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Quarterly Report

For the Period Ending 30 June 2018

ACN 120 580 618

Update on Activities

Highlights for the Quarter

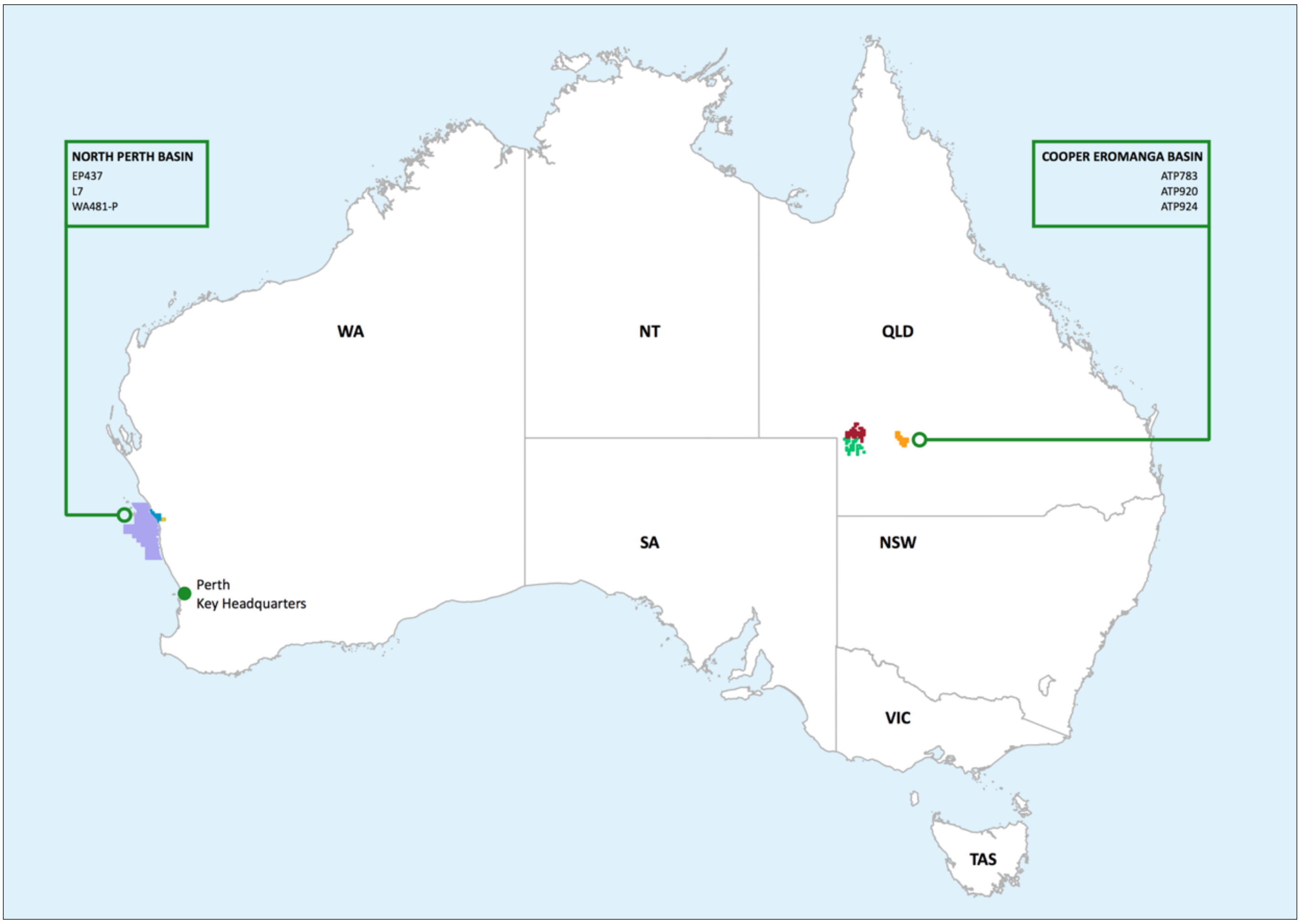
- Successful Capital Raising of $1 million with Sanlam Private Wealth appointed Sole Book Runner;
- Canning Basin asset divestment to Rey Resources Limited finalised on 14 May 2018;
- Initiated discussions with Cooper Eromanga infrastructure operators (18 April 2018 – Cooper Eromanga Basin Asset Update), together with a number of interested parties regarding potential participation in drilling opportunities;
- Cut-off date for completion of the L7 Mt Horner transaction was extended and further information on decommissioning and related activities provided to Department of Mines, Industry Regulation and Safety, Western Australia ("DMIRS");
- Ongoing discussions pertaining to long lead items for North Perth Basin drilling and work over activities in second half of 2018;
- Provision of technical support to Operator as part of the ongoing seismic reprocessing work in WA-481-P, offshore Perth Basin;
- Ongoing discussion with interested parties for L7 Mt Horner appraisal potential; and
- Utilise the studies over the Cooper Eromanga Basin assets to facilitate discussions with Department of Natural Resources and Mines, Queensland ("DNRM") on the forward work commitment programs for ATPs 783, 920 and 924.

