

29 August 2018

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The Announcements Office
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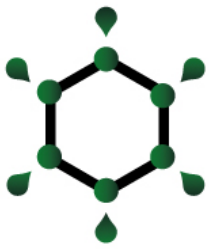
PERTH BASIN OPERATIONS UPDATE

Key Petroleum Limited (“Key” or “the Company”) attaches herewith an ASX Announcement providing investors with an update on activities in the Perth Basin.

Regards



IAN GREGORY
Company Secretary
Key Petroleum Limited



ASX Announcement

29 August 2018

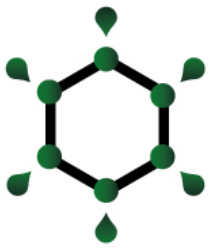
PERTH BASIN OPERATIONS UPDATE

Key Petroleum Limited (“Key”) advises on operations progress with its Perth Basin assets and imminent completion of the L7 (Mount Horner) production licence acquisition.

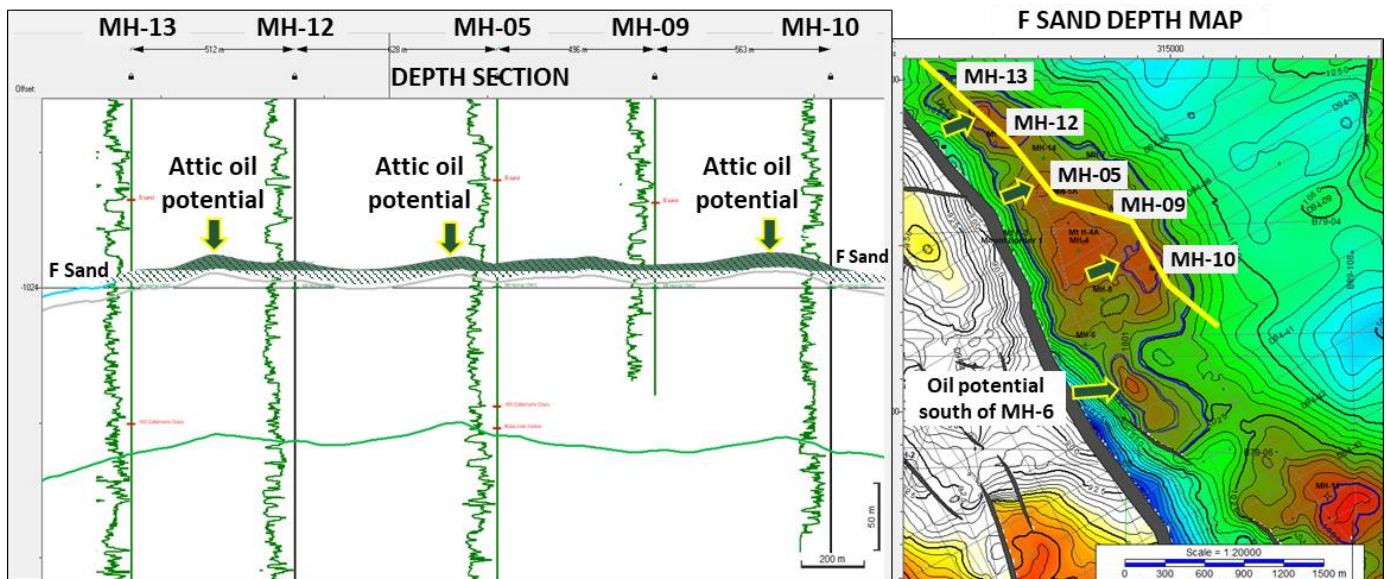
EP 437 and L7 (Mount Horner) Summary

Key Petroleum Limited (via wholly owned subsidiary) (Operator) - 100% (L7) and 86.94% (EP 437)

