



KEY PETROLEUM LIMITED
ABN 50 120 580 618

NOTICE OF GENERAL MEETING
EXPLANATORY STATEMENT AND
PROXY FORM

Date: Monday, 6 August 2012

Time: 10:00am (WST)

Place: The Celtic Club
48 Ord Street
West Perth WA 6005

KEY PETROLEUM LIMITED

ABN 50 120 580 618

NOTICE GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Key Petroleum Limited (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth WA 6005 on 6 August 2012 at 10:00 am for the purpose of transacting the following business.

ORDINARY BUSINESS**Resolution 1 – Ratification of Allotment and Issue of Shares**

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

“That, for the purpose of Listing Rule 7.4 of the Listing Rules and for all other purposes, the Company approves and ratifies the allotment and issue of 40,000,000 fully paid ordinary shares, issued on terms and conditions set out in the Explanatory Statement accompanying this Notice, to persons who are not related parties to the Company.”

Short Explanation: Approval is sought under Listing Rule 7.4 to allow the Company to ratify the allotment and issue of these securities. Please refer to the Explanatory Statement for Details.

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 1 by any person who participated in the issue and any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 2 – Grant of Options to Mr Kane Marshall

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

“That, for the purpose of Listing Rule 10.11 of the Listing Rules, section 208 of the Corporations Act and for all other purposes, the issue to Mr Kane Marshall, or his nominee, for nil consideration, of three tranches of 4,000,000 Options (12,000,000 in total) to acquire fully paid shares in the capital of the Company, at exercise prices of 150%, 175% and 200% respectively of the VWAP of the fully paid ordinary Shares of the Company on the five trading days prior to the date of the meeting to approve the issue, expiring on 6 August 2017, on the terms and conditions outlined in the Explanatory Statement and in Annexures A, B and C, be and is hereby approved.”

Short Explanation: Approval is sought under Listing Rule 10.11 and section 208 of the Corporations Act to authorise the Company to issue these securities. Please refer to the Explanatory Statement for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 2 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 – Grant of Options to Mr Ian Paton

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

“That, for the purpose of Listing Rule 10.11 of the Listing Rules, section 208 of the Corporations Act and for all other purposes, the issue to Mr Ian Paton, or his nominee, for nil consideration, of three tranches of 2,000,000 Options (6,000,000 in total) to acquire fully paid shares in the capital of the Company, at exercise prices of 150%, 175% and 200% respectively of the VWAP of the fully paid ordinary Shares of the Company on the five trading days prior to the date of the meeting to approve the issue, expiring on 6 August 2017, on the terms and conditions outlined in the Explanatory Statement and in Annexures A, B and C, be and is hereby approved.”

Short Explanation: Approval is sought under Listing Rule 10.11 and section 208 of the Corporations Act to authorise the Company to issue these securities. Please refer to the Explanatory Statement for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 3 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Grant of Options to Mr JL Craig Marshall

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

“That, for the purpose of Listing Rule 10.11 of the Listing Rules, section 208 of the Corporations Act and for all other purposes, the issue to Mr JL Craig Marshall, or his nominee, for nil consideration, of three tranches of 2,000,000 Options (6,000,000 in total) to acquire fully paid shares in the capital of the Company, at exercise prices of 150%, 175% and 200% respectively of the VWAP of the fully paid ordinary Shares of the Company on the five trading days prior to the date of the meeting to approve the issue, expiring on 6 August 2017, on the terms and conditions outlined in the Explanatory Statement and in Annexures A, B and C, be and is hereby approved.”

Short Explanation: Approval is sought under Listing Rule 10.11 and section 208 of the Corporations Act to authorise the Company to issue these securities. Please refer to the Explanatory Statement for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 4 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Grant of Options to Mr Dennis Wilkins

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

“That, for the purpose of Listing Rule 10.11 of the Listing Rules, section 208 of the Corporations Act and for all other purposes, the issue to Mr Dennis Wilkins, or his nominee, for nil consideration, of three tranches of 1,000,000 Options (3,000,000 in total) to acquire fully paid shares in the capital of the Company, at exercise prices of 150%, 175% and 200% respectively of the VWAP of the fully paid ordinary Shares of the Company on the five trading days prior to the date of the meeting to approve the issue, expiring on 6 August 2017, on the terms and conditions outlined in the Explanatory Statement and in Annexures A, B and C, be and is hereby approved.”

Short Explanation: Approval is sought under Listing Rule 10.11 and section 208 of the Corporations Act to authorise the Company to issue these securities. Please refer to the Explanatory Statement for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 5 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Share Placement Facility

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

“That, for the purposes of Listing Rule 7.1 of the Listing Rules and for all other purposes, the directors be authorised to issue and allot up to 100,000,000 ordinary fully paid 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 set out in the Notice of General Meeting and Explanatory Statement.”

Short Explanation: Approval is sought under Listing Rule 7.1 to allow the Company to allot and issue up to 100,000,000 ordinary fully paid 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. Please refer to the Explanatory Statement for details.

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 6 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 – Approval of the Grant of Performance Rights to Mr Kane Marshall

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 10.11 and section 208 of the Corporations Act and for all other purposes the Directors be and are hereby authorised to grant 2,000,000 Performance Rights, for nil consideration, to Mr Kane Marshall or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 7 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 – Approval of the Grant of Performance Rights to Mr Kane Marshall

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 10.11 and section 208 of the Corporations Act and for all other purposes the Directors be and are hereby authorised to grant 2,000,000 Performance Rights, for nil consideration, to Mr Kane Marshall or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 8 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9 – Approval of the Grant of Performance Rights to Mr Ian Paton

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 10.11 and section 208 of the Corporations Act and for all other purposes the Directors be and are hereby authorised to grant 1,250,000 Performance Rights, for nil consideration, to Mr Ian Paton or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 9 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10 – Approval of the Grant of Performance Rights to Mr Ian Paton

