

KEY
PETROLEUM LIMITED

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Quarterly Report

For the Period Ending 31 March 2018



ACN 120 580 618

Update on Activities

Highlights for the Quarter

- ◆ An extension of the EP437 Year 3 commitment well was granted by the Department of Mines, Industry Regulation and Safety for the drilling of Wye Knot-1;
- ◆ Foreign Investment Review Board Approval pertaining to the acquisition of L7 was received in January 2018;
- ◆ Approval documentation pertaining to select remediation operations within the Mount Horner Production Facility was prepared in readiness for lodgement upon transfer approval;
- ◆ Commenced drilling and workover rig enquiries for North Perth Basin activities in second half of 2018;
- ◆ Utilise the studies over the Cooper Eromanga Basin assets to facilitate discussions with DNRM on the forward work programs for ATPs 783, 920 and 924 and finalise work commitments;
- ◆ Finalise the divestment of non-core Canning Basin interests;
- ◆ Commence rig enquiries for Cooper Basin drilling planned for the latter half of the year, including potential collaboration with other Operators in the Basin;
- ◆ A detailed prospectivity review of L7 and the integration of data with the current EP437 geological models to define field activities in the area for 2018 was commenced;
- ◆ WA-481-P Joint Venture Operator Pilot Energy Limited commenced seismic reprocessing, via contractor DownUnder Geophysics, with preliminary studies encouraging in definition of larger undrilled features.

Activities Subsequent to the Quarter

- ◆ Commenced informal discussions with a number of parties regarding potential participation in drilling of Cooper Eromanga Basin opportunities;
- ◆ Successful Capital Raising of \$1 million with Sanlam appointed Sole Book Runner;
- ◆ Cut-off date for completion of the L7 transaction was extended and further information on decommissioning and related activities provided to DMIRS; and
- ◆ Technical support provided to DownUnder Geophysics as part of the ongoing seismic reprocessing work in WA-481-P, offshore Perth Basin.

Activities for the Upcoming Quarter

- ◆ Finalise divestment of Canning Basin assets;
- ◆ Commence planning of Cooper Eromanga Basin exploration activities based on the revised work program;
- ◆ Complete prospective resource estimates for Cooper Eromanga Basin assets;
- ◆ Continue discussions with potential farminees for North Perth Basin assets; and
- ◆ Finalise the detailed prospectivity review of L7 and integrate data with the current EP437 geological models to define field activities in the area for 2018.

