ACN 120 580 618

ENTITLEMENT OFFER

Details of a 1 for 2 renounceable pro rata entitlement offer of Key Petroleum Limited fully paid ordinary shares ("New Shares”) at an offer price of $0.11 per New Share

This offer closes at 5 PM (WST) 5 August, 2009

This is an important document which is accompanied by a personalised Entitlement and Acceptance Form for you to subscribe for New Shares in Key Petroleum Limited. Please read this document carefully and call your professional adviser if you have any queries.

This document is not a prospectus under the Corporations Act and has not been lodged with the Australian Securities & Investments Commission. It is also not financial product advice and has been prepared without taking into account your specific investment objectives, financial circumstances or particular needs. Key Petroleum Limited is not licensed to provide financial product advice in respect of the New Shares or Additional New Shares. The Information does not purport to contain all the information that you may require to evaluate a possible application for New Shares or Additional New Shares.

CONTENTS

CORPORATE DIRECTORY

Registered Office
23 Altona Street
WEST PERTH WA 6005

Principal Place of Business
Level 1, 14 Outram Street
WEST PERTH WA 6005
Telephone: +61 8 9327 3500
Facsimile: +61 8 9327 3510

Postal Address
PO Box 1622
WEST PERTH WA 6872

Share Register
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000

IMPORTANT DATES

6 July 2009	Announcement Date (or earlier)
9 July 2009	Ex Date
15 July 2009	Record Date 5.00pm (Perth Time) The date on which Key Petroleum determines eligible shareholders
15 July 2009	Opening Date The date on which the Rights Issue opens
21 July 2009	Mailing Date Entitlement and Acceptance Form sent to all eligible shareholders
28 July 2009	Rights Trading Ceases
5 August 2009	Closing Date The date on which the Rights Issue closes Applications must be received by 5.00pm (WST)
10 August 2009	Shortfall announcement The date on which New Shares are allotted.
13 August 2009	Despatch Date The date on which holding statements are sent to shareholders
14 August 2009	Share Trading Date The date on which New Shares commence trading on the ASX

CHAIRMAN'S LETTER

16 July 2009

Dear Shareholder,

Key Petroleum Limited Equity Raising -- Entitlement Offer

On behalf of Key Petroleum Limited ("Key Petroleum" or "the Company"), I am pleased to invite you to participate in a 1 for 2 renounceable pro rata entitlement offer of Key Petroleum fully paid ordinary shares ("New Shares") at an offer price of $0.11 per New Share ("Entitlement Offer"). New Shares issued under the Entitlement Offer will rank equally with existing issued shares of Key Petroleum Limited.

On 6 July 2009, Key Petroleum announced to ASX its intention to raise up to $4.73 million through the Entitlement Offer.

The proceeds of the Entitlement Offer will be used to further develop and enhance the UK oilfields to be acquired as part of the acquisition of Midmar Energy Onshore Ltd, a wholly owned subsidiary of Midmar Energy Ltd (an unlisted United Kingdom company) as announced to ASX on 26 June 2009 and for working capital purposes.

This Entitlement Offer booklet ("booklet") contains a number of important documents including:

- important dates for the Entitlement Offer; and
- recent ASX announcements relating to the activities of Key Petroleum;
- instructions on "How to Apply", setting out how to accept all or part of your entitlement or apply for New Shares in excess of your entitlement if you choose to do so; and
- other important information

This booklet is also accompanied by a personalised Entitlement and Acceptance Form which details your entitlement. If you wish to take up all or part of your entitlement you should complete the form in accordance with instructions provided in the form and instructions on the "How to Apply" set out on page 11 of this booklet.

The Entitlement Offer closes at 5 PM (WST) on 5 August 2009. To participate, you need to ensure you have completed your personalised Entitlement and Acceptance Form and the funds payable for the New Shares you take up ("Application Monies") are received by Key Petroleum before this time and date OR that you have paid your Application Monies by BPAY according to the instructions that are set out on the personalised Entitlement and Acceptance Form. Please refer to the instructions in the "How to Apply" section set out on page 11 of this booklet for further information.

The Entitlement Offer is renounceable, and accordingly, you will be able to sell your entitlements under the Entitlement Offer on the ASX or otherwise transfer your entitlement to another person. The rights trading period on ASX commenced on 9 July 2009 and ends on 28 July 2009.

If you are an eligible shareholder and wish to sell some or all of your rights on ASX, please contact your stockbroker as soon as possible.

Eligible shareholders are also able to apply for more shares than their entitlement. Whilst Key Petroleum encourages Eligible shareholders to apply for additional New Shares in excess of their entitlement. Key Petroleum reserves the right to scale back such increased applications at Key Petroleum's discretion, having regard to all the circumstances at the time. For the avoidance of doubt, please note that while increased applications may be scaled back, applications in respect of your entitlement will not be subject to any scale back.

You should consult a stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

For further information regarding the Entitlement Offer, please call Key Petroleum on telephone +61 8 9327 3500.

On behalf of the Board of Key Petroleum, I commend this investment opportunity to you and as always thank you for your ongoing support of our Company.

