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Quarterly Report

For the Period Ending 31 December 2018

ACN 120 580 618

Update on Activities

Highlights for the Quarter

- **Received formal approval of work program change in ATP 920 and 924 to one well, seismic reprocessing and other studies to focus on exploration of conventional gas targets;**
- **Initiated negotiations for access for drilling on ATP 924 on Tanbar Station;**
- **Commenced rig tendering for drilling of Taj and Alfajour prospects in ATP 924, and commenced civil earthworks tendering for site clearance work for Taj-1 and Alfajour-1 wellsite locations;**
- **Awarded reprocessing contract for ATP 783, ATP 920 and ATP 924 to Earth Signal and Howman Seismic Services as part of expedited revised work programs;**
- **Executed Farmout Agreement with a subsidiary of Triangle Energy (Global) Limited ("Triangle") for Triangle to earn 50% by spending US$3 million towards 3D seismic acquisition and two wells in L7, North Perth Basin;**
- **Commenced mobilisation of 40-man mobile camp to Mount Horner to house seismic and drilling crews for 2019 campaigns with approvals lodged with local governments for new infrastructure;**
- **Completed maiden prospective and contingent resource estimates for the Bookara Shelf Oil Project containing EP437 and L7 within the North Perth Basin;**
- **In principle compensation agreement terms agreed with landowner for preferred well location for the drilling of Wye Knot-1, EP 437, Perth Basin; and**
- **Placement of $300,000 to existing cornerstone investor to fund continued activities in the Perth Basin.**

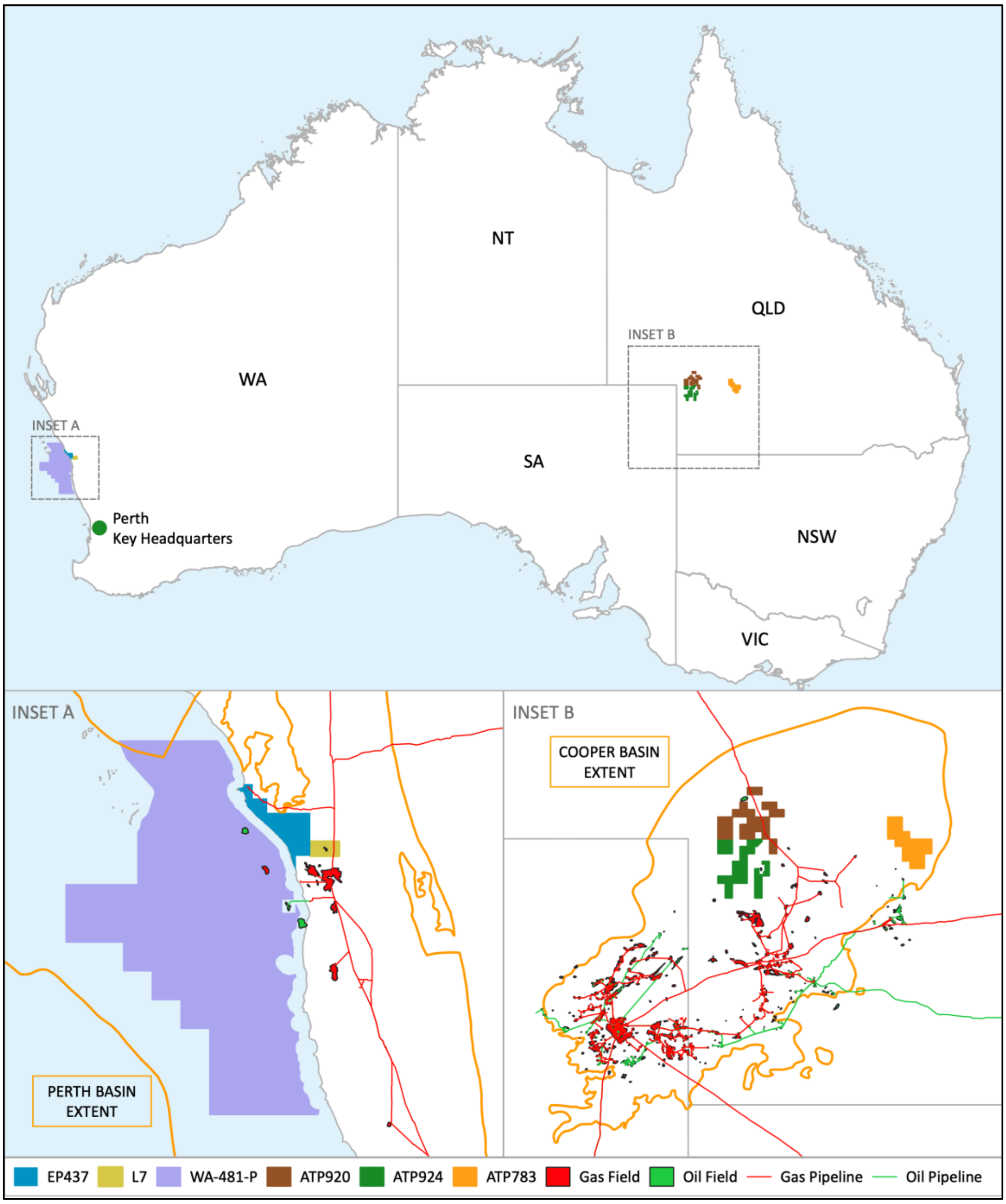
Activities Subsequent to the End of the Quarter

