



11th February 2010

Dear Shareholders,

We are delighted to be able to bring you news of some very successful developments at Kea Petroleum PLC.

Firstly, and most importantly, we concluded several agreements with Methanex which will see them funding the entire drilling of the second and most expensive, high risk hole, Beluga. In conjunction with this, Methanex have given us a 15 to 20 year gas off-take agreement. Their two New Zealand factories have a total gas requirement of 90bcf per year however they are currently only working at one third of capacity due the absence of supply under a long term gas off-take agreement.

The terms are eminently fair and attractive to both parties. The price we get for our gas sales to Methanex have a floor price and ratchet up and down depending on the price of methanol. Methanex will firstly recover the cost of the hole and will have a relatively small residual royalty on future profits, be they from gas sales, or from condensate or oil recovered. In broad terms all income from condensate and oil are to the benefit of Kea. We expect the value of condensate to at least equal in value to any sale income from Methanex should we have success in this well or from further wells drilled in association with Methanex.

The second important piece of news is that we have today concluded a placing of £6 million of new shares in Kea at 8p per share. The share placing did not include warrants. This compares very favourably with the pre-IPO placing at 5p with a one for two warrants at 8p. The shares will be quoted on AIM this coming Monday 15th February.

We have had some reasonable pre-listing publicity in UK so hopefully the shares will receive a warm welcome. We were a little unlucky to be doing the Placing during what turned out to be a pretty rocky week on the London Stock Market and it is testament to the quality of our story that the deal got put away so easily.

Kea Petroleum effectively has a cash resource exceeding £20 million (including the Methanex US\$10million). Within the next two months we intend to drill Wingrove-2 from the same site as Wingrove-1. Although Wingrove-1 encountered oil in the early 90's there was no technology to commercialise the waxy oil. We believe that we have secured such technology and assuming successful drilling, could be in production of oil within six months.

The drill will then relocate to the Beluga prospect where independent experts and our own geological team anticipate discovering significant quantities of gas rich in condensate. Again assuming success, this condensate will be sold on the open market. The gas would be sold under the off-take agreement with Methanex. We are simultaneously acquiring 75kms of seismic to better define some of the 20+ prospective targets currently identified for future drilling.

The above programme is only budgeted to use approximately £9 million of the £20 million so there is much to come post the immediate programme. Naturally we will keep you abreast of developments. The extensive AIM Admission Document describing the Company, its prospects and contracts can be accessed through the Company website (www.keapetroleum.com).

Ian Gowrie-Smith
Chairman