KEY PETROLEUM LIMITED
ACN 120 580 618

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

AND

PROXY FORM

Date of Meeting
22 November 2010

Time of Meeting
10:00 am

Place of Meeting
Theatrette Level 2
QV1 Building
250 St Georges Terrace
PERTH WA 6000

The 2010 Annual Report may be viewed on the Company's website at

www.keypetroleum.com

Notice is hereby given that the Annual General Meeting of Shareholders of Key Petroleum Limited ("**Company**") will be held at the Theatrette Level 2, QV1 Building, 250 St Georges Terrace, Perth WA on 22 November 2010 at 10:00 am for the purpose of transacting the following Business.

ORDINARY BUSINESS

2010 Financial Statements

To receive the financial statements of the Company for the year ended 30 June 2010, consisting of the Annual Financial Report, the Directors' Report and the Auditor's Report.

Resolution 1 – Re-election of Dennis Wilkins as a Director

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

> "*That Dennis Wilkins having retired as a director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for re-election be re-elected a director of the Company.*"

Pursuant to the Company's Constitution, one-third of the directors of the Company (other than the managing director) must retire at each Annual General Meeting and being eligible may offer themselves for re-election.

Resolution 2 – Election of John Sheppard as a Director

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

> "*That John Sheppard having been appointed a director since the previous General Meeting retires as a director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for election, be elected a director of the Company.*"

Pursuant to the Company's Constitution, directors appointed to fill a casual vacancy must retire at the next meeting of members and, being eligible, may offer themselves for election.

Resolution 3 – Remuneration Report

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

> "*That the Remuneration Report forming part of the Company's 2010 Annual Report be adopted.*"

Section 250R of the Corporations Act requires a listed company to put to shareholders at each annual general meeting a resolution adopting the report on the remuneration of the company's directors, executives and senior managers included in the company's annual report. The above resolution is being proposed to comply with this requirement. The vote on this resolution is advisory and does not bind the company's directors.

A reasonable opportunity will be provided for discussion of the remuneration report at the annual general meeting.

Resolution 4 – Adoption of Option Incentive Plan

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

> "*That, pursuant to and in accordance with Listing Rule 7.2 Exception 9 and for all other purposes, the Company approves the issue of securities under the employee and contractors incentive option scheme known as "Employee Share Option Plan of Key Petroleum Limited", the rules of which are annexed as Annexure A to the Explanatory Memorandum accompanying this Notice of Annual General Meeting, as an exception to Listing Rule 7.1.*"

Short Explanation: Shareholders have previously approved the Option Plan at the General Meeting held on 28 December 2006. The Directors have proposed the continued adoption of the Incentive Plan to facilitate the issue of options to employees and contractors to reward effort and provide incentive. Please refer to the Explanatory Memorandum for details. Please note that any issue of options to Directors will require separate approval by Shareholders at a general meeting.

Voting Exclusion Statement

The Company will in accordance with the Listing Rules of the ASX, disregard any votes cast on Resolution 4 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company). 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.

A Proxy Form is attached.

To be valid, properly completed proxy forms must be received by the Company's Share Registry:

- By post at:

  GPO Box 242, Melbourne VIC 3001
- By facsimile within Australia: 1800 783 447
- By facsimile outside Australia: +61 3 9938 4434

By no later than 10:00am (WST) on 20 November 2010.

By order of the Board

John Ribbons

John Ribbons
Company Secretary
Date: 20 October 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 appointer or his attorney duly authorised in writing or, if such appointer is a corporation, either under seal or under hand of an officer 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 5:00 pm Perth time on 20 November 2010 will be entitled to attend and vote at the Annual 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 (**Company**) in connection with the business to be conducted at the Annual General Meeting of the Company to be held at the Theatrette Level 2, QV1 Building, 250 St Georges Terrace, Perth WA, on 22 November 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.

At the Annual General Meeting, Shareholders will be asked to consider resolutions:

- Re-electing Mr Dennis Wilkins as a director who retires by rotation in accordance with the Company's constitution;
- Elect Mr John Sheppard as a director who has been appointed since the last General Meeting;
- Adopting the remuneration report, this resolution is advisory only; and
- Adoption of Option Incentive Plan.

