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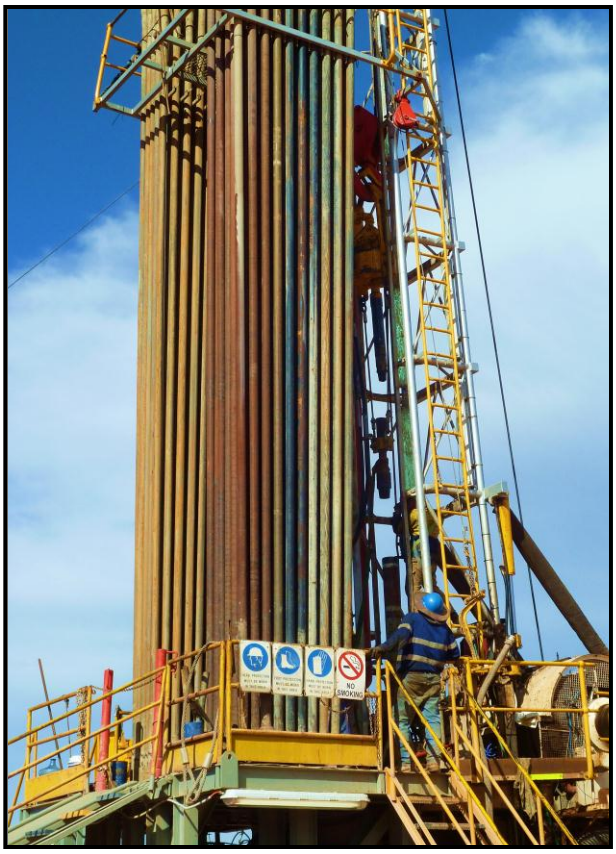
QUARTERLY REPORT

FOR THE PERIOD ENDED 31 MARCH 2013

ACN 120 580 618

UPDATES ON PETROLEUM EXPLORATION ACTIVITIES
FOCUS AND STRATEGY FOR THE QUARTER



Coring the Goldwyer Formation at Cyrene-1, Canning Basin, Western Australia in February 2013

Since 2012 Key Petroleum Limited (“Key”) has made significant management and strategic changes to the Company with a shift away from minority equity positions in low impact international assets to a strategy of focused onshore Australian based exploration.

New venture opportunities both onshore and offshore will only be pursued where the Board has confidence that Key can satisfy the following two criteria:

- Key can be Operator to control exploration costs and best utilise shareholder capital reserves; and
- Conduct exploration in sedimentary basins where the potential sizes of the discovery have a high rate of return to shareholders.

This renewed focus in onshore Australia resulted in the United Kingdom, Italy, Tanzania and Suriname interests being divested to reduce administrative overheads and instead focusing capital on projects in the Canning and Perth Basins, Western Australia.

Cyrene-1 at sunrise during the testing of the Willara Formation, Canning Basin, Western Australia

In December 2012, Key assumed the Operatorship from Buru Energy Limited for the purpose of drilling the Cyrene-1 exploration commitment well in EP 438, Canning Basin. Drilling commenced in January 2013 to a total depth of 1060 metres.

Continual hydrocarbon shows were encountered throughout the Goldwyer and Willara formations. The conventional Willara Formation carbonate interval was found to be tight (unable to flow naturally) on test.

Key is now the first modern day Operator in the Canning Basin to core a section of Goldwyer Formation with heavy hydrocarbon indications up to C6+ with continual hydrocarbon indications in mud gas across a significant section of Goldwyer Formation in the Canning Basin.

KEY PETROLEUM LIMITED

Director Ian Paton presenting at the APPEX Conference (top) and talking to interested international companies in Key's conference booth (bottom) in March 2013.

In March Key attended the APPEX Conference (American Association of Petroleum Geologists) in London. The aim of the conference was to source suitable Farmin partners for further exploration programs within the Canning and Perth Basins.

The conference was well attended with a packed house at the address by Key on the Canning Basin and the Company's strategic acreage position in the Kidson Sub-Basin and Permit EP 448.

