

24 January 2019

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

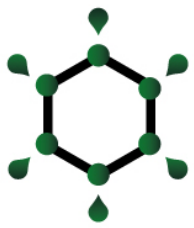
EXPLORATION UPDATE
ATP 920 AND ATP 924, COOPER EROMANGA BASIN

Key Petroleum Limited attaches herewith ASX Announcement pertaining to a material change in work program commitments for ATP 920 and ATP 924 located in the Cooper Eromanga Basin in Queensland.

Regards

A handwritten signature in black ink, appearing to read "I. Gregory", with a large, stylized loop at the end.

IAN GREGORY
Company Secretary
Key Petroleum Limited



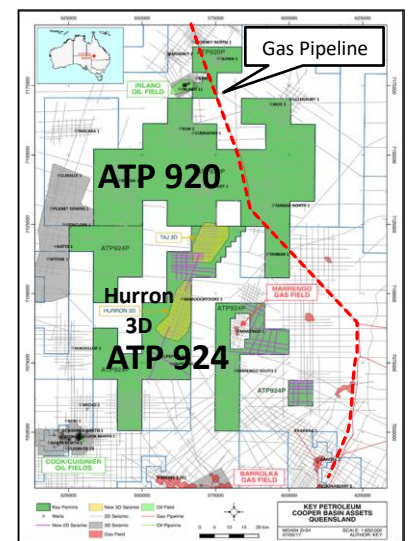
ASX Announcement

24 January 2019

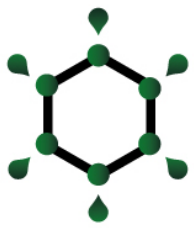
EXPLORATION UPDATE – ATP 920 AND ATP 924 COOPER EROMANGA BASIN, QUEENSLAND

Key Highlights

- Key holds approximately 1 million acres of highly prospective Cooper Eromanga Basin acreage, 100% operated by Key with the original onerous work commitments (multi well and seismic acquisition) removed from the remaining commitments of ATP 920 and ATP 924, previously operated by Beach Energy;
- Focus of acreage is the conventional Permian and Triassic gas plays with the majority of revised work programme completed for primary terms in ATP 920 and ATP 924;
- Currently evaluating rig options within the Tanbar Gas Project to drill two prospects in ATP 924 being the Alfajour and Taj prospects to test the main conventional gas potential in the Triassic and Permian sequences and secondary conventional oil objectives;
- The unrisks Alfajour and Taj Gross Prospective Resources¹ have been upgraded to include Triassic and stratigraphic components of the Permian Toolachee canyons which produce at the Barrolka Gas Field;
- The Gross Prospective Resource Range for Alfajour is:
 - For gas, 20.1 Bcf (1U) – 71 Bcf (2U) - 142.9 Bcf (3U); and
 - For oil, 0.73 mmbbl (1U) – 2.76 mmbbl (2U) – 6.26 (3U).
- The Gross Prospective Resource Range for Taj is:
 - For gas, 20.2 Bcf (1U) – 63.9 Bcf (2U) - 124.5 Bcf (3U); and
 - For oil, 2.67 mmbbl (1U) – 13.25 mmbbl (2U) – 24.48 (3U).
- Gas prices currently ranging between \$9 to \$10/GJ on primary east coast markets (source AEMO);
- Field and well location surveys completed to formulate logistics for drilling campaigns; and
- Pipeline route surveys for future development completed and further facilitation to be undertaken with Department of State Development, responsible for major projects for the State of Queensland.



¹ Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and 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. See Prospective resource notes on the last page for resource estimate determination for each of the Taj and Alfajour prospects.



Key Cooper Basin Pty Ltd (“Key” or “The Company”), a wholly owned subsidiary of Key Petroleum Limited, is pleased to advise that further to its formal approval for work program changes in ATP 920 and ATP 924 by the regulator, it has undertaken significant field and technical work to mature several prospects to be drilled in 2019.

Under the approved amended work program Key will predominantly focus on gas exploration of the Triassic and Permian reservoirs in both ATP 920 and ATP 924. These reservoir targets lie 20 kilometres west of the Santos operated Mount Howett and Whanto Gas Developments and 75 kilometres west of the Real Energy Corporation operated Tamarama-2 and Tamarama-3 pilot wells which are currently flowing gas rates of up to 2 mmscf/d to surface².

