

KEY
PETROLEUM LIMITED

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Quarterly Report

For the Period Ending 30 September 2018



ACN 120 580 618

Update on Activities

Highlights for the Quarter

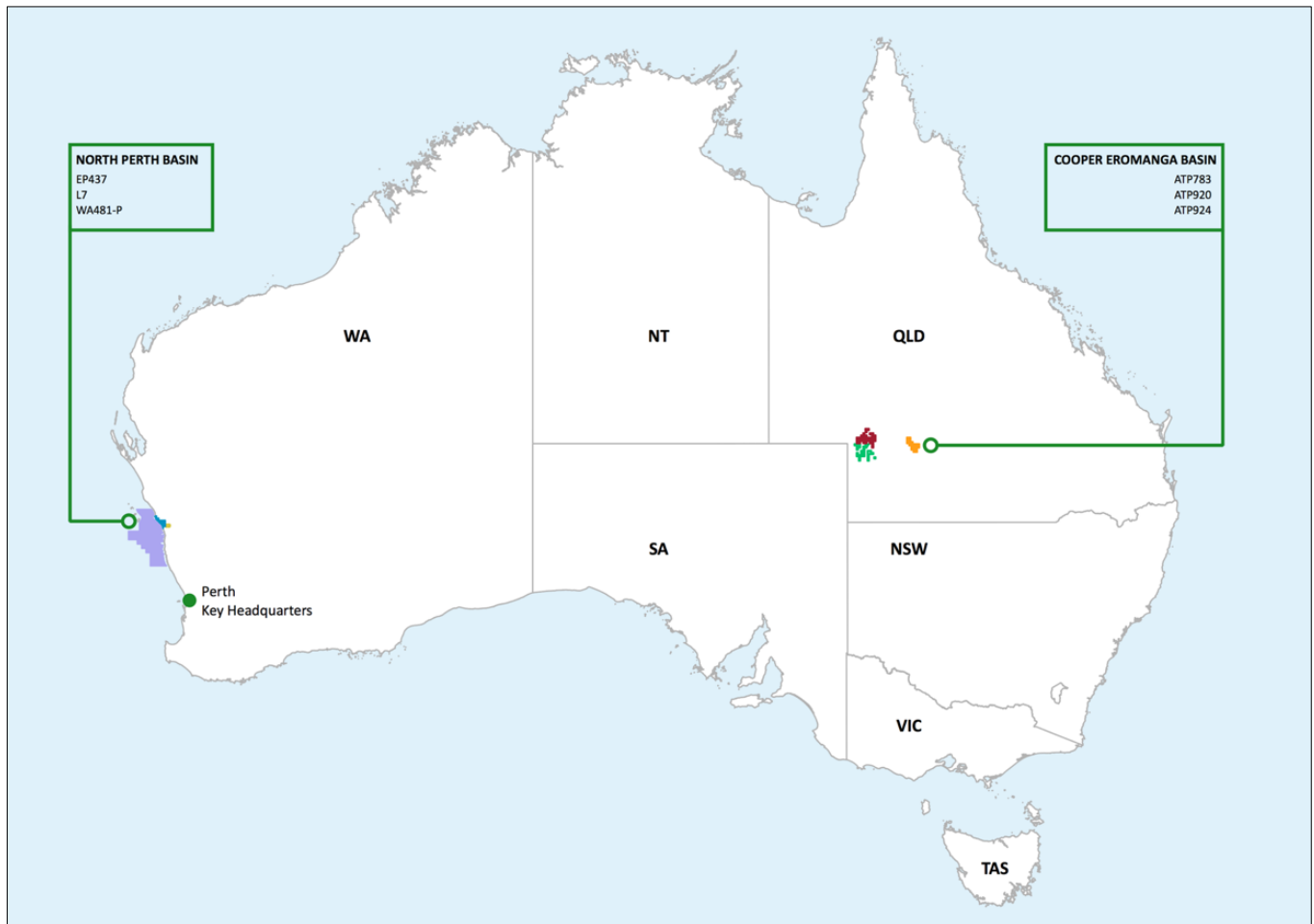
- Completion of the L7 (Mount Horner) transaction between Key Petroleum (Australia) Pty Ltd, a wholly owned subsidiary of Key Petroleum Limited ("Key") and AWE (Perth) Pty Ltd ("AWE") on 27 September 2018, which included Department of Mines, Industry Regulation and Safety, Western Australia ("DMIRS") approval. An amount of AU\$380,000 was paid to Key with an additional agreed amount of up to AU\$1.9 million provided as reimbursement for the completion of the remediation and abandonment work over the Mount Horner Oil Field;
- Further discussions and technical collaboration in regard to an L7 Mount Horner appraisal potential;
- L7 mapping of primary reservoir targets completed and checked against legacy AWE data;
- Assessed rig viability and availability for Cooper Eromanga drilling opportunities, including assessment of access logistics and proposed well locations. Continued discussions with Cooper Eromanga infrastructure operators together with a number of interested parties regarding potential participation in drilling opportunities;
- Ongoing discussions pertaining to long lead items for North Perth Basin drilling and work over activities in second half of 2018 and early 2019;
- Continued technical evaluation of Cooper Eromanga Basin assets including assessment of unconventional opportunities; and
- Utilise the studies over the Cooper Eromanga Basin assets to facilitate discussions with Department of Natural Resources, Mines and Energy, Queensland ("DNRME") on the forward work commitment programs for ATPs 783, 920 and 924.

