KEY PETROLEUM LIMITED

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ABN: 50 120 580 618

29 September 2020

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

2020 ANNUAL REPORT

Please find attached Key Petroleum Limited's 2020 Annual Report.

This announcement has been authorised by the Board of Directors.

For more information please contact:

IAN GREGORY
Company Secretary
Key Petroleum Limited

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KEY PETROLEUM LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

ACN 120 580 618

CORPORATE INFORMATION

ABN 50 120 580 618

Directors

Geoff Baker (Non-Executive Chairman)
Dennis Wilkins (Non-Executive Director)
Min Yang (Non-Executive Director)

Company Secretary

Ian Gregory

Registered Office and Principal Place of Business

Suite 8, Churchill Court
331-335 Hay Street
SUBIACO WA 6008
Telephone: +61 8 6381 4322
Facsimile: +61 8 6381 4455

Solicitors

Mizen & Mizen
Barristers & Solicitors
69 Mount Street
WEST PERTH WA 6005

Bankers

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Share Register

Computershare Investor Services Pty Ltd
Level 11
172 St George's Terrace
PERTH WA 6000
Telephone: +61 3 9415 4000 or 1300 850 505 (within Australia)

Auditors

Bentleys
Level 3, 216 St George's Terrace
PERTH WA 6000

Internet Address

www.keypetroleum.com.au

Email Address

investors@keypetroleum.com.au

Stock Exchange Listings

Key Petroleum Limited shares (Code: KEY) are listed on the Australian Securities Exchange

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CHAIRMAN'S REPORT

Dear Shareholders

On behalf of the Board of Directors it is my pleasure to deliver the Key Petroleum Limited ('Key' or 'Company') Annual Report for the year ended 30 June 2020.

During the year the Company focused on activities in its Perth and Cooper Eromanga Basins Permits located in Western Australian and Queensland respectively.

A Farmin Agreement with Pancontinental Oil and Gas NL in ATP 920 and 924 was signed in October 2019. Key's application to renew the three (3) Cooper Eromanaga Basin Authorities to Prospect, ATP 783, 920 and 924, for a further four (4) years was subsequently approved in November 2019. Efforts continue towards drilling with access and compensation agreement signed, and planning has begun for 2D seismic acquisition to take place in the following permit year.

The Company is pleased to report decommissioning activities undertaken in Production Licence L7 were completed during the period without incident with the focus now shifting to progressing the work program with Joint Venture Partner, Triangle Energy (Global) Limited.

2020 saw the unfortunate ongoing impact of the COVID-19 pandemic which restricted Key's ability to meet work program commitments of one (1) exploration well within Exploration Permit EP 437 within the required time frame. The Company was subsequently granted a 12 month suspension and extension from the Department of Mines, Industry Regulation and Safety which ends in May 2021.

The flow on from COVID-19 saw the Company undertake significant cost saving measures which include, among other initiatives, the deferral of payment of all Directors' Fees and voluntary staff pay reductions of 30%. I am appreciative of the support provided by the Board, Management and Staff through this difficult period.

Key is heading into the new financial year with the focus firmly remaining with its onshore Perth Basin and Cooper Eromanga Basin assets. The scrip sale of the Company's 40% interest in offshore Perth Basin permit WA-481-P to Pilot Energy Limited also provides Key with exposure to the potential development of a renewable energy project in Western Australia's Midwest.

We would like to thank all the employees, Directors and Shareholders for their ongoing support throughout the year and look forward to a positive year ahead in 2020/2021.

Yours sincerely

Geoff Baker
Chairman

29 September 2018

DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity (referred to hereafter as the Company or Group) consisting of Key Petroleum Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

DIRECTORS

The names and details of the Company's Directors in office during the year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Geoff Baker, BCom, LLB, MBA (Non-Executive Director, appointed 1 March 2015 and Non-Executive Chairman appointed 31 August 2020)

Mr Baker is an Australian solicitor residing and working in Hong Kong and UK and has over 30 years of experience assisting companies in conducting business in China in addition to providing advice in mining, resources and finance. Currently a Non-Executive Director of ASF Group Limited, Rey Resources Limited, ActivEX Limited and BSF Enterprise PLC. Within the last three years Mr Baker was also a non-executive director of former ASX listed public company Metaliko Resources Limited (resigned 12 January 2017).

