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

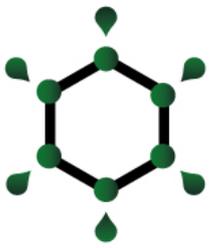
NON-EXCLUSIVE AGREEMENT TO EXPLORE MARENGO GAS FIELD GREATER AREA

Key Petroleum Limited ("Key" or "the Company") attaches herewith an ASX Announcement regarding the execution of a non-exclusive agreement with Six Pines Capital LLC for Six Pines, or its nominated Contributing Entity, to drill, case, log, complete and test two wells within the Permian in the greater Marengo Area within ATP 924.

Regards



IAN GREGORY
Company Secretary
Key Petroleum Limited



NON-EXCLUSIVE AGREEMENT TO EXPLORE MARENGO GAS FIELD AREA

Key Petroleum Limited (“Key”) advises that it has entered into a Non-Exclusive Agreement with North American based Six Pines Capital LLC (“Six Pines”), whereby:

- Six Pines, for a period of 4 months, on a non-exclusive basis, can raise a minimum of AUD\$5,000,000 (“minimum amount”) to cover the costs of drilling to completion and the testing of at least two wells into the Permian within an area defined as Area 3 within ATP 924 in the state of Queensland;
- Area 3 is defined as the majority area surrounding the Marengo Gas Field, being blocks 1768, 1846, 1913, 2057 and 2064;
- On receipt of the minimum amount into an Australian trust account, Key will transfer operatorship of Area 3 to Six Pines, or its financially guaranteed Contributing Entity (“the Entity”), the Entity will enter into a formal farmout agreement with Key (based on relevant CAPL or Ampla models) with a firm undertaking to pay for the drilling of at least two wells, to completion, into the Permian within Area 3; and
- In consideration for completing the drilling, completion and testing of the two wells, the Entity will earn a 75% percentage interest in Area 3 and Key’s 25% will be free carried.

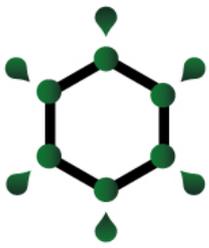
It should be noted that drilling, completion and testing of two wells into the Permian is likely to exceed AUD\$5 million, however under the terms of the Non-Exclusive Agreement AUD \$5 million is the minimum amount required to enter into a farmout agreement.

About the Marengo Area

The Marengo area, defined as Area 3 in the Six Pines agreement, surrounds the Marengo Gas Field operated by Santos and was originally discovered and tested at 1.6 mmscf/d in 1987 from 2.3m pay in the Permian Toolachee Formation. A second test recovered 4 Litres of oil from the Jurassic Odori Formation and this exploration campaign occurred prior to the onset of strained east coast gas markets.

Marengo South-1 was later drilled in 1998 by Santos and the well recovered oil in the Jurassic Adori Formation and gas from the Toolachee and Patchawarra formations. Total gas pay is interpreted to be 7 metres and an additional 0.5 metres of oil pay was encountered. The area is largely unexplored and has had no detailed follow up exploration or appraisal but the area is considered highly prospective for both oil and gas. Better areas of reservoir are anticipated in the greater AP 924 area as demonstrated by the Whanto Field which originally flowed 3.8 mmscf/d from the Permian Toolachee Formation. Importantly, the Marengo Area 3 as defined with Six Pines sits near the Carpentaria Gas Pipeline that connects the Ballera Gas Field operated by Santos south to Mt Isa in the north where it is expected the Northern Gas Pipeline will complete this year connecting Mt Isa to Tenant Creek.

Key has mapped five (5) additional conventional oil and gas prospects that sit on trend south of the Marengo Field and west of the Whanto Field. These prospects are at depths of less than 3,000 metres and apart from the Marengo

