

18 April 2018

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

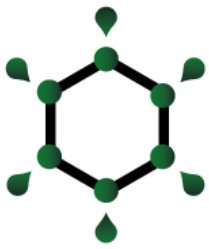
COOPER EROMANGA BASIN ASSET UPDATE

Key Petroleum Limited ("Key" or "the Company") attach herewith an ASX Announcement regarding an update in relation to the Company's Cooper Eromanga Basin exploration acreage in Queensland, Australia.

Regards

A handwritten signature in black ink that reads "I. Gregory". The signature is written in a cursive style with a large loop at the end.

IAN GREGORY
Company Secretary
Key Petroleum Limited

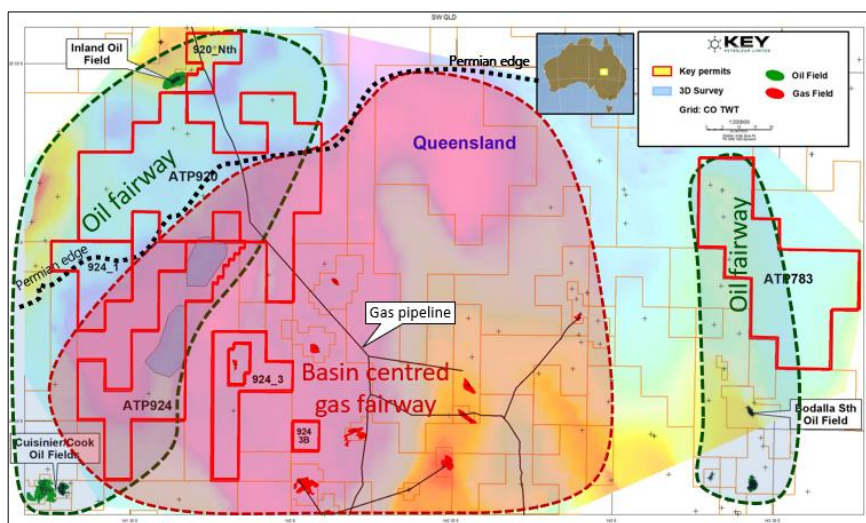


ASX Announcement

ASX:KEY

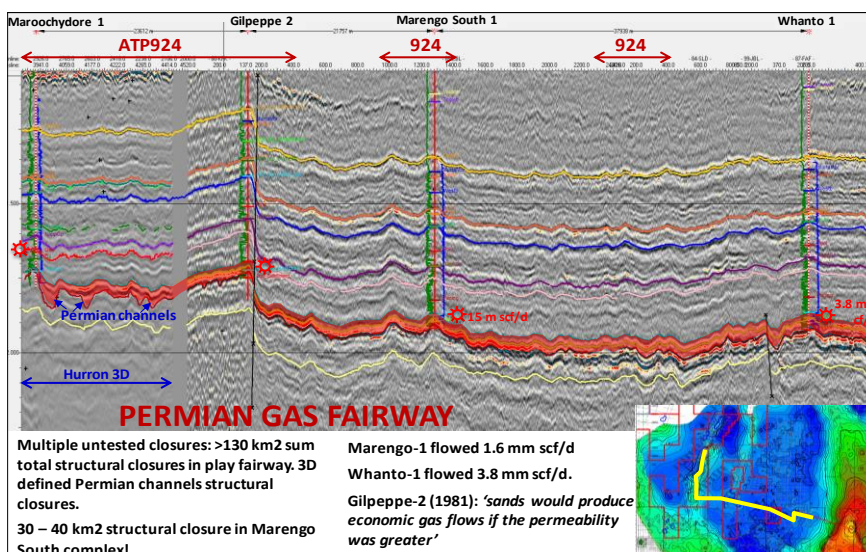
COOPER EROMANGA BASIN ASSETS UPDATE

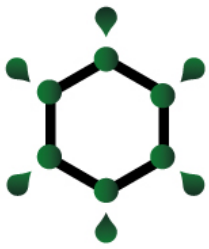
Key advises that it has undertaken a technical review of its Northern Cooper Eromanga Basin assets which has been used as a basis for discussions on the remaining work program in ATPs 920 and 924 with the Department of Natural Resources, Mines and Energy in Queensland.