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 10.11 and section 208 of the Corporations Act and for all other purposes the Directors be and are hereby authorised to grant 1,250,000 Performance Rights, for nil consideration, to Mr Ian Paton or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 10 by any person who may participate in the proposed issue or a person who might obtain a financial benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of that person. However, the Company will not disregard a vote 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 cast by the person chairing the meeting as a 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 no later than 10:00 am (WST) on 4 August 2012:

- by post at GPO Box 242, Melbourne VIC 3001;
- by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- by email: proxy@dwcorporate.com

By order of the Board

Dennis Wilkins

Company Secretary

Date: 25 June 2012

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 appointor or his attorney duly authorised in writing or, if such appointor 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 4:00 pm (WST) on 4 August 2012 will be entitled to attend and vote at the 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 STATEMENT

This Explanatory Statement has been prepared for the Shareholders of Key Petroleum Limited ABN 50 120 580 618 (**Company**) in connection with the business to be conducted at a General Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth WA 6005, on 6 August 2012 commencing at 10:00 am.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Statement will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Statement.

Resolution 1 – Ratification of Allotment and Issue of Shares

Resolution 1 of the Notice of General Meeting proposes the ratification of allotment and issue of 40,000,000 Shares on 26 March 2012.

ASX Listing Rule 7.4 permits the ratification of previous issues of shares made without prior Shareholder approval provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring Shareholder approval.

Resolution 1 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify previous issues of Shares. The Company confirms that the issue and allotment of the Shares the subject of Resolution 1 did not breach ASX Listing Rule 7.1.

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

- (a) 40,000,000 shares were allotted and issued by the Company;
- (b) The issue price per share was \$0.0250;
- (c) The shares rank equally with the existing shares;
- (d) The shares were allotted to Team Works Investing Pty Ltd, Mr Barrie Ronald and Mrs Marilyn May Stafford, Kairo Pty Ltd, Mr Roark Muhlen-Schulte, Mr James Ross McIntyre, HC Investment Holding Pty Ltd, The JC A/C, Mr George Harris, Bownlow PR Pty Ltd, Mr Daniel Harris, Faulkner Capital Group Pty Ltd, Faulkner Investment A/C, Mr Anthony David & Jill Margaret Sutherland <Sutherland Family A/C>, Ian M De Saxe Pty Ltd <EGOLI Azania Super Fund A/C>, Mr Ian De Saxe, Dynamic Super Pty Ltd <The Lau Super Fund A/C>, Bluehawke Capital Pty Ltd, Tulip Investments Pty Ltd <Steemers Family A/C>, BKC Profitability Pty Ltd <BKC Profitability P/L SF A/C>, Gold Vault International Pty Ltd, Mr Eugenio Ferla, Bling Nominees Pty Ltd, Cosmick Pty Ltd, Mr Barry John & Mrs Colleen Frances Henderson, Neroski Pty Ltd <LPD Super Fund A/C>, Scintilla Strategic Investments Ltd Pty Ltd <No 3 A/C>, Rylet Pty Ltd, Mr Peter Francis & Jennifer Nancy Watson, Mr John Martin, Mr Frank Cannavo, Mr Ronald Alfred Roberts, Mr Graham Frank Andrews & Ms Fiona Carolyn Dalglish <Graham Andrews S/F A/C>, Demasiado Pty Ltd <Demasiado Family A/C>, Benken Capital Group Pty Ltd <Benken Super Fund A/C>, Mr Matthew Dennis & Mrs Joanne Wex, John Wardman & Associates Pty Ltd <The Wardman Superfund>, Elmscreek Pty Ltd, RX3 Pty Ltd, Cynet Capital Pty Ltd, and Mr Guy Lance Jones <BOQ Loan A/C>;
- (e) The shares were issued for further working capital purposes; and
- (f) A voting exclusion statement is included in the Notice.

Resolution 2 – Grant of Options to Mr Kane Marshall

The Company proposes to grant 12,000,000 Options to Mr Kane Marshall, or his nominee, for nil consideration, to be exercised as follows:

- (a) 4,000,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (b) 4,000,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (c) 4,000,000 shares at an exercise price of 200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017.

The full terms of the Options are set out in Annexures A, B and C to this Explanatory Statement.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise prices will only be known prior to the date of the meeting to approve the issue. Assuming that the Options were issued on the date of this Notice, the exercise prices would be \$0.05, \$0.06 and \$0.07 respectively. On that basis, in the event all the Options are exercised, Mr Marshall (or his nominee) will need to pay a total of \$720,000 to the Company.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 2 provides for the grant of Options to a related party which is a financial benefit requiring Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

Subject to Shareholder approval, the Options the subject of Resolution 2 will be granted to Mr Marshall, or his nominee, within one month of the passing of this Resolution. Mr Marshall is a Director of the Company and is therefore classified as a related party.

The nature of, reasons for and basis for the financial benefit

The proposed financial benefit is the grant of 12,000,000 options to Mr Marshall, or his nominee, for nil issue price. Each Option will allow Mr Marshall to subscribe for one ordinary fully paid Share in the Company. The exercise price of each tranche of Options is as follows:

- (a) 4,000,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;

- (b) 4,000,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (c) 4,000,000 shares at an exercise price of 200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017.

The Options form part of Mr Marshall's incentive for continuing and future efforts. Options are considered to be the appropriate incentive at the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Marshall is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, and the average Share price as traded over the previous 6 months, the Options represent an incentive to Mr Marshall to achieve this increase in the Share price, which would result in an increase in Shareholder value.