Yours sincerely

Ted Ellyard
Chairman

ASX ANNOUNCEMENTS

ASX and Media Release

26 June 2009

ACQUISITION OF 2 UK PRODUCING OILFIELDS

Key Petroleum Ltd (**ASX: KEY**) has entered into an agreement with Midmar Energy Limited, an unlisted United Kingdom company, to acquire its wholly-owned subsidiary Midmar Energy Onshore Limited (MEOL), whose assets include 2 producing oilfields located in the south east of England, for the sum of £2,000,000 pounds sterling (approximately $4,050,000 Australian dollars).

Subject to a number of conditions precedent including governmental approvals and due diligence requirements, the transaction should be completed within approximately 45 days.

The 2 producing oilfields, that will become 100% owned and operated by Key Petroleum Ltd, are the Brockham Oil Field and the Lidsey Oil Field. Both fields are only partially developed and are located in the oil prone Weald Basin. Oil currently produced from both fields is trucked and sold into the nearby BP Hamble facility at Southampton. These fields currently produce approximately 85 bbls of oil per day (bopd). Key Petroleum believes there is potential for increased production from these fields through innovative drilling and workovers.

Schlumberger geomodelling and simulation studies in 2002 for the Lidsey Field indicated field STOIIP of some 9.2 MMstb. Their simulation study predicted that a single horizontal well in the Lidsey Field should be capable of increasing total field production to over 500 bopd. Key Petroleum will study this option in more detail in the coming months with a view to increasing the developed recoverable reserves from the current 128,000 bbls to 343,000 bbls. On this basis, the purchase price to be paid by Key is approximately US$9.33/bbl.

The Brockham Facility is located at Brockham in Surrey, within PEDL 235 and is a self-contained production unit consisting of tanks, generators, pumps and separator equipment designed to handle the produced 28 degrees API oil. The field was originally discovered in 1987 by a consortium led by BP. Midmar brought the field onto production in 2002. It currently has in the region of 159,000 bbls of recoverable reserves, however, Key's review of the Brockham field leads it to believe that there is a potential 483,000 bbls of further recoverable reserves which may be accessible following a number of remedial steps on one of the field's wells which is currently underperforming.

The Lidsey Facility is located at Lidsey in Hampshire in PEDL 241 and is a self-contained production facility designed to handle all treatment and export of the produced 37 degrees API oil. The field was originally discovered by Carless Exploration Plc in 1987. Midmar became a partner in Lidsey in 2001, acquiring full ownership in 2005. MEOL brought Lidsey production on stream in March 2008 after construction of new production facilities.

Southern England is home to a number of oil fields that include the largest onshore producing oil field in the United Kingdom, Wytch Farm developed by BP. That field is believed to have produced in excess of 400 million bbls of oil and has produced at a rate of over 100,000 bopd.

Key Petroleum's Managing Director /CEO, Ken Russell, said, *"There is now a degree of stability and a building confidence in better world oil prices. These reflect an ever increasing demand for oil and a realisation that higher oil prices are seemingly inevitable. Our technical team has spent considerable time and effort reviewing and attempting to source oil assets for Key. We believe that the acquisition of MEOL with its oil production provides Key with an ideal low risk entry into oil production at this time. It also provides a degree of regular cash flow for the Company as we move forward.*

"From an operational point of view, both of these UK fields are onshore and low cost to operate but importantly have potential upside. They open up further opportunities for the Company as an oil field operator, particularly in the UK and into western Europe."

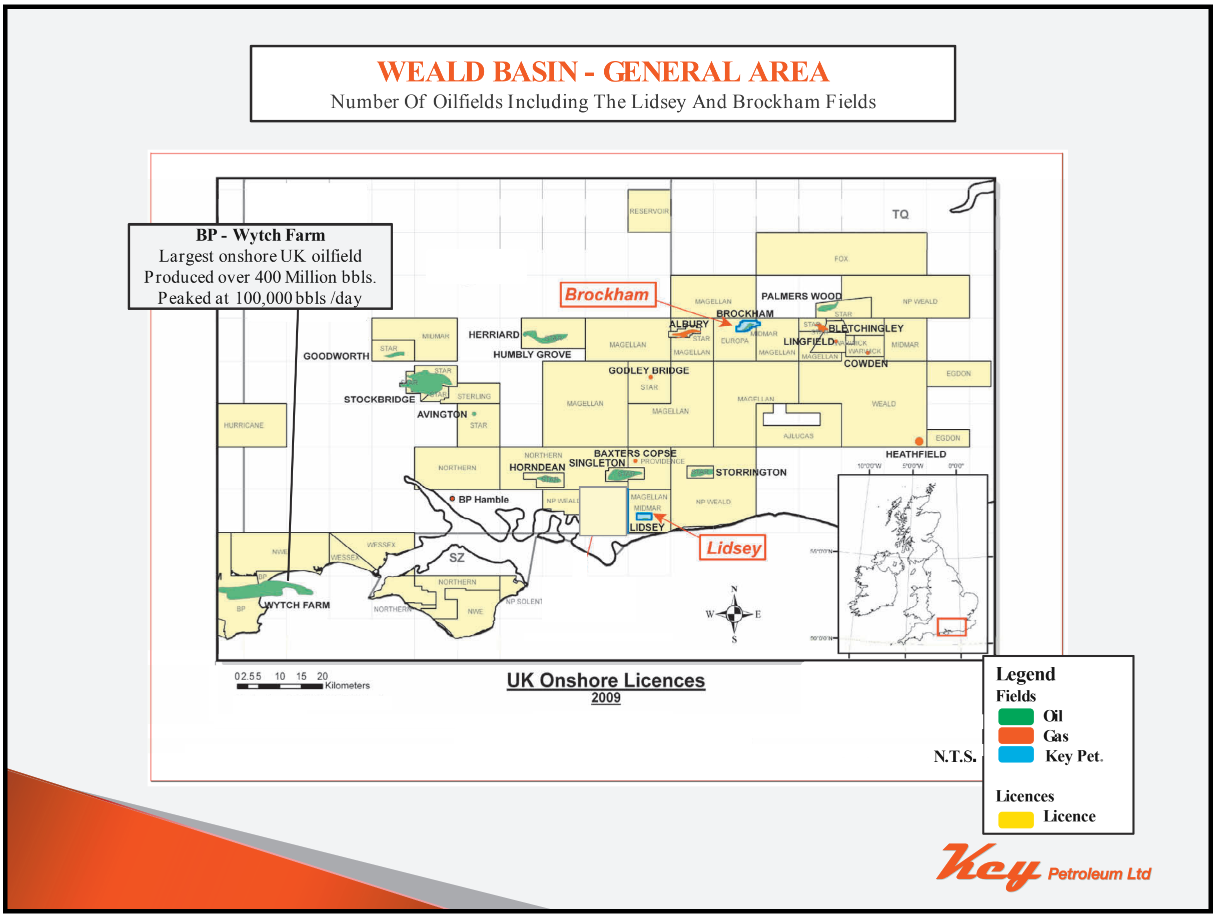
"Key's earlier success with our gas find at Kiliwani North #1 in Tanzania and now our entry into oil field production and operations consolidates Key into an E & P Company." Mr Russell said.

