

31 January 2020

The Manager
The Australian Securities Exchange
The Announcements Office
Level 4/20 Bridge Street
SYDNEY NSW 2000

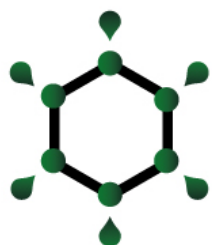
QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

Key Petroleum Limited attaches herewith Quarterly Activities Report and Appendix 5B for the period ended 31 December 2019.

Regards



IAN GREGORY
Company Secretary
Key Petroleum Limit



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Quarterly Report

For the Period Ended 31 December 2019



ACN 120 580 618

Update on Activities

Highlights for the Quarter

- Landmark Access Agreement executed for Kingia and High Cliff Targets on the Bookara Shelf Project, including the Parce and Becos prospects where the agreement includes compensation terms through to the production phase.
- Red Emperor Resources NL executed an Option Agreement to acquire a 70% interest in WA-481-P by funding the Year 6 work program to a value of \$150,000.
- Key received formal confirmation from the Department of Nature Resources, Mines and Energy, Queensland that Cooper Eromanga Basin ATPs 783, 920 and 924 have been renewed for a further period of four (4) years.
- The Chandos Updip prospect within the ATP 783 Canaway Ridge Project has been significantly de-risked from integrating the primary term work commitments comprising the geochemical survey and seismic reprocessing.
- A Farmin Agreement was formally executed between Key and Pancontinental Oil and Gas NL for the Meeba Project, a significant structural trend that lies between the Cuisneer and Inland Oil Fields.
- A Letter of Intent between Key and Refine Energy Pty Ltd to secure the use of Refine Energy Rig 2 under defined schedule of rates to perform drilling services in relation to both firm (Ace and Alfajour prospects) and contingent work programs in the Cooper Eromanga Basin, Queensland was executed.
- A Land Access and Compensation Agreement for the Wye Knot-1 Prospect location has now been executed and accordingly a Botanical Field Survey was completed at the drilling location enabling lodgement of all necessary Clearing Permit applications with the Regulator. In parallel all regulatory approvals have been lodged for drilling.
- Share Purchase Plan was completed raising \$192,011.
- Landmark Access Agreement for the Meeba and Tanbar Projects executed covering the entire exploration work program for the renewed period of 4 years.
- Continued infrastructure rehabilitation activities at Mount Horner Oil Field with costs being reimbursed to Key pursuant to the Sale and Purchase Agreement for acquisition of L7 between Key Petroleum and AWE Perth Pty Ltd, now Mitsui E&P Australia (MEPAU).
- Notification to Drill (for Ace-1) was submitted to Queensland regulators while discussions with other drilling partners advanced.

Activities Subsequent to the End of the Quarter

- Finalised terms for drilling contracts within the Bookara Shelf for exploration drilling and abandonment work within L7. Logistics were coordinated to determine whether abandonment work can be carried out in conjunction with drilling to minimise costs; and
- Key Services tendered with potential clients on proposed decommissioning and rehabilitation programs.

Activities for the Upcoming Quarter

- Finalise drilling contracts for abandonment and drilling programs within the Bookara Shelf Project.
- Plan heritage surveys around Ace, Taj-1 and Alfajour-1 proposed well locations.
- Recommence decommissioning within the Mount Horner Production Facility after well abandonment activities are completed.
- An extension and suspension of the Year 3 work program commitments have been approved until 27 May 2020 for the drilling of the commitment well in EP 437, within the Bookara shelf Oil Project.

