

SHORT FORM PROSPECTUS

FOR A NON-RENOUNCEABLE ENTITLEMENTS ISSUE OF 1 OPTION FOR EVERY 2 SHARES HELD BY SHAREHOLDERS ON THE RECORD DATE AT AN ISSUE PRICE OF \$0.005 (0.5 CENTS) PER OPTION TO RAISE APPROXIMATELY \$215,000 (“**ENTITLEMENTS ISSUE**”)

UNDERWRITER TO THE ISSUE

B|W BLACKWOOD CAPITAL

Important Notice

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type but refers to other documents the information of which is deemed to be incorporated in this Prospectus. This Prospectus (and those documents incorporated by reference) should be read in its entirety. If you are in any doubt as to the contents of this Prospectus you should consult your stockbroker or other professional adviser without delay.

Options offered by this Prospectus should be considered speculative.

SECTION 1 IMPORTANT INFORMATION

This Prospectus is dated 12 July 2007 and a copy of this Prospectus was lodged with ASIC on that date.

No responsibility as to the contents of this Prospectus is taken by ASIC or ASX.

No Options will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus. Application will be made within seven (7) days after the date of this Prospectus for permission for the Options offered by this Prospectus to be listed for Official Quotation.

In compliance with the Corporations Act, this Prospectus and the documents specified in Section 5 of this Prospectus contain all information which potential investors and their professional advisers would reasonably require and expect to find in the Prospectus for the purpose of making an informed assessment of the effect of the Offer on the Company.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. In making representations in this Prospectus regard has been given to the fact that ASX maintains a file containing publicly disclosed information about the Company and that the Company is a disclosing entity for the purpose of the Corporations Act, and certain matters may reasonably be expected to be known to professional advisers whom potential investors may consult.

Applicants should read this Prospectus (and those documents incorporated by reference) in their entirety and, if in doubt, consult with their professional advisers before deciding to apply for Options. The Options offered under this Prospectus should be considered speculative.

This Prospectus 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.

Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act 2001. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Prospectus incorporates by reference information contained in the March 2007 Prospectus lodged with the ASIC on 13 March 2007 and other documents lodged with ASX and ASIC after the date of the March 2007 Prospectus (**ASX Releases**).

In referring to the March 2007 Prospectus and the ASX Releases, the Company:

- (a) identifies the March 2007 Prospectus and the ASX Releases as being relevant to the offer of Options under this Prospectus and containing information that will provide investors and their professional advisers information to assist them in making an informed assessment of:
 - (i) the rights and liabilities attaching to:
 - (a) the Options; and
 - (b) the underlying Shares;
 - (ii) the capacity of the Company to issue the underlying Shares; and
 - (iii) the assets and liabilities, financial position and performance, profits and losses and prospects of Key Petroleum;
- (b) refers Shareholders and their professional advisers to Section 6.2 of this Prospectus which summarises the information in the March 2007 Prospectus deemed to be incorporated in this Prospectus;
- (c) informs Shareholders and their professional advisers that they are able to obtain, free of charge, a copy of the March 2007 Prospectus and the ASX Releases by contacting the Company at its registered office during normal business hours during the Offer Period; and
- (d) advises that the information in the March 2007 Prospectus and the ASX Releases will be primarily of interest to Shareholders and their professional advisers or analysts.

SECTION 2 CORPORATE DIRECTORY

DIRECTORS

Edward (Ted) John Ellyard
Chairman

Ken Russell
CEO/Managing Director

Terence Nilsen
Technical Director

Dennis Wilkins
Finance Director

Richard O'Shannassy
Non-Executive Director

SECRETARY
John Ribbons

PRINCIPAL BUSINESS ADDRESS

Level 1, 14 Outram Street
WEST PERTH WA 6005

Website: www.keypetroleum.com
Email: info@keypetroleum.com

UNDERWRITERS

Blackwood Capital Limited
Level 2, 139 Macquarie Street
SYDNEY NSW 2000

AUDITORS*

Rix Levy Fowler
Level 1, 12 Kings Park Road
WEST PERTH WA 6005

SHARE REGISTRY*

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

REGISTERED OFFICE

Level 3, 46 Ord Street
WEST PERTH WA 6005

* The names of these parties are included for information purposes only.

SECTION 3 TIMETABLE AND IMPORTANT DATES

The following key dates are indicative only and may be subject to change without notice:

EVENT	DATE
Lodgement of the Prospectus	12 July 2007
Application to ASX for listing of Options	12 July 2007
Record Date to determine entitlements to Options	26 July 2007
Despatch of Prospectus and Opening Date	1 August 2007
Closing Date of the Offer	22 August 2007
Options quoted on a deferred settlement basis	23 August 2007
Despatch date of holding statements	27 August 2007

SECTION 4 LETTER FROM THE CHAIRMAN

Dear Shareholder

The Board is pleased to offer shareholders the opportunity to participate in a 1-for-2 non renounceable entitlements issue as proposed in the March 2007 Prospectus. This entitlement was proposed as a “loyalty option” for those shareholders who held their issued shares or for new shareholders supporting the Company in its first few months after ASX listing.