Each of the resolutions in an ordinary resolution requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

Financial and Other Reports

As required by section 317 of the Corporations Act, the financial statements for the year ended 30 June 2010 and the accompanying Directors Report, Directors' Declaration and Auditor's Report will be laid before the meeting.

Neither the Corporations Act, nor the Company's Constitution requires a vote on the reports. However, the shareholders will have an opportunity to ask questions about the report at the annual general meeting.

Resolution 1 - Re-election of Dennis Wilkins as a Director

Resolution 1 deals with the re-election of Mr Dennis Wilkins who was appointed a non-executive director on 5 July 2006 and retires as required by the Company's Constitution and the Listing Rules and, being eligible, has offered himself for re-election.

Mr Wilkins is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DWCorporate Pty Ltd which provides advisory, funding and administrative management services to the resource sector.

All the Directors except for Mr Wilkins recommend that shareholders vote in favour of Resolution 1.

Resolution 2 - Election of John Sheppard as a Director

Resolution 2 deals with the election of Mr John Sheppard who was appointed a non-executive director on 31 August 2010 and as required by the Company's Constitution and the Listing Rules of ASX Limited must be elected at the next General Meeting.

Mr Sheppard is a senior executive with oil and gas, finance and business development skills. He has extensive experience in corporate governance, strategic planning, business development, mergers and acquisitions, capital development and project financing nationally and internationally in the resources and finance areas built up over 42 years. He has managed final investment decision process for a Philippines petroleum project, established an oil and gas division for a private company in Australia and America.

All the Directors except for Mr Sheppard recommend that shareholders vote in favour of Resolution 1.

Resolution 3 - Remuneration Report

As required by the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about Board policy for determining the nature and amount of remuneration of the Company's Directors and senior executives; and
- remuneration details for each Director and for each of the Company's specified executives.

The Remuneration Report forms part of the 2010 Annual Report. Copies of the 2010 Annual Report are available by contacting the Company or visiting the Company's web site www.keypetroleum.com.

Resolution 4 - Adoption of Option Incentive Plan

The Directors considered that it was desirable to establish an option plan under which employees may be offered the opportunity to subscribe for options to acquire Shares in the Company in order to increase the range of potential incentives available to them and to strengthen the links between the Company and its employees and contractors. Accordingly, the Company adopted the Employee Share Option Plan of Key Petroleum Limited (**Option Plan**) on 28 December 2006.

The objective of the Option Plan is to attract, motivate and retain key employees and contractors of the Company. Shareholder approval is required if any issue of employee and contractor options pursuant to the Option Plan is to fall within an exception to the 15% limit, imposed by Listing Rule 7.1, on the number of securities which may be issued without Shareholder approval. Accordingly, Shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 9(b), which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by Shareholders within three years of the date of issue. Please note that further prior Shareholder approval will be required before any Directors or related parties of the Company can participate in the Option Incentive Plan.

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 Annual 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.

ANNEXURE A

PLAN RULES OF THE EMPLOYEE SHARE
OPTION PLAN OF
KEY PETROLEUM LIMITED ACN 120 580 618

DEFINITIONS AND INTERPRETATION

1.1 In the construction of these Rules, unless the contrary intention appears:

"Associate" has the meaning given it in Rule 6.3;

"the ASX" means Australian Stock Exchange Limited ACN 008 624 691;

"at any time" means at any time and from time to time;

"the Company" means Key Petroleum Limited ACN120 580 618;

"Directors" means the directors of the Company in office for the time being;

"Eligible Person" means a person meeting the requirements of Rule 4.2;

"exercise price" means the sum of money required to be paid to exercise an Option;

"Listing Rules" means the Listing Rules of the ASX, each as amended from time to time, except to the extent of any express written waiver by the ASX in respect of the Company;

"Market Price of a Share" on a particular day means the weighted average market price per Share (weighted by reference to volume) during the five consecutive trading days on the ASX ending on the day before the particular date;

"Option" means an option to subscribe for and be allotted a Share, where that option has been issued under the Plan;

