



ABN 50 120 580 618

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

TIME: 3:00 pm WST

DATE: Thursday, 20 November 2014

PLACE: Bentleys
Level 1
12 Kings Park Road
West Perth, Western Australia

This Notice of Meeting and Explanatory Statement should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company on +61 8 6389 0322.

The Annual Report is available online visit www.keypetroleum.com.au

CONTENTS PAGE

Notice of Annual General Meeting (setting out the proposed resolutions)	1
Explanatory Statement (explaining the proposed resolutions)	5
Glossary	15

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of Shareholders to which this Notice of Meeting relates will be held at **3:00 pm WST** on Thursday, **20 November 2014** at:

**Bentley's 12 Kings Park Road
West Perth, Western Australia**

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Meeting on the date and at the place set out above. If you wish to attend the Meeting, please arrive 20 minutes prior to the start of the Meeting to facilitate the registration process.

VOTING BY PROXY

If you are unable to attend the Meeting please complete and return the enclosed Proxy Form in accordance with the specified instructions.

To vote by proxy:

- (a) the signed and completed Proxy Form (enclosed with this Notice); and
- (b) if the appointment is signed by the appointor's attorney – the authority under which the appointment was signed (e.g. a power of attorney), or a certified copy of it,

must be mailed to or sent by facsimile transmission to the Company's share registry, **Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001 Australia** or facsimile number **(Inside Australia) 1800 783 447 or (Outside Australia) +61 3 9473 2555** or to the Company's registered office at Ground Floor, 39 Stirling Highway, Nedlands, Western Australia 6009, facsimile number +61 8 6389 0697 at least 48 hours prior to the meeting (**3.00 pm WST, Tuesday, 18 November 2014**), or adjourned meeting as the case may be, at which the individual named in the Proxy Form proposes to vote. For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions. Any Proxy Form received after that time will not be valid for the scheduled meeting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Key Petroleum Limited (**Company**) will be held at the office of Bentleys located at Level 1, 12 Kings Park Road, West Perth, Western Australia on **Thursday, 20 November 2014** commencing at **3:00 pm WST**.

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as a **non-binding resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2014."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 as proxy if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or
- (b) the person is the Chairman of the Meeting and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 1; and
 - (ii) expressly authorises the Chairman to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of the Key Management Personnel.

If you are a member of the Key Management Personnel of the Company or a Closely Related Party of such person (or are acting on behalf of such person) and purport to cast a vote (other than as a proxy as permitted in the manner set out above), that vote will be disregarded by the Company (as indicated above) and you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – REX TURKINGTON

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Rex Turkington, a Director, retires by rotation, and being eligible, is re-elected as a Director."

3. RESOLUTION 3 – ELECTION OF DIRECTOR – MIN YANG

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.6 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Min Yang, a Director who was appointed on 28 January 2014, retires, and being eligible, is elected as a Director."

4. RESOLUTION 4 – RATIFICATION OF PAST ISSUES OF SHARES

To consider and, if thought fit, to pass the following resolutions as **ordinary resolutions**:

- 4(a) *"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 4,000,000 fully paid ordinary shares in the Company issued on 18 November 2013 on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on Resolution 4(a) by any person that participated in the issue and any of their associates. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or 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).

- 4(b) *"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 12,918,070 fully paid ordinary shares in the Company issued on 23 January 2014 on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on Resolution 4(b) by any person that participated in the issue and any of their associates. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or 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).

5. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by a person who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed, and any person associated with those persons. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or 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).

Important note: The proposed allottees of any Equity Securities under the 10% Placement Facility are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the 10% Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

6. RESOLUTION 6 – SHARE PLACEMENT FACILITY

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes, the Directors be authorised to issue up to 100,000,000 Shares in the capital of the Company at an issue price of not less than 80% of the average market price of the Company's Shares (calculated over the 5 days on which sales of shares were recorded before the day on which the issue is made), with such Shares to be issued to such persons as the Directors in their absolute discretion may determine and otherwise upon the terms and conditions set out in the Notice and Explanatory Statement.”

Voting Exclusion: The Company will, in accordance with the Listing Rules of the ASX, disregard any votes cast on Resolution 6 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any of their Associates. However, the Company will not disregard a vote if it is cast by a person as 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.