All Shareholders registered at 5:00pm on 26 July 2007 will be entitled to participate in the issue on the basis of 1 Option for every 2 Shares then held.

The Closing Date for acceptances is 5:00 pm on 22 August 2007.

Since listing, the Company in co-operation with its joint venture participants has focused on the upcoming two well drilling program offshore Tanzania and adjacent to the producing Songo Songo Gas Field. Despite some timing slippage, due to mechanical repairs to the contracted drilling rig, the Company is now expecting this activity to commence late in the third quarter 2007. Good progress has also been made on the Company’s projects in Italy and in Suriname which are on schedule for drilling as detailed in the March 2007 Prospectus.

The Company will continue to provide the market with updates and progress reports as they are issued by the operator or as developments occur.

The Offer is fully underwritten by Blackwood Capital Limited and the Directors’ plan to take up their Option allocations in full and recommend shareholders do the same.

On behalf of the board I would like to take this opportunity to thank all Shareholders for their support since listing and look forward to an active and rewarding year ahead.

Yours sincerely



Ted Ellyard
Chairman

SECTION 5 DETAILS OF THE OFFER

5.1 The Entitlements Issue

The Company is making a pro-rata non-renounceable entitlements issue to Shareholders who are registered at 5:00pm WST on 26 July 2007 (“**Record Date**”) of approximately 43,000,000 Options at an issue price of \$0.005 (0.5 cents) each to raise approximately \$215,000 (before expenses of the issue).

The Options will be offered on the basis of one (1) Option for every two (2) Shares then held on the Record Date.

The maximum number of Options which could therefore be issued under this Prospectus is 43,000,002 (subject to rounding of fractional entitlements). In the calculation of any entitlement, fractions will be rounded up to the nearest whole number.

The Options will have an exercise price of 35 cents and an expiry date of 31 March 2009.

The funds raised under the Offer will be used for general working capital purposes and to meet the estimate of expenses of the Offer of \$15,000.

5.2 Entitlement

The Entitlements Issue is being made available to all Shareholders who are registered at 5:00pm WST on the record date of 26 July 2007 (“**Record Date**”).

5.3 Shortfall Options

Any Entitlement not taken up pursuant to the Offer will form the Shortfall and will be dealt with in accordance with the Underwriting Agreement. The Directors and the Underwriter reserve the right to issue Shortfall Options at their absolute discretion.

Related parties (as defined in the ASX Listing Rules) cannot participate in a placement of Shortfall Options.

Any persons who may be entitled to apply for Shortfall Options should complete a Shortfall Application Form accompanying this Prospectus. The offer of any Shortfall Options is a separate offer made pursuant to this Prospectus and will remain open for up to 3 months following the Closing Date. The issue price of any Shortfall Options shall be \$0.005 (0.5 cents) being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus.

5.4 Closing Date

The Closing Date for the Entitlements Issue is 5:00pm WST on 22 August 2007.

The Directors may extend the Closing Date by giving at least 5 Business Days notice to ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on ASX may vary with any change in the Closing Date.

5.5 Terms of Payment

The payment of \$0.005 (0.5 cents) per Option pursuant to the Offer must be made in full on application and must accompany the duly completed Entitlement and Acceptance Form. Applications must be forwarded to the Company's Share Registry:

Computershare Investor Services Pty Ltd

Level 2

45 St George's Terrace

PERTH WA 6000

OR

GPO Box D182

PERTH WA 6840

Cheques in respect of applications for Options must be in Australian currency drawn against an Australian bank, made payable to **"Key Petroleum Limited – Share Account"** and crossed "Not Negotiable". Applicants must not forward cash. Receipts for payments will not be issued.

5.7 Minimum Subscription

There is no minimum level of subscription for the Entitlements Issue.

5.8 Oversubscriptions

Oversubscriptions will not be accepted.

5.9 Underwriting

This Offer is fully underwritten by Blackwood Capital Limited. The terms and conditions of the Underwriting Agreement, including the circumstances in which the Underwriting Agreement can be terminated, are set out in Section 11.1 of this Prospectus.

5.10 Overseas Shareholders

Shareholders resident outside Australia should consult their professional advisers as to whether any governmental or other consents are required, or other formalities need to be observed to enable them to accept or deal with their entitlements.