Small, independent and major operating oil companies had the opportunity to not only discuss commercial opportunities and deal flows but share information on recent activities in the Canning Basin and insights from other international unconventional shale oil and gas projects. Key's model that the EP 448 area and the acreage to the south held by Hess is in the liquids rich fairway was supported by large exploration companies attending the conference.

The Company is now entirely focused on its Perth Basin and Caning Basin work commitment programs from the capital reserve of nearly $3.7 million.

Activities for the next quarter:

- Working towards gaining compliance approvals from the Department of Mines and Petroleum (DMP) and land access agreements for the EP 437 exploration well, Waugh-1 (Q3 Estimate)
- Incorporating the full suite of data from Cyrene-1 into the EP 438 geological model and into Key's Caning Basin regional geological model including EP 448
- Undertaking a technical review of the exploration potential for conventional and unconventional gas plays of the Anderson Formation in the EP 104 area
- Meet with the Nyangumarta traditional owners in June to discuss exploration activities in EP 448 for 2013/14 and gain access pursuant to the EP 448 Heritage Protection Agreement
- Scout areas for road, air strip and drilling locations for 2014 exploration drilling
- Undertake Heritage and Environmental Surveys in the southeast part of EP 448 as part of approvals required for the 2013 geochemical survey and 2014 exploration drilling activities
- Executing the geochemical soil survey in EP 448, Canning Basin after gaining DMP approvals, focusing around the Ambrose unconventional prospect to assist in fine tuning of well locations and identifying further conventional prospects

EXPLORATION PROGRAM 2013

Key has a number of permits within the Canning and Perth Basin's in Western Australia. Currently a Farmin Partner is being sought to drill a well in EP 448, Canning Basin. Both Heritage and Environmental Surveys are required to be undertaken in order to gain approvals for a geochemical survey within EP 448, which will assist in identifying further conventional prospects for drilling as well as assist in the refinement of well locations.

The EP 448 permit already includes several conventional structures and stratigraphic leads identified on trend with the unconventional Ambrose prospect within both the Nita Formation and Goldwyer Formation. Other possible prospects already drilled in this permit have included Nicolay-1 by New Standard Energy in the adjacent acreage.

Lowering the core from the Goldwyer Formation into position for cutting, analysis and logging.

Drilling of the Waugh-1 well within EP 437, Perth Basin is dependent on land access in addition to environmental, safety and petroleum division approvals by the DMP. Revisions have been made to approval documents and have now been resubmitted. Due to the uncertainty on both land access and timing of approvals from the DMP, the spud date for Waugh-1 is not known at this stage but is now expected in Q3, 2013.

Permits EP 104, EP 438, R1, and L15 are currently under a geological and geophysical technical review with a focus on drilling potential structural stratigraphic plays in 2015 in EP 104. Key is awaiting the results of the Cyrene-1 core analysis from Operator Buru Energy in order to determine a suitable renewal programme for EP 438 and whether there has been any substantial de-risking of additional prospects within the permit.

At present, Key is evaluating new opportunities to complement its existing portfolios of exploration interests within Australia, which are not limited to the Canning and Perth basins. These opportunities will only be pursued if they are in line with criteria previously outlined at the Company's Annual General Meeting.

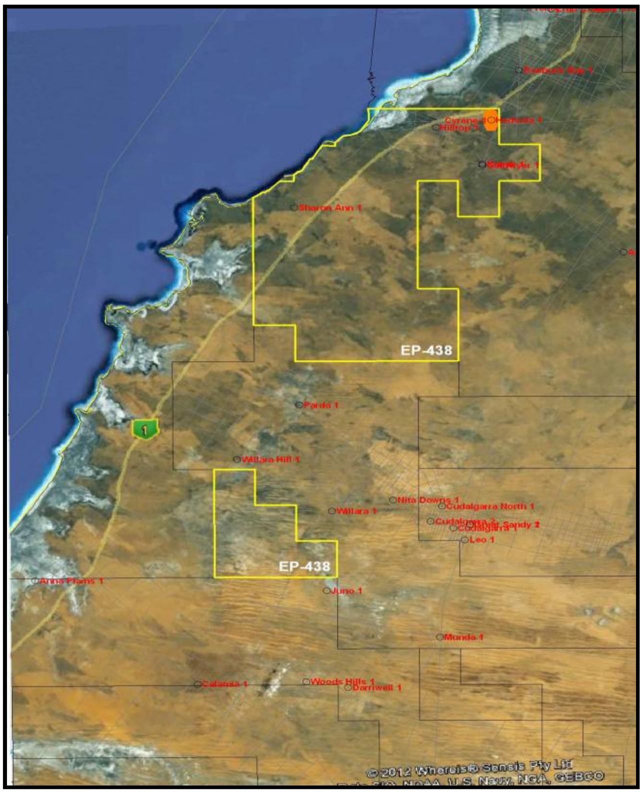
EP 438, CANNING BASIN, WESTERN AUSTRALIA

