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29 November 2010

Company Announcements Platform
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

RENOUNCEABLE RIGHTS ISSUE - NOTICE PURSUANT TO PARAGRAPH 708AA (2)(F) OF THE CORPORATIONS ACT 2001 ("ACT")

On 16 November 2010, Kilgore Oil and Gas Limited (ASX: KOG) (**Company**) announced that it will be offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company (**Shares**) via a renounceable rights issue (**Rights Issue**) on the basis of four (4) Shares for every one (1) Share held at the record date of 8 December 2010.

Shares under the Rights Issue will be offered at 0.1 cents per Share. The maximum number of Shares which may be issued under the Rights Issue is approximately 2,094,400,024 to raise approximately \$2.1 million.

NOTICE UNDER s708AA OF THE ACT

The Company hereby notifies ASX under paragraph 708AA(2)(f) of the Act that:

- (a) the Company will offer the Shares for issue without disclosure to investors under Part 6D.2 of the Act;
- (b) the Company is providing this notice under paragraph 2(f) of section 708AA of the Act;
- (c) as at the date of this announcement, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company;
- (d) as at the date of this announcement, the Company has complied with section 674 of the Act; and
- (e) as at the date of this announcement, there is no information:
 - (i) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (ii) that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
- (B) the rights and liabilities attaching to the Shares.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Gordon Sklenka', written over a light blue horizontal line.

GORDON SKLENKA
CHAIRMAN

KILGORE OIL AND GAS LIMITED
ACN 127 735 442

OFFER DOCUMENT

For a renounceable pro-rata offer to Eligible Shareholders on the basis of four Shares for every one Share held at an issue price of \$0.001 as at the Record Date (**Offer**).

IMPORTANT NOTICE

This document is not a Offer Document. It does not contain all of the information that an investor would find in a Offer Document or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

This Offer opens on 13 December 2010 and closes at 5:00pm WST on 29 December 2010.

Valid acceptances must be received before that time.

Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

IMPORTANT NOTES

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of the Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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1. DETAILS OF THE OFFER

1.1 The Offer

The Company is making a renounceable pro rata offer of New Shares at an issue price of 0.1 cents each on the basis of four (4) New Shares for every one (1) Share held on the Record Date (**the Offer**).

At the date of this Offer Document, the Company has 523,600,006 Shares, 481,399,998 Options and 14,000 Convertible Performance Shares on issue.

On the basis that no Convertible Performance Shares are converted, and no Options are exercised, prior to the Record Date, the Offer is for 2,094,400,024 Shares.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded up to the nearest whole New Share.

1.2 Placement

As announced on 16 November 2010, the Company also intends undertaking a placement of Shares to sophisticated and professional investors (as defined in sections 708(8) and 708(11) of the Corporations Act respectively) (**Placement**).

The Placement will comprise the issue of up to 78,000,000 Shares at an issue price of \$0.001 per Share to raise up to approximately \$78,000 (before costs). It is anticipated that the Placement will be completed on or about 15 December 2010.

The Shares to be issued pursuant to the Placement will be issued within the Company's 15% limit permitted under Listing Rule 7.1 without the need for Shareholder approval.

The Placement will be made subsequent to the Record Date for the Offer. Therefore, participants in the Placement will not be entitled to participate in the Offer.

1.3 Use of Funds

Completion of the Offer will result in an increase in cash in hand of up to approximately \$2,094,400 (before the payment of costs associated with the Offer). Completion of the Placement will result in a further cash increase of \$78,000 (before costs).

The combined funds raised under the Offer and Placement are proposed to be expended as follows:

Description of Cash Outflows	Total
Debt Retirement ¹	\$1,260,000
Creditor Payments	\$430,000
Working Capital	\$467,246

Description of Cash Outflows	Total
Costs of the Offer and Placement	\$14,754
Total funds raised under the Offer and Placement	\$2,172,400

¹ Including \$1,000,000 of debt secured by a fixed and floating charge

On completion of the Offer and Placement, the company will still have its 4.5% net revenue interest in the Galveston 307 field. Production from the three wells re-commenced on 1 November 2010 once maintenance on a downstream pipeline had been completed. The three wells are currently producing at a combined rate of approximately 7,500 thousand cubic feet (MCF) per day (337 MCF per day net to Kilgore). At the current Henry Hub price of US\$4.42 per MCF (assuming 1 mMBTU to 1 MCF), Kilgore's production should produce revenue of approximately US\$45,000 per month.