This Prospectus does not constitute an offer in any place in which or to any person whom it would not be lawful to make such an offer.

5.11 Allotment

The Options will be allotted and issued as soon as practicable after the Closing Date. Statements of holding for the Options will be mailed as soon as possible after the Closing Date. No Options will be allotted and issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

5.12 Official Quotation by ASX

Application for Official Quotation of the Options by ASX will be made by the Company within seven (7) days of the date of this Prospectus. Application for official quotation of Shares allotted and issued as a result of the exercise of Options issued under this Prospectus will be made within three (3) business days of allotment and issue.

If ASX does not grant permission for Official Quotation of the Options within three (3) months of the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Options offered by this Prospectus will be granted. In that circumstance, all applications will be dealt with in accordance with Section 724 of the Corporations Act.

5.13 Enquiries

If you have any questions concerning your Entitlement, please contact the Company Secretary, Mr John Ribbons on (08) 9481 7288; by fax (08) 9483 3599; by email at john@dwcorporate.com or contact your professional adviser.

SECTION 6 INFORMATION DEEMED TO BE INCORPORATED INTO THIS PROSPECTUS

6.1 Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however, it incorporates, by reference, information contained in the March 2007 Prospectus that has been lodged with the ASIC and the ASX Releases.

The information to be incorporated by reference into this Prospectus is summarised below in Section 7 and will primarily be of interest to investors and their professional advisers or analysts.

The Company informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the March 2007 Prospectus and the ASX Releases by contacting the Company at its registered office during normal business hours during the Offer Period. The March 2007 Prospectus is also available on the Company's website at www.keypetroleum.com and the ASX Releases are also available at the Company's website and at ASX's website at www.asx.com.au.

6.2 Summary of Information Deemed to be Incorporated

Set out below is a summary of the information contained in the March 2007 Prospectus that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the Options offered pursuant to this Prospectus, they should obtain a copy of the March 2007 Prospectus.

The Sections referred to below are references to sections in the March 2007 Prospectus.

Section 1 – Details of the Offer

Section 1 contains information relating to the procedural aspects of the March 2007 offer under the March 2007 Prospectus. It details a number of aspects, for example, how to apply for shares, minimum subscription, allotment and listing of shares and the Company's privacy statement.

Section 2 – Directors and Management

Section 2 contains information relating to each of the Directors of the Company, the Company Secretary and key consultants of the Company.

Mr Richard O'Shannassy was appointed as a director of the Company on 1 July 2007, subsequent to the lodgement of the March 2007 Prospectus.

Mr Richard O'Shannassy is a commercial lawyer with over 25 years experience in the energy and mining sectors and was previously general counsel and company secretary of the highly successful oil and gas exploration and production company Hardman Resources Limited.

Section 3 – Company Overview

Section 3 contains a summary of the Company's history and the background since its incorporation in July 2006, as well as an overview of operations.

Section 4 – Independent Consulting Geologist’s Report

Section 4 consists of an Independent Consulting Geologist’s Report dated 28 February 2007. The Independent Consulting Geologist’s Report contains a review of the Company’s project areas.

Section 5 – Risk Factors

Section 5 details a number of general and specific risk factors that may impact on the success and future profitability of the Company. The general risk factors noted were economic factors, commodity price changes and stock market conditions. A number of specific risks associated with the Company’s business operations are detailed.

Section 6 – Independent Accountants Report

Section 6 comprises the Investigating Accountant’s Report dated 2 March 2007. The Independent Accountant’s Report was included in the March 2007 Prospectus to assist investors and their financial advisers in making an assessment of the financial position of the Company.

The Independent Accountant’s Report contains an un-audited pro-forma statement of financial position as at 31 January 2007, reflecting the position of the Company on the basis that various transactions, including the issue of all the Shares offered under the March 2007 Prospectus had been completed. It contains an opinion as to whether the pro-forma statement of financial position presents fairly the pro-forma statement of financial position of Key Petroleum as at 31 January 2007 in accordance with the accounting methodologies required by Australian Accounting Standards on the basis of assumptions and transactions set out in the Report.

Section 7 – Report on the Petroleum Concessions

Section 7 contains a Report on the Petroleum Concessions, which provides a detailed analysis of the statutory and regulatory regimes for the exploration for petroleum in Tanzania and Italy.

Section 8 – Additional Information

Section 8 sets out additional information required to be disclosed in the Prospectus including:

- (a) summary of material contracts;
- (b) details of the Employee Option Scheme;
- (c) rights attaching to Shares;
- (d) terms and conditions of options to be issued;
- (e) interests of Directors of the Company, including remuneration and holdings in Company securities;
- (f) interests of persons named;
- (g) consents of persons named in the March 2007 Prospectus;
- (h) expenses of the offer;
- (i) litigation;
- (j) dividend policy;
- (k) Company tax status; and
- (l) availability of an electronic prospectus.