Directors' recommendation

All the Directors except for Mr Marshall recommend that Shareholders vote in favour of Resolution 2. Mr Marshall does not wish to make a recommendation about the proposed Resolution 2 as he may potentially receive a financial benefit from the passing of the resolution in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

Interests of Directors

Mr Marshall has noted his interest in the approval of Resolution 2 in relation to the Options.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 12,000,000 Options to Mr Marshall, or his nominee.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexures A, B and C to this Explanatory Statement and as otherwise mentioned above.
- (c) The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Options by reference to the Black-Scholes valuation method. The valuation cannot be finalised until the grant date of the Options.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Marshall, or his nominee, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

Table 1 - Details of Director Options

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Kane Marshall	Director	4,000,000	150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 100% from the date of the meeting	\$112,800 (i)
Kane Marshall	Director	4,000,000	175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 150% from the date of the meeting	\$112,400 (ii)
Kane Marshall	Director	4,000,000	200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 200% from the date of the meeting	\$111,600 (iii)

Option Valuation details

Details	Input	Input	Input
Share price	\$0.03	\$0.03	\$0.03
Exercise Price	\$0.05	\$0.06	\$0.07
Risk Free Rate (RBA Cash Rate)	3.25%	3.25%	3.25%
Volatility (Annualised)	175.58%	175.58%	175.58%
Start Date	6 August 2012	6 August 2012	6 August 2012
Expiry Date	6 August 2017	6 August 2017	6 August 2017
Value per Option	\$0.0282 (i)	\$0.0281 (ii)	\$0.0279 (iii)

- (e) As at the date of this Notice, the issued capital of the Company comprised 308,072,707 Shares. If all Options granted as proposed above are exercised, and no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	308,072,707
Options to be granted	12,000,000
New Total	320,072,707
Dilutionary Effect	3.75%

- (f) Mr Marshall's current interests in securities of the Company are set out in the table below:

Director	Shareholding
Kane Marshall	3,100,740

- (g) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.
- (h) The Options will not be quoted on the ASX and, as such, have no actual market value. The fully paid ordinary Shares of the Company have been traded on the ASX since April 2007. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.012 to \$0.061, the most recent closing price prior to printing of this notice was \$0.035. The Options are capable of being converted to Shares by payment of the exercise price.
- (i) Mr Marshall is currently remunerated at \$250,000 per annum plus GST.
- (j) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options to Mr Marshall or his nominee pursuant to Resolution 2.
- (k) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this resolution.

Resolution 3 – Grant of Options to Mr Ian Paton

The Company proposes to grant 6,000,000 Options to Mr Ian Paton, or his nominee, for nil consideration to be exercised as follows:

- (a) 2,000,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (b) 2,000,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (c) 2,000,000 shares at an exercise price of 200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017.

The full terms of the Options are set out in Annexures A, B and C to this Explanatory Statement.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise prices will only be known prior to the date of the meeting to approve the issue. Assuming that the Options were issued on the date of this Notice, the exercise prices would be \$0.05, \$0.06 and \$0.07 respectively. On that basis, in the event all the Options are exercised, Mr Paton (or his nominee) will need to pay a total of \$360,000 to the Company.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision;
or

- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 3 provides for the grant of Options to a related party which is a financial benefit requiring Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed Resolutions would permit the financial benefit to be given

Subject to Shareholder approval, the Options the subject of Resolution 3 will be granted to Mr Paton, or his nominee, within one month of the passing of these Resolutions. Mr Paton is a Director of the Company and is therefore classified as a related party.

The nature of, reasons for and basis for the financial benefit

The proposed financial benefit is the grant of 6,000,000 options to Mr Paton, or his nominee, for nil issue price. Each Option will allow Mr Paton to subscribe for one ordinary fully paid Share in the Company. The exercise price of each tranche of Options is as follows:

- (a) 2,000,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (b) 2,000,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (c) 2,000,000 shares at an exercise price of 200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017.

The Options form part of Mr Paton's incentive for continuing and future efforts. Options are considered to be the appropriate incentive at the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Paton is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, and the average Share price as traded over the previous 6 months, the Options represent an incentive to Mr Paton to achieve this increase in the Share price, which would result in an increase in Shareholder value.

Directors' recommendation

All directors except Mr Paton recommend Shareholders vote in favour of Resolution 3. Mr Paton does not wish to make a recommendation about the proposed Resolution 3 as he may potentially receive a financial benefit from the passing of the Resolutions in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

Interests of Directors

Mr Paton has noted his interest in the approval of Resolution 3 in relation to the Options.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolutions would have the effect of giving power to the Directors to grant 6,000,000 Options to Mr Paton, or his nominee.

- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexures A, B and C to this Explanatory Statement and as otherwise mentioned above.
- (c) The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Options by reference to the Black-Scholes valuation method. The valuation cannot be finalised until the grant date of the Options.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Paton, or his nominee, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

Table 1 - Details of Director Options

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Ian Paton	Director	2,000,000	150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 100% from the date of the meeting	\$56,400 (i)
Ian Paton	Director	2,000,000	175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 150% from the date of the meeting	\$56,200 (ii)
Ian Paton	Director	2,000,000	200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 200% from the date of the meeting	\$55,800 (iii)

Option Valuation details

Details	Input	Input	Input
Share price	\$0.03	\$0.03	\$0.03
Exercise Price	\$0.05	\$0.06	\$0.07
Risk Free Rate (RBA Cash Rate)	3.25%	3.25%	3.25%
Volatility (Annualised)	175.58%	175.58%	175.58%
Start Date	6 August 2012	6 August 2012	6 August 2012
Expiry Date	6 August 2017	6 August 2017	6 August 2017
Value per Option	\$0.0282 (i)	\$0.0281 (ii)	\$0.0279 (iii)

- (e) As at the date of this Notice, the issued capital of the Company comprised 308,072,707 Shares. If all Options granted as proposed above are exercised, and no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	308,072,707
Options to be granted	6,000,000

New Total	314,072,707
Dilutionary Effect	1.91%

- (f) Mr Paton's current interests in securities of the Company are set out in the table below:

Director	Shareholding
Ian Paton	Nil

- (g) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.
- (h) The Options will not be quoted on the ASX and, as such, have no actual market value. The fully paid ordinary Shares of the Company have been traded on the ASX since April 2007. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.012 to \$0.061, the most recent closing price prior to printing of this notice was \$0.035. The Options are capable of being converted to Shares by payment of the exercise price.
- (i) Mr Paton currently receives director fees of \$65,000 plus GST.
- (j) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options to Mr Paton or his nominee pursuant to Resolution 3.
- (k) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by these Resolutions.