Min Yang, (Non-Executive Director, appointed 28 January 2014)

Ms Yang resides in Hong Kong and has over 22 years of experience with private and state-run businesses in China and has expertise in the identification of opportunities in resources and financial investment. Currently the Director and Chairman of ASF Group Limited and a Non-Executive Chairman of Rey Resources Limited, ActivEX Limited and BSF Enterprise PLC. Within the last three years Ms Yang was also a non-executive director of former ASX listed public company Metaliko Resources Limited (resigned 27 October 2016).

Dennis Wilkins, BBus, AICD, ACIS (Non-Executive Director, appointed 5 July 2006)

Mr Wilkins is an accountant who has been a Director, Company Secretary and acted in a corporate advisory capacity to listed resource companies for over 25 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid-tier gold producer and spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in capital raising, specifically for the resources industry, and is the principal of DW Corporate Pty Ltd which provides advisory, funding and administrative management services to the resource sector. Mr Wilkins is also currently an alternate director of Middle Island Resources Limited.

Rex Turkington, BCom (Hons), BCA, GAICD, AAFSI, ADA1(ASX) (Non-Executive Director, appointed 18 July 2012 and Non-Executive Chairman, appointed 14 January 2014, Retired 31 August 2020)

Mr Turkington is a highly experienced corporate advisor and economist who has worked extensively in the financial services and stockbroking industry in Australia, specialising in the exploration and mining sectors. He has extensive experience with equities, derivatives, foreign exchange and commodities, and has participated in numerous corporate initial public offerings and capital raisings for listed exploration and mining companies. Mr Turkington is currently a Director of an Australian corporate advisory company, offering corporate finance and investor relations advice to listed companies. He holds a First-Class Honours degree in Economics, is a graduate of the Australian Institute of Company Directors and is an associate of the Institute of Financial Services of Australia. Within the last three years Mr Turkington was also a non-executive director of ASX listed public companies TNG Limited (resigned 31 March 2019) and Todd River Resources Ltd (resigned 14 February 2019).

Kane Marshall, BSc/Geology, BCom/Corp.Finance, MPetEng (Managing Director, appointed 3 April 2012, Retired 28 August 2020)

Mr Marshall has over 20 years' experience working in the international oil and gas industry. In more recent times, he was contracted by Santos Ltd as a Consultant Petroleum and Production Engineer with the Roma Implementation Team in Brisbane, and prior to that, as a Reservoir and Petroleum Engineer for both Chevron Australia and Woodside Energy on North-West Shelf projects based in Perth.

Early in 2002 Mr Marshall moved to the United Kingdom where he worked for Highland Energy Limited as a Petroleum Geologist and Reservoir Engineer and then later with RWE Dea UK Limited as a Petroleum Engineer.

Mr Marshall holds academic qualifications which include a Masters of Petroleum Engineering from Curtin University, Bachelor of Science (Petroleum Geology) from the University of Western Australia and a Bachelor of Commerce (Investment Finance and Corporate Finance) from the University of Western Australia.

COMPANY SECRETARY

Ian Gregory, BBus, FGIA, FCGI, MAICD

Mr Gregory is a professionally well-connected Director and Company Secretary with over 30 years' experience in the provision of company secretarial, governance and business administration services with listed and unlisted companies in a variety of industries, including oil and gas, exploration, mining, mineral processing, banking and insurance. He also has expertise which includes launching successful start-up operations through the development of the company secretarial role and board reporting processes. Mr Gregory currently consults on company secretarial and governance matters to a number of listed and unlisted companies.

Prior to founding his own consulting Company Secretarial business in 2005 Mr Gregory was the Company Secretary of Iluka Resources Ltd (6 years), IBJ Australia Bank Ltd Group, the Australian operations of The Industrial Bank of Japan (12 years), and the Griffin Coal Mining Group of companies (4 years). Mr Gregory is a past member and Chairman of the Western Australian Branch Council of Governance Institute of Australia (GIA) and has also served on the National Council of GIA.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Key Petroleum Limited were:

	Ordinary Shares	Options over Ordinary Shares	Performance Rights
Dennis Wilkins	-	-	-
Min Yang	225,372,940(1)	-	-
Geoff Baker	225,372,940(1)	-	-

(1) Ms Yang and Mr Baker are both directors of ASF Group Limited which is the ultimate holding company of ASF Oil & Gas Holdings Pty Ltd which holds shares in Key Petroleum Limited.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the acquisition of petroleum permits, and the exploration of these permits with the objective of identifying economic oil and gas reserves.

