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## **ASX and Media Release**

Monday 2<sup>nd</sup> June 2008

### **NEW TANZANIAN OIL AND GAS LICENCE AWARDED**

Key Petroleum Ltd (ASX code: KEY) has expanded its oil and gas interests in Tanzania by signing a new Production Sharing Agreement (PSA) with the Government of the United Republic of Tanzania in a formal ceremony held at the Ministry of Energy and Minerals in Dar es Salaam.

The offshore area, known as Songo Songo West (refer to attached map), is adjacent to the producing gas field at Songo Songo island and to the west of the recently discovered gas bearing structure at the Kiliwani North #1 well.

A large amount of pre-existing seismic data is available for the area including extensive high quality seismic data acquired in 2005. Key Petroleum Ltd and the Tanzanian Petroleum Development Corporation (TPDC) have each been working on the interpretation of the area and have identified a number of large structures with potential to be significant gas bearing prospects.

Key Petroleum Ltd, through its wholly owned Tanzanian subsidiary, Funguo Petroleum Pty Ltd, will hold a 50% interest in the area and be the operator, with the remaining 50% to be held by Aminex/Ndovu, the company's joint venture partner and operator of the nearby Nyuni block where Key Petroleum Ltd holds a 20% interest. The Nyuni block is located to the east of the Songo Songo gas field and is where well testing of the Kiliwani North well is about to start.

The official signing ceremony was attended by the Minister for Energy and Minerals, the Honourable Mr William Mganga Ngeleja (MP), the Head of the Tanzanian Petroleum Development Corporation (TPDC), Mr Kiligane and a number of other dignitaries and media.

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 5 years experience in the sector. He consents to that information in the form and context in which it appears.

Speaking from Tanzania, managing director/CEO of Key Petroleum Ltd, Ken Russell said, “Key is pleased to have entered into this agreement with the Tanzanian Government and with our other participant Aminex/Ndovu. The new PSA is well located to maximize the potential of the area and being in shallow waters and along the coastal plain it will provide Key with ample drilling location opportunities.”

“We believe Tanzania has significant potential for the oil and gas discoveries and Key has been working diligently to develop its interests in the country and specifically in the Songo Songo island region.”

Mr Russell noted, “The recent success with the drilling of the Kiliwani North #1 well and the geological data gained during its involvement in the recent Nyuni block drilling campaign provides Key with a high degree of confidence that a number of large quality prospects exist in the Songo Songo West area.”

“The gas pipeline that is used to transport gas from the Songo Songo gas field to the distribution network in Dar es Salaam also traverses the Songo Songo West block adding to the attractiveness of the area for Key.” Mr Russell said.

For further background information please see the company’s web site or contact

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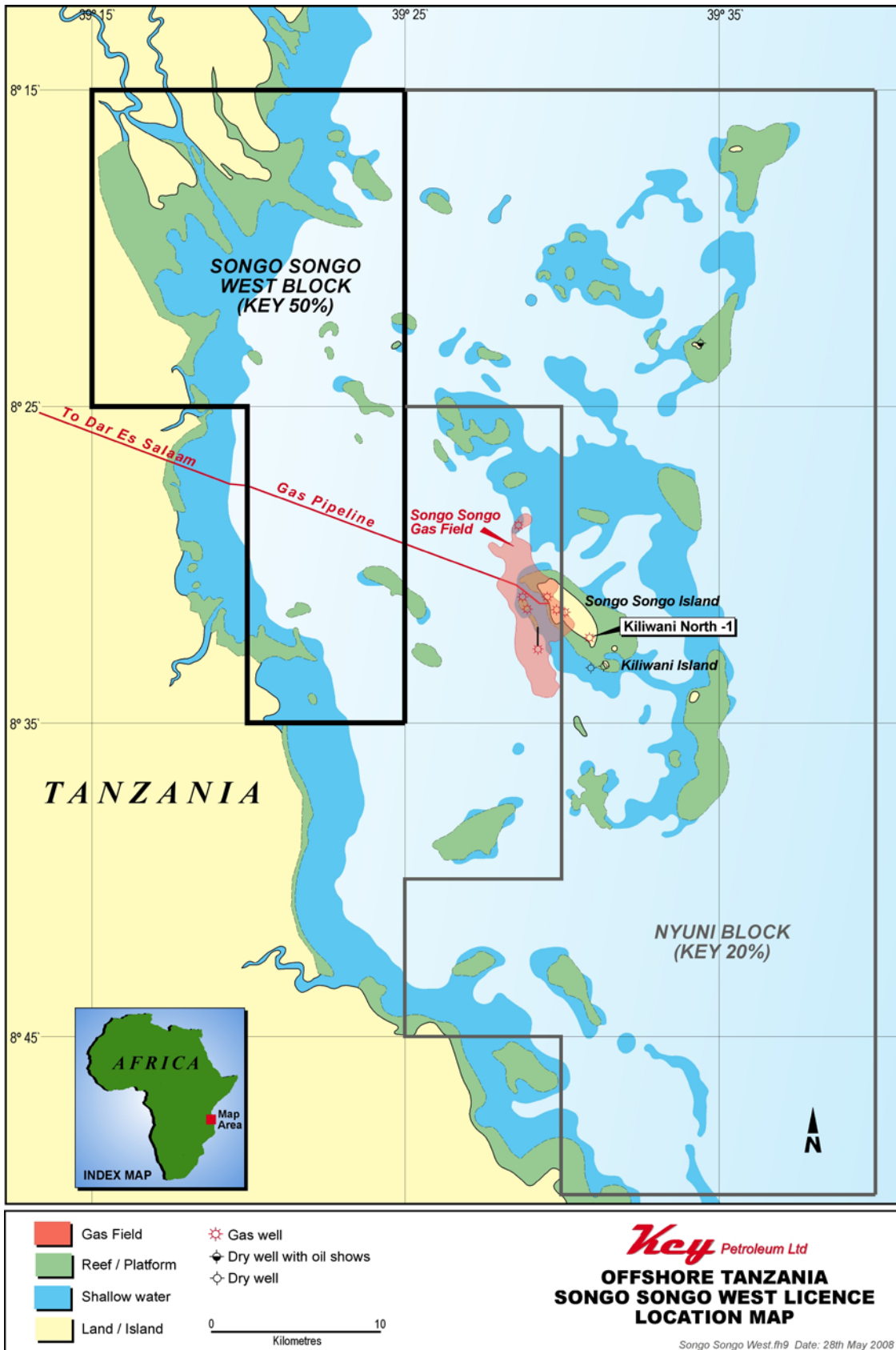
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