

30 October 2019

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

MEEBA FARMOUT FORMALISED

Key Petroleum Limited attaches herewith an ASX Announcement pertaining to the farmout of the Meeba Project with Pancontinental Oil and Gas NL (ASX: PCL) and an update to the Meeba Prospective Resources Estimates.

Regards



IAN GREGORY
Company Secretary
Key Petroleum Limited

ASX Announcement

30 October 2019

MEEBA FARMOUT FORMALISED

Key Petroleum Cooper Basin Pty Ltd (“Key” or “Company”), a wholly owned subsidiary of Key Petroleum Limited (“KPL”), is pleased to announce that the following have been executed with Pancontinental Oil and Gas NL (“Pancon”) in relation to the previously announced farmout terms sheet for the Meeba Project:

- formal Farmin Agreement (“Meeba Farmin Agreement”);
- transfers and Joint Operating Agreement encompassing ATP 920 and the Ace Area of ATP 924; and
- an Area of Mutual Interest Agreement (“AMI”) to jointly acquire assets in a defined area of interest.

Pancon has agreed to farm-in to the Meeba Project and will acquire from Key:

- an undivided 20% participating interest in ATP 920 (together with an option to acquire an additional undivided 15% participating interest in ATP 920); and
- an undivided 25% participating interest in the Ace Area (collectively the “Farmin Interest”).

In consideration of the assignment of the Farmin Interest, Pancon will undertake the following obligations (collectively “Farmin Obligations”):

- a payment to Key of \$150,000 (which has been received) to cover back costs. \$100,000 will be refundable if ATP 920 and ATP 924 are not renewed; and
- fund 26.67 % of the total costs and expenses of drilling an exploration well (site to be selected), to target depth including plugging and abandoning the well (“Dry Hole Costs”) but excluding success case costs associated with testing and completing the well, with such well costs to be capped at gross \$3,000,000 (“on a 100% basis”).

By satisfying the Farmin Obligations Pancon shall be deemed to have also acquired from Key an option (“ATP 920 Option”) to acquire a further undivided 15% participating interest in ATP 920:

- The ATP 920 Option may be exercised by Pancon giving notice to Key at least 90 days prior to the expiry of Year 1 of the renewed term of ATP 920; and
- If Pancon exercises the ATP 920 Option then Pancon will fund, at its sole risk and expense, during Year 2 of the renewed term of ATP 920, 280km of 2D seismic data acquisition in respect of ATP 920 and shall thereby earn or acquire a further undivided 15% participating interest in ATP 920.

Key will remain Operator and as soon as practicable following Pancon satisfying the Farmin Obligations, Key will have the option (“Excise Option”) to apply to divide ATP 924 into two authorities to prospect, one comprising the Ace Area, where Key will retain 75%, and the other comprising the balance area within ATP 924 with Key retaining 100%).

The Excise Option may be exercised by Key giving notice to Pancon within 12 calendar months following Pancon satisfying the Farmin Obligations.

Meeba Project Prospective Resources Upgrade

Further to the Farmin formalities, Key as Operator has identified additional prospects within the Meeba Project including along trend from the Inland Oilfield. These include the Teddy and Teevee Prospects with Teevee being a lookalike to the Inland Oil Field (see overleaf).

Assessment of recently reprocessed seismic work has materially impacted upon the Meeba Project:

- The prospective resource range for the Meeba Project is identified in millions of barrels of recoverable oil and the range has been upgraded to include eighteen (18 prospects) with the prospective resource range defined as 1U (Low) 11.3 mmbbls, 2U (Best) 33.7 mmbbls, and 3U (High) 83.7 mmbbls¹ as at 28 October 2019. These estimates now include each of the Inland and Meeba trends within the Meeba Project which have been more clearly defined on reprocessed 2D seismic volumes. All cases include the prospects listed on the table overleaf, including the drillable Ace prospect and do not include any barrels of oil equivalent;
- The prospective resource range in relation to conventional gas remains unchanged as 1U (Low) 14.6 Bcf, 2U (Best) 39.6 and 3U (High) of 72.7 Bcf² in relation to the Ace prospect and all volumes are as 14 July 2019. The prospect has structural closure and a geological chance of success estimated at 19%;
- The average geological chance of success for all prospects within the Meeba Project is 14%;

