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ASX Announcement

13 October 2011

Quarterly Activity Report for the period ended 30 September 2011

Summary

- Acquisition of 100% Warren Energy Ltd – Kilgore now holds a direct interest in the Rock Creek Project (13,545 acres) and the strategic Duvernay Shale Project (6,568 acres) in Alberta, Canada
- Macquarie appointed for potential farmout and/or partial sale of Duvernay Shale Project and Rock Creek Project. This is being undertaken following strong acreage prices in Alberta in 2011, and to secure a farm-in partner(s) for the 2012 drilling programs on the Rock Creek and Duvernay lands
- General Meeting on 25 July 2011 approved the Warren Energy acquisition and \$1.8m in new capital raisings
- New Board of Directors and Management Team appointed during the quarter
- Acquisition of 2 High Impact Exploration Plays- Lyons Point and West Klondike in Louisiana, both to be drilled in 2011

Warren Energy Acquisition: Duvernay Shale and Rock Creek Projects

The acquisition of Warren Energy Limited was a transformational event for the Company. It has delivered two substantial resource assets in Alberta, Canada (Duvernay and Rock Creek Projects), a deal flow of high impact oil and gas exploration projects (acquisition of 10% working interest in both the Lyons Point and West Klondike prospects since 1 July) and an experienced Board and management team.

The Duvernay Shale has hosted several significant liquids-rich, shale gas discoveries in Alberta in recent months, resulting in a significant increase in price for leases. The Company's strategy is to seek early monetisation of the Duvernay Shale rights following the soaring prices of exploration acreage in the region. Kilgore, with its partners, now hold a total of 141.5 sections covering more than 90,579 acres covering both the Duvernay Shale and Rock Creek Projects ("the Alberta Projects"), in which Kilgore holds a net 6,568 acres and 13,545 acres respectively. A land sale in Alberta in September 2011 confirmed the strong continued industry interest in the area when \$185 million was paid for 92,040 acres (\$2,010/acre or \$4,965/Ha) of land immediately to the west of Kilgore's holding.

In light of the valuations being placed on the surrounding exploration acreage, the Board of Kilgore together with its Alberta Joint Venture partners agreed to the appointment of Macquarie- Tristone as announced on 16 August 2011 to undertake this partial sale/farmout process of the Duvernay Shale and Rock Creek Projects. Bids are expected in October and November of 2011.

Warren Energy Transaction Summary

Pursuant to settlement of the Acquisition of Warren Energy on 1 August 2011 the Company issued 2,200,000,000 Shares in consideration for the acquisition of Warren Energy (Vendor Shares) of which 1,000,000,000 were issued to a company associated with Mr Charles Morgan and 200,000,000 were issued to a company associated with Mr Brett Mitchell. The Vendor Shares are subject to voluntary escrow for a period of 12 months from the date of issue. As part of the transaction consideration, Kilgore will repay Warren's share of its Alberta Projects acquisition costs (16%) to the Warren Vendors, with the total acreage acquisition cost of approximately \$1,080,000 (~\$200/ha) to be repaid as a priority from the next capital raising undertaken by the Company.

The Alberta Projects acquired through the Acquisition are subject to a crown royalty and additional gross royalty payments of 4.25% over the proceeds of the sale of oil and gas produced, which includes a 2.25% gross royalty payable to the Warren vendors.

New Board and Management

Following completion of the Warren Energy acquisition, a number of Board and Management changes were effected:

- Mr Charles Morgan and Mr Brett Mitchell were appointed Directors of the Company, with Ms Rachel Jelleff being appointed Company Secretary;
- Mr Anthony Short and Mr Gordon Sklenka resigned as a Directors of the Company and Mr David Ballantyne resigned as Company Secretary; and
- the registered address of the Company was changed to Level 21, Allendale Square, 77 St Georges Terrace, Perth WA 6000

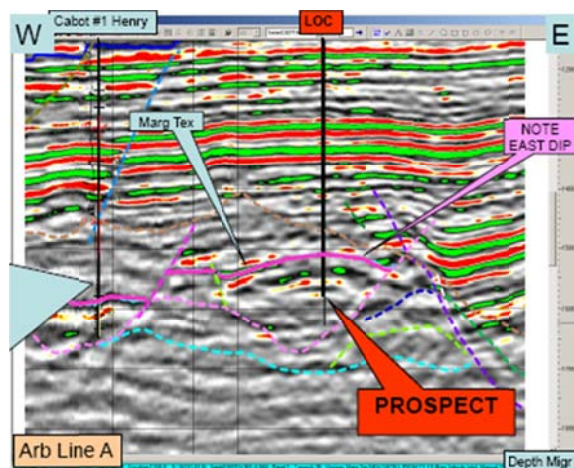
Lyons Point (10% Working Interest)

The Company is earning a 10% working interest in the Lyons Point Prospect, in Acadia Parish, Louisiana, through funding 13.33% of the initial well and completion costs.