- Completion of the acquisition of L7 with AWE (Perth) Pty Ltd which contains the Mount Horner Oil Field is imminent with transfer of title now formally approved by Department of Mines, Industry, Resources and Safety;
- Development and Exploration activities are currently being planned, including drilling of new wells and potential workovers to target missed pay in currently suspended production wells within the Mount Horner Oil Field;
- Operational activities will also incorporate some decommissioning of redundant infrastructure resulting in overall reduced costs to Key’s Perth Basin activities;
- Discussions have been ongoing with interested parties regarding potential participation in drilling and other activities within L7 and the market will be updated in due course;
- A development infill well candidate has been identified between Mount Horner 9 and 10 in addition to a step out well location to target a potential southern extension of the Mount Horner Oil Field (see below);
- Any contingent resource and prospective resource estimates for the Mount Horner Field opportunities are currently being finalised;
- Several exploration prospects both within L7 and EP 437 have been identified within the same Permian sequences that contain the AWE discovered Waitisia Field (see below) and a prospective resources summary will be provided to the market in due course;
- Additional geological and geophysical work is underway to identify Jurassic prospects in the area, that are analogous to the the Jurassic Mount Horner Oil Field;
- EP 437 and L7 lie within the next fault block up from the Waitisia Field and importantly Key has wrapped up the northern margin of the Perth Basin with the advantage of being the first mover to explore for Permian and Triassic oil up-dip of the Waitisia area;
- Several wells have either recovered oil or had strong oil shows from the Permo-Triassic sequences within both L7 and EP 437, and together with historical surface geochemistry data (see below) significantly de-risk step-out drilling from the Mount Horner Oil Field;

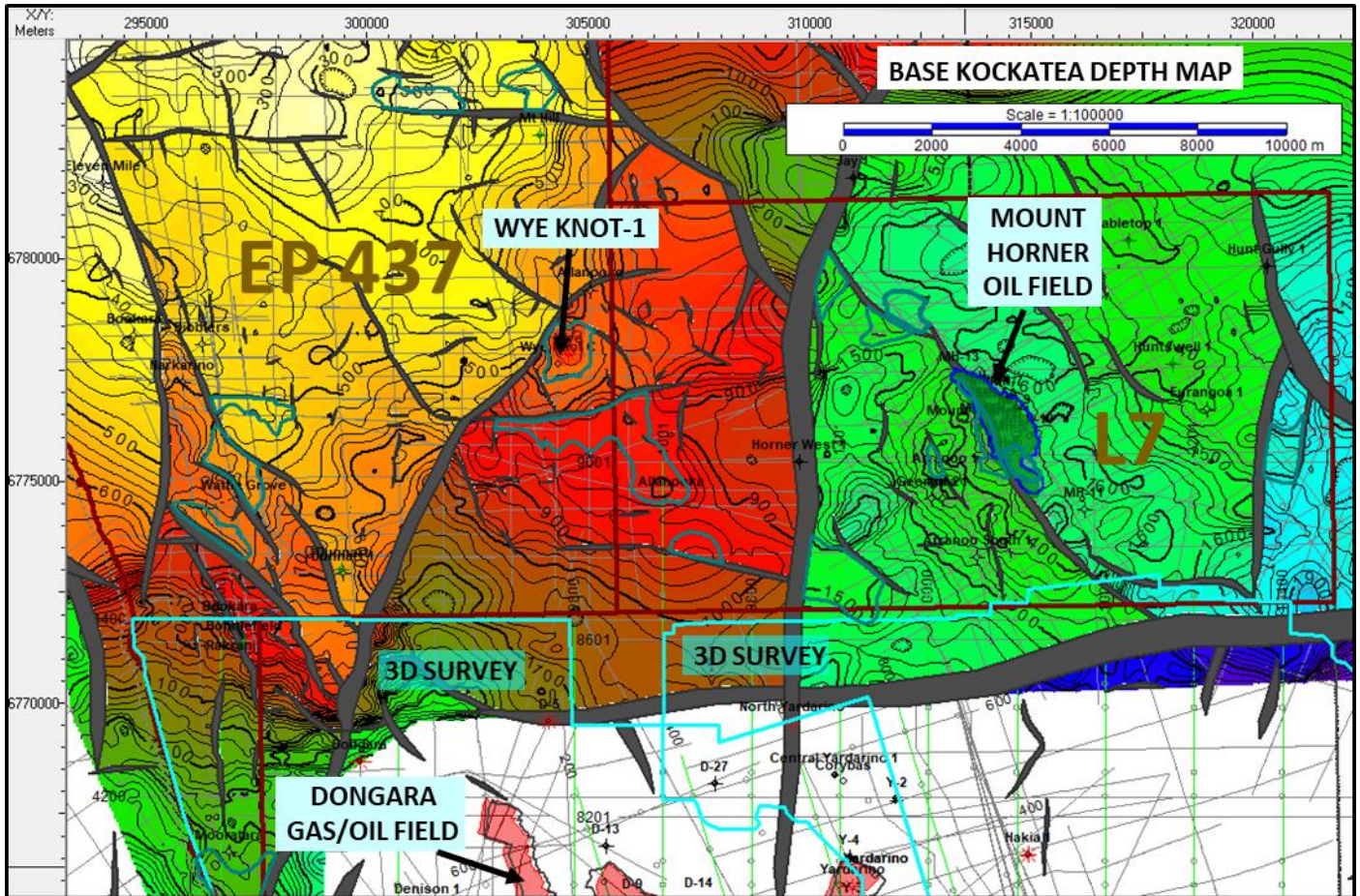
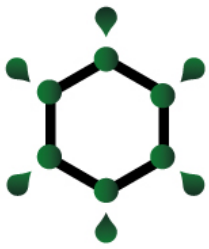