Cautionary Statement: 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 a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

With regard to the Ace Prospect, the company confirms that it is not aware of any new information or data that, in its opinion, materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

- Recent reprocessing has improved the quality of the 2D seismic, with a high signal to noise ratio to give confidence in the structural closures and therefore these Prospective Resources; and
- Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (refer Prospective Resource Notes on last page of this announcement for Resource Estimate Determination for the Meeba Project).

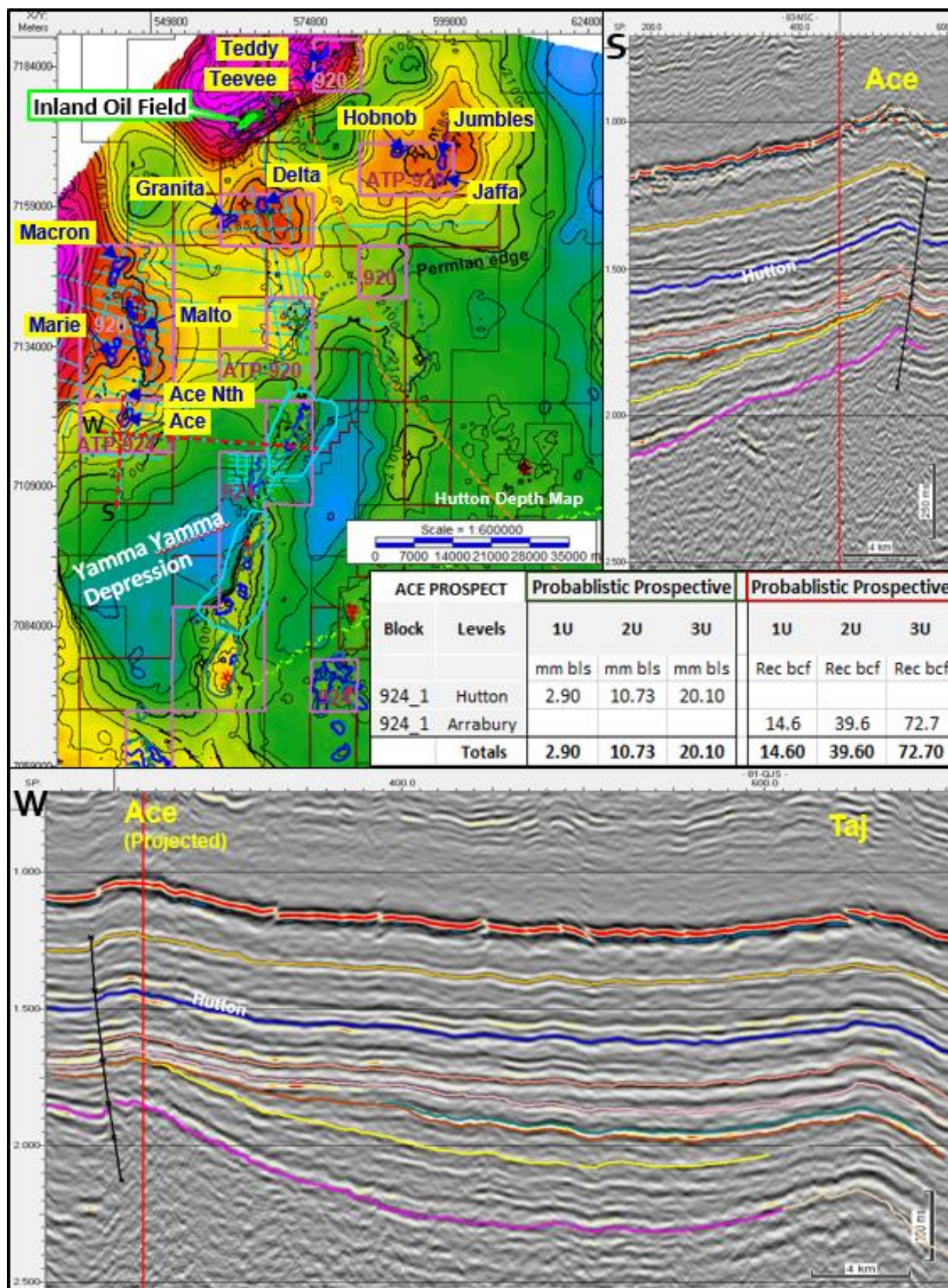
Drilling Planning