Section 9 – Defined Terms

Section 9 contains the detail of terms defined in the March 2007 Prospectus.

SECTION 7 COMPANY OVERVIEW

7.1 Overview and Reference to March 2007 Prospectus

A comprehensive overview of the Company is set out in the March 2007 Prospectus that was lodged with ASIC on 13 March 2007. Persons considering subscribing for Options under this Prospectus should refer to Section 6 of this Prospectus for a summary of the information contained in the March 2007 Prospectus deemed to be incorporated into this Prospectus.

The Company's main objectives in raising funds under the Offer include:

- (a) exploration for oil and gas;
- (b) the search for new global oil and gas opportunities;
- (c) paying the costs associated with the offer.

Pursuant to applications received under the March 2007 Prospectus, the Directors resolved to allot and issue 64,000,000 Shares at an issue price of 30 cents each. The Company presently has 86,000,005 Shares on issue.

Key Petroleum was admitted to the Official List on 24 April 2007 with official quotation of its Shares commencing on 26 April 2007.

Under the ASX Listing Rules, 17,733,333 Shares are subject to escrow restrictions. Accordingly, the Company's share registry has implemented holding locks on the relevant holdings and will not release them without ASX approval. The numbers and periods of escrow are as follows:

Fully paid ordinary shares:

NUMBER	ESCROW PERIOD
11,028,333	24 months commencing from date of quotation
1,715,000	12 months commencing from date of issue 31 January 2007
2,990,000	12 months from date of issue 12 March 2007
2,000,000	12 months from date of issue 17 April 2007

The balance of the issued capital of the Company, being 68,266,672 Shares, are quoted on ASX.

7.2 Circumstances or Matters subsequent to the March 2007 Prospectus

Other than as outlined above and elsewhere in this Prospectus, the Company is not aware of any material matter or circumstance that would impact on the contents of the March 2007 Prospectus or the activities and prospects of the Company which are relevant to assist Shareholders or their professional advisers in making an informed assessment of relevant matters.

SECTION 8 EFFECT OF THE OFFER

Under the Offer, approximately 43,000,000 Options (subject to rounding) will be issued. The Options will be issued for \$0.005 (0.5 cents) each. Net proceeds from the Offer will be credited to an option premium reserve.

Upon completion of the Offer, the issued capital of the Company will comprise 86,000,005 Shares and 43,000,002 Options.

Expenses of the Offer of approximately \$15,000 will be met from the Company's working capital. After expenses of the Offer, the proceeds from the issue of the Options will be approximately \$215,000. These funds will be used as part of the general working capital requirement of the Company.

SECTION 9 TERMS AND CONDITIONS OF OPTIONS & RIGHTS ATTACHING TO SHARES

9.1 Terms and Conditions of Options

The terms and conditions of the Options are as follows:

a) *Exercise Price*

The exercise price of each Option is \$0.35.

b) *Entitlement*

Each Option shall entitle the holder the right to subscribe (in cash) for one Share in the capital of the Company.

c) *Option Period*

The Options will expire at 5.00pm WST on 31 March 2009. Subject to clause (g), Options may be exercised at any time prior to the expiry date and Options not so exercised shall automatically expire on the expiry date.

d) *Ranking of Share Allotted on Exercise of Option*

Each Share allotted as a result of the exercise of any Option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing Shares in the capital of the Company on issue at the date of allotment.

e) *Voting*

A registered owner of an Option ("Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.

f) *Transfer of an Option*

Options are transferable at any time prior to the expiry date. This right is subject to any restrictions on the transfer of Options that may be imposed by the ASX in circumstances where the Company is listed on the ASX.

(h) *ASX Listing*

Application for quotation of the Options on the ASX will be made.

(i) *Reconstruction*

In the event of a reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.

(j) *Participation in New Share Issues*

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the Options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least nine (9) business days after such new issues are announced (or such other date if required under the Listing Rules) in order to afford the Option Holder an opportunity to exercise the Options held by the Option Holder.

(k) *No Change of Exercise Price or Number of Underlying Shares*

There are no rights to change the exercise price of the Options or the number of underlying Shares.

9.2 Rights Attaching to Shares

There is only one class of share on issue in the Company, being fully paid ordinary shares. The rights attaching to Shares are:

- (a) set out in the constitution of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules (formerly the SCH Business Rules) and the general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders.

All Shares issued upon exercise of the Options offered pursuant to this Prospectus will from the time they are issued, rank *pari passu* with all the Company's existing Shares.

