



# Kilgore Oil & Gas

*HALF YEAR FINANCIAL STATEMENTS*

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

THE INFORMATION CONTAINED IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH KILGORE OIL AND GAS FULL YEAR REPORT DATED 30 JUNE 2009 AND ANY PUBLIC ANNOUNCEMENTS MADE BY THE COMPANY IN ACCORDANCE WITH THE CONTINUOUS DISCLOSURE OBLIGATIONS ARISING FROM THE CORPORATIONS ACT 2001 AND THE ASX LISTING RULES.

## Contents

DIRECTORS' REPORT .....	2
AUDITOR'S INDEPENDENCE DECLARATION .....	4
FINANCIAL STATEMENTS .....	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	6
CONSOLIDATED STATEMENT OF CASH FLOWS .....	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	8
NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS .....	9
DIRECTORS DECLARATION .....	15
INDEPENDENT AUDITOR'S REVIEW REPORT .....	16

## DIRECTORS' REPORT

Your directors present their report as the consolidated entity consisting of Kilgore Oil and Gas Ltd and the entities it controls as at the end of, or during, the half-year ended 31 December 2009.

### Directors

The following persons were directors of Kilgore Oil and Gas Ltd during the whole of the half-year and up to the date of this report:

G. Sklenka  
B. Ayers  
A. Short

### Principal Activities

The principal continuing activities of the Group and Company during the financial period were the acquisition, production and exploration of petroleum and gas properties in Texas, United States of America.

There were no changes in the nature of the activities of the group during the period.

### Operating Results

The net operating loss of the Group for the period ended 31 December 2009 after income tax amounted to \$1,022,595 (31 December 2008: loss \$ 2,915,586).

### Dividends Paid or Recommended

No dividend was paid or declared during the period and the Directors do not recommend the payment of a dividend.

### Review of Operations

#### Corporate

Kilgore Oil and Gas Ltd ("Kilgore") was incorporated on 26 September 2007 to acquire oil and gas exploration projects in the United States of America, primarily onshore and offshore on the Gulf Coast. On 10 July 2008 it listed on the Australian Securities Exchange ("ASX"), following the completion of a \$10 million capital raising.

During the period, the company has raised \$4.5 million by issuing fully paid ordinary shares and options (note 13).

#### Exploration and Development

Galveston 307 Prospect (Snipe, Egret and Sandpiper) (WI 5.625% NRI 4.5% post Odin earn-in)

Kilgore made final joint venture payment for the Galveston 307 production facilities and platform to the Operator's trust account. The Company has been advised that the Operator, Black Pool Energy LLC, has now finalised payment for its own share of the facilities and that construction will commence late April/early May. Kilgore now anticipates the commencement of production in late May/early June and first cash flows two months thereafter.

Stary#1 (WI 33.75%, NRI 25.31%)

Mego Resources took over as operator of the Stary#1 well in the final quarter of 2009 and finalized plans to plug the well back to the 9,500 foot zone. The well produced at marginal rates and, subsequent to the end of the period, was re-completed and fracture stimulated in the 9,500 foot zone.

DM Rush #1 (WI 22.5%, NRI 16.425%)

The DM Rush#1 well was plugged back to the 10,200 foot sand and flowed at an initial flow rate to sales of approximately 1,000 Mcf and 6 barrels of condensate per day. After one week of sustained flow, the well began making 200 barrels of salt water in a very acute fashion. Subsequent to the end of the period, the well was re-worked. Two squeeze jobs were successfully pumped, tested and drilled out and the 10,200 ft Wilcox was re-perforated. The well has averaged 125-150 MCFEPD on test. The operator, Hurd Resources LLC, is currently contemplating adding the 10,120 ft Wilcox to this completion in order to increase production further.

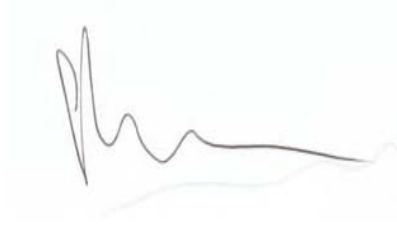
Alford (WI 67.5%, NRI 50.625%)

The decision was taken to plug and abandon the Alford#1 well.