Cooper Eromanga Basin, Queensland

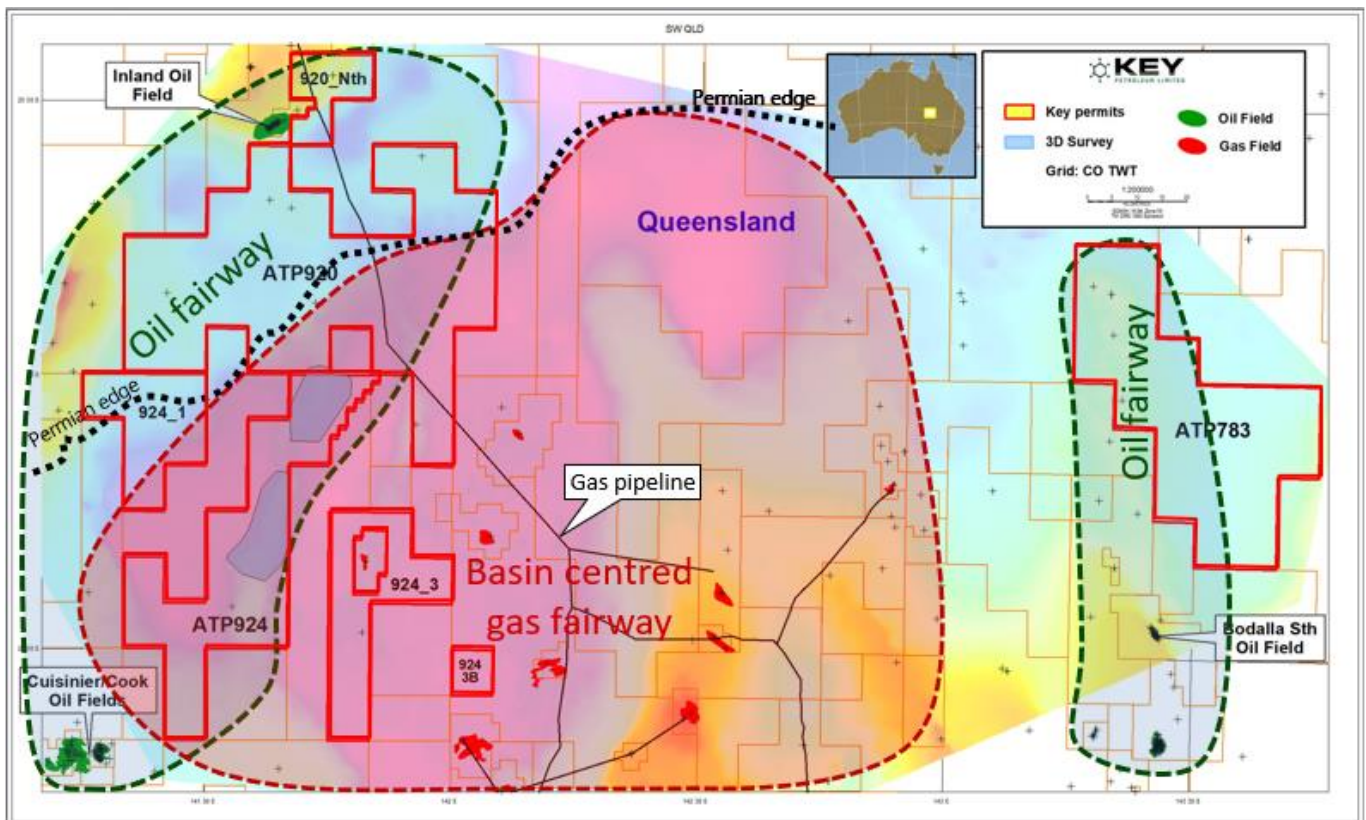
ATP 920, ATP 924 and ATP 783

Key Petroleum Limited (Key Cooper Basin Pty Ltd)

100.00%

The Company conducted discussions with Department of Natural Resources and Mines ("DNRM") pertaining to the future work programs of all ATPs after it received notification from DNRM that the transfer of ATP 783, ATP 920 and ATP 924 to Key are now complete. Formal notification for the remaining work programs for the respective ATPs is expected during the current quarter.