Important note: The proposed allottees of any Equity Securities under the Share Placement Facility are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the Share Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

DATED: 14 OCTOBER 2014

BY ORDER OF THE BOARD



**IAN GREGORY
COMPANY SECRETARY**

PROXIES

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes;
- (c) a proxy need not be a member of the Company; and
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its corporate representative to exercise any of the powers the body may exercise as a proxy at the Meeting (as to the appointment of corporate representatives, please see below).

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A 'Certificate of Appointment of Corporate Representative' is enclosed if required.

ENTITLEMENT TO ATTEND AND VOTE

In accordance with the Constitution and the *Corporations Regulations 2001* (Cth), the Company may specify a time, not more than 48 hours before the Meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4.00 pm (WST) on Tuesday, 18 November 2014.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's Meeting to be held at the office of Bentleys located at Level 1, 12 Kings Park Road, West Perth, Western Australia on **Thursday, 20 November 2014** commencing at **3:00 pm WST**.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions.

This Explanatory Statement should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act and the Company's Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report (**Annual Financial Statements**).

The Company's annual report to Shareholders, which includes the annual financial report, is available on its website at www.keypetroleum.com.au.

There is no requirement for Shareholders to approve the Annual Financial Statements.

The Company's auditor, Bentleys, will be present at the Annual General Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- the preparation and content of the auditor's report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting date to the registered office of Key Petroleum Limited at Ground Floor, 39 Stirling Highway, Nedlands, Western Australia 6009 or to facsimile number +61 8 6389 0697.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors. The Directors' Report can be found within the Company's annual report which is available on the Company's website at www.keypetroleum.com.au.

Voting on the adoption of the Remuneration Report is for advisory purposes only and will not bind the Directors or the Company. The failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report. The Chairman of the AGM will allow reasonable opportunity for Shareholders to ask questions about, or comment on, the Remuneration Report at the Meeting.

Although voting on the adoption of the Remuneration Report is for advisory purposes only, if there are two consecutive votes at annual general meetings of the Company against the Remuneration Report of 25% or more (each year's votes being considered a **Strike**), at the second consecutive annual general meeting at which a Strike occurs (**Second Strike**), a resolution must be put to Shareholders to hold another meeting where each Director is nominated for re-election (**Spill Resolution**). If the Spill Resolution is passed, then the Company is required to hold an additional general meeting (**Further Meeting**) within 90 days of the Spill Resolution. At the Further Meeting all Directors (excluding the Managing Director) must be nominated for re-election.

The Company's Remuneration Report did not receive a Strike at the Company's previous annual general meeting held on 13 November 2013.

Section 250R(4) of the Corporations Act prohibits any votes on this Resolution being cast by Key Management Personnel (or their associates) whose remuneration details are disclosed in the Remuneration Report. However, an exception to this prohibition exists to enable the Chairman to vote shareholders' undirected proxy votes. In this regard, you should specifically note that if you appoint the Chairman as your proxy and you indicate on the Proxy Form that you do not wish to specify how the Chairman should vote on Resolution 1, the Chairman will cast your votes in favour of Resolution 1. **If you wish to appoint the Chairman as your proxy but do NOT want your votes to be cast in favour of Resolution 1, you must indicate your voting intention by marking either 'against' or 'abstain' against Resolution 1 in the Proxy Form.**

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – REX TURKINGTON

In accordance with Listing Rule 14.5 and clause 14.3 of the Constitution, at every annual general meeting an election of Directors must take place. Listing Rule 14.4 and clause 14.3 of the Constitution prevents a Director from holding office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer.

The Directors to retire are those Directors who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement and in default of agreement by ballot. The Managing Director is exempt from retirement and re-election.

Rex Turkington retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Details of Rex Turkington's background, including experience, knowledge and skills, are set out in the Annual Report, which is available from the Company's website www.keypetroleum.com.au.

The Directors (excluding Rex Turkington) recommend that shareholders vote in favour of Resolution 2. The Chairman of the Meeting intends to vote undirected proxies in favour of the Resolution.

3. RESOLUTION 3 – ELECTION OF DIRECTOR – MIN YANG

Clause 14.6 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Company Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for election.

Min Yang will retire in accordance with clause 14.6 of the Constitution and being eligible seeks election.

Details of Min Yang's background, including experience, knowledge and skills, are set out in the Annual Report, which is available from the Company's website www.keypetroleum.com.au.