Cooper Eromanga Basin, Queensland

ATP 920

Key Petroleum Limited (Operator) (via wholly owned subsidiary) 80.00%

Pancontinental Oil and Gas NL *20.00%

** Pancontinental is to earn an undivided 20% participating interest in ATP 920 in accordance with Farmin Agreement dated 30 October 2019*

ATP 924

Key Petroleum Limited (Operator) (via wholly owned subsidiary) 75.00%

Pancontinental Oil and Gas NL *25.00%

**Pancontinental is to earn an undivided 25% participating interest in the Ace Area of ATP 924 in accordance with the Farmin Agreement dated 30 October 2019*

ATP 783

Key Petroleum Limited (Operator) (via wholly owned subsidiary) 100.00%

- ◆ During the quarter, Pancontinental Oil and Gas NL (“Pancon”) and Key finalised the Meeba Project Farmout, Area of Mutual Interest and Joint Operating Agreements for the Ace area of ATP 924 and ATP 920:
 - ◆ Pancon will acquire an undivided 20% participating interest in ATP 920, together with an option to acquire an additional undivided 15% participating interest in ATP 920, and an undivided 25% participating interest in the Ace Area of ATP 924; and
 - ◆ Pancon has agreed to fund 26.67 % of the total cost of drilling a, yet to be selected, exploration well to target depth, including plugging and abandoning the well (Dry Hole Costs) but excluding success case costs associated with testing and completing the well, with such well costs to be capped at \$3,000,000 gross (“on a 100% basis”).
- ◆ Key received formal confirmation from the Department of Natural Resources, Mines and Energy, Queensland during the Quarter that ATPs 920, 924 and 783 have all been renewed for four years to 2023.
 - ◆ The relevant commitments for each ATP that need to be completed within the four-year period include:
 - **ATP 920**
 - Geological and geophysical reviews
 - 80 km magnetic survey (Year 3)
 - 200 km 2D seismic survey (Year 3)
 - Satellite imagery (visible imagery)
 - Drill one well (year 4)
 - Interpretation studies

▪ **ATP 924**

- Geological and geophysical reviews
- 80 km magnetic survey (Year 3)
- 80 km 2D seismic survey (Year 3)
- Satellite imagery (visible imagery)
- Drill one well (Year 1)
- Drill one well (Year 4)
- Interpretation studies

▪ **ATP 783**

- Geological and geophysical reviews
- 120 km 2D seismic survey (Year 3)
- Satellite imagery (visible imagery)
- Drill one well (Year 4)

◆ A Conduct and Compensation Agreement for compensation and land access across almost all of ATP 924 and a large portion of ATP 920 has now been executed (Tanbar and Meeba Projects):