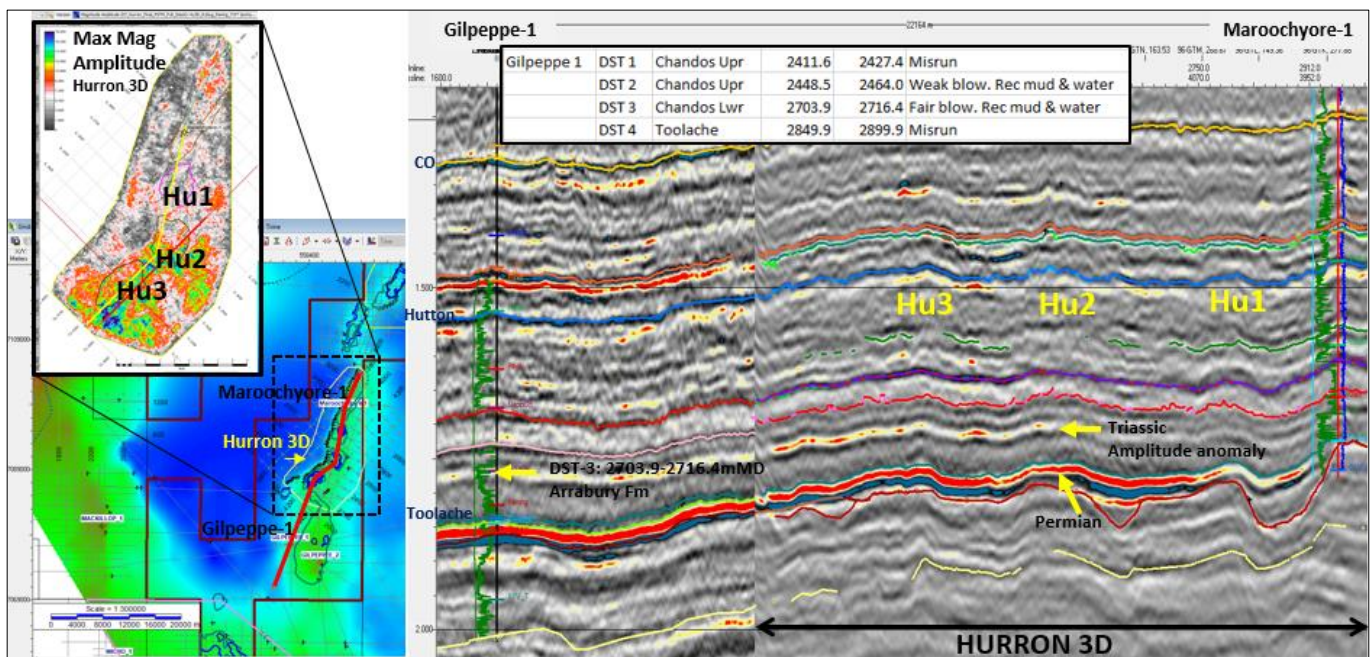
Geological studies over the Cooper Eromanga Basin assets continued, with the results of mapping and prospectivity to be formally released in the current quarter. The Company has been conducting activities pertaining to the permits in line with the Queensland Gas Supply and Demand Action Plan and continues working with the Department of State Development on opportunities for the development of future gas discoveries and development in areas which are not environmentally sensitive. This includes the location of tie in localities on the Carpentaria Gas Pipeline ("CGP") to Mt Isa and how they align with surface locations of conventional gas opportunities. Preliminary discussions with APA Group, owner and operator of the CGP, have been held to understand what capacity is available in the CGP and the potential nature of transportation agreement tariffs and the impact of the National Gas Pipeline interconnector will be from Tenant Creek to Mt Isa to assist in supplying the gas shortfall in the east coast gas market. Key has been assessing the impact on the removal of Northern Territory fracking ban and the potential gas supply that could emerge in the market via this infrastructure. In the next quarter Key will commence discussions with gas consumers and utilities on potential gas sale terms and the merits of utilising other infrastructure in the area such as the Santos operated Moomba and Ballera plants to commercialise any new gas discovery.



ATPs 783, 920 and 924 located in the Cooper Eromanga Basin near oil and gas infrastructure as well as known discovered oil and gas fields

ATP 924

- Work on the Permian 'basin centred' gas fairway includes studies of direct analogues such as the nearby Santos operated Barrolka Gas Field, where the reservoir target channels and paths appear to be influenced by paleo topography. Similar canyons and channel facies are observed on the Hurron 3D on three potential areas south of the most recent Maroochyore-1 well location. Preliminary work indicates that there is potential for large scale conventional gas prospective resources (Hu1, Hu2 and Hu3 below) when capturing all closures within the mapped Permian gas fairway; and
- Gas shows in Gilpeppe-1 have obvious up-dip amplitude supported potential in the southern part of the Hurron 3D seismic survey. The greater Gilpeppe structure is considered to contain a significant prospective resource potential and the market will be fully informed as this work is completed. This area is a short distance from the CGP that also runs through the Marengo Gas Field complex sitting in ATP 924 and outside of the Marengo Gas Field.



Composite seismic section Gilpeppe-1 to Maroochyore-1 with Hurron 3D amplitude extraction at Top Arrabury level

ATP 920

- Preliminary work on the Jurassic Eromanga (Inland – Cook) oil fairway suggests remapping of the Permian edge, extending further to the north and high grading a new prospective trend with minimal seismic and wells; and
- Near field exploration potential to producing Inland Oil Field (adjacent to the northern block boundary).

