

# KEY

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

Dear Sir/Madam

WESTERN AUSTRALIAN EXPLORATION UPDATE

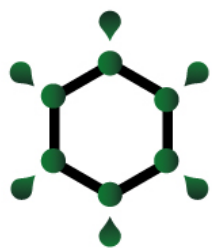
We attach herewith an ASX Announcement for Investors pertaining to exploration activities in EP437, R1 and EP104.

Regards

IAN GREGORY  
Company Secretary  
KEY PETROLEUM LIMITED



ACN 120 580 618



## ASX Announcement

### Western Australian Exploration Update

#### EP437 - Perth Basin, Western Australia

<i>Key Petroleum Limited (via wholly owned subsidiary) (Operator)</i>	<i>43.47%</i>
<i>Rey Resources Limited (via wholly owned subsidiary)</i>	<i>43.47%</i>
<i>Pilot Energy Limited</i>	<i>13.06%</i>

Key has progressed its planning for the proposed Wye Knot-1 well including:

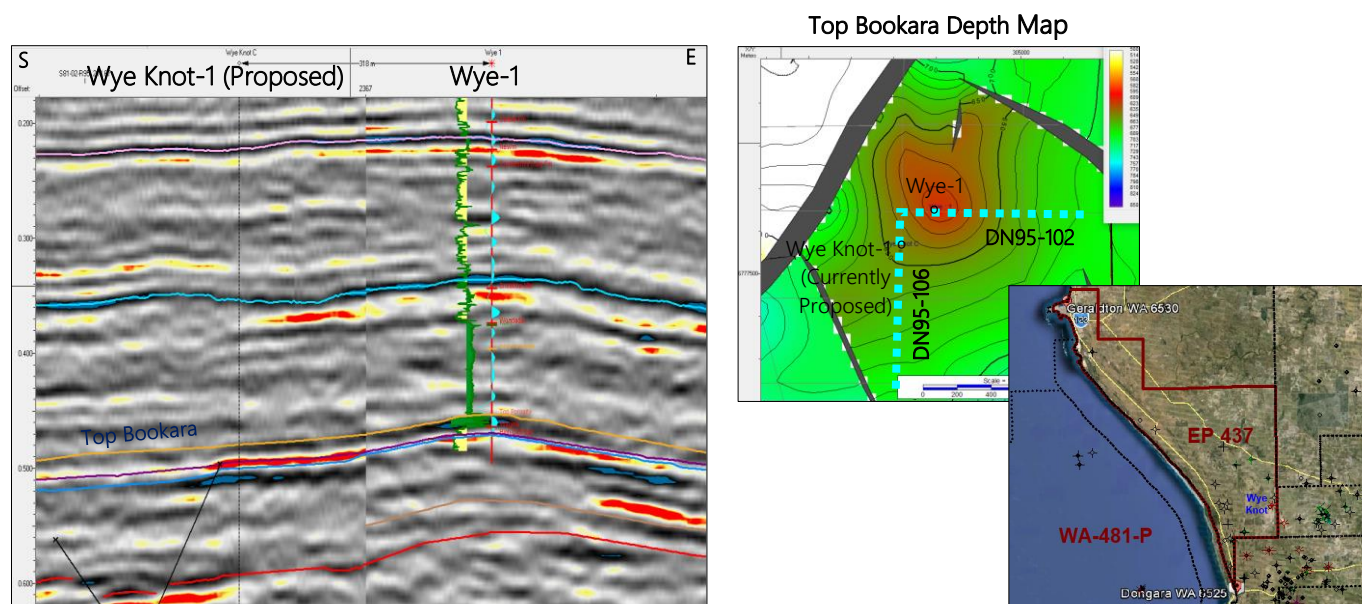
- A long lead and well planning authority for expenditure for wellheads, tubulars, materials and other ancillary equipment has been issued to the joint venture and been duly executed;
- The tendering process for contractors and other project management services has commenced;
- Preliminary documentation for the approval of the drilling activity has been prepared which includes generic safety management system and environment plan documentation. Formal lodgement of approval documents will be submitted after the tendering process for contractors has been completed; and
- A preferred Wye Knot-1 well location has been chosen to minimise disturbance and environmental footprint but other well locations are also being considered and discussions with a number of landowners in the area are currently being undertaken.

The Wye Knot oil prospect is located down-dip from the Wye-1 gas discovery, drilled in 1996 at the crest of a four-way dip closed structure that benefits from additional closure via faulting to the northeast and northwest.

Wye-1 tested gas at commercial rates from two good quality reservoirs, with the Bookara and the Arranoo sandstone reservoirs flowing 4.4MMscf per day and 2.5MMscf per day, respectively. Neither of the reservoirs exhibited a water leg and both exhibited good, live oil shows during drilling. The presence of oil shows indicates that the reservoirs were originally oil-filled at the Wye location, with the oil being displaced to a down-dip rim by subsequent gas migration in to the crest of the structure.

This dual-charge model is evident elsewhere within the north Perth Basin, including at the nearby Dongara gas field, where the Dongara-8 well produced at an initial rate of 8000 barrels of oil per day from an oil rim.

The Wye Knot-1 well to test the Wye Knot Prospect is planned to be positioned at 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 fully intersected at Wye-1.



Due to the limited data available on the Permian and the reliance on intraformational seals down-dip, no prospective resources for this interval have been assigned but this interval still represents upside in the prospect. The drilling of Wye Knot-1 will provide insight into the distribution of the Permian in the western portion of the Allanooka Block and may assist with future definition of prospective Permian resources in EP437.

As previously announced, the Operator has made the following assessment of the prospective resources of the Triassic interval, incorporating the Arranoo potential within the Kockatea Formation, as follows:

			Gross (100%)			Net to Key (43.47%)		
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 MMbbls	1.4 MMbbls	6.1 MMbbls	0.07 MMbbls	0.61 MMbbls	2.65 MMbbls

**Notes - General:**

1. MMbbl = million barrels; Bcf = billion cubic feet

**Notes - Prospective Resources:**

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 GCoS for the prospects.

## R1 - Canning Basin, Western Australia

Gulliver Productions Pty Ltd (Operator)

85.23%

Indigo Oil Pty Ltd

14.77%

Retention Lease R1 is in Year 1 of its second renewal. The Operator is progressing its Year 1 work commitments, which are the following:

### *250km<sup>2</sup> of new Airborne Aerial Electromagnetic Survey (AEM-PTP)*

The Operator has submitted all relevant approval documentation and is awaiting final assessment and approval by DMP WA to acquire this aerial survey over R1. The survey will test for hydrocarbon anomalies by the measurement of redox cells produced by the upward migration of hydrocarbons. The survey is designed to fully cover the Lease, providing a baseline response from the Point Torment Gasfield and potentially highlighting additional hydrocarbon anomalies that coincide with mapped prospects along the prolific Lennard Shelf Trend. Particular interest is focussed on the Stokes Bay (Stokes Bay-2) Prospect, which is designed to properly test the Anderson Formation.

Current geological and geophysical interpretation indicates that a Grant Formation channel may have incised the Anderson seals at Stokes Bay-1, resulting in an invalid test of the Anderson at this location. Stokes Bay Prospect is located to the northwest and updip of the Stokes Bay-1 objective and is interpreted to have a draped seal.

The Operator believes this technology is an effective and non-intrusive method of testing the area.

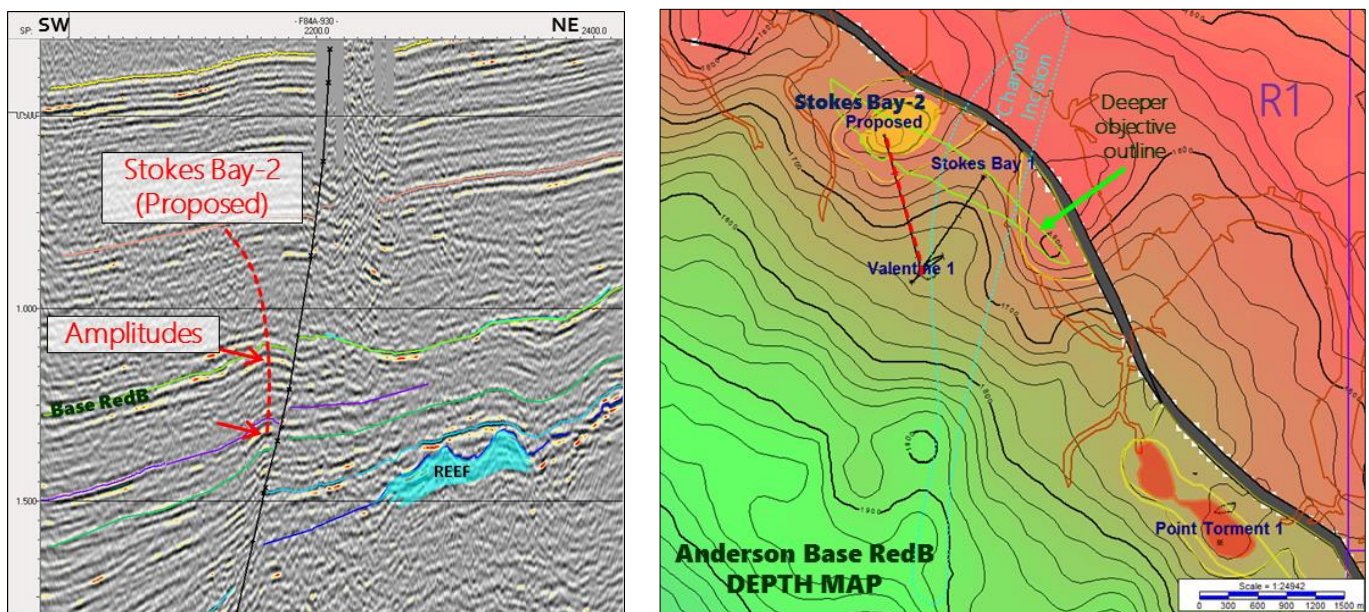


Figure 1. Grant Formation Channel incision at Stokes Bay-1 and location of Stokes Bay Prospect to the northwest

### *Environmental development studies related to the Point Torment tidal and mudflat area*

The Operator plans to undertake field assessment of the Point Torment-1 and Stokes Bay-1 causeways and other associated infrastructure to determine the safest and most environmentally sound method of development of both current and future discoveries.



## Commercial and marketing investigations

Commercial and marketing assessments are ongoing, with the results of the AEM-PTP survey and environmental assessment to be integrated into the economic models to assist in defining a potential path towards commercialisation of the Point Torment resource as well as any future discovered accumulations.

There is significant upside to further exploration around Point Torment-1 and Stokes Bay-1 as infrastructure built to access both sites is established. Yearly maintenance of infrastructure and assessment of causeway conditions will occur later in 2017.

As previously announced, the Operator has made the following assessment of the contingent resources of the Point Torment Gasfield and prospective resources of the Stokes Bay Prospect, as follows.

Summary				Gross (100%)			Net to Key (85.23%)		
Permit	Prospect/ Field	Fluid	Resource	Low (1C) Estimate	Best (2C) Estimate	High (3C) Estimate	Low (1C) Estimate	Best (2C) Estimate	High (3C) Estimate
R1	Point Torment	Gas	Contingent	2.410 Bcf	4.725 Bcf	8.420 Bcf	2.054 Bcf	4.027 Bcf	7.176 Bcf
R1	Stokes Bay	Oil	Prospective	0.3 MMbbls	0.7 MMbbls	4.9 MMbbls	0.3 MMbbls	0.6 MMbbls	4.2 MMbbls

### Notes - General:

- Volumes calculated deterministically
- MMbbl = million barrels; Bcf = billion cubic feet

### Notes - Prospective Resources:

- 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 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.
- 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 various GCoS for the prospects.

### Notes - Contingent Resources:

- Reserve means commercially recoverable resources which have been justified for development, as defined in the SPE PRMS.
- Contingent Resources are the estimated quantities of petroleum that may be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.
- The estimates of Reserves and Contingent Resources included in this 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 (SPE).
- The Contingent Resources were estimated by mapping the extent of the prospect using seismic data and applying ranges of volumetric parameters based on regional data, including recovery efficiencies. The Contingent Resources were calculated deterministically and the reservoir targets were arithmetically summed in order to provide estimates for the prospect as a whole. Gross Contingent Resources are 100% of the on-block volumes estimated to be recoverable from the field.
- The reserves are hosted in the same geological formations that have already been productive in adjacent licences including the productive Lennard Shelf. These reserves therefore have numerous relevant nearby field analogues regarding producibility.

## EP104 – Canning Basin, Western Australia

*Gulliver Productions Pty Ltd (Operator)*

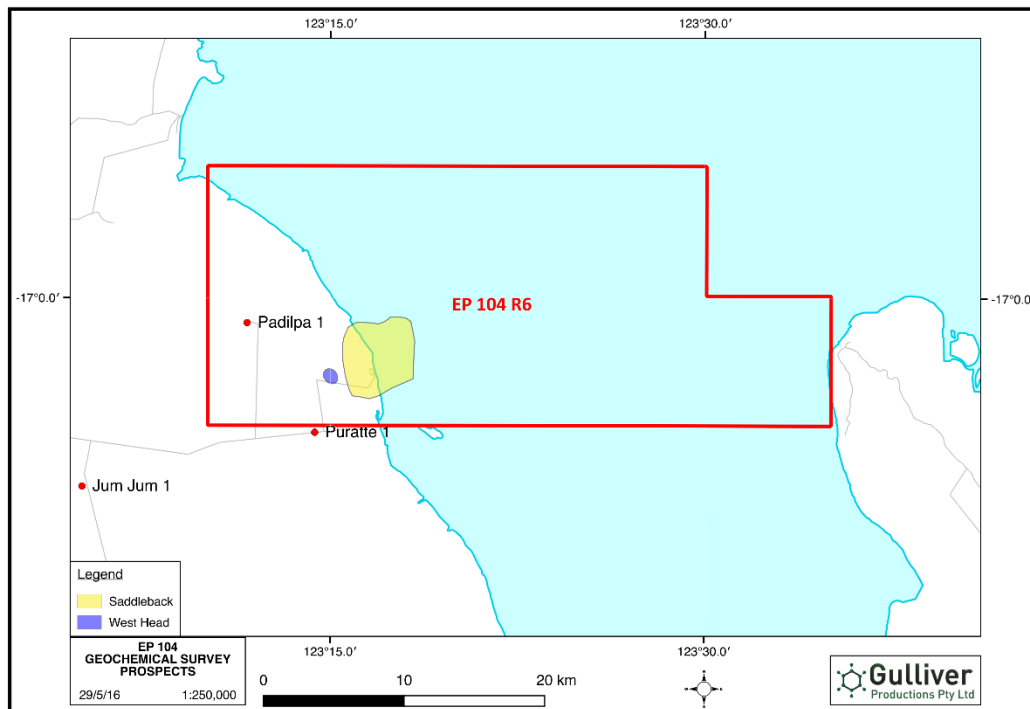
89.23%

*Indigo Oil Pty Ltd*

10.77%

EP104 is in Year 2 of its sixth renewal. The Operator is progressing its Year 2 work commitment, which is the acquisition of the Saddleback Geochemical Survey.

The proposed Saddleback Geochemical Survey is designed to test for hydrocarbon anomalies over two prospects defined by the 2015 seismic reprocessing and geological review of EP104. West Head Prospect is interpreted to be a Nullara Formation altered carbonate, mounded reef structure with close proximity to the deeper King Sound Embayment, which may host Clanmeyer Formation source rocks. Dolomite porosity development may have occurred near the basin margins. The reservoir is sealed by the onlapping Laurel Formation.



*Figure 2. Location of prospects to be tested by Saddleback Geochemical Survey*

The Saddleback Prospect is a lowstand fan mound with downlap evident on the flanks of the fan. The fan deposition occurred during the Late Devonian to Early Carboniferous and is mapped to extend onshore. Saddleback is located in the remnants of the King Sound Embayment, trapping the available sand being brought from the basin margins. Excess sand was arbitrarily deposited off the shelf as turbidites in a basin slope setting.

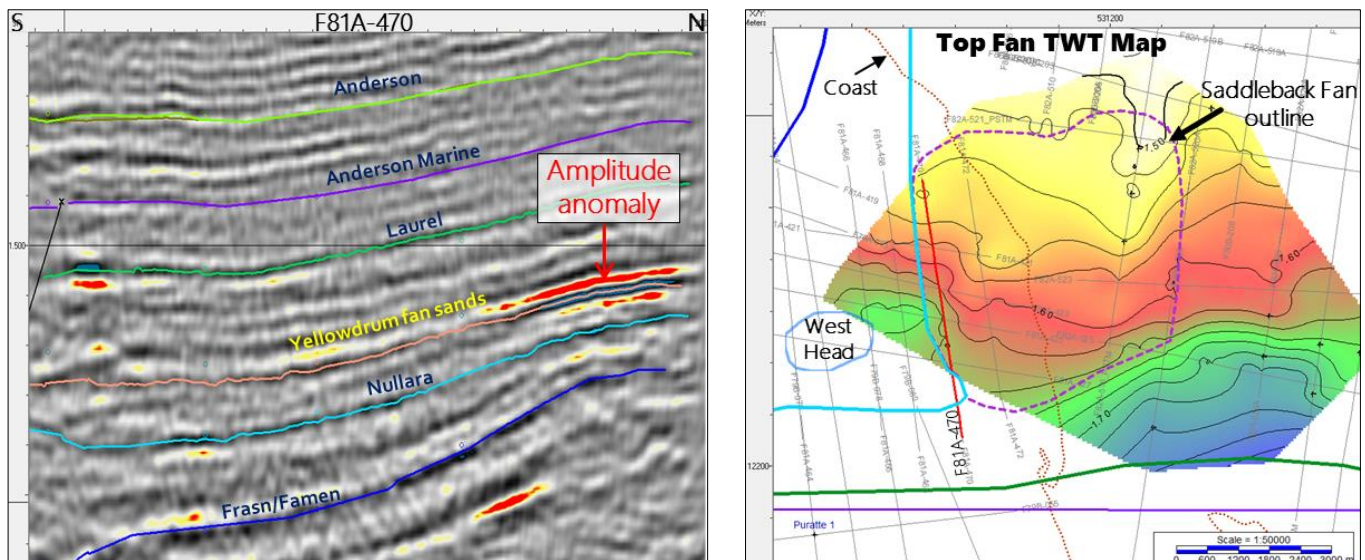


Figure 3. Saddleback Fan - Stratigraphic Play

The reservoir is predicted to contain Yellowdrum Formation sands and is updip from Puratte-1 that intersected Yellowdrum sands with oil shows. Source is the Clannmeyer Formation within the King Sound Embayment, adjacent to the prospect. The subsequent highstands of seal level associated with the deposition of the Laurel Formation should provide a good carbonate cape to the preceding dolomitic reservoirs developed during relative lowstands of seal level. A pre-Grant section, which are possibly Anderson Formation shales and carbonates and were intersected in Padilpa-1, may provide additional seal.

Currently, the grant of mining access and transit access permits is being negotiated with relevant parties. The Operator hopes to gain access to the Permit and acquire the survey in 2017. The following prospective resources have previously been determined for Saddleback:

			Gross (100%)			Net to Key (89.23%)		
Permit	Prospect/ Field	Petroleum Fluid	Low (1C) Estimate	Best (2C) Estimate	High (3C) Estimate	Low (1C) Estimate	Best (2C) Estimate	High (3C) Estimate
EP104	Saddleback	Oil	1.0 MMbbls	16.0 MMbbls	40.1 MMbbls	0.9 MMbbls	14.3 MMbbls	35.7 MMbbls

*Notes - General:*

1. Volumes calculated deterministically
2. MMbbl = million barrels; Bcf = billion cubic feet

*Notes - Prospective Resources:*

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.
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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 GCoS for the prospects.

## 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 Association 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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IAN GREGORY  
COMPANY SECRETARY

Dated: 21 June 2017  
Perth, Western Australia