Resolution 4 – Grant of Options to Mr JL Craig Marshall

The Company proposes to grant 6,000,000 Options to Mr JL Craig Marshall, or his nominees, for nil consideration to be exercised as follows:

- (a) 2,000,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (b) 2,000,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (c) 2,000,000 shares at an exercise price of 200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017.

The full terms of the Options are set out in Annexures A, B and C to this Explanatory Statement.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise prices will only be known prior to the date of the meeting to approve the issue. Assuming that the Options were issued on the date of this Notice, the exercise prices would be \$0.05,

\$0.06 and \$0.07 respectively. On that basis, in the event all the Options are exercised, Mr Marshall (or his nominee) will need to pay a total of \$360,000 to the Company.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 4 provides for the grant of Options to a related party which is a financial benefit requiring Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed Resolutions would permit the financial benefit to be given

Subject to Shareholder approval, the Options the subject of Resolution 4 will be granted to Mr Marshall, or his nominee, within one month of the passing of these Resolutions. Mr Marshall is a Director of the Company and is therefore classified as a related party.

The nature of, reasons for and basis for the financial benefit

The proposed financial benefit is the grant of 6,000,000 options to Mr JL Craig Marshall, or his nominee, for nil issue price. Each Option will allow Mr Marshall to subscribe for one ordinary fully paid Share in the Company. The exercise price of each tranche of Options is as follows:

- (a) 2,000,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (b) 2,000,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (c) 2,000,000 shares at an exercise price of 200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017.

The Options form part of Mr Marshall's incentive for continuing and future efforts. Options are considered to be the appropriate incentive at the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Marshall is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, and the average Share price as traded over the previous 6 months, the Options represent an incentive to Mr Marshall to achieve this increase in the Share price, which would result in an increase in Shareholder value.

The Options form part of Mr Marshall's incentive for continuing and future efforts.

Directors' recommendation

All directors except Mr JL Craig Marshall recommend Shareholders vote in favour of Resolution 4. Mr JL Craig Marshall does not wish to make a recommendation about the proposed Resolution 4 as he may potentially receive a financial benefit from the passing of the Resolutions in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

Interests of Directors

Mr JL Craig Marshall has noted his interest in the approval of Resolution 4 in relation to the Options.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolutions would have the effect of giving power to the Directors to grant 6,000,000 Options to Mr JL Craig Marshall, or his nominee;
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexures A, B and C to this Explanatory Statement and as otherwise mentioned above;
- (c) The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Options by reference to the Black-Scholes valuation method. The valuation cannot be finalised until the grant date of the Options;
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Marshall, or his nominee, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders;

Table 1 - Details of Director Options

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
JL Craig Marshall	Director	2,000,000	150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 100% from the date of the meeting	\$56,400 (i)
JL Craig Marshall	Director	2,000,000	175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 150% from the date of the meeting	\$56,200 (ii)
JL Craig Marshall	Director	2,000,000	200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 200% from the date of the meeting	\$55,800 (iii)

Option Valuation details

Details	Input	Input	Input
Share price	\$0.03	\$0.03	\$0.03
Exercise Price	\$0.05	\$0.06	\$0.07
Risk Free Rate (RBA Cash Rate)	3.25%	3.25%	3.25%
Volatility (Annualised)	175.58%	175.58%	175.58%
Start Date	6 August 2012	6 August 2012	6 August 2012
Expiry Date	6 August 2017	6 August 2017	6 August 2017
Value per Option	\$0.0282 (i)	\$0.0281 (ii)	\$0.0279 (iii)

- (e) As at the date of this Notice, the issued capital of the Company comprised 308,072,707 Shares. If all Options granted as proposed above are exercised, and no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	308,072,707
Options to be granted	6,000,000
New Total	314,072,707
Dilutionary Effect	1.91%

- (f) Mr Marshall's current interests in securities of the Company are set out in the table below;

Director	Shareholding
JL Craig Marshall	1,000,000

- (g) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options;
- (h) The Options will not be quoted on the ASX and, as such, have no actual market value. The fully paid ordinary Shares of the Company have been traded on the ASX since April 2007. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.012 to \$0.061, the most recent closing price prior to printing of this notice was \$0.035. The Options are capable of being converted to Shares by payment of the exercise price;
- (i) Mr Marshall currently receives director fees of \$54,500, plus GST;
- (j) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options to Mr Marshall or his nominee pursuant to Resolution 4; and
- (k) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by these Resolutions.

Resolution 5 – Grant of Options to Mr Dennis Wilkins

The Company proposes to grant 3,000,000 Options to Mr Dennis Wilkins, or his nominee, for nil consideration to be exercised as follows:

- (a) 1,000,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (b) 1,000,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (c) 1,000,000 shares at an exercise price of 200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017.

The full terms of the Options are set out in Annexures A, B and C to this Explanatory Statement.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise prices will only be known prior to the date of the meeting to approve the issue. Assuming that the Options were issued on the date of this Notice, the exercise prices would be \$0.05, \$0.06 and \$0.07 respectively. On that basis, in the event all the Options are exercised, Mr Wilkins (or his nominee) will need to pay a total of \$180,000 to the Company.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 5 provides for the grant of Options to a related party which is a financial benefit requiring Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed Resolutions would permit the financial benefit to be given

Subject to Shareholder approval, the Options the subject of Resolution 5 will be granted to Mr Wilkins, or his nominee, within one month of the passing of these Resolutions. Mr Wilkins is a Director of the Company and is therefore classified as a related party.

