KEY PETROLEUM LIMITED

Suite 3, Churchill Court
331-335 Hay Street
Subiaco WA 6008

T: + 61 (08) 9381 4322
F: + 61 (08) 9381 4455

6 March 2019

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

Dear Sir

INTERIM FINANCIAL REPORT TO 31 DECEMBER 2018

We attach herewith Interim Financial Report to 31 December 2018.

Regards

I E Gregory

IAN GREGORY
Company Secretary
KEY PETROLEUM LIMITED

KEY PETROLEUM LIMITED

ABN 50 120 580 618

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2018

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Key Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Contents	Page

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Key Petroleum Limited ("Key", "the Company" or "the Group") and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Rex Turkington

Kane Marshall

Dennis Wilkins

Min Yang

Geoffrey Baker

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2018	
	Revenues	**Results**
	$	**$**
Consolidated entity revenues and loss	410,458	(225,555)

The Company's activities for the half ended 31 December 2018 included completion of the L7 (Mount Horner) transaction between Key Petroleum (Australia) Pty Ltd, a wholly owned subsidiary of Key and AWE (Perth) Pty Ltd ("AWE") on 27 September 2018, which included Department of Mines, Industry Regulation and Safety, Western Australia ("DMIRS") approval.

The maiden resource summary for Bookara Shelf Oil Prospects highlighted its potential to be a new material Australian oil province, drawing similarities to the Western Flank of the Cooper-Eromanga Basin. The Bookara Shelf includes EP 437 and the Mount Horner Oil Field (L7) which has produced oil from the same age Jurassic reservoirs, as the Western Flank.

In L7, multiple low risk closures with categories of resource estimates have only been calculated at two levels (Triassic and Jurassic F Sand). Gross Prospective Resource values were determined probabilistically within the F Sand (0.66 (1U) - 1.75 (2U) – 3.19 (3U) mm bbls). Gross Prospective Resource values were determined probabilistically within the Triassic (2.35 (1U) – 9.40 (2U) – 19.20 (3U) mm bbls)[1].

In EP 437, Gross Un-risked Prospective Resource Range estimates for the Triassic have been probabilistically estimated and summed (1.94 (1U) – 7.82 (2U) – 15.82 (3U) mm bbls)[2]. Two nearby shallow drilling candidates, Becos and Parce are on trend with Wye Knot and have potential to materially unlock development in the area with success at Wye Knot-1 and the 2019 Mount Horner infill development wells.

Activities continued in EP 437 in preparation for drilling of the Wye Knot-1 exploration well in 2019. An application for the Suspension and Extension of the drilling work commitment for 12 months was made and subsequently approved by DMIRS. The Company is in advanced stages of securing access and drilling a prospect in EP 437 in conjunction with the L7 infill development wells which will significantly reduce costs of exploration activities in this permit.

The L7 Farmout Agreement with between Key and Triangle Energy (Global) Limited (ASX: TEG) has been executed whereby a Joint Venture approved Early Work Program ("Early Work Program") is planned to be conducted which may include the workover of two of the existing development wells in the Mount Horner Oil Field. Triangle and Key are each to contribute 50% of all associated costs.

Triangle will 100% fund a farmout Interest Work Program ("Work Program") up to an expenditure cap of $3 USD million (currently $4.2 million AUD) for 2 new wells (development, appraisal or exploration wells) and a minimum 50 km^2 of 3D seismic. Triangle will earn a 50% interest in L7 upon the first to occur of either the completion of the Work Program and the expenditure cap on that Program. Key will be operator throughout the entire program.

DIRECTORS' REPORT

In WA-481-P 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 period. 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.

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.

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 period. Most of the field data was copied and sent to the two reprocessing contractors who will conduct the work concurrently.

Key is assessing rig viability and availability for Cooper Eromanga drilling opportunities, including assessment of access logistics and proposed well locations. This includes continued discussions with Cooper Eromanga infrastructure operators together with several interested parties regarding potential participation in drilling opportunities.

A 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 and the Company is well advanced in respect of tenders for drilling services and organising logistics having scouted 12 proposed well locations within ATP 924 in the latter part of 2018.

Corporate

At the end of the interim period the Company had $768,000 cash on hand. Exploration costs for the period were $653,000 comprising technical work-related farm out negotiations and prospect evaluation on L7 technical work, the escalation of land access negotiations and drilling preparations for EP 437, prospect evaluation on the Bookara Shelf Oil Project and field surveys in ATP 924 relating to drilling and tendering of various oilfield services. The Company undertook a capital raising of $300,000 (before costs) during the period by way of a placement of 60,000,000 ordinary shares to a sophisticated investor to fund ongoing Perth Basin activities. Activities are expected to increase in the remainder of the financial year with preparations, including approvals, for operations at L7 Mount Horner and evaluating several oilfield contractors for operations in both the Perth and Cooper Eromanga Basins. Remediation works at the site will commence in the next half with costs fully underwritten by AWE.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since 31 December 2018, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the interim period not otherwise disclosed in this report and the interim financial report.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of directors.

