



ACN 120 580 618

ASX: KEY
THE QUARTERLY REPORT
FOR PERIOD ENDED 31 MARCH 2012

With updates to activities in the Canning
Basin, Western Australia
30 April, 2012

HIGHLIGHTS

➤ **Change in Focus and Strategy For Key Petroleum Limited**

On the 4 April, 2012 Key Petroleum Limited ("Key") announced its intention to become a significant player in the Canning Super Basin with the strategy titled the 'Canning Push'. A commercial and technical review of Key's legacy assets has been undertaken and all international interests are now regarded as being non-core to the future of the Company. Key is pleased to announce that it is in negotiations with parties for divesting its Tanzanian, United Kingdom and Suriname interests. The Company during the Quarter concentrated on maturing subsurface, seismic and drilling of its Canning Basin prospects..

➤ **EP448, Canning Basin**

Technical studies including the geological and geophysical evaluation of the EP448 permit have matured significantly since the last update. These studies have identified a number of structural highs as well as a large unconventional shale prospect within the Shales of the Goldwyer and Bongabinni Formations.

➤ **EP437, Perth Basin**

The EP437 joint venture recently undertook a Prospectivity Review with operator CalEnergy Ltd. Additional internal studies of the seismic and geological data sets by Key technical personnel have identified two drillable prospects in this North Perth Basin permit. It is now the intent of Key to accelerate the drilling of at least one prospect within the next year.

➤ **Drilling Activity in the Canning Basin**

The drilling of the Cyrene-1 well in EP 438 is still planned to be spudded in late 2012 but is subject to a rig slot in the Canning Basin, Western Australia. The well is operated and funded by farmin partner Buru Energy Limited.

In respect of the other permit areas in the Canning Basin, the testing of the Stokes Bay-1 well in EP 104/R1 and the work over of West Kora-1 in L15 both in the Canning Basin are to be deferred by the joint venture until 2013 due to workover rig availability.

➤ **Capital Raising**

On the 15th March, Key notified the market of its intention to raise \$1 million with sophisticated investors. This capital raising was organised and successfully completed by RBSMorgans on the 26th March to assist in funding Key's Canning Basin projects.

➤ **Board Changes**

As part of the change in company focus, Mr Kane Marshall was appointed to the Board on 3 April 2012 as Managing Director.

PERMIT EP 448**CANNING BASIN, WESTERN AUSTRALIA**

Gulliver Productions Pty Ltd - 70%

(Subsidiary of Key Petroleum Limited)

Indigo Oil Pty Ltd - 20%

United Oregon Limited - 10%

Key is pleased to announce that the Department of Minerals and Petroleum (DMP) have granted a variation of the work commitments in the Canning Basin Permit EP448 to allow the completion of 500km of 2D seismic in year 6 of the permit. Work has begun to mature a suitable seismic survey program planned in the south east part of the Permit which would effectively involve 2 strike and 6 dip lines.

This seismic program is designed to mature drilling of conventional oil prospects with reservoir objectives being the Nita and Willara formations. The program will importantly assist in the maturation of shale gas drilling with the reservoir objectives being the Goldwyer and Bongabinni Formations.

The geophysical and geological technical evaluations of the EP448 data sets have been undertaken covering approximately 2,500 square kilometres of the 8,500 square kilometre EP448 Permit. These studies support that this portion of the Permit is likely to be in either the wet gas or oil generation window for the shales of the Goldwyer and Bongabinni Formations, both of which are known source rocks in the Canning Super Basin. The Company's subsurface studies are consistent with technical evaluations carried out by competitors in the adjacent Canning acreage. In addition to the unconventional plays, conventional Nita and Willara stratigraphic and structural oil play types have been identified along trend abutting the main bounding fault in this part of the Kidson sub-basin.