Further information about the financial position of the Company on completion of the Offer is included in Section 4.3 of this Offer Document.

1.4 Timetable

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
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

* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a

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consequential effect on the anticipated date of issue for the New Shares.

** These dates are indicative only.

1.5 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

Acceptances must not exceed your maximum Entitlement (as shown on the Entitlement and Acceptance Form), although you may accept for a lesser number of New Shares should you wish to take up only part of your Entitlement. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus application monies will be returned to you.

1.6 Rights trading

Entitlements to New Shares pursuant to the Offer are renounceable and accordingly, rights will be traded on ASX. Details on how to sell your rights are set out in Section 2.1 below.

1.7 Underwriting

The Offer is not underwritten.

1.8 Shortfall

The Offer is not underwritten. If all Eligible Shareholders do not accept their full Entitlement pursuant to the Offer, the Directors reserve the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules, to issue the Shortfall Shares at their sole discretion.

The offer of the Shortfall is a separate offer pursuant to this Offer Document. The issue price of any Shares offered pursuant to the Shortfall Offer shall be 0.1 cents, being the price at which the Entitlement has been offered to Shareholders pursuant to this Offer Document.

1.9 Issue and despatch

The expected dates for issue of New Shares offered by this Offer Document and despatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 1.4.

It is the responsibility of applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

1.10 ASX listing

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document will be made.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

1.11 CHESS

The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

1.12 Overseas Eligible Shareholders

The Offer is not being extended to any Shareholders whose registered address is outside Australia or New Zealand. The Company is of the view that it is unreasonable to make the Offer to Shareholders outside Australia and New Zealand, having regard to:

- (a) the number of those Shareholders;
- (b) the number and value of Shares to be offered to those persons; and
- (c) the cost of complying with overseas legal requirements.

The Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer other than for Shareholders in Australia and New Zealand. The Company is not required to make offers under the Offer Document to Shareholders other than in Australia and New Zealand. Where the Offer Document has been dispatched to Shareholders domiciled outside Australia or New Zealand and where the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by the Offer Document, the Offer Document is provided for information purposes only.

However, pursuant to ASX Listing Rule 7.7, the Company will appoint a nominee to sell the Entitlements to which non-qualifying foreign Shareholders are entitled. The nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant non-qualifying foreign Shareholder as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the non-qualifying foreign Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing

those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the nominee may sell Entitlements, non-qualifying foreign Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements or to sell them at a particular price. If, in the reasonable opinion of the nominee, there is no viable market for the Entitlements of the non-qualifying foreign Shareholders, or a surplus over the expenses of the sale cannot be obtained the Entitlements that would have been offered to the non-qualifying foreign Shareholders, then those Entitlements will be allowed to lapse. The Shares not taken up will form part of the Shortfall Offer.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.13 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

1.14 Risk factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 3.

1.15 Enquiries concerning Offer Document

Enquiries relating to this Offer Document should be directed to the Company Secretary by telephone on +61 (0)8 9486 1122.

2. ACTION REQUIRED BY SHAREHOLDERS

2.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at 0.1 cents per Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Alternatively, you can trade your Entitlement rights as follows:

- (a) to sell any or all of your Entitlement you will need to instruct a stockbroker to sell the Entitlement rights which you wish to renounce. If you wish to do so you must instruct your stockbroker by completing the panel headed "Instructions to your Stockbroker" on the back of the Entitlement and Acceptance Form and lodge that form with your stockbroker. Your stockbroker must sell those rights before the rights trading ceases; or
- (b) if you wish to transfer all or part of your rights to another person other than on ASX you must forward a completed renunciation form (which you can obtain by contacting the Company) together with the Entitlement and Acceptance Form.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Kilgore Oil and Gas Ltd- Subscription Account – Share Account**" and crossed "**Not Negotiable**".

Your completed Entitlement and Acceptance Form and cheque must reach the Company no later than 5:00pm (WST) on the Closing Date.

If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance

Form and you will not need to return the Entitlement and Acceptance Form.

2.2 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything.

The number of Shares you currently hold and the entitlement attaching to those Shares will not be affected should you choose not to accept any part of your Entitlement.