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the consolidated entity's auditors, BDO Audit (WA) Pty Ltd to provide the directors with a written Independence Declaration in relation to their review of the financial statements for the period ended 31 December 2009. The written Auditor's Independence Declaration forms part of this Director's Report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be 'G. Sklenka', written on a light blue background.

G. Sklenka  
Chairman  
West Perth, W.A.  
15/03/2010

A handwritten signature in black ink, appearing to be 'A. Short', written on a white background.

A. Short  
Director

15 March 2010

The Directors  
Kilgore Oil and Gas Limited  
16 Ord Street  
WEST PERTH WA 6009

Dear Sirs

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF KILGORE OIL AND GAS LIMITED**

As lead auditor of Kilgore Oil and Gas Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kilgore Oil and Gas Limited and the entities it controlled during the period.



**Glyn O'Brien**  
Director



**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2009

	Notes	Group	
		Half Year End 31/12/2009 AU\$	Half Year End 31/12/2008 AU\$
Revenue from continuing operations	7	9,221	89,479
Lease operating expense		(63,956)	(3,956)
Depreciation		(1,683)	(1,141)
Accounting and audit		(80,345)	(68,789)
Consultancy		(375,505)	(393,316)
Staff costs		-	(4,046)
Travel expenses		(85,166)	(223,982)
Rent		(14,875)	(19,560)
Legal fees		(17,473)	(13,328)
Marketing and advertising		(120)	(60,158)
Regulatory expenses		(54,210)	(45,484)
Administrative expenses		(102,492)	(127,793)
Interest expenses		(196,741)	(19,101)
Exploration write off		-	(1,956,161)
Impairment expenses		-	(68,250)
Borrowing Cost		(10,000)	-
<b>Operating loss before tax</b>		<b>(993,345)</b>	<b>(2,915,586)</b>
Income tax expenses		(29,250)	-
<b>Loss for the half year</b>		<b>(1,022,595)</b>	<b>(2,915,586)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		(514,947)	1,863,840
<b>Total comprehensive income for the half year</b>		<b>(1,537,542)</b>	<b>(1,051,746)</b>
<b>Loss is attributable to:</b>			
Owners of Kilgore Oil and Gas Limited		(1,022,595)	(2,915,586)
<b>Total comprehensive income for the half year is attributable to:</b>			
Owners of Kilgore Oil and Gas Limited		(1,537,542)	(1,051,746)
<b>Basic Loss Per Share (cents per share)</b>	9	<b>(0.082)</b>	<b>(0.030)</b>

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	Group	
		Half Year End 31/12/2009 AU\$	Year End 30/06/2009 AU\$
<b>Current Assets</b>			
Cash and cash equivalents		1,792,880	58,560
Receivables	11	815,486	493,428
Available for sale financial assets		260,000	260,000
<b>Total current assets</b>		<b>2,868,366</b>	<b>811,988</b>
<b>Non current Assets</b>			
Property, plant and equipment		9,738	12,721
Oil and gas properties	8	4,916,376	4,799,141
Receivables	11	-	60,000
Deferred Tax Assets		-	29,250
<b>Total non current assets</b>		<b>4,926,114</b>	<b>4,901,112</b>
<b>Total Assets</b>		<b>7,794,480</b>	<b>5,713,100</b>
<b>Current Liabilities</b>			
Payables	10	1,860,823	1,901,392
Borrowings	10	1,482,759	2,162,328
<b>Total liabilities</b>		<b>3,343,582</b>	<b>4,063,720</b>
<b>Net Assets</b>		<b>4,450,898</b>	<b>1,649,380</b>
<b>Equity</b>			
Issued share capital	13	14,381,908	10,592,848
Reserves		281,485	246,432
Accumulated Losses		(10,212,495)	(9,189,900)
<b>Total Equity</b>		<b>4,450,898</b>	<b>1,649,380</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2009

