



ACN 120 580 618

ASX: KEY
THE QUARTERLY REPORT
FOR PERIOD ENDED 30 JUNE 2012

With updates on activities in the Canning and
Perth Basins, Western Australia
to 31 July 2012

HIGHLIGHTS

➤ Focus and Strategy For Key Petroleum Limited

In the previous quarter, Key Petroleum Limited ("Key") announced its future corporate direction and strategy. As part of this transition process the Company has made significant progress towards the divestment of all non-core assets and shifting its focus to exploration campaigns in the Canning and Perth Basins.

➤ EP448, Canning Basin

Technical studies of the EP448 permit are now nearing completion. These studies have identified a number of structural highs as well as a large unconventional shale prospect within the Shales of the Goldwyer and Bongabinni Formations. Key believes the main unconventional shale oil play may possibly extend into the adjoining acreage held by New Standard Energy (ASX:NSE). NSE is currently drilling the Nicolay-1 well east of this location.

➤ EP438, Canning Basin

The drilling of the Cyrene-1 well in EP438 is currently scheduled to commence in late August 2012, after completion of Buru Energy's (ASX:BRU) drilling activities at North Ungani-1 with the Century-7 rig. The Cyrene-1 well will be operated and partly funded by farmin partner Buru Energy and will target both the unconventional Goldwyer Shale and the conventional Willara Formation. A core will be cut through the Goldwyer Shale to assess the unconventional oil potential of this play prior to drilling through the target Willara Formation to test for the presence of any moveable oil. If the formation is found to be oil bearing it is estimated that this structure may contain approximately 5 million barrels of recoverable oil.

➤ EP437, Perth Basin

Key Petroleum has now elected to maintain its interest in this permit and regards it as a core component of the business. Cal Energy has exited the permit and Key has received a variation from the Department of Mines and Petroleum (DMP) for a well in this current year. Key is now looking at a possible farmout of this well, and scheduling the drilling of Waugh-1.

➤ Corporate

As part of the shift in the Company's focus and strategic direction, Mr Ian Paton and Mr Rex Turkington were appointed non-executive directors of Key during the quarter. Mr Dennis Wilkins remains as a non-executive director and additionally has been appointed as Company Secretary and Chief Financial Officer. The Company has also moved office to cater for the growth in activities and additional personnel that will be required during this growth phase.

On the 6 July 2012, the Company notified shareholders and the market that it has called a General Meeting to seek shareholder approval for the allotment and issue of shares and a share placement facility. The approval of these resolutions will allow the Company to meet its financial obligations in Canning and Perth Basin exploration activities.

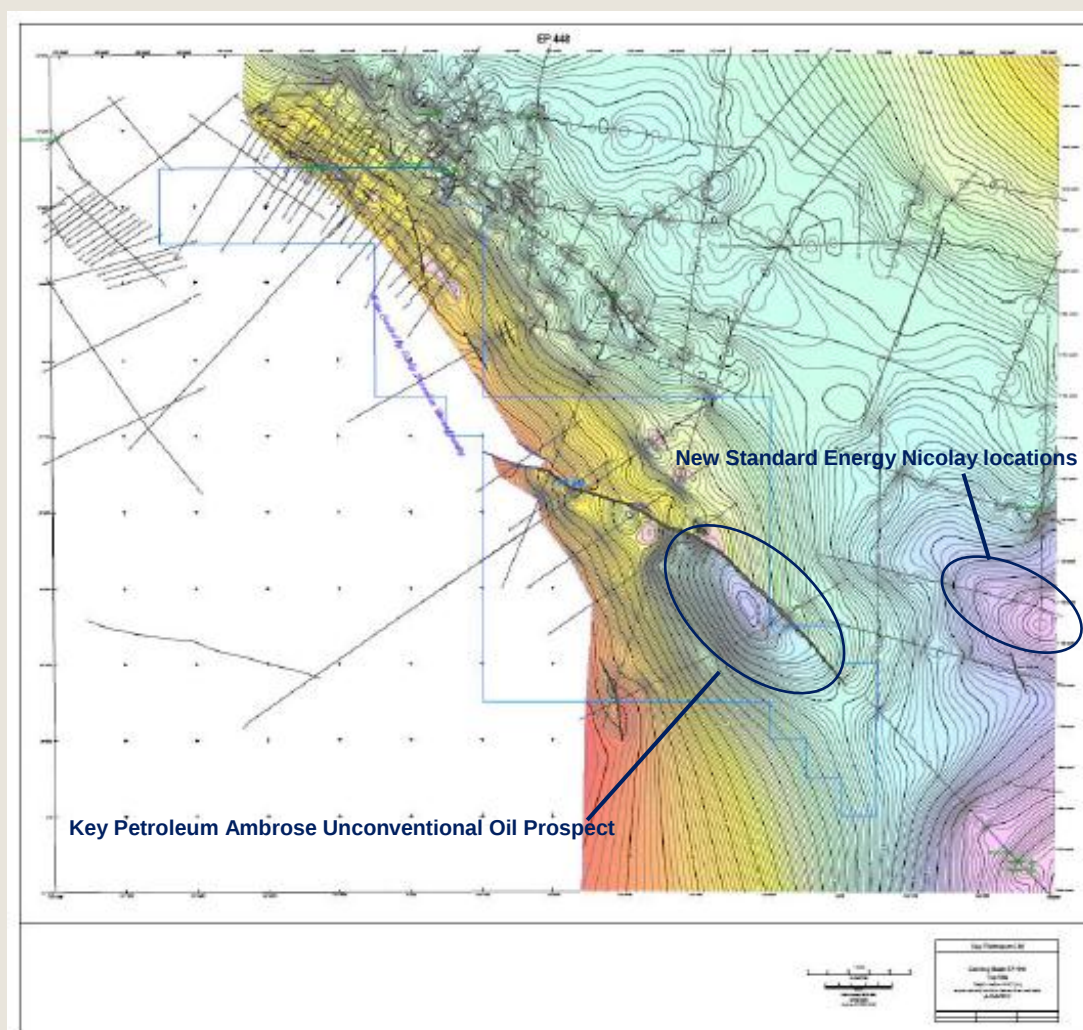
Additional resolutions have been tabled seeking the approval for the grant of options and performance rights to directors, securing the future of the Key board and its new strategic direction.

