

## **QUARTERLY REPORT** *For the Quarter Ended 31st March 2009*

### **HIGHLIGHTS**

#### **NYUNI BLOCK – TANZANIA**

- **Kiliwani North** - Commercialisation process continues.
- **Others** - Appraisal and Exploration programmes being reviewed.

#### **WEST SONGO SONGO BLOCK – TANZANIA**

- **Geological Interpretation** – Preliminary geological review completed. 5 leads identified over 2 reservoir intervals.

#### **ITALY**

- **Lampedusa and West Sardinia Licences** – Ministry of Environment issued written approval for seismic acquisition.

#### **SURINAME**

- **Uitkijk** – 10 well drilling campaign in onshore Uitkijk area completed.

### **EXPLORATION ACTIVITIES**

#### **OFFSHORE TANZANIA**

##### **Nyuni Block ( Key 20.0% )**

**Kiliwani North - Commercialisation Process** – The joint venture continues with its investigations into the most suitable way to commercialize the Kiliwani North gas discovery. Various possibilities are being reviewed and specialist commercial negotiators have been contracted to speed up the process. Market reviews have also been taking place and further work in this area is being undertaken. Appraisal and exploration programmes for the Nyuni block are currently being reviewed.

## **OFFSHORE TANZANIA**

### **West Songo Songo Block (Key 50.0% via its subsidiary Funguo Petroleum Pty Ltd)**

The Company's geological team has completed the preliminary geological interpretation of the area.

Ikon Science (a specialist seismic amplitude contractor) has completed its review of the seismic over the 3 priority leads (Chocha, Afisi, and Miza). Although only preliminary, these results show that Chocha and Afisi provide strong seismic resemblance to the Songo Songo field at the Primary Neocomian reservoir interval. The untested Campanian amplitudes were also investigated and shown to have a strong response indicating the presence of reservoir sands within this interval, with the strongest responses over Afisi and Miza.

To help understand the hydrocarbon migration in the area and better understand the risks of the identified prospects, the Company's geological team has begun to investigate the deeper sediments to help map the migration pathways into Songo Songo and surrounding structures. This will help to de-risk the identified leads and provide some insight into the liquids potential of the block.

## **ITALY**

### **GENERAL**

The Company continues to develop its business activities and opportunities in Italy through interaction with the local oil and gas industry. This is being done through one on one meetings and attendance at various in-country conferences and meetings. The Company recognizes that projects do not move forward at a fast pace in Italy but the long term growth potential is believed to be very significant in and around the country. With over 350 million people in the European community requiring energy, the outlook for energy consumption in the coming years is bullish.

### **ONSHORE ITALY**

#### **Borsano Permit ( Key 100% )**

The Company continued working on its Borsano drilling preparation activities and programme.

### **OFFSHORE ITALY**

#### **Application Areas ( Key 100% )**

Key has four application areas as follows:

|               |                           |
|---------------|---------------------------|
| Lampedusa     | d 341 C.R-.PU Application |
| Lampedusa     | d 342 C.R-.PU Application |
| West Sardinia | d 90 E.R-.PU Application  |
| Elba          | d 91 E.R-.PU Application  |

**Lampedusa and West Sardinia Licences** – Ministry of Environment issued written approval for seismic acquisition to be undertaken.

### **SURINAME (Onshore)**

#### **Uitkijk and Coronie (Key net equity 1.75% indirect )**

**Uitkijk Block** – 10 well drilling campaign now completed. The Operator has not released any updated results at time of issuing this report. Rig to relocate to Coronie block.

### **CORPORATE ACTIVITY**

**Excellence in Oil and Gas Conference** – Key took part in the “Excellence in Oil and Gas” conference in Sydney. This conference targets the financial community.

**Opportunity Review** - Key has continued conducting ongoing strategic review of its activities and also reviewed a number of asset acquisition and corporate opportunities presented to the Company throughout the quarter.

