



ACN 120 580 618

163 Stirling Highway  
Nedlands  
Western Australia 6009  
Tel: +61 8 9389 3200  
Fax: +61 8 9398 3299  
e-mail: [info@keypetroleum.com](mailto:info@keypetroleum.com)  
[www.keypetroleum.com](http://www.keypetroleum.com)

## ASX and Media Release

2<sup>nd</sup> May 2011

### KEY TO ACQUIRE ZETA PETROLEUM LIMITED

Key Petroleum Limited (**ASX:KEY**) is pleased to announce that it has agreed to acquire 100% of the issued capital and assets of Zeta Petroleum Limited, a private United Kingdom exploration and development company with significant assets located onshore in Romania. This acquisition, which is subject to a number of conditions and approvals, is viewed by the board of directors of Key Petroleum and its corporate advisors as providing considerable short and long term growth opportunities for the Company.

#### **HIGHLIGHTS OF THE ACQUISITION**

- Zeta is a private UK oil and gas exploration and production company, established in 2005 with a focus in Romania
- Zeta has a balanced Romanian asset portfolio with a significant near term gas development project (the Bobocu Gas Field)
- Zeta estimates its assets have remaining gas reserves of up to 58Bcf, contingent oil resources of 1 to 4 MMbbls and further prospective resources of over 300Bcf
- Zeta has an equity funding agreement with ASX-listed Cooper Energy Limited (**ASX: COE**) ("Cooper Energy") to fund up to US\$13.4 million towards the development of Zeta's most advanced asset, the Bobocu Gas Field
- Zeta comes with an experienced management team, established operations and strong in-country presence in Romania
- Key will acquire 100% of Zeta through an all share acquisition for a total initial consideration of \$12.74 million with two (2) additional considerations payable upon operational milestones (full details below)

and

- The acquisition will see two Key directors step aside and be replaced with three Zeta directors undertaking the roles of Managing Director, Technical Director and Non-Executive Chairman

Ken Russell, Managing Director of Key, commented: *“We have always stated that it is Key’s intention to look for new opportunities and believe that this acquisition of Zeta presents a significant one for all shareholders. We are impressed with Zeta’s management and the portfolio of assets they have in Romania as well as their ambitions to grow a substantial oil and gas company through further ventures. Cooper Energy’s commitment on Zeta’s Bobocu project is also a major positive”.*

*“This acquisition, which is pricing Key at 4 cents per share, represents the start of a rejuvenation of the Company with fresh personnel and ideas and we look forward to Stephen and his team taking the enlarged group to another level in the foreseeable future”.*

Stephen West, Managing Director of Zeta, commented: *“From Zeta’s perspective, Key is an excellent fit for us. Zeta has reached a stage where it is looking at expanding and stepping out into new countries, and Key’s current asset portfolio and existing UK production complements our existing portfolio in Romania. We are excited about taking the enlarged group to the next level by delivering results from existing assets and by assessing other growth opportunities.”*

Perth based corporate advisory house Pursuit Capital, which has been working closely with Key for the last twelve months as it searched for a suitable company to acquire that could provide growth potential, has been instrumental in bringing the two Companies together.

#### **INFORMATION ON ZETA’S ASSETS**

The following table and map is a summary of Zeta's development, appraisal and exploration assets in Romania:

<b>Concession</b>	<b>Field/ Prospect</b>	<b>Working Interest</b>	<b>Status</b>	<b>Target</b>	<b>Operator</b>
Bobocu	Bobocu	100.0%	Reserves to be developed	Gas	Zeta
Jimbolia	Jimbolia	50.0%	Marginal field	Oil	Zeta
Padureni	Padureni	12.5%	Marginal field	Gas	Expert Petroleum SRL



### **BOBOCU (Zeta 100%)**

Zeta owns a 100% operated interest in the Bobocu Licence, located in the south eastern part of Romania and covers an area of 25km<sup>2</sup>. The Bobocu Licence contains a gas field which was discovered in 1966 and which produced at a peak rate of nearly 13 MMscfd (total cumulative production to date is approximately 33 Bcf). A total of 31 wells have been drilled on the field of which, 14 were put on production, with the maximum of 11 wells in production in July 1983. Due to sand production, poor completion practices and a general poor understanding of the field, the field was shut-in in 1995.

Zeta acquired the licence in 2007 and since then has undertaken an extensive reservoir evaluation and in 2010 acquired 75km<sup>2</sup> of 3D seismic over the licence. The 2010 3D seismic survey has led to a significant improvement in the understanding of the geology and distribution of hydrocarbons across the field, and has identified additional prospectivity in various stratigraphic traps spread over the entire concession area.

Based on the work conducted to date, Zeta estimates that the Bobocu Gas Field has:

- remaining gas reserves of up to 58Bcf; and
- prospective gas resources in both shallower and deeper stratigraphic targets across the field of over 300Bcf.

The intention is to bring this field back into production by drilling new development wells and, where possible, undertaking workovers of existing wells.

Zeta is now working towards the drilling of the first new well on the licence in Q1 2012.

### **JIMBOLIA (Zeta 50%)**

Zeta owns a 50% operated interest in the Jimbolia licence, located approximately 40km west of Timisoara on the Romanian-Serbian border and covers an area of 23.9 km<sup>2</sup>. The licence contains two discoveries Jimbolia Veche (east) and Jimbolia Vest (west), in the Pannonian Basin that were discovered in 1983 by Petrom.

The Jimbolia Veche field was put on-stream from 1985 to 1998 and produced a total of 2.89 Bcf gas. Jimbolia Vest is located adjacent to the Serbian border and to date the accumulation remains undeveloped.