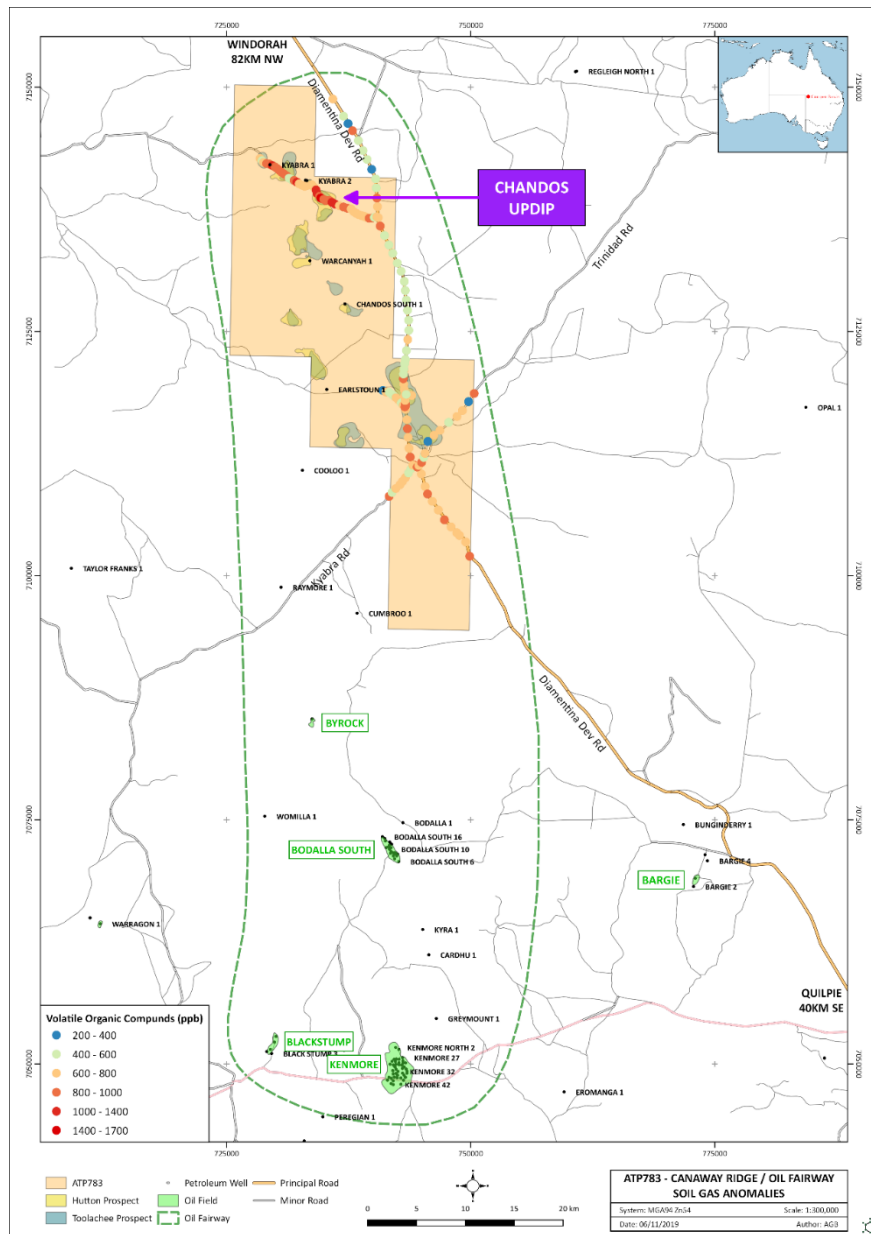
- ◆ All exploration activities including seismic and drilling for each of the Meeba and Tanbar Projects as proposed in the four (4) year renewal applications for ATP 920 and 924 are covered in the Agreement;
- ◆ Formalisation of access terms comes after nearly a year of negotiation where remote logistics requires the assistance of the principal landowners; and
- ◆ The execution of this Agreement was a major hurdle in progressing drilling participation and finalising logistics for drilling campaigns in each of Meeba and Tanbar Projects, which have been notionally scheduled for May 2020.

◆ Heritage survey clearance is currently being coordinated after completion of the wet season.