Voting

Subject to any restriction on voting imposed due to a breach of the Listing Rules relating to restricted shares or any escrow agreement entered into by the Company and a member, every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her, but, in respect of partly-paid shares, shall have a fraction of a vote for each partly-paid share.

A poll may be demanded before a vote is taken, or before or immediately after the declaration of the result of the show of hands by the chairperson of the meeting, by at least five Shareholders present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of all those Shareholders having the right to vote on the resolution.

Dividends

Dividends are payable out of the Company's profits and are declared by the Directors. Dividends declared will (subject to the rights of any preference shareholders and to the right of the holders of any shares created or raised under any special arrangement as to dividend) be payable on the Shares in accordance with the Corporations Act.

Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares, other than a market transfer, where permitted by the Listing Rules or the ASTC Settlement Rules. The Company must comply with such obligations as may be imposed on it by the Listing Rules and where appropriate the ASTC Settlement Rules in connection with any market transfer and may not prevent, delay or in any way interfere with the registration of a market transfer where to do so would be contrary to the provisions of any of the Listing Rules or the ASTC Settlement Rules.

Meetings and Notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

Winding Up

The Company has only issued one class of shares, which all rank equally in the event of liquidation. A liquidator may, with the authority of a special resolution of Shareholders divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other shares in respect of which there is any liability.

Shareholder Liability

Fully paid Shares are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration to the Constitution

The constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

If the Company is admitted to the Official List, notwithstanding anything in the constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

SECTION 10 ADDITIONAL INFORMATION

10.1 Market Prices of Ordinary Shares

Official quotation of the Company's Shares commenced on 26 April 2007 and consequently, the trading history on ASX as at the date of this Prospectus is limited to the period since that date. The highest and lowest recorded market sale prices of the Company's shares quoted on ASX during the period from commencement of official quotation to the date of this Prospectus were:

	Price	Date
Highest	30.5	26 April 2007
Lowest	22.5	20 June 2007

The last market sale price of the Company's Shares on ASX on the last day that trading took place in the Shares prior to the date of this Prospectus was 27.5 cents on 11 July 2007.

The Company has no options over Shares that are currently quoted on ASX.

10.2 Expenses of the Offer

The expenses of the Offer, including legal and due diligence fees, ASX listing fees, printing and other costs have been estimated to be \$15,000.

10.3 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

10.4 Continuous Disclosure and Documents Available for Inspection

The Company is listed on ASX and its Shares are quoted on ASX.

The Company is a 'disclosing entity' for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an office of the ASIC. This includes the March 2007 Prospectus referred to in Section 6.2 of this Prospectus.

The Company will provide a copy of all documents used to notify the ASX of information relating to the Company under the provisions of the Listing Rules since official quotation on 26 April 2007. As at the time of lodging this Prospectus the only such documents were:

Date	Details
4/07/2007	Initial Directors Interest Notice
2/07/2007	Appointment of Non-Executive Director
19/06/2007	Tanzanian Drilling Report - announcement by Bounty Oil & Gas NL
19/06/2007	Update on Tanzanian Drilling Project
31/05/2007	Update on Tanzanian Drilling Project
22/05/2007	Update on Tanzanian Drilling Project
11/05/2007	Becoming a substantial holder

Date	Details
9/05/2007	Change of Director's Interest Notice
2/05/2007	Becoming a substantial holder from MMA
30/04/2007	Entitlement Date for Loyalty Options
30/04/2007	Initial Director's Interest Notice x4
27/04/2007	Key Commences Trading on ASX
24/04/2007	Constitution
24/04/2007	Appendix 1A - ASX Listing application & agreement
24/04/2007	Rules of the Employee & Contractors Option Plan
24/04/2007	Corporate Governance Statement
24/04/2007	Completion of Agreements
24/04/2007	Details of Escrow Arrangements
24/04/2007	Top 20 shareholders
24/04/2007	Distribution Schedule
24/04/2007	Pre-Quotation Disclosure
24/04/2007	ASX Circular: Commencement of Official Quotation
24/04/2007	Admission to Official List
26/03/2007	Disclosure Document

10.5 Interests of Directors and Experts

A full disclosure of the interests of Directors, Experts and Promoters of and to the Company for the period commencing on incorporation of the Company and to the date of issue of the March 2007 Prospectus are set out in Section 8.8 of the March 2007 Prospectus and, other than as set out below or elsewhere in this Prospectus, that information and disclosure remains current.

Mr Richard O'Shannassy was appointed as a director of the Company on 1 July 2007, subsequent to the lodgement of the March 2007 Prospectus.