KEY PETROLEUM LIMITED (GULLIVER PRODUCTIONS PTY LTD)	20.0%
BURU ENERGY LIMITED (OPERATOR)	37.5%
MITSUBISHI CORPORATION (DIAMOND RESOURCES (CANNING) PTY LTD)	37.5%
INDIGO OIL PTY LTD	5.0%

Managing Director Kane Marshall (left) overseeing the testing of the Willara Formation at the Cyrene-1 well in February 2013.

The Cyrene-1 commitment well in EP 438, Canning Basin was spudded on 21 January 2013 using DCA Rig 7. Key, as Operator for the well, drilled Cyrene-1 to a total depth of 1060 metres penetrating the Goldwyer and Willara Formations to test its conventional prospectivity.

Hydrocarbons were present throughout the drilling of Cyrene-1 and the well intersected a thick section of Goldwyer Shale at 915 metres. A number of cores were extracted for analysis. Key is the first modern Operator in the Canning to core a section of Goldwyer with heavy hydrocarbon indications across the shale.



EP438, Canning Basin, WA

The results of the coring indicate that the Goldwyer Shale is in the oil generating window at the Cyrene location. It also confirms that regionally the Goldwyer Shale has excellent oil and gas prospectivity unconventionally. According to the US Energy Information Agency the Goldwyer was identified as the major unconventional play in the Canning Superbasin with potential estimated recoverable resources of 229 trillion cubic feet of gas and billions of barrels in oil.

The cores are currently undergoing further analysis for organic carbon content, maturity for hydrocarbon generation throughout the Canning Basin and oil generative capacity by Operator Buru Energy Limited.

The targeted Willara Formation and conventional oil target was drilled as prognosed but no oil flow or reservoir development was observed from a drill stem test. The decision was made by the joint venture to plug and abandon the well with the focus to remain on the Goldwyer data set for assessing and understanding the unconventional opportunity in EP 438. The completion of drilling operations at Cyrene-1 concluded in late February 2013.

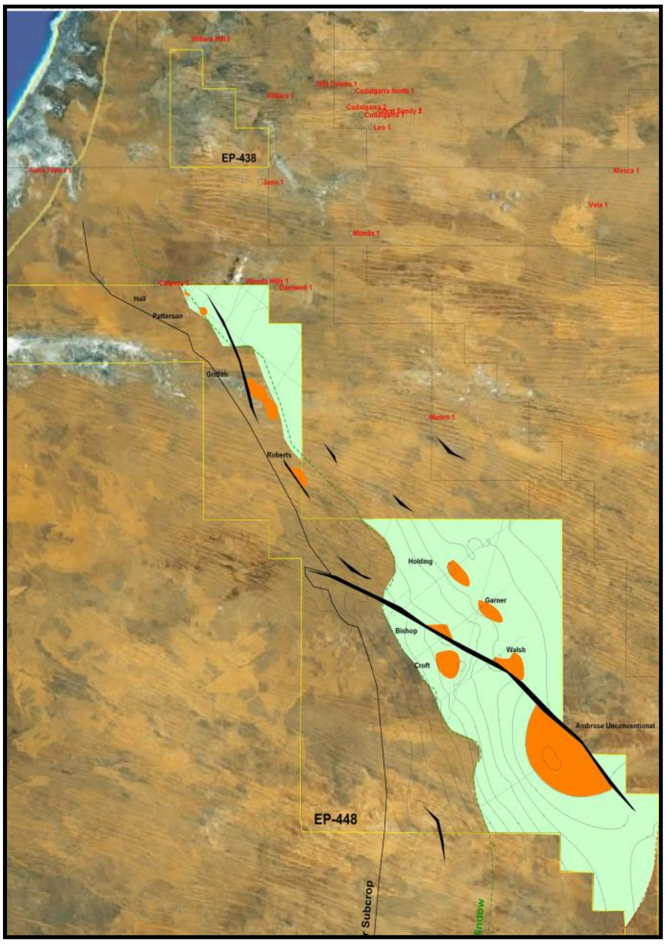
EP 448, CANNING BASIN, WESTERN AUSTRALIA