- EP 437 suspension of the permit Year 3 work program was granted for a period of one year with a corresponding extension of the permit term to 27 November 2019.
- Continuing DMIRS approval for L7 Mount Horner operations and the proposed remediation documentation and the planning of remediation activities;
- Initiated tendering process for seismic 3D acquisition within the L7 production licence area and potentially other additional surveys; and
- Upgraded ATP 924 Tanbar Gas Project Gross Unrisked Prospective Resources[1] to 150 Bcf (1U) – 500 bcf (2U) – 950 Bcf (3U) which include the Alfajour and Taj conventional oil and gas prospects.

[1] Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. See Prospective resource notes on the last page for resource estimate determination for the Tanbar Gas Project which include prospects that have been probabilistically determined separately and then arithmetically summed for the Project.

Activities for the Upcoming Quarter

- Short list farmin candidates for ATP 924 from data room due diligence;
- Site preparation for Alfajour-1 and Taj-1 locations expected to commence in February;
- Assess rig options from tender for drilling in ATP 924;
- Integrate pipeline surveys in ATP 920 and ATP 924 with Queensland Department of State Development to facilitate fast tracking of any gas discovery to development;
- Finalise EP 437 and L7 joint venture work program budgets;
- Commence decommissioning and rehabilitation operations within L7 leading up to site preparations for EP 437 and L7 in June quarter; and
- Commencement of remediation operations within the Mount Horner Production Facility.