The Directors (excluding Min Yang) recommend that shareholders vote in favour of Resolution 3. The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

4. RESOLUTIONS 4 (A) AND 4(B) – RATIFICATION OF PAST ISSUES OF SHARES

1. Background

Under ASX Listing Rule 7.1, the Company can issue up to 15% of its issued equity securities in a 12 month period (subject to certain exceptions) without shareholder approval. On 18 November 2013 and 23 January 2014, the Company issued Shares as detailed below.

2. ASX Listing Rules

Listing Rule 7.1 provides that a company must not, without prior approval of shareholders, issue or agree to issue Equity Securities if the Equity Securities will in themselves or when aggregated with the Equity Securities issued by the company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's members subsequently approve it.

Resolutions 4(a) and 4(b) seek Shareholder approval under ASX Listing Rule 7.4 to ratify these past issues of Shares. The Company confirms that the issue of the Shares the subject of Resolutions 4(a) and 4(b) did not breach ASX Listing Rule 7.1. None of the recipients of the Shares was a related party of the Company within the meaning of the Corporations Act and the ASX Listing Rules.

The effect of the approval under ASX Listing Rule 7.4 of the past issues of Shares will be that these Shares will not be counted as reducing the number of securities which the Company can issue in the future without shareholder approval under the 15% placement limit imposed by ASX Listing Rule 7.1 (i.e. the 15% limit is "renewed" to the extent of the approval).

3. Effect on capital of the Company

The Shares the subject of these Resolutions comprise 2.84% of the Company's fully-diluted share capital (based on the number of Shares and Options on issue as at the date of this Notice of Meeting).

4. Shareholder Approval

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

4.1 the number, issue price, issue date and recipients of the Shares issued by the Company are as follows:

- Resolution 4(a), 4,000,000 Shares at an agreed price of \$0.0098 per Share to Emerald Gas Pty Ltd on 18 November 2013, announced to ASX on 19 November 2013; and
- Resolution 4(b), 12,918,070 Shares at \$0.013 per Share to ASF Oil & Gas Holdings Pty Ltd on 23 January 2014, announced to ASX on that date;

4.2 the purpose of the issue of the Shares was as follows:

- Resolution 4(a), the issue of Shares was made as part of the consideration for acquiring a 24.98% beneficial interest in Exploration Permit 104 and a 14.17% beneficial interest in Retention Lease 1 in the Canning Basin; and

- Resolution 4(b), the issue of Shares was made to provide funds for the Company's exploration and drilling programs and ongoing working capital;

4.3 all of the Shares issued pursuant to the placements above were fully paid ordinary shares which ranked equally with all other existing Shares from their date of issue; and

4.4 a voting exclusion statement is included in the Notice.

5. Board Recommendation

The Board is not aware of any information not set out in this Explanatory Statement that would be reasonably required by Shareholders to make a decision in relation to Resolutions 4(a) and 4(b).

The Board believes that the ratification of the issue of shares is beneficial for the Company. Each of the Directors recommends that Shareholders vote in favour of Resolutions 4(a) and 4(b) as it allows the Company to retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months. The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

5. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT FACILITY

1. Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity as at the time of this Notice of Meeting and expects to be so at the date of the Annual General Meeting.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the Annual General Meeting (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 2(c) below).

Key objectives of the Company, as communicated in public announcements, are to continue its focus on operated exploration activities in highly prospective acreage and vertical integration of new business opportunities in high equity positions that align with the Company's exploration portfolio of interests. The Company may use the 10% Placement Facility to acquire new exploration or development opportunities or investments, or for exploration activities encompassing drilling and/or feasibility studies of the Company's projects.