	Group	
	Half Year End 31/12/2009	Half Year End 31/12/2008
	AU\$	AU\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and staff	(958,680)	(887,743)
Interest received	9,221	65,264
<b>Net cash (used in) operating activities</b>	<b>(949,459)</b>	<b>(822,479)</b>
<b>Cash flows from investing activities</b>		
Exploration costs	-	(5,203,584)
Acquisition of oil and gas properties	-	(1,160,168)
Purchase of intangible assets	(1,066,521)	(248,603)
Purchase of other tangible assets	51,641	(962,806)
Purchase of plant and equipment	1,301	(3,616)
Purchase of investments	-	(260,000)
Loans to third parties	-	(200,000)
Bond to related company	60,000	(60,000)
<b>Net cash (used in) investing activities</b>	<b>(953,579)</b>	<b>(8,098,777)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and options	4,158,000	-
Loan from other related parties	333,473	780,000
Capital raising cost	(288,940)	(93)
Loan repaid to other related parties	(625,645)	-
Oversubscription of shares	60,470	-
<b>Net cash flows provided by financing activities</b>	<b>3,637,358</b>	<b>779,907</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>1,734,320</b>	<b>8,141,349</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>58,560</b>	<b>8,722,683</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>1,792,880</b>	<b>581,334</b>

*The above consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.*



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### CONSOLIDATED

For the half year ended  
 31 December 2009

	Issued Capital	Accumulated Losses	Equity Reserve	Option Reserve	Investment Revaluation Reserve	Foreign Currency Reserve	Total Equity
	AU\$	AU\$	AU\$	AU\$	AU\$	AU\$	AU\$
Balance at beginning of period	10,592,848	(9,189,900)	80	-	97,500	148,851	1,649,380
Loss for the period	-	(1,022,595)	-	-	-	-	(1,022,595)
Currency translation of foreign operations	-	-	-	-	-	(514,947)	(514,947)
Total comprehensive income for the half year	-	(1,022,595)	-	-	-	(514,947)	(1,537,542)
<b>Transactions with equity holders in their capacity as equity holders</b>							
Issues of share capital	4,078,000	-	-	-	-	-	4,078,000
Issued Options	-	-	-	550,000	-	-	550,000
Cost of issuing shares	(288,940)	-	-	-	-	-	(288,940)
Balance at 31 December 2009	14,381,908	(10,212,495)	80	550,000	97,500	(366,095)	4,450,898

### CONSOLIDATED

For the half year ended  
 31 December 2008

	Issued Capital	Accumulated Losses	Equity Reserve	Foreign Currency Reserve	Total Equity
	AU\$	AU\$	AU\$	AU\$	AU\$
Balance at beginning of period	10,592,861	(1,000,990)	160	(89,976)	9,502,055
Loss for the period	-	(2,915,586)	-	-	(2,915,586)
Currency translation difference	-	-	-	1,863,840	1,863,840
Total comprehensive income for the half year	-	(2,915,586)	-	1,863,840	(1,051,746)
<b>Transactions with equity holders in their capacity as equity holders</b>					
Issues of share capital	80	-	(80)	-	-
Cost of issuing shares	(93)	-	-	-	(93)
Balance at 31 December 2008	10,592,848	(3,916,576)	80	1,773,864	8,450,216

*The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statement*

## NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

Kilgore Oil and Gas Ltd ("Kilgore") is a company domiciled in Australia. The consolidated half year financial statements of the Company as at and for the six months ending 31 December 2009 comprises Kilgore and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entities interests in associated and jointly controlled entities.

The consolidated annual financial statements of the consolidated entity as at and for the period ended 30 June 2009 is available upon request from Kilgore website [www.kilgoreoilandgas.com](http://www.kilgoreoilandgas.com), the ASX website or the companies registered office at Suite 2, 16 Ord Street, WEST PERTH, Western Australia 6005.

### 2. STATEMENT OF COMPLIANCE

The consolidated half year financial statements are general purpose financial statements which have been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated half year financial statements do not include all of the notes and information normally included in annual financial statements. Accordingly this report should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2009 and any public announcements made by Kilgore Oil and Gas Ltd during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This consolidated half year financial statements were approved by the Board of Directors on 15 March 2010.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in the consolidated half year financial statements are the same as those applied by the consolidated entity in its consolidated financial statements for the period ended 30 June 2009 except as set out below.