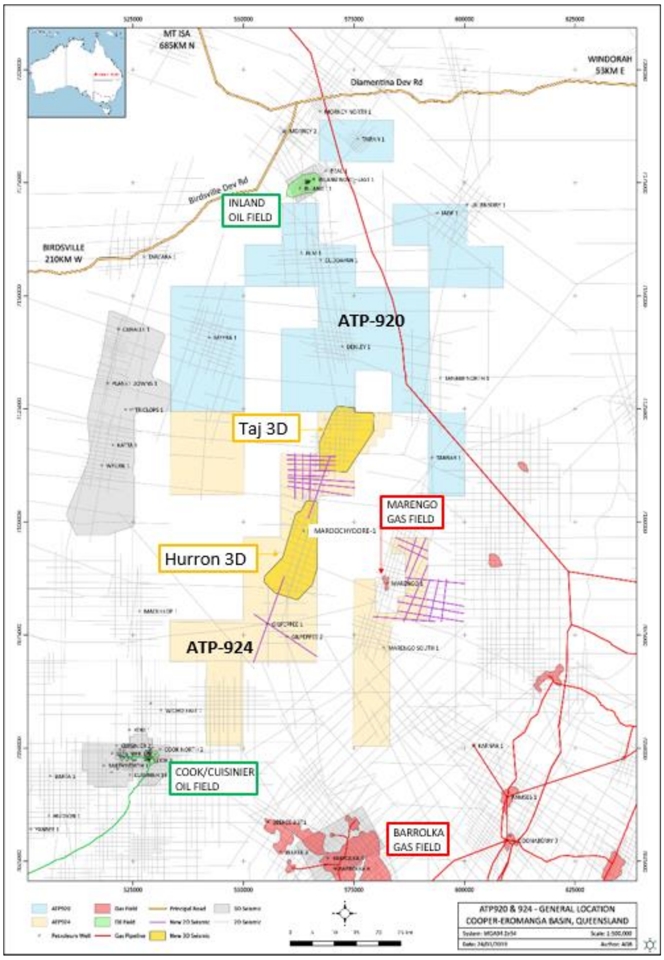
Key Asset Map

Cooper Eromanga Basin, Queensland

ATP 920, ATP 924 and ATP 783

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

- The approved amended work program in both ATP 920 and ATP 924 now consists of seismic reprocessing and one well drilled to a depth of 2,600 metres. Key will predominantly focus on gas exploration of the Triassic and Permian reservoirs within 3D defined prospects that lie 20 kilometres west of the Santos operated Mount Howett and Whanto Gas Developments and 75 kilometres west of the Real Energy's Tamarama project;
- Seismic reprocessing tenders were issued and awarded to Earth Signal and Howmans Seismic Services before the end of the quarter. The majority of the field data was copied and sent to the two reprocessing contractors who will conduct the work concurrently;
- Prospective resources upgrade for ATP 924 was announced on 24 January 2019 and includes multiple gas target objectives with current gross un-risked prospective resources for ATP 924 being 150 Bcf (1U) - 500 Bcf (2U) – 950 Bcf (3U) estimated from the Triassic and Permian gas fairway reservoir intervals within the Tanbar Gas Project area of the permits. Prospective resource estimates to date have been based on mapped structural closures but now also include potential contributions from reservoir targets in Permian Toolachee canyons identified on 3D seismic data. These canyons are analogous to thicker producing Toolachee sandstone intervals in the nearby Barrolka Gas Field.
- Several companies are assessing the opportunity to participate in the upcoming drilling program.



Above: Tanbar Gas Project Area with flat terrain and main access road in foreground. Below: Bing satellite map of Alfajor-1 location

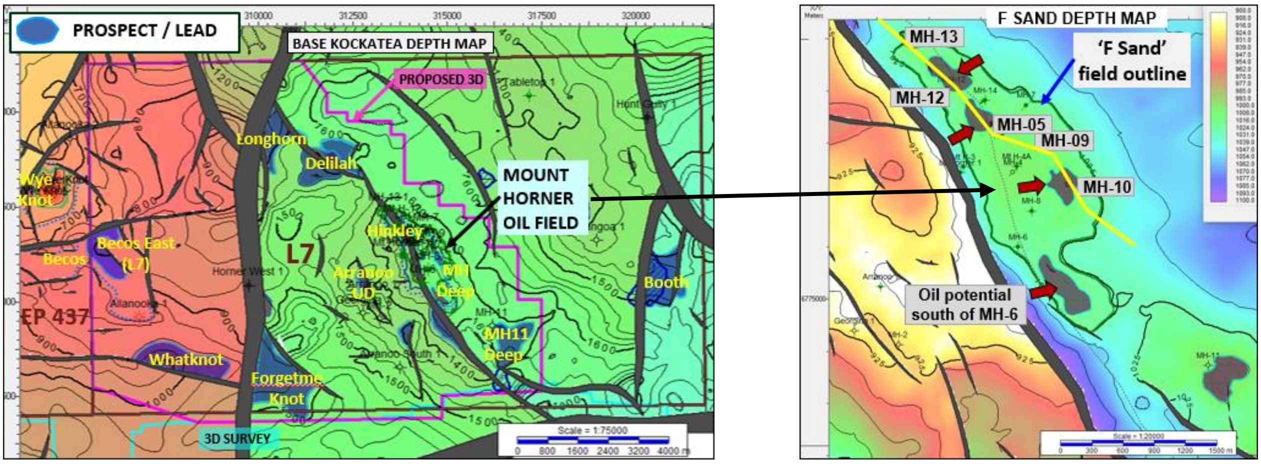
ATP 924 including Area 3, Cooper Eromanga Basin, Queensland

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

L7 (Mount Horner) Summary

Key Petroleum Limited (via wholly owned subsidiary) (Operator)	*100%*
Triangle Energy (Global) Limited (via wholly owned subsidiary)	*50%*

- Triangle Energy farmout announced 31 October 2018 with farmin programme to earn 50% in L7 capped at US$3 million.
- Planning for 3D acquisition, two new wells and work overs to commence in Q1 2019 with results expected to provide enough justification for field re-development in second half of 2019.
- Shire approval to construct 40-man camp at Mount Horner, which will greatly reduce operational overheads.
- The majority of infrastructure at Mount Horner is planned to be decommissioned and this work will potentially be incorporated with operational activities in the area resulting in overall reduced costs to Key's Perth Basin activities.
- L7 captures the bulk of the underexplored Bookara Shelf oil fairway for which Key has now established a pivotal period in value creation.
- Maiden resource estimates for L7 were completed during the quarter:
  - "F Sand" Contingent Resource Range[2] being probabilistically determined for each infill candidate and then summed to be 0.1 (1C) - 0.3 (2C) – 0.5 (3C) mm bbls;
  - "F Sand" Un-risked Prospective Resource Range[3] probabilistically determined then summed arithmetically to give a range of 0.66 (1U) – 1.75 (2U) – 3.19 (3U) mm bbls; and
  - Triassic Un-risked Prospective Resource Range[4] probabilistically determined then summed arithmetically to give a range of 2.35 (1U) – 9.40 (2U) – 19.20 (3U) mm bbls.
- 3D seismic will unlock significant potential for upside oil discoveries along migration pathway.
- Multiple low risk closures with categories of resource estimates only calculated at two levels (Triassic and F Sand) and upside recognised in the Permian sequence where wells in the area have recovered oil.