"Option Holder" means the person in whose name an Option Certificate is issued. *Note: an employee may have nominated an Associate (e.g. spouse or family company) to be granted the Options. In that event the "Option Holder" is the Associate, not the employee.*

"person" includes an individual, corporation, trust, partnership or other entity;

"Plan" means the Employees Share Option Plan of the Company;

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

"Rules" means these Rules as amended from time to time;

"the Secretary" means the company secretary for the time being of the Company;

"the Tax Act" means whichever of the following is applicable at the relevant time in the context of this Plan:

(a) the Income Tax Assessment Act 1936 (Cwlth);

(b) the Income Tax Assessment Act 1997 (Cwlth).

1.2 Italicised notes and italicised examples set out beneath particular Rules are not part of these Rules. Accordingly:

(a) such notes or examples may at any time be added to, varied or deleted from these Rules by the Directors; and

(b) the Rules may be published at any time with or without any one or more of those notes and examples, and either uniformly or on a selective basis.

1.3 In the construction of these Rules:

(a) singular includes plural, and vice versa, and words importing any gender include each other gender;

(b) except for the definitions in Rule 1.1, any expression in these Rules which deals with a matter dealt with by a Listing Rule, has the same meaning as in that Listing Rule;

(c) all references to statutory provisions includes any regulation made under that legislation and are construed as references to any statutory modification or re-enactment (whether before, on or after the commencement of this Plan) for the time being in force.

NAME OF THE PLAN

The Plan is to be known as:

(a) "the Employees Share Option Plan of Key Petroleum Limited"; or

(b) such other name as the Directors may at any time determine.

COMMENCEMENT OF THE PLAN

The Plan commences on the day that approval for introduction of the Plan is first given by the Members of the Company in general meeting.

ELIGIBLE PERSONS

4.1 Only Eligible Persons (and their Associates) may be invited to participate in the Plan.

4.2 Each of the following is an Eligible Person:

(a) a full-time employee of the Company;

(b) a permanent part-time employee of the Company;

(c) a person who is a director, alternate director or company secretary of the Company.

INVITATION TO PARTICIPATE

5.1 The Directors may at any time issue invitations to participate in the Plan and grant Options in accordance with the Plan.

5.2 The Directors have an absolute discretion:

(a) as to which Eligible Persons (determined in accordance with Rule 4.2) will be invited to participate in the Plan; and

(b) as to the number of Options offered to each such Eligible Person.

5.3 In exercising their discretion under these Rules in relation to any matter (including under Rule 5.2 and the terms of issue of any Option), the Directors may take into account any matter they consider relevant. This

(a) the position they hold, or role they play, in the Company;

(b) the nature or terms of their employment or other contractual arrangements;

(c) the contribution they make to the Company in its business;

5.4 Each invitation to an Eligible Person to participate in the Plan must be in writing, signed by the Secretary or any Director, and shall:

(a) specify the time within which the invitation may be accepted;

(b) specify the number of Options being offered;

(c) contain such other matters as the Directors at any time determine.

5.5 An acceptance of such an invitation is effective only if:

(a) it is in such form as the Directors determine or in particular circumstances are prepared to accept; and

(b) it is received by the Secretary within the period stipulated for acceptance; and

(c) it is completed and accompanied by such documents as the Directors may at any time determine.

5.6 The acceptance of an invitation does not create a binding contract to grant Options. After acceptance the Directors may in their absolute discretion determine:

(a) not to grant the Options identified in the invitation; or

(b) grant Options which differ in number or their terms from that identified in the invitation.

5.7 If there is any inconsistency between the terms of an Option incorporated into its Option Letter and either the terms of the invitation or these Rules, the terms of the Option Letter prevail.

ASSOCIATE ACCEPTING INVITATION

6.1 An Eligible Person to whom an invitation to participate in the Plan has been issued may, in accepting such invitation, nominate a person who is an Associate of the Eligible Person to be the grantee of the Options offered.

6.2 If the Directors are satisfied, based on statements made or information supplied by the Eligible Person, that the person nominated is in fact an Associate of the Eligible Person, the Directors may accept that nomination and the Associate will become the Option Holder.