ATP 783

- Technical work on the Eromanga 'Eastern Flank' oil fairway has been ongoing to identify significant low relief structural targets with minimal faulting as defined south of this area near the Bodalla South and Henmore oil fields;
- Oil recovered on test from four exploration wells in the area, both within and around ATP 783, including wells Earlstoun-1, Chandos-1, Cumbroo-1, Cooloo-1 with material up-dip potential identified; and
- Near commercial oil fields are Byrock (12 km south-west), Bargie (17 km south-east), Bodalla South (25 km south) and Bunaya Gas field (50 km south-west)

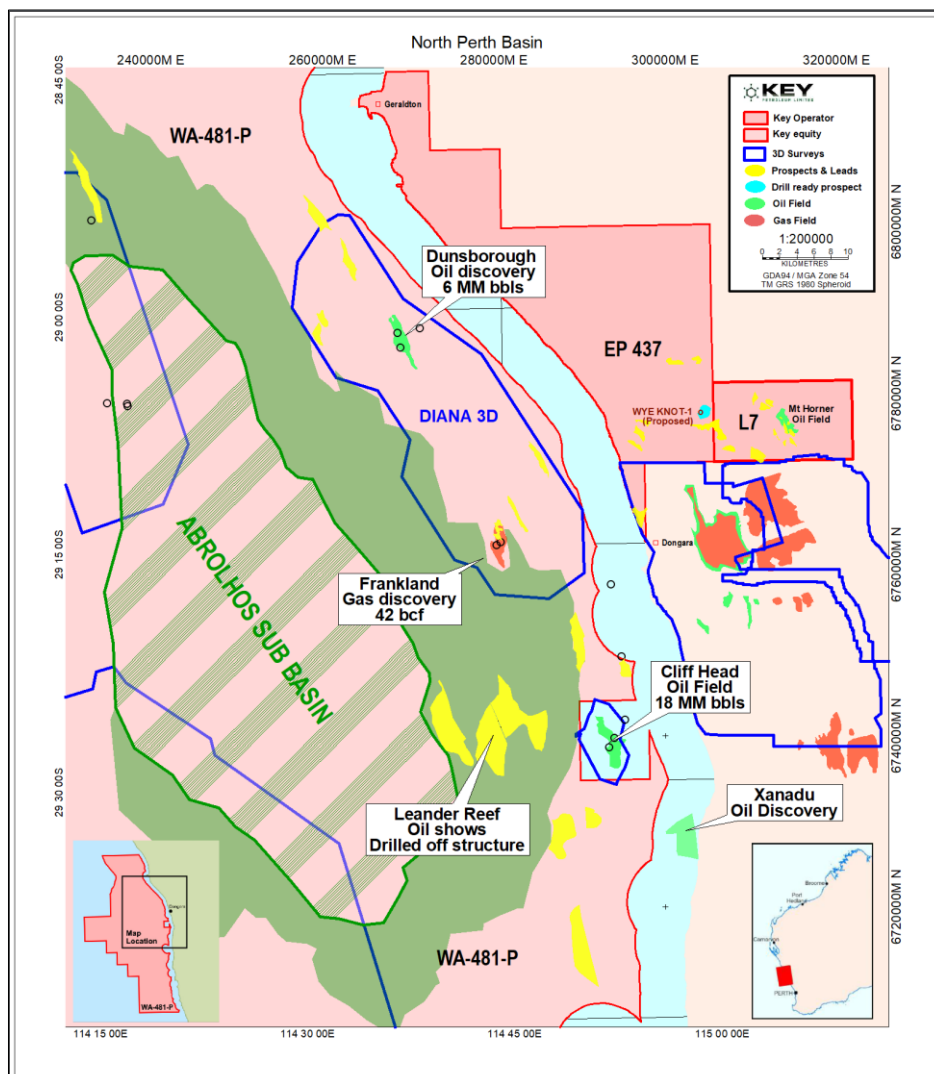
Northern Perth Basin (Onshore)

L7 (Mount Horner) Summary

Key Petroleum Limited (via wholly owned subsidiary) (Operator)

100%

- Foreign Investment Review Board Approval for the acquisition of the licence was received in January 2018;
- Production Licence L7 contains the discovered Mount Horner oil pool (~1.7 MMbbls) with potential for further development. The licence period extends to 2027 with no firm work commitments;
- Successful discussions with both the current and new landowners, in conjunction with AWE, were undertaken as part of the transition process;
- Subsequent to the end of the quarter, the extension of the transaction completion cut-off date was mutually agreed with AWE, and further information was provided to DMIRS as part of the transfer process;
- Operational activities anticipated to commence in 2018 upon receipt of formal State Government approval of the licence transfer. The majority of infrastructure at Mount Horner is planned to be decommissioned and this work will potentially be incorporated with drilling activities in the area resulting in overall reduced costs to Key's Perth Basin activities; and
- Key remains excited about the underexplored oil plays in the area to be captured by the L7 licence acquisition.



