

# *Key* Petroleum Ltd

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4 April 2012

The Manager  
The Australian Securities Exchange  
The Company Announcements Office  
Level 4/20 Bridge Street  
SYDNEY NSW 2000  
Dear Sir

**RE: INVESTOR UPDATE "THE CANNING BASIN PUSH"**

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Please find details of the investor update for Key Petroleum Limited and the Canning Basin Exploration focus.

Regards



**KANE MARSHALL**  
Managing Director  
KEY PETROLEUM LIMITED



## STOCK EXCHANGE RELEASE

4 April 2012

### INVESTOR UPDATE "THE CANNING BASIN PUSH"

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Key Petroleum Limited ("Key" or "Company") is pleased to announce an update on the Company's strategy of drilling, exploring and testing the portfolio of prospects in the Canning Basin Western Australia "The Canning Basin Push".

#### **Key Petroleum Exploration and Development Strategy**

Key has recently undergone changes with the recent acquisition of Gulliver Productions Pty Ltd ("Gulliver") from Empire Oil & Gas NL. Key has changed from a diversified international explorer to a focused Australian oil and gas exploration company. The acquisition of the Canning Basin assets from Gulliver marks the beginning of an exciting period for the Company.

Key's current portfolio of Australian interests, particularly in the Canning Basin, offers a wide range of low to high risk play types for both conventional and unconventional oil and gas resources in this largely under-explored Canning Basin.

Key Petroleum holds a significant interest in the Canning Basin. It is the third largest net holder of prospective acreage of listed ASX companies after Buru Energy Limited ("Buru") and New Standard Energy Limited.

Key has joint ventures in three Petroleum Permits with Buru and one Production Licence. Buru was the farminee in all of these with Gulliver (Key), having earned interests in EP104 and Retention Licence 1 which contains the Point Torment gas discovery and, more recently, the Stokes Bay-1 well which has an untested contingent gas resource and a potential oil resource. Key considers the potential recoverable gas in Stokes Bay-1 is circa 100 billion cubic feet of gas over the interval 3455m to 2470m and 2510m to 2535m. This interval had elevated oil and gas shows and also observed as hydrocarbon bearing intervals on the electric wireline logs run in the well.

Production Licence L 15 contains the West Kora-1 oil discovery and is subject of a further testing programme.

Buru have also farmed into Key's EP438 permit and, in September 2011, recorded the 80 line kilometre Athos 2D Seismic Survey. Buru will drill the Cyrene-1 Well in 2012. Key is carried through this expenditure.

Key has estimated the Hedonia Structure, to be drilled with the Cyrene-1 well, has potential recoverable oil estimated at up to 5 million barrels. The recent Athos Seismic Survey has identified additional prospects and leads within the EP-438 Permit which will be the subject of further interpretation by Key's technical team.

In EP-448, an aeromagnetic survey was recorded and seismic mapping has provided exciting potential for both conventional oil targets as well as unconventional large oil shale leads in the Goldwyer Formation within this large permit area.

Key operates and holds a 70% interest in the EP-448 Permit. There is a lot of interest for venture participation where 100% interest in the Permit is available to be farmed out but where Key will retain a meaningful interest at production stage.

The Canning Basin prospectivity for both oil and gas has been demonstrated by the significant recent oil and gas discoveries by Buru at Ungani and also the Valhalla large regional wet gas accumulation. Key is ideally placed to take advantage of the prospectivity for both oil and gas in its Canning Basin Permits. Immediate attention is being placed on the existing discoveries already achieved that can be developed with the larger prospects being developed to be drilled in 2012 and 2013. Key has called this new direction "The Canning Push."

## Canning Basin

As part of Key's new technical strategy "The Canning Push", the Company has successfully raised \$1mm in capital to assist in the current drilling and testing programmes in its Canning Basin portfolio designed for early success.

The planned programmes are summarised as follows:

- Mapping and identifying additional drillable Carboniferous aged gas plays associated within the Anderson Formation by the Company's participation in Canning Basin permits R1 and EP104. This includes testing of the Stokes Bay -1 well to prove gas reserves from a contingent gas resource status and also re-evaluating the Point Torment-1 gas discovery that flowed on drill stem test 4.2 million cubic feet of gas per day.
- Successfully restoring oil production from discovery well West Kora-1 and understanding the recognised additional Carboniferous oil and gas play types within Petroleum Production Licence L 15.
- Identifying additional Ordovician aged oil play opportunities in the EP438 Permit where good quality Ordovician reservoirs have been intersected in offset wells. Buru Energy, the operator of EP438, has recently completed the Athos 2D Seismic Survey identifying other drillable prospects. Upon selecting an appropriate drilling slot, Buru and Key will drill Cyrene-1 in 2012.
- In EP 448, the completion of the Hedonia Structure and mapping the interpretation of the existing seismic data sets is near complete. The Company is currently collating all the existing geophysical data sets and is mapping the conventional oil prospects in the target Nita Formation that can be identified from the data. Further technical work on the Goldwyer Formation and its shale oil play is to be completed. Key believes that some 2,500 square kilometres of the EP448 permit has the Goldwyer Formation in the oil generation window and is potentially analogous to the Bakken shale oil play in North Dakota, USA. Fractured limestones within the Goldwyer Formation may provide sufficient permeability and similar completion and drilling stimulation practices that are used very successfully in North America. These practices are considered likely to unlock the resource potential of the Goldwyer Formation in this part of the Canning Basin. Key is progressing negotiations to introduce a farmin partner to the EP448 joint venture.

Commenting on the Company's new strategy, Key's Managing Director, Kane Marshall said:

"We are very excited about this period in the Company and see it as a period of growth in our activities. The acquisition of Gulliver marks a significant time for Key and this is reflected in the interest we have received from the marketplace and the industry about our acreage position in the Canning Basin. Buru Energy's recent oil and gas discoveries, including the recent Ungani-1, has significantly upgraded the prospectivity of the Canning Basin and we look forward to working closely with Buru, and to achieving success, in the joint ventures we have with them. Key believes the Canning Basin is still significantly under-explored and our team believes there will be more discoveries yet to come both by Key and the other Canning Basin players. We are very optimistic about where we are placed and our ongoing evaluation of the conventional and unconventional oil leads in EP448 so far are very exciting. Following on from Buru's Ungani-1 success and the deals done by Mitsubishi Hess and ConocoPhillips in the adjacent Canning Basin acreage, there exists a significant upside for Key's activities and growth prospects, particularly when Key is the third biggest net acreage holder in the Canning Basin of the ASX listed companies. We are looking forward to progressing work on these interests and providing further positive news in due course."

### Competent Person's Statement

Information in this ASX Release relates to exploration results that are based on information compiled by Mr Kane Marshall who is a full time employee of Key Petroleum Limited. Kane Marshall is a Practising Petroleum Engineer and holds a BSc (Geology), a BComm and a Masters in Petroleum Engineering,

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