#### Change in Accounting Policy - Segment Reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the board.

#### Change in Accounting Policy – Presentation of Financial Statements

The Group applies revised AASB 101 Presentation of Financial Statements which became applicable as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in the half year financial statements as of and for the period ended 31 December 2009.

### 4. ESTIMATES

The preparation of the half year financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated half year financial statements the significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the period ending 30 June 2009 except as set out below.

The Company has farmed out 50% of its interest in the Galveston 307 gas project, which will flow commercially in the June quarter. The farminee has invested approximately \$2.5 million into this project and has been guaranteed a minimum return from cash flows and ultimate sale of the project of \$2.75 million. At 31 December 2009 the Company doesn't believe it is possible to determine whether or not the guarantee will be called upon and thus haven't brought a potential future cost/liability to account for this reason.

### 5. GOING CONCERN

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company expects to generate sufficient revenues and/or sales proceeds from its US oil and gas projects (in particular Galveston 307) to meet financial obligations as they fall due. The company also has the capacity to raise further equity capital should it be required.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

## 6. SEGMENT INFORMATION

### Industry Segment

The consolidated entity operates solely in the exploration and development of oil and gas producing properties.

Half year ended 31 December 2009	USA	Australia	Consolidated
Geographical segment	AU\$	AU\$	AU\$
Revenues from continuing activities	7,097	2,124	9,221
Segment result (loss)	(470,939)	(551,656)	(1,022,595)
Segment assets	5,739,761	2,054,719	7,794,480

Half year ended 31 December 2008	USA	Australia	Consolidated
Geographical segment	AU\$	AU\$	AU\$
Revenues from continuing activities	0	89,478	89,478
Segment result (loss)	(427,123)	(2,488,463)	(2,915,586)
Segment assets as of 30 June 2009	4,990,090	723,100	5,713,100

## 7. REVENUE FROM CONTINUING OPERATIONS

	Half year 31 December 2009 AU\$	Half year 31 December 2008 AU\$
Oil and Gas Revenue	7,097	-
Interest Received	2,124	89,478
	<u>9,221</u>	<u>89,478</u>

## 8. OIL AND GAS PROPERTIES

The ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas.

	Half year 31 December 2009 AU\$	Year ended 30 June 2009 AU\$
Oil and gas properties – cost <sup>1</sup>	4,916,376	4,799,141
Less accumulated depletion	-	-
	<u>4,916,376</u>	<u>4,799,141</u>
Movements in carrying amounts are reconciled as follows:		
Opening balance	4,799,141	1,786,283
Movement relates to acquisitions & foreign exchange	117,235	9,423,609
Disposal/Write off <sup>2</sup>	-	(6,410,751)
	<u>4,916,376</u>	<u>4,799,141</u>

<sup>1</sup> Oil and Gas Properties includes other tangible assets of \$1,636,838. During the period no depletion is charged for these assets.

<sup>2</sup> Costs on the four prospects (Skimmer, Cedar Creek, Vermilion and Boettcher) which were either plugged or abandoned, or had hydrocarbon shows which it was decided not to pursue further at the time.

## 9. LOSS PER SHARE

### Reconciliation of loss

	Half year 31 December 2009 AU\$	Half Year 31 December 2008 AU\$
Net loss	(1,022,595)	(2,915,585)
Loss used in the calculation of basic EPS	(1,022,595)	(2,915,585)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	123,363,340	97,909,293

Dilutive EPS is not reflected as it would result in the reduction of the loss per share.

