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1 December 2010

Dear Shareholder

Offer Document for Renounceable Rights Issue

We write to you as a shareholder of Kilgore Oil and Gas Ltd ("Kilgore") regarding its forthcoming Rights Offer. The offer is a renounceable pro-rata offer to Eligible Shareholders on the basis of 4 New Shares for every 1 Share held at the Record Date at an issue price of 0.1 cents (\$0.001) per Share ("Offer").

The Offer is for a maximum of 2,094,400,024 fully paid ordinary shares which, if fully subscribed, will raise \$2.094m (before costs) the proceeds of which will be used to retire debt and to fund working capital.

The Company also intends to undertake a placement of 78,000,000 shares at 0.1 cents per share to sophisticated and professional investors. The Placement will be completed after the record date for the rights issue and, consequently, subscribers will not be eligible to participate in the rights issue.

If the offer and placement are fully subscribed, the Company will have 2,696,000,030 fully paid ordinary shares and 481,399,998 options quoted on Australian Securities Exchange Ltd ("ASX"). The Company will also have 14,000 Class D Convertible Performance Shares not quoted on ASX.

The following timetable is included in the Offer Document. In particular, the Board would like to bring your attention to the Record Date and Closing Dates for the Offer.

2 December 2010

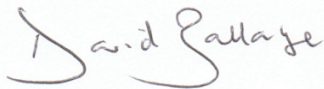
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Announcement of Rights Issue and Appendix 3B given to ASX	29 November 2010
Company sends letter to Shareholders containing information required by Appendix 3B	1 December 2010
Entitlement trading commences Existing Shares quoted on an "ex" basis	2 December 2010
Record date for determining Entitlements	8 December 2010
Opening Date Offer Document and Entitlement and Acceptance Form despatched to Eligible Shareholders	13 December 2010
Announce to ASX that Offer Documents has been sent to Eligible Shareholders	13 December 2010
Entitlements trading ends	20 December 2010
Closing Date	29 December 2010
New Shares quoted on a deferred settlement basis	30 December 2010
Notification of Shortfall	31 December 2010
Anticipated date for despatch of holder statements (and last day for the Company to confirm to ASX all information required by Appendix 3B)	7 January 2011

Yours sincerely



David Ballantyne
Company Secretary