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

OPERATING AND FINANCIAL REVIEW

Operations Review

The Financial Year 2019/2020 afforded Key Petroleum Limited ("Key") an opportunity to mature value in its asset holdings. Several prospect maiden resource statements were announced throughout the year across the Company's portfolios in the Perth and Cooper Eromanga Basins. In the first half of the year Key progressed and finalised access agreements for drilling and signed a Letter of Intent with Refine Energy Pty Ltd. In 2020 the outbreak of the COVID-19 pandemic had a significant effect on most industries and multiple facets of the economy. Despite the restrictions, Key adapted, and continued to conduct its business with low cost and efficient operations in these trying times.

In November 2019 Key received formal confirmation from the Department of Nature Resources, Mines and Energy, Queensland that Cooper Eromanga Basin ATPs 783, 920 and 924 have been renewed for a further period of four (4) years. The agreed work programs will enable Key to demonstrate the promising prospectivity and potential to supply energy for future eastern Australian needs.

The Chandos Updip Prospect within the ATP 783 Canaway Ridge Project has been significantly de-risked from integrating the primary term work commitments comprising the geochemical survey and seismic reprocessing. A Farmin Agreement was formally executed between Key and Pancontinental Oil and Gas NL for the Meeba Project, a significant structural trend that lies between the Cuisinier and Inland Oil Fields within ATP 920 and 924. Key remains confident of attracting aligned investment to near term high impact drilling and exploration programs.

Key announced 'game changing potential' on 16 June 2020 in its evaluation of the High Cliff and Kingia plays on the Bookara Shelf (EP 437/L7) and the broader prospectivity of the northern Perth Basin. Updated prospect resource estimates within the Bookara Shelf Project represent a material impact, with significant upside potential.

The establishment of Access and Compensation agreements in EP 437 provides Key surety for the remainder of the Permit term and any potential renewals of the Permit. Key was granted a twelve (12) month Suspension and Extension for EP 437 in light of COVID-19 restricted movement, and despite these difficulties the Company remains committed to drilling and unlocking the potential of the area.

The Care and Maintenance operations at the Mount Horner Field were successfully conducted without incident. Decommissioning activities started with the removal of all flowline infrastructure and monitoring bores and are now complete. Additionally, well decommissioning at Mount Horner was conducted in 2020 with the partial abandonment of Mount Horner-4A and full abandonment operations at Mount Horner-5, 7 and 13, all successfully completed without incident. The remaining two wells and infrastructure are strategic assets that have been left in place for a possible near-term Pilot Production Program.

Outlook

Key continues to plan for drilling across its portfolio. The Company has continued landholder consultation with a view to start drilling in Cooper Eromanga Basin within the following financial year. Efforts will also increase towards seismic acquisition campaigns.

Key has in place all regulatory approvals to drill the EP 437 well, with the Refine Energy Rig #1 selected to conduct drilling operations on the proposed Wye Knot-1 Prospect before the Suspension and Extension Year 3 period is ends in May 2021.

Despite reported misalignment with its L7 Joint Venture Partner, Triangle Energy (Global) Limited, Key is highly confident of progressing an exciting work program to investigate the Bookara Shelf, which will include the uppermost known extents of the game changing High Cliff and Kingia plays within L7 and adjacent EP 437. Key is optimistic the planned new 3D seismic and new exploratory drilling in this prolific oil producing region of the North Perth Basin will transform the Company.

In light of the growing shift towards a clean energy future and the Australian National Hydrogen Strategy, Key has taken its first steps to participate with its investment in Pilot Energy's strategy towards renewable energy projects earmarked for the Midwest region of Western Australia.

Finance Review

The Group has recorded an operating loss after income tax for the year ended 30 June 2020 of $145,922 (2019: $780,637).

At 30 June 2020 funds available totalled $642,193 (2019: $446,895).

Operating Results for the Year

Summarised operating results are as follows:

	2020	
	Revenues $	Results $
Consolidated revenues and loss	767,527	(145,922)

Shareholder Returns

	2020	2019
Basic loss per share (cents)	(0.01)	(0.05)

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board often meets in tandem with Audit and Risk Management Committee to discuss risk and strategy.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholder's needs and manage business risk; and
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to the end of the financial year the following items occurred:

- The Managing Director, Kane Marshall, retired from the board with effect from 28 August 2020 and Rex Turkington retired as Chairman and Non-executive of the Company with effect from 31 August 2020. Geoff Baker was appointed as Chairman of the board on 31 August 2020. Ric Jason, who was the Company's Exploration Manager, was appointed as Interim Chief Executive Officer with effect from 28 August 2020.