KEY PETROLEUM LIMITED (GULLIVER PRODUCTIONS PTY LTD) (OPERATOR)	78.0%
INDIGO OIL PTY LTD	22.0%

In late 2012 a variation was granted by the DMP to original work commitments for well pre-planning and a Geochemical Survey in EP 448, Canning Basin. The approval resulted in a substantial cost saving against the original 500km 2D seismic survey commitment that was planned.

The revised Geochemical Survey will assist in identifying and grading conventional prospects within the permit, which consist of a stratigraphic pinch-out and fault dependent closures at the Nita Formation objective. The Survey will also assist in ascertaining the extent of coverage of the Ambrose shale prospect. The data will then be used to assist in the planning and construction of roads, drilling locations and an airstrip infrastructure, which may be required to drill up to two wells next year.

During the quarter, United Oregon Limited withdrew from the EP 448 joint venture resulting in an increase to the interests to the remaining joint venture participants (Key and Indigo Oil Pty Ltd).



EP448, Canning Basin, WA

Prospect Information

Recent integration of data from the Goldwyer Formation in Cyrene-1 and the existing source rock maturity data from Frankenstein-1 and Munro-1 wells have enabled a model of the large Ambrose structure to be constructed. The unconventional prospect appears to be in the liquids rich gas-condensate to oil fairway.

In 2012 North American company Hess acquired acreage to the south of EP 448 on trend with the 10 mapped conventional leads and the large Ambrose unconventional prospect.

The Nicolay-1 exploration well drilled by New Standard Energy Limited last year, some 40km east, was reported to only have minor dry gas indications in mud gas. This suggests that the Goldwyer Formation source rocks have been exposed to hotter temperatures and are subject to a mature hydrocarbon generation in the form of dry gas.

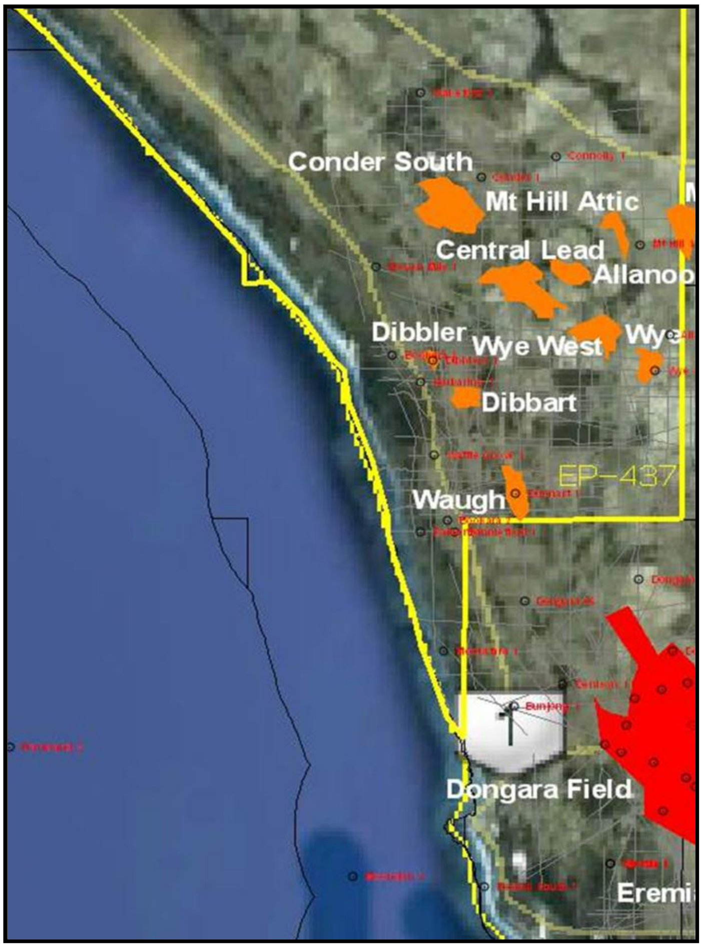
Discussions with independents and major companies at the APPEX Conference in London this year indicate that the acreage on trend with EP 448 taken up by Hess is in the liquids rich fairway.