The Board believes that the 10% Placement Facility is beneficial for the Company as it will give the Company the flexibility to issue further securities representing up to 10% of the Company's share capital during the next 12 months. Accordingly, the Directors of the Company believe that Resolution 5 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution. The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

2. Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue three classes of Equity Securities, being Shares, Options and Performance Rights. The Shares are the only class of Equity Securities that are quoted.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4;
- (iv) less the number of fully paid ordinary shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 567,427,487 Shares. Subject to Shareholders approving Resolutions 4(a) and 4(b) and 5, immediately following the AGM the Company will have the capacity to issue approximately:

- (i) 85,114,123 Equity Securities under Listing Rule 7.1; and
- (ii) 56,742,748 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 2(c) above).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

3. Listing Rule 7.1A

The effect of Resolution 5 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

4. Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price not less than the minimum issue price calculated in accordance with section 2(e) above.
- (b) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Listed Options, only if the Listed Options are exercised) to the extent Shareholders do not receive any Shares under the issue. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0075 50% decrease in Issue Price	\$0.015 Issue Price	\$0.03 100% increase in Issue Price
Current Variable A 567,427,487 Shares	10% Voting Dilution	56,742,748 Shares	56,742,748 Shares	56,742,748 Shares
	Funds raised	\$425,570	\$851,141	\$1,702,282
50% increase in current Variable A 851,141,230 Shares	10% Voting Dilution	85,114,123 Shares	85,114,123 Shares	85,114,123 Shares
	Funds raised	\$638,355	\$1,276,711	\$2,553,423
100% increase in current Variable A 1,134,854,974 Shares	10% Voting Dilution	113,485,497 Shares	113,485,497 Shares	113,485,497 Shares
	Funds raised	\$851,141	\$1,702,282	\$3,404,564

The table has been prepared on the following assumptions:

- (i) Variable A is 567,427,487 being the number of ordinary securities on issue at the date of this Notice of Meeting.
- (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iii) No Options (including any Listed Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (iv) Shareholders approve Resolution 5.
- (v) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (vii) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (viii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (ix) The issue price is \$0.015, being the closing price of the Shares on ASX on 8 October 2014.

- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
 - (i) non-cash consideration for the acquisition of the new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and drilling and feasibility study expenditure on the Company's current assets and/or general working capital, consistent with the Company's publically stated strategy.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- (e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
 - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (f) The Company previously obtained Shareholder approval under Listing Rule 7.1A at last year's Annual General Meeting held on 13 November 2013.

The Company has issued a total of 129,635,075 Equity Securities during the 12 months preceding the date of this Meeting representing approximately 31.1% of the total diluted number of Equity Securities on issue in the Company on 9 October 2014, being 594,927,487.

Information relating to issues of Equity Securities by the Company in the 12 months prior to the date of this Meeting is as follows:

Date of Issue	Allottee	Equity Security	Price (and discount to market if any)	Key terms	Amount Raised Use of Funds or non-cash Consideration
18 November 2013	Emerald Gas Pty Ltd	4,000,000 Shares	Agreed price of \$0.0098 per Share. Shares were issued at a 10.9% discount to the closing market price on the date of issue, being \$0.011.	Issue of fully paid ordinary shares as part of the consideration for acquiring a 24.98% beneficial interest in Exploration Permit 104 and a 14.17% beneficial interest in Retention Lease 1 in the Canning Basin. Shares rank equally with existing Shares.	Part of the consideration for acquiring a 24.98% beneficial interest in Exploration Permit 104 and a 14.17% beneficial interest in Retention Lease R1 in the Canning Basin.
21 January 2014	ASF Oil & Gas Holdings Pty Ltd	90,447,373 Shares	\$0.013 per share. No discount as the closing market price on the date of issue was \$0.013.	Placement of fully paid ordinary shares as approved by shareholders at the AGM on 13 November 2013. Shares rank equally with existing Shares.	\$1,175,815 None of the funds have been used as yet, however, they will be used for development strategy, exploration, drilling & land holding costs, and working capital / administration.
23 January 2014	ASF Oil & Gas Holdings Pty Ltd	22,470,697 Shares	\$0.013 per share. Shares were issued at an 8.33% premium to the closing market price on the date of issue, being \$0.012.	Placement of fully paid ordinary shares to the Company's cornerstone investor. Shares rank equally with existing Shares.	\$292,119 None of the funds have been used as yet, however, they will be used for development strategy, exploration, drilling & land holding costs, and working capital / administration.

(g) A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities.

In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the 10% Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

6. RESOLUTION 6 – SHARE PLACEMENT FACILITY

1. Background

Resolution 6 seeks the approval of Shareholders for a Share Placement Facility of up to 100,000,000 ordinary fully paid Shares, which the Directors may utilise to raise additional working capital for the Company.

The Directors believe that it is prudent for the Company to have a Share Placement Facility available so that it has the flexibility to raise additional capital should market conditions provide the opportunity. If not utilised, the facility would lapse 3 months after the date for the meeting.

