

31 October 2018

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

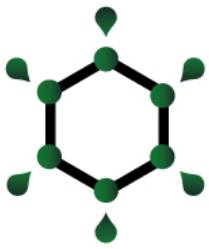
L7 ONSHORE PERTH BASIN FARMOUT TO TRIANGLE ENERGY (GLOBAL) LIMITED

Key Petroleum Limited attaches herewith ASX Announcement pertaining to a Farmout Agreement executed between Triangle Energy (Global) Limited and Key Petroleum (Australia) Pty Ltd in relation to Production Licence L7 in the onshore Perth Basin.

Regards

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

IAN GREGORY
Company Secretary
Key Petroleum Limited



ASX Announcement

31 October 2018

L7 ONSHORE PERTH BASIN FARMOUT TO TRIANGLE ENERGY (GLOBAL) LIMITED

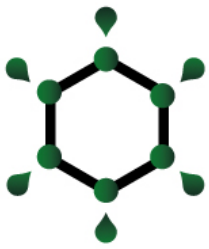
Key Petroleum Limited is pleased to advise that a Farmout Agreement has been executed between Key Petroleum (Australia) Pty Ltd ("Key"), a wholly owned subsidiary of Key Petroleum Limited, and ACN 008 939 080 Pty Ltd ("TS"), a wholly owned subsidiary of Triangle Energy (Global) Limited ("Triangle"; ASX: TEG) and Triangle as guarantor of TS' obligations.

The Farmout Agreement is conditional on the usual regulatory approvals and the consent of a landholder under an existing compensation agreement. Under the terms of the Farmout Agreement:

- A Joint Venture approved Early Work Program ("Early Work Program") will be conducted which will include the workover of two of the existing wells at the Mount Horner Oil Field, whereby Triangle and Key are each to contribute 50% of all associated costs;
- Triangle will fund 100% of a Work Program ("Farmin Programme") consisting of two new wells and the acquisition of 3D seismic to a capped amount of US\$3 million (approximately AU\$4.1 million) ("Farmin Limit");
- Triangle will earn a 50% interest in L7 upon the first to occur of the completion of Farmin Programme and the expenditure on that Programme of the Farmin Limit ("Earning Point");
- Triangle has the right to cost recover out of oil production on a staged basis, the expenditure it incurred on the Farmin Programme up to the Earning Point;
- Key will initially be the Operator for the Joint Venture for both the Early Work Program and the Farmin Programme; and
- Triangle retains the option of assuming Operatorship of L7 after the Earning Point is achieved.

Technical work undertaken to date, in conjunction with Triangle, is well advanced with Key recently consulting oilfield and rig contractors and completing preparation to relocate equipment to the Mount Horner site in anticipation of commencing operations upon grant of regulatory approvals. Rehabilitation, abandonment, workovers and the drilling of new wells is expected to occur sequentially resulting in a significant cost saving to the L7 Joint Venture. Rehabilitation operations are expected to commence in the coming months with the timing of the workover and drilling programs to commence early in 2019, subject to regulatory approvals. The workover program is expected to be low cost and of a short duration to establish the presence of any economic oil from two existing wells of the five remaining in the Mount Horner Oil Field.

Near field exploration and development opportunities both within the Jurassic reservoir, which contains the Mount Horner Oilfield, and in the Permian and Triassic level objectives up-dip from the Waitsia Gas Field will be significantly de-risked through the acquisition of 3D seismic.



KEY

PETROLEUM LIMITED

Suite 3, Churchill Court
331-335 Hay Street
Subiaco WA 6008

T: + 61 (0) 8 9381 4322
F: + 61 (0) 8 9381 4455

ASX:KEY

Managing Director Kane Marshall commented:

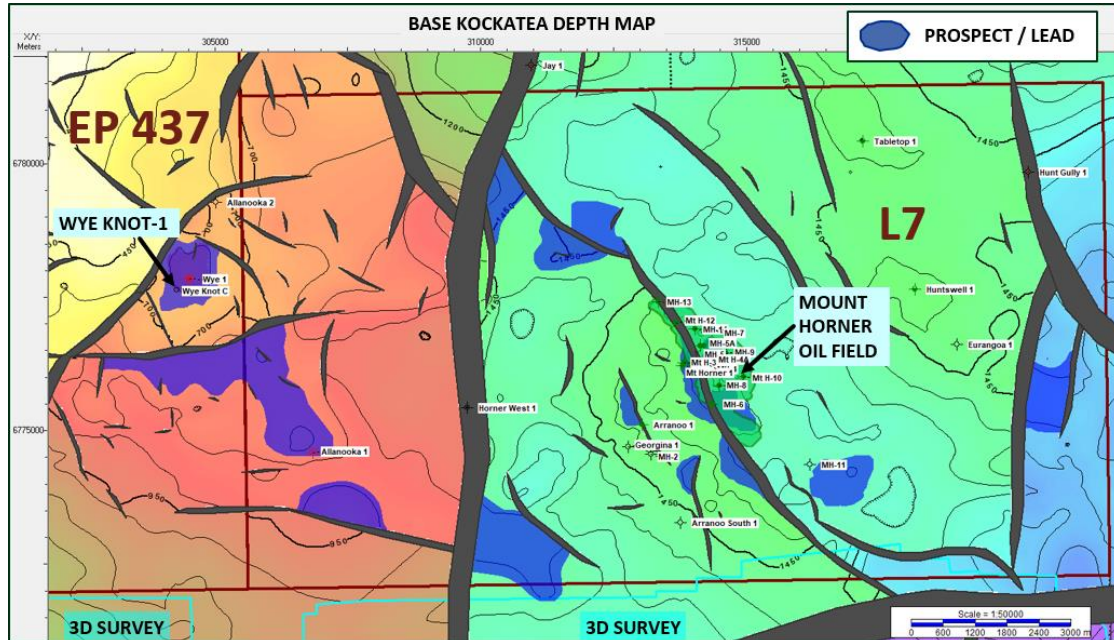
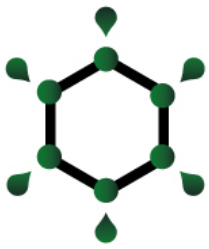
“We are delighted to have executed this Farmout Agreement with Triangle, marrying the Key model of being a low-cost Operator that includes well delivery and field operation capabilities with the development resources Triangle has at its disposal through its own strategic relationship with Tamarind Resources Pte Ltd. The capabilities and experience of both parties are invaluable to successfully addressing the contingent and prospective resource opportunities identified in the Mount Horner Oil Field and surrounding acreage.

“Key’s strategic vertically integrated business model allows for the addition of significant value to both the Company and the L7 Joint Venture through our inhouse oilfield services capabilities. Key has maintained the view that funding of our quality opportunities should be via farmout and we are now delivering on those promises to shareholders. Critically, we have stated that an integral part of our commercial strategy is to establish a path to Perth Basin oil production and allow the business to grow organically. Our next steps are to execute this workover and drilling appraisal program and in parallel mature our farmout discussions in relation to the Cooper Basin.”

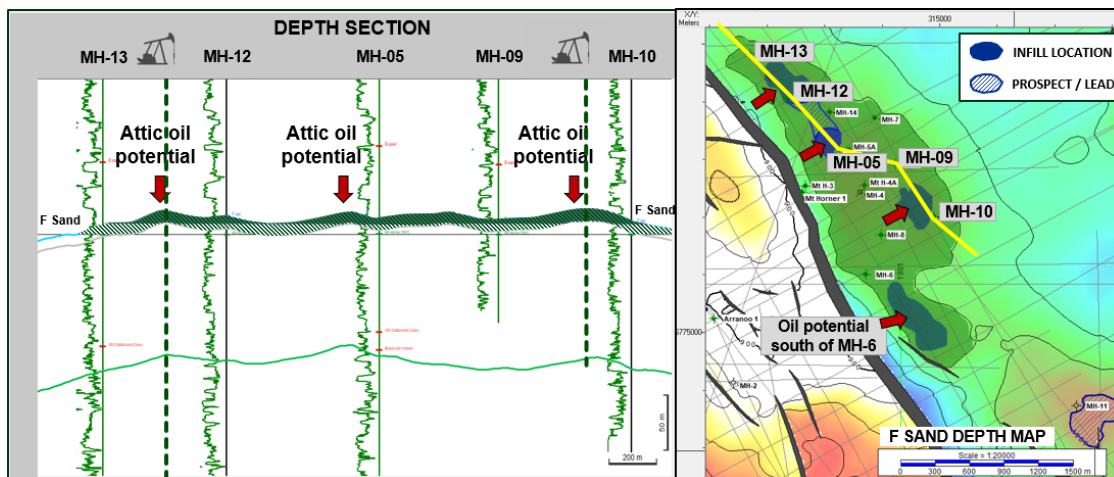
Key will provide updates to the market, including contingent and prospective resource opportunities, together with the timing of rehabilitation, abandonment, workover and drilling operations as milestones throughout operations are reached.



Potential workover candidate - Mount Horner-5A Well head and beam pump



Base Kockatea Depth Map - Mount Horner Oil Field (green) and Permo/Triassic prospects extending into EP 437



Mount Horner Cross Section (left) and F Sand Reservoir Depth Map (right) showing potential infill locations

For more information please contact:

IAN GREGORY

Company Secretary

Key Petroleum Limited

Telephone: +61 (0) 8 9381 4322

Email: investors@keypetroleum.com.au