Substantial progress has been made in relation to drilling planning:

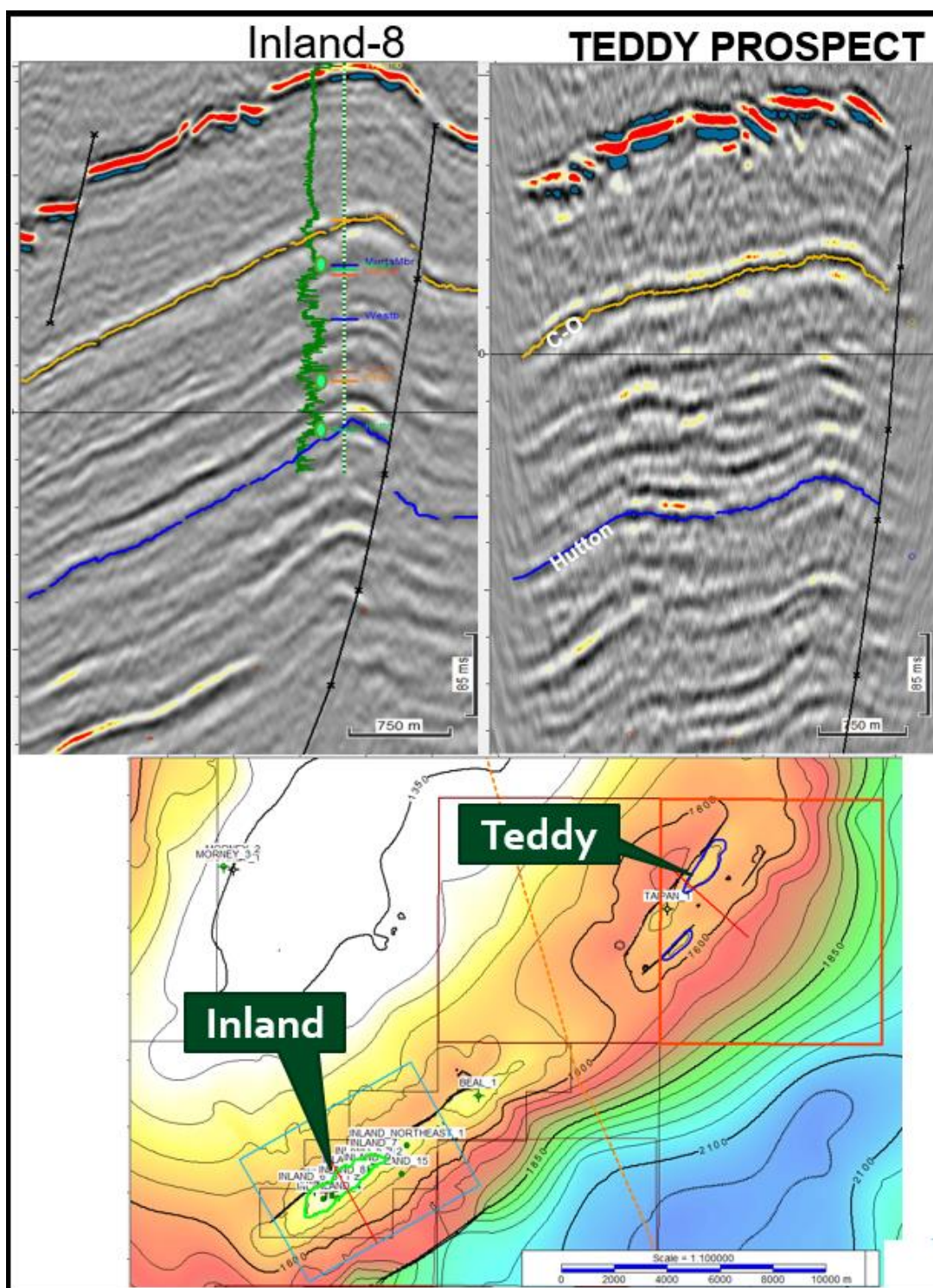
- The Conduct and Compensation Agreement terms have been agreed and it is expected this agreement will shortly be executed and lodged with the State of Queensland;
- Key is discussing pastoral and mustering activities with the Landowner in relation to coordinating rig moves;
- The main access track into the Meeba Project and Tanbar Gas Project is now repaired and Key has been reviewing logistical requirements including rig crew changes out of Windorah; and
- Key has executed a Letter of Intent with Refine Energy Pty Ltd for Refine Energy Rig #2 for a scope of work that includes two wells and terms of a formal contract are currently being discussed.

