

23 March 2015

Dear Optionholder,

Key Petroleum Limited – Non-Renounceable Entitlement Offer – Notification to Optionholders

We write to you as the registered holder of options in Key Petroleum Limited (**Key** or the **Company**) as at today's date.

On 23 March 2015, **Key** announced a pro rata non-renounceable entitlement offer of one (1) fully paid ordinary share (**New Share**) for every four (4) fully paid ordinary shares held as at 5.00 pm WST on 27 March 2015 (**Record Date**) by eligible shareholders (**Offer**), in accordance with Section 708AA of the *Corporations Act 2001* (Cth).

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

The **Offer** is available to all Key shareholders registered on the **Record Date** and the registered addresses of those Shareholders includes New Zealand, Hong Kong, United Kingdom, Japan, Papua New Guinea, Singapore, Thailand and the United States of America.

Pursuant to the **Offer**, the Company will issue up to 141,856,871 New Shares at an issue price of A\$0.01 each to raise up to A\$1,418,568 (before costs).

The Company will use the proceeds raised under the **Offer** for:

1. Funding Key's share of work commitments and petroleum tenement holding costs in the Perth Basin, including testing operations at Dunnart-2;
2. Environmental and logistics studies in R1 and L15 petroleum tenements in the Canning Basin;
3. Funding Key's share of 2D seismic reprocessing work commitment in EP104 within the Canning Basin;
4. Additional working capital to the Company generally.

In the event that circumstances change or other opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise benefits to shareholders.

The timetable for the **Offer** is as follows:

Event	Date
Announcement of Offer and Lodgement of Appendix 3B and Section 708AA(2)(f) Notice with ASX	23 March 2015
Lodge Offer Document with ASX (Prior to trading commencing)	23 March 2015
Notice sent to Optionholders	23 March 2015

Notice sent to Shareholders [with Appendix 3B info]	24 March 2015
Ex-Date	25 March 2015
Record Date The Company determines eligible shareholders (5.00 pm WST)	27 March 2015
Dispatch of Offer Document Offer Document sent to all eligible shareholders	1 April 2015
Closing Date The date on which the Offer closes. Applications must be received by 5:00 pm (WST)	14 April 2015
Notification of shortfall to ASX	17 April 2015
Allotment Date The date upon which the New Shares are allotted	21 April 2015
Dispatch Date The date on which holding statements are sent to shareholders that have taken up their entitlement of New Shares	21 April 2015

These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the ASX Listing Rules, to vary the above dates.

The New Shares to be issued pursuant to the **Offer** will rank equally with the Company's existing fully paid ordinary shares.

Eligible Shareholders will receive a copy of the Offer Document prepared in connection with the **Offer** and must complete the application form accompanying the Offer Document to take up their entitlements. **Eligible Shareholders** will also be given the opportunity to subscribe for new shares over and above their entitlement (**Additional New Shares**). The allocation of any **Additional New Shares** will be subject to Key's discretion and limited to the extent that there are sufficient **Additional New Shares** from shareholders who do not take up their entitlement.

The **Offer** is non-renounceable which means that shareholders who do not take up their entitlements will not receive any proceeds from the sale of entitlements not taken up. The entitlements to participate in the **Offer** are not transferable and cannot be traded on the ASX or any other exchange or privately transferred.

A table setting out the capital structure of the Company, following completion of the **Offer** is set out below (assuming no exercise of options before the **Record Date** and full subscription for **New Shares** under the **Offer**):

The Company currently has 567,427,487 shares on issue. The maximum number of securities that may be issued under the Offer is 141,856,871 shares

Shares	
567,427,487	Shares quoted on ASX as at the announcement of the Offer
141,856,871	Maximum number of shares issued pursuant to the Offer
709,284,358	Total issued Shares

The Company has a total of 33,500,000 unlisted options. The unlisted options do not carry a right to participate in the **Offer**. If you wish to participate in the **Offer** you need to exercise your options so that you are registered as a Shareholder at 5:00 PM (WST) on the **Record Date**. Notice of exercise of options and payment of the exercise price of the options should be received by Computershare Investor Services on or before 25 March 2015 as notices of exercise of options received after this date cannot be assured of the allotment of Shares by the record date.

If you require an option exercise form, please contact the Company on +61 8 6389 0322 or Computershare Investor Services on 1 300 850 505.

The Offer Document for the **Offer** is available on the ASX Limited website at www.asx.com.au and also on the Company's website at www.keypetroleum.com.au.

Enquiries

Any queries regarding the **Offer** should be directed to Ian Gregory, Company Secretary on +61 8 6389 0322. Any queries regarding the application form accompanying the Offer Document should be directed to the Computershare Investor Services on 1 300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia). You can also contact your stockbroker or professional adviser with any queries in relation to the **Offer**.

This notice is to inform you of the **Offer**. You are not required to do anything in respect of this letter.

The directors of the Company recommend that you read the Offer Document carefully and seek advice from your financial advisor if you have any queries. We look forward to your participation in the **Offer**.

Yours sincerely,



Rex Turkington
Chairman
Key Petroleum Limited