- Geological mapping of the primary Jurassic reservoir target of the Mount Horner Oil Field has highlighted at least two areas to target attic (unswept) oil. In addition, there are other reservoirs within the field that have either produced oil or have the potential for bypassed oil pay that warrant further investigation;
- Historically within the Mount Horner Oil Field, the MH-5A, 9 and 12 were the best performing wells with flow rates that were greater than 200 bopd;
- Multiple opportunities for further development opportunities within the main F sand reservoir and at other levels with bypass pay potential have been identified (see below);



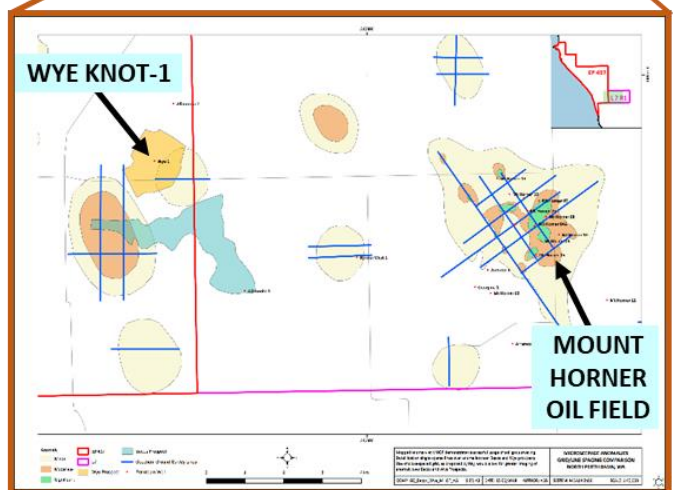
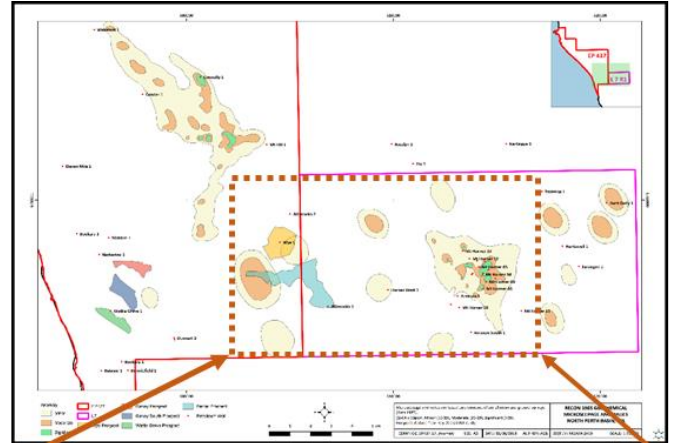
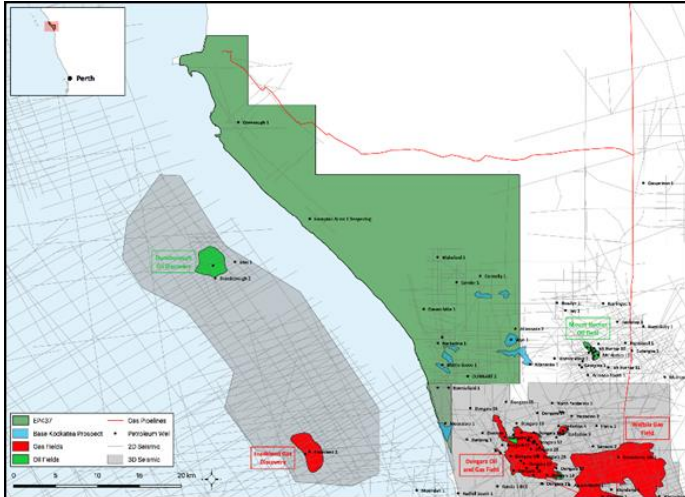
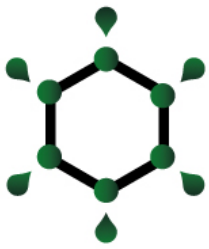
Mount Horner Cross Section demonstrating potential development infill locations as well as possible southern field extension towards MH-6

