

Quarterly Activities Report

September 2020

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 Secretary:

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:

Abilene Oil and Gas Limited ('Abilene' or 'the Company') provides the following quarterly activities report for the quarter ended 30 September 2020.

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 | 974 |
| Woelk #1 -21 | Russell County, Kansas | 49% | Operating | 321 |
| Woelk #1 -19 | Russell County, Kansas | 49% | Operating | 648 |
| Homolka # 1-35 | Barton County, Kansas | 14.7% | Operating | 165 |
| Woelk #1-18 | Russell County, Kansas | 49% | Operating | - |
| Ames-Robl #1-19 | Rice County, Kansas | 49% | Operating | 318 |
| Bushton #1-36 & # 2-36 | Ellsworth County, Kansas | 49% | Operating | 164 |
| Bushton #1-20 | Ellsworth County, Kansas | 49% | Operating | 648 |
| Susank #1-29 | Barton County, Kansas | 49% | Operating | 0 |
| Bushton #1-30 | Ellsworth County, Kansas | 49% | Operating | 165 |
| Susank B #1-5 & #2-5 | Barton County, Kansas | 49% | Operating | 944 |
| Leghorn #1-22 | Barton County, Kansas | 49% | Operating | 157 |
| Foghorn #1-27 | Rice County, Kansas | 49% | Operating | - |

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

The gross production during the quarter by the joint venture was 4,504 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 \$163,310 | Revenue | US \$80,022 |
| Gross Expenses* | US \$160,267 | Expenses* | US \$78,531 |

* It is noted that the above results are yet to be audited. There was no distribution of CKU profits to the Company during September 2020 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.

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 did not receive disbursement of profits (post operating and capital outflows) from the Lodestone Resources LLC (CKU Project) Joint Venture. It is, however, expected that further monthly profit distributions will continue going forward (subject to capital expenditure on new drilling targets).

Subsequent to the end of the quarter, the company extended its short-term loan facilities with its financiers to the earlier of 30 September 2021 or such other date that the lenders and borrower agree in writing. The principal value of the loans amounted to \$4.29 million and are now repayable on or before 30 September 2021 to Atlas Capital Group Pty Ltd, Mathieson Downs Pty Ltd and Holdrey Pty Ltd.

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 working capital requirements and will look to fund activities through either capital raisings or further loan arrangements. In this regard, in October 2020, a current director Mr Paul Salter (Atlas Capital Group Pty Ltd), loaned a further \$50,000 to ABL on the same terms as the existing loan to ABL. 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.

The Company is also in discussions in relation to potential transactions that may involve divestment of existing assets, the acquisition of further assets and/or a capital raising by the Company. The Company proposes to provide further details to ASX in relation to those potential transactions as they materialise.

There are no payments to related parties and their associates during the quarter.

Interests in Petroleum Tenements

Below is a listing of the Company's interests in Petroleum tenements as at 30 September 2020:

| 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 being assessed by the joint venture.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

| |
|-----------------------------|
| ABILENE OIL AND GAS LIMITED |
|-----------------------------|

ABN

| |
|----------------|
| 41 000 752 849 |
|----------------|

Quarter ended ("current quarter")

| |
|-------------------|
| 30 September 2020 |
|-------------------|

| 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 | 1 | 1 |
| 1.2 Payments for | | |
| (a) exploration & evaluation (if expensed) | - | - |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | - | - |
| (e) administration and corporate costs | (13) | (13) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (12) | (12) |

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | - | - |
| (d) exploration & evaluation | - | - |
| (e) investments | - | - |
| (f) other non-current assets | - | - |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) 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) | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | - |

| | | | |
|-------------|---|-----------|-----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | 10 | 10 |
| 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 | 10 | 10 |

| | | | |
|-----------|--|------|------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 4 | 4 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (12) | (12) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 10 | 10 |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | - | 1 |
| 4.6 | Cash and cash equivalents at end of period | 2 | 2 |

| 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 | 2 | 2 |
| 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) | 2 | 2 |

6. Payments to related parties of the entity and their associates

- | | Current quarter
\$A'000 |
|---|------------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | - |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> | | |
| <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 Loan facilities | 4,286 | 4,286 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | 4,286 | 4,286 |
| 7.5 Unused financing facilities available at quarter end | | - |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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 (Atlas Capital Group Pty Ltd). The loans bear interest of 8% per annum and are unsecured loans. The lenders have agreed to extend repayment of the loans until 30 September 2021 or such other date that the lenders and borrower agree in writing. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (12) |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | - |
| 8.3 Total relevant outgoings (Item 8.1 + Item 8.2) | (12) |
| 8.4 Cash and cash equivalents at quarter end (Item 4.6) | 2 |
| 8.5 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.6 Total available funding (Item 8.4 + Item 8.5) | 2 |
| 8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 0.16 |
| <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> | |

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

Yes. ABL has had limited operations during and since the quarter ending 30 September 2020 and has taken steps to minimise its operating cash outflows. In this regard, since the September 2020 quarter ABL has incurred a lower level of net operating cash flows in subsequent periods.

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

In October 2020, a current director Mr Paul Salter (Atlas Capital Group Pty Ltd), loaned \$50,000 to ABL on the same terms as the existing loan to ABL. The ABL directors are in discussions in relation to potential transactions that may involve divestment of existing assets, the acquisition of further assets and/or a capital raising by ABL. ABL proposes to provide further details to ASX shortly in relation to those potential transactions as they materialise.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

The directors expect that ABL will be able to continue its operations and to meet its business objectives on the basis that:

- a) it has incurred limited costs during and since the quarter ended 30 September 2020 and secured further loan funds in October 2020;
- b) the discussions set out in item 2 above are progressing, and ABL anticipates advising shareholders and ASX shortly; and
- c) the support indicated by the directors and major shareholders.

Further, ABL will provide an update to shareholders and ASX in relation to the matters stated in item 2 above.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 28 September 2021

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
3. 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.