Mr Richard O'Shannassy's company, Richard O'Shannassy & Co Pty Ltd has been engaged to provide legal services to the Company. Richard O'Shannassy & Co Pty Ltd will be paid a monthly retainer of \$4,000 from 1 July 2007 and additional fees will be charged on an hourly rate on normal commercial terms.

The interest of the Directors in the securities of the Company as at the date of this Prospectus are as follows:

Director	Fully Paid Shares Held Directly	Fully Paid Shares Held Indirectly
Ted Ellyard	-	4,050,000
Ken Russell	5,040,000	525,000
Dennis Wilkins	-	1,000,000
Terence Nilsen	1,000,000	-
Richard O'Shannassy	-	200,000

10.6 Interests of Persons Named

Blackwood Capital Limited have acted as Underwriters to the Offer pursuant to this Prospectus and will not be paid an underwriting fee in respect to this Issue.

10.7 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Options. Taxation consequences will depend on particular circumstances. Neither Key Petroleum nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Options in Key Petroleum or dealing with an entitlement in the Entitlements Issue.

SECTION 11 MATERIAL CONTRACTS

Section 8.9 of the March 2007 Prospectus which is referred to in Section 11 of this Prospectus, sets out contracts to which the Company is a party which were considered by the Directors as being material to enable investors to make an informed assessment of the shares being offered under that Prospectus. Investors and their professional advisers are referred to that section of the March 2007 Prospectus in relation to material contracts.

A true copy of each of the material contracts referred to in the March 2007 Prospectus will be available for inspection at the Company's registered office during office hours.

Other than the Underwriting Agreement summarised below, the Company has not entered into any additional material contracts to those summarised in the March 2007 Prospectus.

11.1 Underwriting Agreement

Pursuant to the Underwriting Agreement entered into between the Company and Blackwood Capital Limited ("**Blackwood**") on 9 July 2007, Blackwood has agreed to underwrite the subscription of 43,000,002 Options to be issued by the Company pursuant to the Prospectus at the issue price of \$0.005 (0.5 cents) per Option ("**Issue**"). Each Option entitles the holder to acquire one fully paid ordinary Share in the capital of the Company at an exercise of 35 cents each and has an expiry date of 31 March 2009.

If there is a Shortfall, being the difference between the total number of Options the subject of the Issue and the number of Options applied for pursuant to applications under the Prospectus that are not withdrawn by 5pm on the Closing Date, and the Company has notified Blackwood of this Shortfall, Blackwood must, within 5 business days after the Closing Date, lodge or cause to be lodged with the Company, applications to subscribe for Options the subject of the Shortfall.

Blackwood will not be paid an underwriting fee in respect to this Issue.

The Company has given warranties and covenants to Blackwood which are usual in an agreement of this nature.

Blackwood may terminate the Underwriting Agreement, without cost or liability to itself if any of the following events occur:

- (a) a statement contained in the Prospectus is misleading or deceptive, or a matter is omitted from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act);
- (b) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company, from those respectively disclosed in the Prospectus;
- (c) there occurs a new circumstance that has arisen since the Prospectus was lodged that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged in relation to the Company within the meaning of section 719 of the Corporations Act;
- (d) a contravention by the Company of the Corporations Act or the constitution of the Company;
- (e) the Prospectus or any aspect of the Issue does not comply with the Corporations Act, or any other applicable law or regulation;
- (f) a default by the Company in the performance of any of its obligations under this Agreement occurs; or
- (g) a warranty contained in this Agreement on the part of the Company is not true or correct.

SECTION 12 CONSENTS

Persons who make statements in this Prospectus or who made statements in the March 2007 Prospectus, which are incorporated by reference into this Prospectus need to provide their written consent for such use.

Each of the parties referred to in this Section 12:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this or the March 2007 Prospectus with the consent of that party as specified in this Section.

Rix Levy Fowler has given its written consent to the inclusion by reference in this Prospectus of its Investigating Accountant's Report set out in Section 6 of the March 2007 Prospectus, and to all statements referring to the Investigating Accountant's Report, in the form and context in which they are included in the March 2007 Prospectus. Rix Levy Fowler has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

RobSearch has given its written consent to the inclusion by reference in this Prospectus of its Independent Consulting Geologist's Report set out in Section 4 of the March 2007 Prospectus, and to all statements referring to the Independent Consulting Geologist's Report, in the form and context in which they are included in the March 2007 Prospectus. RobSearch has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Ishengoma, Masha, Mujulizi and Magai (Advocates) of Tanzania with respect to the Tanzanian Concessions, and Watson Farley & Williams LLP of London and Rome (Italian Solicitors Report) with respect to the Italian Concessions has given its written consent to the inclusion by reference in this Prospectus of their reports in Section 7 of the March 2007 Prospectus, and to all statements referring to the Report on Petroleum Concessions, in the form and context in which they are included in the March 2007 Prospectus. Consent has not been withdrawn prior to the lodgement of this Prospectus with the ASIC.

