

15 April 2014

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

KEY PETROLEUM COMPANY UPDATE AND PERTH BASIN EXPLORATION STATUS

We attach herewith ASX Announcement for Investors regarding an update on the exploration activities of the EP437 Joint Venture.

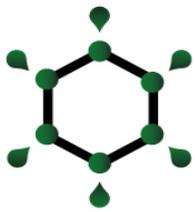
Joint Venture participants' interests in EP437:

| | |
|---|-----|
| <i>Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) - Operator</i> | 77% |
| <i>Caracal Exploration Pty Limited</i> | 23% |

Regards



IAN GREGORY
Company Secretary
KEY PETROLEUM LIMITED



ASX RELEASE

KEY PETROLEUM COMPANY UPDATE AND PERTH BASIN EXPLORATION STATUS

Key Petroleum (Australia) Pty Ltd ("Key"), a wholly owned subsidiary of Key Petroleum Limited is pleased to provide an update on Exploration Permit EP437 ("Permit") and the proposed Dunnart-2 commitment well in addition to the Company's 2014 strategic exploration and drilling plans in the Perth and Canning Basins.

DUNNART-2, EP437, PERTH BASIN

Following a meeting with the WA Department of Mines and Petroleum ("DMP") this week, Key is now confident that formal approvals for Dunnart-2 will be granted within the coming weeks subsequent to the provision of additional information and response to DMP queries.

Significant progress has been made in land access negotiations with parties having reached agreement on preliminary terms. These terms are now being formalised.

Upon receipt of the final DMP approval and execution of the formal land access agreement the EP437 Joint Venture is confident that drilling operations will commence soon thereafter.

EP437 PERTH BASIN EXPLORATION ACTIVITIES

Key is currently discussing a five slot turnkey drilling contract with Drilling Contractors of Australia ("DCA") for the use of DCA Rig 7 commencing in June 2014. The contract will provide for the drilling of one well with the option for up to four additional wells, subject to DMP approval and appropriate farm-out.

Potential wells include:

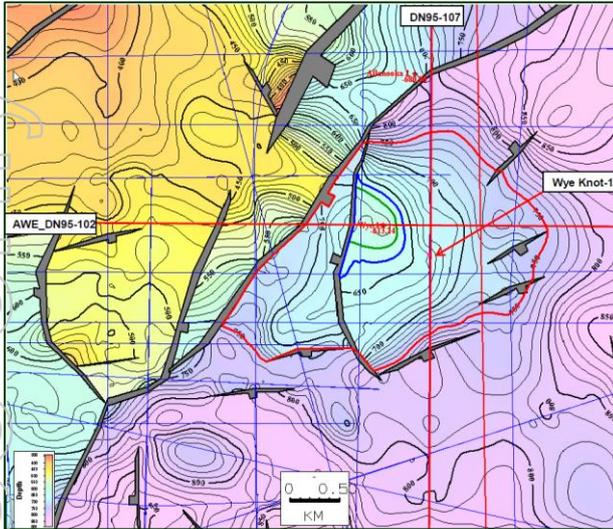
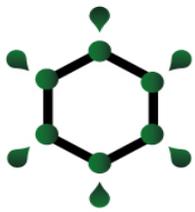
- ✧ Dunnart-2– Perth Basin
- ✧ Dunnart-3 Appraisal Well – Perth Basin
- ✧ Wye-Knot-1 Appraisal Well – Perth Basin
- ✧ Griffiths-1 Exploration Well – Canning Basin
- ✧ Patterson-1 Exploration Well – Canning Basin

Dunnart-3 and Wye Knot-1 Follow-Up Wells

Key is currently preparing bridging documentation for the drilling of the Dunnart-3 appraisal well located on the same land lot as Dunnart-2.

In the event of an oil discovery at Dunnart-2 this well will be drilled to appraise any discovered oil accumulation. The timely preparation of bridging documentation will allow Key and its Joint Venture partners to avoid any lengthy delays in the approvals process.

Recent re-mapping of the Permit and re-interpretation of well test data from the nearby Wye-1 discovery well, indicates that the Wye-Knot prospect, situated immediately north of Dunnart-2 in the oil migration pathway, presents a potential drillable prospect for Key (refer to map on Page 4).



The Wye Knot prospect is a three way dip closed anticline with a fault seal and is located approximately 10km west of the Mount Horner oilfield up-dip from the Dongara oil and gas field.

The “Un-risked Prospective Resource”* (in accordance with Clause 7.3 of ASX Guidance Note 32) calculates recoverable oil in a range from a Best Estimate of 5 million barrels to a High Estimate of 14.5 million barrels.

The drilling of Wye Knot would assess the Jurassic, Triassic and Permian oil objectives down-dip. Good hydrocarbon shows and flow rates were encountered at the 1996 Wye-1 gas discovery well with oil shows in the younger Jurassic sands and gas in both the late Permian Wagina Sandstone (Hovea Member tested 4.3 million standard cubic feet per day [mmscf/d]) and in the Triassic Aranoo sands.