Background:

Key Petroleum Ltd currently is involved in oil and gas projects in Tanzania where it holds interests in the West Songo Songo block (50%) and is the Operator and in the Nyuni block (20%) where it has the Kiliwani North #1 gas discovery. Key also holds both on and offshore interests in Italy, which it owns (100%) and in Suriname, an established oil producing area where it indirectly holds a free carry interest in 2 onshore blocks, Coronie and Uitkijk.

For further background information please see the Company's website at http://www.keypetroleum.com or contact

Ken Russell	or	**John Ribbons**
Managing Director		Company Secretary
+ 61 8 9327 3500		+ 61 8 9389 2123
info@keypetroleum.com		


WEALD BASIN - GENERAL AREA
Number Of Oilfields Including The Lidsey And Brockham Fields
BP - Wytch Farm
Largest onshore UK oilfield
Produced over 400 Million bbls.
Peaked at 100,000 bbls /day
Brockham
Lidsey
TQ
SZ
PALMERS WOOD
BROCKHAM
ALBURY
BLETCHINGLEY
LINGFIELD
COWDEN
HERRIARD
HUMBLY GROVE
GOODWORTH
GODLEY BRIDGE
STOCKBRIDGE
AVINGTON
HEATHFIELD
BAXTERS COPSE
HORNDEAN
SINGLETON
STORRINGTON
BP Hamble
LIDSEY
WYTCH FARM
UK Onshore Licences
2009
Kilometers
N.T.S.
Legend
Fields
Oil
Gas
Key Pet.
Licences
Licence
Key Petroleum Ltd

ASX and Media Release

22 May 2009

TANZANIAN UPDATE

Key Petroleum Ltd (ASX: KEY) provides an update on the work being undertaken in the Nyuni licence area (Key 20%) and its West Songo Songo area (Key 50% and Operator) both offshore Tanzania.

Nyuni Licence

An Appraisal Location, comprising an area surrounding the Kiliwani North #1 gas discovery, has now been agreed between the Nyuni Joint Venture participants and the Tanzanian authorities. Appraisal within this Location is part of the process towards the granting of a Production Licence. It allows more detailed planning for forward work programmes to be undertaken by the Joint Venture.

A contract for the recording of a new 2D seismic survey has now been signed with BGP of China for acquisition of further data on and around Songo Songo Island. This is required to provide better definition of the Kiliwani North #1 gas discovery which tested gas at 40 million cubic feet per day in June 2008.

This important 2D survey is expected to be completed within three months. The seismic contractor, BGP, has been actively acquiring seismic data on the east coast of Africa for some time working together with other oil and gas exploration companies. They bring a high degree of local knowledge to this programme.

Discussions relating to the terms of the commercialisation of Kiliwani North #1 gas are continuing at present in Tanzania in parallel with the necessary environmental work.

The Joint Venture has analysed a number of options for the commercialisation of the Kiliwani North#1 discovery. In the current economic climate it is now probable that the Kiliwani North#1 gas discovery will aim for full commercial development via the simple tie back method to the Songo Songo gas processing plant.

Further exploration work is at the planning stage for the other prospects that have been identified in the Nyuni licence area.

West Songo Songo (WSS)

Work continues in the evaluation of the WSS exploration licence area. The area is located between the producing Songo Songo gas field and the Tanzanian coast line. Emphasis at this time is focused on geology and geophysical studies. This licence is prospective for Neocomian structural traps as per the Songo Songo and Kiliwani North fields, as well as an exciting, untested shallower stratigraphic play in Campanian age sediments. Analysis of seismic reflections over the Campanian fairway is consistent with the presence of light hydrocarbons.