Activities Subsequent to the End of the Quarter

- Continuing DMIRS approval for L7 Mount Horner operations and the proposed remediation documentation and the planning of remediation activities;
- Continued discussions with DNRME to ratify the agreed work program for the Cooper-Eromanga assets;
- Initiated planning and modelling for seismic 3D acquisition within the L7 licence area and potentially other additional surveys;
- Initiated planning for potential workover operations in L7; and
- Farm out discussions and ongoing discussion for land access approval to drill Wye Knot-1 in EP 437.

Activities for the Upcoming Quarter

- Cooper Eromanga revised work program approval and initiation of field related activities;
- Finalise discussion with preferred farminees for the L7 appraisal opportunities and continue efforts to seek land access resolution and investment in EP 437;
- EP 437 Joint Venture to discuss application for suspension and extension of the work program to allow the completion of the Wye Knot-1 location land access agreement and regulatory approvals;
- Continue discussions to farm out southwest Queensland Cooper Eromanga drilling program including potential extensions to Six Pines Capital ("Six Pines"); and
- Commencement of remediation operations within the Mount Horner Production Facility.



Key Asset Map Post Canning Basin Divestment

Cooper Eromanga Basin, Queensland

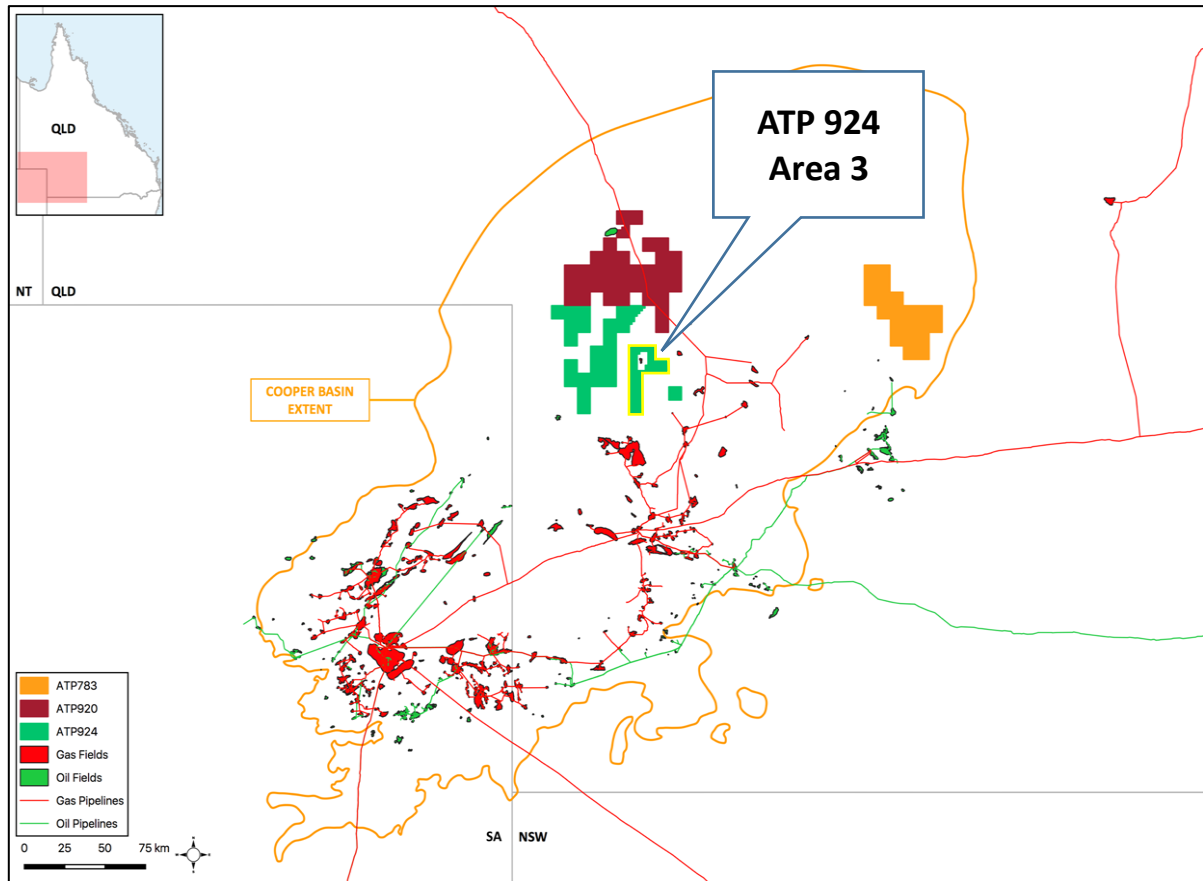
ATP 920, ATP 924 and ATP 783

Key Petroleum Limited (Key Cooper Basin Pty Ltd)

100.00%

- ◆ Technical work including preliminary prospective resource estimates were completed in the previous quarter and summary results are included in previous company announcements such as the PESA Deal Day Presentation (14 May 2018) and the RIU Good Oil Conference Presentation (16 September 2018).
