

KEY PETROLEUM LIMITED
ACN 120 580 618

NOTICE OF GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting

31 August 2010

Time of Meeting

10:00 am

Place of Meeting

Celtic Club

Presidents Room

48 Ord Street

WEST PERTH WA 6005

KEY PETROLEUM LIMITED

Notice of General Meeting 31 August 2010

Notice is hereby given that a General Meeting of Shareholders of Key Petroleum Limited ("**Company**") will be held at the Celtic Club, Presidents Room, 48 Ord Street, West Perth WA on 31 August 2010 at 10:00 am for the purpose of transacting the following Business.

ORDINARY BUSINESS

Resolution 1 – Ratification of Issue and Allotment of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, the Company approves and ratifies the issue and allotment of 19,501,887 fully paid ordinary shares issued on terms and conditions set out in the Explanatory Memorandum accompanying this Notice to persons who are not related parties of the Company."

Short Explanation: Approval is sought under Listing Rule 7.4 to allow the Company to ratify the issue and allotment of these securities. Please refer to the Explanatory Memorandum for details.

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of any such person.

However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Authority to Issue and Allot Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes the Company be authorised to issue and allot up to 8,200,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice to persons who are not related parties of the Company."

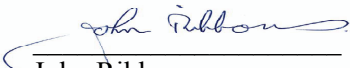
Short Explanation: Options are defined as equity securities under the Listing Rules of ASX Limited. Approval is sought under Listing Rule 7.1 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details.

Voting Exclusion Statement:

The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of any such person.

However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board


John Ribbons

Company Secretary

Date: 27 July 2010

KEY PETROLEUM LIMITED

Notice of General Meeting 31 August 2010

PROXIES

A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

A proxy may, but need not be, a shareholder of the Company.

The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under seal or under hand of an officer of his attorney duly authorised.

The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed) must be lodged by person, post, courier or facsimile and reach the Registered Office of the Company at least 48 hours prior to the meeting. For the convenience of Shareholders a Proxy Form is enclosed.

ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary Shares at 10:00 am Perth time on 29 August 2010 will be entitled to attend and vote at the General Meeting.

CORPORATIONS

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with, or presented to, the Company before the meeting.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the Shareholders of Key Petroleum Limited ACN 120 580 618 ("**Company**") in connection with the business to be conducted at the General Meeting of the Company to be held at The Celtic Club, Presidents Room, 48 Ord Street, West Perth WA on 31 August 2010 commencing at 10:00 am.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

The following information should be noted in respect of the various matters contained in the accompanying Notice of Meeting:

Resolution 1 - Ratification of Issue and Allotment of Shares

ASX Listing Rule 7.4 permits the ratification of previous issues of shares made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the Company without requiring shareholder approval.

Resolution 1 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify previous issues of Shares. The Company confirms that the issue and allotment of the Shares, the subject of Resolution 1 did not breach ASX Listing Rule 7.1.

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) 19,501,887 Shares were issued by the Company;
- (b) funds were raised in relation to the drilling of two new wells in the North Perth Basin and for general working capital purposes;
- (c) the issue price per Share was 5.3 cents;
- (d) the Shares were allotted to sophisticated and professional investors;
- (e) \$1,033,600 (before costs) was raised from the issue of Shares;
- (f) the Shares rank equally with the existing Shares; and
- (g) a voting exclusion statement is included in the Notice.

Recommendation

The Board unanimously recommends shareholders vote in favour of Resolution 1 as it will provide the Company with further flexibility should any share issue be considered desirable in the next 12 months.

Resolution 2 - Authority to Issue and Allot Options

Resolution 2 proposes the issue of 8,200,000 options to acquire shares in the capital of the Company.

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to shareholders for the purposes of Listing Rule 7.1 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) the maximum number of options to be issued pursuant to Resolution 2 is 8,200,000;
- (b) the exercise price of the options will be 7.5 cents;
- (c) the options will be issued for no consideration, and therefore no funds will be raised;
- (d) the options will be issued to sophisticated investors who are not related parties of the Company;
- (e) it is anticipated that the options will be issued no later than 3 months after the date of the Meeting, or such later date as approved by ASX by way of ASX granting a waiver from the Listing Rules;
- (f) the options will be issued in a single allotment;
- (g) the options will be issued on the terms and conditions as outlined in Annexure A; and
- (h) a voting exclusion statement is included in this Notice.

Capital Structure of the Company

The capital structure of the Company following successful completion of the issue and allotments of the Resolutions is summarised below:

Details of Number of Shares and Options:

	Shares	Options
Current	130,175,518	5,950,000
Placement – Resolution 1	19,501,887	-
Placement – Resolution 2	-	8,200,000
TOTAL	149,677,405	14,150,000

ANNEXURE A

TERMS AND CONDITIONS

7.5 CENT OPTIONS EXPIRING 30 NOVEMBER 2011

Each Option shall entitle the holder to apply for and be allotted one ordinary fully paid share in Key Petroleum Limited at an exercise price of 7.5 cents per share on the following terms and conditions:

1. Each Option shall be issued for no consideration.
2. Each Option entitles the holder to subscribe for one Share in Key Petroleum Limited ACN 120 580 618 ("**Company**") upon the payment of 7.5 cents per Share subscribed for.
3. The Options will lapse at 5:00 pm, Western Standard Time on 30 November 2011 ("**Expiry Date**").
4. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
5. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
6. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before books closing date to exercise the Options.
7. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
8. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
9. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
10. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
11. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

GLOSSARY

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the context otherwise requires:

ASX means ASX Ltd ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Ltd.

Board means the board of Directors of the Company.

Company means Key Petroleum Limited ACN 120 580 618.

Corporations Act means Corporations Act 2001.

Director means a director of the Company.

Explanatory Memorandum means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.

Listing Rules means the listing rules of ASX.

Notice or Notice of Meeting means the Notice of General Meeting accompanying this Explanatory Memorandum.

Resolution means a resolution contained in the Notice.

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

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KEY PETROLEUM LIMITED
ACN 120 580 618
PROXY FORM

The Company Secretary
Key Petroleum Limited
23 Altona Street
WEST PERTH WA 6005

Facsimile: 61 8 9389 2199

I/We (name of shareholder)
of (address)
being a member/members of Key Petroleum Limited HEREBY APPOINT
(name)
of (address)
and/or failing him (name)
of (address)

or failing that person then the Chairperson of the meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held on 31 August 2010 and at any adjournment of the meeting.

PROXY INSTRUCTIONS

If you wish to instruct your proxy how to vote, insert "X" in the appropriate column against the item of business set out below.

If you do not wish to direct your proxy how to vote please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of that interest. The Chairman has advised that his intention is to vote in favour of the resolutions.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.



Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below:

I/We direct my/our Proxy to vote in the following manner:

RESOLUTION	FOR	AGAINST	ABSTAIN
1 Ratification of Issue and Allotment of Shares	☐	☐	☐
2 Authority to Issue and Allot Options	☐	☐	☐

This Proxy is appointed to represent _____ % of my voting right, or if 2 proxies are appointed Proxy 1 represents _____ % and Proxy 2 represents _____ % of my total votes. My total voting right is _____ Shares.

SIGNATURE OF SECURITY HOLDERS – PLEASE SIGN HERE

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Sole Director & Sole Company
Secretary

Director / Company Secretary

Director

Dated this _____ Day of _____ 2010

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint Shareholders, this proxy must be signed by each of the joint Shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint **proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this General Meeting that is by 10:00 am on 29 August 2010** by post or facsimile to the respective addresses stipulated in this proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is the Chairperson, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.

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