

14 May 2018

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

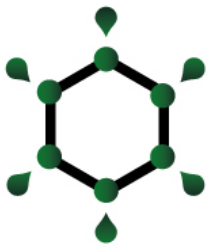
DIVESTMENT OF CANNING BASIN ASSETS

Key Petroleum Limited ("Key" or "the Company") attaches herewith an ASX Announcement regarding the divestment of Gulliver Productions Pty Ltd, a wholly owned subsidiary of Key which contains all its Canning Basin interests in EP104, R1 and L15.

Regards

A handwritten signature in black ink, appearing to read "I.E. Gregory", with a large, stylized flourish below the name.

IAN GREGORY
Company Secretary
Key Petroleum Limited



ASX Announcement

ASX:KEY

DIVESTMENT OF CANNING BASIN ASSETS

Key Petroleum Limited (“Key”) advises that it has entered into a Sale and Purchase Agreement with Rey Resources Limited (“Rey”), whereby:

- Key will acquire all the shares in Rey Oil and Gas Perth Pty Ltd (“Rey PL”), a wholly owned subsidiary of Rey Resources Limited;
- Rey will acquire all the shares in Gulliver Productions Pty Ltd (“Gulliver”), a wholly owned subsidiary of Key; and
- Key will be granted an overriding royalty of 2.5% in each of R1 and L15.

Rey PL currently holds a 43.47% interest in EP437, which contains the Wye Knot prospect and sits adjacent to Key’s recently acquired L7 Production Licence. Key will remain as Operator of EP437 and see an increase in its holding to 86.94%. The transaction consolidates its position in the onshore Perth Basin and allows the Company to focus on lower cost and risk oil exploration and development as well as pursuing conventional gas exploration opportunities in the Cooper Basin.

Key has continued to progress in its bid to gain access to the preferred Wye Knot-1 well location in anticipation of drilling an exploration well later in 2018. This well will be targeting a base case gross unrisked prospective resource of 1.4 mmbbls of oil within Triassic and Permian level objectives.

Commenting on the transaction, Managing Director Kane Marshall stated *“The Company is pleased to have executed this agreement as we now have a strategic exploration portfolio within two prospective petroleum basins which are both located adjacent to infrastructure and markets. Key has a clear commercial path to near term oil production in the Perth Basin and conventional gas exploration in the Cooper Basin. The position of our Cooper Basin assets is particularly important with the imminent completion of the Northern Gas Pipeline that will connect the Carpentaria Gas Pipeline from Mount Isa to Tenant Creek. The pipeline also runs through the Permian Fairway which has been mapped by our technical team in ATP 924 representing a very compelling and exciting opportunity. We look forward to providing further positive news to our shareholders throughout the year as we commence exploration activities within our reinvigorated portfolio.”*

Key no longer has interests in any petroleum permits/licences in the Canning Basin.

For more information please contact:

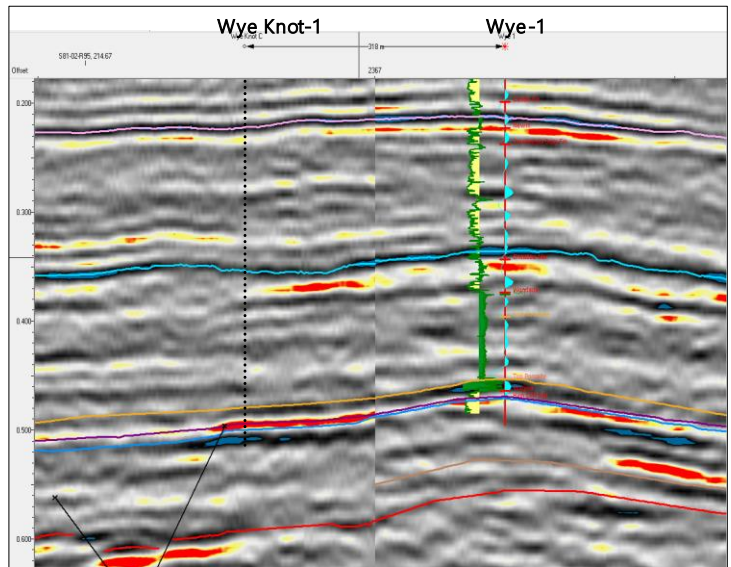
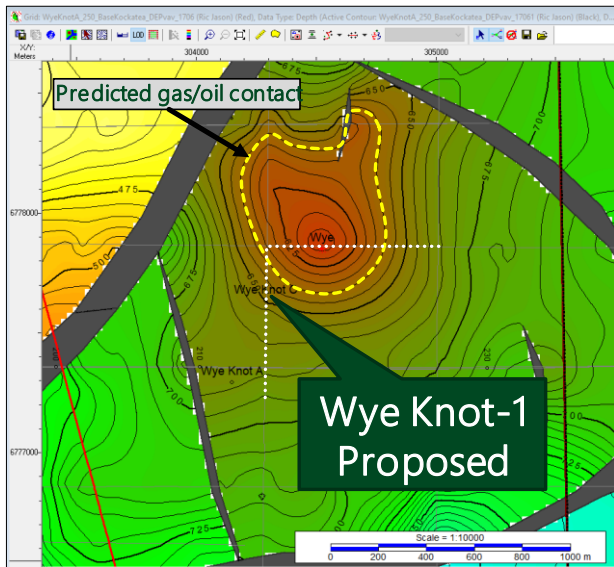
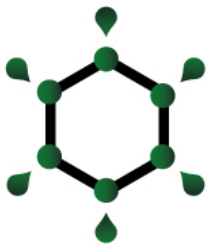
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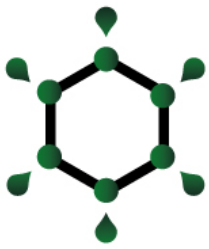
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Triassic Prospective Resource			Gross (100%) MMbbls			Net to Key MMbbls		
Permit	Prospect /Field	Petroleum Fluid	Low (1C) Estimate	Best (2C) Estimate	High (3C) Estimate	Low (1C) Estimate	Best (2C) Estimate	High (3C) Estimate
EP437	Wye Knot	Oil	0.16	1.4	6.1	0.07	0.61	2.65

PROSPECTIVE RESOURCES ESTIMATES

1. Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
2. The estimate of Prospective Resources included in the announcement have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System ("PRMS") approved by the Society of Petroleum Engineers. The PRMS defines prospective resources as those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
3. The prospective resources were estimated by mapping the extent of the prospect using the seismic data and applying ranges of volumetric parameters based on regional data. Recovery efficiencies were estimated using generalised recovery factors which Key assessed as reasonable. The parameters were then combined deterministically.
4. Gross Prospective Resources are 100% of the on-block volumes estimated to be recoverable from the Prospect in the event that a discovery is made and subsequently developed.
5. The volumes reported are "Unrisked" in the sense that the Geological Chance of Success (GCoS) factor has not been applied to the designated volumes. The Operator estimates various the GCoS for the prospects.



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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.

The information contained in this report has been prepared in good faith by Key Petroleum Ltd. However, no representation or warranty, expressed or implied, is made as to the accuracy, correctness, completeness or adequacy of any statement, estimates, opinions or other information contained in this document.

Certain information in this document refers to the intentions of Key Petroleum Ltd, but these are not intended to be forecasts, forward looking statements, or statements about future matters for the purposes of the Corporations Act or any other applicable law. The occurrence of events in the future are subject to risks, uncertainties, and other factors that may cause Key Petroleum Limited's actual results, performance or achievements to differ from those referred to in this document. Accordingly, Key Petroleum Ltd, its directors, officers, employees and agents do not give any assurance or guarantee that the occurrence of events referred to in this presentation will occur as contemplated.