Key Petroleum's CEO/Managing Director, Ken Russell, said, *"We look forward to receiving the results of the Kiliwani North seismic survey".*

"This survey should provide further important information required for the commercialization of Kiliwani North".

"The geoscience work that Key Petroleum's geological team continues to undertake in the West Songo Songo licence area is adding greatly to our understanding of the regional geology and how it affects prospective targets." Mr Russell said.

Participating Interests

West Songo Songo

Funguo Petroleum Pty Ltd (Key Petroleum Ltd)	50% (Operator)
Ndovu Resources Ltd (Aminex)	50%

Nyuni

Key Petroleum Ltd	20%
Ndovu Resources Ltd (Aminex)	40% (Operator)
RAK Gas Commission	25%
East African Exploration	10%
Bounty Oil and Gas NL	5%

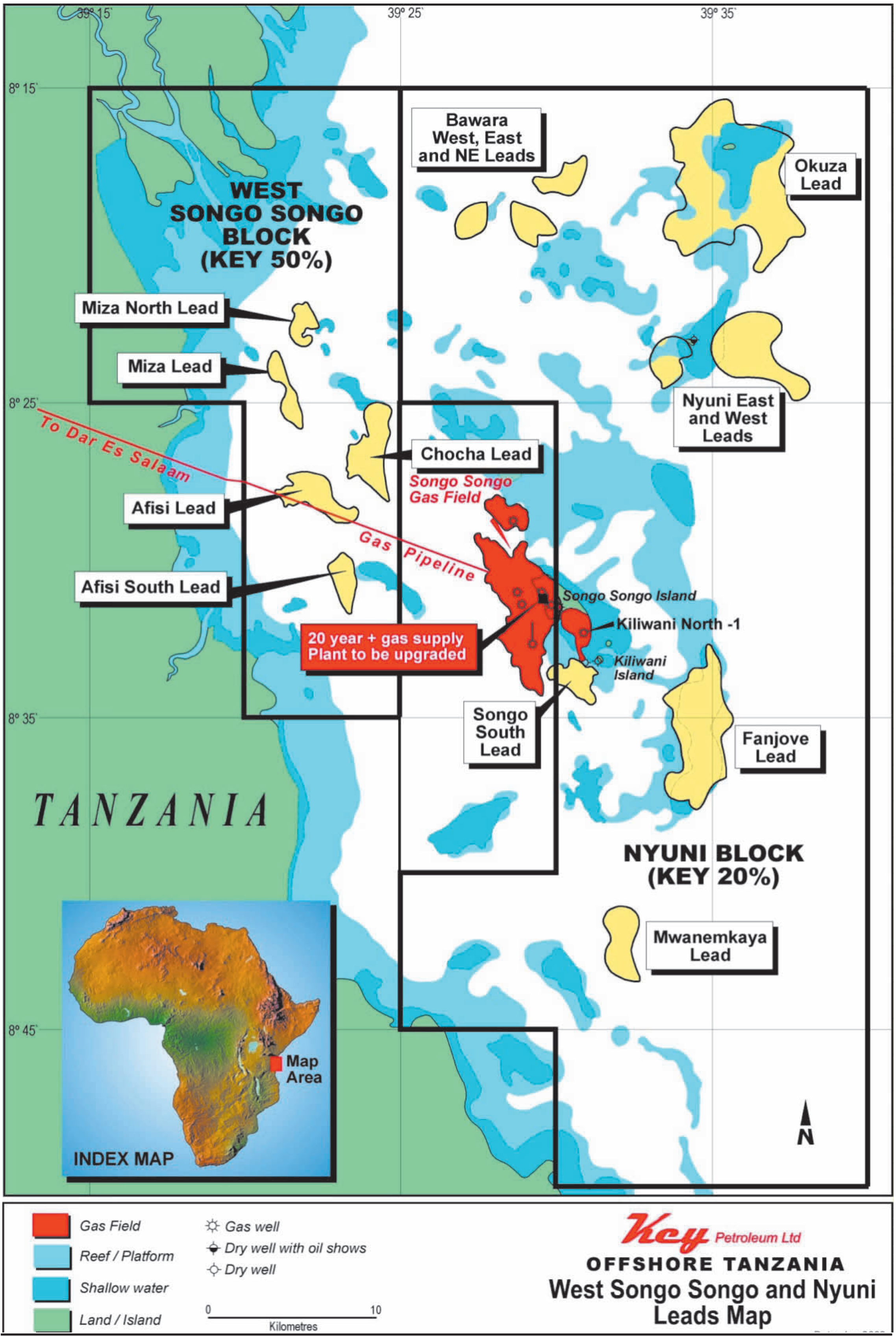
For further background information please see the Company's website at www.keypetroleum.com or contact

Ken Russell
Managing Director
+ 61 8 9327 3500
info@keypetroleum.com

or

John Ribbons
Company Secretary
+ 61 8 9481 7288

NOTE: *In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr. Ken Russell, Managing Director/CEO of Key Petroleum Ltd, who has at least 5 years experience in the sector. He consents to that information in the form and context in which it appears.*