6.3 The expression "Associate" in relation to an Eligible Person has the same meaning as it has in section 139GE of the Tax Act.

Note: "Associate" is defined in wide terms. It includes:

(a) a "relative" of the Eligible Person (e.g. parent, uncle, aunt, brother, sister, child, nephew, niece, or the spouse of any of these);

(b) a company where the Eligible Person holds (whether directly or indirectly) at least one share in the company;

(c) a trustee of a trust where the Eligible Person is capable of benefiting under the trust (whether directly or indirectly).

LIMIT TO SIZE OF PLAN

7.1 At any particular point of time the total of:

(a) the number of Shares the subject of Options which are both unexercised and unexpired; and

(b) the number of Shares issued as a result of the exercise of Options,

must not exceed 5% of the number of Shares on issue at that time.

OPTIONS GRANTED FREE

8.1 No consideration is payable by any person in respect of the grant by the Company of an Option under the Plan.

Note: While the Option is free, there may be tax payable by the Eligible Person in respect of the value, attributed by the Tax Act, of that free Option.

REGISTER OF OPTION HOLDERS

9.1 The required information in relation to all Options must be entered in the Register of Option Holders maintained by the Company under sections 168 and 170 of the Corporations Act.

EXERCISE PRICE

10.1 At the time of grant of an Option, the Directors will specify the exercise price of the Option.

10.2 Without limiting the ways in which the exercise price may be specified, it may include:

(a) a fixed amount;

(b) the Market Price of a Share on the date the invitation is made under Rule 5.4;

(c) the Market Price of a Share on the date the Option is granted;

(d) the Market Price of a Share on a specified date which is after the date the Option is granted;

(e) a percentage above the amount in (b), (c) or (d).

PERFORMANCE HURDLES AND EXERCISE PERIODS

11.1 At the time of grant of an Option, the Directors will specify:

(a) the days on which, or periods during which, the Option is exercisable; and

(b) the performance hurdles, if any, that must be satisfied before the Option is exercisable; and

(c) any other requirements that must be satisfied before the Option is exercisable.

11.2 Without limiting the ways in which matters in (b) and (c) of the preceding Rule are specified, the Directors may specify that:

(a) an Option is exercisable in a specified period if, at any time in another specified period, the Market Price of a Share has exceeded a specified figure;

(b) an Option is exercisable in a specified period if specified criteria are met or specified events have occurred by a specified time;

(c) an Option is not exercisable while the Eligible Person is in breach of the terms of the service agreement or other arrangements (whether directly with the Company or not) by which the Eligible Person remains an Eligible Person.

MANNER OF EXERCISE OF OPTIONS

12.1 An Option may only be exercised if it has not yet lapsed, has not been cancelled, and the performance hurdles and other requirements in the Option Certificate have been satisfied.

12.2 An Option is exercised if there are received at the registered office of the Company in Perth (or at such other place as is authorised by the Directors) the following:

(a) a Notice of Exercise of Option duly completed and executed by the Option Holder, such Notice being either in the form of that in the Schedule to these Rules or in the form of that in the Option Certificate or in other usual or common form; and

(b) payment of the exercise price in respect of each Option being exercised.

12.3 The minimum number of Options that may be exercised at any time is 10% of all those Options held by the Option Holder at that time which have the same exercise price and the same performance hurdles.

12.4 Whenever the Option Holder duly exercises Options but there remains after such exercise one or more unexercised Options the subject of the Option Certificate, the Company shall issue an Option Statement for the number or remaining Options.

SHARES ARISING ON EXERCISE

13.1 Each Share allotted as a result of the exercise of an Option will rank pari passu with all other Shares which comprise the main class of Shares quoted on the ASX and may not be sold within 12 months of their allotment and issue if such sale would contravene section 707 of the Corporations Act.

13.2 Following allotment of a Share as a result of the exercise of an Option, the Company will make application, within the period specified in the Listing Rules, for the new Share to be quoted on the ASX.