Wright Legal has consented to being named in the Prospectus as solicitors to the Company and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC.

Blackwood Capital have consented to being named in the Prospectus as the Underwriter to the Offer and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC.

SECTION 13 AUTHORITY OF DIRECTORS

Each of the Directors of Key Petroleum Limited has consented to the lodgement of this Prospectus with ASIC in accordance with Section 720 of the Corporations Act.

Dated this 12 July 2007



Ted Ellyard
Chairman

SECTION 14 DEFINITIONS

\$	means Australian dollars. All amounts in this Prospectus are in Australia dollars unless otherwise stated.
Applicant	means a person who submits an Entitlement and Acceptance Form under this Prospectus.
ASIC	means the Australian Securities and Investments Commission.
ASX	means Australian Stock Exchange Limited (ABN 98 008 624 691).
Business Day	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
Closing Date	means 22 August 2007.
Company	means Key Petroleum Limited (ACN 120 580 618).
Directors	means the directors of the Company.
Key Petroleum	means Key Petroleum Limited (ACN 120 580 618)
Eligible Participant	means a Shareholder who is entitled to subscribe for Options pursuant to the Entitlements Issue.
Entitlement & Acceptance Form	means the personalised entitlement and acceptance form which accompanies the Prospectus.
Entitlement	means the right of a Shareholder to subscribe for Options under the Offer.
March 2007 Prospectus	means the prospectus lodged by the Company with ASIC and dated 13 March 2007.
Listing Rules	means the official listing rules of ASX.
Non-Renounceable	means that shareholders may not sell or transfer all or any part of their entitlement to the Entitlements Issue.
Non-Resident	means a person domiciled outside Australia.
Offer or Entitlements Issue	means the non-renounceable pro-rata issue of Options pursuant to this Prospectus as set out in Section 6.
Offer Period	means the period commencing on the Opening Date and ending on the Closing Date.
Official Quotation	has the same meaning as in the Listing Rules.
Opening Date	means 1 August 2007.
Option	means an option to subscribe for one Share in Key Petroleum exercisable at \$0.35 on or before 31 March 2009 and issued on the terms set out in Section 9 of this Prospectus.
Optionholder	means a holder of an option to acquire Shares in Key Petroleum.
Prospectus	means this Prospectus dated 12 July 2007.
Record Date	has the same meaning as in the Listing Rules which is specified by the Company in relation to the Entitlements Issue as being 5:00pm WST on 26 July 2007.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a shareholder of the Company.
Shortfall	means the Options forming Entitlements, or parts of Entitlements, not accepted by Shareholders.
Shortfall Application Form	Means the shortfall application form which accompanies this Prospectus.
Underwriter	means Blackwood Capital Limited.
Underwriting Agreement	means the Underwriting Agreement between the Company and the Underwriter set out in Section 11 of the Prospectus.
WST	means Western Australian Standard Time.

ENTITLEMENT AND ACCEPTANCE APPLICATION FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT,
PLEASE CONTACT YOUR STOCKBROKER OR LICENSED PROFESSIONAL ADVISER.

KEY PETROLEUM LIMITED

REGISTERED OFFICE: A.B.N.50 120 580 618 Level 3, 46 Ord Street WEST PERTH WA 6005	SHARE REGISTRY: Computershare Investor Services Pty Ltd Level 2, 45 St George's Terrace PERTH WA 6000 Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033
---	--

Holder Number:
Entitlement No:
Sub-Register:

Shareholding at 5.00pm WST on 26 July 2007	Entitlement to Options on a 1:2 basis	Amount payable on acceptance @ \$0.005 per Option
---	---	---

A PRO RATA NON RENOUNCEABLE ENTITLEMENT ISSUE OF UP TO 43,000,002 OPTIONS, ON THE BASIS OF ONE (1) OPTION FOR EVERY TWO (2) FULLY PAID SHARES HELD AT THE RECORD DATE, TO RAISE UP TO APPROXIMATELY \$215,000.

To the Directors,
KEY PETROLEUM LIMITED

- (1) I/We the above named being registered on 26 July 2007 (at 5.00pm Australian W.S.T) as the holder(s) of ordinary shares in your Company hereby accept and apply (as appropriate) for the undermentioned Options issued in accordance with the terms of the Prospectus accompanying this form.