- On 8 September 2020, Key entered into a term sheet with Pilot Energy Limited whereby Key will sell its 40% interest in the WA-481-P Permit to Pilot. In consideration for the transfer of its interest, Pilot will issue to Key (or its nominee) in two tranches 21 million shares in Pilot that will be fully paid ordinary listed shares. The parties will terminate the Joint Venture Agreement between each other in relation to the WA-481-P Permit. The 21 million shares in Pilot will be issued to Key (or its nominee), subject to approval by Pilot's shareholders.

Other than the above, there was no other events occurring after the reporting date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect of its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the year under review.

The Group is in compliance with the various environmental legislation and regulations that govern its activities in the jurisdictions in which it operates.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The Remuneration Committee Charter of Key Petroleum Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's strategic goals. The Board of Key Petroleum Limited believes the Remuneration Policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The Remuneration Policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary or an agreed fee (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also eligible to participate in the employee share and option arrangements.

The executives receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2020 financial year, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Group. Based on each individual's timesheet, costs are allocated to exploration projects and treated in accordance with the accounting policy described at Note 1(p) or expensed where the time is not allocated directly to a project. Options are valued using the Black-Scholes Option Pricing methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $500,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are eligible to participate in the employee share option plan.

Performance based remuneration

The Group currently has performance-based remuneration components built into director and executive remuneration packages.

Kane Marshall was issued 4,000,000 performance rights for nil consideration following shareholder approval granted at a General Meeting held on 6 August 2012. Half of the performance rights will vest if the volume weighted average price of the Company's shares as quoted on ASX increases by 100% from the share price reference point for a consecutive period of at least 30 business days during a calendar year. The other half will vest if the volume weighted average price of the Company's shares as quoted on ASX increases by 150% from the share price reference point for a consecutive period of at least 30 business days during a calendar year.

In addition, Mr Marshall received 20,000,000 options for nil consideration following shareholder approval granted at the Annual General Meeting on 22 November 2016. The options will vest where the average 30 consecutive day VWAP of the Company's shares is equal or greater than 1.5 cents.

Group performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors' and executives' performance. The Company plans to facilitate this process by directors and executives participating in future option issues to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2020.

Voting and comments made at the Company's 2019 Annual General Meeting

The Company received 95.2% of "yes" votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

The key management personnel of the Group include the directors as per page 4 above.

Given the size and nature of operations of the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Key management personnel of the Group

		Short Term Benefits				Post-Employment Benefits		Long-Term Benefits		Equity-Settled Share-Based Payments		
		Salary & Fees	Profit Share & Bonuses	Non-Monetary	Other	Pension & Super-annuation	Other	Incentive Plans	LSL	Shares/ Units	Options/ Rights	Total
		$	$	$	$	$	$	$	$	$	$	$
Directors												
Rex Turkington	**2020**	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,000**
	2019	60,000	-	-	-	-	-	-	-	-	-	60,000
Kane Marshall	**2020**	**222,160**	**-**	**-**	**-**	**21,904**	**-**	**-**	**(6,382)**	**-**	**7,911**	**245,593**
	2019	235,431	-	-	-	22,580	-	-	10,700	-	7,911	276,622
Dennis Wilkins (1)	**2020**	**32,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,000**
	2019	32,000	-	-	-	-	-	-	-	-	751	32,751
Min Yang(2)	**2020**	**32,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,000**
	2019	32,000	-	-	-	-	-	-	-	-	-	32,000
Geoff Baker(2)	**2020**	**32,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,000**
	2019	32,000	-	-	-	-	-	-	-	-	-	32,000
Total key management personnel	**2020**	**378,160**	**-**	**-**	**-**	**21,904**	**-**	**-**	**(6,382)**	**-**	**7,911**	**401,593**
	2019	391,431	-	-	-	22,580	-	-	10,700	-	7,911	432,622

(1) In addition to Mr Wilkins' remuneration as a director, a total of $21,787 (2019: $30,694) was paid to DW Corporate Pty Ltd, a business of which Mr Wilkins is principal. DW Corporate Pty Ltd provided bookkeeping and accounting services to the Group during the year. The amounts paid were at usual commercial rates with fees charged on an hourly basis.

