101,180

Refer to note 20 for further information on financial instruments.

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

The repayment dates for all loans listed above were extended subsequent to year end and they are now repayable on or before 5 January 2019.

Accounting policy for 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 15. Non-current liabilities - borrowings

	Consolidated 2018 $	Consolidated 2017 $
Loans provided from director related entities	-	1,156,000
Interest payable on loans	-	81,500
	-	1,237,500

Refer to note 20 for further information on financial instruments.

The borrowings listed above bear interest at a rate of 8% per annum and are unsecured loans. Of the loans outstanding at 30 June 2017 noted above, all loans were repayable on or before 5 July 2018, resulting in a nil balance, for non current liabilities' component attributable to borrowings, as on 30 June 2018.

Accounting policy for 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 16. Non-current liabilities - Provisions

	Consolidated 2018 $	2017 $
Provision for rehabilitation	113,262	259,809

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

Note 17. Equity - issued capital

	Consolidated 2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	397,614,352	397,614,352	64,101,323	64,101,323

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	397,614,352		64,141,323
Capital raising costs		-	-	(40,000)
Balance	30 June 2017	397,614,352		64,101,323
Balance	30 June 2018	397,614,352		64,101,323

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.

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.

Accounting policy for 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.

Note 18. Equity - reserves

	Consolidated 2018 $	Consolidated 2017 $
Foreign currency translation reserve	6,542,269	6,343,344
Capital profits reserve	2,887,131	2,887,131
Options reserve	-	201,187
	9,429,400	9,431,662

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.

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

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

Movements in reserves
Movements in each class of reserve during the current 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 2016	6,613,364	2,887,131	201,187	9,701,682
Foreign currency translation	(270,020)	-	-	(270,020)
Balance at 30 June 2017	6,343,344	2,887,131	201,187	9,431,662
Foreign currency translation	198,925	-	-	198,925
Lapse of options	-	-	(201,187)	(201,187)
Balance at 30 June 2018	6,542,269	2,887,131	-	9,429,400

Note 19. Equity - dividends

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

Note 20. 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. 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.

Note 20. Financial instruments (continued)

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 and evaluates financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

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

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

At 30 June 2018 and 30 June 2017 the consolidated entity did not have significant exposure to foreign exchange risks on financial instruments held in foreign currencies other than its interests in cash and cash equivalents. The cash and cash equivalents at 30 June 2018 were USD$206,287 (30 June 2017: USD$3,164).

Sensitivity analysis on the cash and cash equivalents 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		AUD weakened	
Consolidated - 2018	**% change**	**Effect on equity**	**% change**	**Effect on equity**
Cash and cash equivalents	15%	41,866	(15%)	(41,866)

	AUD strengthened		AUD weakened	
Consolidated - 2017	**% change**	**Effect on equity**	**% change**	**Effect on equity**
Cash and cash equivalents	15%	617	(15%)	(617)

The cash and cash equivalents are 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 is not exposed to material 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.

Note 20. Financial instruments (continued)

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 2018 is $301,920 (2017: $10,004).

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

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

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

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	576,477	-	-	-	576,477
Interest-bearing - fixed						
Borrowings	8.00%	5,560,351	-	-	-	5,560,351
Total non-derivatives		6,136,828	-	-	-	6,136,828

Consolidated - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	525,188	-	-	-	525,188
Interest-bearing - fixed rate						
Borrowings	8.00%	3,349,274	1,336,500	-	-	4,685,774
Total non-derivatives		3,874,462	1,336,500	-	-	5,210,962

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 21. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares	3,480	-	-	3,480
Total assets	3,480	-	-	3,480

As at 30 June 2018 the consolidated entity's investment in Bisan Limited (ASX: BSN) remained in suspension due to the company not having sufficient operations to warrant its continued quotation on the ASX. Due to the consolidated entity's uncertainty surrounding the realisable amount of the investment in BSN, management has impaired the carrying value in full at 30 June 2018.

There were no transfers between levels during the financial year.

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

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

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

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

Note 22. 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	
	2018	**2017**
	$	**$**
Short-term employee benefits	215,104	216,000
Corporate costs	96,000	96,000
	311,104	312,000

Note 23. 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	
	2018	**2017**
	$	**$**
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	55,500	55,500
Other services - Grant Thornton Australia Pty Ltd		
Preparation of the tax return and related taxation advice	7,980	33,563
	63,480	89,063

Note 24. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2018 and 30 June 2017.