Kane Marshall
Managing Director
Perth, Dated 6 March 2019

Prospective Resources

Notes:

- 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 report 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.
- [1] Range is un-risked and are net to Key (100%) as the Farmout Agreement executed with Triangle (Global) Energy Limited requires Triangle to earn 50% through the items disclosed to the ASX on 31 October 2018. L7 is a Production Licence with an existing discovery defined by the Mount Horner Oil Field 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 including appraisal drilling to be undertaken as part of the Triangle farmout agreement.
- [2] Range is un-risked, EP 437 prospective resource range has been reviewed in light of additional data at Mount Horner and assessed probabilistically. Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development and project(s) 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.
- All prospective resources were estimated on each of the Production Licence L7, and Exploration Permits 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. For the Tanbar Gas Project in ATP 924 the volumes for each prospect were determined probabilistically and then summed arithmetically.
- 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.

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 announcement 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.

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the review of the financial statements of Key Petroleum Limited for the period ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 6th day of March 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Half-year	
		2018	2017
		$	$
REVENUE FROM CONTINUING OPERATIONS	**3**	**410,458**	188,357
EXPENDITURE			
Depreciation expense		**(13,012)**	(17,247)
Salaries and employee benefits expense		**(106,898)**	(251,239)
Corporate expenditure		**(15,807)**	(100,238)
Consultants costs		**(58,009)**	(66,036)
Administration costs		**(274,739)**	(233,218)
Exploration costs not capitalised		**(92,908)**	(108,893)
Finance costs		**(2,555)**	(8,941)
Share-based payments expense		**(14,713)**	(10,547)
Loss on disposal of subsidiary		**(57,372)**	-
LOSS BEFORE INCOME TAX		**(225,555)**	(608,002)
Income tax expense		**-**	-
LOSS FROM CONTINUING OPERATIONS		**(225,555)**	(608,002)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**20,425**	(1,196)
Items that have been reclassified to profit and loss			
Exchange differences on disposal of foreign operation		**57,372**	-
Other comprehensive income for the period, net of tax		**77,797**	(1,196)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF KEY PETROLEUM LIMITED		**(147,758)**	(609,198)
Basic loss per share for loss attributable to the ordinary equity holders of the company (cents per share)		**(0.02)**	(0.06)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	31 December 2018 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		**768,408**	1,386,876
Trade and other receivables	**4**	**1,739,667**	28,832
TOTAL CURRENT ASSETS		**2,508,075**	1,415,708
NON-CURRENT ASSETS			
Receivables		**186,793**	21,257
Plant and equipment		**214,135**	227,148
Capitalised exploration costs	**5**	**2,722,210**	2,396,526
TOTAL NON-CURRENT ASSETS		**3,123,138**	2,644,931
TOTAL ASSETS		**5,631,213**	4,060,639
CURRENT LIABILITIES			
Trade and other payables		**248,081**	363,101
Provisions	**6**	**1,536,829**	-
TOTAL CURRENT LIABILITIES		**1,784,910**	363,101
NON-CURRENT LIABILITIES			
Provisions	**6**	**33,560**	30,790
TOTAL NON-CURRENT LIABILITIES		**33,560**	30,790
TOTAL LIABILITIES		**1,818,470**	393,891
NET ASSETS		**3,812,743**	3,666,748
EQUITY			
Issued capital	**7**	**40,678,876**	40,399,836
Reserves		**717,237**	624,727
Accumulated losses		**(37,583,370)**	(37,357,815)
TOTAL EQUITY		**3,812,743**	3,666,748

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2018	**40,399,836**	**707,881**	**(83,154)**	**(37,357,815)**	**3,666,748**
Loss for the half-year	**-**	**-**	**-**	**(225,555)**	**(225,555)**
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	**-**	**-**	**20,425**	**-**	**20,425**
Exchange differences realised on disposal of foreign operation	**-**	**-**	**57,372**	**-**	**57,372**
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**77,797**	**(225,555)**	**(147,758)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Issue of shares	**300,000**	**-**	**-**	**-**	**300,000**
Share issue costs	**(20,960)**	**-**	**-**	**-**	**(20,960)**
Share based payments	**-**	**14,713**	**-**	**-**	**14,713**
BALANCE AT 31 DECEMBER 2018	**40,678,876**	**722,594**	**(5,357)**	**(37,583,370)**	**3,812,743**
BALANCE AT 1 JULY 2017	38,535,283	693,411	(79,667)	(36,101,479)	3,047,548
Loss for the half-year	-	-	-	(608,002)	(608,002)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(1,196)	-	(1,196)
TOTAL COMPREHENSIVE INCOME	-	-	(1,196)	(608,002)	(609,198)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Issue of shares	1,000,000				1,000,000
Share issue costs	(60,000)				(60,000)
Share based payments	-	10,547	-	-	10,547
BALANCE AT 31 DECEMBER 2017	39,475,283	703,958	(80,863)	(36,709,481)	3,388,897