Activities Subsequent to the End of the Quarter

- DMIRS approval of the L7 Mt Horner title transfer and commencement of remediation activities;
- Announced on 29 May 2018 a non-exclusive agreement period of four months with Six Pines Capital LLC, Canada to raise a minimum of AUD $5,000,000 to cover the costs of drilling, completion and testing of at least two wells within the area defined as "Area 3" of ATP 924, which surrounds the Marengo Gas Field. This agreement marked the commencement of a dedicated farm out process for funding on the Cooper Eromanga Basin asset work program;
- Further discussions with interested parties regarding potential participation in drilling over Mt Horner L7. Key technical staff visited WA Core Library to analyse historic Mt Horner Jurassic primary reservoir cores;
- L7 mapping of primary reservoir targets completed and checked against legacy AWE Limited data;
- Initiated process for access approval to drill Wye Knot-1 in EP 437; and
- Completion of prospective resource estimates for Cooper Eromanga Basin assets.

Activities for the Upcoming Quarter

- Cooper Eromanga revised work program approval and initiation of field related activities;
- Continue discussion and studies with potential farminees for North Perth Basin assets;
- Ramp up efforts to farm out southwest Queensland Cooper Eromanga drilling program; and
- Finalise approval documentation pertaining to remediation operations within the Mount Horner Production Facility.