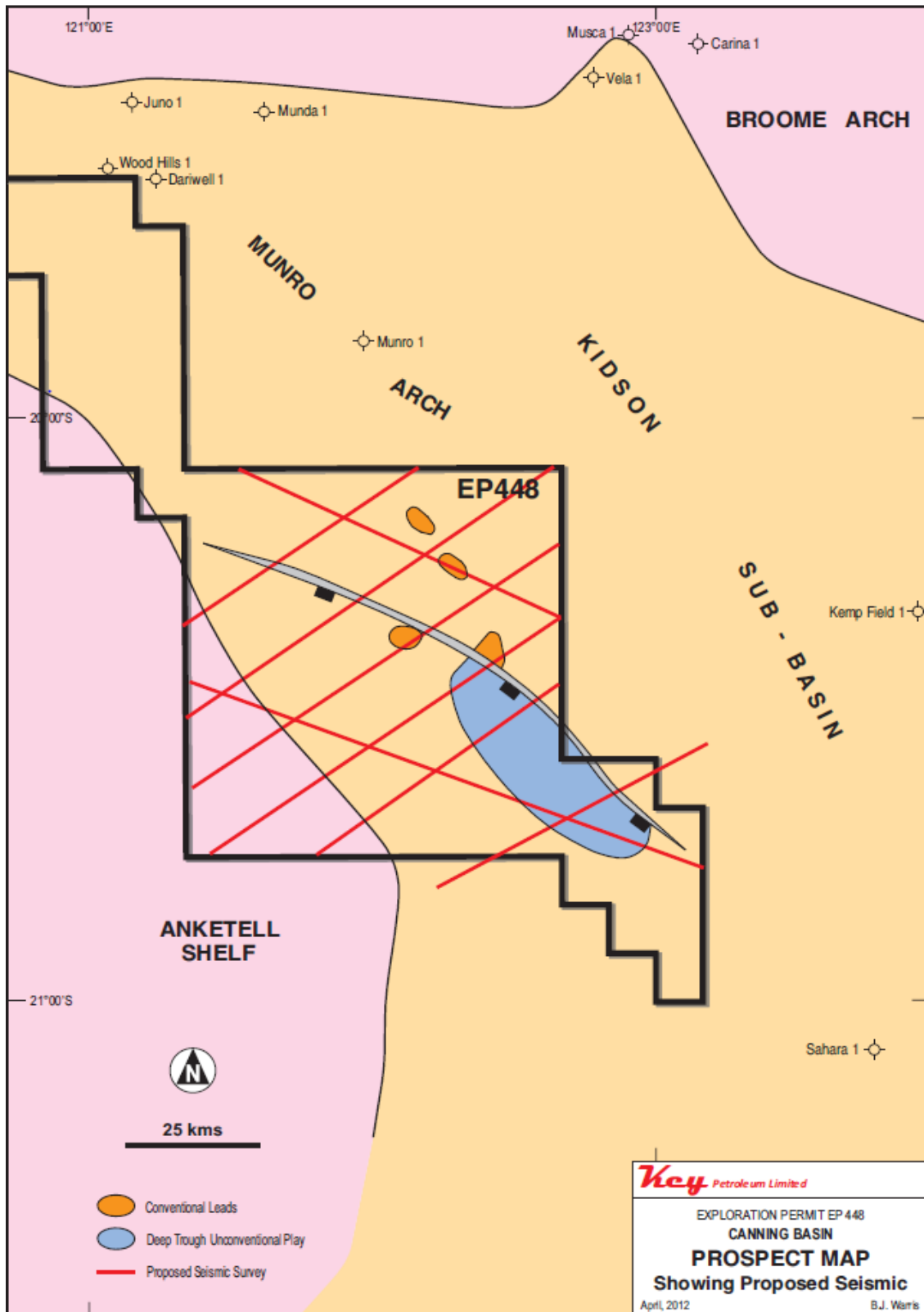
Key technical personnel are now ranking and risking the conventional leads in the Permit and undertaking further work to mature these leads to prospect status. Geophysical consultants are assisting in planning the 500km 2D seismic survey.

An independent geological report on the Kidson sub-basin has now been completed and Key has now appointed reputed energy consultancy RPS Energy to undertake the necessary basin, thermal history and charge modelling work needed to mature the conventional and unconventional play types in this part of the Canning Basin.

These studies are designed to determine the range of conventional and unconventional prospective hydrocarbon resource volumes in addition to maturing well locations at Key's unconventional shale play in the south east part of the permit.

This unconventional play type has been delineated by both vintage seismic datasets and the West Anketell Aeromagnetic Survey data recorded in 2007. Offset well log data from both the Frankenstein-1 and the Munro-1 confirm that there are fractured limestones within the Goldwyer

Formation and sandstones within the Bongabinni Formation consistent with characteristics of North American Shale plays such as the Bakken Shale play in North Dakota, USA. Key is now actively looking for a farm out deal to explore and appraise this play type in the dry season of the Canning Basin in 2013.



