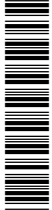


11 August 2011



000001 000 KEY  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

163 Stirling Highway  
Nedlands  
Western Australia 6009  
Tel: +61 8 9389 3200  
Fax: +61 8 9389 3299  
email: [info@keypetroleum.com](mailto:info@keypetroleum.com)  
[www.keypetroleum.com](http://www.keypetroleum.com)

Dear Shareholder,

## Response to minority shareholders' comments - Acquisition of Zeta Petroleum Limited

We have received a copy of the undated and unsigned letter which we believe has been sent recently to all Key shareholders following the release of the Notice of Meeting and Explanatory Statement on 28 July 2011 (**Notice**) in relation to the proposed acquisition by Key Petroleum Limited (**Key**) of Zeta Petroleum Limited (**Acquisition**).

The Key board of directors (**Board**) wish to inform shareholders of our response to this letter and attach for your information:

- (a) a copy of the letter circulated to Key shareholders by a minority shareholder titled "Save Key Petroleum – Vote Against the Acquisition [*sic*] of Zeta Petroleum", the author of which we understand is Mark Giannarelli, who is associated with minority shareholder Minsk Pty Ltd (**Minority Shareholder Letter**); and
- (b) a copy of our response to the Minority Shareholder Letter (**Key Response**).

The Board also makes the following comments on the matters raised in the Minority Shareholder Letter:

- (a) The Board and its advisors have been in contact with a wide group of Key's shareholders (the majority of whom are top 30 shareholders) to discuss the Acquisition and its benefits to Key shareholders. The response from a majority of these shareholders has been supportive. As a result, we consider it very unlikely that the Minority Shareholder Letter has been written on behalf of a large group of major Key shareholders as stated by the author of the Minority Shareholder Letter.
- (b) The overall tenor of the Minority Shareholder Letter does little credit to the author; there was a lack of verifiable information, numerous spelling mistakes and sweeping generalised statements which were obviously designed to reflect poorly on the Board and induce a negative response to the Acquisition from Key shareholders but, despite such strident negativity, no alternative proposals to the challenges currently facing Key were outlined other than to cut back on costs.
- (c) The dilutive effect of the Key shareholding is a necessary and not an unusual outcome of any company seeking to expand its asset portfolio and create shareholder value. The alternative is to provide a large outlay of cash for the acquisition of quality assets, which Key does not presently have.
- (d) Following the Acquisition, the proposed new board of directors of Key will hold a significant percentage of shares in Key which indicates a commitment by the proposed board to grow Key's asset portfolio and provide increased shareholder value. In addition, the proposed board and senior executives of Zeta will bring over 147 years of oil and gas experience to Key.

- (e) Negotiations with Cooper Energy Limited (COE) to convert the existing Subscription Agreement into a farmin agreement are continuing and are expected to be completed shortly. Completion of the Acquisition is subject to the COE farmin agreement being entered into on terms satisfactory to Key, which includes the provision of funding towards the drilling of wells and facilities to earn an interest directly in the Bobocu Concession of no more than 50%. Farming out interests in 100% owned oil and gas assets is an industry wide accepted practice of reducing risks and preserving cash.
- (f) Given the fact that Key does not have (nor has it had in recent times) the funds to commit to drilling a well in the UK, the proposal in the Minority Shareholder Letter to cut back costs and use Key's current cash reserves to drill and increase production in the UK shows a failure to appreciate the substantial funding requirements in the oil and gas industry. At least ~\$4 million is required to drill a well in the UK so Key shareholders would need to wait at least 2 years for Key to accumulate enough surplus cash to drill the UK well (and also assuming that there is no decline in production which is currently providing \$500,000 a quarter in revenue to Key). Further, it is unlikely that any action to replace the current Board would result in reducing costs as experienced oil and gas executives will be seeking remuneration levels equivalent to market rates.