¹ The prospective resource parameters for the prospects were combined probabilistically and for the Meeba Project the volumes for each prospect were then summed arithmetically to give each category of prospective resource.

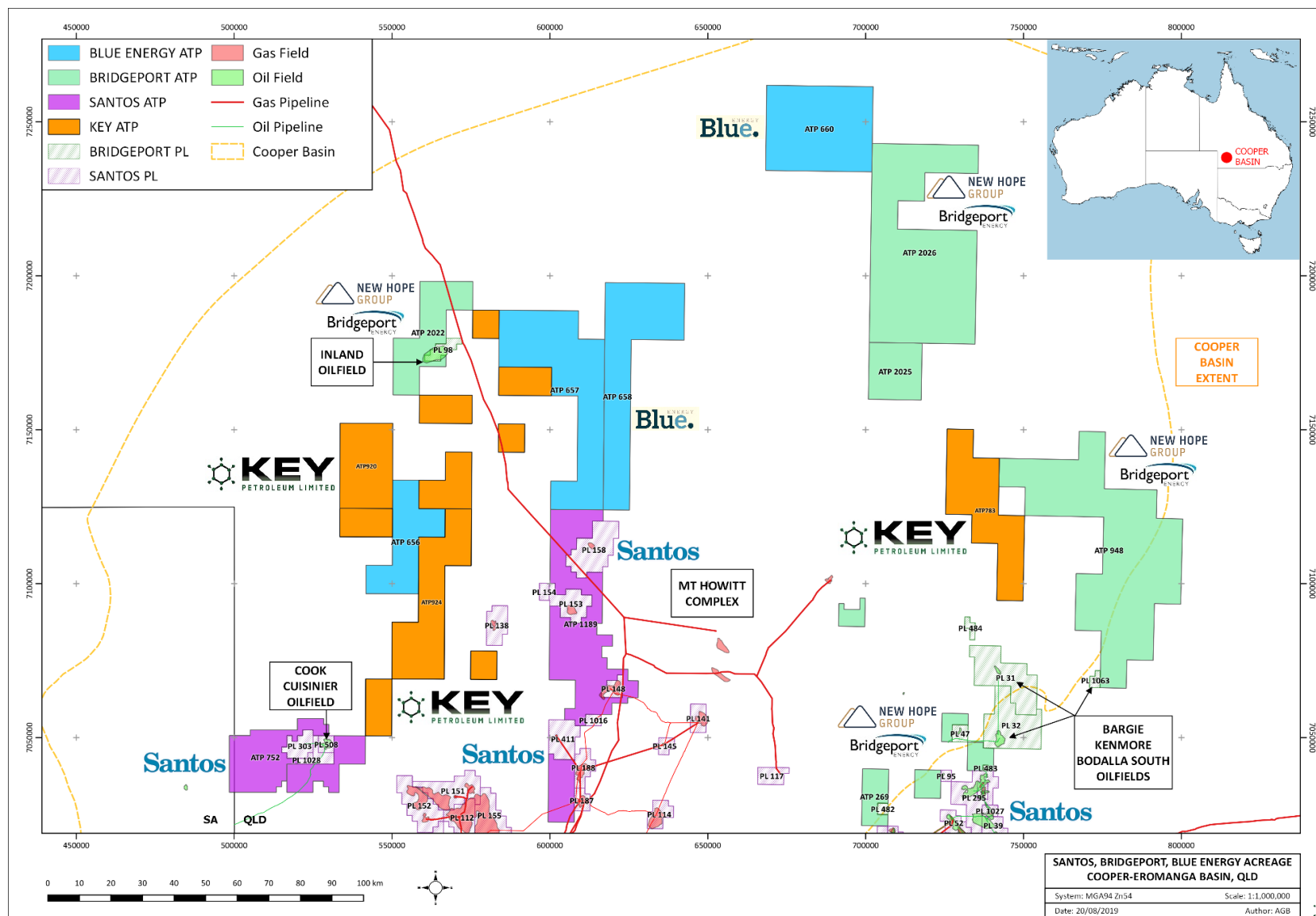
² The prospective resource parameters for the Ace prospect make up the gas prospective resource estimates for the Meeba Project and accounts for prospectivity within the Triassic Arrabury Formation prospective resource.