EP 437, PERTH BASIN, WESTERN AUSTRALIA

KEY PETROLEUM (AUSTRALIA) PTY LTD	50.0%
EMPIRE OIL COMPANY (WA) LIMITED (OPERATOR)	35.0%
CARACAL EXPLORATION PTY LTD	15.0%

Exploration and drilling of the EP 437 prospect Waugh-1 is required prior to May 2013 to meet the work commitments of the permit. The proposed well is located up-dip from Dunnart-1 and is planned to be drilled to a total depth of 750 metres. Indicative potential prospective recoverable reserves are estimated to be in the order of 3-5 MMBO.

The Joint Venture has begun preparations for drilling. This has included liaising over the availability of DCA Rig 7 and continuing negotiations with the landowner. Approvals from the DMP are still outstanding despite revisions that have been recently submitted.



EP437, Perth Basin, WA

Recent re-mapping and interpretation by the EP 437 Joint Venture have identified up to nine prospects within the Bookara Sandstone.

Prospect Information

The Waugh structure is a seismically defined drillable oil prospect in the Onshore North Perth Basin.

The Structure is a tilted fault block defined by seven seismic dip lines and one strike seismic line.

The Dunnart well drilled on this structure encountered elevated methane readings while drilling through the Coaly Unit of the Cattamarra Coal Measures and recorded excellent oil shows while drilling through the Bookara sandstone. Neither of these shows was tested.

The Early Triassic Bookara Sandstone is sealed by thick marine shales of the Kockatea Shale (which are 112 metres thick at Dunnart-1) and sourced by the organic rich shales at the base of the Kockatea Shale. The potential for gas is also present in the Coaly Unit of the Cattamarra Coal Measures. The main source rocks are the marine shales in the basal part of the Kockatea Shale which is one of the major oil prone rocks in the Northern Perth Basin. The basal Kockatea Shale is up to 50 metres thick on the downthrown side of the Allanooka Fault and is interpreted to be in the oil generation window.

Re-mapping by the Joint Venture of the Waugh prospect has also identified an up-dip well location (possible Waugh-2), which may be drilled upon an oil discovery at Waugh-1.

OTHER BUSINESS

The Company has now officially launched its new website and rebranding following significant structural changes to the company over the last twelve months. The website is being continually updated to assist investors with following the Company's corporate and exploration activities. A new timeline milestone will be implemented onto the site to provide the approximate timing of exploration activities in addition to a media gallery of photos and video footage.

Commenting on the quarter's activities, Managing Director Kane Marshall stated:

"The last quarter's activities for Key have been the most hectic and intensive period in the Company's history. This has included operational exploration activity, technical review and mapping of additional prospects within the existing asset portfolio and the planning of the remaining 2013 exploration campaign. Corporately the Board has been looking at de-risking several of Key's prospects via Farmout. Within this framework the technical team has also been evaluating new business opportunities consistent with what the Board outlined in last year's general meetings. This is an exciting time for the Company as we have sufficient capital to fund the remaining 2013 exploration activities and several other projects with growth potential as Key progresses as an emerging exploration and development company domestically in Australia. The Board is grateful for the ongoing support and patience from its shareholders and looks forward to providing more positive news on its activities over the course of 2013 and well into 2014."

KANE MARSHALL

BSc (Geology), BCom (Inv & Corp Fin), Masters PetEng, AAPG, SPE, PESGB, SPWLA

MANAGING DIRECTOR

KEY PETROLEUM LIMITED

Dated: 30th April, 2013
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.