The nature of, reasons for and basis for the financial benefit

The proposed financial benefit is the grant of 3,000,000 options to Mr Wilkins, or his nominee, for nil issue price. Each Option will allow Mr Wilkins to subscribe for one ordinary fully paid Share in the Company. The exercise price of each tranche of Options is as follows:

- (a) 1,000,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;

- (b) 1,000,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017;
- (c) 1,000,000 shares at an exercise price of 200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 6 August 2017.

The Options form part of Mr Wilkins' incentive for continuing and future efforts. Options are considered to be the appropriate incentive at the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Wilkins is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, and the average Share price as traded over the previous 6 months, the Options represent an incentive to Mr Wilkins to achieve this increase in the Share price, which would result in an increase in Shareholder value.

Directors' recommendation

All directors except Mr Wilkins recommend Shareholders vote in favour of Resolution 5. Mr Wilkins does not wish to make a recommendation about the proposed Resolution 5 as he may potentially receive a financial benefit from the passing of the Resolutions in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

Interests of Directors

Mr Wilkins has noted his interest in the approval of Resolution 5 in relation to the Options.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolutions would have the effect of giving power to the Directors to grant 3,000,000 Options to Mr Wilkins, or his nominee.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexure A, B and C to this Explanatory Statement and as otherwise mentioned above.
- (c) The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Options by reference to the Black-Scholes valuation method. The valuation cannot be finalised until the grant date of the Options.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Wilkins, or his nominee, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

Table 1 - Details of Director Options

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Dennis Wilkins	Director	1,000,000	150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 100% from the date of the meeting	\$28,200 (i)

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Dennis Wilkins	Director	1,000,000	175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 150% from the date of the meeting	\$28,100 (ii)
Dennis Wilkins	Director	1,000,000	200% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	6 August 2017	Once the market capitalisation of the Company appreciates by 200% from the date of the meeting	\$27,900 (iii)

Option Valuation details

Details	Input	Input	Input
Share price	\$0.03	\$0.03	\$0.03
Exercise Price	\$0.05	\$0.06	\$0.07
Risk Free Rate (RBA Cash Rate)	3.25%	3.25%	3.25%
Volatility (Annualised)	175.58%	175.58%	175.58%
Start Date	6 August 2012	6 August 2012	6 August 2012
Expiry Date	6 August 2017	6 August 2017	6 August 2017
Value per Option	\$0.0282 (i)	\$0.0281 (ii)	\$0.0279 (iii)

- (e) As at the date of this Notice, the issued capital of the Company comprised 308,072,707 Shares. If all Options granted as proposed above are exercised, and no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	308,072,707
Options to be granted	3,000,000
New Total	311,072,707
Dilutionary Effect	0.96%

- (f) Mr Wilkins's current interests in securities of the Company are set out in the table below:

Director	Shareholding
Dennis Wilkins	1,000,000

- (g) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.

- (h) The Options will not be quoted on the ASX and, as such, have no actual market value. The fully paid ordinary Shares of the Company have been traded on the ASX since April 2007. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.012 to \$0.061, the most recent closing price prior to printing of this notice was \$0.035. The Options are capable of being converted to Shares by payment of the exercise price.
- (i) Mr Wilkins currently receives director fees of \$30,000, plus GST.
- (j) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options to Mr Wilkins or his nominee pursuant to Resolution 5.
- (k) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by these Resolutions.

Resolution 6 – Share Placement Facility

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 additional equity funds can be raised if considered necessary. If not utilised, the facility would lapse 3 months after the date of the meeting.

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. In accordance with ASX 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 ordinary fully paid shares;
- (b) any shares issued in accordance with Resolution 6 will be allotted and issued within 3 months from the date of the general meeting (or such later date as approved by the ASX);
- (c) 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 on which sales in the Company's shares were recorded on the ASX before the day on which the issue is made;
- (d) as at the date of this notice of meeting there has been no decision by the Directors to issue any shares. Accordingly, the names of any allottees or proposed allottees are not known. No shares will be issued to Directors or other related parties;
- (e) any shares issued pursuant to Resolution 6 will rank equally in all respects with existing ordinary fully paid shares on issue in the Company;
- (f) funds raised by the issue of any shares will be used as additional working capital for the Company; and

- (g) it is not known whether any allotments will occur as a single allotment or will occur progressively. However, it would be likely that any issue of shares will be made as a single allotment.

Resolution 7 – Approval of the Grant of Performance Rights to Mr Kane Marshall

The Performance Rights

The Company proposes to issue 2,000,000 Performance Rights to Mr Kane Marshall (or his nominees).

The Directors face considerable ongoing responsibilities and challenges in their roles within the Company. The grant of these Performance Rights will provide an incentive for outstanding performance and promote their opportunities for Share ownership in the Company.

The Performance Rights will be granted as soon as possible following the Meeting and in any event within one month from the date of the meeting and will vest based on a share price reference point of 1 July 2012. If the volume weighted average price of the Company's Shares as quoted on ASX increases by 100% from the share price reference point for a consecutive period of at least 30 Business Days during each calendar year Mr Kane Marshall's Performance Rights will vest.

Subject to achievement of this Performance Condition, one Share will be issued for each Performance Right that has vested.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 7 provides for the grant of Performance Rights to a related party which is a financial benefit requiring Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

Subject to Shareholder approval, the Performance Rights the subject of Resolution 7 will be granted to Mr Marshall, or his nominees, within one month of the passing of this Resolution. Mr Marshall is a Director of the Company and is therefore classified as a related party.

The nature of the financial benefit

The proposed financial benefit is the grant of Performance Rights to Mr Marshall, or his nominee, for nil issue price. Mr Marshall will not be required to make any payment for the grant of the Performance Rights or vesting of Performance Rights. The maximum number of Performance Rights that could vest under Resolution 7 is 2,000,000.

The Performance Rights form part of Mr Marshall's incentive for continuing and future efforts.

Directors' recommendation

All the Directors except for Mr Marshall recommend that Shareholders vote in favour of Resolution 7. Mr Marshall does not wish to make a recommendation about the proposed Resolution 7 as he may potentially receive a financial benefit from the passing of the resolution in relation to the grant of Performance Rights and does not consider himself sufficiently independent to make a recommendation.

Interests of Directors

Mr Marshall has noted his interest in the approval of Resolution 7 in relation to the Performance Rights.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 2,000,000 Performance Rights to Mr Marshall, or his nominee.
- (b) The total value of the Performance Rights to be issued is outlined in Table 1 below. If the vesting condition of the Performance Rights is satisfied the effect would be to dilute the Shareholdings of the existing Shareholders.

Table 1 - Details of Director Performance Rights

Name	Relationship	Number of Performance Rights	Vesting	Value
Kane Marshall	Director	2,000,000	When the volume weighted average price of the Company's Shares increases by 100% for a consecutive period of at least 30 Business Days over the share price at 1 July 2012.	\$70,000

Value of the financial benefit

Details	Input
*Share price	\$0.035
Conversion Price	Nil
Valuation Date	25 June 2012
Value per Performance Right	\$0.035

** Based on the current share price at the date of this Notice being 25 June 2012*

- (c) As at the date of this Notice, the issued capital of the Company comprised 308,072,707 Shares. Assuming the vesting condition of the Performance Rights is satisfied at the date of the Notice of Meeting, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	308,072,707
Performance Rights to be granted	2,000,000
New Total	310,072,707

Dilutionary Effect	0.65%
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- (d) Mr Marshall's current interests in securities of the Company are set out in the table below:

Director	Shareholding
Kane Marshall	3,100,740

- (e) The fully paid ordinary Shares of the Company have been traded on the ASX since April 2007. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.012 to \$0.061, the most recent closing price prior to printing of this notice was \$0.035.
- (f) Mr Marshall is currently remunerated at \$250,000 per annum plus GST.
- (g) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this resolution.

Resolution 8 – Approval of the grant of Performance Rights to Mr Kane Marshall

The Performance Rights

The Company proposes to issue 2,000,000 Performance Rights to Mr Kane Marshall (or his nominee).

The Directors face considerable ongoing responsibilities and challenges in their roles within the Company. The grant of these Performance Rights will provide an incentive for outstanding performance and promote their opportunities for Share ownership in the Company.

The Performance Rights will be granted as soon as possible following the Meeting and in any event within one month from the date of the meeting and will vest based on a share price reference point of 1 July 2012. If the volume weighted average price of the Company's Shares as quoted on ASX increases by 150% from the share price reference point for a consecutive period of at least 30 Business Days during each calendar year Mr Kane Marshall's Performance Rights will vest.

Subject to achievement of this Performance Condition, one Share will be issued for each Performance Right that has vested.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 8 provides for the grant of Performance Rights to a related party which is a financial benefit requiring Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

Subject to Shareholder approval, the Performance Rights the subject of Resolution 8 will be granted to Mr Marshall, or his nominee, within one month of the passing of this Resolution. Mr Marshall is a Director of the Company and is therefore classified as a related party.

The nature of the financial benefit

The proposed financial benefit is the grant of Performance Rights to Mr Marshall, or his nominee, for nil issue price. Mr Marshall will not be required to make any payment for the grant of the Performance Rights or vesting of Performance Rights. The maximum number of Performance Rights that could vest under Resolution 8 is 2,000,000.

The Performance Rights form part of Mr Marshall's incentive for continuing and future efforts.

Directors' recommendation

All the Directors except for Mr Marshall recommend that Shareholders vote in favour of Resolution 8. Mr Marshall does not wish to make a recommendation about the proposed Resolution 8 as he may potentially receive a financial benefit from the passing of the resolution in relation to the grant of Performance Rights and does not consider himself sufficiently independent to make a recommendation.

Interests of Directors

Mr Marshall has noted his interest in the approval of Resolution 8 in relation to the Performance Rights.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 2,000,000 Performance Rights to Mr Marshall, or his nominee
- (b) The total value of the Performance Rights to be issued is outlined in Table 1 below. If the vesting condition of the Performance Rights is satisfied the effect would be to dilute the Shareholdings of the existing Shareholders.

Table 1 - Details of Director Performance Rights

Name	Relationship	Number of Performance Rights	Vesting	Value
Kane Marshall	Director	2,000,000	When the volume weighted average price of the Company's Shares increases by 150% for a consecutive period of at least 30 Business Days over the share price at 1 July 2012.	\$70,000

Value of the financial benefit

Details	Input
*Share price	\$0.035
Conversion Price	Nil
Valuation Date	25 June 2012
Value per Performance Right	\$0.035

** Based on the current share price at the date of this Notice being 25 June 2012*

- (d) As at the date of this Notice, the issued capital of the Company comprised 308,072,707 Shares. Assuming the vesting condition of the Performance Rights is satisfied at the date of the Notice of Meeting, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	308,072,707
Performance Rights to be granted	2,000,000
New Total	310,072,707
Dilutionary Effect	0.65%

- (e) Mr Marshall's current interests in securities of the Company are set out in the table below:

Director	Shareholding
Kane Marshall	3,100,740

- (f) The fully paid ordinary Shares of the Company have been traded on the ASX since April 2007. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.012 to \$0.061, the most recent closing price prior to printing of this notice was \$0.035.
- (g) Mr Marshall is currently remunerated at \$250,000 per annum plus GST.
- (h) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this resolution.

Resolution 9 – Approval of the Grant of Performance Rights to Mr Ian Paton**The Performance Rights**

The Company proposes to issue 1,250,000 Performance Rights to Mr Ian Paton (or his nominee).

The Directors face considerable ongoing responsibilities and challenges in their roles within the Company. The grant of these Performance Rights will provide an incentive for outstanding performance and promote their opportunities for Share ownership in the Company.