PERMIT EP 448 CANNING BASIN, WESTERN AUSTRALIA

Gulliver Productions Pty Ltd - 70%
(Subsidiary of Key Petroleum Limited)
Indigo Oil Pty Ltd - 20%
United Oregon Limited – 10%

The greater EP448 Canning Basin area within the Kidson sub-basin has seen a flurry of activity over the last six months. American giant Hess recently acquired Clive Palmer's Kingsway Oil which saw them inherit two exploration permits and a number of application areas to the south of Key's acreage. Off the back of this acquisition, ConocoPhillips and New Standard Energy have started their exploration campaign with Century Rig #14 at the Nicolay-1 location east of Key's Ambrose Shale prospect as illustrated below.

Several geological and geophysical technical studies have been completed on EP448 with the Company identifying well targets and areas for potential seismic survey to further define the conventional structures in this block. Key is now actively pursuing a farmout for a well in the 2012 Canning Basin dry season.



Map showing the Nicolay and Ambrose prospects within the Kidson sub-basin in the EP448 area

UNITED KINGDOM

Key Petroleum Weald Basin Ltd – 100% (a wholly-owned subsidiary of Key Petroleum Limited)

On the 6 July 2012, Key Petroleum Ltd signed an agreement for the sale of the Company's UK subsidiaries, including the Lidsey and Brockham Oilfields, to Angus Energy Weald Basin No.1 for £100,000 payable to Key over the next 12 months. Completion of the sale between the two parties took place on 26 July 2012.

ITALY

Puma Petroleum SRL – 100% (a wholly-owned subsidiary of Key Petroleum Limited)

The Company is seeking to divest all of its Italian interests, including the subsidiary company Puma Petroleum Srl.

SURINAME

Portsea Oil and Gas Ltd – 3.5%

During the quarter Key divested its 50% interest in Portsea Oil and Gas Pty Ltd for a consideration of \$50,000 representing a clean exit from the Republic of Suriname.

TANZANIA

Key Petroleum Limited - 5%

Key is in the process of reviewing a sale agreement for its 5% interest in the Kiliwani North development in addition to all assets and liabilities associated with Key's Tanzanian subsidiary Funguo Petroleum Ltd.

Kane Marshall

**BSc (Geology), BCom (Inv & Corp Fin), Masters PetEng, AAPG, SPE
Managing Director**

Key Petroleum Ltd

Dated this the 31 July, 2012
Perth, Western Australia

Competent Persons Statement

Information in this ASX Release relates to exploration results that are based on information compiled by Mr Kane Marshall who is a full time employee of Key Petroleum Limited. Kane Marshall is a Practicing Petroleum Engineer and holds a BSc (Geology), BCom (Inv & Corp Fin) and Masters in Petroleum Engineering.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Key Petroleum Limited

ABN

50 120 580 618

Quarter ended ("current quarter")

30 June 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	43	1,391
1.2	Payments for (a) exploration & evaluation	226	(558)
	(b) development	-	-
	(c) production	(251)	(923)
	(d) administration	(556)	(1,509)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	12	38
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(526)	(1,561)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	2
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	50	50
	(c) other fixed assets	-	10
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	19
Net investing cash flows		48	79
1.13	Total operating and investing cash flows (carried forward)	(478)	(1,482)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(478)	(1,482)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,002
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	11	(58)
	Net financing cash flows	11	944
	Net increase (decrease) in cash held	(467)	(538)
1.20	Cash at beginning of quarter/year to date	1,789	1,972
1.21	Exchange rate adjustments to item 1.20	91	(21)
1.22	Cash at end of quarter (refer item 1.25)	1,413	1,413

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	163
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	(150)
4.4 Administration	250
Total	350

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	911	1,189
5.2 Deposits at call	502	600
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,413	1,789

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Suriname – Uitjik Suriname – Coronie		1.75% 1.75%	Nil Nil
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

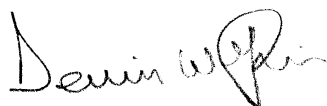
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	308,072,707	308,072,707		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 5\)](#).
- 2 This statement does ~~/does not~~* [\(delete one\)](#) give a true and fair view of the matters disclosed.



Sign here:

(Director & Company Secretary)

Date: 31 July 2012

Print name:

Dennis Wilkins

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** [ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic \(if any\) must be complied with.](#)

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