2. ASX Listing Rules

ASX Listing Rule 7.1 prohibits a company from issuing shares representing more than 15% of its issued capital in any 12 month period, without the prior approval of its shareholders (subject to certain exceptions). Accordingly Shareholder approval is being sought under Listing Rule 7.1 for the issue of up to 100,000,000 Shares in the Company.

3. Shareholder Approval

In accordance with Listing Rule 7.3 the following information is provided to Shareholders.

- (a) the maximum number of securities that may be issued under Resolution 6 is 100,000,000 Shares;
- (b) any Shares issued in accordance with Resolution 6 will be issued within 3 months from the date of the AGM (or such later date as approved by ASX);
- (c) the Shares will be issued to institutional and sophisticated investors. As at the date of this Notice there has been no decision by the Directors to issue any Shares. Accordingly, the names of any allottee or proposed allottees are not known;
- (d) the Shares will be issued at a price which is not less than 80% of the average market price of the Company's Shares, calculated over the 5 days in which sales on the Company's Shares were recorded on ASX before the day on which an issue is made;
- (e) any Shares issued pursuant to Resolution 6 will rank equally in all respects with existing fully paid Shares issued in the Company;
- (f) funds raised by the issue of any Shares will be issued as additional working capital for the Company to continue exploration of the Canning and Perth Basin permits as well as ongoing evaluation of new venture opportunities; and
- (g) it is not known whether any issues will occur as a single issue or will occur progressively, however, it would be likely that any issue of Shares will be made as a single issue.

4. Board Recommendation

The Board believes that approval of the Share Placement Facility is beneficial for the Company.

The Directors unanimously recommend that shareholders vote in favour of Resolution 6. The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

GLOSSARY

\$ or A\$	means Australian dollars unless otherwise specified.
ASX	means Australian Securities Exchange or ASX Limited (ACN 008 624 691), as the context requires.
ASX Listing Rules or Listing Rules	means the official listing rules of the ASX.
Board	means all or some of the Directors acting as the board of Directors of the Company.
Chairman	Means chairman of the Annual General Meeting.
Closely Related Party	means:
of a member of the Key Management Personnel	(a) a spouse or child of the member; (b) a child of the member's spouse; (c) a dependent of the member or the member's spouse; (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; (e) a company the member controls; or (f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).
Company	means Key Petroleum Limited (ABN 50 120 580 618).
Constitution	means the constitution of the Company.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Equity Securities	has the meaning given to that term in the Listing Rules.
Explanatory Statement	means the explanatory statement that accompanies and forms part of this Notice.
Key Management Personnel	has the same meaning as in the accounting standards (as defined in the Corporations Act) and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.
Meeting or Annual General Meeting	means the annual general meeting convened by this Notice.
Notice or Notice of Meeting	means this notice of annual general meeting which incorporates the Explanatory Statement and the Proxy Form.
Official List	means the Official List of the ASX.

Option	means an option to acquire a Share.
Proxy Form	means the proxy form that is enclosed with and forms part of this Notice.
Remuneration Report	means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2014.
Resolution	means a resolution set out in this Notice.
Share	means a fully paid ordinary share in the issued capital of the Company.
Share Registry	means Computershare Investor Services Pty Ltd.
Shareholder	means a registered holder of a Share in the Company.
WST	means Australian Western Standard Time (Perth, Western Australia).

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 9473 2555

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

For all enquiries call:

(within Australia) 1300 850 505
(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 3:00 pm (WST) Tuesday 18 November 2014**

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 or abstain as they choose (to the extent permitted by law). 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 help tab, "Printable 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, 24 hours a day, 7 days a week:

www.keypetroleum.com.au

To view and update your securityholding:

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, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Key Petroleum Limited to be held at Bentleys, Level 1, 12 Kings Park Road, West Perth, Western Australia, on Thursday 20 November 2014 at 3:00 pm (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolution: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2 below.

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	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Director - Rex Turkington	☐	☐	☐
Resolution 3	Election of Director - Min Yang	☐	☐	☐
Resolution 4	Ratification of Past Issue of Shares	☐	☐	☐
Resolution 5	Approval of 10% Placement Facility	☐	☐	☐
Resolution 6	Share Placement Facility	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /