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ASX and Media Release

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TANZANIAN GAS DISCOVERY DECLARED COMMERCIALY VIABLE

Key Petroleum Ltd's (ASX: KEY) Kiliwani North #1 gas discovery in Tanzania has been declared a commercially viable development option after a series of highly successful production and flow rate tests.

Flow testing of the Kiliwani North #1 gas discovery well (KEY 20%) is complete after confirmation of the previously announced 40 million cubic feet per day flow rates through a 72/64" fixed choke.

The sustainability of the flow rate was confirmed by zero depletion of bottom hole pressure (bhp) whilst flowing the well. These factors, plus other pressure data and laboratory analyses, have satisfied Key that the Kiliwani North #1 well and the discovered gas field are a commercially viable venture.

Key Petroleum now believes that the Nyuni block, containing Kiliwani North, contains substantial upside potential, having identified a number of additional prospects and leads in the immediate vicinity.

The knowledge obtained from the Kiliwani drilling campaign, combined with a review of nearby prospects, has led Key Petroleum to believe that the area contains a number of leads and prospects ranging in size up to 500 billion cubic foot (BCF) of gas in place. Key estimates that the total potential undiscovered gas within the Nyuni block could be in excess of 2 trillion cubic feet (TCF).

At a recent Nyuni joint venture meeting in Dubai, plans for commercialisation of the Kiliwani North #1 well were advanced.

A number of scenarios are being reviewed by the operator on behalf of the joint venture. All scenarios are aimed at fast tracking early cash flow for the joint venture participants. Development options include the installation of a pipeline linking

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Kiliwani North #1 to the nearby Songo Songo gas processing plant and assorted gas processing surface equipment, if required, to commence gas production quickly.

The Kiliwani North #1 well has proved that stand-alone fields surrounding the Songo Songo gas field are capable of producing commercial hydrocarbons. Specific reserves for Kiliwani North are proving difficult for the joint venture to establish at this stage due to the structure extending to the north and beyond the limit of the existing seismic coverage.

The Nyuni joint venture has agreed to conduct further seismic acquisition, mainly marine, in the Kiliwani North area to allow further delineation of the structure and to define additional drillable prospects. This will be undertaken in parallel with the commercialisation process of Kiliwani North #1.

Key Petroleum's CEO/Managing Director, Ken Russell, said, "*Key Petroleum has been actively reviewing and evaluating the results from Kiliwani North #1. Confirmation of the results and the high stabilised flow rate of 40 mmscf/d is very good news as the project can now move forward with confidence to commercialisation*".

"The additional prospects in the Nyuni block and the growing demand for gas and condensate in Tanzania provides confidence for the Nyuni joint venture to commit to the development programme for the block".

"One well can provide a lot of data but additional seismic and drilling will provide further growth prospects for Key Petroleum." Mr Russell said.

"The gas potential for this area is something very special in today's market place for oil and gas. With Key's recent signing of the Songo Songo West permit with the Tanzania authorities the combined potential in the Songo Songo area for Key will provide considerable growth opportunities for the company".

Mr Russell added, "The company has also recognised that it needs to increase its technical capabilities to efficiently manage growth on its current projects. As a result Key has started increasing the number of technical personnel in its Perth office. This will also enable the company to look for other growth opportunities at the same time"

For further background information please see the Company's web site at www.keypetroleum.com or contact

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