Note 25. Commitments

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

Note 26. Related party transactions

Parent entity
Abilene Oil and Gas Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Associates
Interests in associates are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

Note 26. Related party transactions (continued)

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

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 ($40,000) which remained due and payable at 30 June 2018 which was payable to the related party of Mr Paul Salter.

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

	Consolidated	
	2018 $	2017 $
Current borrowings:		
Loan from Salter Brothers Asset Management Pty Ltd (Formerly MAP Capital Pty Ltd)	1,906,000	1,350,000
Interest accrued on loan from Salter Brothers Asset Management Pty Ltd (Formerly MAP Capital Pty Ltd)	398,399	183,161
Loan from Mathieson Downs Pty Ltd	2,170,000	1,350,000
Interest accrued on loan from Mathieson Downs Pty Ltd	450,259	218,019
Loan from Holdrey Pty Ltd	200,000	-
Interest accrued on loan from Holdrey Pty Ltd	23,815	-
Non-current borrowings:		
Loan from Salter Brothers Asset Management Pty Ltd (Formerly MAP Capital Pty Ltd)	-	556,000
Interest accrued on loan from Salter Brothers Asset Management Pty Ltd (Formerly MAP Capital Pty Ltd)	-	38,496
Loan from Mathieson Downs Pty Ltd	-	400,000
Interest accrued on loan from Mathieson Downs Pty Ltd	-	36,341
Loan from Holdrey Pty Ltd	-	200,000
Interest accrued on loan from Holdrey Pty Ltd	-	6,663

Loans from related parties are detailed in note 14 and note 15.

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

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018 $	2017 $
Loss after income tax	(813,361)	(965,105)
Total comprehensive income	(813,361)	(965,105)

Note 27. Parent entity information (continued)

Statement of financial position

	Parent 2018 $	2017 $
Total current assets	94,847	22,664
Total assets	146,585	77,882
Total current liabilities	5,723,741	3,567,421
Total liabilities	5,724,241	4,842,176
Equity		
Issued capital	64,101,323	64,101,323
Capital profits reserve	2,835,500	2,835,500
Options reserve	-	201,187
Accumulated losses	(72,514,478)	(71,902,304)
Total deficiency in equity	(5,577,655)	(4,764,294)

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 2018 and 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018 and 30 June 2017.

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 28. 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 2018 %	2017 %
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 29. 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 2018 %	Ownership interest 2017 %
Lodestone Resources LLC	USA	49.00%	49.00%
Rodinia Resources LLC	USA	49.00%	49.00%

Note 30. Events after the reporting period

On 6 July 2018, the consolidated entity announced that it was granted an extension on short term loan facility's amounting to $4,276,000. The loans will now have a repayment date of the earlier of 5 January 2019 or such other date that the Lender and Borrower agree in writing. The loans will continue to accrue interest of 8% per annum.

No other matter or circumstance has arisen since 30 June 2018 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 31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax expense for the year	(1,330,295)	(3,225,040)
Adjustments for:		
Foreign exchange differences	(174,632)	(269,161)
Exploration costs written off	262,212	1,966,107
Impairment expense	298,420	349,693
Finance costs	390,819	317,383
Share of loss from associates	251,325	6,634
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(983)	9,012
Increase in prepayments	(82)	(1,026)
Increase in trade and other payables	51,289	467,747
Net cash used in operating activities	(251,927)	(378,651)

Note 32. Earnings per share

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax attributable to the owners of Abilene Oil and Gas Limited	(1,330,295)	(3,225,040)

Note 32. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	397,614,352	397,614,352
Weighted average number of ordinary shares used in calculating diluted earnings per share	397,614,352	397,614,352

	Cents	Cents
Basic earnings per share	(0.335)	(0.811)
Diluted earnings per share	(0.335)	(0.811)

The options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The options are non-dilutive as the consolidated entity has generated a loss for the year. At 30 June 2018 there were no options on issue.

