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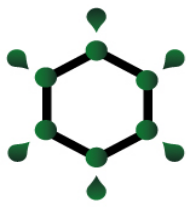
EP437 WORK PROGRAMME & BUDGET APPROVED

We attach herewith an ASX Announcement for Investors pertaining to the Joint Venture approval of the Permit Year 3 work programme and budget for EP437 in the Perth Basin and the receipt of a \$200,000 Exploration Incentive Scheme grant.

Regards

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

IAN GREGORY
Company Secretary
KEY PETROLEUM LIMITED



ASX ANNOUNCEMENT

EP437 WORK PROGRAMME & BUDGET APPROVED

Key Petroleum Limited (ASX:KEY), on behalf of its wholly owned subsidiary Key Petroleum (Australia) Pty Ltd (“Key”), is pleased to announce that it has received budget approval from its Joint Venture partners Rey Oil and Gas Perth Pty Ltd and Pilot Energy Limited for the EP437 Permit Year 3 work programme and budget which includes drilling of the Wye Knot commitment well.

The Joint Venture has also received notification from the Department of Mines and Petroleum (“DMP”) that it has been successful in its application for a \$200,000 Exploration Incentive Scheme grant which will be applied against the cost of the well. The anticipated budget for the well is \$1.9 million before applying the exploration incentive scheme grant.

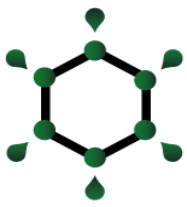
Study work undertaken over the last few months involved a comprehensive review of wells in the vicinity of the Wye area and an updated geophysical mapping study of the Wye area (eastern part of the permit).

Gas encountered in the Wye-1 discovery well is dry, and compares well to the dry gas at the Dongara oil and gas field directly south which is not in equilibrium with the Dongara oil. The gas is likely generated largely from the Irwin River Coal measures, and the oil is likely sourced from the Lower Triassic Kockatea Shale. In the Dongara Field, an oil leg was eventually found in the Dongara-8 well which flowed at 800 barrels of oil per day, some 3 years after the initial gas was flowed at 10 mmscf/d. The Dongara oil column was established with a height of 22 metres below a gas cap of 122 metres.

This and later exploration successes, including the Hovea field establish a dual charge model (oil charge first then later gas charge) for the North Perth Basin area. Similar (Kockatea sourced) oils have been found in wells with shows to the north (Connolly-1 and Condor-1), updip from the Wye-1 migration path.

The combined results of the work supported drilling of the Wye Knot Prospect, which is positioned a step out distance sufficient enough to investigate the potential for an oil leg below the gas pay encountered in Wye-1 in the Triassic Bookara and Arranoo sands but also sufficiently test the potential of the Permian sequence which was not intersected at Wye-1. This step out location is at a distance which suggests the gas cap does not extend outward from Wye-1 at a depth greater than 650 metres subsea.

Key confirms the prospective resources of the Triassic interval, incorporating the Arranoo potential within the Kockatea Formation, as follows. Please note the below resources do not include the Permian section which are currently being assessed and will be presented in coming weeks.



Reservoir	Gross (100%) Mmbbls			Net to Key (43.47%) Mmbbls		
	Low	Best	High	Low	Best	High
Triassic	0.16	1.4	6.1	0.07	0.61	2.65

Notes:

- 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.*
- The estimate of Prospective Resources included in the announcement has 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.*
- 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.*
- 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.*
- 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 the GCoS for the prospect at 30%.*

The formal tendering process for the rig and other long lead equipment will commence forthwith. The rig availability, DMP approvals, well planning, and procurement process will determine the schedule for Wye Knot-1. Upon gathering sufficient information, Key anticipates being able to provide an estimated spud date in due course.

In the event of success at Wye Knot-1, follow up drilling prospects include the down-dip extent of Wye Knot on the downthrown fault block at Becos in addition to the up-dip Wattle Grove and Ganay leads.

IAN GREGORY

Company Secretary

KEY PETROLEUM LIMITED

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.