Key asset map post Canning Basin divestment

Cooper Eromanga Basin, Queensland

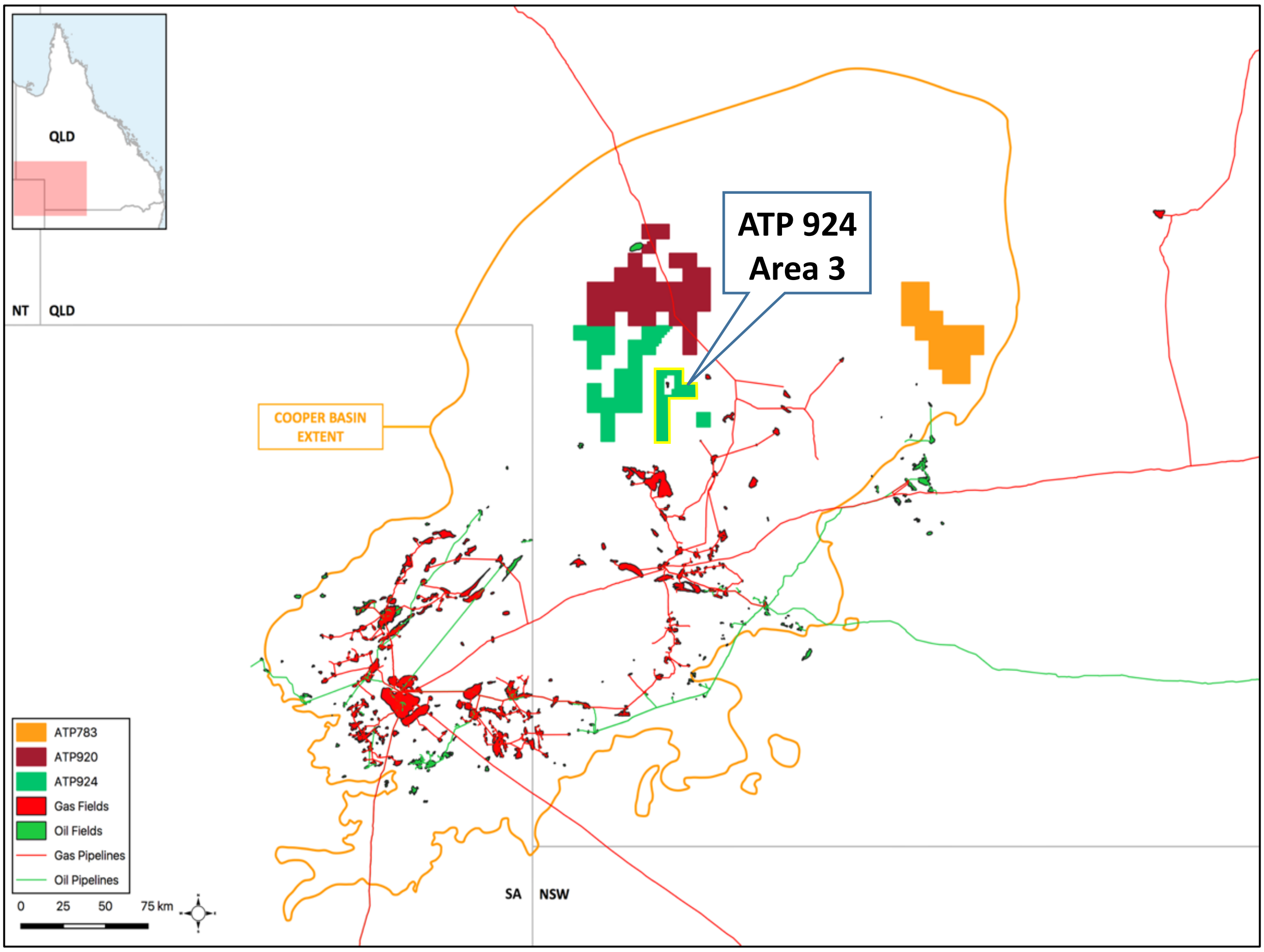
ATP 920, ATP 924 and ATP 783

Key Petroleum Limited (Key Cooper Basin Pty Ltd) *100.00%*

- Key opened discussions with Cooper Eromanga infrastructure operators (18 April 2018 – Cooper Eromanga Basin Asset Update), together with a number of interested parties regarding potential participation in drilling opportunities for the second half of 2018. Key has been in discussions with potential gas customers, which has been building the pipeline link between the Northern Gas Pipeline ("NGP") and the Carpentaria Gas Pipeline ("CGP"), which runs through ATP 920 and 924. Key considers that in the event of a near term discovery, any opportunity in ATPs 920 and 924 for commercial development will be ahead of any Northern Territory potential supply. This is principally due to the conventional Permian leads, with existing 3D seismic and short tie back distances into infrastructure, being significantly lower risk when compared to more remote and capital intensive unconventional resource plays. Additionally, Key has been working with the Department of State Development in Queensland on proposed tie back routes from these preliminary mapped areas.
- The Company has identified rigs that are available in the second half of the 2018. Key anticipates positive results from Real Energy Limited's basin centred gas exploration program in the adjacent acreage that target the same Permian play fairway.
- Technical work including reserves calculations were completed in the subsequent quarter and summary results are included in the Company presentations released on 14 May 2018 in conjunction with the PESA Deal Day held in Adelaide as part of the annual APPEA conference.