Key aims to define the down-dip oil leg from the gas discovery at Wye-1 with a dedicated exploration well down-dip in Jurassic, Triassic and Permian sands. Previous drilling down-dip of the gas accumulation was carried out at the nearby Dongara oil and gas field yielding 400 billion cubic feet of gas and leaving an underlying oil leg.¹

The re-interpretation of the Wye-1 geological and well test data indicates a small gas cap on a biodegraded oil rim. If the gas in Wye-1 represents the cap to an oil-filled trap, dependent on a fault seal, the reserves may be significant.²

The productivity of Triassic sands in the vicinity of Wye Knot is considered excellent based on water flow rates on nearby wells, including Allanooka-1, of 1,000 barrels of water per day and the gas flow rate on test at Wye-1 of 4 mmscf/d.

The drilling and timing of Wye Knot-1 will be dependent on the results achieved at Dunnart-2.

Un-risked Prospective Resource volume estimates³ for the Dunnart and Wye Knot oil prospects

| Prospect | Low Estimate (mmbbl) | Best Estimate (mmbbl) | High Estimate (mmbbl) |
|----------|----------------------|-----------------------|-----------------------|
| Dunnart | 1.1 | 2 | 3.4 |
| Wye-Knot | 2.3 | 5 | 11 |

Perth Basin Prospectivity Review

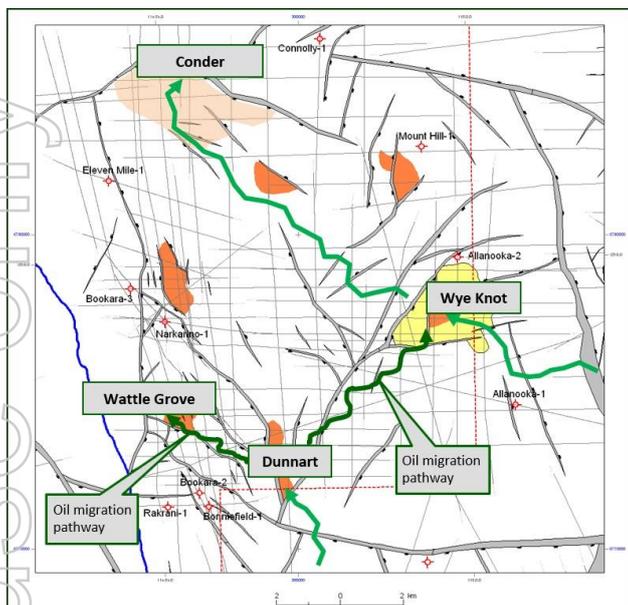
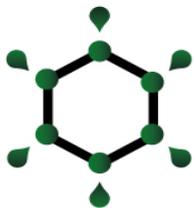
Key is currently undertaking a detailed prospectivity review within EP437 to identify further follow-up structures to Dunnart and Wye Knot and accelerate exploration drilling, should Dunnart-2 be successful capitalising on DCA Rig 7's location in the Perth Basin.

Two structures are currently being matured to prospect status. These are the Conder South and the up-dip Wattle Grove leads.

¹D’Ercole, C, Pitchford, d A & Mory, A, 2003, Leads and Prospects within tenements of the Northern Perth Basin WA, 2002, Geological Survey of WA, Pg 80

² D’Ercole et al, 2003, Leads and Prospects within tenements of the Northern Perth Basin WA, 2002, Pg 80

³ Prospective Resources have been defined using the SPE-PRMS guidelines under Guidance Note 32



Conder-1 intersected oil fluorescence in ditch cuttings at 198m and had good quality Jurassic sandstones comprising of 25-30% porosity.

Conder South is considered the largest structure in the block and is mapped over an area comprising 5km² in the migration pathway of Wye Knot.

In parallel, Key is evaluating the merits of the Wattle Grove lead and the potential drilling of an up-dip exploration well from Wattlegrove-1 which had oil shows.

Geophysical mapping of these structures and technical work, including the evaluation of oil shows in the Wattlegrove-1, Conder-1 and Bonniefield-1 offset wells, will be carried out to further define the upside exploration potential in EP437.

EXPLORATION AND OPERATION ACTIVITIES

As part of the Company's strategic drilling objectives, Key has acquired camp and ancillary services equipment to house personnel during the Perth Basin exploration campaign. This equipment may also be mobilised to the Canning Basin for the 2014 exploration activities in its frontier block, EP448.

The Company is undertaking discussions with DCA in regard to the potential contracting of an additional rig in the event of Perth Basin discoveries allowing Key to undertake parallel exploration drilling campaigns in both the Canning Basin and Perth Basins.

Further information will be disclosed to the market in due course.

For more information please contact:
Key Petroleum Limited (Tel: +61 8 6389 0322)

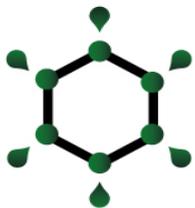
Ian Gregory
Company Secretary
14 April 2014



The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in this presentation were compiled by Mr Kane Marshall (Member SPE, AAPG, SPWLA, FESAus and PESGB), who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this presentation.

COMPETENT PERSON'S STATEMENT

The Information in this ASX Release relates to exploration data and results that are based on information compiled by Mr Kane Marshall who is a full time employee of Key Petroleum Limited. Kane Marshall is a Practising Petroleum Engineer and Geoscientist who is a member of the SPE, AAPG, PESGB, FesAus and SPWLA.



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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 recent listing rule changes for reporting of estimates as defined in Chapter 5 of the ASX Listing Rules.

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