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-year	
	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**29,043**	119,891
Payments to suppliers and employees	**(495,072)**	(498,861)
Expenditure on petroleum interests	**(486,988)**	(590,774)
Interest received	**3,356**	6,603
Payment of finance costs	**(2,555)**	(1,831)
Net cash outflow from operating activities	**(952,216)**	(964,972)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	**-**	(5,427)
Proceeds on acquisition of permit	**380,000**	-
Payments for rehabilitation expenses	**(167,987)**	-
Payments for permit/lease guarantees	**(157,305)**	(21,257)
Net cash inflow/(outflow) from investing activities	**54,708**	(26,684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**300,000**	1,000,000
Payments for share issue costs	**(20,960)**	(60,000)
Net cash inflow from financing activities	**279,040**	940,000
Net decrease in cash and cash equivalents	**(618,468)**	(51,656)
Cash and cash equivalents at the beginning of the half-year	**1,386,876**	1,126,887
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	**768,408**	1,075,231

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34 *International Financial Reporting*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Key Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

New and amended standards adopted by the Group

In the half-year ended 31 December 2018, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments and related amending Standards*;
- AASB 15 *Revenue from Contracts with Customers and related amending Standards*; and
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*.

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

Impact of standards issued but not yet applied by the Group

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Going Concern

The interim financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the half year of $225,555 (2017: $608,002) and net cash outflows from operating activities of $952,216 (2017: $964,972) for the same period.

The directors have prepared an estimated cash flow forecast for the period to March 2020 to determine if the Company may require additional funding during the next 15 month period. Where this cash flow forecast includes the likelihood that additional amounts will be required and these funds have not yet been secured, it creates uncertainty as to whether the Company will continue to operate in the manner it has planned over the next 15 months.

Where the cash flow forecast includes these uncertainties, the directors are required to make an assessment as to whether it is reasonable to assume that the Company will be able to continue its normal operations. The directors are satisfied that the going concern basis of preparation is appropriate based on the following factors and judgements:

- The Company has access to cash reserves of $768,408 as at 31 December 2018 (30 June 2018: $1,386,876);
- The Company has the ability to adjust its exploration expenditure subject to results of its exploration activities and has a history of attracting farm-in partners to assist in funding exploration commitments;
- The Company has raised $300,000 during the period via the issue of shares; and
- The directors anticipate the support of the Company's major shareholders to continue with the advancement of the Company's assets.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different to those stated in the interim financial report.

The interim financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

Estimates and judgements

The preparation of the interim financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and judgement are consistent with those disclosed in the most recent annual financial statements.

NOTE 2: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

Key has identified that it has only one operating segment being exploration for oil and gas in Australia.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 3: REVENUE AND OTHER INCOME

The Group has the following revenue and other income items for the period:

	31 December 2018 $	31 December 2017 $
Interest from financial institutions	**3,356**	6,604
Fuel tax credits	**5,642**	5,403
Consulting fees	**13,650**	101,350
Gain on acquisition of permit	**380,000**	-
Option fee	**-**	75,000
Other income	**7,810**	-
Total	**410,458**	188,357

NOTE 4: TRADE AND OTHER RECEIVABLES

	31 December 2018 $	30 June 2018 $
L7 restoration reimbursement receivable	**1,718,016**	-
Other receivables	**21,651**	28,832
	1,739,667	28,832

Refer to note 5 for further information on the L7 restoration reimbursement receivable.

NOTE 5: CAPITALISED EXPLORATION COSTS

Exploration and evaluation costs carried forward in respect of all areas of interest:

	31 December 2018 $	30 June 2018 $
Opening balance	**2,396,526**	4,675,209
Capitalised exploration and evaluation costs	**325,684**	2,677,475
Explorations assets sold during the period	**-**	(4,956,158)
Closing balance	**2,722,210**	2,396,526

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective petroleum interests.