ATP 924

Key Petroleum Limited ("Key") advised on 20 May 2018 that it has entered into a four month non-exclusive Agreement with North American based Six Pines Capital LLC ("Six Pines"), whereby Six Pines can seek to raise a minimum of AUD$5,000,000 ("minimum amount") to cover the costs of drilling to completion and the testing of at least two wells into the Permian within an area defined as Area 3 within ATP 924 in the state of Queensland. Area 3 is defined as the majority area surrounding the Marengo Gas Field. On receipt of the minimum amount into an Australian trust account, Key will transfer operatorship of Area 3 to Six Pines, or its financially guaranteed Contributing Entity ("the Entity"), the Entity will enter into a formal farmout agreement with Key (based on relevant CAPL or Ampla models) with a firm undertaking to pay for the drilling of at least two wells, to completion, into the Permian within Area 3. In consideration for completing the drilling, completion and testing of the two wells, the Entity will earn a 75% percentage interest in Area 3 and Key's 25% will be free carried. It should be noted that drilling, completion and testing of two wells into the Permian is likely to exceed AUD$5 million, however under the terms of the Non-Exclusive Agreement AUD $5 million is the minimum amount required to enter into a farmout agreement. 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.



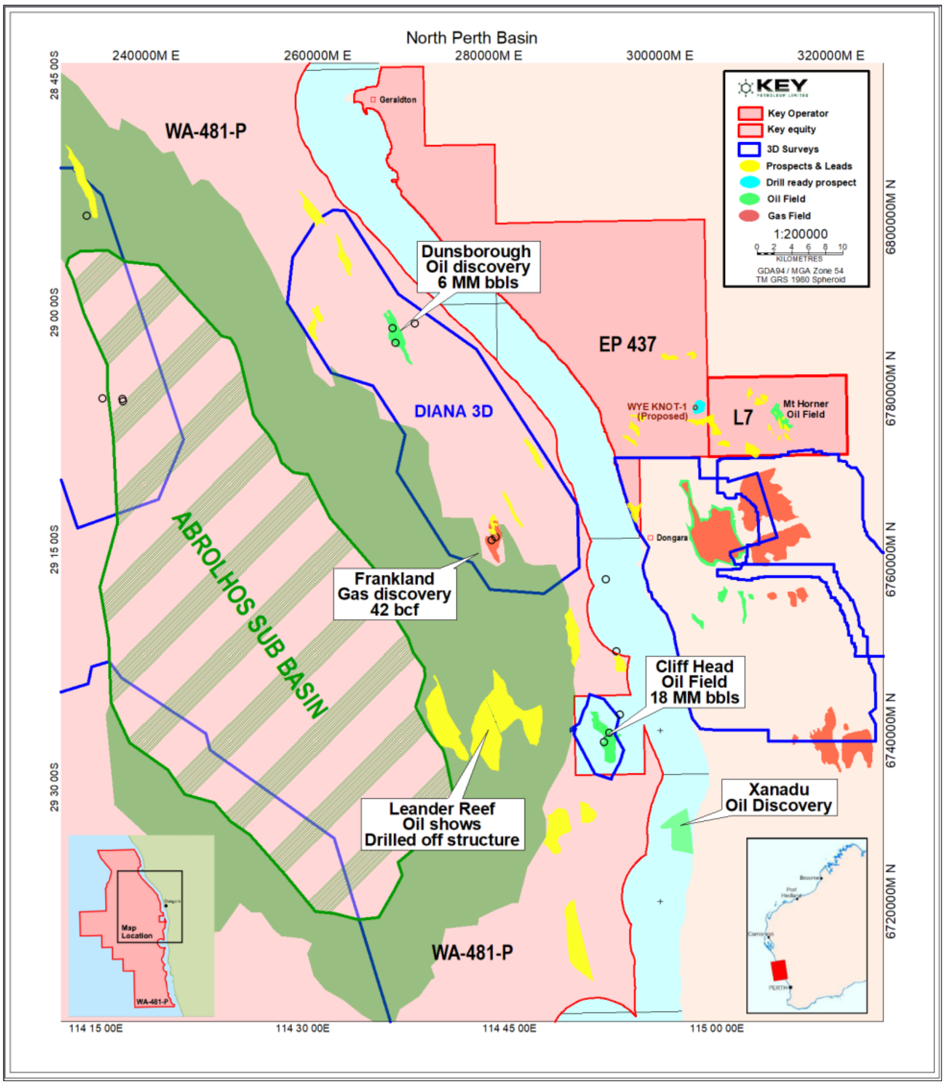
ATP 924 Area 3, Cooper Eromanga Basin, Queensland

