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28 April 2014

The Manager
The Australian Securities Exchange
The Announcements Officer
Level 4/20 Bridge Street
SYDNEY NSW 2000

KEY PETROLEUM CANNING BASIN EXPLORATION STATUS AND UPDATE

We attach herewith ASX Announcement for Investors regarding an update on the exploration activities of Key Petroleum Limited in the Canning Basin.

Regards

IAN GREGORY
Company Secretary
KEY PETROLEUM LIMITED

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ASX RELEASE

KEY PETROLEUM CANNING BASIN EXPLORATION STATUS AND UPDATE

Key Petroleum Limited ("Key") is pleased to provide an update on Exploration Permit EP448 ("Permit") in addition to the Company's future exploration programs in the Canning Basin.

EP104 TREND, CANNING BASIN

Key has held a number of joint venture meetings over recent weeks pertaining to the EP104, R1 and L15 permits to discuss and determine work programs and future workovers as part of the company's strategic exploration plans in the area.

The Company plans to assess the infrastructure in R1 and L15 during this year's dry season before the venturers approve any work programs for 2015.

Last year the Company announced the pursuit of increased exploration activity and equity interests in the area in addition to other potential project synergies with other companies.

The Pt Torment discovery well in R1 will be included in a workover program.

CURRENT EXPLORATION STATUS OF EP448, CANNING BASIN

A two well shallow conventional oil program is planned to be conducted this year in Key's frontier Canning Basin block, EP448. Drilling is dependent on Native Title approvals and the timing of these approvals before the onset of the wet season.

Managing Director Kane Marshall (right) with earthworks and logistics specialist Raymond Ronchi who inspected and pegged the drilling pads and airstrip locations for the Patterson-1 and Griffiths-1 wildcat exploration wells in the Canning Basin.

To date, Key has liaised with the WA Department of Mines and Petroleum (DMP) on its exploration plans and is confident they will grant approvals for vegetation clearance as a result of flora and fauna studies carried out over March and April. Any approvals are subject to heritage clearance and appropriate approvals by the Traditional Owners.

Last month, two proposed well locations, Patterson-1 and Griffiths-1, were surveyed for infrastructure locations and environmentally sensitive areas in parallel to identifying sources of gravel for civil engineering. Proposed drilling pads and an airstrip locations were also inspected.

Fauna Studies were undertaken during March to comply with the appropriate Environmental Plan (EP) requirements by the DMP.

Flora studies are underway and should be completed within the fortnight prior to the lodgement of the EP for drilling activities.

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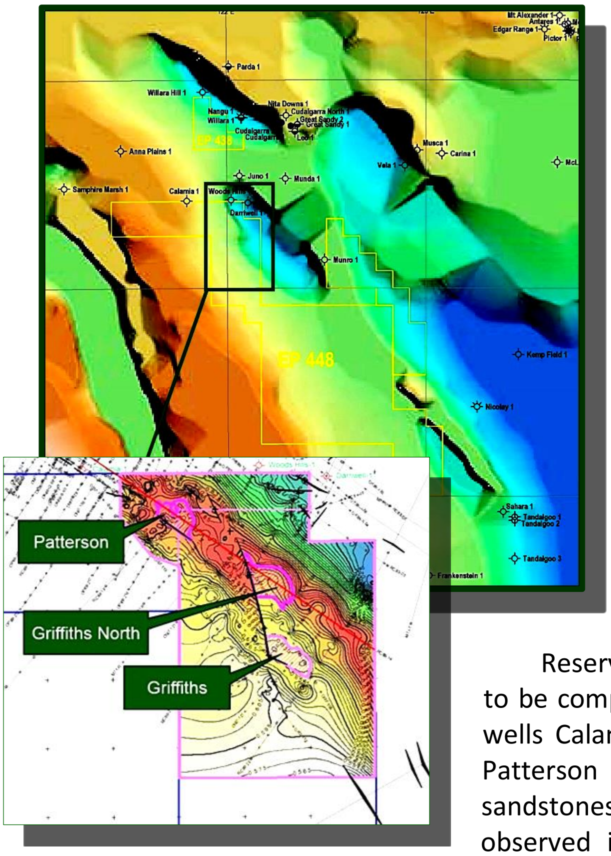
TECHNICAL AND EXPLORATION STUDIES WITHIN EP448, CANNING BASIN



Technical and source rock maturation work on the permit has recently been completed by independent experts in the United States. This work confirmed that source rocks within EP448 are in the peak oil window.