The Performance Rights will be granted as soon as possible following the Meeting and in any event within one month from the date of the meeting and will vest based on a share price reference point of 1 July 2012. If the volume weighted average price of the Company's Shares as quoted on ASX increases by 100% from the share price reference point for a consecutive period of at least 30 Business Days during each calendar year Mr Ian Paton's Performance Rights will vest.

Subject to achievement of this Performance Condition, one Share will be issued for each Performance Right that has vested.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 9 provides for the grant of Performance Rights to a related party which is a financial benefit requiring Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

Subject to Shareholder approval, the Performance Rights the subject of Resolution 9 will be granted to Mr Paton, or his nominee, within one month of the passing of this Resolution. Mr Paton is a Director of the Company and is therefore classified as a related party.

The nature of the financial benefit

The proposed financial benefit is the grant of Performance Rights to Mr Paton, or his nominee, for nil issue price. Mr Paton will not be required to make any payment for the grant of the Performance Rights or vesting of Performance Rights. The maximum number of Performance Rights that could vest under Resolution 9 is 1,250,000.

The Performance Rights form part of Mr Paton's incentive for continuing and future efforts.

Directors' recommendation

All the Directors except for Mr Paton recommend that Shareholders vote in favour of Resolution 9. Mr Paton does not wish to make a recommendation about the proposed Resolution 9 as he may potentially receive a financial benefit from the passing of the resolution in relation to the grant of Performance Rights and does not consider himself sufficiently independent to make a recommendation.

Interests of Directors

Mr Paton has noted his interest in the approval of Resolution 9 in relation to the Performance Rights.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 1,250,000 Performance Rights to Mr Paton, or his nominee.
- (b) The total value of the Performance Rights to be issued is outlined in Table 1 below. If the vesting condition of the Performance Rights is satisfied the effect would be to dilute the Shareholdings of the existing Shareholders.

Table 1 - Details of Director Performance Rights

Name	Relationship	Number of Performance Rights	Vesting	Value
Ian Paton	Director	1,250,000	When the volume weighted average price of the Company's Shares increases by 100% for a consecutive period of at least 30 Business Days over the share price at 1 July 2012.	\$43,750

Value of the financial benefit

Details	Input
*Share price	\$0.035
Conversion Price	Nil
Valuation Date	25 June 2012
Value per Performance Right	\$0.035

** Based on the current share price at the date of this Notice being 25 June 2012*

- (c) As at the date of this Notice, the issued capital of the Company comprised 308,072,707 Shares. Assuming the vesting condition of the Performance Rights is satisfied at the date of the Notice of Meeting, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	308,072,707
Performance Rights to be granted	1,250,000
New Total	309,322,707
Dilutionary Effect	0.40%

- (d) Mr Paton's current interests in securities of the Company are set out in the table below:

Director	Shareholding
Ian Paton	Nil

- (e) The fully paid ordinary Shares of the Company have been traded on the ASX since April 2007. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.012 to \$0.061, the most recent closing price prior to printing of this notice was \$0.035.
- (f) Mr Paton currently receives director fees of \$65,000 plus GST.
- (g) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this resolution.

Resolution 10 – Approval of the grant of Performance Rights to Mr Ian Paton

The Performance Rights

The Company proposes to issue 1,250,000 Performance Rights to Mr Ian Paton (or his nominee).

The Directors face considerable ongoing responsibilities and challenges in their roles within the Company. The grant of these Performance Rights will provide an incentive for outstanding performance and promote their opportunities for Share ownership in the Company.

The Performance Rights will be granted as soon as possible following the Meeting and in any event within one month from the date of the meeting and will vest based on a share price reference point of 1 July 2012. If the volume weighted average price of the Company's Shares as quoted on ASX increases by 150% from the share price reference point for a consecutive period of at least 30 Business Days during each calendar year Mr Ian Paton's Performance Rights will vest.

Subject to achievement of this Performance Condition, one Share will be issued for each Performance Right that has vested.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 10 provides for the grant of Performance Rights to a related party which is a financial benefit requiring Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

Subject to Shareholder approval, the Performance Rights the subject of Resolution 10 will be granted to Mr Paton, or his nominee, within one month of the passing of this Resolution. Mr Paton is a Director of the Company and is therefore classified as a related party.

The nature of the financial benefit

The proposed financial benefit is the grant of Performance Rights to Mr Paton, or his nominee, for nil issue price. Mr Paton will not be required to make any payment for the grant of the Performance Rights or vesting of Performance Rights. The maximum number of Performance Rights that could vest under Resolution 10 is 1,250,000.

The Performance Right form part of Mr Paton's incentive for continuing and future efforts.

Directors' recommendation

All the Directors except for Mr Paton recommend that Shareholders vote in favour of Resolution 10. Mr Paton does not wish to make a recommendation about the proposed Resolution 10 as he may potentially receive a financial benefit from the passing of the resolution in relation to the grant of Performance Rights and does not consider himself sufficiently independent to make a recommendation.

Interests of Directors

Mr Paton has noted his interest in the approval of Resolution 10 in relation to the Performance Rights.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 1,250,000 Performance Rights to Mr Paton, or his nominee.
- (b) The total value of the Performance Rights to be issued is outlined in Table 1 below. If the vesting condition of the Performance Rights is satisfied the effect would be to dilute the Shareholdings of the existing Shareholders.

Table 1 - Details of Director Performance Rights

Name	Relationship	Number of Performance Rights	Vesting	Value
Ian Paton	Director	1,250,000	When the volume weighted average price of the Company's Shares increases by 150% for a consecutive period of at least 30 Business Days over the share price at 1 July 2012.	\$43,750

Value of the financial benefit

Details	Input
*Share price	\$0.035
Conversion Price	Nil
Valuation Date	25 June 2012
Value per Performance Right	\$0.035

** Based on the current share price at the date of this Notice being 25 June 2012*

- (c) As at the date of this Notice, the issued capital of the Company comprised 308,072,707 Shares. Assuming the vesting condition of the Performance Rights is satisfied at the date of the Notice of Meeting, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	308,072,707
Performance Rights to be granted	1,250,000
New Total	309,322,707
Dilutionary Effect	0.40%

- (d) Mr Paton's current interests in securities of the Company are set out in the table below:

Director	Shareholding
Ian Paton	Nil

- (e) The fully paid ordinary Shares of the Company have been traded on the ASX since April 2007. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.012 to \$0.061, the most recent closing price prior to printing of this notice was \$0.035.
- (f) Mr Paton currently receives director fees of \$65,000 plus GST.
- (g) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this resolution.