2.3 Queries concerning your Entitlement

If you have any queries concerning your Entitlement please contact Advanced Share Registry Services Pty Ltd, 150 Stirling Highway Nedlands, on Telephone: +61 8 9389 8033

3. RISK FACTORS

3.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Offer Document, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

3.2 Risks specific to the Company

The current and future operations of the Company, including production activities, may be affected by a range of factors, including:

(a) Successful Production from and Sale of the Galveston 307 Interests

The Company farmed out 50% of its interest in the Galveston 307 project to Odin. Odin has invested approximately \$2.5m into this project and has been guaranteed a minimum return from cash flows and ultimate sale of the project of \$3.25m. The Galveston 307 wells are now producing at approximately 7,500 thousand cubic feet (MCF) of gas per day. In the event that production from the wells was not sustained or failed to meet anticipated production levels, the Company's ability to sell the asset or achieve a desirable price may be adversely affected. Consequently, the cash available to service other liabilities or to fund future activities may be adversely affected.

(b) Offer not fully subscribed

In the event that the Offer is not fully subscribed, the Company may not be able to retire all its debt and will need to repay loans, when due, from cashflow or from the sale of its interests in Galveston 307 Block. Cash available to repay these loans will also be affected by the risks described in Section 4.1 (a) (above).

(c) Interest Bearing Liabilities

At the date of this Offer Document, the Company has debts owing pursuant to loan facilities with various parties. In the event that the debts were called, the Company would not have sufficient funds to repay them without completing the Offer and the Placement or undertaking the successful sale of some or all of its assets.

(d) Joint-venture parties and contractors

The Directors are unable to predict the risk of:

- (i) financial failure, non-compliance with obligations or default by a participant in any joint venture to which the Company is, or may be come, a party; or
- (ii) insolvency or other managerial failure by any of the contractors used by the Company in its exploration activities: or
- (iii) insolvency or other managerial failure by any of the other service

providers used by the Company for any activity.

(e) Currency Risk

The Company's main business operations are based in the USA. As a result, revenues, cash inflows, expenses, capital expenditure and commitments will be primarily denominated in United States dollars.

To comply with Australian reporting requirements for the Company, the income, expenditure and cash flows of its USA based subsidiary will be converted to and accounted for in Australian dollars. This will result in the income, expenditure and cash flows of the Company being exposed to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar, as determined in international markets.

(f) Reliance on Key Personnel and consultants

The Company is reliant on a small number of key personnel and consultants. The loss of one or more of these key contributors could have an adverse impact on the operations and success of the business.

It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people, given the current high demand in the industry and relatively small size of the Company, compared to other industry participants.

(g) Third Party Risks

The operations of the Company require the involvement of a number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the Company's operations and performance. It is not possible for the Company to predict or protect itself against all such risks.

(h) Minority Interest in Projects

The Company has a minority interest in several of its projects and does not act as operator. There exists a risk that as a minority participant in the projects, the Company may have the value of its interest in its projects reduced by actions taken by majority holders or the operators. There may be few legal impediments preventing majority holders and operators from exploiting their positions as controlling joint venture participants to the detriment of minority participants in the projects.

Should majority interest holders not act in the best interests of the Company as a minority holder in any of its projects, this may have a material adverse effect on the value of the Company's holding in the project, which may in turn have a material adverse effect on the Company's profitability and/or the market price of its Shares.

(i) New Projects and Acquisitions

The Company may consider acquisitions that may add value to the Company. The acquisition of new business opportunities (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be

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completed or be successful. If the proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on the Company.

If an acquisition is completed, the Company will need to reassess, at that time, the funding allocated to current projects and new projects, which may result in the Company reallocating funds from other projects and/or the raising of additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with oil and gas activities will remain.

3.3 Oil and Gas Industry Risks

The Company operates in the oil and gas sector and is subject to risks relating to exploration, drilling and production of oil and gas which may not generally be associated with other sectors.

The exploitation of oil and gas reserves and successful project development is considered to be of a high risk nature and contains inherent risks including but not limited to:

(a) Acquisition Risks

Prior to any acquisition, the Company will conduct due diligence on the projects to satisfy themselves in relation to the potential to successfully achieve an economically recoverable hydrocarbon reserve. There can be no guarantee, however, that such a reserve will result from such an acquisition and the Company may have expended resources which do not result in discoveries being economically viable.

(b) Exploration and Development Risks

Oil and gas exploration and development involves significant risks which only occasionally provide high rewards. In addition to the normal competition for prospective ground, and the high costs of discovery and development of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing, foreign currency fluctuations and technical problems all affect the ability of a company to profit from a discovery.