39° 15'
39° 25'
39° 35'
8° 15'
8° 25'
8° 35'
8° 45'
WEST SONGO SONGO BLOCK (KEY 50%)
Bawara West, East and NE Leads
Okuza Lead
Miza North Lead
Miza Lead
Nyuni East and West Leads
Chocha Lead
To Dar Es Salaam
Songo Songo Gas Field
Afisi Lead
Gas Pipeline
Afisi South Lead
Songo Songo Island
Kiliwani North -1
20 year + gas supply Plant to be upgraded
Kiliwani Island
Songo South Lead
Fanjove Lead
TANZANIA
NYUNI BLOCK (KEY 20%)
Mwanemkaya Lead
Map Area
INDEX MAP
N
Gas Field
Reef / Platform
Shallow water
Land / Island
Gas well
Dry well with oil shows
Dry well
0
10
Kilometres
Key Petroleum Ltd
OFFSHORE TANZANIA
West Songo Songo and Nyuni Leads Map

HOW TO APPLY

1. The Entitlement Offer

Eligible Shareholders (as defined in Section 1 of the Important Information section on page 14 of this booklet) are being offered the opportunity to subscribe for 1 New Share for every 2 Key Petroleum ordinary shares ("Share") held at 5.00pm (WST) on 15 July 2009 ("Entitlement"), at the offer price of $0.11 per New Share ("Offer Price").

Eligible Shareholders may also apply for New Shares in excess of their Entitlement ("Additional New Shares"). Please note that New Shares in excess of Entitlements will only be allocated to Eligible Shareholders if and to the extent that Key Petroleum determines to do so, in its absolute discretion, having regard to circumstances as at the time of the close of the Entitlement Offer. Key Petroleum may scale back any application for Additional New Shares in its absolute discretion, but will not scale back any Entitlement.

The Entitlement Offer is being made pursuant to section 708AA of the Corporations Act which allows rights issues by listed companies to be offered without a prospectus. As a result, it is important for Eligible Shareholders to read and understand the information regarding Key Petroleum and the Entitlement Offer made publicly available, prior to accepting all or part of their Entitlement or applying for Additional New Shares. In particular, please refer to this booklet, Key Petroleum's interim and annual reports and other announcements made available at www.keypetroleum.com (including Key Petroleum's Annual Report for the financial year ended 30 June 2008 that was released to ASX on 22 October 2008).

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 1 New Share for every 2 Shares you held as at the Record Date of 5.00pm (WST) on 15 July 2009. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. New Shares issued under the Entitlement Offer will rank equally with existing issued Shares.

Nominees

Key Petroleum will not necessarily seek to determine whether or not any registered holder is acting as a nominee, or the identity or residence of any beneficial owners of Shares held by such a nominee. Where any holder is acting as a nominee for a foreign person, that nominee, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Entitlement Offer is compatible with applicable foreign laws. Key Petroleum is not able to advise on foreign laws.

2. Consider the Entitlement Offer in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant or other independent professional adviser if you have any queries or are uncertain about any aspects of the Entitlement Offer. You should also refer to the "Key Risks" section in this booklet at point 11 of Important Information.

3. Complete and return the accompanying Entitlement and Acceptance Form with your Application Monies or make a payment by BPAY®

If you decide to take up all or part of your Entitlement, or apply for Additional New Shares, please complete and return your personalised Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form.

Key Petroleum will treat you as applying for as many New Shares as your payment will pay for in full, subject to any scale back it may determine to implement in its absolute discretion in respect of Additional New Shares. Amounts received by Key Petroleum in excess of your Entitlement ("Excess Amount") may be treated as an application to apply for as many Additional New Shares as your Excess

Amount will pay for in full. If you are paying by BPAY®, please make sure to use the specific Biller Code and unique Customer Reference Number ("CRN") on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that Form. If you inadvertently use the same CRN for more than one of your Entitlements, you will be deemed to have applied only for Additional New Shares over and above the Entitlement to which that CRN applies.

If you wish to sell some or all of your entitlement on the ASX, please contact your stockbroker as soon as possible. You can trade in your entitlement on ASX from 9 July 2009. Rights trading on ASX closes, and all trading of rights must be effected by, 4 PM on 28 July 2009.

If you wish to transfer all or part of your entitlement to a person other than by trading on ASX, you must complete and forward:

- a Renunciation and Transfer Form (obtainable from the Company);
- your Entitlement and Acceptance Form; and,
- the transferee's cheque or bank draft for the Application Monies to the Registry at Computershare Investor Services Pty Ltd, Level 2, Reserve Bank Building, 45 St George's Terrace, Perth by 5 PM WST on the Closing Date.

You may transfer all or part of your Entitlement to another person in this manner.

If you are an Eligible Shareholder on the CHESS register, you must contact your sponsoring broker to effect the transfer. The Share Registry is unable to transfer entitlements either to or from a CHESS holding.

If the Share Registry receives both a completed Renunciation and Transfer Form and a completed Entitlement and Acceptance Form in favour of the same Shareholder in respect of the same Entitlement, the Renunciation and Transfer Form will be given effect in priority to the acceptance.

If you take no action you will not be allocated any New Shares and your Entitlement will lapse.

If you take up and pay for all or part of your Entitlement before the close of the Entitlement Offer you will be allotted your New Shares on or around 10 August 2009. If you apply for Additional New Shares then, subject to Key Petroleum's absolute discretion to scale back your application for Additional New Shares (in whole or part), you will also be issued these also on or around 10 August 2009. Key Petroleum's decision on the number of Additional New Shares to be allocated to you will be final.