Location of L7 (R1) in Key Perth Basin portfolio

EP 437

<i>Key Petroleum Limited (via wholly owned subsidiary) (Operator)</i>	43.47%
<i>Rey Resources Limited (via wholly owned subsidiary)</i>	43.47%
<i>Pilot Energy Limited</i>	13.06%

Key remains focussed on its preferred drilling location at Wye Knot-1 and continues to seek grant of access to this location meeting the Year 3 work program commitment on behalf of the EP437 Joint Venture. As previously announced, the Exploration Incentive Scheme grant of \$200,000 re-awarded for the purpose of the Wye Knot-1 commitment well after extended access delays in 2017.

The exploration well to test the Wye Knot Prospect is to be positioned at a step out distance sufficient to investigate the potential for an oil leg below the gas pay encountered in Wye-1 in the Triassic Bookara and Arranoo Sands and test the potential of the deeper Permian sequence, which was not fully intersected at Wye-1. This step out location is at a distance which suggests the gas cap does not extend outward from Wye-1 at a depth greater than 650 m subsea.

Northern Perth Basin (Offshore)

WA-481-P

<i>Key Petroleum Limited (via wholly owned subsidiary)</i>	40%
<i>Pilot Energy Limited (Operator)</i>	60%

Pilot Energy, as Operator of WA-481-P, has informed the Joint Venture that DownUnder Geophysics had commenced the seismic reprocessing (pre-stack depth migration, or PSDM) of the Diana 3D and selected adjacent 2D seismic data. The reprocessing work commenced in late January after field data retrieval and remains close to the proposed schedule and is expected to be completed later this year. Key, as an active Joint Venture participant, is working cooperatively, providing technical input to ensure a quality reprocessing product and interpretation to support future exploration and activities.

The seismic data reprocessing and associated geological/geophysical studies are designed to address the primary geological risks focussed on the inboard proven hydrocarbon trend from Dunsborough through to Cliff Head and the recent Xanadu-1 oil recovery. Together the Cliff Head South and Leander Reef Trends comprise over 80% of the currently assessed 247.8 MMbbl best case (148.7 MMbbl net Pilot Energy, 99.1 MMbbl net Key Petroleum) prospective resources for the permit. The Joint Venture is aiming for a prioritised inventory of drill-ready prospects to promote funding and participation in a future drilling program.

Northern Canning Project, Canning Basin

EP104

Key Petroleum Limited (via wholly owned subsidiary) (Operator)	89.23%
Indigo Oil Pty Ltd	10.77%

R1

Key Petroleum Limited (via wholly owned subsidiary) (Operator)	85.23%
Indigo Oil Pty Ltd	14.77%

L15

Key Petroleum Limited (via wholly owned subsidiary) (Operator)	85.40%
Indigo Oil Pty Ltd	14.60%

The Company continues to finalise the divestment of the Canning Basin assets. The divestment of the Canning Basin assets is anticipated to be completed in the coming quarter.

Corporate and Current Outlook for Key

At the end of the quarter the Company had \$807,000 cash on hand.

Subsequent to the end of the quarter, Key undertook a successful capital raising of \$1 million with Sanlam Private Wealth appointed the Sole Book Runner. These funds will be predominately utilised in exploration activities in the Cooper Basin and assessing commercial opportunities for these assets.

Overall costs for the quarter were significantly lower as exploration spend sat at \$54,000 with activities predominantly focussed on preparation of work programs pertaining to the Cooper Basin Assets and the commencement of discussions with Operators in the region with regard to potential synergies across upcoming drilling campaigns.

Corporate and administrative activities included an office move that despite the initial outlay during the quarter will see a significant reduction in rent and associated costs throughout the term of the lease. Costs for the statutory interim financial audit are also included in the expenditure for the in the quarter.

Work also continued on the Canning Basin divestment process and acquisition of the L7 licence with these uncapitalised costs allocated to the corporate and administrative function of the business.