- Key remains excited about the underexplored oil and gas plays in the northern EP 437/L7 area to be captured by the L7 licence acquisition and positions the Company to be a focused onshore Perth Basin oil exploration and development company;
- Current onshore oil production from the Perth Basin is from the Jingemia Oil Field with Cliff Head oil offshore processed onshore at Arrowsmith. Both produced crudes are trucked from the Dongara area and refined at Kwinana. Key has been undertaking commercial studies on how any potential contingent resource could be categorised and accelerated to reserves via the use of 3rd party infrastructure and refined at the Kwinana Refinery;



EP 437 / L7 Top Triassic Map with Permian/Triassic prospects in light green

- ◆ Key remains focused on its preferred drilling location at Wye Knot-1 within EP 437 and continues the formal process to seek access approval to this location;
- ◆ The exploration well to test the Wye Knot Prospect is to be positioned at a step out distance sufficient to investigate the potential for an oil leg below the gas pay encountered in Wye-1 in the Triassic Bookara and Arranoo Sands and also test the potential of the deeper Permian sequence;
- ◆ Discussions continue with other interested parties with a view to farm in for equity in EP 437;



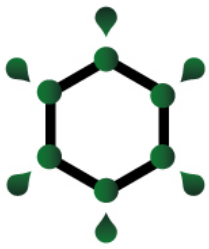
- Historical surface geochemical data recently integrated into the regional North Perth Basin model that has an anomaly over Mt Horner Oil Field;
- Anomalies observed south-east of Wye-1 over the Wye Knot prospect and south-west of Wye-1 over the Becos prospect that spills into L7; and
- Review has now progressed discussions with parties for other investment to potentially drill in the Ganay (west) and Mount Hill (north) areas.

