

18 May 2010



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

**Kea secures interest in first offshore well
£7 million raised through equity placing
Beluga-1 drilling update**

Kea Petroleum plc is pleased to announce that it has entered into an agreement with AWE New Zealand Limited, a subsidiary of Australian Stock Exchange (ASX) listed company AWE Limited, to acquire a 10% participating interest in PEP38524, an offshore area of 2,469 sq km situated near the northern end of New Zealand's South Island. An exploration well, Tuatara-1, is scheduled to be drilled on PEP38524 in July 2010 by the Kan Tan IV rig, presently working on AWE's nearby Tui oil field. The Tuatara-1 location is in water depths of approximately 50 metres and lies some 15km from shore.

Kea will contribute towards the cost of Tuatara-1 to a maximum that is not expected to exceed US\$3 million, to earn its 10% equity. The agreement between Kea and AWE is conditional only upon the approval of the New Zealand Minister of Energy.

Tuatara-1 will test the oil potential of Moki Sands, in a structure which closely resembles that of the Maari oil field, 80km further north in the basin, where the Moki Sands reservoir was successfully brought into production last year at a rate approaching 40,000 barrels of oil per day. High quality modern seismic data acquired by AWE across the Tuatara structure shows seismic amplitude anomalies at reservoir level, and overlying gas effects, of similar type to those observed across the Maari oil field. Kea's internal mid-case estimate of recoverable oil reserves in the event of success at Tuatara-1, based on the data and modelling provided by AWE, is 80 million barrels.

Kea also announces that the Company has successfully raised gross proceeds of £7 million through the issue of 43,750,000 new ordinary shares (the "Placing Shares") at an issue price of 16 pence per share, representing 9.5% of the Company's current issued share capital (the "Placing"). In addition, 21,875,000 warrants will be issued to subscribers in the Placing on the basis of one warrant for every two Placing Shares issued. The warrants have a two year maturity, expiring 18 May 2012, and an exercise price of 23 pence per share. The proceeds of the Placing will finance the drilling commitment on Tuatara-1 and further strengthen the Group's balance sheet. The placing price represents a 100% premium to the IPO price.

Application has been made for the Placing Shares to be admitted to trading on AIM and dealings are expected to commence on 21 May 2010. Following the Placing, there will be a total of 503,390,000 ordinary shares of 1 pence each in issue.

Kea Chairman Ian Gowrie-Smith said:

"We are very pleased to enter into this joint venture with AWE, who have demonstrated their technical and commercial expertise by developing and operating the Tui oil field, which recently reported passing the milestone of 1,000 days of strong production, with some US\$3.5 billion of revenues generated in that time. In the event that Tuatara-1 is successful, we have high confidence in their ability to bring a discovery into development in an

expeditious and commercially effective manner and we look forward to partnering with them in this and other exploration ventures in the future.

We are also delighted to receive further strong support from investors with the successful placing to raise £7 million which will further enhance the Company's financial resources and ability to develop the business.”

Beluga-1 drilling update

Kea advises that its Beluga-1 well is now drilling ahead to its second casing point, having completed its first surface casing to 909m. On Wingrove-2, orders have now been placed for custom designed downhole heating equipment for the well, where commencement of production testing of intersected log oil pay is scheduled to commence later this year.

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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