

26 April 2019

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

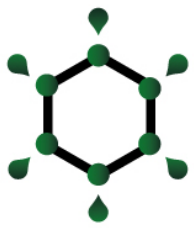
**LETTER OF INTENT FOR PERTH BASIN PROGRAMME**

Key Petroleum Limited attaches herewith an ASX Announcement pertaining to a letter of intent between Key Petroleum Services Pty Ltd, a wholly owned subsidiary of Key Petroleum Limited, and Drilling Contractors of Australia ("DCA") to secure the use of a rig from DCA to perform drilling, remediation and abandonment services in the Perth Basin.

Regards



**IAN GREGORY**  
Company Secretary  
Key Petroleum Limited



## ASX Announcement

26 April 2019

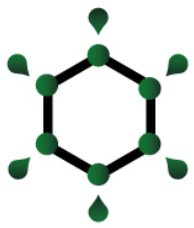
### LETTER OF INTENT FOR PERTH BASIN PROGRAMME

Key Petroleum Services Pty Ltd ("Key" or "Company"), a wholly owned subsidiary of Key Petroleum Limited, is pleased to advise that a non-binding Letter of Intent ("LOI") has been executed with Drilling Contractors Australia ("DCA" or "Contractor"). The LOI specifies the following:

- Key has secured an option to take up the use of a DCA rig for a period of 6 months from 1 July 2019 to 31 December 2019;
- Should DCA be offered any other contract by an alternative Operator during this period DCA must notify Key who in turn has first right of refusal using all reasonable endeavours to execute a drilling contract with DCA within 30 days based on a pre-defined Scope of Work ("Scope") provided to DCA;
- Key has defined Scope as follows:
  - Drilling of the Parce and/or Wye Knot prospects to a total depth of 850 metres;
  - The drilling of two wells within the Perth Basin to 2,000 metres; and
  - The abandonment of Mount Horner 5A as well as potential remediation and if required abandonment of the remaining wells in L7. The work on these wells may be subject to any provisions of the Early Works Programme requirements of the farmout agreement Key Petroleum Australia Pty Ltd has with a subsidiary of Triangle Energy Limited announced to the ASX on 31 October 2018 ("Triangle Farmout")); and
  - All activities are in the Perth Basin, Western Australia.
- Conditions include:
  - Key must act as Operator under the defined Scope;
  - A drilling contract may be conditional on a tender process;
  - The rig must pass third party rig inspection and meet all regulatory requirements; and
  - The contractor must be able to demonstrate adherence to any other regulatory requirements.

Key has this month inspected DCA Rig 7 at the Contractor's yard and advised that most of the required third-party inspection has already been completed with the remaining inspection items to be undertaken when rigged up on site in the Perth Basin. Previous experience using DCA Rig 7 on Key operated campaigns in both the Canning and Perth Basins has given the Company confidence that the rig is fit for purpose and the rig of choice for the Perth Basin work. DCA Rig 7 has a 100-tonne derrick with a monkey board for maximum drilling efficiency and has Perth Basin experience having drilled one of the most recent Mount Horner wells, being Mh-13.

Managing Director Kane Marshall stated "rig availability in Australia has become very tight after a few lean years of capex deployment by Operators and we are delighted to have secured this option for a significant scope of work in the Perth Basin. Having worked with DCA in the past and matured our operating model, our low-cost base for conventional oil projects is unrivalled in the Perth Basin. We look forward to shortly providing further news on our Cooper Eromanga Basin and Perth Basin programmes as 2019 shapes up to be a busy year operationally."



# KEY

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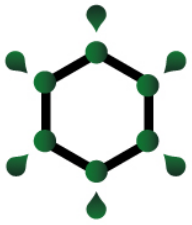


*DCA Rig 7 rigged up on a previous Key operated campaign*



*DCA Rig 7 Rig Manager Trevor Iley and Managing Director Kane Marshall*





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*Inspection of DCA Rig 7 with the rig mast down in the DCA yard (April 2019)*

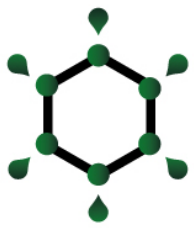


*Inspection of larger pipe and blind rams and the large and small hydril components of the BOP (April 2019)*



*Inspection of DCA Rig 7 power swivel (left) and larger pipe and blind rams (right) (April 2019)*

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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) 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.