(2) In addition to Min Yang's and Geoff Baker's remuneration as directors, a total of $30,000 (2019: $36,00) was paid to ASF Capital Pty Ltd, a business of which Min Yang and Geoff Baker are directors. ASF Capital Pty Ltd provides corporate advisory services to the Group during the year. The amounts paid were at usual commercial rates.

Service agreements

The details of service agreements of the key management personnel of Key Petroleum Limited are as follows:

Rex Turkington, Non-Executive Chairman:

- Annual consulting fee of $60,000 to be paid to Katarina Corporation Pty Ltd, a business of which Mr Turkington is principal;
- Agreement commenced 14 January 2014 for a twelve month period and was since renewed for a further twelve months in each of the following three years. Since January 2018 the contract is a rolling month by month agreement with the Company; and
- The agreement may be terminated, without cause, by either party giving written notice.

Kane Marshall, Managing Director:

- Mr Marshall is a full-time employee of the Company with an annual salary of $175,000, plus statutory superannuation;
- Mr Marshall's original employment agreement expired in April 2018 and has been renewed on the same terms for a further 2 years then rolling on a monthly basis; and
- The agreement may be terminated, without cause, by either party with three months' written notice.

Min Yang, Non-Executive Director:

- Annual consulting fee of $32,000 to be paid to Luxe Hill Ltd, a business of which Ms Yang is principal;
- Agreement commenced 28 January 2014 for a twelve month period and was since renewed for a further twelve months in each of the following three years. Since January 2018 the contract is a rolling month by month agreement with the Company; and
- The agreement may be terminated, without cause, by either party giving written notice.

Geoff Baker, Non-Executive Director:

- Annual consulting fee of $32,000 to be paid to Gold Star Industry Limited, a business of which Mr Baker is principal;
- Agreement commenced 3 March 2015 for a twelve month period and was since renewed for a further twelve months in each of the following two years. Since March 2018 the contract is a rolling month by month agreement with the Company; and
- The agreement may be terminated, without cause, by either party giving written notice.

Dennis Wilkins – Non-Executive Director

- Annual consulting fee of $32,000 to be paid to DW Corporate Pty Ltd, a business of which Mr Wilkins is principal;
- The contract is a rolling month by month agreement with the Company; and
- The agreement may be terminated, without cause, by either party giving written notice.

Share-based compensation

Options

Options are issued at no cost to key management personnel as part of their remuneration. The options are not issued based on performance criteria but are issued to key management personnel of Key Petroleum Limited to increase goal congruence between key management personnel and shareholders. The following options over ordinary shares of the Company were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Kane Marshall	22/11/2016	20,000,000	(1)	22/11/2020	1.5	0.4	N/A	2.9

(1) The options will vest where the average 30 consecutive day VWAP of the Company's shares is equal or greater than 1.5 cents.

(2) There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Key Petroleum Limited during the year.

Performance Rights

Performance rights are issued to directors and executives as part of their remuneration. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel from obtaining mortgages in securities held in the Company.

The following performance rights were granted to or vesting with key management personnel during the year, there were no performance rights forfeited during the year:

	Grant Date	Granted Number	Vested Number	Date Vesting and Exercisable	Expiry Date	Value per right at grant date (cents) (1)	% of Remuneration
Directors							
Kane Marshall	06/08/2012	2,000,000	Nil	(2)	N/A	3.6	-
Kane Marshall	06/08/2012	2,000,000	Nil	(3)	N/A	3.6	-

(1) The value at grant date in accordance with AASB 2: Share Based Payments of performance rights granted during the year as part of remuneration. The value is the closing share price on grant date.

(2) These rights vest upon the satisfaction of the following performance hurdle:

"When the volume weighted average price of the Company's shares increases by 100% for a consecutive period of at least 30 business days during each calendar year of the directors' term."

At the grant date, the Board determined that the probability of this performance condition being met was 60%.

(3) These rights vest upon the satisfaction of the following performance hurdle:

"When the volume weighted average price of the Company's shares increases by 150% for a consecutive period of at least 30 business days during each calendar year of the directors' term."

At the grant date, the Board determined that the probability of this performance condition being met was 50%.

Equity instruments held by key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each director of Key Petroleum Limited and other key management personnel of the Group, including their personally related parties, and any nominally held, are set out below. There were no shares granted during the reporting period as compensation.

