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The Manager
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COVID-19 BUSINESS UPDATE

Key Petroleum Limited attaches herewith an ASX Announcement pertaining to its business operations in light of the COVID-19 pandemic.

This announcement has been authorised by the Managing Director.

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ASX Announcement

1 April 2020

COVID-19 BUSINESS UPDATE

Key Petroleum Limited (“Key” or “Company”), provides the following updates in relations to its business:

- Key management, staff and essential contractors and consultants have agreed to a wage reduction of 30% from 1 April 2020, and the Company’s Board of Directors has agreed to suspend payment of all Directors Fees effective 1 March 2020;
- All approvals have been received by the Western Australian regulator for well decommissioning within the Mount Horner Oilfield in L7, and the Company is considering a phased approach to these operations so that there is minimal disruption to its planned decommissioning activities in 2020;
- Key’s locally based contractors will continue decommissioning activities at L7, however due to the intra WA travel bans put in place by the State Government of Western Australia these activities will remain on a scaled back basis until it is safe for all operational personnel to travel between sites;
- Due to the directives of both the State and Federal Governments in response to the COVID-19 pandemic, Key has made application on behalf of the EP 437 Joint Venture for a 12-month Suspension and Extension for Permit Year 3 in which Wye Knot-1 was to be drilled. The logistics of acquiring interstate components, mobilising personnel from both intra and interstate and the necessity to accommodate the social distancing mandate implemented by Government within the short time frame within which to commence drilling has proven overly challenging and to present an unacceptable risk to personnel and regional communities.
- The Company continues to evaluate strategic opportunities, which include the maturation of the High Cliff and Kingia play on the Bookara Shelf (EP 437/L7) and the broader prospectivity of the northern Perth Basin. Moving forward through this period of increased uncertainty, Key believes this hydrocarbon province will come to the fore in terms of national strategic importance;
- During its preliminary assessment, Key has already identified a number of material structural features at the Kingia level (as previously announced). Investigations will focus on the eastern part of EP 437 and L7. The market will be updated in due course; and
- The Company continues to monitor weather conditions and Government directives within the State of Queensland during this period of uncertainty. With significant flooding at Windorah and with the Queensland border shutdown, activities have ceased in the short term however Key remains excited about the Cooper-Eromanga Basin prospects and looks forward to recommencing activities in accordance with the Company’s safety requirements.



Commenting on the change to business conditions, Managing Director Kane Marshall commented “As we have foreshadowed in our strategy and commentary on commodity markets over the last 2-3 years, there will remain very significant challenges for shale producers in North America to remain capitalised. When we see tightening in credit markets coinciding with significant widening of credit spreads at a time when there are fewer sweet spots to drill in dislocated oil markets, we have a perfect storm. As such we will see a rebalancing of the oil markets on the demand side over the next 12 months as the COVID-19 curve flattens returning confidence to the macroeconomy fuelling demand. Aside from shale, the supply side of the market will run its course as most producers including Saudi Arabia will struggle to not only be profitable at these levels but will also struggle to cope with finding any additional storage for their product. This will provide a significant period of opportunity that may come only once in a lifetime for juniors and to this end we are actively looking at bolt on opportunities to our portfolio. The Company is placed in a sound position to ride out this period of uncertainty with its low overhead operating model to move on opportunities that will present themselves during the cycle. Key’s portfolio is well balanced between shallow onshore conventional oil opportunities in the Perth Basin, which remain economic at these oil prices and economic conventional gas assets which in the longer term are ideally placed to supply a supply constrained east coast gas market which will remain so for the foreseeable future until there is new supply”.

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