

Quarterly Activities Report June 2016

ACN 000 752 849

ASX Code: ABL

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Board of Directors:

Paul Salter (Chairman)
Craig Mathieson (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:

- **Drilling continued at the Company's CKU Project**
- **Drilling commences at the company's Pratt Project**
- **Further funding arrangements entered into**

Abilene Oil and Gas Limited ('Abilene' or 'the Company') provides the following quarterly activities report for the quarter ended 30 June 2016.

Klick Oil Project

(49.2% Working Interest – 40% Net Revenue Interest)

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

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

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

The Northern Shelf Area is bounded by the Pratt Anticline to the north-east and the Southern Oklahoma fold belt to the southwest. The Anadarko Basin is a large Paleozoic basin with a long history of oil and gas production. Klick East Oil Field comprises 320 acres.

JV Partners

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

Klick Oil Project (Cont'd)

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

Oil: 914 Bbls

Gas: 6,381 MCF

Gross oil and gas revenue and associated lease operating costs (including taxes) for the joint venture production for the quarter, including ABL's portion, were as follows:

Joint Venture		ABL Share	
Gross Revenue*	US \$133,367	Revenue*	US \$61,525
Gross Expenses	US \$22,296	Expenses	US \$10,682

*During the March 2016 quarter there was a saltwater spill which was cleaned up and which contributed to the increased gross operating expenses. The joint venture operator successfully lodged an insurance claim and the expenses have been subsequently refunded during the quarter.

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

Welch-Bornholdt Wherry Project

(ABL 50% Working Interest)

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

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

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

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

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

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

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

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

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

During the quarter there were no production activities as the joint venture decided to halt any further oil production to evaluate.

Kinsley Prospect

(ABL 35% Working Interest)

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

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

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

Mount Lookout Prospect

(ABL 50% Working Interest)

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

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

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

Central Kansas Uplift Appraisal and Development Project (CKU)

(ABL 49% Working Interest)

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

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

JV Partners

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

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 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	Production during quarter
Claflin # 1-35 & # 2-35	Barton County, Kansas	49%	Operating	4,484
Woelk #1 -21 ²	Russell County, Kansas	49%	Operating	-
Woelk #1 -19	Russell County, Kansas	49%	Operating	989
Homolka # 1-35	Barton County, Kansas	14.7%	Operating	494
Claflin #1-34	Barton County, Kansas	49%	Operating	314
Woelk #1-18	Russell County, Kansas	49%	Operating	165
Ames-Robl #1-19	Rice County, Kansas	49%	Operating	325
Bushton #1-36 & # 2-36	Ellsworth County, Kansas	49%	Operating	1,140
Bushton #1-20	Ellsworth County, Kansas	49%	Operating	2,122
Susank #1-29	Barton County, Kansas	49%	Operating	977
Bushton #1-30	Ellsworth County, Kansas	49%	Operating	2,474
Susank B #1-5 & #2-5 ¹	Barton County, Kansas	49%	Operations to commence in current quarter	-

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

¹ The well has been completed but operations will not commence until the respective saltwater disposal well is completed which occurred subsequent to the end of the quarter.

² The Joint Venture Partner temporarily put production on hold.

The gross production during the quarter by the joint venture was 13,485 Bbls.

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

Joint Venture		ABL Share	
Gross Revenue	US \$386,375	Revenue	US \$189,324
Gross Expenses*	US \$114,944	Expenses*	US \$56,323

* It is noted that the above results are yet to be audited and it is also noted that all cashflows from Lodestone have yet to be received by ABL and remained in Lodestone LLC during the quarter to fund completion costs associated with recent drilling activities.

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 9 leases. The regional setting is the Anadarko Basin, west of the Pratt Anticline. Local structural anticlines and synclines along with a stratigraphic element provide the trap for hydrocarbon accumulation in numerous carbonate zones and sand reservoirs within the Lansing-Kansas City, Mississippian, Viola and Simpson formations. The prospect is situated amongst known multi-pay pools.

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

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

During the quarter the Joint Venture drilled the Aussie #1-16 and Money Shot #1-21 wells, both wells were drilled to a total depth of 4,780 feet. Both wells ran production casing in an attempt to complete the wells as potential producers. Further testing will need to be completed before the joint venture operator can confirm the economic potential of each well. Initial production commenced subsequent to the end of the June quarter.

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

trap for hydrocarbon accumulation in numerous carbonate zones within the Lansing-Kansas City Super Group.

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

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

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

Rodinia Resources LLC (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 – 49%
- CMX – 25%
- Cade Production LLC – 20.8%
- Panther Energy, Inc. – 2.6%
- Thomas P. Tenneson – 2.6%

During the previous quarter Abilene and its partners in the Logan County Project established a joint venture entity, Rodinia Resources LLC (**Rodinia**), to hold the group's interests in the Logan County Project. Abilene will own 49% of Rodinia and have one of the three managers (i.e. Directors) of that entity as a representative of the Company.