2020	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Key Petroleum Limited				
Ordinary shares				
Rex Turkington	-	-	-	-
Kane Marshall	**17,500,000**	-	**1,408,450**	**18,908,450**
Dennis Wilkins	-	-	-	-
Min Yang [(1)]	**221,147,588**	-	**4,225,352**	**225,372,940**
Geoff Baker [(1)]	**221,147,588**	-	**4,225,352**	**225,372,940**

(1) Ms Yang and Mr Baker are both directors of ASF Group Limited which is the ultimate holding company of ASF Oil & Gas Holdings Pty Ltd which holds shares in Key Petroleum Limited.

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Key Petroleum Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2020	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Key Petroleum Limited							
Rex Turkington	-	-	-	-	-	-	-
Kane Marshall	**20,000,000**	-	-	-	**20,000,000**	-	**20,000,000**
Dennis Wilkins	-	-	-	-	-	-	-
Min Yang	-	-	-	-	-	-	-
Geoff Baker	-	-	-	-	-	-	-

Performance Right holdings

Kane Marshall was issued 4,000,000 Performance Rights for nil consideration on 6 August 2012 following shareholder approval granted at the General Meeting held on that date. The performance rights were issued in two equal tranches that will vest on the respective satisfaction of the following performance conditions:

(1) Performance rights A:

"When the volume weighted average price of the Company's shares increases by 100% for a consecutive period of at least 30 business days during each calendar year of the directors' term."

(2) Performance rights B:

"When the volume weighted average price of the Company's shares increases by 150% for a consecutive period of at least 30 business days during each calendar year of the directors' term."

Note: As a result of the retirement of Kane Marshall on 28 August 2020, all of the Performance Rights lapsed from that date.

Loans to key management personnel

There were no loans to key management personnel during the year.

Other transactions with key management personnel

The Company has a lease agreement for a vehicle relating to an associate of Mr Marshall. The value of the lease payments for the year was $14,364 (2019: $14,364) and this total plus related FBT contribution was taken from Mr Marshall's gross salary as a deduction for the year. There are no other related party transactions during the year.

DW Corporate Pty Ltd, a business of which Mr Wilkins is principal, provided bookkeeping and accounting services to the Key Petroleum Group during the year. The amounts paid of $21,787 (2019: $30,694) were on arm's length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkin's compensation. At 30 June 2020 there was $11,951 (2019: $1,412) owing to DW Corporate Pty Ltd.

ASF Capital Ltd, a business of which Mr Baker and Ms Yang, provided corporate advisory services to the Key Petroleum Group during the year. The amounts paid of $30,000 (2019: $36,000) were on arm's length commercial terms.

End of audited Remuneration Report

DIRECTORS' MEETINGS

During the year the Company held five meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Audit & Risk Committee Meetings[1]		Remuneration Committee[1] Meetings	
	A	B	A	B	A	B
Rex Turkington	11	11	2	2	-	-
Kane Marshall	11	11	*	*	*	*
Dennis Wilkins	9	11	1	2	-	-
Min Yang	11	11	2	2	*	*
Geoff Baker	11	11	*	*	-	-

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

* – Not a member of the Committee.

1 – On 10 March 2020 the Board of Directors determined that there were no efficiencies to be gained by continuing the Audit and Risk Committee and Remuneration Committee. It was resolved to disband these Committees. Instead the functions of these Committees are undertaken by the full Board. When the Board is considering matters within the ambit of the Audit and Risk Committee Charter and Remuneration Committee Charter, it will be guided by and, to the extent practicable, act in accordance with, those Charters. At such time when the Group is of sufficient size, consideration will be given to reforming these Committees.

SHARES UNDER OPTION

Unissued ordinary shares of Key Petroleum Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price (cents)	Number of options
22 November 2016	30 November 2020	1.5	20,000,000
24 August 2018	24 August 2022	1.3	4,500,000
28 March 2019	27 March 2023	1.3	1,000,000
Total number of options outstanding at the date of this report			**25,500,000**

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Key Petroleum Limited paid a premium of $30,436 to insure the directors and secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Bentleys, or associated entities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

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 15.

Signed in accordance with a resolution of the directors for Key Petroleum Limited.

Geoff Baker
Non-Executive Chairman

Perth, 29 September 2020

CORPORATE GOVERNANCE STATEMENT

The Company's 2020 Corporate Governance Statement has been released as a separate document and is located on the Company's website at http://www.keypetroleum.com.au/corporate_governance.