As EP437 land access negotiations and work on Cooper Basin assets continue the forecast exploration expenditure for the coming quarter is expected to be in the order of \$300,000 while corporate and administrative costs should see a slight reduction.

Petroleum Permit Schedule

Petroleum Permit	Type	Location	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired during Quarter	Disposed during Quarter
EP104	Exploration Permit	Canning Basin, WA	89.23%	89.23%	-	-
R1	Retention Lease	Canning Basin, WA	85.23%	85.23%	-	-
L15	Production Licence	Canning Basin, WA	85.40%	85.40%	-	-
L7	Production Licence	Perth Basin, WA	100%*	100%*	-	-
EP437	Exploration Permit	Perth Basin, WA	43.47%	43.47%	-	-
WA-481-P	Exploration Permit	Offshore Perth Basin, WA	40.00%	40.00%	-	-
ATP924	Authority to Prospect	Cooper Eromanga Basin, QLD	100%	100%	-	-
ATP920	Authority to Prospect	Cooper Eromanga Basin, QLD	100%	100%	-	-
ATP783	Authority to Prospect	Cooper Eromanga Basin, QLD	100%	100%	-	-

ASX Listing Rule 5.4.3

*Legal beneficial interest – awaiting transfer from DMIRS

IAN GREGORY
COMPANY SECRETARY

Dated: 27 April 2018
Perth, Western Australia

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. Mr Marshall is a Practising Petroleum Engineer and Petroleum Geologist and holds a BSc (Geology), a BCom (Inv & Corp Fin) and a Masters in Petroleum Engineering. He is a member of the Society of Petroleum Engineers (SPE), American Associate of Petroleum Geologists (AAPG), 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 15 years of relevant experience. Mr Marshall consents to the inclusion of the information in this document.

DISCLAIMER

The information in this report is an overview and does not contain all information necessary for investment decisions. In making investment decisions, investors should rely on their own examination of Key Petroleum Ltd and consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of securities.

Prospective oil in place and recoverable reserve estimates have been made under the Society of Petroleum Engineers Petroleum Resources Management System (SPE-PRMS). Mr Marshall has compiled the information in this release as a Practising Petroleum Engineer and Geoscientist who consents to the release of the information. The Company is compliant with reporting of estimates as defined in Chapter 5 of the ASX Listing Rules.

The information contained in this report has been prepared in good faith by Key Petroleum Ltd. However, no representation or warranty, expressed or implied, is made as to the accuracy, correctness, completeness or adequacy of any statement, estimates, opinions or other information contained in this document.

Certain information in this document refers to the intentions of Key Petroleum Ltd, but these are not intended to be forecasts, forward looking statements, or statements about future matters for the purposes of the Corporations Act or any other applicable law. The occurrence of events in the future are subject to risks, uncertainties, and other factors that may cause Key Petroleum Limited's actual results, performance or achievements to differ from those referred to in this document. Accordingly, Key Petroleum Ltd, its directors, officers, employees and agents do not give any assurance or guarantee that the occurrence of events referred to in this presentation will occur as contemplated.

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/13, 01/09/16

Name of entity

Key Petroleum Limited

ABN

50 120 580 618

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	73	191
1.2 Payments for		
(a) exploration & evaluation	(54)	(644)
(b) development	-	-
(c) production	-	-
(d) staff costs	(133)	(350)
(e) administration and corporate costs	(159)	(441)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	11
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	4	5
1.9 Net cash from / (used in) operating activities	(266)	(1,231)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(8)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Lease Guarantee	(21)	(21)
2.6	Net cash from / (used in) investing activities	(23)	(29)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(60)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	940

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,096	1,127
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(266)	(1,231)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(23)	(29)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	940
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	807	807

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	248	519
5.2	Call deposits	559	577
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	807	1,096

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

(109)

-

Included at 6.1 are amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(300)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(139)
9.5 Administration and corporate costs	(150)
9.6 Other	-
9.7 Total estimated cash outflows	(589)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced			N/A	N/A
10.2 Interests in mining tenements and petroleum tenements acquired or increased			N/A	N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


(~~Director~~/Company secretary)

Date: 27 April 2018

Print name: Ian Gregory

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.