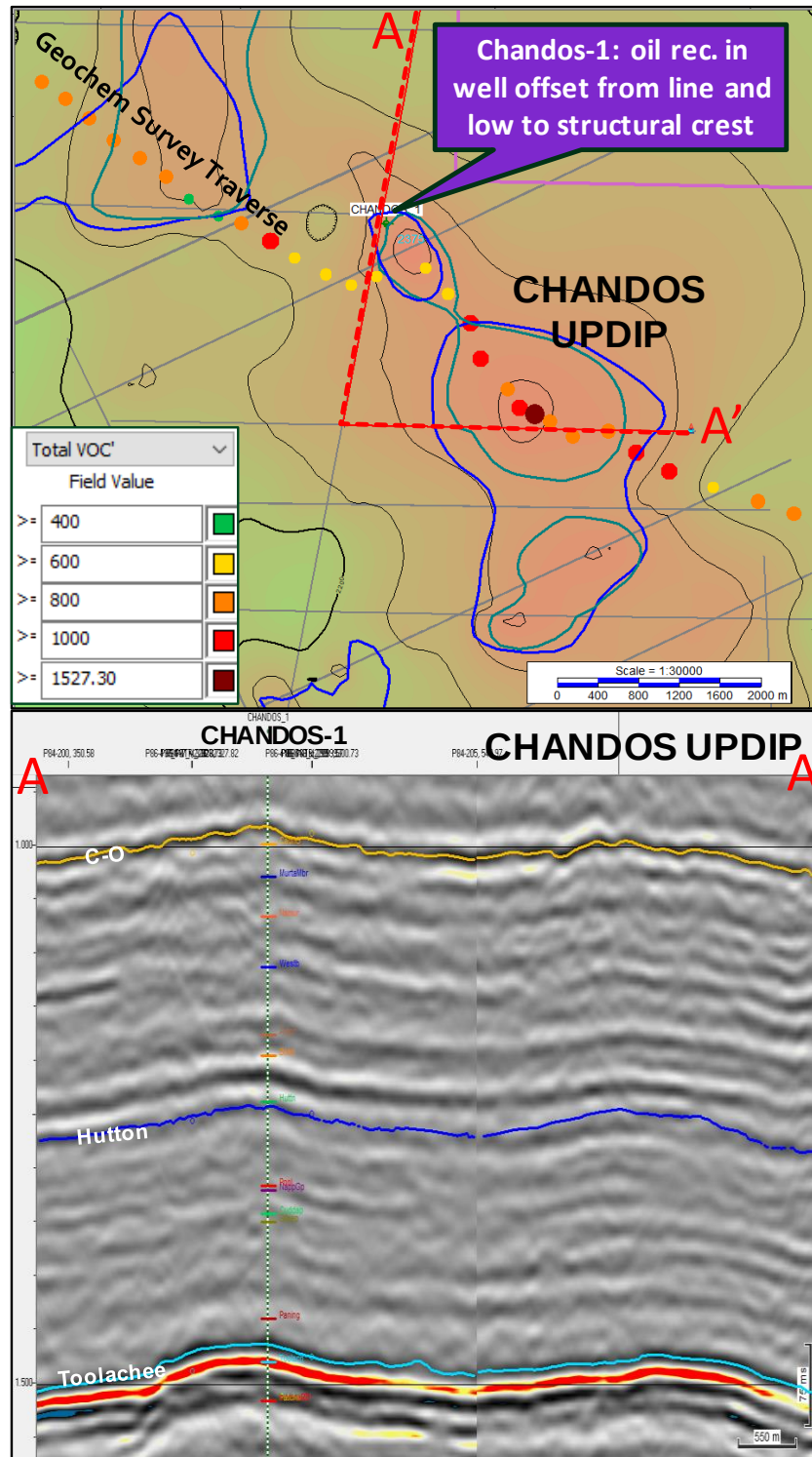
◆ During the Quarter Key executed a non-binding Letter of Intention (“LOI”) with Refine Energy Pty Ltd (“Refine”) to award a Drilling Services Agreement (“DSA”) for the use of Refine Rig 2 in the Company’s ATP 924 Cooper Eromanga Basin Program. The LOI specifies the following:

- ◆ The Scope of Work is for the drilling of two firm wells, being Ace-1 and Alfajor-1 in ATP 924;
- ◆ Program duration will be a minimum of 50 days;
- ◆ As Operator, Key is determining with Pancon the optimal surface well location for the drilling of Ace-1 and whether it will potentially be situated in the adjacent landholder land and this assessment will be carried out following an understanding of the impact the wet season has had on existing roads the subject of the current compensation agreement; and

- ◆ A day rate for drilling has been agreed between the parties and will be incorporated into the formal DSA which is close to being agreed by each of the parties.
- ◆ The Company has significantly de-risked the Chandos Updip Prospect area within Key's Canaway Ridge Project from integrating primary term work commitments, being a geochemical survey and seismic reprocessing:
 - ◆ The Canaway Ridge Project is located in ATP 783, east of Key's ATP 920 and ATP 924 permits, and overlies the Jurassic to Cretaceous Eromanga Basin and Permian to Triassic Cooper Basin;
 - ◆ The prospects lie on the Canaway Ridge trend, a prolific oil producing trend demonstrated by the presence of the producing Bodalla South and Kenmore Oil Fields to the south; and
 - ◆ The Company is considering Chandos Updip as a drillable prospect including forming part of the proposed contingent drilling program with Refine Energy Rig 2.