TO BE COMPLETED BY SHAREHOLDER	NO OF OPTIONS ACCEPTED/APPLIED FOR	@ \$0.005 PER OPTION	AMOUNT ENCLOSED
ENTITLEMENT as above	X \$0.005 (0.5 cents)	\$	

- (2) I/We enclose my/our cheque made payable to KEY PETROLEUM LIMITED – SHARE ACCOUNT, for an amount shown being payment at the rate of \$0.005 (0.5 cents) per Option applied for.
- (3) I/We hereby authorise you to place my/our name(s) on the register of members in respect of the number of Options allotted to me/us and
- (4) I/We agree to be bound by the Constitution of the Company.
- (5) If any information on this form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the directors as to whether to accept this form, and how to construe, amend or complete it, shall be final.
- (6) My/Our contact numbers in case of enquiries are:

NOTE: Only cheques and/or bank drafts in Australian currency and drawn or payable on a bank within Australia should be sent, made payable to **KEY PETROLEUM LIMITED – SHARE ACCOUNT** crossed Not Negotiable and forwarded to Computershare Investor Services Pty Ltd together with this Entitlement and Acceptance Form and forwarded to:

Computershare Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840

NO LATER THAN 5.00PM WST ON 22 August 2007.

THIS FORM DOES NOT REQUIRE SIGNING UNLESS YOU WISH TO CHANGE YOUR ADDRESS

Please complete ONLY if your ISSUER SPONSORED address is INCORRECT.

NEW ADDRESS: <u>(CHESS HOLDERS CAN ONLY AMEND THEIR ADDRESS BY ADVISING THEIR SPONSORING BROKER)</u>
BLOCK LETTERS PLEASE Your Signature/s

RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL
CONSTITUTE YOUR
ACCEPTANCE OF THE SECURITIES BEING OFFERED
THE DIRECTORS RESERVE THE RIGHT TO MAKE AMENDMENTS TO THIS
FORM WHERE APPROPRIATE

THIS ISSUE CLOSES 5.00PM WST ON 22 August 2007

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Options which you are entitled to accept.
2. Your entitlement may be accepted either in full or in part. There is no minimum acceptance.
3. You may not use this form to apply for Options in excess of your maximum entitlement.
4. The issue price of each Option is \$0.005 (0.5 cents).
5. You may accept your entitlement by completing the Entitlement and Acceptance Form overleaf.

APPLICATION INSTRUCTIONS

1. The amount of \$0.005 (0.5 cents) per Option is payable in full upon application.
2. Payments must be made in Australian currency by cheque or bank draft drawn on and payable at a bank within Australia. Cheques or bank drafts drawn on banks outside Australia in either Australian currency or in foreign currency will not be accepted.
3. The cheques must be made payable to "Key Petroleum Limited - Share Account" and crossed "Not Negotiable".
4. When completed, this form together with the appropriate payment in Australian currency should be forwarded to the Company's Share Registry:

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth, Western Australia 6000

or

Computershare Investor Services Pty Ltd
GPO Box D182
Perth, Western Australia 6840

5. Acceptances must be received by Company no later than 5:00pm WST on 22 August 2007.

ENQUIRIES

Any enquiries should be directed to:

Key Petroleum Limited

Level 3, 46 Ord Street

WEST PERTH WA 6005

ATTENTION: John Ribbons

Telephone: +61 (08) 9481 7288

Facsimile: +61 (08) 9483 3599

SHORTFALL APPLICATION FORM

To be completed only by those investors offered Options forming part of the Shortfall by the Directors. Not to be completed by shareholders wishing to accept the Entitlement Issue.

All Application Forms must be accompanied by payment of \$0.005 (0.5 cents) per Option.

Applicants should read the Prospectus in its entirety before completing this Form.

PLEASE USE BLOCK LETTERS.

Application for Shortfall Options			
I/We apply forShortfall Options at an issue price of \$0.005 (0.5 cents) per Shortfall Option.			
I/We lodge full application monies of: \$.....			
Title	Given Names or Company Name	Surname/ACN	
.....	
Title	Joint Applicants or Designated Account e.g. <SUPER FUND A/C>		
...../...../.....		
...../...../.....		
Address			
.....			
Suburb/City/Town.....		State	Postcode.....
Contact Details			
Contact Name		Contact No.	
.....		
CHESS Details			
PID.....		HIN	
Payment Details			
All cheques should be made payable to “ Key Petroleum Limited Share Account ” and crossed “ Not Negotiable ”			
Drawer	Bank	Branch	Amount
.....	\$.....
.....	\$.....
Declaration			
This Application Form does not need to be signed. By lodging this Application Form and a cheque for the application monies the Applicant hereby:			
a) applies for the number of Shortfall Options in the Application Form or such lesser number as may be allocated by the Directors as determined by the Directors;			
b) agrees to be bound by the Constitution of the Company; and			
c) authorises the Directors to complete or amend this Application Form where necessary to correct any errors or omissions.			