Basin Overview

- ◆ The Cooper Eromanga Basin holds the most important on-shore petroleum and natural gas reserves in Australia. Over 6Tcf and 300 MM bbls of Oil produced to end 2012 since first exploration.
- ◆ Includes Australia's largest onshore oil field at Jackson (discovered 1981). Recent efforts have seen a significant shift in focus towards east coast gas demand.
- ◆ Adjacent to the Carpentaria Gas Pipeline, which will be connected to the NGP pipeline, to supply east coast gas markets.
- ◆ Pipelines transport gas to the major markets including LNG facilities to export gas. Over 3,000 petroleum wells have been drilled in the Basin.
- ◆ An under explored Permian gas fairway, with existing 3D coverage in south west Queensland. Several gas prospects expected within mapped basin centred gas fairway. Prospective resource estimates set for publication in the coming quarter.

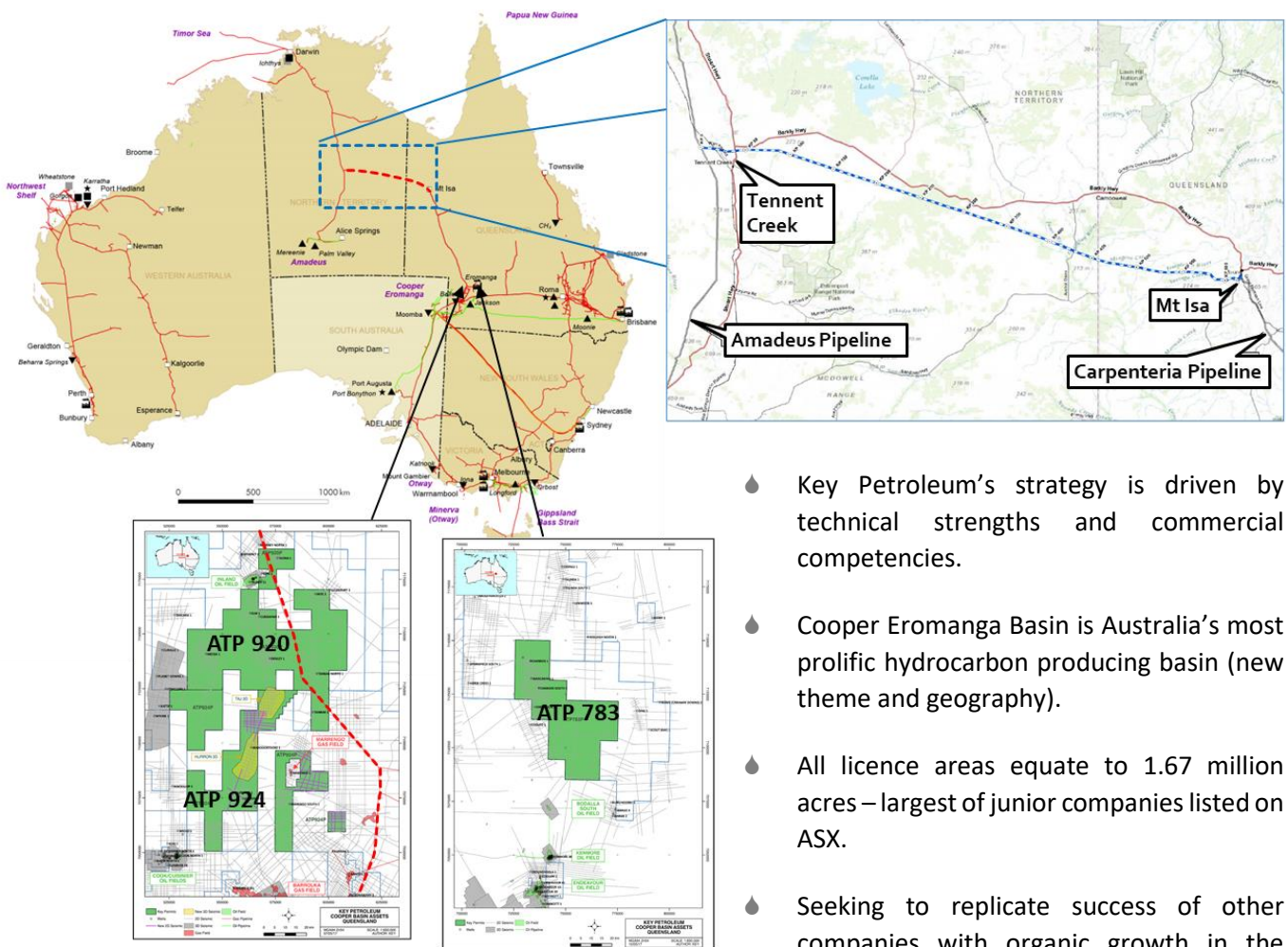




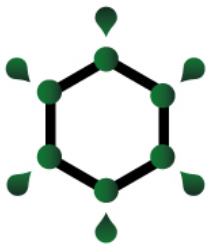
Commercial

The Company has been in discussions with both pipeline operators and gas consumers in relation to any potential gas offtake from ATPs 920 and 924.

The Carpentaria Gas Pipeline ("CGP") runs through ATP 920 and 924 (see below) to Mount Isa from the Santos operated Ballera Gas Plant and is owned and operated 100% by APA Group. This pipeline currently has capacity in the order of 22 TJ/D and this capacity is notionally expected to increase to 30 TJ/D in July 2018. The recently announced Gas Sales Agreement between New Century Zinc and Santos for the re-start of the Century Zinc Mine near Mount Isa is reported to be for the supply of 9 PJ of gas over the next four years, worth \$100 million.



- Key Petroleum's strategy is driven by technical strengths and commercial competencies.
- Cooper Eromanga Basin is Australia's most prolific hydrocarbon producing basin (new theme and geography).
- All licence areas equate to 1.67 million acres – largest of junior companies listed on ASX.
- Seeking to replicate success of other companies with organic growth in the Cooper Basin.



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This transmission pipeline transports gas from the South West Queensland Pipeline at Ballera in south west Queensland to the power stations, other customers in Mount Isa and the surrounding Carpentaria mineral province. Key is currently in discussions with a number of these potential customers.