ATP 783 Jurassic (yellow) and Permian (blue) prospects with analogous oilfields (green) to the south



ATP 783 – Chandos Updip Prospect with location of Chandos-1 (below) and anomalous geochemical values (ppb) across Chandos Updip

Bookara Shelf Oil Project (Onshore Perth Basin – EP 437 and L7)

L7 (Mount Horner) Summary

Key Petroleum Limited (Operator) (via wholly owned subsidiary) 50%

Triangle Energy (Global) Limited (via wholly owned subsidiary) *50%

**Triangle is to earn 50% by completing the Farmin Programme consisting of a minimum of 50 square kilometres of 3D seismic and the drilling a minimum of two (2) wells*

- ◆ Rehabilitation activities for Mount Horner Oilfield have continued, with flowline removal completed and disturbed areas fully rehabilitated. Other areas of infrastructure have also had decommissioning activities completed;
- ◆ Submitted regulatory approval documentation for the full abandonment of three wells in the Mount Horner Oil Field to be conducted in Q1 2020 after revisions of relevant regulatory documentation were submitted during the quarter;
- ◆ The wells subject to abandonment have been pressure tested prior to rig mobilisation into the field (refer below);
- ◆ All decommissioning and rehabilitation activities have continued without incident at L7 with all costs fully refunded to date by Mitsui. The majority of the Mount Horner Field is now expected to be decommissioned and abandoned by June 2020; and
- ◆ On 23 December 2019 Key submitted a Work Programme and Budget for both the Seismic Survey and the drilling of two wells in accordance with the Farmout Agreement between the parties dated 31 October 2018. Key considers that these programmes are deemed approved (which, as at the date of this report, is not accepted by Triangle) and is planning to have them implemented. The estimated expenditure for the next quarter on those programmes is estimated to be \$132,310 which amount is to be borne by Triangle Energy (Global) Limited in accordance with the Farmout Agreement.



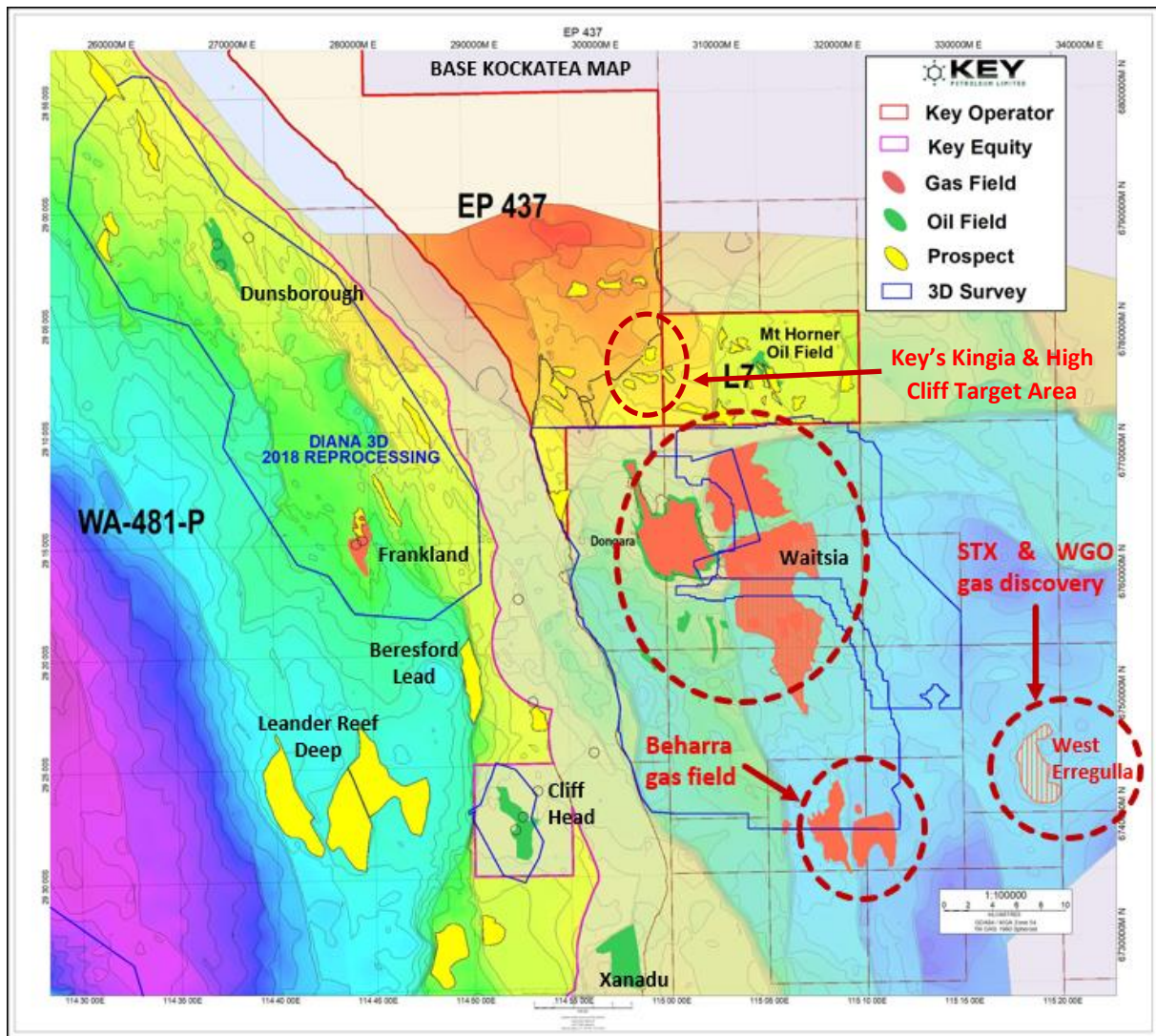
Pressure Testing Activities at Mount Horner (L7)

