

24 March 2015

Dear Shareholder,

Key Petroleum Limited – Non-renounceable Entitlement Offer – Notification to Shareholders

Rights Issue

Key Petroleum Limited ACN 120 580 618 (ASX: KEY) (**Company**) announced a pro rata non-renounceable 1 for 4 rights issue on 23 March 2015 (**Offer**) and is pleased to provide further detailed information on the Offer.

The Offer is for new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every four (4) fully paid ordinary shares held (**Entitlement**) by Eligible shareholders (defined below) on the Record Date (defined below) (**Existing Shares**), at a price of A\$0.01 per New Share (**Issue Price**).

Based on the current shares on issue in the Company, a total of 141,856,871 New Shares will be offered to raise up to A\$1,418,568 (before the costs of the Offer).

The issue Price represents a discount of approximately 28.57% to the last closing price of the Company's shares on the ASX prior to the announcement of the Offer.

The Offer is non-renounceable, meaning that Eligible shareholders who do not take up their Entitlement will not be able to transfer or receive any value for those Entitlements, and their equity interest in the Company will be diluted.

Offer Document

The Offer is being conducted in accordance with section 708AA of the Corporations Act 2001 (Cth) (the **Act**). Accordingly, the Company is not required to lodge a prospectus with ASX or ASIC or provide one to shareholders. The Company has prepared a document explaining the Offer in more detail (**Offer Document**).

The Offer Document was lodged with the ASX on 23 March 2015 and will be sent to shareholders on or before 1 April 2015, together with an Application Form.

A cleansing Notice and Appendix 3B were also lodged with the ASX on 23 March 2015.

All documents are available for inspection on the ASX website at www.asx.com.au and the Company's website at www.keypetroleum.com.au.

Eligibility and Record Date

Holders of shares in the Company as at 5.00 pm (Perth time) on 27 March 2015 (**Record Date**) will be eligible to participate in the Offer (**Eligible Shareholders**).

Placement of Shortfall

A shortfall will arise if the applications for New Shares under the Offer received are less than the total number of New Shares offered (**Shortfall Shares**).

The Company will allow Eligible Shareholders, in addition to applying for all of their Entitlements, to apply for such further number of Shortfall Shares which the Eligible Shareholder may specify in the Acceptance Form.

In the event that there is no Shortfall, the Application monies relating to the Shortfall will be returned to the Eligible Shareholder as soon as practicable following the Closing Date without interest.

In the event that the applications from Eligible Shareholders to participate in the Shortfall exceed the number of Shortfall Shares those applications will be scaled back at the discretion of the Directors.

No Shortfall Shares will be issued to any Eligible Shareholders or any third party if it results in an Eligible Shareholder increasing its shareholding to more than 20% of the Company's issued capital.

Notwithstanding any application received by the Company for the Shortfall Shares from Eligible Shareholders, the Directors may at their complete and absolute discretion place the Shortfall Shares with any third party at not less than the issue price within 3 months of the Closing Date.

The Rights issue is not underwritten.

Use of Proceeds from the Offer

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

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

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.

Timetable

The current proposed timetable for the Offer is set out below. All dates are subject to change and accordingly are indicative only. The Company has the right to vary the dates of the Offer, without prior notice, subject to the Corporations Act and ASX Listing Rules.

Announcement of Offer and Lodgment 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

Capital Structure

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):

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.

Participating in the Offer

The Board recommends the Offer to shareholders.

However, before making a decision whether to apply for New Shares, Eligible Shareholders should read the Offer document carefully and in its entirety when they receive it.

For further information on your Entitlement, please contact your professional advisor or the Company's share registry, Computershare Investor Services on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

We look forward to your participation in the Offer.

Yours sincerely,



Rex Turkington
Chairman
Key Petroleum Limited