

Quarterly Activities Report September 2018

ACN 000 752 849

ASX Code: ABL

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Board of Directors:

Paul Salter (Chairman)
Peter Best (Non-executive)
Mordechai Benedikt (Non-executive)

Company Secretaries:

Justin Mouchacca
Melanie Leydin

Securities on Issue:

397,614,352

About Abilene Oil and Gas Limited

Abilene Oil and Gas Limited is a Mid-West USA focused production, development and exploration company. The company assets are located in Kansas. The company strategy is focused on building up oil production assets, increasing drilling locations and adding exploration acreage in the region. The company strategy is based on a combination of targeting high return projects and innovative funding while maintaining low overhead and corporate costs.

Highlights:

- **Distribution of CKU profits (A\$254k ABL share)**
- **Exploration at the Company's CKU Project continued with promising operating results**
- **Drilling continued during the quarter**

Abilene Oil and Gas Limited ('Abilene' or 'the Company') provides the following quarterly activities report for the quarter ended 30 September 2018.

Central Kansas Uplift Appraisal and Development Project (CKU)

(ABL 49% Working Interest)

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

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

JV Partners

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

On 21 October 2014, the Company announced that it had entered into definitive agreements to acquire an interest in over 15,600 acres in the area known as the Central Kansas Uplift, made up of 204 separate leases in a number of counties in Kansas. ABL and its partners in the CKU project have established a joint venture entity, Lodestone Resources LLC (Lodestone) which holds the group's interests in the CKU project. Abilene owns 49% of the equity of Lodestone and has one of the three managers (i.e. Directors) of that entity. Lodestone acquired the first land package (5,078 acres) in October 2014, including all rights to the completed 3D seismic. Lodestone paid US\$1,497m to the landowners.

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 and 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 than can be detected by geologic mapping. The use of 3D seismic is expected to lower the drilling risk.

Below is a summary of the Lodestone wells currently in operation:

| Well | County/State | ABL Equity | Status | Exploration Production during quarter [#] |
|----------------------------|--------------------------|------------|-------------------|--|
| Claflin # 1-35 & # 2-35 | Barton County, Kansas | 49% | Operating | 1,628 |
| Woelk #1 -21 | Russell County, Kansas | 49% | Operating | 648 |
| Woelk #1 -19 | Russell County, Kansas | 49% | Operating | 1,962 |
| Homolka # 1-35 | Barton County, Kansas | 14.7% | Operating | 324 |
| Claflin #1-34 ¹ | Barton County, Kansas | 49% | Lease transferred | 161 |
| Woelk #1-18 | Russell County, Kansas | 49% | Operating | 164 |
| Ames-Robl #1-19 | Rice County, Kansas | 49% | Operating | 319 |
| Bushton #1-36 & # 2-36 | Ellsworth County, Kansas | 49% | Operating | 579 |
| Bushton #1-20 | Ellsworth County, Kansas | 49% | Operating | 1,612 |
| Susank #1-29 | Barton County, Kansas | 49% | Operating | 162 |
| Bushton #1-30 | Ellsworth County, Kansas | 49% | Operating | 649 |
| Susank B #1-5 & #2-5 | Barton County, Kansas | 49% | Operating | 2,122 |
| Leghorn #1-22 | Barton County, Kansas | 49% | Operating | 314 |
| Foghorn #1-27 | Rice County, Kansas | 49% | Operating | 156 |

[#] All reported operating rates are based on information provided by the operator.

¹The Joint Venture operator advised that the Claflin #1-34 well lease was transferred to another operator who would assume all of the restoration liabilities.

The gross production during the quarter by the joint venture was 10,800 Bbls.