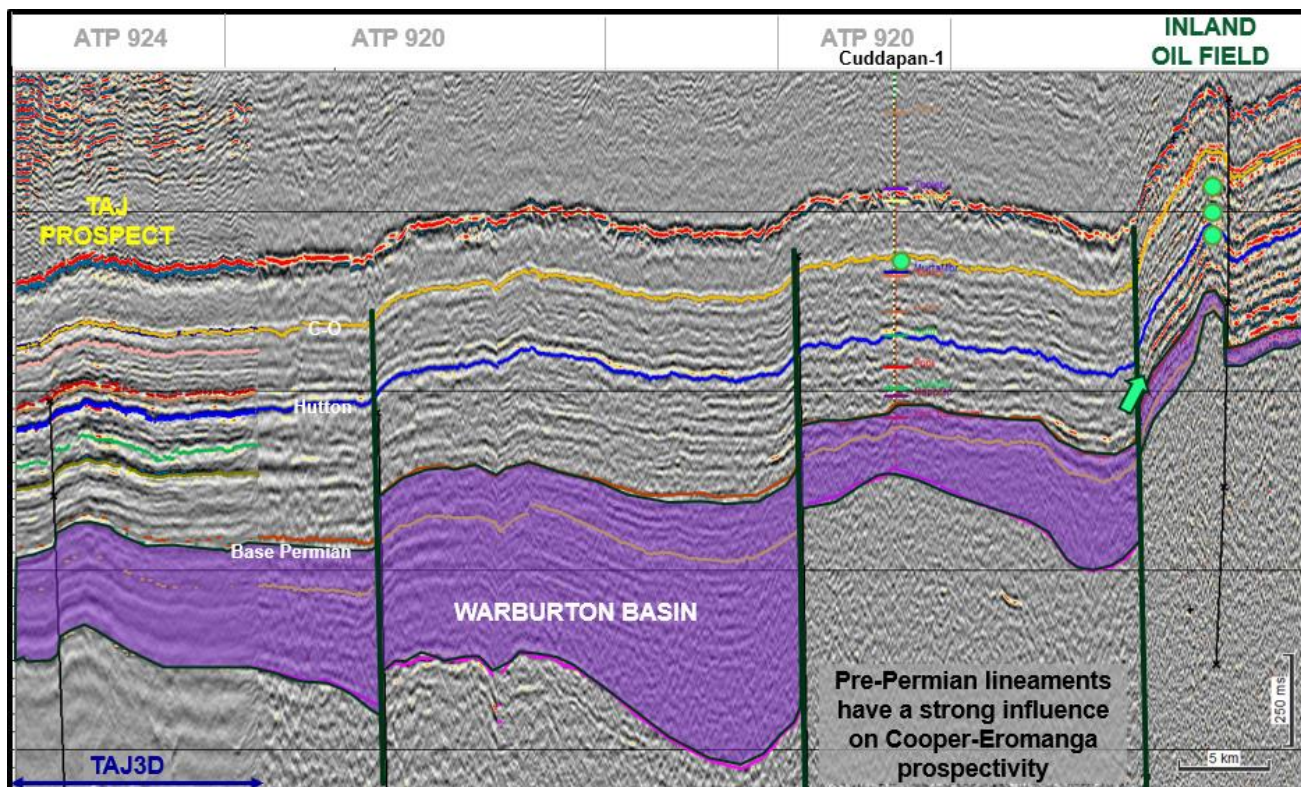
Drillable Ace Prospect (west) and its relative position to the Taj Structure (east)