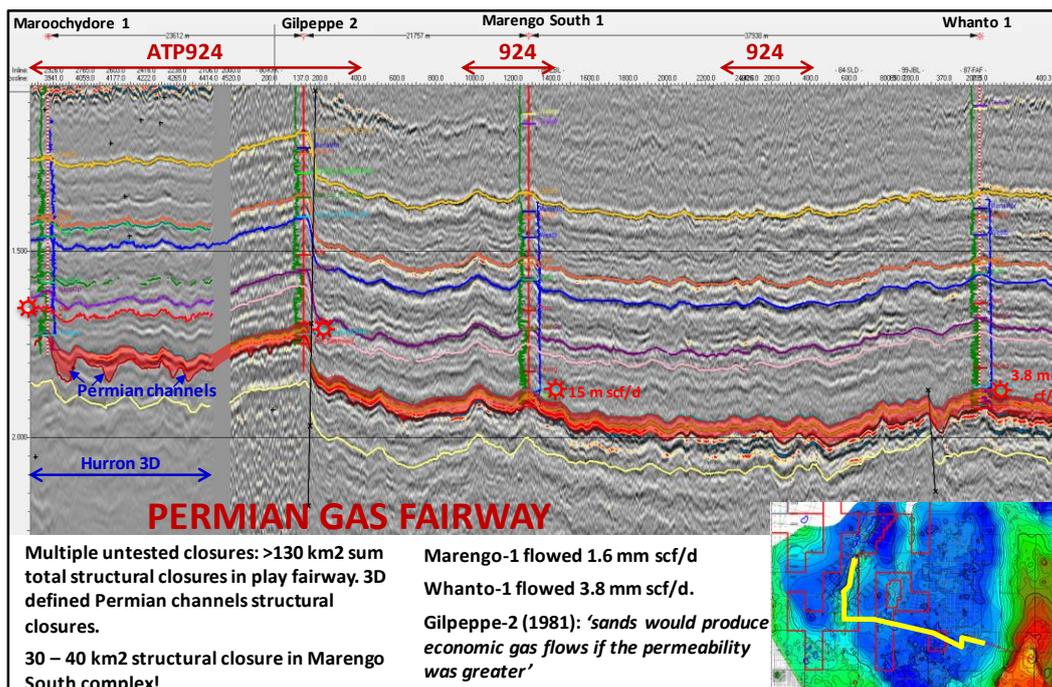


South and Nice Prospects, the remaining prospects have oil potential within the Hutton and younger formations as demonstrated by previous wells. A summary of the gross un-risked prospective resource numbers are as follows:

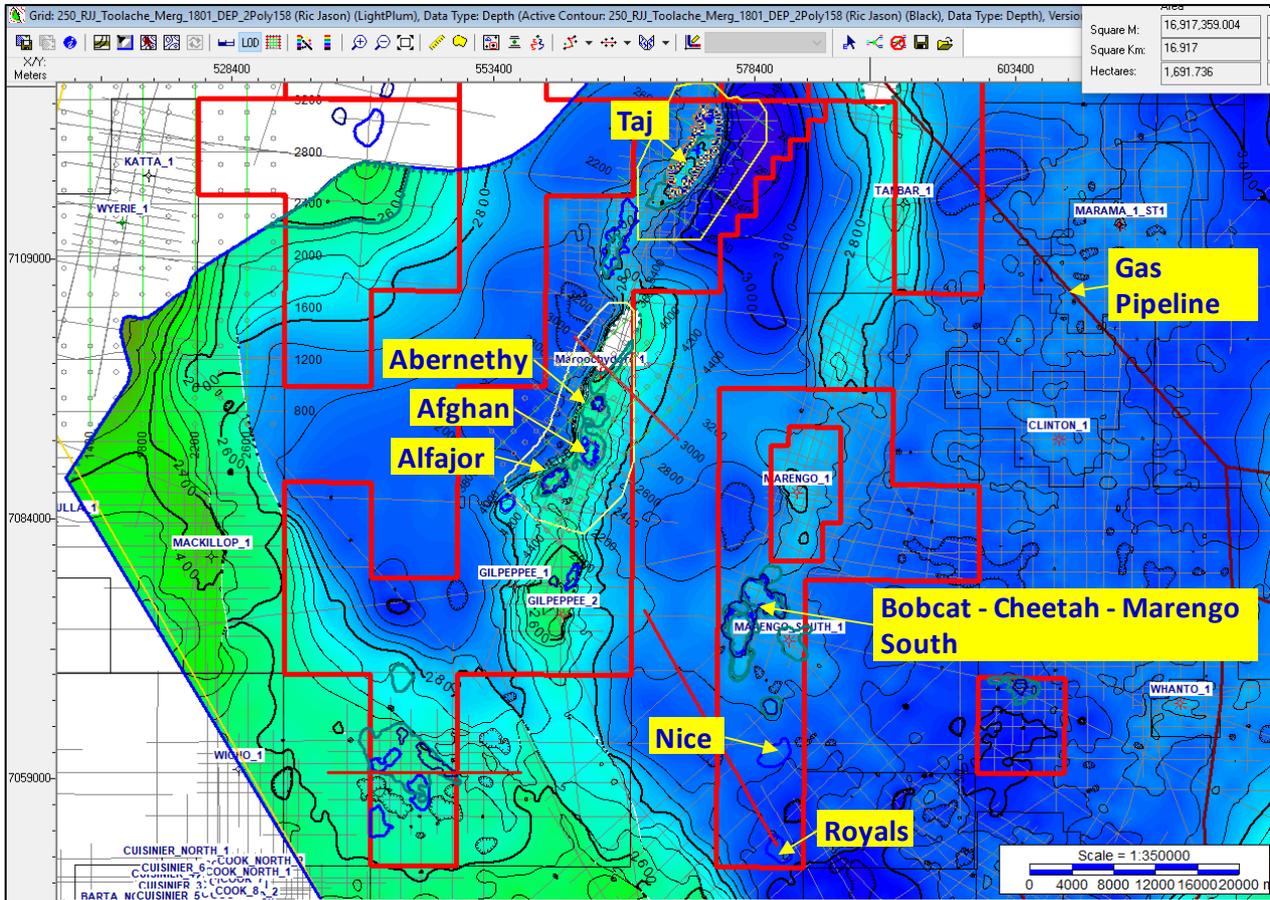
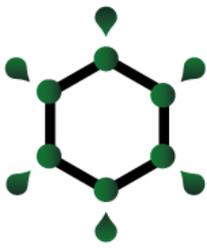
	Oil (mmstb)			Gas (bcf)		
	Low (P90)	Base (P50)	High (P10)	Low (P90)	Base (P50)	High (P10)
Bobcat	1.3	4.6	12.4	11.2	21.8	42.9
Cheetah	2.3	5.6	13.3	18.5	39.8	81.0
Marengo South	-	-	-	6.5	16.1	36.7
Kingston	0.2	0.5	1.4	2.5	5.9	13.0
Nice	1.8	3.7	8.1	-	-	-
Royals	0.4	1.1	2.5	3.1	7.1	14.1