L7 Prospect and Infill Drilling Opportunity Maps

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[2] Range is un-risked and are net to Key (100%) L7 is a Production Licence and the contingent resource range has been determined arithmetically only within the Mount Horner Oil Field and is classified as contingent as the evaluation of the accumulation is insufficient to assess commerciality and will be reviewed with activity as part of the Triangle farmout agreement.

[3] Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. The F sand estimates have both an associated risk of discovery and development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

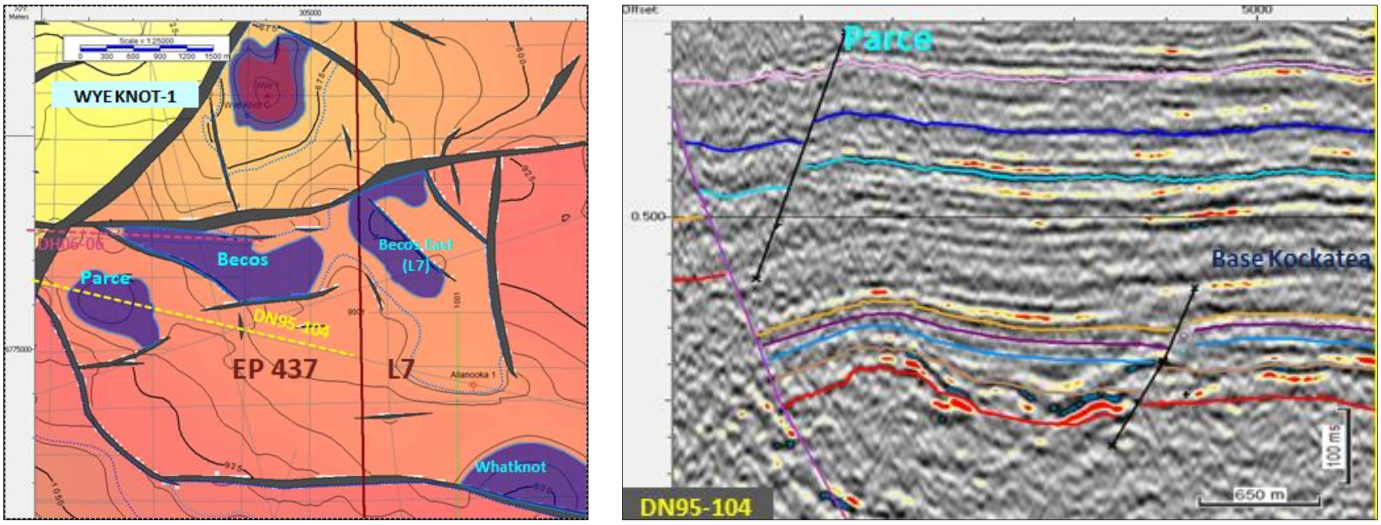
[4] Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. The Triassic sand estimates have both an associated risk of discovery and development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

EP 437

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

Pilot Energy Limited *13.06%*

- EP 437 suspension of the permit Year 3 work program was granted for a period of one year with a corresponding extension of the permit term to 27 November 2019.
- Gross Un-risked Prospective Resource Range[5] estimates for the Triassic have been probabilistically estimated and summed as 1.94 (1U) – 7.82 (2U) – 15.82 (3U) mmbbls and includes the Parce Prospect.
- The Parce Prospect is a newly identified fault independent closure and Wye Knot lookalike that offers the joint venture a comparably attractive resource potential to the Wye Knot Prospect nearby to the north
- Parce forms part of the Becos trend, a structural trend that in the event of success could be tied back to Mount Horner as part of a fast-tracked series of developments due to its proximity to infrastructure
- Land owner compensation terms have been agreed in principle for the Wye Knot-1 well property
- Long lead items have been ordered for the EP 437 commitment well
- The Becos trend, which includes the Parce Prospect, captures a significant portion of the prospective Bookara Shelf Oil Project with three wells to be drilled in the next 12 months.



