



Kea Petroleum plc
("Kea" or the "Group")

Kea to Drill Three Wells in Australia

Kea Petroleum plc (AIM:KEA) is pleased to announce that it has entered into an agreement to acquire a major interest in two onshore Australian petroleum exploration areas; PEL 155 in South Australia's Otway Basin and ATP 837P in Queensland's Surat Basin. In both cases, Kea will become the licence Operator and will earn 50% interest in the two licence areas by part funding a total of three wells. All the drilling targets are mapped on recently acquired, good quality 3D seismic, and all are near to existing production.

Subject to statutory approvals Kea is assigned a 50% interest in PEL 155, with the remaining 50% being held by Energetica Otway Pty Ltd and Rawson Otway Pty Ltd Energy. Subject to statutory and other approvals, Kea is assigned a 50% interest in the oil and gas rights and 15% of the coal seam rights in ATP 837P, with Energetica Resources Pty Limited ('Energetica') and Rawson Resources Limited ('Rawson') both holding 25% of the oil and gas rights and 7.5% each of the coal seam rights, with remaining coal seam rights held by TruEnergy Queensland Pty Ltd. Kea will contribute A\$4m (£2.5m) of the first A\$6m (£3.75m) of drilling expenditure to be incurred in PEL155 and ATP 837P, and if required up to 11% above this figure (i.e. up to a further A\$440k of A\$660k gross in the event of overruns during the initial drilling), and 50% of costs thereafter. This initial sum is expected to be sufficient to drill all three wells, although the costs of testing and completion in the event of discovery are likely to be extra.

PEL 155 – The Otway Basin

The Otway Basin has some fifteen producing gas-condensate fields, both offshore and onshore. All the onshore fields are situated in the Penola Trough, within which the Nangwarry Prospect is also situated. Kea will earn 50% of the Otway Basin Petroleum Exploration License PEL 155 through the drilling of the Nangwarry-1 well. A Best Estimate size of 30 BCF of gas and an associated quarter million barrels of condensate, with an exploration Chance of Success of 1:5 has been calculated for this target in a recent Competent Person's Report compiled by MBA Petroleum Consultants, of Australia.

The target reservoirs are sands within the Pretty Hill Formation, which form the producing reservoir at the Ladbrooke Grove and Katnook gas fields, approximately 10 km from Nangwarry. Nangwarry is similarly a fault bounded trap, with the sands at a depth near 3000m being sealed by thick mudstones of the Laira Formation. Should there be a success at Nangwarry, it is considered probable that similar targets will be identified by extending the 3D seismic coverage.

Following discovery, a 10km pipeline link in easy ground can tie the gas into an interstate pipeline infrastructure, in a regionally growing gas market; as well as to a nearby gas fired power station which is a ready, high value market for gas.

ATP 837P – The /Surat Basin

Queensland's Surat Basin contains Australia's first discovered onshore oil field at Moonie. This has produced more than 22 million barrels of oil from the Precipice Sands, and is still in production. Kea will earn 50% equity in permit area ATP 837P, some 20km north west of Moonie, through the drilling of Hoadleys-1 and another well. Hoadleys-1 will target the Precipice Sands near 2200m depth, within a dip-closed structure defined by 3D seismic and nearby wells. A median estimate of reserves in the event of success is in the range one million barrels of oil, with an upside several times larger than this. Two other similar targets have been defined by the 3D survey, and are obvious initial follow-on targets in the event of success at Hoadleys-1, as also is a deep gas target mapped on the 3D seismic as a large closed structure at the producer level of the Cabawin Field. Hoadleys-1 is situated some 20km along trend north west of the Moonie oil field and some 20 km south of the Cabawin oil and gas field. Oil can be transported by road to the Brisbane refinery, as is done at nearby fields; and with the state wellhead royalty set at 10%, the directors believe an excellent net operating profit per barrel could potentially be achieved in the event of an oil discovery.

Chairman Ian Gowrie-Smith says:

"We are delighted to join with Rawson Resources and Energetica, with whom we already have a close working relationship, to test these drill-ready targets. We plan to drill both Nangwarry and Hoadleys in the next few months, and both could be monetised in a straightforward and expeditious manner in the event of a discovery. They also have good follow-on potential in their respective licence areas. We think these projects will provide Kea with good opportunities to build value into the Company during the coming half year. They nicely complement the potential offered by our Wingrove oil discovery, where the extended delays in equipment supply appear to be over and where we expect to begin production testing during April.

"These activities are the start of what we hope will be an exciting year for Kea, with the drilling of our large Felix Prospect scheduled at the end of the year, preceded by further wells on Wingrove and on the Douglas Prospect."

This release has been approved by non-executive director Peter Mikkelsen FGS, AAPG, who has consented to the inclusion of the technical information in this release in the form and context in which it appears.

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Notes to Editors:

Kea Petroleum is an AIM listed oil and gas exploration company with interests in six petroleum exploration permits in Taranaki and Northland Basins of New Zealand. Kea listed on the London market in February 2010.