

23 October 2019

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

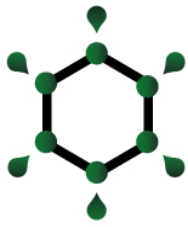
LETTER OF INTENTION TO AWARD DRILLING CONTRACT FOR COOPER EROMANGA BASIN PROGRAM

Key Petroleum Limited attaches herewith an ASX Announcement pertaining to a letter of intent between Key Cooper Basin Pty Ltd, a wholly owned subsidiary of Key Petroleum Limited, and Refine Energy Pty Ltd to secure the use of a rig to perform drilling services in relation to the Cooper Eromanga Basin, Queensland.

Regards



IAN GREGORY
Company Secretary
Key Petroleum Limited



ASX Announcement

23 October 2019

LETTER OF INTENTION TO AWARD DRILLING CONTRACT FOR COOPER EROMANGA BASIN PROGRAM

Key Cooper Basin Pty Ltd (“Key” or “Company”), a wholly owned subsidiary of Key Petroleum Limited, is pleased to advise that it has executed a non-binding Letter of Intention (“LOI”) with Refine Energy Pty Ltd (“Refine”) to award a Drilling Services Agreement (“DSA”) for the use of Refine Rig 2 (“Rig 2”), previously Enerdrill Rig 2, in the Company’s ATP 924 Cooper Eromanga Basin program. The LOI specifies the following:

- The Scope of Work is for the drilling of two wells, being Ace-1 and Alfajor-1 in ATP 924;
- Program duration will be a minimum of 50 days;
- A day rate for drilling has been agreed between the parties and will be incorporated into the DSA; and
- Conditions include, but are not limited to:
 - Rig inspection to satisfaction of Key pre-spud (“shake down of rig”);
 - Confirmation that rig specifications meet Department of Natural Resources, Mines and Energy requirements;
 - Commencement term to be in a suitable weather window for heavy vehicle access; and
 - Access terms to be formalised with the landowner.

Rig 2

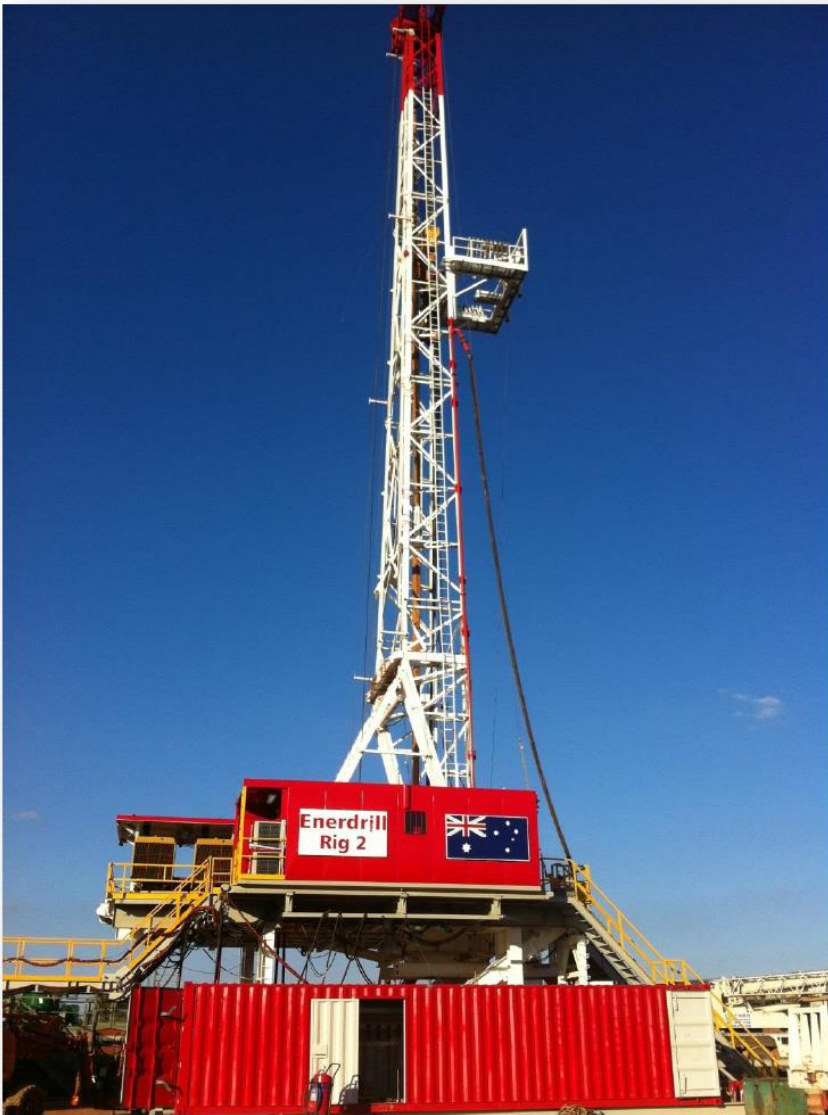
Rig 2 is currently stacked east of Mount Isa and is therefore favourably located to be mobilised from this location into the main access track into the northern area of Tanbar Station, from there it is easily accessible into each of the Ace-1 and Alfajor-1 locations within ATP 924. The rig has undergone minimal drill time and is fitted with a new drill pipe and all other equipment that Key considers necessary for drilling in remote areas.

Drilling Planning

Substantial progress has been made in relation to drilling planning:

- The Conduct and Compensation Agreement terms have been agreed and are expected to be formalised and lodged with the State of Queensland in the near term;
- Key is discussing pastoral and mustering activities with the Landowner to coordinate future rig moves; and
- The main access track into the Meeba and Tanbar Gas Projects has been repaired and Key is reviewing logistical matters including rig crew changes out of Windorah for the use of Rig 2.

Further information will be disclosed in due course in relation to Key’s Cooper Eromanga Basin program.



Refine Rig 2





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.