EP 437 Geochemical Sampling Summary Maps

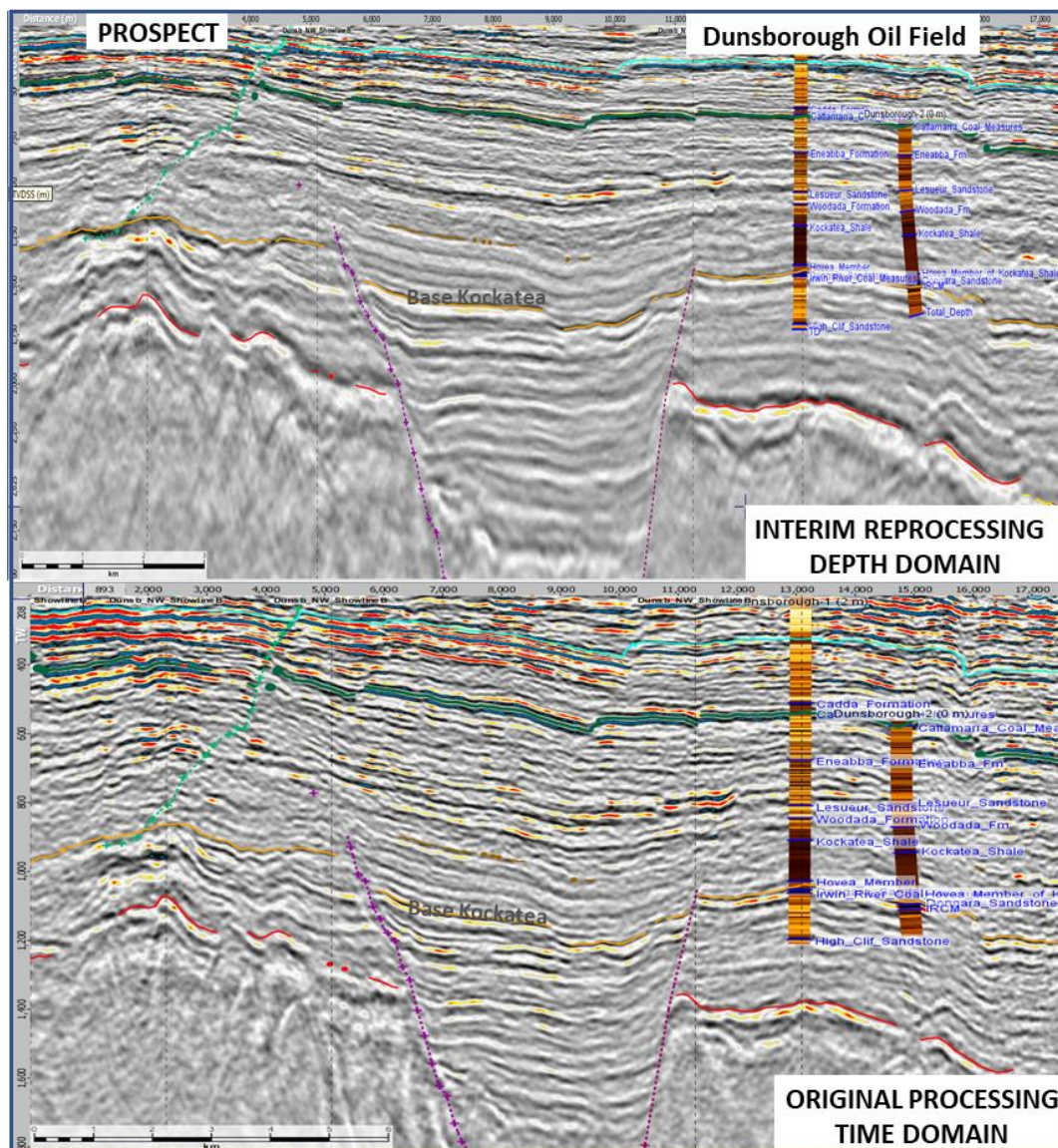
WA-481-P

Key Petroleum Limited (via wholly owned subsidiary) - 40%

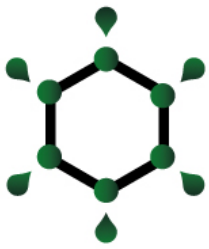
- The Operator of WA-481-P continues the seismic reprocessing (pre-stack depth migration, or PSDM) of the existing Diana 3D seismic and selected adjacent 2D seismic data, on schedule with DownUnder Geophysics. The reprocessing work is expected to be completed towards the end of the year and the joint venture is encouraged by preliminary results that point to a marked uplift in resolution over the previous processing and the identification of additional prospects. Key is working cooperatively with the Operator and assisting with technical input to ensure a quality reprocessing product and interpretation to support future exploration and activities.



- Seismic data reprocessing and associated geological/geophysical studies are designed to address the primary geological risks focussed on the inboard proven hydrocarbon trend from the Dunsborough Oil Field through to the Cliff Head Oil Field and the recent Xanadu-1 oil recovery. Preliminary work from the most recent reprocessing geophysical work has identified another significant prospect adjacent to the Dunsborough Oil Field where a Waitsia lookalike structure has already been identified; and
- The Joint Venture is aiming for a prioritised inventory of drill-ready prospects to promote funding and participation in a future drilling program. The Operator is currently engaged with interested parties with a view to farm in for drilling one or more exploration wells.



Diana 3D seismic reprocessing is already showing vast improvement in signal to noise at the interim stage of work as evidenced by the new prospect to the left. Further improvements are expected after completion of the final velocity model and post migration enhancements.