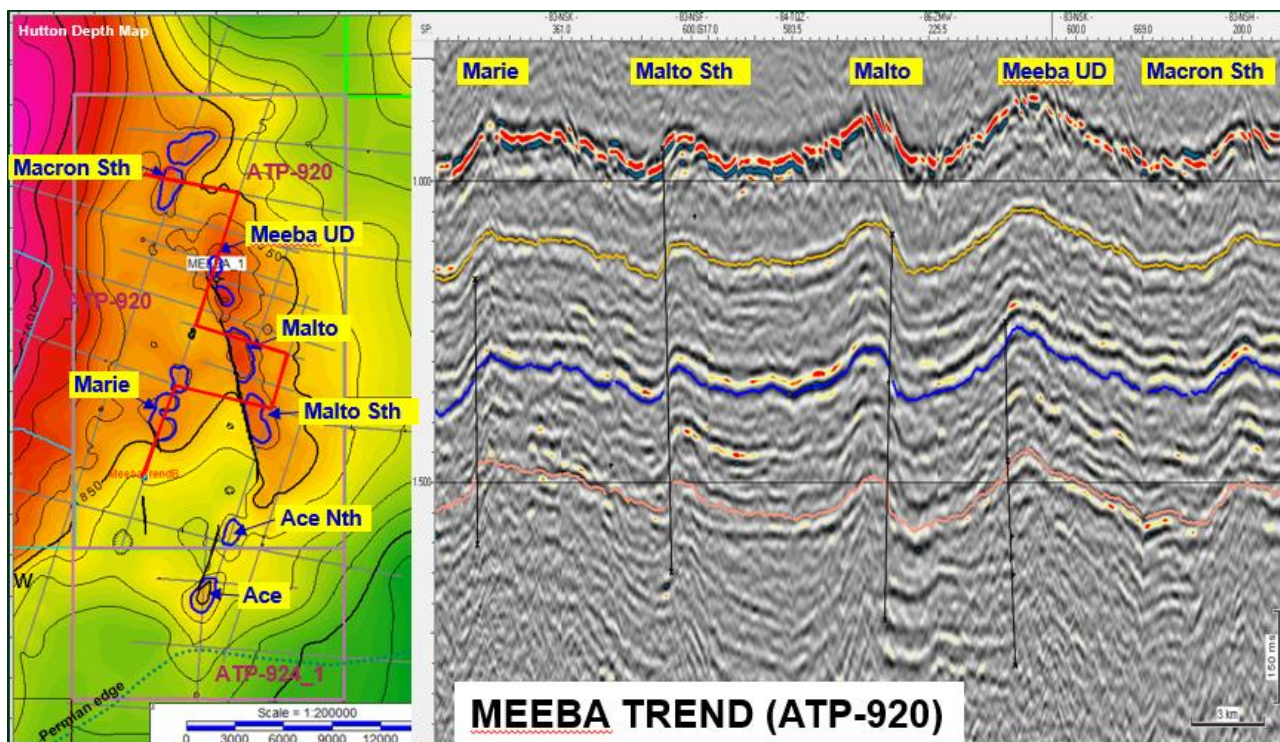
The Inland analogue Teddy prospect is situated east and on trend from the Bridgeport operated Inland Oil Field



