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29 January 2021

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

Dear Sir/Madam

SALE OF KEY'S 50% INTEREST IN L7 AND 86.94% INTEREST IN EP 437, ONSHORE PERTH BASIN

Key Petroleum Limited attaches herewith an ASX Announcement pertaining to the sale of its remaining 50% interest in Production Licence L7 and entire 86.94% interest in Exploration Permit EP 437.

This announcement has been authorised by the Board of Directors.

For more information please contact:

IAN GREGORY
Company Secretary
Key Petroleum Limited

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ASX Announcement

29 January 2021

SALE OF 50% INTEREST IN L7 AND 86.94% INTEREST IN EP 437, ONSHORE PERTH BASIN

Key Petroleum Limited, (**Key** or **Company**) is pleased to announce that the Company has entered into a Sale and Purchase Agreement (**Agreement**) and Royalty Deed (**Royalty Deed**) with Triangle Energy (Global) Limited (ASX: **TEG**) (**Triangle**) to sell to Triangle Key Petroleum (Australia) Pty Ltd's (**Key Petroleum**) 50% participating interest in Production Licence L7(R1) (**L7**) and Key Petroleum and Key Midwest Pty Ltd's (**Key Midwest**) combined 86.94% interest in Exploration Permit EP 437 (**EP 437**) (together, the **Sale**). A wholly owned subsidiary of Triangle will hold the relevant interests acquired under the Agreement.

Summary of the key terms of the Agreement and Royalty Deed

Completion of the Agreement is conditional on usual regulatory approvals, execution of a deed of covenant in respect of the EP 437 JOA, Triangle receiving binding commitments for a capital raising of at least \$1,000,000 and, if required, Key obtaining the approval of its shareholders under Chapter 11 of the ASX Listing Rules for the Key subsidiaries to sell its interests in these assets. Under the terms of the Agreement:

- Triangle will pay to Key a cash consideration of A\$600,000 (\$A200,000 of which is payable as a non-refundable deposit, unless Key does not obtain shareholder approval), any outstanding cash calls in respect of L7 based on an agreed work program and budget plus a 5% gross overriding royalty payable on production from L7 and EP 437;
- Subject to Completion occurring, the existing Farmout Agreement between Key and Triangle in relation to the L7 licence at Mt Horner, the execution of which was announced on 31 October 2018, will terminate and the parties will release each other from all claims and liabilities in respect of L7 and the Farmout Agreement, except in relation to certain rehabilitation work undertaken by Key Petroleum prior to execution of the Agreement, including any disputes in respect of the Farmout Agreement (refer announcement by KEY on 4 August 2020); and
- Triangle is guaranteeing the performance by the Triangle subsidiary acquiring the interest under the Agreement and the Royalty Deed.

Triangle has agreed to assume all of Key's ongoing work program commitments within EP 437, which now requires the acquisition of 20 square kilometres of 3D seismic and the drilling of one well prior to the end of Year 3 of the permit term on 27 May 2022 with a second discretionary well due by the end of the permit term on 22 May 2023. The terms of the original Farmout Agreement for L7 are removed, allowing Triangle to acquire a much larger 3D survey across the area, which will also tie into the existing Irwin 3D survey to the south and extend into EP 437 to the west. The primary aim of the larger 3D is to provide a near complete coverage of the Bookara Shelf hydrocarbon fairway. The terms of the Sale and Purchase Agreement require Triangle to assume all ongoing liabilities associated with L7 and EP 437 upon completion of the sale.

The Company has determined that in light of the Kwinana Oil Refinery closure, the Bookara Shelf Oil Fairway will be best exploited by a dedicated Perth Basin explorer and producer, focussed on maximising commerciality of the remaining potential.

Key remains an active Australian explorer, with a renewed focus on maturing the east coast gas supply potential from its Cooper-Eromanga Basin assets in Queensland.

For more information please contact:

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