OPTIONS NOT TRANSFERABLE

14.1 The Options will not be listed or quoted on any stock exchange.

14.2 An Option is personal to the Option holder and the Option holder may not sell, transfer or otherwise dispose of, or make a declaration of trust in respect of, it except to an Associate of that Option Holder.

LAPSING

15.1 Each Option will lapse on the earliest to occur of:

(a) the end of the date, if any, specified in the Option Certificate as the date on which the Option expires or lapses;

(b) if when the Option was granted the Option Holder was an Eligible Person, the date, which is three calendar months following, on which the Option Holder ceases to be an Eligible Person, regardless of the reasons or causes for the Option Holder ceasing to be an Eligible Person;

(c) if when the Option was granted the Option Holder was an Associate of an Eligible Person, the earlier to occur of:

(i) the date, which is three calendar months following, on which the Eligible Person ceases to be an Eligible Person, regardless of the reasons or causes for them ceasing to be an Eligible Person;

(ii) the date, which is three calendar months following, on which the Option Holder ceases to be an Associate of the Eligible Person.

PARTICIPATION IN DIVIDENDS AND NEW ISSUES

16.1 Each Option does not give any right to participate in dividends declared or paid on existing Shares. However, a Share allotted pursuant to the exercise of the Option is entitled to participate in those dividends where the record date for the dividend is after the date the Share is allotted.

16.2 An Option Holder cannot, in that capacity, participate in new issues of securities of the Company without exercising the Option. However:

(a) under Rule 17 there may be an adjustment to the number of Shares over which the Option may be exercised; and

(b) under Rule 18 there may be a reduction in the exercise price of the Option.

BONUS ISSUES

17.1 If at any time after the date an Option is granted and before it is exercised there is a bonus issue to the holders of Shares, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue. The effect will be that the Option Holder will be entitled, upon exercise of each Option, and without any change to the exercise price, to receive additional Shares equal to the number of bonus shares that would have been issued as if the Option had been exercised on the day prior to the record date of the bonus share issue.

RIGHTS ISSUES

18.1 If at any time after the date an Option is granted and before it is exercised there is a pro rata issue (other than a bonus issue) to the holders of Shares, the exercise price of each unexercised Option will be reduced according to the following formula:

- the new exercise price of the Option is equal to the old exercise price of the Option less a value attributed to the right as calculated in accordance with a formula;

- that formula (for valuing the right) is:

$$\frac{E[P - (S + D)]}{N + 1}$$

where:

"E" = the number of Shares into which one Option is exercisable;

Note: E is one, unless the number has changed because of a bonus issue.

"P" = the average market price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date (calculated in accordance with Listing Rule 6.2.2.2);

"S" = the subscription price for a security under the pro rata issue;

"D" = the dividend due but not yet paid on existing Shares (except those to be issued under the pro rata issue);

"N" = the number of Shares with rights or entitlements that must be held to receive a right to one new security.

NOTIFICATION OF BONUS AND RIGHTS ISSUES

19.1 The Company will notify each Option Holder and the ASX, within one month after the record date of a bonus issue or other pro rata issue, of the adjustment to the number of Shares over which each Option exists and of any adjustment to the exercise price.

REORGANISATION OF SHARE CAPITAL

20.1 The rights of an Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to any reorganisation of the capital of the Company (at any time after the Options are granted) at the time of the reorganisation.

LISTING ON THE ASX

21.1 If any of the following events occurs:

(a) a trading halt, suspension of quotation of Shares on the ASX, reinstatement of such quotation, or ending of such quotation; or

(b) the removal of the Company from the official list of the ASX,

then:

(i) any unexercised Options do not, by reason of that event alone, lapse; and

(ii) the terms of each Option Certificate remain unaltered in their application (with no extension of time being granted) even though this may mean that either the Company or the Option Holder is thereby prevented from satisfying, effecting or complying with a provision of the Option Certificate; and

(iii) the Option Holder has no claim for damages against the Company, regardless of the reason or cause of such event occurring.

TAKEOVERS

22.1 The Directors, when granting an Option, may in their absolute discretion determine that the terms of the following 4 Rules in relation to takeovers, or a modified form of them as the Directors determine, are included in the Option Certificate as terms on which the Options are granted.