Gross oil revenue and associated lease operating costs (including taxes) of Lodestone's production for the quarter, including ABL's share, were as follows:

| Joint Venture | | ABL Share | |
|-----------------|--------------|-----------|--------------|
| Gross Revenue | US \$673,813 | Revenue | US \$330,168 |
| Gross Expenses* | US \$318,068 | Expenses* | US \$155,853 |

* It is noted that the above results are yet to be audited. A total of USD\$185,703 was distributed to the Company during the September 2018 quarter. It is expected that monthly disbursements of profits (less any capital expenditure) will be distributed to the Joint Venture parties. The revenue included above is gross revenue prior to royalties been deducted. Royalty costs have been included within Gross Expenses.

Logan County Project

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

- Located in Logan County, Kansas USA

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%

Project 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 to be 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.

During the quarter, the drilling of the Gaskill Range #1-5 well was completed and the operator advised that the well will undergo further testing before the economic potential of the well can be determined. During the quarter the well begun the process of producing test oil totalling 625 BBL's for the quarter. The company will provide further updates to the market when available.

Rawlins County Prospect Joint Venture

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

- Located in Rawlins County, Kansas USA

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

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

During August 2015, Abilene entered into a joint venture agreement in relation to the Rawlins County Prospect which is located in Rawlins County, Kansas T.1S-R33W, approximately 8 miles north of the town of Atwood in extreme northwest Kansas and covers approximately 800 acres and includes 5 leases. The regional setting is the Anadarko Basin, east of the western flank of the Cambridge Arch (Ancestral Central Kansas Uplift). Locally, the prospect is located 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 located 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. The Company along the joint venture operator are currently reviewing potential drill targets.

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

The joint venture operator is continuing to review the land package for potential drilling prospects.

Welch-Bornholdt Wherry Project

(ABL 50% Working Interest)

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

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

The Welch-Bornholdt and Wherry Oil Fields are located in Rice and McPherson Counties, Kansas, United States, approximately 140 miles from the Klick East Oil Field in Oklahoma.

The Welch-Bornholdt and Wherry Oil Fields are mature, developed and mostly abandoned crude oil accumulation. Approximately 1,400 vertical wells have been drilled over more than 60 years on the fields, and aggregate production totals 46 million barrels of mainly high quality sweet crude oil.

The Company and its joint operation partner CMX have established a large 15,000 acre position in the Welch-Bornholdt and Wherry Oil Fields. This acreage covers a significant contingent resource, mainly in the Mississippian age cherty carbonate rock formation that is up to 10 metres thick across the area. Abilene and CMX produce from this Mississippian formation at the Klick Project.

The Welch-Bornholdt and Wherry Oil Fields are uniquely positioned, and benefit from having a refinery at the city of McPherson approximately 30 kilometres by road, which is serviced by trucks and pipelines.

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

Pratt County Prospect Joint Venture

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

- Located in Pratt County, Kansas USA

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

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

During the September 2015 quarter, Abilene entered into a joint venture agreement in relation to the Pratt County Prospect, which is located in Pratt County, Kansas, T27S, R14W, prospect, and covers approximately 2,560 acres, between the city of Pratt and Greensburg, Kansas in south-central Kansas and includes nine leases. The regional setting is the Anadarko Basin, west of the Pratt Anticline. Local structural anticlines and synclines along with a stratigraphic element provide the trap for hydrocarbon accumulation in numerous carbonate zones and sand reservoirs within the Lansing-Kansas City, Mississippian, Viola and Simpson formations. The prospect is situated amongst known multi-pay pools.

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

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

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

Corporate Update

During the quarter, the Company received a disbursement of profits (post operating and capital outflows) from the Lodestone Resources LLC (CKU Project) Joint Venture amounting to USD\$185,703. It is expected that further monthly profit distributions will continue going forward (subject to capital expenditure on new drilling targets).