Key Petroleum also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or they fail to provide information to substantiate their claims.

4. Acceptance of the Entitlement Offer

The method of acceptance of the Entitlement Offer will depend on your method of payment being:

- by BPAY®; or
- by cheque, bank draft or money order.

By completing and returning your personalised Entitlement and Acceptance Form with Application Monies or making a payment by BPAY®, you will be deemed to have represented that you are an Eligible Shareholder (as defined in Important Information, commencing on page 14).

Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that if you choose to pay by BPAY®:

- you do not need to submit to Key Petroleum or its share registry the personalised Entitlement and Acceptance Form, but will be taken to have made the declarations on that Entitlement and Acceptance Form; and

- if you do not pay for your full Entitlement, you will be deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 4.00pm (WST) on 5 August 2009 (subject to variation). You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Any Application Monies received for more than your final allocation of New Shares and Additional New Shares (only where the amount is $1.00 or greater) will be refunded on or around Thursday 13 August 2009. No interest will be paid on any Application Monies received or refunded.

Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "**Key Petroleum Limited – Share Offer**" and crossed "**Not Negotiable**".

Your cheque, bank draft or money order must be:

- for an amount equal to $0.11 multiplied by the number of New Shares and Additional New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in your relevant account(s) to cover the Application Monies as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and you will also be taken to have specified that lower number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, at Key Petroleum's absolute discretion, your application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares will be refunded on or around 13 August 2009. No interest will be paid on any Application Monies received or refunded.

Cash payments will not be accepted. Receipts for payment will not be issued.

Mail

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer, which will occur at 5.00pm (WST) on 5 August 2009. Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies using the reply paid or self-addressed envelope provided with this booklet, or mail to:

Key Petroleum Limited
c/- Computershare Investor Services Limited
Locked bag 2508
Perth WA 6001 Australia

IMPORTANT INFORMATION

This Entitlement Offer Booklet (including the ASX Offer Announcements in relation to the Entitlement Offer) and enclosed personalised Entitlement and Acceptance Form ("Information") have been prepared by Key Petroleum. This Information is dated 21 July 2009 (other than the ASX Announcements, which are variously dated 22 May 2009 and 26 June 2009).

No party other than Key Petroleum has authorised or caused the issue of this Information, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information.

THIS INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read this Information carefully and in its entirety before deciding whether to invest in New Shares or Additional New Shares. In particular, you should consider the risk factors outlined in the Key Risks section of this booklet at point 11 of Important Information.

You should consult your stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

Key Petroleum has applied for the grant by ASX of official quotation of the New Shares.

1. Eligible Shareholders

This Information contains an offer of New Shares to Eligible Shareholders being those holders of Shares who:

- are registered as a holder of Shares as at 5.00pm (WST) on 15 July 2009 (the "Record Date");
- have a registered address in Australia or New Zealand; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

2. Additional New Shares

Key Petroleum reserves the right to allot any Additional New Shares if, and to the extent that Key Petroleum so determines, in its absolute discretion, having regard to circumstances as at the time of the close of the Entitlement Offer.

Any Additional New Shares in excess of Entitlements will be limited to the extent that there are sufficient New Shares available as a result of Eligible Shareholders not having taken up their full Entitlements.

If you apply for Additional New Shares then, subject to Key Petroleum's absolute discretion to scale back your application for Additional New Shares (in whole or part), you will be issued those Additional New Shares on or around 10 August 2009. Key Petroleum's decision on the number of New Shares and Additional New Shares to be allocated to you will be final.

New Shares and Additional New Shares issued under the Entitlement Offer will rank equally with existing issued Shares.

3. No cooling off rights

Cooling off rights do not apply to an investment in New Shares or Additional New Shares. You cannot withdraw your application or payment once it has been accepted.

4. Not investment or financial product advice

The Information is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Key Petroleum is not licensed to provide financial product advice in respect of the New Shares or Additional New Shares. The Information does not purport to contain all the information that you may require to evaluate a possible application for New Shares or Additional New Shares.

Before deciding whether to apply for New Shares or Additional New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Information, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser.

5. Taxation

Set out below is a summary of the Australian tax implications of the Entitlement Offer for Eligible Shareholders who are residents of Australia for tax purposes and who hold their Shares as capital assets.

The summary below does not apply to Eligible Shareholders who hold their Shares as assets used in carrying on a business or who may carry on the business of share trading, banking or investment.

The summary below does not apply to Eligible Shareholders whose Shares are held through an employee share plan or whose Shares are held as revenue assets or trading stock.

The summary below also does not take account of any individual circumstances of any particular Eligible Retail Shareholder. Eligible Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

The summary below is based on the law in effect as at the date of this Information.

Issue of Entitlements

Subject to the qualifications noted above, the issue of the Entitlements will not itself result in any amount being included in the assessable income of an Eligible Shareholder.

Exercise of Entitlements

Eligible Shareholders who exercise their Entitlements and subscribe for New Shares and, in Key Petroleum's absolute discretion, for Additional New Shares, will acquire those shares with a cost base for capital gains tax ("CGT") purposes equal to the offer price payable by them for those shares plus any non-deductible incidental costs they incur in acquiring them, but will not make any capital gain or loss, or assessable income, from exercising the Entitlements or subscribing for the New Shares or Additional New Shares.