22.2 If a takeover bid is made for the Shares then, at any time during the Takeover Period:

(a) the Company may give the Option Holder not less than 7 days written notice of the intention of the Company to cancel one or more of the Options;

(b) the Company may, at any time after expiry of that notice and during the Takeover Period, cancel the number of Options in respect of which it gave notice under paragraph (a) by giving the Option Holder a written notice to that effect.

22.3 If the value of the maximum consideration offered by the bidder for each Share under the takeover bid exceeds the exercise price of an Option so cancelled, the Company must pay to the Option Holder an amount equal to that excess. Such payment must be made by the Company by no later than the end of the Takeover Period. If there is no such excess, no payment by the Company is required.

22.4 If a takeover bid is made for the Shares then, at any time during the Takeover Period, the Option Holder may exercise each Option (which has not yet been cancelled under Rule 22.2(b)) at the exercise price, despite the fact that either it is then outside an exercise period specified in the Option Certificate or a performance hurdle specified in the Option Certificate has not yet been satisfied.

22.5 For the purposes of the 4 preceding Rules:

(a) "the Takeover Period" is from the start of the offer period until one month after the end of the offer period;

(b) any expression used in those Rules which is given a particular meaning in the context of Chapter 6 (takeovers) of the Corporations Act has the same meaning in those 3 Clauses.

EMPLOYEE BOUND BY RULES AND CONSTITUTION

23.1 Each Eligible Person or Associate who accepts an invitation to take up Options under the Plan, and each Option Holder, is bound by these Rules.

23.2 Each Option Holder who exercises an Option and is allotted a Share is bound by these Rules and by the Constitution of the Company in the same way as any other holder of Shares.

PLAN NOT PART OF OTHER ARRANGEMENTS

24.1 The Plan, its Rules and the terms of an Option Statement:

(a) do not form part of any contract of employment between an employee and the Company;

(b) do not form part of any contractual arrangements which may give rise to a person being an Eligible Person; and

(c) do not confer, directly or indirectly, on any person any legal or equitable right whatsoever (other than rights as holders of any Shares issued pursuant to exercise of Options under the Plan) against the Company.

PLAN FORMS

25.1 The Directors may at any time require an Eligible Person or Associate to whom Options are to be granted, or an Option Holder, to complete and return to the Secretary such documents as the Directors consider should, for legal or taxation purposes, be completed by that person.

POWERS OF THE DIRECTORS

26.1 The Plan will be administered by the Directors who have power at any time to:

(a) determine appropriate procedures for administration of the Plan consistent with the provisions of these Rules;

(b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;

(c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of any of their powers or discretions arising under the Plan; and

(d) subject to any restrictions imposed by the Corporations Act or the Listing Rules, add to, delete or otherwise vary these Rules.

COMMENCEMENT AND TERMINATION OF THE PLAN

27.1 The Plan may at any time be terminated by resolution of the Directors.

GENERAL

28.1 The Plan is governed by and construed in accordance with law for the time being in the State of Western Australia.

Petroleum Ltd

ABN 50 120 580 618

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9938 4434

For intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 267 463
(outside Australia) +61 3 9415 4000

000001 000 KEY
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 10:00am (WST) Saturday 20 November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →

View the Annual Report:	Update your securityholding, 24 hours a day, 7 days a week:
www.keypetroleum.com	**www.investorcentre.com**
	Your secure access information is:
	SRN/HIN: I9999999999
	PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Key Petroleum Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Key Petroleum Limited to be held at the Theatrette Level 2, QV1 Building, 250 St Georges Terrace, Perth, WA 6000 on Monday, 22 November 2010 at 10:00am (WST) at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Re-election of Dennis Wilkins as a Director	☐	☐	☐
Resolution 2	Election of John Sheppard as a Director	☐	☐	☐
Resolution 3	Remuneration Report	☐	☐	☐
Resolution 4	Adoption of Option Incentive Plan	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

Contact Name ____________________ **Contact Daytime Telephone** ____________________ **Date** ___/___/___

KEY 999999A

Computershare