NOTE 5: CAPITALISED EXPLORATION COSTS (continued)

During the reporting period the Group completed the acquisition of Production Licence L7 ("L7") for which Key received an exit payment of $380,000 and assumed responsibility for the restoration activities at the site. The estimated cost for these activities has been recognised in provisions (refer note 6), with a corresponding amount included in trade and other receivables as Key will be reimbursed by the original seller of the asset up to a value of $1,900,000.

Also, during the reporting period, the Group executed a Farmout Agreement with the Triangle Energy (Global) Limited group ("Triangle", ASX: TEG) in respect of L7. Triangle may earn a 50% interest in L7 by funding 100% of a work programme consisting of two new wells and the acquisition of 3D seismic to a capped amount of US$3 million. Key will retain operatorship during the farmin period, whilst Triangle has the right to cost recover out of oil production on a staged basis the expenditure it incurred on the farmin work programme.

NOTE 6: PROVISIONS

The Group has the following provisions as at 31 December 2018:

	31 December 2018 $	30 June 2018 $
Current		
Provision for restoration	**1,536,829**	-
Non-Current		
Provision for long service leave	**33,560**	30,790
Total provisions	**1,570,389**	30,790
Reconciliation – provision for restoration		
Opening balance	**-**	2,866,782
Adjustment to rates	**-**	22,813
Unwind of discount	**-**	10,378
Additions	**1,718,016**	502,073
Payment of restoration expenses	**(181,187)**	-
Disposal of interest in exploration assets	**-**	(3,402,046)
Closing balance	**1,536,829**	-
Reconciliation – provision for long service leave		
Opening balance	**30,790**	-
Additional provision for the period	**2,770**	30,790
Closing balance	**33,560**	30,790

NOTE 7: SHARE CAPITAL

	31 December 2018 Number	**31 December 2018 $**	31 December 2017 Number	31 December 2017 $
Ordinary shares – fully paid	**1,407,358,441**	**40,678,876**	1,247,358,441	39,475,283
Total issued capital	**1,407,358,441**	**40,678,876**	1,247,358,441	39,475,283
Reconciliation of movements				
Opening balance	**1,347,358,441**	**40,399,836**	1,147,358,441	38,535,283
- Share placement	**60,000,000**	**300,000**	100,000,000	1,000,000
- Share issue transaction costs	**-**	**(20,960)**	-	(60,000)
Closing balance	**1,407,358,441**	**40,678,876**	1,247,358,441	39,475,283

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

	Number of options	
	2018	2017
As at 1 July	**21,000,000**	48,000,000
Movement of options during the half-year		
Issued, exercisable at 1.3 cents, on or before 24 August 2022(1)	**4,500,000**	-
Expired on 6 August 2017	**-**	(27,000,000)
As at 31 December	**25,500,000**	21,000,000

(1) The weighted average fair value of employee and consultant options granted during the half-year was 0.6 cents (2017: N/A), for a total value of $28,350 (2017: N/A). The options issued will vest after 12 months service by the employee, with the relevant expense recognised during the half-year being $10,725 (2017: N/A) included within share-based payments expense. The fair values were calculated by using the Black-Scholes European Option Pricing Model applying the following weighted average inputs:

	2018	2017
Weighted average exercise price (cents)	**1.3**	N/A
Weighted average life of the option (years)	**4.0**	N/A
Weighted average underlying share price (cents)	**0.8**	N/A
Weighted average expected share price volatility	**137.3%**	N/A
Weighted average risk free interest rate	**2.0%**	N/A

NOTE 8: EXPLORATION AND LEASE COMMITMENTS

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	31 December 2018 $	31 December 2017 $
Within one year	**7,272,121**	4,488,660
Later than one year but not later than five years	**1,511,040**	13,085,953
	8,783,161	17,574,613

The Group also received confirmation from the regulator that its work commitment EP437 has been suspended for the current permit year.

The Group also has a property lease for its premises in Churchill Court, Subiaco. The commitments for the lease are listed below:

	31 December 2018 $	31 December 2017 $
Within one year	**59,998**	37,265
Later than one year but not later than five years	**61,738**	117,697
	121,736	154,962

NOTE 9: CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at the reporting date.

NOTE 10: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2018, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

NOTE 11: FINANCIAL INSTRUMENTS

The Group’s financial instruments consist of trade and other receivables and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amounts of the financial assets and liabilities approximate their fair value.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 7 to 16 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Key Petroleum Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Kane Marshall
Managing Director
Perth, 6 March 2019

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Review Report

To the Members of Key Petroleum Limited

We have reviewed the accompanying financial report of Key Petroleum Limited ("the Company") and Controlled Entities ("the Group") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Group, comprising the Company and the entities it controlled during the period.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Key Petroleum Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

a. Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the period ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $225,555 during the half year ended 31 December 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 6th day of March 2019