There is no assurance that exploration and development of the Company's projects, or any other projects that may be acquired in the future, will result in the discovery of an economic oil and gas deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

(c) Drilling Risks

The Company's drilling operations may be curtailed, delayed or cancelled due to a number of factors including weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with governmental requirements. While drilling may yield some hydrocarbons there can be no guarantee that the discovery will be sufficiently productive to justify commercial development or cover operating costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

(d) Operating Risks

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gasses, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction or property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company.

(e) Commercialisation of Discoveries

It may not always be possible for the Company to participate in the exploitation of any successful discoveries which may be made in projects in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. As described above, such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

(f) Hydrocarbon Reserve Estimates

Hydrocarbon reserve estimates are an expression of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, reserve estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations.

(g) Competition

The Company competes with other companies, including major oil companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry out refining operations and market petroleum and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

(h) Claims by Indigenous Inhabitants

The current and future oil and gas projects of the Company may be subject to land claims by indigenous people. Should this occur, the Company's ability to conduct exploration and/or mining activities may be affected, which may have a material adverse effect on the Company's financial performance and the

price at which its securities trade.

(i) Insurance

Insurance of all risks associated with oil and gas exploration and production is not always available and, where it is available, the cost may be high. The Company will have insurance in place considered appropriate for the Company's needs. The Company may not be insured against all losses due to either the insurance not being available or due to the premium being excessive in relation to the benefits accruing.

(j) Environmental and Other Regulatory Requirements

The Company's operations will be subject to environmental laws, including but not limited to, those governing the management of waste, the protection of water and air quality, the discharge of materials into the environment, and the preservation of natural resources, impact and influence the Company's operations. If the Company fails to comply with environmental laws regarding the discharge of oil, gas, or other materials into the air, soil or water it may be subject to liabilities to the government and third parties, including civil and criminal penalties.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before exploration and production activity can commence on any property, the Company must obtain regulatory approvals and there is no assurance that such approvals will be obtained.

The Company has, and may from time to time in the future agree to, indemnify sellers of producing properties against some liabilities for environmental claims associated with these properties.

(k) Hydrocarbon Product Prices

The market price of hydrocarbon products is volatile and cannot be controlled. If the price of hydrocarbons should drop significantly and remain depressed, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if significant quantities of hydrocarbon products are discovered, a profitable market may exist for their sale. Factors beyond the control of the Company may affect the marketability of any commodity discovered. Oil and gas prices have fluctuated widely in recent years. The marketability is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted.

3.4 General Investment Risks

(a) Securities Investment

There are risks associated with any investment in securities. The prices at which the Shares trade, may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for oil and gas exploration companies, has experienced extreme price and volume fluctuations

that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Shares regardless of the Company's operational performance.

(b) Share Market Conditions

The Shares under this Offer are to be quoted on the ASX, where their price may rise or fall in relation to the issue price. The Shares issued under this Offer Document carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX. The value of the Shares will be determined by the stock market and will be subject to a range of factors beyond the control of the Company, and the Directors and officers of the Company. Such factors include, but are not limited to, the demand for and availability of the Shares, movements in domestic interest rates, exchange rates, fluctuations in the Australian and international stock markets and general domestic and economic activity. Returns from an investment in the Shares may also depend on general stock market conditions as well as the performance of the Company. There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will not decline below the issue price.

(c) Regulatory Risks

Changes to legislation in Australia, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

(d) General Economic Conditions

Economic conditions in Australia, the USA and globally, may affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenue and value of the Shares can be affected by these factors all of which are beyond the control of the Company or its Directors. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

3.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may, in the future materially affect the financial performance of the Company and the value of the Shares offered under this Offer Document. Therefore, the Shares offered pursuant to this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Offer Document.

4. CAPITAL STRUCTURE AND FINANCIAL INFORMATION

4.1 Capital structure on completion of the Offer

	Number of Shares	Number of Options	Number of CPS
Balance at the date of this Prospectus	523,600,006	481,399,998	14,000
To be issued under the Offer ⁽¹⁾	2,094,400,024	-	-
To be issued under the Placement	78,000,000	-	-
Balance after the Offer	2,696,000,030	481,399,998	14,000

- (1) The number of Shares to be issued under the Offer assumes that no Convertible Performance Shares are converted, and no Options are exercised, before the Record Date.
- (2) Options exercisable at \$0.05 on or before 30 June 2012
- (3) Each CPS converts into 500 Shares upon the Company achieving gross proven reserves of 8 billion cubic feet of gas equivalent.