A total of 10 wells have been drilled on the licence, with seven wells on Jimbolia Veche and three on Jimbolia Vest.

Zeta is currently focussing on the exploitation of a deeper reservoir interval on the Jimbolia Veche field which has tested oil but has not yet been brought onto production.

Zeta has completed an evaluation of the Jimbolia Veche structure which suggests a contingent oil resource in the range of 1 to 4 MMbbls in the undeveloped, deeper oil reservoir.

#### **PADURENI (Zeta 12.5%)**

Zeta owns a 12.5% fully carried non-operated interest in the Padureni licence, located approximately 20km north east of Targu Mures in north central Romania and covers an area of 1.56km<sup>2</sup>. The licence contains a previously produced gas field that was abandoned in 1996. The operator of the licence, Expert Petroleum SRL, is currently completing a reservoir model on the field to assess the future work programme for the licence.

#### **COOPER ENERGY FUNDING AGREEMENT**

On 5 July 2010 Zeta entered into a funding agreement with Cooper Energy Limited to fund working capital costs and the development of the Bobocu Gas Field in Romania.

The funding agreement provides for Cooper Energy to make staged placements of up to US\$13.4 million into Zeta to fund the appraisal and development of the Bobocu Gas Field.

#### **THE ACQUISITION AGREEMENT**

Key has signed an acquisition agreement with the board of Zeta to acquire 100% of the issued share capital of Zeta on the following principal terms:

##### ***Initial consideration***

Key will purchase all the shares and options in Zeta unencumbered for a total initial consideration of \$12,745,818 by the allotment of 318,645,460 ordinary shares in Key at an issue price of \$0.04.

##### ***First additional consideration***

Upon Cooper Energy providing the funding for the Bobocu First Well Commitment of US\$1.8 million, as per the funding agreement between Zeta and Cooper Energy dated 5 July 2010, Key will issue to the Zeta Shareholders a further 292,645,460 ordinary shares in Key.

##### ***Second Additional Consideration***

Upon Cooper Energy providing the funding for the Bobocu Second Well Commitment of US\$1.8 million, as per the funding agreement between Zeta and Cooper Energy dated 5 July 2010, Key will issue to the Zeta Shareholders a further 146,322,730 ordinary shares in Key.

##### ***Issue of options***

Upon conclusion of the purchase of Zeta, new options in Key will be issued to the new directors and management of the enlarged group equaling no more than 30 million options and approximately 10% of the enlarged issue share capital. The option exercise prices, to be agreed, will be at no less than \$0.045.

<b>Performance Criteria</b>	<b>Shares Issued to Zeta Shareholders</b>	<b>Additional Consideration</b>
Initial Consideration	318,645,460	
Cooper Energy funding 1 <sup>st</sup> Bobocu commitment well of US\$1.8m		292,645,460
Cooper Energy funding 2 <sup>nd</sup> Bobocu commitment well of US\$1.8m		146,322,730

### ***Board Changes***

Upon the conclusion of the purchase of Zeta, Dennis Wilkins, Key's current Chairman and John Sheppard, Non-Executive director will resign. Stephen West, Philip Crookall and Timothy Osborne of Zeta will join the board as Managing Director, Technical Director and Non-Executive Chairman respectively. Ken Russell will remain on the board as a Non-Executive Director.

### **Stephen West – Proposed New Managing Director**

Stephen West is co-founder of Zeta Petroleum Limited and a Chartered Accountant with over 17 years of financial and corporate experience ranging from public practice, investment banking, oil & gas and mining. Stephen holds a Bachelor of Commerce (Accounting and Business Law) from Curtin University of Technology. Previous appointments include Finance Director at Zeta Petroleum Limited, Group Financial Controller and Company Secretary of Regal Petroleum plc, Manager of Global Projects at Barclays Capital and Manager at PriceWaterhouseCoopers Australia.

### **Philip Crookall – Proposed New Technical Director**

Philip Crookall has been the Technical Director at Valiant Petroleum plc (a company listed on AIM with a market capitalisation of over GBP 200 million and production of over 7,500bopd) for the last 5 years having joined the company when it was a start up. Philip has over 22 years industry experience with both independent international oil companies and consultancy groups (Hamilton Brothers Oil and Gas Limited, Ultramar Limited, LASMO plc, Hardy Oil and Gas plc, Scott Pickford Limited, Paradigm Geophysical Limited), has operational expertise in development geology and petrophysics and has managed multi disciplinary projects through specification, execution and delivery stages in UKCS, Middle East, West Africa and S.E. Asia.

### **Timothy Osborne – Proposed New Non-Executive Chairman**

Timothy Osborne gained LLB in 1972 at University College, London and Articled at Lovell White & King from 1974, qualifying as a solicitor in 1976 and practicing with the same firm until 1978. In 1978 Timothy joined Wiggin & Co where he was promoted to Partner and Managing Partner before becoming a Senior Partner in 2001. Timothy is currently a Senior Partner at Wiggin Osborne Fullerlove solicitors and is a director of GML Limited.

The Acquisition will be put to Key shareholders and an appropriate Notice of General Meeting and Explanatory Memorandum will be circulated in due course.

For further information please contact:

**Ken Russell**  
Managing Director  
+ 61 8 9389 3200

or

**Olly Cairns**  
Pursuit Capital Pty Ltd  
+61 8 6267 9030

*NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr. Ken Russell, Managing Director/CEO of Key Petroleum Ltd, who has at least 35 years experience in the sector. He consents to that information in the form and context in which it appears.*