Map showing conventional leads (yellow) and large shale play (blue) in EP448

PERMIT EP 437 NORTH PERTH BASIN, WESTERN AUSTRALIA

Cal Energy Ltd – 55%
Key Petroleum Limited – 22.5%
Empire Oil Company WA Ltd – 22.5%

In addition to the prospects identified by Key, CalEnergy has elected to withdraw from the permit and as part of this withdrawal Key and Empire Oil and Gas NL, will be the remaining participants with 50% each and Empire will assume role of operator of this Permit. In addition to the change in makeup of the joint venture, a variation was submitted to the Department of Mines and Petroleum (DMP) to waive the 50 km 2D seismic commitment in year 5 to a well in year 6.

WEALD BASIN, UNITED KINGDOM

Key Petroleum Weald Basin Ltd – 100% (a wholly-owned subsidiary of Key Petroleum Limited)

Key's technical and commercial personnel have reviewed the UK production assets which include the Brockham and Lidsey Oilfields and regard these as non-core to the business. The Company is currently reviewing a proposed share sale agreement of the Company's UK operating subsidiary Key Weald Basin Ltd. An announcement will be made in due course.

ITALY

Puma Petroleum SRL – 100% (a wholly-owned subsidiary of Key Petroleum Limited)

The Company has three application areas in offshore Italian waters (Lampedusa D 341 C.R., Lampedusa D 342 C.R. and Elba D 91 C.R.), one granted permit (West Sardinia E.R54.PU) and one onshore application (Borsano onshore block) with the Ministry of Economic Development. All of the Applications and the granted West Sardinia permit are held in a wholly owned company, Puma Petroleum SRL, registered in Italy. The Company is currently looking to divest the company Puma S.r.l along with its granted permit and the applications for the 4 other permit areas.

SURINAME

Portsea Oil and Gas Ltd – 3.5%

Key Petroleum Ltd owns 50% of Portsea Oil and Gas Ltd which has a 3.5% carried interest in the Coronie and Uitkijk blocks, onshore Republic of Suriname. Key is negotiating the sale of its 50% interest in Portsea and will provide a release in due course.

TANZANIA

Key Petroleum Limited - 5%

Key Petroleum still retains a 5% working interest in the Kiliwani North gas development licence which was excised out from the original Nyuni PSA. Key is currently awaiting approvals from the Tanzanian government and the parties involved in the discussion of this sale before formalising a release to inform the market of this transaction.



Kane Marshall

BSc (Geology), BCom (Inv & Corp Fin), Masters PetEng, AAPG, SPE

Managing Director

Key Petroleum Ltd

Dated this 27 April, 2012

Perth, Western Australia

Competent Persons Statement

Information in this ASX Release relates to exploration results that are based on information compiled by Mr Kane Marshall who is a full time employee of Key Petroleum Limited. Kane Marshall is a Practicing Petroleum Engineer and holds a BSc (Geology), a BCom (Inv & Corp Fin) and Masters Petroleum Engineering.

Appendix 5B

Mining 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

Name of entity

Key Petroleum Limited

ABN

50 120 580 618

Quarter ended ("current quarter")

31 March 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	466	1,348
1.2 Payments for (a) exploration & evaluation	(440)	(784)
(b) development	-	-
(c) production	(233)	(672)
(d) administration	(99)	(953)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	(1)	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	2	-
Net Operating Cash Flows	(305)	(1,035)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	2	2
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	10
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	19
Net investing cash flows	2	31
1.13 Total operating and investing cash flows (carried forward)	(303)	(1,004)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(303)	(1,004)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,000	1,002
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(69)	(69)
	Net financing cash flows	931	933
	Net increase (decrease) in cash held	628	(71)
1.20	Cash at beginning of quarter/year to date	1,186	1,972
1.21	Exchange rate adjustments to item 1.20	(25)	(112)
1.22	Cash at end of quarter (refer item 1.25)	1,789	1,789

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	55
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	(150)
4.4 Administration	250
Total	350

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,189	1,186
5.2 Deposits at call	600	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,789	1,186

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	308,072,707	308,072,707		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	40,000,000	40,000,000		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 30 April 2012

Print name: **John Ribbons**

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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