GLOSSARY

In this Explanatory Statement and the Notice, the following terms have the following meanings unless the context otherwise requires:

GM	means a General Meeting.
ASX	means ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
Board	means the board of Directors of the Company.
Closely Related Party	has the same meaning as defined in Section 9 of the Corporations Act.
Company	means Key Petroleum Limited ABN 50 120 580 618.
Corporations Act	means Corporations Act 2001 (Cth).
Director	means a director of the Company.
Explanatory Statement	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 General Meeting accompanying this Explanatory Statement.
Resolution	means a resolution contained in the Notice.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a share.

ANNEXURE A

TERMS AND CONDITIONS

OPTIONS EXPIRING 6 AUGUST 2017

The Options to be issued pursuant to the Resolution will be issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 150% of the VWAP of the fully paid ordinary shares of the Company on the five days prior to the date of meeting. ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Key Petroleum Limited ABN 50 120 580 618 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will vest once the market capitalisation of the Company appreciates by 100% from 6 August 2012. ("**Vesting Date**")
5. The Options will lapse at 5.00 pm, Western Standard Time on 6 August 2017 ("**Expiry Date**").
6. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
7. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
8. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before books closing date to exercise the Options.
9. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
10. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
11. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
12. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
13. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

ANNEXURE B

TERMS AND CONDITIONS

OPTIONS EXPIRING 6 AUGUST 2017

The Options to be issued pursuant to the Resolution will be issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 175% of the VWAP of the fully paid ordinary shares of the Company on the five days prior to the date of meeting. ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Key Petroleum Limited ABN 50 120 580 618 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will vest once the market capitalisation of the Company appreciates by 150% from 6 August 2012. ("**Vesting Date**")
5. The Options will lapse at 5.00 pm, Western Standard Time on 6 August 2017 ("**Expiry Date**").
6. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
7. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
8. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before books closing date to exercise the Options.
9. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
10. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
11. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
12. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
13. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

ANNEXURE C

TERMS AND CONDITIONS

OPTIONS EXPIRING 6 AUGUST 2017

The Options to be issued pursuant to the Resolution will be issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 200% of the VWAP of the fully paid ordinary shares of the Company on the five days prior to the date of meeting. ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Key Petroleum Limited ABN 50 120 580 618 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will vest once the market capitalisation of the Company appreciates by 200% from 6 August 2012. ("**Vesting Date**")
5. The Options will lapse at 5.00 pm, Western Standard Time on 6 August 2017 ("**Expiry Date**").
6. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
7. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
8. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before books closing date to exercise the Options.
9. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
10. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
11. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
12. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
13. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

ANNEXURE D

Terms of Performance Rights

The material terms of the Performance Rights the subject of the Resolution are:

1. The Performance Rights are non-transferable.
2. The Performance Rights do not confer any entitlement to attend or vote at meetings of the Company, to dividends, to participation in new issues of securities or entitlement to participate in any return of capital.
3. The Performance Rights vest upon the satisfaction of the following performance hurdle:
 - When the volume weighted average price of the Company's Shares increases by 100% for a consecutive period of at least 30 Business Days during each calendar year of Mr Kane Marshall's term as Managing Director; and
 - When the volume weighted average price of the Company's Shares increases by 100% for a consecutive period of at least 30 Business Days during each calendar year of Mr Ian Paton's term as Director; and
4. Upon vesting, one Share will be issued for every one (1) Performance Right. The Shares will rank equally in all respects with the existing Shares.
5. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the vesting date, the number of Performance Rights will be reconstructed in a manner consistent with the ASX Listing Rules.

ANNEXURE E

Terms of Performance Rights

The material terms of the Performance Rights the subject of the Resolution are:

1. The Performance Rights are non-transferable.
2. The Performance Rights do not confer any entitlement to attend or vote at meetings of the Company, to dividends, to participation in new issues of securities or entitlement to participate in any return of capital.
3. The Performance Rights vest upon the satisfaction of the following performance hurdle:
 - When the volume weighted average price of the Company's Shares increases by 150% for a consecutive period of at least 30 Business Days during each calendar year of Mr Kane Marshall's term as Managing Director; and
 - When the volume weighted average price of the Company's Shares increases by 150% for a consecutive period of at least 30 Business Days during each calendar year of Mr Ian Paton's term as Director.
4. Upon vesting, one (1) Share will be issued for every one (1) Performance Right. The Shares will rank equally in all respects with the existing Shares.
5. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the vesting date, the number of Performance Rights will be reconstructed in a manner consistent with the ASX Listing Rules.

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
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 4 August 2012

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 your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- ☒ Review your securityholding
- ☒ Update your securityholding

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

I ND

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 General Meeting of Key Petroleum Limited to be held at The Celtic Club, 48 Ord Street, West Perth, WA 6005 on Monday, 6 August 2012 at 10:00am (WST) and at any adjournment of that meeting.

Important for Resolution 4: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Resolution 4 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolution 4 and your votes will not be counted in computing the required majority if a poll is called on this Resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 4.

☐ I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Resolution and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

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	Ratification of Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Grant of Options to Mr Kane Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Grant of Options to Mr Ian Paton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Grant of Options to Mr JL Craig Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Grant of Options to Mr Dennis Wilkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Share Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of the Grant of Performance Rights to Mr Kane Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of the Grant of Performance Rights to Mr Kane Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval of the Grant of Performance Rights to Mr Ian Paton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Approval of the Grant of Performance Rights to Mr Ian Paton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /