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11 April 2019

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

TANBAR GAS PROJECT ACTIVITY UPDATE

Key Petroleum Limited attaches herewith an ASX Announcement pertaining to the status of activity and exploration work conducted on Key's Tanbar Gas Project.

Regards

IAN GREGORY
Company Secretary
Key Petroleum Limited

KEY PETROLEUM LIMITED

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ASX Announcement **11 April 2019**

TANBAR GAS PROJECT ACTIVITY UPDATE

Further to Key's announcement of 24 February 2019, Key Cooper Basin Pty Ltd ("Key" or "Company"), a wholly owned subsidiary of Key Petroleum Limited, is pleased to provide the following update to its 100% owned Tanbar Gas Project in ATP 924:

- After requesting tenders for drilling services at the Taj and Alfajour prospects, 3 tenders have been received from drilling contractors with availability for early Q3 and during Q4 of 2019;
- Four-year renewals applications for each of ATP 920 and ATP 924 have been submitted to the Queensland State Regulator, Department of Natural Resources, Mines and Energy;
- The extensive flooding during the Queensland wet season have prevented Key from undertaking on ground preparatory works however discussions around access have progressed with regard to Tanbar Station and on ground works are expected to commence in May in conjunction with field work at the Canaway Ridge Project;
- Reprocessing of the Hurron and Taj 3D seismic data has de-risked the prospectivity of both the Alfajour and Taj Prospects together with additional prospects located in the immediate area;
- The Gross Prospective Resource Range for Alfajour is:
    - For gas, 20.1 Bcf (1U) – 71 Bcf (2U) - 142.9 Bcf (3U) with an associated Geological Chance of Success of 15% ("GCoS"); and
    - For oil, 0.73 mmbbl (1U) – 2.76 mmbbl (2U) – 6.26 (3U) with a GCoS of 14%.
- The Gross Prospective Resource Range for Taj is:
    - For gas, 20.2 Bcf (1U) – 63.9 Bcf (2U) - 124.5 Bcf (3U) with a GCoS of 25%; and
    - For oil, 2.67 mmbbl (1U) – 13.25 mmbbl (2U) – 24.48 (3U) with a GCoS of a 12%.
- As previously released in our ASX announcement of 24 January 2019, the current gross un-risked Prospective Resources for ATP 924 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 from recent 3D seismic and 2D seismic surveys as well as current reprocessing to further define these Permian Toolachee canyons. These canyons are analogous to producing Toolachee intervals in the nearby Barrolka Gas Field;
- Prospective Resources comprise 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 component. The Tanbar Gas Project includes a range of 'moderate chance of success' risked prospects, being on average a Geological Chance of Success of 17% currently and largely defined on 3D seismic data coverage. These prospects will be re-risked after incorporating of all recently reprocessed seismic data;
- A long structural trend from the Ace Lead in ATP 924, has now been identified as the Meeba Trend and extends from Ace in ATP 924 into ATP 920. Prospective Resource estimates are currently being finalised for the Meeba Trend and will be disclosed to market upon completion;
- Proposed gas pipeline routes within Tanbar, and associated data, have been submitted to the Queensland Department of State Development as part of the primary term for ATP 924. The Department has provided feedback in the form of potential water courses around proposed pipeline routes and the impacts these water courses may have on regional planning; and
- Further commercial discussions are underway for future gas offtake from the Taj and Alfajour areas.

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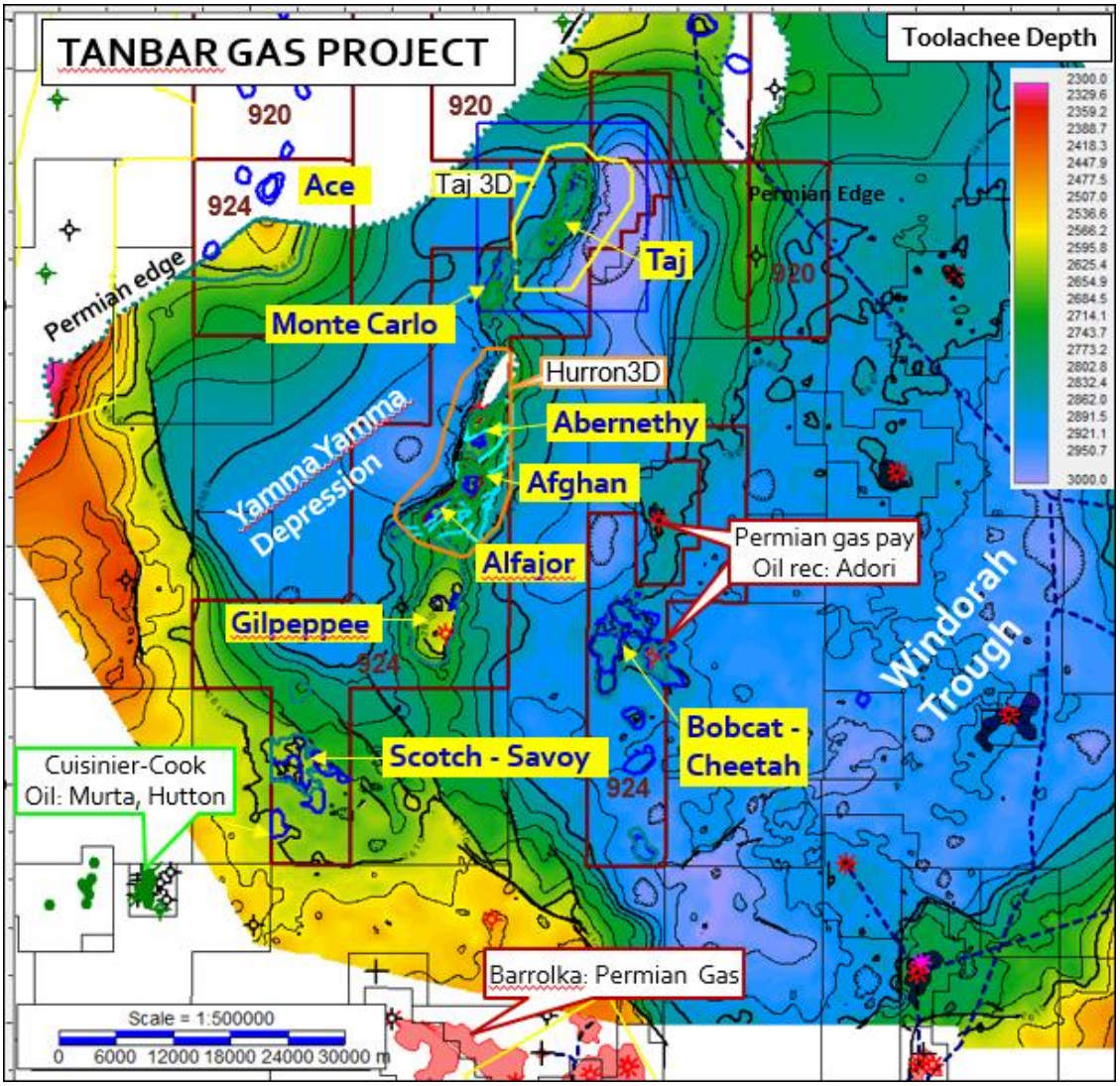
Managing Director, Kane Marshall, said, "Work at Tanbar is progressing. The rig market has tightened in the Cooper Eromanga Basin as industry activity has increased but there are slots available in Q3 and Q4. We are working through the tenders and are now looking at the timing of access, civil earthworks and heritage clearance with a view to locking in a rig for our Tanbar campaign. The reprocessing work, particularly the 3D seismic volumes, supports our geological model and provides a good level of confidence in our discussions with potential drilling partners. It is pleasing that after having executed the MoU with Beach and Santos for future gas processing that additional opportunities around the potential for future gas offtake and other commercial arrangements have presented. The Ace Lead and the associated Meeba Trend that continues into ATP 920, demonstrate that the portfolio is rich in blue sky upside. Key will provide the market with updates as new developments emerge and we will continue to keep the market fully informed as matters progress."



Tanbar Gas Project Area and Prospects

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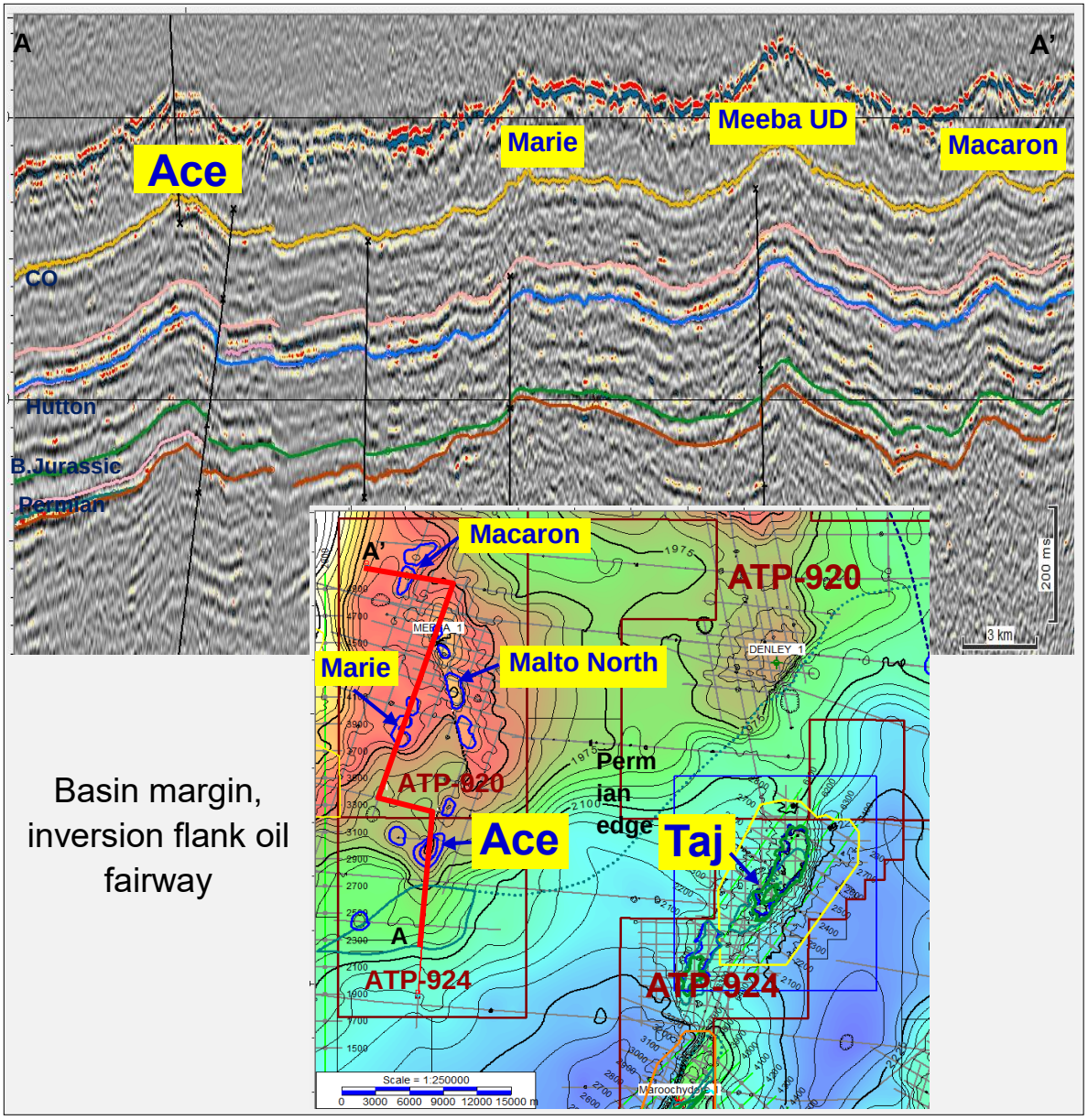

Meeba trend extending from the Ace prospect into ATP 920 (left to right at top)

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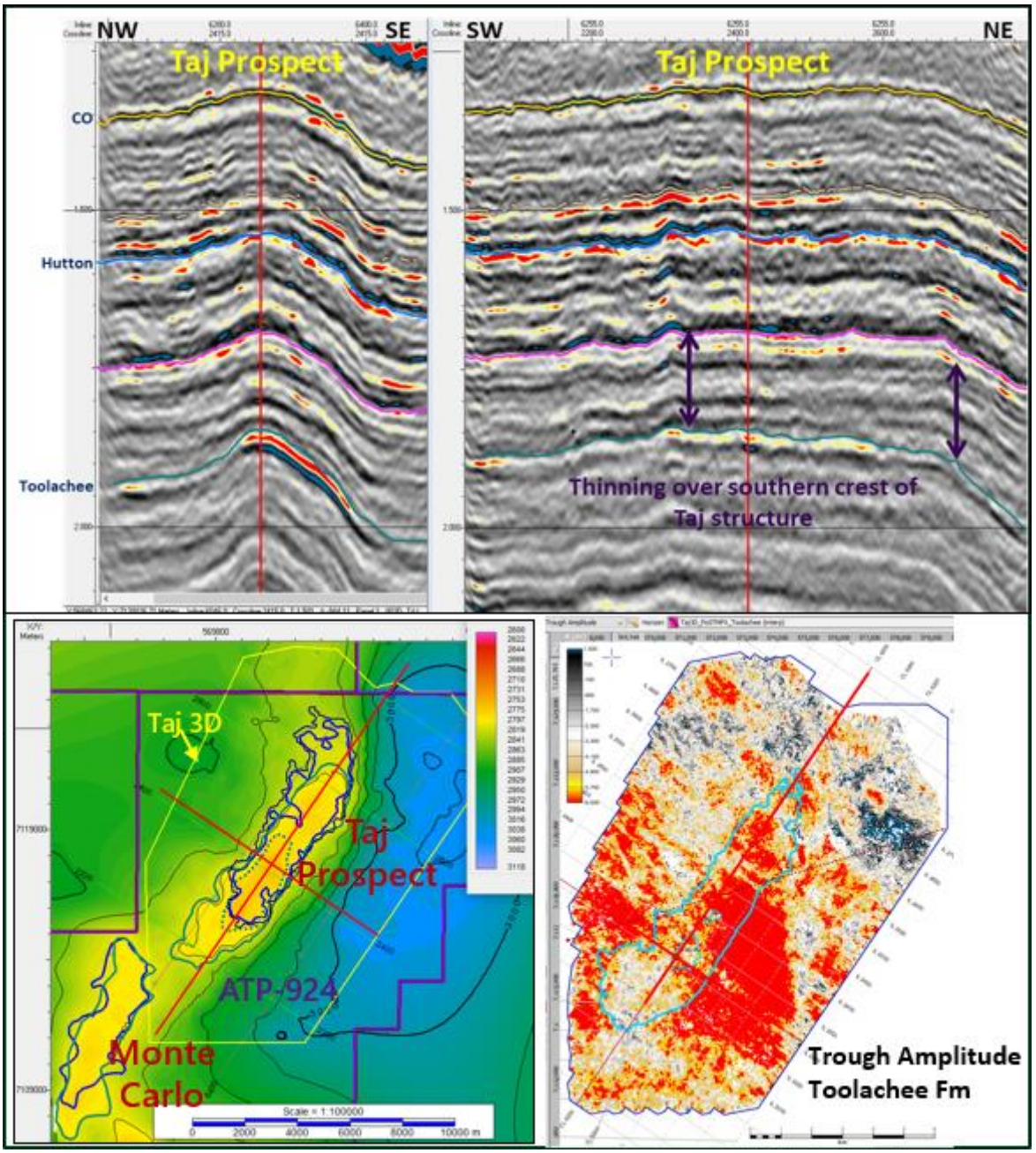

Taj Prospect Summary encompassing recently acquires seismic reprocessing (above and bottom right)