The Becos to Parce trend (left) and seismic section of Parce Prospect (right)

[5] Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. The Triassic estimates have both an associated risk of discovery and development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. See Prospective resource notes at the end of this quarterly report.

Northern Perth Basin (Offshore)

WA-481-P

Key Petroleum Limited (via wholly owned subsidiary)	*40%*
Pilot Energy Limited (Operator)	*60%*

- The seismic reprocessing (pre-stack depth migration, or PSDM) of the Diana 3D and selected adjacent 2D seismic data with DownUnder Geophysics was mostly completed and delivered with only the post stack processing of the 2D outstanding at the end of the quarter. 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.
- The WA-481-P joint venture is incorporating the newly reprocessed data and is in good standing in regard to completing the remainder of secondary work program commitments, which includes seismic inversion and fluid modelling studies.

Corporate and Current Outlook for Key

At the end of the quarter the Company had $768,000 cash on hand.

Exploration costs for the quarter were $387,000 with the technical work related to prospect evaluation on the Bookara Shelf Oil Project and field surveys in ATP 924 relating to drilling and tendering of various oilfield services.

In December, the Company undertook a capital raising of $300,000 to fund ongoing Perth Basin activities.

Activities are expected to increase in the coming quarter with preparations, including approvals, for operations at L7 Mount Horner and evaluating several oilfield contractors for operations in both the Perth and Cooper Basins. Remediation works at the site will commence with costs fully underwritten by AWE. Receipts in the next quarter are expected in the order of $150,000 for recovery of decommissioning costs at Mount Horner and Joint Venture recoveries for L7 and EP 437 and have been offset against the project exploration expenditure.

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%*	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, if they do not spend the earn in amount the interest will revert to Key

ASX Listing Rule 5.4.3

IAN GREGORY
COMPANY SECRETARY

Dated: 29 January 2019
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) 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.

Prospective Resources

- *Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*
- *The estimate of Prospective Resources included in the announcement have been prepared in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System ("PRMS") as revised in June 2018 by the Society of Petroleum Engineers. The PRMS defines prospective resources as those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.*
- *All prospective resources were estimated on each of the Production Licence, L7, Exploration Permit, EP 437 and ATP 924 by mapping the extent of the prospect using the seismic data and applying ranges of volumetric parameters based on regional data. Recovery efficiencies were estimated using generalised recovery factors which Key assessed as reasonable. The parameters were then combined probabilistically, and prospect resources summed arithmetically for project totals.*
- *Gross Prospective Resources are 100% of the on-block volumes are estimated to be recoverable from the Prospect in the event that a discovery is made and subsequently developed.*
- *The volumes reported are "Unrisked" in the sense that the Geological Chance of Success (GCoS) factor has not been applied to the designated volumes. The Operator has estimated various GCoS for each of the prospects.*

Contingent Resources

- *Contingent Resources are the estimated quantities of petroleum that may be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.*
- *The estimates of Contingent Resources included in this announcement have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) as revised in June 2018 by the Society of Petroleum Engineers (SPE).*
- *The Contingent Resources were estimated analytically by mapping the extent of the structure or areal oil pool extent inside the Mount Horner Oil Field using seismic data and applying ranges of volumetric parameters based on regional data, including recovery efficiencies. The Mount Horner Oil Field has previously been discovered and was in production until 2011 when it was shut in after producing approximately 1.7 mm bbls. The Contingent Resources were calculated probabilistically, and the reservoir targets were arithmetically summed in order to provide estimates for the category as a whole. Gross Contingent Resources are 100% of the on-block volumes estimated to be recoverable from the field in which Key has 100% subject to the Triangle (Global) Energy Limited Farmout as disclosed 31 October 2018.*

+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	31 December 2018

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		11	409
1.2	Payments for			
	(a)	exploration & evaluation	(387)	(653)
	(b)	development	-	-
	(c)	production	-	-
	(d)	staff costs	(21)	(132)
	(e)	administration and corporate costs	(265)	(365)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		-	3
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**		**(664)**	**(741)**

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	-	-

+ See chapter 19 for defined terms

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)	-	-
	(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)
2.6	**Net cash from / (used in) investing activities**	**-**	**(157)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	300	300
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	(21)	(21)
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**	**279**	**279**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,153	1,387
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(664)	(741)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(157)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	279	279
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	768	768

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	238	638
5.2	Call deposits	530	515
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)**	**768**	**1,153**

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	104
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

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**	**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	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	50
9.2	Development	-
9.3	Production	-
9.4	Staff costs	120
9.5	Administration and corporate costs	160
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**330**

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: .... Date: 29 January 2019
(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.
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.