Current gross un-risked prospective resources for ATP 924³ are 150 Bcf (1U) - 500 Bcf (2U) – 950 Bcf (3U) with the Tanbar Gas Project being the Triassic and Permian gas fairway component of the permit. Prospective resource estimates to date have been based on mapped structural closures but now include Permian Toolachee canyons. These canyons are analogous to producing Toolachee intervals in the nearby Barrolka Gas Field.

Additional work program activities which are nearing completion include pipeline route surveys and environmental impact surveys which will be integrated with Queensland Department of State Development (“DSD”) data. The DSD is responsible for regulating major projects for the State of Queensland which will assist Key in fast tracking any development of the State of Queensland’s gas resources, including development of any discovery at the Taj and Alfajour prospects.

Gas prices are currently in excess of A\$10.00 per GJ in Sydney and between A\$9.00 and A\$10.00 per GJ in Victoria and Brisbane⁴. With the anticipated gas shortage continuing into the future the gas price is likely to remain high and drive gas exploration project on the east coast of Australia.



Tanbar Gas Project Area with flat terrain and main access road in foreground looking west

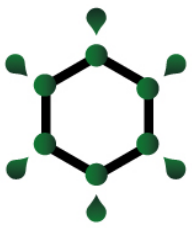
The Company is currently engaged in negotiations with the landowner about compensation and access terms for the drilling of the Alfajour and Taj prospects together with assessing the capabilities of contractors for civil earthworks and installation of water bores at each of the locations. The Company is looking to finalise access terms and plans to conduct site works for each prospect well location in February, depending on weather and the development of the Monsoon wet season in the Northern Cooper Basin.

Key is in discussions with several potential farmin partners who are undertaking due diligence on the Company’s assets, in parallel commercial discussions with potential gas offtake partners continue.

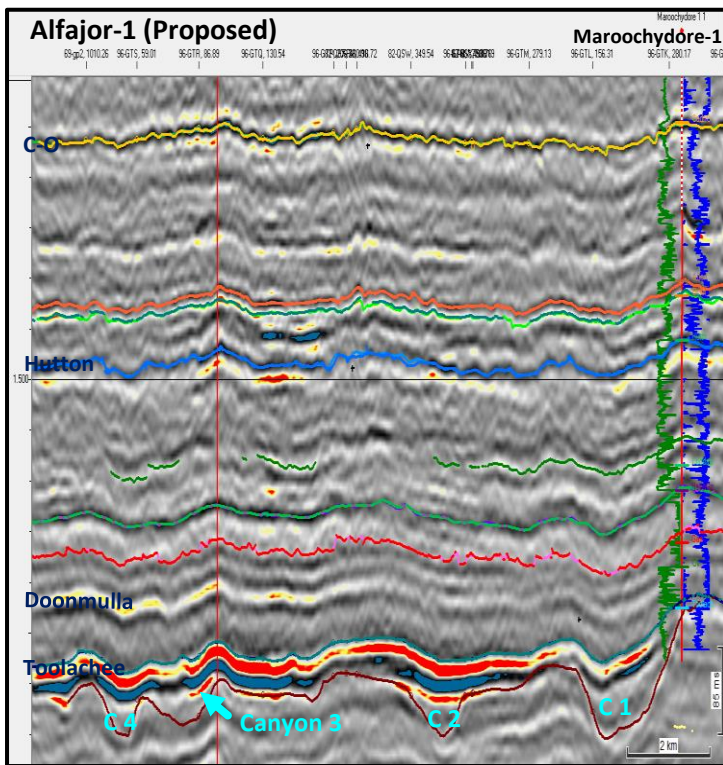
² From Real Energy Corporation ASX Announcement dated 21 January 2019

³ Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and 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. See Prospective resource notes on the last page for resource estimate determination for the Tanbar Gas Project that are prospects that have been probabilistically determined for each prospect and then arithmetically summed for the Tanbar Gas Project.