Accounting policy for earnings per share

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

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

Note 33. 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:

2018

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			$0.0775	$0.00	$0.00	$0.0775	$0.00

2017

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			$0.0775	$0.00	$0.00	$0.00	$0.0775

Note 33. Share-based payments (continued)

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

Grant date	Expiry date	2018 Number	2017 Number
27/11/2014	31/10/2017	-	6,400,000
		-	6,400,000

The weighted average remaining contractual life of options outstanding at the end of the financial year ended 30 June 2018 was nil.

Accounting policy for 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.

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.

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 2018 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

27 September 2018
Melbourne

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Independent Auditor's Report

To the Members of Abilene Oil and Gas Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Abilene Oil and Gas Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $1,330,295 during the year ended 30 June 2018, and as of that date, the Group had cash and cash equivalents of $297,265, with current liabilities exceeding its current assets by $5,410,289. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Investments in associates – valuation Note 10	
The Group holds investments in associates accounted for under the equity method. Estimating the recoverable amount of these investments requires management to assess the carrying amounts of exploration and evaluation assets held by the associates. The process undertaken by management to assess whether there are any impairment triggers is complex and requires significant judgement. AASB 136 *Impairment of Assets* requires an entity to assess the carrying value of non-current assets for impairment when there are indicators of impairment by comparing its carrying value to the recoverable amount. We have determined this is a key audit matter due to the judgement required by management in determining the recoverable amount.	Our procedures included, amongst others: • Evaluating the recoverable amount against the requirements of AASB 136 *Impairment of Assets*; • Assessing the appropriateness of management's valuation of the investments which involved: o Challenging the assumptions and inputs applied by management when assessing the recoverable amount of the equity accounted for investments; and o Assessing the valuation for mathematical accuracy; and • Assessing the adequacy and appropriateness of the Group's disclosures in the financial report.
Exploration and Evaluation Assets – valuation Note 12	
At 30 June 2018, the carrying value of Exploration and Evaluation Assets (E&E) was $100,508. During the year, management recognised an impairment loss amounting to $262,212. In accordance with AASB 6 *Exploration for and Evaluation or Mineral Resources*, the company is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable amount. The process undertaken by management to assess whether there are any impairment triggers is complex and requires significant judgement. This area is a key audit matter due to the significant judgement involved in estimating the carrying amount of the exploration assets.	Our procedures included, amongst others: • Assessing the accuracy of impairments recorded by determining if: o Tenements had been relinquished; o Tenements had not had any expenditure incurred since the prior period; o Tenements were planned to be relinquished in the future; and o Tenements did not have any budgeted expenditure in the forecast period. • Obtaining and reviewing management's assessment of impairment indicators in line with AASB 6 and whether tenements considered to be feasible and or active; • Evaluating the accuracy of capitalised costs by substantively testing a sample of additions during the year and ensuring they could be capitalised under AASB 6; • Assessing the appropriateness and uniformity of accounting policies for Exploration & Evaluation Expenditure with prior period and the requirements under AASB 6; • Reviewing exploration tenements to determine whether they exist and that the Group has current ownership rights to these; and • Assessing the adequacy and appropriateness of the related financial report disclosures.

Grant Thornton

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Group 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Abilene Oil and Gas Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 27 September 2018

The shareholder information set out below was applicable as at 26 September 2018.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	1,149
1,001 to 5,000	356
5,001 to 10,000	98
10,001 to 100,000	180
100,001 and over	83
	1,866
Holding less than a marketable parcel	1,809

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
Holdrey Pty Ltd (Don Mathieson Family A/C)	94,360,897	23.73
Zaimo Nominees Pty Ltd - The Jumo Investment A/C	61,083,331	15.36
Bonds Street Custodians Limited (RSALTE - D44396 A/C)	56,630,807	14.24
Bonds Street Custodians Limited (RSALTE - V38514 A/C)	42,857,143	10.78
PJP Group Pty Ltd	23,129,995	5.82
Mr Itzchak 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	3,784,869	0.95
Tmena Pty Ltd (Combivan Pty Ltd A/C)	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
Mr Ianaki Semerdziev	1,784,687	0.45
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
Anderby QLD Pty Ltd	1,500,000	0.38
S H Rayburn Nominees Pty Ltd	1,385,071	0.35
	362,969,039	91.29

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Holdrey Pty Ltd (Don Mathieson Family A/C)	94,360,897	23.73
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 (RSALTE - V38514 A/C)	42,857,143	10.78
PJP Group Pty Ltd	23,129,995	5.82
Mr Itzchak 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.