EP 437

Key Petroleum Limited (Operator) (via wholly owned subsidiary) 86.94%

Pilot Energy Limited 13.06%

- ◆ A Land Access and Compensation Agreement has been executed between the landowner and Key that includes compensation terms for all activities from exploration, appraisal, development and production to be undertaken:
 - ◆ 2D or 3D seismic acquisition with associated rehabilitation;
 - ◆ Three exploration wells with any open hole, cased hole or extended production testing;
 - ◆ Geochemical survey; and
 - ◆ Petroleum Operations:
 - Clearing of a 2-hectare area around a wellbore that discovers petroleum;
 - Development wells to be within the 2-hectare area;
 - Area to include access road, installation of tanks, beam pumps, sheds and ponds as part of production infrastructure.
- ◆ The Agreement covers the Becos, Parce and Becos South Prospects which are considered multi-level objectives, including at the Kingia and High Cliff level;
- ◆ Prospects are located adjacent to the Mount Horner Oil Field and south of the Wye discovery and importantly the entire trend consisting of the Becos, Parce and Wye Knot prospects now have agreed access terms for drilling;
- ◆ All prospects are located within close proximity to the Mount Horner Oil Field providing flexibility for development and importantly all have access for drilling and majority production, a major hurdle in monetising discoveries in the Perth Basin; and
- ◆ After revisions to regulator documentation have been approved, a rig will be mobilised in for abandonment work, which may be used for drilling at Wye Knot-1 or Parce-1 or both thereby reducing overall mobilisation and demobilisation costs, depending on regulatory approval timing.



Kingia and High Cliff target area subject to a recent land access agreement and relevance to Waitsia, Dongara, West Erregulla and Beharra Fields

Northern Perth Basin (Offshore)

WA-481-P

Key Petroleum Limited (via wholly owned subsidiary) 40%

Pilot Energy Limited (Operator) 60%

- ◆ The WA-481-P joint venture continues with the integration of the newly reprocessed seismic data and inversion work being carried out in the Year 6 permit term;
- ◆ The WA-481-P joint venture executed an option agreement with Red Emperor Resources NL (“RMP”). In return for funding of the current year 6 work program to a capped \$150,000 amount covering seismic inversion and geoscientific studies, Red Emperor will have the right to acquire a 70% working interest and the right to operate by paying Pilot Energy Limited and Key collectively \$500,000; and
- ◆ A renewal work program is currently being assessed by both the Joint Venture and RMP who are working collaboratively to agree the program to be shortly lodged with the federal regulator NOPTA.

Corporate and Current Outlook for Key

At the end of the quarter the Company had \$573,000 cash on hand.

Exploration costs for the quarter were \$456,000 with a significant portion of these costs relating to drilling preparation for campaigns in both the Perth and Cooper Eromanga Basins.