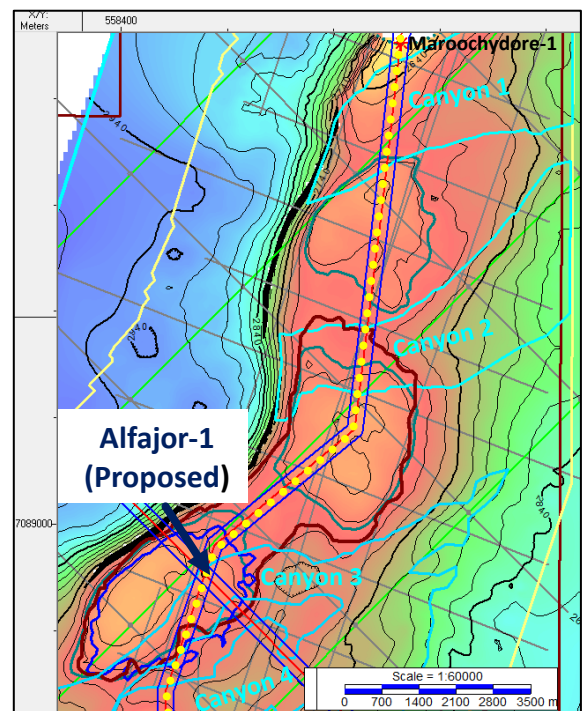
⁴ From AEMO website



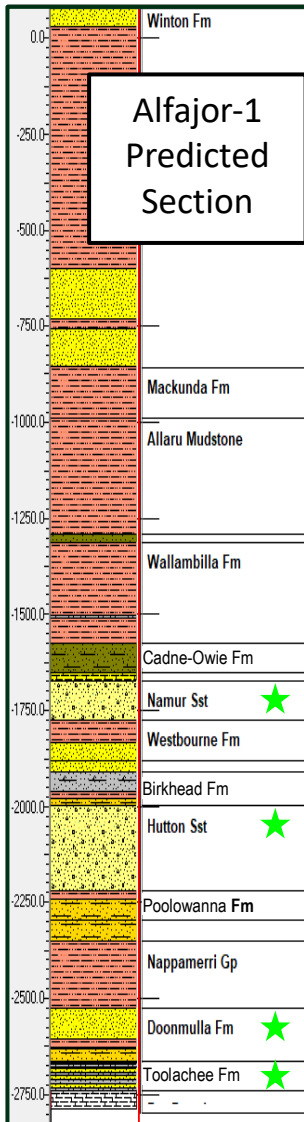
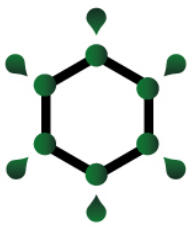
Managing Director, Kane Marshall, said, "2019 is shaping up to be one of the busiest years of operational activity since the Company was listed. We have been undertaking field work in both the Perth and Cooper Basins and are looking to commence site works shortly on our Tanbar Gas Project prior to securing a rig. After securing funding for seismic and drilling activities in the Mount Horner Oil Field area of the Perth Basin, Key will shortly commence site and decommissioning works at Mount Horner whilst commencing activities in the Cooper Basin and gathering all rig tender information for both campaigns. The fact that the geology of the Alfajor area of Key's Tanbar Gas Project is vastly similar to the Santos operated Barrolka Gas Field, which lies immediately west of several gas field developments, and the continuing high gas prices on the east coast sees Key commence the year in an enviable position with significant leverage to the upside in any discovery success."