## 10. TRADE PAYABLES AND BORROWINGS

### TRADE AND OTHER PAYABLES

	Half year 31 December 2009 AU\$	Year ended 30 June 2009 AU\$
Trade creditors	1,722,910	1,773,550
Accruals	116,268	72,982
GST Receivables	(38,825)	(15,140)
Other payables/short term borrowings	60,470	70,000
	<b>1,860,823</b>	<b>1,901,392</b>

### BORROWINGS- RELATED PARTIES

Loan from Advance Energy Ltd	333,473	-
Loan from Odin Energy Ltd	727,094	1,752,738
Loan from AXG Mining Ltd	211,096	204,795
Loan from Palace Resources Ltd	211,096	204,795
	<b>1,482,759</b>	<b>2,162,328</b>

- 15% interest is charged on Loan from Odin Energy Ltd. During the period, \$1,025,645 was paid (see note 14(a)).
- AXG Mining Ltd is charging 6.25% interest to the company. \$11,096 is payable for interest component. \$100,000 was paid on 10/02/2010.
- Palace Resources Ltd is charging 6.25% interest to the company. \$11,096 is payable for interest component. \$100,000 was paid on 10/02/2010.
- Refer to Note 14 for Related party transactions.

## 11. TRADE AND OTHER RECEIVABLES

### Current

Other receivables (i)	815,486	493,428
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### Non current

Bond to AAG Management Pty Ltd	-	60,000
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- (i) Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value and no impairment is considered necessary. The group is confident on credit quality from past transaction history.

## 12. CONTINGENT LIABILITIES

The Company has farmed out 50% of its interest in the Galveston 307 gas project, which will flow commercially in the June quarter. The farminee has invested approximately \$2.5 million into this project and has been guaranteed a minimum return from cash flows and ultimate sale of the project of \$2.75 million. At 31 December 2009 the Company doesn't believe it is possible to say whether or not the guarantee will be called upon and thus haven't brought a potential future cost/liability to account for this reason.

## 13. EQUITY SECURITIES ISSUED

### a) Issued Capital

	Half year 31 December 2009 AUS\$	Year ended 30 June 2009 AUS\$
518,600,006 fully paid ordinary shares (30 June 2009: 110,800,003)	15,101,083	10,592,848
<b>Movements in shares on issue</b>		
Beginning of year	10,592,848	10,592,861
<b>Shares issued during the year</b>		
83,090,567 shares issued @ \$0.01	830,906	-
27,709,436 shares issued @ \$0.01	277,094	-
250,000,000 shares issued @ \$0.01	2,500,000	-
47,000,000 shares issued to Odin Energy Ltd for loan repayment	470,000	-
<b>Total shares issued</b>	<b>14,670,848</b>	<b>10,592,861</b>
Less: capital raising costs	(288,940)	(93)
<b>End of period</b>	<b>14,381,908</b>	<b>10,592,848</b>
<b>Movements in options issued</b>		
Beginning of year	-	-
<b>Options issued during the year</b>		
41,545,280 issued with 83,090,567 shares	-	-
13,854,718 issued with 27,709,436 shares	-	-
125,000,000 Issued with 250,000,000 shares	-	-
23,500,000 issued with 47,000,000 shares to Odin Energy Ltd	-	-
275,000,000 options issued @\$0.002	550,000	-
<b>End of period</b>	<b>550,000</b>	<b>-</b>
<b>CPS reserve</b>	<b>80</b>	<b>80</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### b) Converting Performance Shares

During the period there was no movement in converting performance shares.