The Pruitt et al #1 initial test well for the Lyons Point Prospect was spudded on 13 September 2011 and is currently drilling ahead at ~12,000ft with the first primary objective expected to be reached from 15,800ft. The well is being operated by Clayton Williams Energy Inc. under a turnkey fixed cost drilling contract with Precision Drilling.

The Lyons Point Prospect will be drilled to a total depth of 16,300 feet. The prospect has a closure of circa 400 acres with a most likely resource potential of 3 MMBC (Million Barrels Condensate) and 60 BCFG (Billion Cubic Feet Gas) with upside potential of 4 MMBC and 80 BCFG.

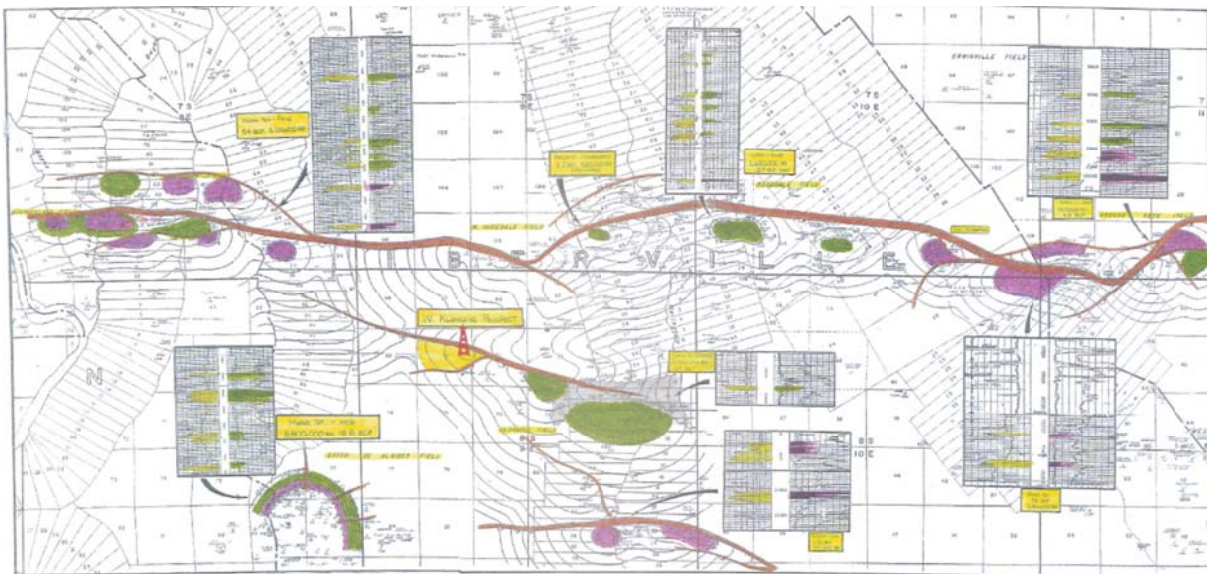
The Lyons Point Prospect is a seismically defined, upthrown fault bounded structural closure. The objective section is provided by the prolific Oligocene Marginulina Texana (MT) 1, 2, and 3 Sands, which are projected to be together 700 feet thick. The MT sands are productive in several fields in the immediate surrounding area and include the nearby Leleux Field, which has cumulative production of 5 MMBC and 300 BCFG from the MT interval.