Alfajor-1 to Maroochydore Seismic Section



Toolachee Depth Map



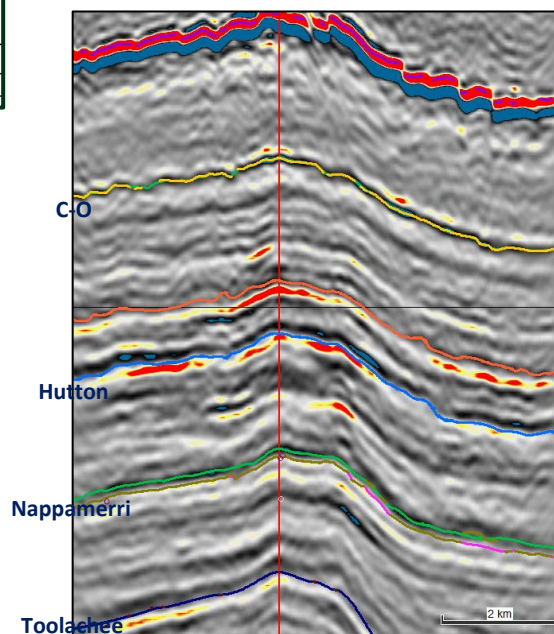
Alfajor-1 Predicted Section

| Prospect Name | Gross Prospective Resource | | | Gross Prospective Resource | | |
|------------------|----------------------------|-------------|-------------|----------------------------|-------------|--------------|
| | ALFAJOR | | | GAS | | |
| Levels | 1U | 2U | 3U | 1U | 2U | 3U |
| | mm bbls | mm bbls | mm bbls | bcf | bcf | bcf |
| Hutton | 0.73 | 2.76 | 6.26 | | | |
| Doonmulla | | | | 9.6 | 32.3 | 65.3 |
| Toolachee | | | | 7.5 | 27.7 | 54.2 |
| Toolachee Canyon | | | | 3 | 11.4 | 23.4 |
| Sum Total | 0.73 | 2.76 | 6.26 | 20.1 | 71.4 | 142.9 |

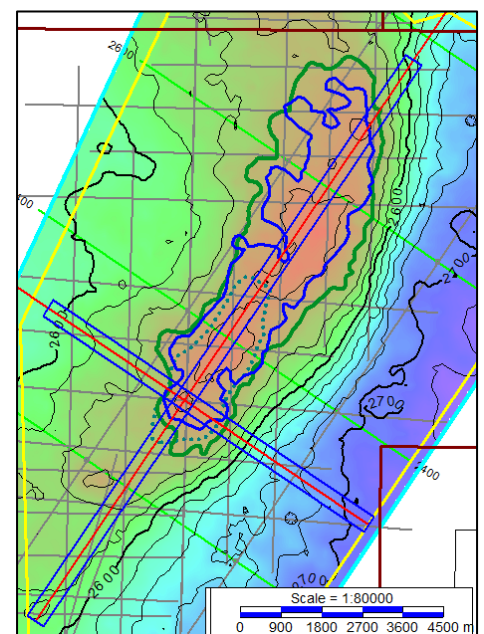
Alfajor Gross Prospective Resource Range Estimates

| Prospect Name | Gross Prospective Resource | | | Gross Prospective Resource | | | Objective |
|------------------|----------------------------|--------------|--------------|----------------------------|-------------|--------------|-----------|
| | TAJ | | | GAS | | | |
| Levels | 1U | 2U | 3U | 1U | 2U | 3U | |
| | mm bbls | mm bbls | mm bbls | bcf | bcf | bcf | |
| Hutton | 2.67 | 13.25 | 24.48 | | | | Primary |
| Doonmulla | | | | 4 | 23.1 | 55.5 | Secondary |
| Toolachee | | | | 16.20 | 40.80 | 69.00 | Primary |
| Sum Total | 2.67 | 13.25 | 24.48 | 20.2 | 63.9 | 124.5 | |

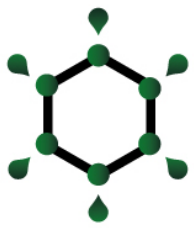
Taj Gross Prospective Resource Range Estimates



Base Jurassic Depth Map



Taj Prospect Seismic Line



Prospective Resources

Notes:

- Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and 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.
- The estimate of Prospective Resources included in the announcement have been prepared in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System ("PRMS") as revised in June 2018 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.
- All prospective resources were estimated with ATP 924 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 probabilistically. For the Tanbar Gas Project the volumes for each prospect were determined probabilistically and then summed arithmetically.
- Gross Prospective Resources are 100% of the on-block volumes are estimated to be recoverable from the Prospect in the event that a discovery is made and subsequently developed.
- 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 has estimated various GCoS for each of the prospects.

Further information on prospective resources across ATP 924 and ATP 920 as well as operational updates will be issued to the ASX shortly.

For more information please contact:

IAN GREGORY

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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 and is a qualified petroleum reserves and resources evaluator. Resources reported in this announcement are based on representative information and supporting documentation. Mr Marshall is a Practising Petroleum Engineer and Petroleum Geologist and holds a BSc (Geology), a BCom (Investment and Corporate Finance) and a Masters in Petroleum Engineering. He is a member of the Society of Petroleum Engineers (SPE), American Association of Petroleum Geologists (AAPG), The Geophysical Society of Houston (GSH), 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.