Key's Cooper Basin acreage in relation to peers



Composite seismic line across ATP 920 to the Inland Oil Field



The Meeba geological trend within the Meeba Project (ATP 920) extending from Ace in the north of ATP 924

| INLAND TREND | | | Probabilistic Prospective Resource OIL | | | Probabilistic Prospective Resource GAS | | |
|---------------------|-------|----------|--|--------|--------|--|------|------|
| Prospect Name | Block | Levels | 1U | 2U | 3U | 1U | 2U | 3U |
| | | | mm bls | mm bls | mm bls | bcf | bcf | bcf |
| Teddy | 920_2 | Hutton | 0.29 | 0.81 | 2.29 | Inland Trend | | |
| Teevee | 920_2 | Hutton | 0.05 | 0.19 | 0.71 | | | |
| Delta | 920 | Hutton | 0.47 | 1.35 | 3.58 | | | |
| Cuddapan UD | 920 | Hutton | 0.30 | 0.79 | 2.18 | | | |
| Granita | 920 | Hutton | 0.31 | 0.93 | 2.53 | | | |
| Granita NE | 920 | Hutton | 0.28 | 0.76 | 2.25 | | | |
| Hobnob | 920 | Hutton | 0.92 | 2.33 | 5.78 | | | |
| Jaffa | 920 | Hutton | 0.73 | 1.95 | 4.73 | | | |
| Jumbles | 920 | Hutton | 0.83 | 2.39 | 6.41 | | | |
| Macaron | 920 | Hutton | 0.45 | 1.19 | 3.67 | Meeba Trend | | |
| Macaron Sth | 920 | Hutton | 0.36 | 1.09 | 2.93 | | | |
| Malto | 920 | Hutton | 1.52 | 4.01 | 11.02 | | | |
| Malto Sth | 920 | Hutton | 0.52 | 1.47 | 3.95 | | | |
| Marie | 920 | Hutton | 0.57 | 1.44 | 4.40 | | | |
| Marie Nth | 920 | Hutton | 0.35 | 1.10 | 2.92 | | | |
| Meeba Sth | 920 | Hutton | 0.14 | 0.39 | 1.37 | | | |
| Ace Nth | 920 | Hutton | 0.29 | 0.82 | 2.06 | | | |
| Ace | 924_1 | Hutton | 2.9 | 10.7 | 21.0 | | | |
| | 924_1 | Arrabury | | | | 14.6 | 39.6 | 72.7 |
| ATP-920 Sum Totals | 920 | | 8.4 | 23.0 | 62.8 | | | |
| ATP 920 Total + Ace | | | 11.3 | 33.7 | 83.7 | | | |

Meeba Project Prospective Resources Table (including the Meeba and Inland geological trends)

For more information please contact:

IAN GREGORY

Company Secretary

Key Petroleum Limited

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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), Petroleum Exploration Society of Australia (PESA), South East Asia Petroleum Exploration Society (SEAPEX) 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 estimates 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 the updated Meeba prospect table that now include the Inland trend prospects in ATP 920 as well as previous prospects including the northern component of ATP 924. These prospects were by mapped using reprocessed 2018 and 2019 2D seismic data which is over 20 years in age and this data has been recently reviewed and interpreted.
- Key has applied a range of volumetric parameters based on regional data including all the wells in ATP 920 and ATP 924 and from other wells to the north and south including the Inland, Cook and Cuisinier Oil Fields.
- Recovery efficiencies were estimated using generalised recovery factors which Key assessed as reasonable and benchmarked from production data from the Inland, Cook and Cuisinier Oil fields. These oil fields are to the north and south of the Meeba Project.
- The prospective resource parameters for the prospects were combined probabilistically individually and then for the updated Meeba Project volumes. All prospects were 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 low to moderate range and have been averaged and disclosed on Page 3.