Northern Perth Basin (Onshore)

L7 (Mount Horner) Summary

Key Petroleum Limited (via wholly owned subsidiary) (Operator) *100%*

- 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.
- Further discussions with interested parties regarding potential participation in drilling over Mt Horner L7. Key technical staff and client visited WA Core Library to analyse Mt Horner Jurassic primary reservoir cores.
- L7 mapping of primary reservoir targets completed and checked against legacy AWE data. Key has also checked well head locations in the field.
- Key remains excited about the underexplored oil plays in the area to be captured by the L7 licence acquisition.



Key Petroleum's Perth Basin Portfolio

Mount Horner from Tabletop Road, July 2018

EP 437

Key Petroleum Limited (via wholly owned subsidiary) (Operator)	*86.94%*
Pilot Energy Limited	*13.06%*

- Key remains focussed on its preferred drilling location at Wye Knot-1 and continues the formal process to seek access approval to this location in a way that adheres to Key's own HSE requirements.
- 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, continues the seismic reprocessing (pre-stack depth migration, or PSDM) of the Diana 3D and selected adjacent 2D seismic data, on schedule with DownUnder Geophysics. The reprocessing work is expected to be completed towards the end of the year. Key is working cooperatively with the operator and assisting with 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, R1 and L15

- The Company finalised the divestment of the Canning Basin assets to Rey Resources as announced on 14 May 2018.

Corporate and Current Outlook for Key

At the end of the quarter the Company had $1,386,849 cash on hand.

During 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.

Exploration costs for the quarter increased to $209,000 with the technical work related to the Cooper Basin prospectivity review and the escalation of land access negotiations and drilling preparations for EP437.

Exploration and evaluation costs are expected to increase again in the coming quarter with DMIRS approval of the L7 Mt Horner transfer as farm out negotiations and prospect evaluation will continue. Remediation works at the site will commence with costs fully underwritten by AWE.

Costs for the statutory 2018 end of financial year audit and other associated activities together with the commencement of rent payments after a six month negotiated rent free period for the corporate office are also expected to see the corporate costs increase in the coming quarter.

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	43.47%	86.94%	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%	-	-
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%

ASX Listing Rule 5.4.3

*Legal beneficial interest – DMIRS title transfer approved subsequent to the end of the June 2018 quarter.

IAN GREGORY
COMPANY SECRETARY

Dated: 30 July 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.

+Rule 5.5

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	**Quarter ended ("current quarter")**
50 120 580 618	30 June 2018

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	54	246
1.2	Payments for		
	(a) exploration & evaluation	(209)	(854)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(112)	(462)
	(e) administration and corporate costs	(124)	(566)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	14
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)	1	6
1.9	**Net cash from / (used in) operating activities**	**(388)**	**(1,619)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(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 (12 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	43	43
2.4	Dividends received (see note 3)	-	-
2.5	Other – Lease Guarantee	-	(21)
2.6	**Net cash from / (used in) investing activities**	**43**	**14**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	1,000	2,000
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	(75)	(135)
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**	**925**	**1,865**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	807	1,127
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(388)	(1,619)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	43	14
4.4	Net cash from / (used in) financing activities (item 3.10 above)	925	1,865
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,387**	**1,387**

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	826	248
5.2	Call deposits	561	559
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)**	**1,387**	**807**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	(102)
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

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**	**Current quarter $A'000**
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

N/A

	8. Financing facilities available *Add notes as necessary for an understanding of the position*	**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	(273)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(140)
9.5	Administration and corporate costs	(220)
9.6	Other	-
9.7	**Total estimated cash outflows**	**(633)**

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: IEGregory Date: 30 July 2018

(~~Director/~~Company secretary)

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.