

ASX Announcement

25 October 2010

30 September 2010 - Quarterly Report



Highlights

- First production from Galveston 307
- Wells were subsequently shut-in to allow downstream pipeline operators to undertake scheduled maintenance and safety testing. Production expected to re-commence on or around 1 November 2010.

Operations

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

Production from the three Galveston 307 Block wells began on a 8/64" choke in July 2010. The project produced 54,240 MCF sales gas and 344 Barrels of condensate (approximately 2,440 MCF and 15 BC net to Kilgore) before being shut in on 17th August due to scheduled maintenance on the American Midstream pipeline into which the 3 mile Galveston production pipeline flows.

Houston Pipeline (HPL) also advised that it would undertake safety inspections and pressure tests of its downstream 12" (3013) and 16" (3093) into which the American Midstream pipeline flow. HPL advised that the 12" 3013 line passed its safety inspection but that the 16" 3093 line required repairs to welds and that it expected these to be completed by 1st November 2010.

The first revenues (for July production) were received by the Company after the end of quarter. Revenues from August production will be received in early November 2010.

Corporate

Issue of Securities and Release from Escrow

42,550,000 shares were released from escrow on 16th August 2010.

The Company also issued 5,000,000 fully paid ordinary shares and 2,500,000 options (exercisable at \$0.05 on or before 30 June 2012) in part satisfaction of a loan.

The technical information regarding US projects in this report has been provided by Brian Ayers, B.Geophs, MBA. Mr. Ayers has more than 30 years relevant experience in the US oil and gas industry as a geophysicist and exploration geologist., Mr. Ayers consents to the inclusion in this announcement of the information in the form and context in which it appears.

For further information contact:

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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 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	-
(b) development	(53)	(53)
(c) production	-	-
(d) administration	(132)	(132)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(27)	(27)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(212)	(212)
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 (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(212)	(212)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(212)	(212)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	230	230
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (over subs & capital raising expenses)	-	-
	Net financing cash flows	230	230
	Net increase (decrease) in cash held	18	18
1.20	Cash at beginning of quarter/year to date	31	31
1.21	Exchange rate adjustments to item 1.20	(3)	(3)
1.22	Cash at end of quarter	46	46

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

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

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

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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	1,500	1,013
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	100
Total	100

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	46	31
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	46	31

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.

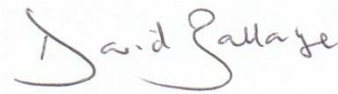
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>	14,000	Unquoted Class D		
7.2 Changes during quarter (a) Increases through issues (b) Decreases-capital returns, buy-backs or redemptions				
7.3 +Ordinary securities	523,600,006	523,600,006		Fully paid
7.4 Changes during quarter (a) Increases-through issues (b) Decreases-capital returns or buy-backs	5,000,000	5,000,000		
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>	481,399,998	481,399,998	<i>Exercise price</i> 5cents	<i>Expiry date</i> 30 June 2012
7.8 Issued during quarter	2,500,000	2,500,000		
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>				

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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: ..25 October 2010.....
(Director/Company secretary)

Print name: David Ballantyne

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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