The CGP is soon to be an important link between the Northern Territory gas fields and the east coast market via the Northern Gas Pipeline ("NGP"), expected to be completed in the second half of 2018. The current preferred route connects to the Amadeus pipeline north of Tennant Creek (at the Phillip Creek Compressor Station), nominally follows to the south of the Barkly Highway and connects to the CGP south of Mount Isa (at the Mount Isa Compressor Station). At this stage, natural gas will flow from the Northern Territory into the Eastern Seaboard Gas Market.

The recent removal of the fracking ban in the Northern Territory, it likely to see more gas supplied from these projects longer term. Key considers that in the event of a near term discovery, any opportunity in ATPs 920 and 924 for commercial development will be ahead of any Northern Territory potential supply. This is principally due to the conventional Permian leads, with existing 3D seismic and short tie back distances into infrastructure, being significantly lower risk when compared to more remote and capially intensive unconventional resource plays.

The Company is currently in discussions with third parties for potential investment to fast track drilling of these opportunities in the second half of 2018. Additionally, Key has been working with the Department of State Development in Queensland on proposed tie back routes from these preliminary mapped areas.

In terms of rig availability, the Company has identified rigs that are available in the second half of the 2018 and in parallel will await results from Real Energy Limited's basin centred gas exploration program in the adjacent acreage to update its geological model and refine drilling targets. Real Energy Limited will be drilling into the same Permian sequence Key has identified in ATPs 920 and 924.

For more information please contact:

IAN GREGORY

Company Secretary

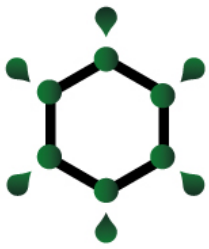
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COMPETENT PERSON'S STATEMENT

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.



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DISCLAIMER

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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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