- ◆ Near field step-out potential has been identified within ATP 920 and ATP 924. The updated interpretation has revised the Permian geological model and extended the Permian edge over greater parts of ATPs 920 and 924. Key has been working with the Department of State Development in Queensland on proposed tie back routes from these preliminary mapped areas and advance environmental approvals for future tie back of gas developments to existing infrastructure.
- ◆ ATP 924 includes 3D defined Permian canyon plays which may be analogous to the same geological formations encountered in the nearby producing Barrolka Gas Field. Multi-level source kitchens (Jurassic and Permian) are adjacent to 2D and 3D seismically defined prospects within the area captured by ATPs 920 and 924. This area is situated within the 'Basin centred gas fairway' and 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.

- Key entered into a phase of farmout activity for the Cooper-Eromanga assets, presenting at summer NAPE, Houston in August, as well as the Good Oil Conference in Perth (announced 14 September 2018) and the SEAPEX Perth chapter farm out forum, also held in September.
- The Agreement with Six Pines has lapsed, and Key has not renewed the agreement due to additional interest from third parties across all of the Cooper Basin acreage. Key is continuing a dialogue with Six Pines whilst it awaits to hear on its application for work program changes in all three permits.



ATP 924 including Area 3, Cooper Eromanga Basin, Queensland

Northern Perth Basin (Onshore)