4.2 Pro forma statement of financial position

	Audited 30 June 2010 \$	Pro-forma Balance Sheet if Offer and Placement are fully subscribed \$
CURRENT ASSETS		
Cash assets	31,585	2,212,231
Receivables	251,301	50,000
TOTAL CURRENT ASSETS	282,886	2,262,231
NON-CURRENT ASSETS		
Property plant and equipment	8,518	8,518
Oil and Gas properties	2,890,184	3,091,485
Other financial assets	32,500	32,500
TOTAL NON-CURRENT ASSETS	2,931,202	3,132,503
TOTAL ASSETS	3,214,088	5,394,734
CURRENT LIABILITIES		
Payables	1,415,814	1,250,814
Interest bearing loans	1,013,243	1,413,243
TOTAL CURRENT LIABILITIES	2,429,057	2,664,057
NON CURRENT LIABILITIES		
Non-Current Liabilities	0	0
TOTAL NON CURRENT LIABILITIES	0	0
TOTAL LIABILITIES	2,429,057	2,664,057
NET ASSETS	785,031	2,730,677
EQUITY		
Contributed equity	14,354,527	16,526,927
Options Reserve	550,000	550,000
Reserves	(136,021)	(136,021)
Accumulated losses	(13,983,475)	(14,210,229)
TOTAL EQUITY	785,031	2,730,677
Basis of Preparation		

The above pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

The pro forma balance sheets have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The pro forma statement of financial position is based on the statement of financial position as at 30 June 2010 that has then been adjusted to reflect the following material transactions:

Subsequent Events

Principal Balance Sheet Movements between 30 June 2010 and 31 October 2010		
Description	Balance Sheet Item	Movement (\$)
Increase in Borrowings	Current Interest Bearing Liabilities	400,000
	Cash	400,000
Pay Creditors	Payables	(165,000)
	Cash	(165,000)
Capitalise pre-payment	Oil and Gas Properties	201,301
	Receivables	(201,301)
Administrative Costs	Cash	(212,000)
	Accumulated Losses	212,000

Pro Forma Adjustments

Proforma Adjustment	Placement \$	Offer \$
Cash	78,000	2,094,400
Costs	NIL	14,754
Retained Earnings	NIL	(14,754)
Equity	78,000	2,094,400

4.3 Post-Offer Balance Sheet and Use of Funds

On completion of the Offer and Placement, the Company will still have a 4.5% interest in the Galveston 307 field. The Directors will continue to evaluate opportunities to divest its interest in these producing assets during the first half of 2011.

\$120,000 of the funds raised from the Offer and Placement will be used to pay the outstanding fees payable to Formaine Pty Ltd and Cumberland Investments Pty Ltd (companies associated with Directors Gordon Sklenka and Anthony Short respectively). The Directors have agreed to defer payment of the balance of their fees until the earlier of the sale of Kilgore's interest in the Galveston 307 field or 31st December 2011. Formaine and Cumberland intend to subscribe for their full rights entitlements under the Offer.

On payment of the \$430,000 creditor payments referred to in Section 1.2 of this Offer Document, there will be approximately \$820,000 in payables remaining. Of these, approximately US\$580,000 are disputed amounts payable to US joint venture partners.

4.4 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5. DEFINED TERMS

Applicant refers to a person who submits an Entitlement and Acceptance Form.

Application refers to the submission of an Entitlement and Acceptance Form.

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Closing Date means the closing date set out in Section 1.4.

Company means Kilgore means Kilgore Oil and Gas Ltd (ACN 127 735 442).

Directors means the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement to subscribe for four (4) New Shares for every one (1) Share held by an Eligible Shareholder on the Record Date and **Entitlements** has a corresponding meaning.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Listing Rules means the Listing Rules of the ASX.

New Share means a new Share proposed to be issued pursuant to this Offer.

Offer means the renounceable pro rata offer of New Shares at an issue price of 0.1 cents each on the basis of four (4) New Shares for every one (1) Share held on the Record Date pursuant to this Offer Document.

Offer Document means this Offer Document dated 29 November 2010.

Opening Date means the opening date set out in Section 1.4.

Record Date means the record date set out in Section 1.4.

Section means a section of this Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shortfall and **Shortfall Shares** means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means the offer for the Shortfall pursuant to this Offer Document.

Shareholder means a holder of Shares.

WST means Australian Western Standard Time.