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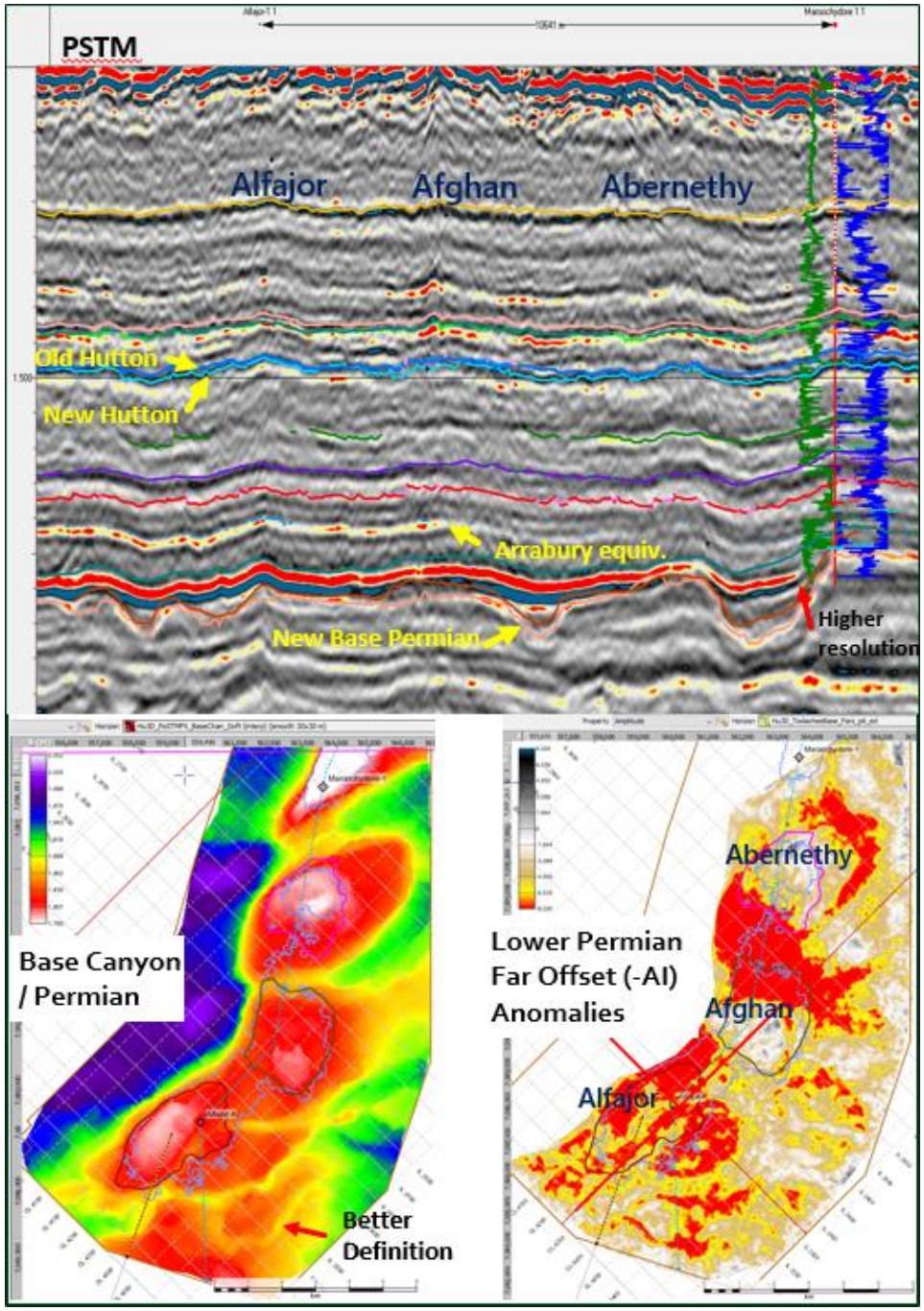

Alfajor Prospect Summary with better definition of Permian canyon features from recent seismic reprocessing

For more information please contact:

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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 20 years of relevant experience. Mr Marshall consents to the inclusion of the information in this document.

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 within ATP 924 by mapping the extent of the prospects using the existing Hurron and Taj 3D seismic data as well as recently received reprocessed seismic volumes which have been completed in the primary term of the permit. Vintage 2D seismic data has also been incorporated into this assessment.
- Key has applied ranges of volumetric parameters based on regional data including all the wells in ATP 924 and from other wells to the north, south and east including the Inland, Cook, Barrolka, Whanto, Clinton, Marengo and Mount Howett oil and gas fields.
- Recovery efficiencies were estimated using generalised recovery factors which Key assessed as reasonable and benchmarked from production data from the Inland and Cook oilfields as well as the Barrolka, Whanto and Clinton Gas fields.
- The prospective resource parameters for the prospects were combined probabilistically and for the Tanbar gas Project the volumes for each prospect were then summed arithmetically to give each category of prospective resource.
- Gross Prospective Resources are 100% of the on-block volumes that are estimated to be recoverable from the Prospects 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 but currently are considered in the moderate range and have been disclosed above for the specific prospects as well as the average across prospects in the Tanbar Gas Project. The Operator has estimated various GCoS for each of the prospects which it intends to update and release to the market after integrating all the reprocessed seismic data.