### **ENQUIRIES**

Please direct any queries to:

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or

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**NOTE:** In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr. Ken Russell, Managing Director/CEO of Key Petroleum Ltd, who has at least 5 years experience in the sector. He consents to that information in the form and context in which it appears.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**Key Petroleum Limited**

ACN

120 580 618

Quarter ended ("current quarter")

31 March 2009

### Consolidated statement of cash flows

| Cash flows related to operating activities   | Current quarter<br>\$A'000 | Year to date<br>(9 months)<br>\$A'000 |
|--|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors  | -                          | -                                     |
| 1.2 Payments for (a) exploration and evaluation<br>(b) development<br>(c) production<br>(d) administration | (456)<br>-<br>-<br>(134)   | (1,929)<br>-<br>-<br>(759)            |
| 1.3 Dividends received   | -                          | -                                     |
| 1.4 Interest and other items of a similar nature received  | 85                         | 279                                   |
| 1.5 Interest and other costs of finance paid   | -                          | -                                     |
| 1.6 Income taxes paid  | -                          | -                                     |
| 1.7 Other (provide details if material)  | -                          | -                                     |
| <b>Net Operating Cash Flows</b>  | <b>(505)</b>               | <b>(1,905)</b>                        |
| <b>Cash flows related to investing activities</b>  |                            |                                       |
| 1.8 Payment for purchases of:<br>(a) prospects<br>(b) equity investments<br>(c) other fixed assets         | -<br>-<br>-                | -<br>-<br>(48)                        |
| 1.9 Proceeds from sale of:<br>(a) prospects<br>(b) equity investments<br>(c) other fixed assets            | -<br>-<br>-                | -<br>-<br>-                           |
| 1.10 Loans to other entities   | -                          | -                                     |
| 1.11 Loans repaid by other entities  | -                          | -                                     |
| 1.12 Other (provide details if material)   | -                          | -                                     |
| <b>Net investing cash flows</b>  | <b>-</b>                   | <b>(48)</b>                           |
| 1.13 Total operating and investing cash flows (carried forward)  | <b>(505)</b>               | <b>(1,953)</b>                        |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |  |       |         |
|------|--|-------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (505) | (1,953) |
|      | <b>Cash flows related to financing activities</b>          |       |         |
| 1.14 | Proceeds from issues of shares, options, etc.              | -     | -       |
| 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) Share issue costs      | -     | -       |
|      | <b>Net financing cash flows</b>                            | -     | -       |
|      | <b>Net increase (decrease) in cash held</b>                | (505) | (1,953) |
| 1.20 | Cash at beginning of quarter/year to date                  | 7,374 | 8,778   |
| 1.21 | Exchange rate adjustments to item 1.20                     | 37    | 586     |
| 1.22 | <b>Cash at end of quarter</b>                              | 6,906 | 6,906   |

**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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 159                        |
| 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<br>\$A'000 | Amount used<br>\$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 | 750        |
| 4.2 Development                | -          |
| <b>Total</b>                   | <b>750</b> |

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 3,206                      | 239                         |
| 5.2 Deposits at call                             | 3,700                      | 7,135                       |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other (provide details)                      | -                          | -                           |
| <b>Total: cash at end of quarter</b> (item 1.22) | <b>6,906</b>               | <b>7,374</b>                |

### Changes in interests in mining tenements

|   | Tenement<br>reference | Nature of interest<br>(note (2)) | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>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 <b>Preference securities</b><br><i>(description)</i>   |                       |                   |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |                       |                   |   |  |
| 7.3 <b>*Ordinary securities</b>  | 86,000,005            | 74,971,672        |   |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |                       |                   |   |  |
| 7.5 <b>*Convertible debt securities</b><br><i>(description)</i>  |                       |                   |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |                       |                   |   |  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>   | 5,000,000<br>750,000  | Nil<br>Nil        | <i>Exercise price</i><br>50 cents<br>20 cents | <i>Expiry date</i><br>30 November 2010<br>30 November 2010 |
| 7.8 Issued during quarter  |                       |                   |   |  |
| 7.9 Exercised during quarter   |                       |                   |   |  |
| 7.10 Expired during quarter  | 44,000,002<br>225,000 | 44,000,002<br>Nil | 35 cents<br>35 cents                          | 31 March 2009<br>31 March 2009                             |
| 7.11 <b>Debentures</b><br><i>(totals only)</i>   |                       |                   |   |  |
| 7.12 <b>Unsecured notes</b><br><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 4).
- 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 2009**

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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+ See chapter 19 for defined terms.