Bentleys
THINKING AHEAD

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To the Board of Directors

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

As lead audit Partner for the audit of the financial statements of Key Petroleum Limited for the financial year ended 30 June 2020, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully,

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 29th day of September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2020	Notes	2020 $	2019 $
REVENUE FROM CONTINUING OPERATIONS	2	**767,527**	460,377
EXPENDITURE			
Depreciation expense		**(82,793)**	(30,490)
Salaries and employee benefits expense		**(143,057)**	(195,278)
Corporate expenditure		**(133,586)**	(34,899)
Administration costs		**(411,291)**	(489,009)
Contracting costs		**(81,820)**	(161,259)
Exploration costs not capitalised		**(39,666)**	(223,098)
Share-based payments expense	22	**(10,509)**	(38,284)
Finance costs		**(10,727)**	(5,968)
Loss on disposal of subsidiaries		-	(62,729)
LOSS BEFORE INCOME TAX	3	**(145,922)**	(780,637)
INCOME TAX BENEFIT / (EXPENSE)	4	-	-
LOSS FOR THE YEAR		**(145,922)**	(780,637)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		-	20,425
Items that have been reclassified to profit or loss			
Exchange differences realised on disposal of foreign operations		-	62,729
Other comprehensive income for the year, net of tax		-	83,154
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF KEY PETROLEUM LIMITED		**(145,922)**	(697,483)
Basic and diluted loss per share attributable to the members of Key Petroleum Limited (cents per share)	21	**(0.01)**	(0.05)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020	Notes	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	5	**642,193**	446,895
Trade and other receivables	6	**268,735**	1,508,545
TOTAL CURRENT ASSETS		**910,928**	1,955,440
NON-CURRENT ASSETS			
Receivables	7	**178,562**	178,562
Plant and equipment	8	**171,293**	197,092
Capitalised exploration costs	9	**4,502,264**	3,673,214
Right of use Asset	17	**33,856**	-
TOTAL NON-CURRENT ASSETS		**4,885,975**	4,048,868
TOTAL ASSETS		**5,796,903**	6,004,308
CURRENT LIABILITIES			
Trade and other payables	10	**439,102**	699,337
Lease liabilities	17	**26,369**	-
Provisions	11	**338,256**	1,382,750
TOTAL CURRENT LIABILITIES		**803,727**	**2,082,087**
NON-CURRENT LIABILITIES			
Lease Liabilities	17	**4,305**	-
Provisions	11	**1,269**	433
TOTAL NON-CURRENT LIABILITIES		**5,574**	433
TOTAL LIABILITIES		**809,301**	2,082,520
NET ASSETS		**4,987,602**	3,921,788
EQUITY			
Issued capital	12	**42,515,302**	41,314,075
Reserves	13(a)	**756,674**	746,165
Accumulated losses		**(38,284,374)**	(38,138,452)
TOTAL EQUITY		**4,987,602**	3,921,788

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2020	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 year	-	-	-	(780,637)	(780,637)
Exchange differences on translation of foreign operations	-	-	20,425	-	20,425
Exchange differences realised on disposal of foreign operations	-	-	62,729	-	62,729
TOTAL COMPREHENSIVE INCOME	-	-	83,154	(780,637)	(697,483)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	1,010,519	-	-	-	1,010,519
Share issue transaction costs	(96,280)	-	-	-	(96,280)
Share-based payments	-	38,284	-	-	38,284
BALANCE AT 30 JUNE 2019	41,314,075	746,165	-	(38,138,452)	3,921,788
Loss for the year	-	-	-	**(145,922)**	**(145,922)**
Exchange differences on translation of foreign operations	-	-	-	-	-
Exchange differences realised on disposal of foreign operations	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	-	**(145,922)**	**(145,922)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	**1,297,010**	-	-	-	**1,297,010**
Share issue transaction costs	**(95,783)**	-	-	-	**(95,783)**
Share-based payments	-	**10,509**	-	-	**10,509**
BALANCE AT 30 JUNE 2020	**42,515,302**	**756,674**	-	**(38,284,374)**	**4,987,602**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2020	Notes	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**197,322**	74,806
Payments to suppliers and employees		**(767,322)**	(686,019)
Interest received		**921**	8,620
Government Grants and tax incentives		**68,000**	-
Finance costs paid		**(10,727)**	(5,909)
Expenditure on petroleum interests		**(535,360)**	(1,323,126)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	5(a)	**(1,047,166)**	(1,931,628)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		-	(435)
Payments for guarantees		-	(157,305)
Proceeds on farmout of Permit		**150,000**	-
Receipt of cash on acquisition of petroleum interests	9	-	380,000
Payments for rehabilitation expenses on petroleum interest		**(1,382,750)**	(408,893)
Reimbursement of rehabilitation expenses		**1,334,164**	264,041
NET CASH INFLOW FROM INVESTING ACTIVITIES		**101,414**	77,408
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares and options		**1,297,010**	1,010,519
Payments of share issue transaction costs		**(95,783)**	(96,280)
Principal elements of Lease Payment		**(60,177)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,141,050**	914,239
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**195,298**	(939,981)
Cash and cash equivalents at the beginning of the financial year		**446,895**	1,386,876
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**642,193**	446,895