PROSPECTIVE RESOURCES ESTIMATES

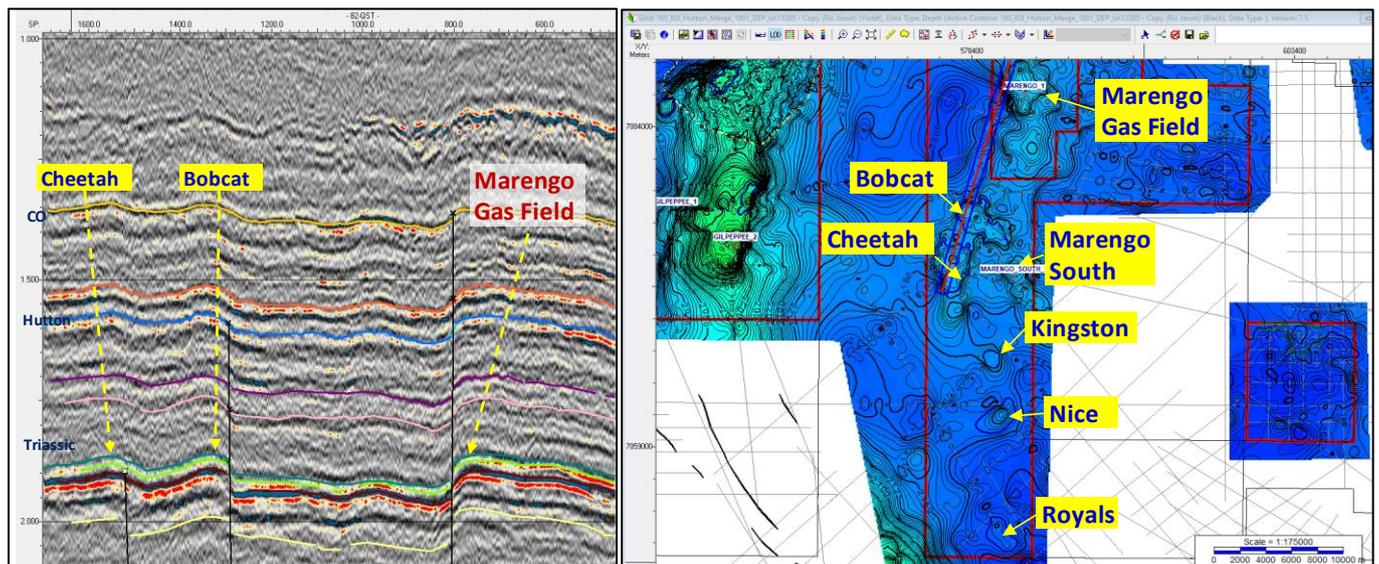
1. Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
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 probabilistically.
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 that there are various GCoS for the prospects.



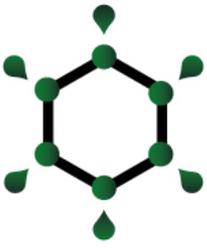
The Permian gas fairway (orange) that extends east from ATP 924 at Whanto to the Marengo Area inside ATP 924



Top Permian Depth Map - Key gas prospects on the Gilpeppe trend (Abernathy et al. and Taj) and the Marengo area east where in the Six Pines defined area the gas prospects Bobcat, Marengo South and Cheetah prospects exist



A north-south strike line (left) showing the Cheeta and Bobcat gas prospects sitting on trend from the Marengo Field and a zoomed in area (right) showing the remaining prospects including the Kingston, Nice and Royals conventional oil prospects



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Commenting on the agreement, Managing Director Kane Marshall stated “With the private equity interest in other producing Cooper Basin operators such as Senex and Santos, it is not surprising that North American private equity is now starting to look at lower risk gas exploration adjacent to infrastructure to supply the East Coast gas market. We look forward to working with Six Pines on maturing drilling in two of these five Marengo area prospects and there is plenty of both oil and gas exploration upside in the event of success and subsequent development. The agreement now allows Key to focus its attention on its core areas, particularly the four big conventional targets within the Permian and Triassic along the Gilpepee trend where gas has already been recovered up dip on the Gilpepee anticline. We are also excited about the evolution of several large Hutton and Birkhead oil plays sitting between the Inland and Cook Oilfields and the interest that will be generated with improving oil prices. We look forward to further positive updates to our shareholders.”

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.

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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