During the quarter, company extended its short-term loan facilities with its financiers for a further six months. The principle value of the loans amounted to \$4.28 million and were repayable on or before 5 July 2018 to Salter Brothers Asset Management Pty Ltd (Formerly MAP Capital Pty Ltd), Mathieson Downs Pty Ltd and Holdrey Pty Ltd. The loans now have a repayment date of the earlier of 5 January 2019 or such other date that the Lender and Borrower agree in writing. All parties have agreed that there will be no further costs incurred upon the extensions and that the interest charges will continue on the loans of which each agreement bears interest of 8% per annum.

The Company continues to review funding mechanisms to assist with any further drilling expenditure and working capital requirements and will look to fund activities through either capital raisings or further loan arrangements. The Company intends to fund any further exploration and drilling costs for its CKU project through existing cash reserves and future cash flows generated by Lodestone Resources LLC.

Interests in Petroleum Tenements

Below is a listing of the Company's interests in Petroleum tenements as at 30 September 2018:

| Petroleum Tenement | Location | Beneficial Percentage held | Interest acquired/farm-in during the quarter | Interest disposed/farm-out during the quarter |
|--------------------------------------|--|----------------------------|--|---|
| Welch-Bornholdt Wherry Oil Fields | Rice and McPherson Counties, Kansas USA | 50% Working Interest | - | - |
| CKU Project | Russell, Rice, Ellsworth and Barton Counties, Kansas USA | 49% Working Interest | - | - |
| Logan County Project | Logan County, Kansas USA | 34.3% Working Interest | - | - |
| Rawlins County Prospect | Logan County, Kansas USA | 49% Working Interest | - | - |
| Pratt County Prospect | Pratt County, Kansas USA | 49% Working Interest | - | - |
| Harpia Oil Field and Guara Oil Field | Sergipe-Alagoas Basin, on-shore Brazil | 40% interest | - | - |

Glossary

| | |
|-------------|---|
| ABL | - Abilene Oil and Gas Limited |
| Bbl | - One barrel of crude oil |
| BOPD | - Barrels of oil per day |
| Mcf | - Once thousand cubic feet (natural gas volumetric measurement) |

Cautionary statement

Abilene advises that all reported average production results are based on reported amounts provided by the operator of the projects. The average production rates cannot yet be determined, as a number of the wells are not flowing continuously and are still been assessed by the joint venture.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ABILENE OIL AND GAS LIMITED

ABN

41 000 752 849

Quarter ended ("current quarter")

30 SEPTEMBER 2018

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year To Date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | 4 | 4 |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation | - | - |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) staff costs | - | - |
| | (e) administration and corporate costs | (61) | (61) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | - |
| 1.5 | Interest and other costs of finance paid | (198) | (198) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Research and development refunds | - | - |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash from / (used in) operating activities | (255) | (255) |

| | | | |
|-----------|---|---|---|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year To Date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (distribution of associate profits) | 254 | 254 |
| 2.6 | Net cash from / (used in) investing activities | 254 | 254 |

| | | | |
|-------------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | - | - |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|------------|--|------------|------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 297 | 297 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (255) | (255) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 254 | 254 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | 7 | 7 |
| 4.6 | Cash and cash equivalents at end of period | 303 | 303 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Bank balances | 303 | 297 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 303 | 297 |

| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|--|----------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | - |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | 89 |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

The amounts noted above relate to interest paid to related entities of Mr Paul Salter in relation to borrowings set out in section 8.

| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|----------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

N/A

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | 4,276 | 4,276 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

The lenders of the loan facilities listed above are payable to former director related entities of Mr Craig Mathieson (Mathieson Downs Pty Ltd and Holdrey Pty Ltd) and current director Mr Paul Salter (Salter Brothers Asset Management Pty Ltd). The loans bear interest of 8% per annum and are unsecured loans. All loans noted above had a repayment date of 5 July 2018 but were subsequently extended to 5 January 2019.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 20 |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | 20 |
| 9.5 Administration and corporate costs | 60 |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | 100 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | - | - | - | - |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | - | - | - | - |

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 30 October 2018

Company Secretary

Print name:

JUSTIN MOUCHACCA

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.