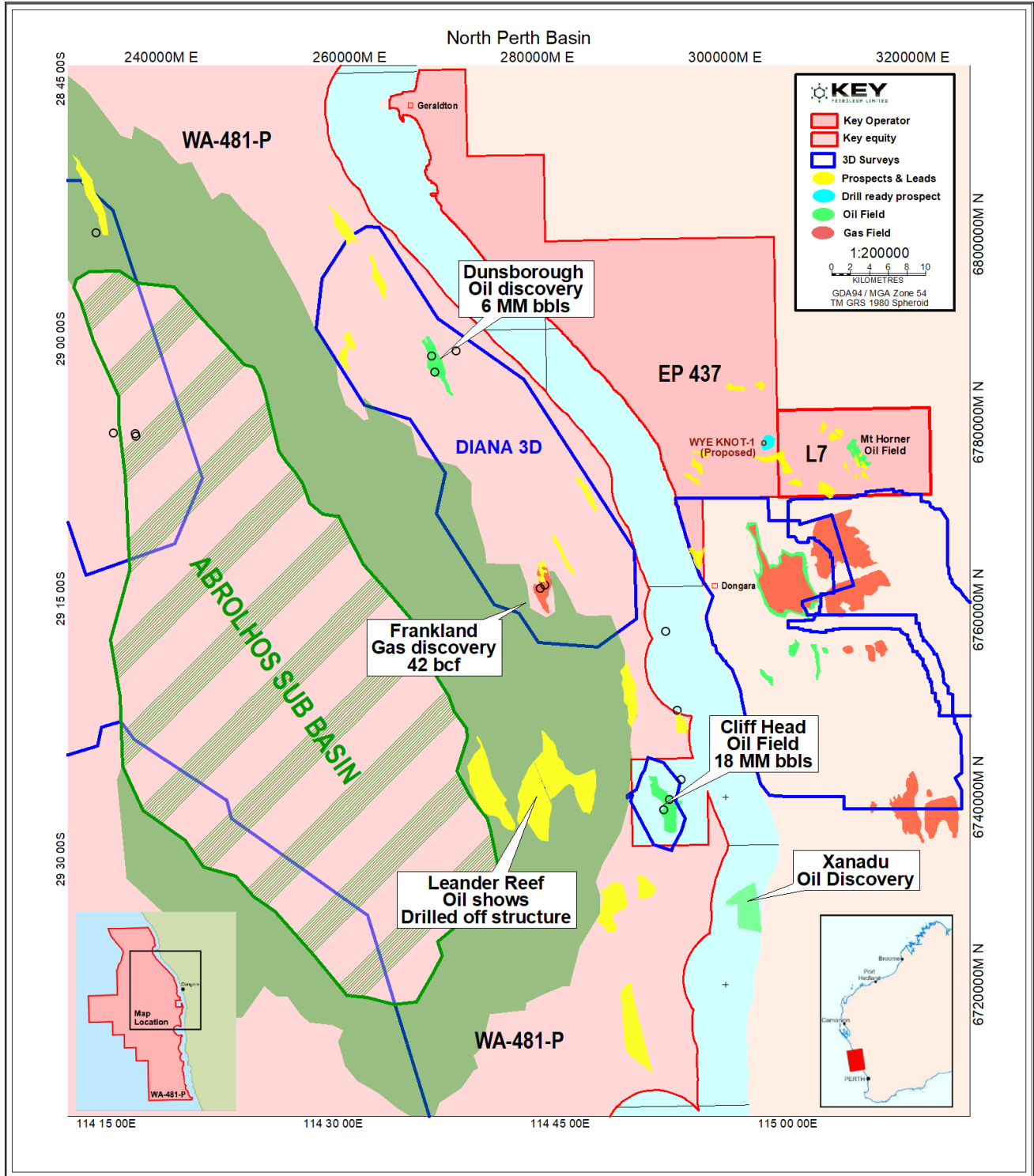
KEY

PETROLEUM LIMITED

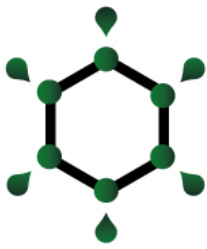
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Key Petroleum's Perth Basin Portfolio



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COMPETENT PERSON'S STATEMENT

Except where otherwise noted, information in this release related to exploration and production results and petroleum resources is based on information completed by Mr JL Kane Marshall who is an employee of Key Petroleum Limited. Mr Marshall is a Practising Petroleum Engineer and Petroleum Geologist and holds a BSc (Geology), a BCom (Inv & Corp Fin) and a Masters in Petroleum Engineering. He is a member of the Society of Petroleum Engineers (SPE), American Associate of Petroleum Geologists (AAPG), Petroleum Exploration Society of Great Britain (PESGB), Formation Evaluation Society of Australia (FESAus) and Society of Petrophysicists and Well Log Analysts (SPWLA) and has over 15 years of relevant experience. Mr Marshall consents to the inclusion of the information in this document.

DISCLAIMER

The information in this report is an overview and does not contain all information necessary for investment decisions. In making investment decisions, investors should rely on their own examination of Key Petroleum Ltd and consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of securities.

Prospective oil in place and recoverable reserve estimates have been made under the Society of Petroleum Engineers Petroleum Resources Management System (SPE-PRMS). Mr Marshall has compiled the information in this release as a Practising Petroleum Engineer and Geoscientist who consents to the release of the information. The Company is compliant with reporting of estimates as defined in Chapter 5 of the ASX Listing Rules.

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