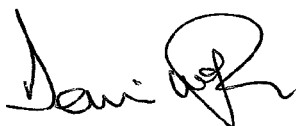
Shareholders are encouraged to review the Notice and in particular the advantages of the Acquisition in section 1.10 of the Notice, some of which include:

- (a) The Bobocu gas field development project has substantial value upside from the deregulation of the Romanian gas price over the next few years (as required by the European Union).
- (b) Romania offers an attractive and stable investment environment: Romania has a long history of consistent oil and gas production from multiple locations, and offers investors a stable fiscal regime with attractive fiscal terms via a royalty and tax regime.
- (c) The Company will acquire 100% of Zeta and its petroleum interests under the Share Purchase Agreement by the issue of the Completion Shares (subject to the Conditions Precedent) and has not had to undertake significant capital raising costs or commit to loan finance that would include ongoing interest and regular repayments.
- (d) The Company's existing asset portfolio and UK production complements Zeta's existing asset portfolio in Romania.
- (e) The major shareholders in Zeta representing over 80% of Zeta's issued capital are entering into voluntary lock-in arrangements for 6 to 12 months after Completion which highlights their long term commitment to growing the Company and promotes an orderly market of the Company's shares post transaction.
- (f) The transaction has been agreed on the basis that the Company will issue consideration shares to Zeta's shareholders at a price of 4.0 cents per share which is a premium to the closing price of 1.5 cents on 8 August 2011.

The Board wishes to reiterate that for the last 12 months it has been actively seeking potential acquisitions to create shareholder value for all Key shareholders. The proposal put forward to acquire Zeta Petroleum Limited remains the most favourable in the Board's view and provides the most potential to deliver shareholder value for Key shareholders. For that reason, the Board unanimously recommends that Key shareholders vote in favour of the Acquisition at the General Meeting on 29 August 2011.

Key shareholders are encouraged to contact the Board directly to discuss any queries they may have in relation to the Acquisition.

Yours faithfully



**Dennis Wilkins**  
Chairman

## SAVE KEY PETROLEUM – VOTE AGAINST THE ACQUISITION OF ZETA PETROLEUM

Dear Shareholders,

This week you will receive a proxy form in the mail sent to you by Board of Key Petroleum LTD, asking you to vote on the proposed acquisition of Zeta Petroleum Limited. On behalf of a large group of major Key Petroleum shareholders, we are asking shareholders to reject the acquisition and vote AGAINST. Our rationale for this is outlined below.

The past three years for Key Petroleum has yielded poor returns for shareholders with the share price dropping from a peak of 46c in June 2008 to 2c in early August 2011. Incompetent management decisions have resulted in the following:

- Purchase and over payment for “b” grade assets that have consumed valuable cash flow (Perth);
- Liquidation of significant holdings in high prospect projects for less than fair value (Tanzania);
- Dilution of shareholder value through via a capital raising that was meant to be allocated to drill and increase oil production but wasn't (UK);
- High rate of cash burn through high unjustified corporate salaries (Ken Russell \$350K per annum).

Clearly this Board is neither interested nor capable of adding value to KEY as the above mentioned examples highlight their miserable record as over paid executives. The Board has now decided that Key Petroleum's fate is better served in the hands of a privately listed UK based company, Zeta Petroleum. It is interesting to note that although KEY has announced that it is acquiring Zeta Petroleum, KEY will only hold one of the four board positions in the new look company. Given the track record of the current board, many KEY shareholders might be thinking that perhaps the Zeta Petroleum deal might be the white knight that the company needs to take the company into a new direction. Unfortunately this isn't the case. In fact, if this deal is allowed to happen then KEY would be in worse shape than it currently is. The Zeta Petroleum deal is non-commercial and will have the following effect on your shares:

- KEY's issued shares currently are 216 million. After the acquisition they will have 993 million;
- Company has stated a further capital raising of \$10 million is required. At the current share price of 2c this will add an additional 500 million shares;
- Zeta Petroleum's core asset is Bobocu, however Cooper Energy (COE) will own a minimum of 50% (potentially more) of this asset which will heavily dilute future potential earnings for KEY;
- Currently the largest shareholder in KEY owns 6% of the company, after the Zeta deal the major shareholder will own 33% of the company. Your vote will definitely not count then!

