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## ASX and Media Release

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### **KILIWANI NORTH GAS RESOURCES UPDATE**

Key Petroleum's (ASX:KEY) provides an update on resource estimates for its 20% interest in the Tanzanian Nyuni Block which contains the previously announced successful Kiliwani North#1 gas well. That well produced at a sustained rate of 40 MMscf/d in 2008 and opened up a new, and separate, Gas Field to the east of the producing Songo Songo Gas Field. Independent technical work has now estimated Kiliwani North to contain a mean contingent resource of 40 BCF with a potential upside of 60 BCF. In addition, the Nyuni prospect, first drilled in 2003/4, is now estimated to contain a mean contingent resource of 207 BCF in Aptian/Albian sands. Unrisked prospective resources from the main prospects in the Nyuni Block, total a mean of 1.2 TCF and P10 of 2.5 TCF in place.

The operator of the Nyuni joint venture, Aminex Plc, has announced results of technical work that has been undertaken by an independent consulting group, Isis Petroleum Consultants Pty. Ltd. ("Isis"), where their evaluation of the Kiliwani North discovery and neighbouring prospects at Nyuni, when coupled with the expansion of the gas handling plant at Songo Songo Island, would mean that the Joint Venture could plan for commercial gas development.

#### **TANZANIA – Nyuni PSA and Kiliwani North Appraisal Licence (Key: 20% interest)**

In 2008, following a successful well test of the Kiliwani North#1 gas discovery (40 MMscf/d from Lower Cretaceous sandstones), a two year Appraisal Licence was granted to the Joint Venture by the Tanzanian Government. Early into that period an analysis of the well test data confirmed the excellent production characteristics of the Neocomian reservoir but it was felt by participants that a further acquisition of seismic data was required to gain a better understanding of the discovery.

A seismic programme was undertaken in July 2009 which included the acquisition of 48 km of land and transition zone seismic over Kiliwani North. This work resulted in

high quality processed data enabling a clearer understanding of the Kiliwani North structure.

Various options to commercialise Kiliwani North gas have been and are continuing to be studied but, given its close proximity to the Songo Songo Plant (3km from the Kiliwani North#1 wellhead), using this production facility currently remains the obvious and most economic choice.

The capacity of the gas handling plant at Songo Songo needs to be expanded but this has been held up due to a planning consent deadlock between the plant operator and the government authorities. It's now believed that this deadlock will soon be resolved and that expansion of both plant and pipeline will be undertaken. Expanding domestic and industry gas markets in Dar es Salaam show indications of being capable of accepting any additional gas production.

The remainder of the Nyuni Licence, currently in its second extension period, is classed as an exploration area. Previously acquired seismic in this area has now been reprocessed, reinterpreted and integrated with the new seismic acquired over Songo Songo Island. This time consuming work has now been integrated into new mapping and it has considerably upgraded the sizes of the main prospects.

The independent evaluation of contingent resources at Kiliwani North and prospective resources in the exploration area are tabulated below. The evaluation attributes some "contingent" as well as "prospective" resources to the Nyuni prospects which lie close to Nyuni Island. This results from Isis's review of the Nyuni#1 well, drilled by Aminex and its then partners at Nyuni Island in 2003/4, where several gas bearing intervals in Aptian/Albian sands were recorded but, due to operational difficulties were never tested. Isis has therefore attributed the same resource category to these Nyuni#1 reservoirs as to the successfully tested discovery at Kiliwani North.

Unexplored prospects at Fanjove Island, Songo Songo South and elsewhere on the licence have not yet been fully evaluated however, the prospects in and around Nyuni Island offer potential for further exploration drilling.

All the ingredients are now falling into place for development of a gas business based on the Nyuni PSA.