New Shares

Eligible Shareholders who exercise their Entitlements will acquire New Shares and, at Key Petroleum's absolute discretion, Additional New Shares (as applicable). Any future dividends or other distributions made in respect of those New Shares and Additional New Shares (which cannot be guaranteed) will be subject to the same taxation treatment as dividends or other distributions made on Shares held in the same circumstances.

On any future disposal of New Shares and Additional New Shares, Eligible Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares and Additional New Shares. The cost base of those Shares is described above.

New Shares will be treated for the purposes of the CGT rules as having been acquired when the Eligible Shareholder exercised the Entitlement to subscribe for them. Additional New Shares will be treated for the purposes of the CGT rules as having been acquired when Key Petroleum issues or allots those Additional New Shares. In order to benefit from the CGT discount that may be available in respect of a disposal of those Shares, they must have been held for at least 12 months after those dates before the disposal occurs.

Sale of Rights

On 19 May 2009 the Australian Tax Office released Taxpayer Alert TA 2009/11. Prior to this release the market practice had been to treat the amount realised for the disposal of unexercised rights ("premium") as in effect consideration for the disposal of unexercised rights as a capital gain for shareholders that hold their underlying shares on capital account. This capital gain may qualify for discount capital gains tax treatment in the hands of shareholders who are individuals, trustees or complying superannuation entities if the underlying shares have been held for at least 12 months.

Other Australian taxes

No Australian Goods and Services Tax ("GST") or stamp duty is payable in respect of the grant or exercise of the Entitlements or the acquisition of New Shares and Additional New Shares.

6. Broker stamping fees

A stamping fee of 1% of Application Monies (exclusive of GST) on New Shares allotted will be paid to stockbrokers (being those entities named as full service (advisory) brokers or non-advisory brokers on the ASX website) who submit a valid claim for a broker stamping fee on successful applications, subject to a fee limit of $200 (exclusive of GST) for each such Application. This fee is to be paid by Key Petroleum, so you will not incur any fee in respect of your application for New Shares or Additional New Shares.

7. Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

8. Information availability

Eligible Shareholders can obtain a copy of this Information during the period of the Entitlement Offer on the Key Petroleum website at www.keypetroleum.com or by calling Key Petroleum on +61 8 9327 3500 at any time from 8.30am to 5.30pm (WST) Monday to Friday during the Entitlement Offer period. Persons who access the electronic version of this Information should ensure that they download and read the entire Information. The electronic version of this Information on the Key Petroleum website will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling Key Petroleum.

9. Future performance and forward looking statements

Neither Key Petroleum nor any other person warrants or guarantees the future performance of Key Petroleum, the New Shares, Additional New Shares or any return on any investment made pursuant to this Information or from participation in the Entitlement Offer. Forward looking statements, opinions and estimates provided in the Information are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Any forward looking statements including projections, guidance on future revenues, earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Key Petroleum and its board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Information.

10. Past performance

Investors should note that the past share performance of Key Petroleum and of Key Petroleum Shares provides no guidance as to future performance.

11. Risk Factors

11.1 Introduction

Subscribing for New Shares involves a number of risks. The risk factors outlined in this Section and elsewhere in this booklet should be carefully considered by investors. In addition, investors should appreciate that the value of Key Petroleum's Shares on ASX may rise or fall depending on a range of factors beyond the control of Key Petroleum. This is especially the case with companies undertaking petroleum exploration activities.

Any of the factors set out in this Section or any other factors identified in this booklet may materially affect the financial performance of Key Petroleum and the market price of Key Petroleum's Shares. To that extent the New Shares carry no guarantee with respect to the payment of dividends, return on capital or the price at which those New Shares will trade on ASX.

The Directors consider that an investment in Key Petroleum should be considered speculative due to:

(a) the recent volatility in publicly listed entities on world stock markets generally, and of petroleum exploration companies in particular; and

(b) the speculative nature of petroleum exploration and production activities.

While the Company plans to take prudent measures to safeguard from, or mitigate its exposure to these risks, many of the risks are outside of the Company's control.

There are a number of risk factors that investors should consider before deciding whether or not to invest in the Entitlement Offer. The following list is not exhaustive and potential investors should read this booklet in its entirety and, if they require further information on material risks, seek appropriate financial advice.

11.2 General Risk Factors

No Guarantee of Exploration Success or Profitable Development

Oil and gas exploration involves significant risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that oil and/or gas will be discovered or, even if they are, that commercial quantities of oil and/or gas can be recovered from the Company's exploration permit. No assurances can be given that if commercial reserves are discovered the Company will be able to realise such reserves as intended.

The Company May Be Unable To Obtain Environmental Approvals

The Company's operations are subject to the environmental risks inherent in the oil and gas industry. The Company is subject to environmental laws and regulations in connection with all its operations. Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent in its activities, such as accidental spills, leakages or other unforeseen circumstances that could subject the Company to extensive liability. Further, the Company may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities.

The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area. The Company believes that it is in material compliance with all applicable laws relating to the protection of the environment, including laws regulating the discharge of materials. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

Drilling and Operating Risks

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's operations may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with governmental requirements. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some petroleum, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Hazards incidental to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures, oceanographic conditions or other factors are inherent in drilling and operating wells and may be encountered by the Company.