The source rock confirmation was carried out by analysing Conodont fossils abundant in Ordovician Nita and Goldwyer Formations. Conodonts are significant paleothermometers and important in analysis due to their colour change with temperature. They are frequently used as indicators of thermal alteration of sedimentary rocks and is used in determine oil and gas windows.

Concentration and accumulation of oil occurs at prolonged temperatures between 50 and 120 degrees Celsius before hotter temperatures result in oil becoming broken down into wet gas. In samples analysed to date, a Conodont Alteration Index of 2 suggests source rocks were exposed to heat between 90-120 degrees Celsius.

Reservoir studies and a Carbonate Report on the Nita Formation is expected to be completed in the next fortnight. The Report will include data from offset wells Calamia-1, Woods Hill-1 and Darriwell-1, which lie directly north of the Patterson and Griffiths prospects. The Report notes there are good quality sandstones found in the Willara Formation of Calamia-1 and residual oil staining observed in some intervals of the Nita Formation in Darriwell-1. The Nita Formation is regarded as a largely unexplored source and reservoir rock in the Canning Basin.

GRIFFITHS AND PATTERSON PROSPECTS, EP448, CANNING BASIN

The EP448 permit is approximately 4 million acres in size containing a number of conventional leads identified on trend with currently mapped prospects and the unconventional Ambrose prospect in the southeast. Current technical work has been expanded to include the L12-10 block and this data will be used in potential venture opportunities.

The Griffiths and Patterson prospects have an estimated Un-risked Prospective Resource of recoverable oil with a Best Estimate of 30 million barrels ("mmbl") and 14 million barrels (in accordance with Clause 7.3 of ASX Guidance Note 32).

The wide range in the volumes below reflect the wildcat nature of the prospects in a frontier area with little well control.

Un-risked Prospective Resource volume estimates[1] for the Griffiths and Patterson oil prospects

Prospect	Low Estimate (mmbl)	Best Estimate (mmbl)	High Estimate (mmbl)
Griffiths	8	30	129
Patterson	0.5	14	61

The shallow nature of these objectives, being approximately 1,200 metres in true vertical depth, means that drilling and completion costs will be lower than drilling unconventional wells. Any discovery could be commercialised in a shorter time frame due to the proximity to the Great Northern Highway.

[1] Prospective Resources have been defined using the SPE-PRMS guidelines under Guidance Note 32

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EXPLORATION AND OPERATIONAL ACTIVITIES IN THE CANNING BASIN

As part of the Company's strategic drilling objectives, Key has acquired camp and ancillary services equipment including a forklift to facilitate mobilisation of the camp between Canning Basin well sites. This equipment is currently in the Perth Basin and will be mobilised upon the grant of relevant approvals for the 2014 drilling campaign.

Managing Director Kane Marshall said Key would continue to plan and drill wildcat wells in the Canning even though the current state of affairs in WA's petroleum exploration industry meant uncertainty on operational timing due to rigorous heritage clearance and government regulatory approvals.

"Of the small cap exploration companies Key is one of the very few genuine wildcat exploration companies with a healthy cash position and the drive to explore and drill in prospective acreage in a hostile environment," Mr Marshall said. "We are dynamic wildcat exploration company and will continue to plan and drill these wells for our shareholders."

Mr Marshall said that the Company had put in development options during the planning of Canning Basin exploration activities in the instance that Key had success.

"We can transform the company from a wildcat company to an operating development and production company in a relatively short period of time," he said. "The Board's proactive management and exploration strategy can be seen in recent media attention the Company has received available on our website and the commencement of exploration activities in the Perth Basin."

Further information on timing of Key's exploration activities will be disclosed in due course.

For more information please contact:
Key Petroleum Limited (Tel: +61 8 6389 0322)

Ian Gregory
Company Secretary
28 April 2014

The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in this presentation were compiled by Mr Kane Marshall (Member SPE, AAPG, SPWLA, FESAus and PESGB), who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this presentation.

COMPETENT PERSON'S STATEMENT
The Information in this ASX Release relates to exploration data and 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 Practicing Petroleum Engineer and Geoscientist who is a member of the SPE, AAPG, PESGB, FesAus and SPWLA.