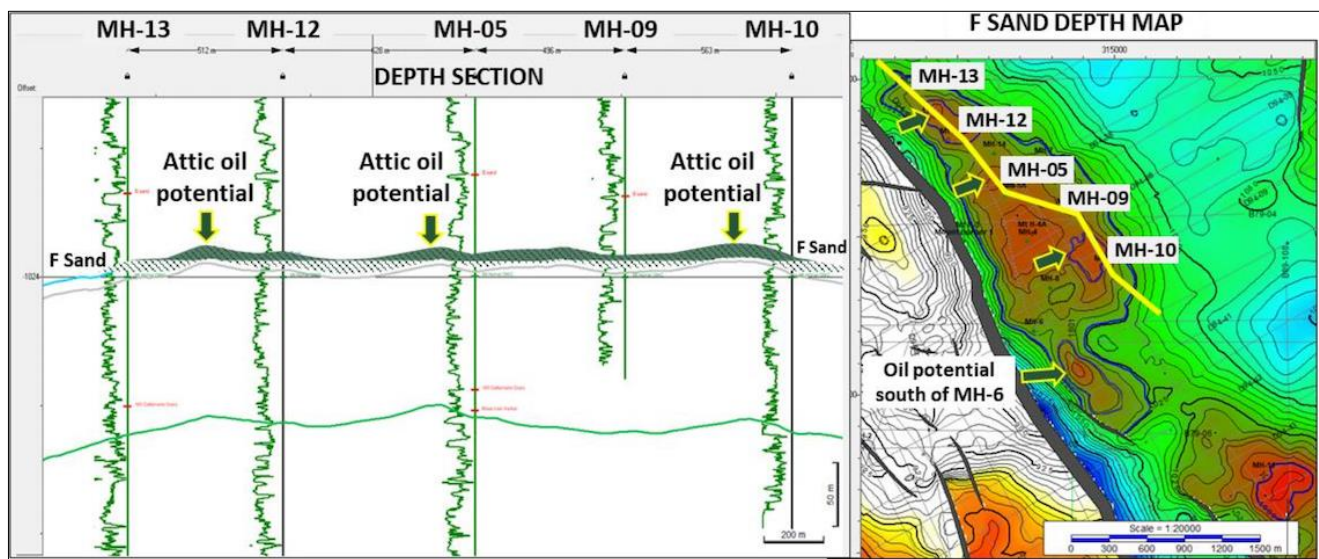
L7 (Mount Horner) Summary

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

100%

- Formal completion of the Sale and Purchase Agreement between Key and AWE on 27 September 2018.
- Completion of transaction included an exit payment of AU\$380,000 from AWE to Key.
- 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.
- L7 mapping of primary reservoir targets completed and checked against legacy AWE data. Key has also checked well head locations in the field.

- Further discussions with interested parties regarding potential participation in drilling over Mount Horner L7 with focus on infill attic oil potential and a potential southern extension of the field (see below). In addition, there are other reservoirs within the field that have either produced oil or have the potential for bypassed oil pay that warrant further investigation.
- Historically within the Mount Horner Oil Field, MH5A, 9 and 12 were the best performing wells with flow rates that were greater than 200 bopd.
- Key remains excited about the underexplored oil plays in the area to be captured by the L7 licence acquisition.
- Additional geological and geophysical work is underway to identify Jurassic prospects in the area, that are analogous to the Jurassic Mount Horner Oil Field.



Mount Horner Cross Section and F Sand Depth Map

EP 437

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

86.94%

Pilot Energy Limited

13.06%

- Discussions continue with other interested parties with a view to farm in for equity in EP 437.
- Key continues the process to seek land access to the Wye Knot location in a way that adheres to Key's technical and HSE requirements. As the permit anniversary occurs in the following quarter the joint venture has entered discussions regarding its options going forward.
- 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 will test for an oil leg below the gas cap predicted to be less than 650 m subsea, outward from Wye-1.

Northern Perth Basin (Offshore)

WA-481-P

Key Petroleum Limited (via wholly owned subsidiary)

40%

Pilot Energy Limited (Operator)

60%

- ◆ Pilot Energy, as Operator of WA-481-P, announced on 31 August 2018 that it had completed the initial stage of an internal resource assessment, which incorporated recent developments in the area of the northern Perth Basin, including the Waitsia and Xanadu discoveries.
- ◆ The seismic reprocessing (pre-stack depth migration, or PSDM) of the Diana 3D and selected adjacent 2D seismic data continues on schedule with DownUnder Geophysics. The reprocessing work is expected to be completed towards the end of the year, with all 'pre-stack' processing of the Diana 3D completed before the end of October. Key is working cooperatively with the operator Pilot and assisting with technical input to ensure a quality reprocessing product and interpretation to support future exploration activities.

Corporate and Current Outlook for Key

At the end of the quarter the Company had \$1,153,000 cash on hand.

Exploration costs for the quarter were \$266,000 with the technical work related to farm out negotiations and prospect evaluation on L7 technical work and the escalation of land access negotiations and drilling preparations for EP437.

Activities are expected to increase in the coming quarter with preparations, including approvals, for operations at L7 Mount Horner. Remediation works at the site will commence with costs fully underwritten by AWE.

Petroleum Permit Schedule

Petroleum Permit	Type	Location	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired during Quarter	Disposed during Quarter
L7	Production Licence	Perth Basin, WA	100%	100%	-	-
EP437	Exploration Permit	Perth Basin, WA	86.94%	86.94%	-	-
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

IAN GREGORY
COMPANY SECRETARY

Dated: 29 October 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")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	398	398
1.2 Payments for		
(a) exploration & evaluation	(266)	(266)
(b) development	-	-
(c) production	-	-
(d) staff costs	(111)	(111)
(e) administration and corporate costs	(100)	(100)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(77)	(77)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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 – Mining Lease Guarantee	(157)	(157)
2.6	Net cash from / (used in) investing activities	(157)	(157)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,387	1,387
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(77)	(77)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(157)	(157)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,153	1,153

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	638	826
5.2 Call deposits	515	561
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)	1,153	1,387

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**

(96)

-

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	(212)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(150)
9.5 Administration and corporate costs	(180)
9.6 Other	-
9.7 Total estimated cash outflows	(542)

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: 29 October 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.