The Company raised \$192,011.00 with 27,043,798 fully paid ordinary shares at \$0.0071 issued on 16 December 2019 via a Share Purchase Plan. The funds will be used to advance the Perth Basin drilling program, advance engineering plans for drilling Ace-1 in the Cooper Eromanga Basin and to fund further strategic opportunities.

In addition to capital raising activities, Key’s oilfield services subsidiary, Key Petroleum Services Pty Ltd received in the order of \$530,000 during the quarter from clients principally related to rehabilitation works undertaken at the Mount Horner Oil Field L7. During the coming quarter Key is expected to complete further work to the value of approximately \$300,000. This part of the business continues to expand, and the Company is proactively engaged with a number of potential clients with a view to expanding this revenue stream.

Key held its 2019 Annual General Meeting on 15 November 2019 with each of the eight (8) resolutions put to the meeting being passed on a show of hands.

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	50% ■	50%	-	-
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%	-	-

■ Triangle is to earn 50% by spending US\$3 million, subject to the Farmout Agreement announced 31 October 2018

▲ Pancontinental is to earn an undivided 25% participating interest in the Ace Area of ATP 924 in accordance with the Farmin Agreement dated 30 October 2019

◆ Pancontinental is to earn an undivided 20% participating interest in ATP 920 in accordance with Farmin Agreement dated 30 October 2019

ASX Listing Rule 5.4.3

IAN GREGORY
COMPANY SECRETARY

Dated: 31 January 2020
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 and is a qualified petroleum reserves and resources evaluator. Resources reported in this presentation and previous reports are based on representative information and supporting documentation. Mr Marshall is a Practising Petroleum Engineer and Petroleum Geologist and holds a BSc (Geology), a BCom (Investment and Corporate Finance) and a Masters in Petroleum Engineering. He is a member of the Society of Petroleum Engineers (SPE), American Association of Petroleum Geologists (AAPG), The Geophysical Society of Houston (GSH), Petroleum Exploration Society of Great Britain (PESGB), Formation Evaluation Society of Australia (FESAUS), South East Asia Petroleum Exploration Society (SEAPEX), Society of Petrophysicists and Well Log Analysts (SPWLA), Petroleum Exploration Society of Australia (PESA) and has over 20 years of relevant experience. Mr Marshall consents to the inclusion of the information in this document.

CAUTIONARY STATEMENT

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 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	40	88
1.2 Payments for		
(a) exploration & evaluation	(456)	(935)
(b) development	-	-
(c) production	-	-
(d) staff costs	(21)	(77)
(e) administration and corporate costs	(139)	(305)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(2)	(3)
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	(578)	(1,231)

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 (6 months) \$A'000
	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	150
	(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:		
	• Payments for rehabilitation expenses	(86)	(227)
	• Reimbursement of rehabilitation expenses	418	824
2.6	Net cash from / (used in) investing activities	332	747

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	192	655
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	(2)	(45)
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	190	610

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	629	447
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(578)	(1,231)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	332	747
4.4	Net cash from / (used in) financing activities (item 3.10 above)	190	610

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	573	573

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	558	614
5.2	Call deposits	15	15
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantee deposit)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	573	629

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**

104

-

Item 6.1 includes aggregate 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

Mining exploration entity and oil and gas exploration entity quarterly report

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	Nil	Nil
8.2	Credit standby arrangements	Nil	Nil
8.3	Other (please specify)	Nil	Nil
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.		
N/A			

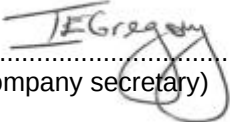
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	190
9.2 Development	-
9.3 Production	-
9.4 Staff costs	60
9.5 Administration and corporate costs	85
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	* 335

* The Company expects to receipt approximately \$300,000 for reimbursement of L7 rehabilitation activity costs during the coming quarter.

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				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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: 
(Company secretary)

Date: 31 January 2020

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.
4. By the Company signing this Appendix 5B, the Managing Director in his capacity as Managing Director and as the person who performs the function of the Chief Financial Officer, declares that the Appendix 5B for the relevant quarter:
 - presents a true and fair view, in all material respects, of the cashflows of the Company for the relevant quarter and is in accordance with relevant accounting standards;
 - the statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - the Company's financial records have been properly maintained and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.