<b>RESOURCES ESTIMATE IN BCF</b>			
	<b>P90</b>	<b>Pmean</b>	<b>P10</b>
<b><i>CONTINGENT IN-PLACE RESOURCES</i></b>			
Kiliwani North – Neocmian Sands	22	40	62
Nyuni – Aptian /Albian Sands	57	207	414
<b><i>TOTAL CONTINGENT</i></b>		<b><i>247</i></b>	
<b><i>PROSPECTIVE IN-PLACE RESOURCES *</i></b>			
Nyuni – Neocomian Sands	160	764	1,616
Okuza – Neocomian Sands	97	419	868
Okuza – Aptian / Albian Sands	19	105	226
<b><i>TOTAL PROSPECTIVE</i></b>		<b><i>1,183</i></b>	

\* Prospective resource in place numbers are unrisksed

The Prospective and Contingent resources have been prepared by Isis Petroleum Consultants Pty Ltd.  
Keys interest in the above is 20%

### **TANZANIA – West Songo Songo (Key: 50% interest & Operator)**

Located between the Songo Songo Gas Field and the coast of Tanzania the West Songo Songo PSA area has its eastern boundary contiguous with the Nyuni PSA. West Songo Songo also lies within the Rufiji Basin, a proven producing petroleum system trend containing the Songo Songo Gas Field and the Kiliwani North discovery. Key through its wholly owned subsidiary Funguo Petroleum Pty Ltd, as operator, has completed an interpretation of all existing seismic on the block and identified a number of structural prospects and leads at Lower Cretaceous levels where the reservoir target would be the Neocomian sandstones, the main producing reservoir at the Songo Songo Gas Field and Kiliwani North. Stratigraphic trapping has been identified at higher levels in the Cretaceous providing additional potential. In order to evaluate further the structural and stratigraphic definition of the existing prospects and leads, Key plans to reprocess the existing seismic over these areas.

Key Petroleum's Managing Director /CEO, Ken Russell, said, *"Having the results of the Kiliwani North#1 gas well independently evaluated brings a high degree of confidence to the joint venture participants' plans for future development of this and other prospects although we remain disappointed with the pace of commercial development."*

*"The various pieces of the East African jigsaw puzzle are coming together. The ever increasing focus on Tanzania and the surrounding countries' basins by majors and large independents shows that there is further potential in this area." Mr. Russell said.*

*Mr. Russell continued, "With ExxonMobil recently joining Statoil in Block 2 offshore Tanzania, success of Anadarko on the Mozambique/Tanzanian boarder, with their Windjammer well with a reported 1200' gas column and Madagascar Energy's 2009 oil discovery with an 1110' oil column in Madagascar illustrate the exciting potential of the region."*

### **Background:**

Key Petroleum Ltd is a producer of oil in the United Kingdom from its 100% owned, 2 onshore oilfields, Brockham and Lidsey located in the Weald Basin in the south of England. Key is also involved in oil and gas exploration and development projects in Tanzania where it has a 20% interest in the Nyuni block and in the West Songo Songo block where it holds a 50% interest and is the Operator (*refer this announcement*). Key has further interests in both on and offshore areas in Italy which it holds 100% and in Suriname, an established oil producing area in South America, where it indirectly holds a free carried interest in 2 onshore blocks; Uitkijk where the state oil company, Staatsolie Maatschappij Suriname MV has announced that significant hydrocarbons with potential for a field of some 7 million barrels reserves have been found during the exploration phase of the project and, the Coronie block where drilling has now been rescheduled to commence in the coming months. Up to 15 wells could be drilled in this block during the exploration phase.

For further background information please see the company's website at <http://www.keypetroleum.com> or contact

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### **Glossary Of Terms Used**

PSA:	Production Sharing Agreement
PSC:	Production Sharing Contract
BCF:	Billions of cubic feet of natural gas
TCF:	Trillions of cubic feet of natural gas
MMcf/d	Millions of cubic feet per day of natural gas
BBLS:	Barrels of oil
Pmean	The average (mean) probability of occurrence
P90	90% probability of occurrence
P10	10% probability of occurrence
Contingent Resources	Discovered resources, not yet fully commercial
Prospective Resources	Undiscovered resources

*NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr. Ken Russell, Managing Director/CEO of Key Petroleum Ltd, who has at least 35 years petroleum engineering experience in the sector. He consents to that information in the form and context in which it appears.*