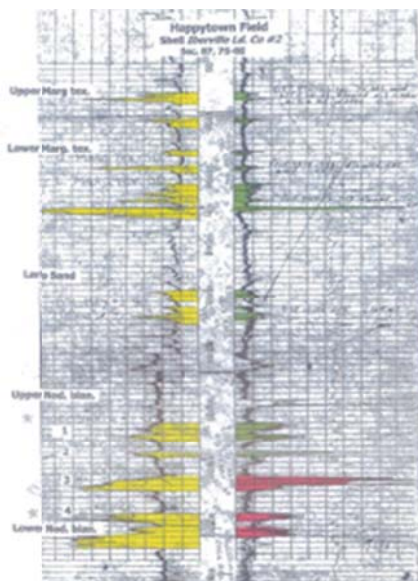
West Klondike (10.2% Working Interest)

On 29 August Kilgore announced a working interest swap agreement with Grand Gulf Energy to farm down a 5% interest its Lyons Point prospect (Kilgore retains a 10% working interest) to acquire a 5% working interest in the West Klondike exploration prospect. On 9 September the Company announced it had acquired an additional 5.2% WI in West Klondike, to hold a total of 10.2% WI through funding 13.5% of the initial well and completion costs. The West Klondike participation terms are favourable, with the Company paying 13.5% of the initial well and completion costs (US\$360,000) to earn its 10.2% WI with entry costs of approximately \$80,000. In a success case the Company's share of completion costs are estimated to be a further US\$100,000.

The West Klondike Prospect is a fault block closure which has been identified on 3D seismic data and is in close proximity to analogous offset production. The targeted sand sections are the Marg Tex, Lario and Upper and Lower Nod Blan, all of which produce in the fields highlighted on the sub regional map. The likely resource potential is 2 million barrels of oil (MMBL) and 6 billion cubic feet of gas (BCF) with unrisks potential of 4.8 MMBL and 17 BCF gas. In addition to the main target there is larger, high pressure, prospect in the leased area that will require a separate deeper well. The target sands of this deeper feature (Bridas) have recently yielded a significant discovery approximately 2.5km to the North-East. West Klondike covers an area of 640 acres in Iberville Parish, Louisiana.



West Klondike Regional Map



Log of Happytown Field Analogue

West Klondike Analogue fields

These are some significant analogue fields in proximity to the West Klondike prospect that establish the potential of the field, as shown below:

Klondike

- Stratigraphic production from Lario Sand only
- 3.8 MMBO and 3.4 BCF

Happytown Field

- Analogous structure, timing, depth and deposition – Marg Tex
- 5.3 MMBO and 54 BCF

Sayou De Glaises Field

- Analogous structure, timing and deposition – Marg Tex
- 8.8 MMBO and 18.8 BCF

Corporate

During the quarter the Company held a General Meeting on 25 July 2011, at which all resolutions were passed unanimously to approve the acquisition of Warren Energy Ltd and the related capital raisings.

Cash Position at 30 September 2011

The company had a closing cash balance of \$861k at 30 September 2011.

For further information contact:

Mr Brett Mitchell – Executive Director

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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

Kilgore Oil & Gas Ltd

ABN

66 127 735 442

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,168)	(1,168)
(b) development	-	-
(c) production	-	-
(d) administration	(60)	(60)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – transaction costs	(55)	(55)
	(1,279)	(1,279)
Net Operating Cash Flows		
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	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (net on disposal of subsidiaries)	-	-
	-	-
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(1,279)	(1,279)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,279)	(1,279)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,820	1,820
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (over subs & capital raising expenses)	-	-
	Net financing cash flows	1,820	1,820
	Net increase (decrease) in cash held	541	541
1.20	Cash at beginning of quarter/year	320	320
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	861	861

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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

None

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

Following shareholder approval the company completed the acquisition of 100% of Warren Energy Ltd for a purchase consideration of 2,200,000,000 ordinary shares in the Company.

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

None

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	195
Total	195

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	861	320
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)-held on trust		
Total: cash at end of quarter (item 1.22)	861	320

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				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	14,000	Unquoted Class D		
7.2 Changes during quarter (a) Increases through issues (b) Decreases-capital returns, buy-backs or redemptions				
7.3 *Ordinary securities	6,396,006,280	6,396,006,280		Fully paid
7.4 Changes during quarter (a) Increases-through issues (b) Decreases-capital returns or buy-backs	1,500,000,000 2,200,000,000	1,500,000,000 2,200,000,000	0.1 cents Nil, as consideration to vendors	Fully Paid Fully Paid – Escrowed until 2 August 2012
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases-maturing or conversion of securities				
7.7 Options <i>(description and conversion factor)</i>	481,398,748 3,200,000,000	481,398,748 3,200,000,000	<i>Exercise price</i> 5cents 0.5 cents	<i>Expiry date</i> 30 June 2012 17 August 2012
7.8 Issued during quarter	3,200,000,000	3,200,000,000	<i>Issue price</i> 0.01 cents	<i>Expiry date</i> 17 August 2012
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ 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 Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 13 October 2011
(Executive Director)

Print name: Brett Mitchell

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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