The list of assets in the Zeta Petroleum stable is far from impressive and one has to wonder the real reason why the KEY board is trying to give KEY away. The agreement with Copper Energy is still not yet set in stone, so it is anyone's guess as to what percentage of Bobocu they will really own.

So where to from here I hear you ask? The number one priority is to stop this deal from being approved. Following this we will then look at replacing the Board, cutting back on costs, assessing our current portfolio of assets, and using the cash on hand (as well as the \$500k per quarter) to drill and increase production in the UK. This company is not broken and still has a pulse, unlike the current Board, and is worth saving. It is long overdue for Key Petroleum shareholders to analyse and evaluate the inept performance of the Board, and to say enough is enough! Make no mistake, this is the last role of the dice, and if this acquisition of Zeta Petroleum receives shareholder approval, then we can all kiss our hard earned cash that we have poured into Key Petroleum good bye.

**You do have a voice and your vote counts, so make it a NO!**

**Please refer to the attached proxy form as to how to correctly complete, and mail ASAP to:**

**PO BOX 365,**

**Moonee Ponds, VIC 3039 or fax: 03 8080 0745**

**If you have already mailed your proxy form, please send an email to [savekeypetroleum@hotmail.com](mailto:savekeypetroleum@hotmail.com) with your name and number of shares that you hold, so we can track and count your No vote as well.**

Regards

Save Key Petroleum shareholders

# Key Petroleum Ltd

ACN 120 580 618

11 August 2011

163 Stirling Highway  
Nedlands  
Western Australia 6009  
Tel: +61 8 9389 3200  
Fax: +61 8 9389 3299  
e-mail: [info@keypetroleum.com](mailto:info@keypetroleum.com)  
[www.keypetroleum.com](http://www.keypetroleum.com)

To the author of the letter “Save Key Petroleum – Vote Against The Acquisition [*sic*] of Zeta Petroleum”

I find it interesting you expect shareholders to accept your advice yet you cannot take the time to ensure that your letter to Key shareholders has the title spelled correctly.

For some time now, whilst hiding behind a pseudonym, you have been publicly denigrating Key Petroleum Limited (**Key**), its board of directors (**Board**) and its management and now with a “Save Key Petroleum” campaign aimed at stopping the proposed acquisition of Zeta Petroleum Limited without a valid alternative proposal for creating shareholder value for Key shareholders.

This continual denigration has been undertaken without any calls to either the Board or management to discuss your grievances or to put forward constructive ideas as to how the Company could grow in these turbulent times.

We, at Key, continue to strive to implement what we think will result in the best outcome for Key shareholders as a whole. We have, from time to time, previously requested groups of shareholders (some of whom you may be associated with) to present alternative proposals on numerous occasions. None have been forthcoming. If you have an alternative proposal for the benefit of Key shareholders as a whole then do please call me. My contact number is (08) 9389 2111 or, alternatively, you can contact the Key office, details of which are stated above in the letterhead.

Having reviewed many potential transactions for Key over the previous 12 months, we have settled on the Zeta transaction as the one most likely to return shareholder value over time. The process of reviewing proposals requires the use of a combination of people and companies with the various disciplines required to evaluate geology, reservoir engineering, financial modeling, and financial capabilities of projects. The use of these services is necessary to ensure some independent assessment forms part of Key’s due diligence on the proposed transaction – however, these services do not come cheaply, given that they are in constant demand by many companies around the world.

As Chairman of this Company, I am able to advise you that the Board is unanimously of the opinion that a failure to approve the Zeta transaction at the forthcoming General Meeting will place Key in a tenuous position which will likely impact adversely on all Key shareholders.

I am available anytime to discuss the future of Key.

Yours faithfully



**Dennis Wilkins**  
Chairman