#### 14. RELATED PARTY TRANSACTIONS

##### (a) Transactions with related parties

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Entity		Amount Owning/ (Owed) AUS	Relationship
AAG Management Pty Ltd	Half year 31 December 2009	271,909	AAG Management Pty Ltd is a management company which provides facilities, human resources, and other administration and consulting services. During the period a bond of \$60,000 receivable was offsetted against outstanding invoices and the company has accrued \$11,058 for management and facility charges. AAG Management is a related party because David Ballantyne, the company secretary of Kilgore Oil and Gas limited is the sole director and shareholder of AAG Management.
	Year ended 30 June 2009	142,149	
Odin Energy Ltd	Half year 31 December 2009	727,094	During the reporting year the company has paid \$1,025,645 out of which \$470,000 was paid by issuing fully paid ordinary shares to Glory Run Pty Ltd, a fully owned subsidiary of Odin Energy Ltd. The remaining balance is payable at the rate of 15% per annum by 30 June 2010. Odin Energy is a related party because Anthony Short was previously a director of Odin Energy Ltd and David Balantyne is the company secretary of both companies.
	Year ended 30 June 2009	1,752,739	
AXG Mining Ltd	Half year 31 December 2009	211,096	AXG Mining Ltd is a related party because Gordon Sklenka is a director of both AXG Mining Ltd and Kilgore Oil and Gas Limited. Interest is payable at the rate of 12% per annum.
	Year ended 30 June 2009	204,795	
Palace Resources Ltd	Half year 31 December 2009	211,096	Palace Resources Limited is a related party because Anthony Short was a director of both Palace Resources Ltd and Kilgore Oil and Gas Limited. He has resigned from Palace Resources Limited with effect from 14 October 2009. Interest is payable at the rate of 12% per annum.
	Year ended 30 June 2009	204,795	
Advance Energy Ltd	Half year 31 December 2009	333,473	Interest is payable at the rate of 12% per annum. At the end of the period, borrowing costs of \$11,000 were also outstanding.
	Year ended 30 June 2009	(316,310)	
			The company loaned Advance Energy Ltd at an interest rate of 12 % per annum. Advance Energy Ltd is a related party because Anthony Short and Gordon Sklenka are directors of both Advance Energy Ltd and Kilgore Oil and Gas Ltd.

At 31 December 2009 the company also has a Farmin Agreement with Odin Energy Ltd to the value of \$2,557,143 (30 June 2009: \$2,557,143). Please refer to note 12 for details.

##### (b) Details of the transactions including amounts accrued but unpaid to directors and officer at the end of the period are as follows:

Specified Director/Officer	Transaction	Note	Half year	Year End
			31 December 2009	30 June 2009
			AUS	AUS
Bryan Ayers	Consulting fees	(i)	20,405	7,603
David Ballantyne	Consulting fees	(ii)	3,750	4,950
Gordon Sklenka	Consulting fees	(iv)	72,000	66,000
Anthony Short	Consulting fees	(iii)	109,999	121,000

- i. The director fees for Bryan Ayers are accrued from amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.
- ii. The Company used the management consulting services of Sandgroper Pty Ltd, a company of which Mr David Ballantyne is a director.
- iii. The Company used the management consulting services of Formaine Pty Ltd, a company for which Mr Gordon Sklenka is a director.
- iv. The Company used the management consulting services of Cumberland Investment Pty Ltd, a company for which Mr Anthony Short is a director.

The company has paid \$20,625 to Sandgroper Pty Ltd for David Ballantyne's consulting charges.

## DIRECTORS DECLARATION

### FOR THE HALF YEAR ENDED 31 DECEMBER 2009

In the opinion of the directors of Kilgore Oil and Gas Ltd("the Company"):

1. the financial statement and notes set out on pages 5 to 14, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2009 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 Interim Financial statements and the Corporation Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



.....  
Gordon Sklenka  
Chairman

Dated at PERTH this 15th day of March 2010.



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KILGORE OIL AND GAS LIMITED

### Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of Kilgore Oil and Gas Limited for the period ended 31 December 2009 included on Kilgore Oil and Gas Limited's web site. The disclosing entity's directors are responsible for the integrity of Kilgore Oil and Gas Limited's web site. We have not been engaged to report on the integrity of Kilgore Oil and Gas Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kilgore Oil and Gas Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kilgore Oil and Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kilgore Oil and Gas Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

### Material Uncertainty Regarding Going Concern

Without qualifying our conclusion, we draw attention to Note 5 in the financial report which indicates that the group faces significant uncertainty regarding continuation as a going concern. The group incurred a net loss of \$1,022,595 for the half year ended 31 December, 2009 and, as of that date the Group's current liabilities exceeded its current assets by \$475,216. These conditions, along with other matters as set forth in Note 5, indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, whether it will realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half year financial report.

**BDO Audit (WA) Pty Ltd**



**Glyn O'Brien**  
Director

Signed in Perth, Western Australia  
Dated this 15<sup>th</sup> day of March 2010.