



ACN 120 580 618

Level 1, 14 Outram Street
West Perth
Western Australia 6005
Tel. +61 8 9327 3500
Fax: +61 8 9327 3510
info@keypetroleum.com
www.keypetroleum.com

Delivered at General Meeting held on Tuesday 31 August 2010

Chairman's Address

As advised to the ASX on 20 August, Key Petroleum Limited (**Key**) received a notice under section 249D of the Corporations Act from a group of Melbourne based shareholders representing 9.41% of Key's total issued shares (**Requisitioning Shareholders**). The 249D notice seeks a general meeting of shareholders to be convened for the removal of all three non-executive Directors – the Chairman Ted Ellyard, the Finance Director Dennis Wilkins and Richard O'Shannassy – and appointment of two new Directors, Jitto Arulampalam and Frank Cannavo.

Some days prior to receiving the notice and also subsequently the current Board of Directors held telephone discussions with the two proposed Directors and the legal representative of the Requisitioning Shareholders. During those discussions the Board has been assured, both verbally and in writing that the Requisitioning Shareholders would support future capital raisings and be proposing new opportunities and directions for the Company. Rather than oppose these proposals for a change in the composition of the Board and to encourage the positive intentions of the Requisitioning Shareholders, the current Board have decided to accommodate a number of the proposed changes.

As previously indicated, Richard O'Shannassy and I will resign as Directors at a Board meeting to be convened following today's General Meeting. Mr Dennis Wilkins has not agreed to resign from the Board and we support his continuing role as Director to maintain an experienced and balanced Board going forward from today. However, as required under the 249D notice, Mr Wilkins' ongoing role as a Director will be decided by a shareholder vote at a General Meeting of shareholders which will be convened for 1 October 2010 at this same venue.

In our ASX announcement of 19 August we indicated that the Board would be earnestly seeking out other potential candidates with relevant experience for positions on the Key Board. Today, I am delighted to announce that Mr John Sheppard has consented to be appointed to the Board later today. John is present here today and I invite him to stand so that others can identify him.

John has had a long and distinguished career in merchant banking and the petroleum industry. (A brief resumé of Mr Sheppard's background is attached to this statement).

The current Board had also invited Mr Jitto Arulampalam to be appointed to the Board later today, he being one of the two nominees proposed by the Requisitioning Shareholders. This invitation has been declined and therefore the appointment of the two nominee Directors, Mr Jitto Arulampalam and Mr Frank Cannavo, will be decided by all shareholders at the October general meeting.

So, from later today, the Board of Key Petroleum Limited will comprise, the Managing Director, Mr Ken Russell and non-executive Directors, Mr Dennis Wilkins and Mr John Sheppard.

At the general meeting in October three resolutions will be put to shareholders which will determine the future composition of the non-Executive ranks of your Board.. They are to retain or remove Mr Dennis Wilkins and whether to appoint Mr Jitto Arulampalam and Mr Frank Cannavo.

Let me say that it was not an easy decision for me to step down from the Board. I have been involved with Key from the days of forming the Company with Ken Russell and then raising the IPO capital. Both Richard and I have had considerable experience in the petroleum industry and we have enjoyed working with Ken Russell.

Our decision to resign from the Board has been influenced by a number of factors; firstly, the stated intention of the Requisitioning Shareholders to support future capital raisings. This is particularly important as Key Petroleum will require additional capital in the near future, whether it be to drill the planned production well in the UK fields or an exploration well in Tanzania; secondly, we have no intention of the Company embarking on a hostile proxy battle which could be destructive of shareholders' funds and thirdly, we believe all shareholders should decide the future direction of the Company.

There has apparently been some disagreement from some shareholders, including the Requisitioning Shareholders, with some of the Board's decisions, such as the proposed sale of the Tanzanian interest. The Board had made this divestment decision on the basis that proceeds from the sale of the Tanzanian interests would fund the UK production well. However, if the future Board decides to retain the Tanzanian interests, then it will also need to raise capital fairly soon to support the ongoing exploration commitments which attach to those assets. For me, it was a decision of supporting a low risk production well in the UK or ongoing exploration costs in Tanzania with uncertainty about the development process. The Company simply couldn't afford both without further capital.

I believe we are leaving the Company at an exciting stage of its development with two low risk and low cost exploration wells expected to be drilled in the North Perth Basin in October. On behalf of Richard and I, we wish the Board and all shareholders in Key Petroleum every success in the future.

Edward (Ted) Ellyard
Chairman

John P Sheppard, MBA, B. Eng, Met Cert, M Aus IMM, GAICD
Non executive Director

Mr Sheppard is a senior executive with oil and gas, finance and business development skills. He has extensive experience in corporate governance, strategic planning, business development, mergers and acquisitions, capital development and project financing nationally and internationally in the resources and finance areas which has been built up over 42 years.

Some of his significant career achievements to date include, providing advice to the National Australia Bank Board on exposure to the resources industry and where he formulated and developed strategies to position National Australia Bank as a major project finance and corporate finance provider to the resource industry.

He has also managed final investment decision process for a Philippines petroleum project, established an oil and gas division for the Griffin group in Australia and America.

These financial skills, his oil and gas experience and his international knowledge and experience merge together to allow him to advise on future funding options for expansion of the Company