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 situated near the north flank of the Hugoton Embayment, which plunges to the southward towards the Anadarko Basin, and the easternmost edge of the Las Animas Arch of eastern Colorado. Throughout the lower Pennsylvanian time, specifically Morrowan age, this was a fluvial-deltaic environment, which is known for the deposition of incised valley channel sandstones. These have proven to be prolific reservoir west of our prospect area. Additionally, carbonates of Cherokee, Marmaton, and Lansing-Kansas City age are proving to be an excellent reservoir in several new discoveries south, north and east of our prospect acreage. A new Lansing –Kansas City and Marmaton field to the east has produced over 400 MBO in less than 1 year. Many of these new wells were reportedly completed for in excess of 150 BOPD. These new fields appear to have a geographic distribution of 2-3 square miles and were discovered using 3D seismic evaluation.

Joint Venture Strategy

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

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

Funding

During the quarter the Company entered into a Loan Agreement with a related entity of Mr Paul Salter, MAP Capital Pty Ltd ATF Atlas Capital Series D (Bond) Fund. Under the Agreement MAP Capital provided the Company with a \$350,000 loan. This loan will accrue 8% interest per annum accruing on the loan and is repayable by the Company no later than 12 October 2017 months from entering into the Agreement.

The Company also entered into further separate Loan Agreements with a related entity of Mr Paul Salter, MAP Capital Pty Ltd and a related entity of Mr Craig Mathieson, Mathieson Downs Pty Ltd, to secure further short term funding for the Company. Both loans will also accrue 8% interest per annum accruing on the loan and is repayable within 90 days.

On 16 June 2016 the Company entered into a further Loan Agreement with a related entity of Mr Craig Mathieson Pty Ltd, to secure further short term funding for the Company. Mathieson Downs provided the Company with a \$250,000 loan. The will bear interest of 8% per annum with a repayment date of 90 days from the date of agreement.

The loans provided during the quarter are being used to fund the Company's oil and gas activities in the US and working capital requirements.

The Company is currently reviewing other funding mechanisms to fund additional drilling expenditure and working capital requirements in conjunction with budgeting initiatives. It is also advised that during the current quarter further producing wells at the Company's CKU Project should continue generating cash flows which will assist with funding further exploration wells and working capital requirements of the Company. The Company intends to fund its operating costs from a portion of its share of cash being generated by Lodestone Resources LLC.

Interests in Petroleum Tenements

Below is a listing of the Company's interests in Petroleum tenements as at 30 June 2016:

Petroleum Tenement	Location	Beneficial Percentage held	Interest acquired/farm-in during the quarter	Interest disposed/farm-out during the quarter
Klick East Oil Field	Woods County, Oklahoma, USA	49.2% Working Interest	-	-
Welch-Bornholdt Wherry Oil Fields	Rice and McPherson Counties, Kansas USA	50% Working Interest	-	-
Mount Outlook Prospect (Morrison Oil Fields)	Clark County, Kansas USA	50% Working Interest	-	-
Kinsley Prospect	Edwards County, Kansas USA	35% Working Interest	-	-
CKU Project	Russell, Rice, Ellsworth and Barton Counties, Kansas USA	49% Working Interest	-	-
Rodinia Project (Logan County Project)	Logan County, Kansas USA	49% 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 be assessed by the joint venture.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

ABILENE OIL & GAS LIMITED

ABN

41 000 752 849

Quarter ended ("current quarter")

30 JUNE 2016

Consolidated statement of cash flows

		Current quarter \$A	Year to date (12 months) \$A
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	11,590	119,776
1.2	Payments for (a) exploration and evaluation	(797,521)	(1,476,722)
	(b) development	-	-
	(c) production	-	(75,780)
	(d) administration	(188,479)	(467,860)
	(e) Other	3,183	160,982
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	12
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
Net Operating Cash Flows		(971,223)	(1,739,592)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects (including deposits received)	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Acquisition of US Land Packages)	-	(2,046,444)
Net investing cash flows		-	(2,046,444)
1.13	Total operating and investing cash flows (carried forward)	(971,223)	(3,786,036)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(971,223)	(3,786,036)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		629,958
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	900,000	3,696,000
1.17	Repayment of borrowings	-	(446,000)
1.18	Dividends paid	-	-
1.19	Capital Raising costs	(4,680)	(53,473)
1.20	Other	-	-
	Net financing cash flows	895,320	3,826,485
	Net increase (decrease) in cash held	(75,903)	40,449
1.21	Cash at beginning of quarter/year to date	183,305	68,222
1.22	Exchange rate adjustments to item 1.20	1,700	431
1.23	Cash at end of quarter	109,102	109,102

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	120,633
1.25	Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Payments to directors and director related entities during the June 2016 quarter. All director fees accrued until April 2016 have been settled in full during the period.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	3,250,000	3,250,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
4.3 Production	-
4.4 Administration	75
Total	175

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	109	183
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	109	183

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

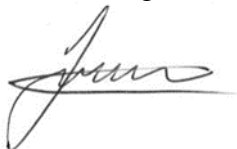
	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	397,614,352	397,614,352	-	Fully paid
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.7 Options (description and conversion factor)	6,400,000	6,400,000	Exercise price of \$0.0775 (7.75 cents) per option	N/A
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 29 July 2016

Print name: JUSTIN MOUCHACCA
(Company Secretary)

Notes

- 1 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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