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 of 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. Although the Company believes that it or the operator will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company's or the operator's insurance may not cover or be adequate to cover the consequences of such events. In addition, the Company may be subject to liability for pollution, blow-outs or other hazards against which the Company or the operator does not insure or against which it may elect not to insure because of high premium costs or other reasons. 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. Moreover, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates that it considers reasonable.

Adverse Movements in the Overall Share Market May Negatively Impact on Investment in Key Petroleum

The market price of the New Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in Key Petroleum.

Failure to Meet Payment Obligations May Result In Dilution or Forfeiture

Under the Company’s exploration permits and certain other contractual agreements to which the Company is or may in the future become party, the Company is or may become subject to payment and other obligations. In particular, the Concessionaires are required to expend the funds necessary to meet the minimum work commitments attaching to the Concessions. Failure to meet these work commitments will render the Concessions liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to the other parties, this could result in dilution or forfeiture of interests held by the Company. The Company may not have, or be able to obtain, financing for all such obligations as they arise.

The Company May Not Be Able To Exploit Successful Discoveries

It may not always be possible for the Company to participate in the exploitation of any successful discoveries which may be made in any areas 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.

Oil and Natural Gas Prices May Go Down

The demand for, and price of, oil and gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

Foreign Governments May Stop Exploration and Production Activities

Any material adverse changes in government policies or legislation of the various countries in which the Company operates affecting oil and gas exploration development and/or production activities may affect the viability and profitability of the Company.

War and Acts of Terrorism May Stop Exploration and Production Activities

The Company will have interests in projects in Italy, Tanzania and Suriname. There can be no assurance that the political and economic conditions in these and their neighbouring countries will continue as they are at the present time. Changes in political or economic conditions may have an adverse effect on the Company's business and the results of its operations in these countries.

The economic, legal and political conditions vary in the various countries in which the Company has its interest from those existing in Australia. Changes in those conditions could have both a positive and negative impact on the business in the relevant country.

While the Company will undertake all reasonable due diligence in assessing the risks associated with those countries, the economic, legal and political condition can change and are outside the control of the Company.

Joint Venture Parties and Contractors May Go Bankrupt

The Directors are unable to predict the risk of:

(a) financial failure or default by a participant in any joint venture to which the Company may become a party; or

(b) insolvency or other managerial failure by any of the contractors used by the Company in its exploration activities.

Access to Land May Be Stopped

Immediate access to the exploration permits in which the Company has an interest, cannot in all cases, be guaranteed. The Company may be required to seek the consent of landholders or other persons or groups with an interest in the real property encompassed by the exploration permits. Compensation may be required to be paid by the Company to landholders to allow the Company to carry out exploration and/or production activities. Although the Company has budgeted no compensation payments, there is no guarantee that additional amounts may not be required. Judicial decisions and legislation could also unforeseeably restrict land access.

Key Directors and Consultants May Leave the Company

The success of the Company will depend in part on the continued services of its directors and consultants. The loss of services of one or more of these persons could have a materially adverse effect on the Company’s business, operating results and financial condition.

The Company May Not Be Able to Raise Any Further Funds

The Company may need to raise debt and/or equity capital from time to time in relation to the funding of its projects and business activities. The availability of such capital is influenced by numerous factors including, but not limited to, economic, legal and political conditions and investors’ and financiers’ investment and credit policies. The inability to raise capital on favourable terms, or not at all, may have a negative impact on the Company’s project and business development strategies. No assurance can be given that future funding will be made available on acceptable terms (if at all).

Foreign Currency and Exchange Rate Fluctuations

Revenue and expenditure of the Company may be domiciled in currencies other than Australian dollars and as such expose the Company to foreign exchange movements, which may have a positive or negative influence on the Australian dollar equivalent of such revenue and expenditure.

The Company may invest in projects and businesses in countries outside of Australia in which case movements in the currency of the relevant country against the Australian dollar may increase or decrease the Australian dollar equivalent value of the investment.

The Company will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign exchange currency hedging, to assist manage these risks. However, the implementation of such measures may not eliminate all such risks and the measures themselves may expose the Company to related risks.

The Company May Not Be Able To Secure Insurance

The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy.

Industrial Disputes May Prevent Exploration and Production

The Company’s projects and businesses may be adversely impacted by industrial disputes by employees of the Company, its contractors, its contract counterparties and/or other third parties. The Company will endeavour to provide working conditions, including salaries, which are consistent with best industry practice for the country and/or region in which it conducts its project and businesses. The Company will also endeavour to ensure its contractors and contract counterparties also adopt such practices. However, the risk of industrial disputes and the potential negative impact on a project or business of the Company cannot be fully mitigated.

12. Governing law

This Information, the Entitlement Offer and the contracts formed on acceptance by Key Petroleum of the Entitlement and Acceptance Forms are governed by the laws applicable in Western Australia, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia.

13. Foreign jurisdictions

This Information has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

The New Shares being offered under this Information are also being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Information is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Information does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Information (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Information, you should observe such restrictions and should seek your own advice on such restrictions.

Any non-compliance with these restrictions may contravene applicable securities laws.

14. No Underwriting

The Entitlement Offer is not underwritten.

15. Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Information.

Any information or representation that is not in this Information may not be taken as having been authorised by Key Petroleum, or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Key Petroleum, or any other person, warrants or guarantees the future performance of Key Petroleum or any return on any investment made pursuant to this Information.