



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

Methanex Funding and Offtake Agreement Approved

Kea, the New Zealand based oil and gas exploration company, is pleased to advise that it has received approval from the Ministry of Economic Development in New Zealand ("MED") in relation to its funding & participation agreement and gas offtake agreement ("the Agreements") with Methanex New Zealand Limited ("Methanex").

The Agreements

In January 2010, Kea and Methanex New Zealand Limited (a subsidiary of Methanex Corporation of Canada, the world's largest supplier of methanol to major international markets) entered into the Agreements which were both conditional upon the approval of the MED pursuant to section 41 of the Crown Minerals Act 1991, and a general security deed.

Following this confirmation and under the terms of the Agreements, Methanex will contribute up to US\$10million to drill, complete and test one exploration well (Beluga-1) on Kea's permit PEP 51155.

In the event of a discovery of gas of commercial quantities Methanex has agreed to purchase and Kea has agreed to sell the gas under a 15-year gas offtake agreement. Methanex presently consumes 30Bcf of gas per annum and has a potential demand for up to 90Bcf if all existing production capacity was returned to active processing. The price Methanex will pay for this gas fluctuates with the international price of methanol subject to both a floor and a ceiling price.

Traditionally, gas discoveries in the Taranaki basin have been rich in condensates. At current prices a successful condensate rich gas discovery at Beluga could generate higher revenues from condensate sales than from gas sales. In the event that there is revenue from an oil discovery at Beluga-1, or from condensate sales, Methanex shall receive a royalty.

Beluga-1

Beluga-1 will be drilled from a site to the west of the Waitara River near the township of Tarata. Nearby hydrocarbon gas seeps over the subsurface accumulations along the Tarata structural high and Beluga-1 may intersect additional hydrocarbons at levels shallower than its primary Tariki Sandstone target, namely in sandstones of the Mount Messenger Formation and in the Tikorangi Limestone fracture porosity.

Beluga's best estimate prospective resources as estimated by MBA Petroleum Consultants are 446Bcf with condensate yield of about 27MMb. This is a comparable size to the adjacent Mangahewa and Pohokura gas fields, where production is obtained from similar depths.

The Directors believe that the Beluga Prospect is potentially of a large enough scale to be capable of fully supplying the demand of Methanex's New Zealand operations. Furthermore, the prospect is situated within 20 kilometres of the Methanex production facilities, and only six kilometres from a tie-in to the high capacity LTS gas pipeline, which provides a direct link to those facilities. In the event of a discovery at Beluga-1 and after appropriate testing, it is

intended to commission the construction of a six kilometre pipeline link which is expected to be completed within a year from its commitment.

Commenting on today's approval, Ian Gowrie-Smith, Chairman of Kea, said:

"We are very excited about the potential upside of our developing relationship with Methanex. Kea welcomes Methanex's commitment to gas supply and its funding of our exploration and the 15-year gas sale offtake agreement. We believe that even a small discovery at Beluga will be commercial because we are only 6kms away from a pipeline that can supply Methanex. The upside scenario is the potential to supply 90Bcf per annum to Methanex which together with condensates makes Beluga-1 an extremely interesting exploration prospect. Drilling is expected to commence in about six weeks after completing the drilling of Wingrove-2, our shallow oil prospect, which is due to be spudded in the first week of April."

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Notes to Editors

Kea Petroleum is an oil and gas exploration company with three petroleum exploration permits in Taranaki and Northland Basins of New Zealand. For more information please visit www.keapetroleum.com

Methanex Corporation of Canada is the world's largest supplier and producer of methanol to major international markets. Methanex New Zealand owns two methanol production facilities in the province of Taranaki on the west coast of the North Island: one at Motunui, with two production trains and another single train plant in the Waitara Valley. The total production capability of the two locations is 2.4 million tonnes of methanol per annum. Due to limited supply and the price of gas in the New Zealand market, Methanex has, since 2004, been operating these facilities as 'flexible assets', adjusting their operation based on supply and methanol market requirements. Methanex currently operates one plant at its Motunui facility which has the capacity to produce 900,000 tonnes of methanol per annum. To date, Methanex has secured ongoing gas supplies under relatively short term contracts. For more information please visit www.methanex.com