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Key Petroleum Limited and its subsidiaries. The financial statements are presented in Australian currency. Key Petroleum Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 29 September 2020. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Key Petroleum Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Key Petroleum Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has adopted AASB 16 Leases from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (lease payments) and removes the former distinction between 'operating' and 'finance' leases. The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and adjustments arising from the new leasing rules are recognised in the opening statement of financial position on 1 July 2019. There is no initial impact on accumulated losses under this approach and comparatives have not been restated.

From 1 July 2019, where the Group is lessee, the Group recognises a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The rightof-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

- Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- Fixed Payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonable certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group's current lease agreements do not contain any extension options. Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date less any lease incentives received, and any initial direct costs.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Where leases have a term of less than 12 months or relate to low value assets the Group may apply exemptions in AASB 16 to not capitalise any such leases and instead recognise the lease payments on a straight-line basis as an expense in profit or loss.

Impact on adoption of AASB 16 On adoption of AASB 16 the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principle of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019, being 10%. On initial application the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted for prepaid lease payments recognised in the statement of financial position as at 30 June 2019. In the statement of cash flows the Group has recognised cash payments for the principal portion of the lease liability within financing activities and cash payments for the interest portion of the lease liability as interest paid within operating activities. The adoption of AASB 16 resulted in the recognition of a right-of-use assets of $90,850 and lease liabilities of $86,018 in respect of the office lease. There was no impact on accumulated losses at 1 July 2019.

Practical expedients applied

- In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard: • the Group has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered before the transition date the Group relied on its assessment made applying AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease; and
- reliance on previous assessments on whether leases are onerous.

Reconciliation of operating lease commitments to lease liability Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liability recognised on 1 July 2019:

	$
Operating lease commitments disclosed as at 30 June 2019	**101,133**
Adjustment for prepayment at 30 June 2019 and other variances	**(7,421)**
	93,712
Discounted using the lessee's incremental borrowing rate at the date of initial application and lease liability recognised as at 1 July 2019	**86,018**

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the amount of share based payments expense, which have been measured at fair value.

(iv) Going concern

The 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 year of $145,922 (2019: $780,637) and net cash outflows from operating activities of $1,006,779 (2019: $1,931,628).

The directors have prepared an estimated cash flow forecast for the period to September 2021 to determine if the Group will require additional funding during the next 15 month period. Where this cash flow forecast includes the likelihood that additional amounts will be needed and these funds have not yet been secured, it creates material uncertainty as to whether the Group 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 of whether it is reasonable to assume that the Group 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 Group has access to cash reserves of $642,193 as at 30 June 2020 (30 June 2019: $446,895);
- The Group 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 Group has raised $1,297,010 during the year via the issue of shares; and
- The Directors anticipate the support of the Group's major shareholders to continue with the advancement of the Group's assets.

Should the Directors not achieve the matters as set out above, there is a material uncertainty whether the Group will continue as a going concern and it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts to those stated in the annual report. The annual 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.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Key Petroleum Limited.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Key Petroleum Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Sales revenue from providing services to external parties is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is based on the actual labour hours spent relative to the total expected labour hours. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

The Company formed a tax consolidated Group on 1 July 2016. The effect of the transition from single taxable entities to a tax consolidated group is the re-setting of the tax bases for assets within the group and an adjustment to the available carry forward losses under the available fraction calculation.

The head entity, Key Petroleum Limited, and the controlled entities in the tax consolidated group account for their own current and deferred taxes and are measured on a stand-alone taxpayer basis. The Group currently does not have a tax sharing or tax funding arrangement.

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired businesses;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity;

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Exploration and Evaluation Expenditure is assessed for impairment indicators under AASB 6 paragraph 20 and where there are indicators of impairment the Company will test for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(k) Investments and other financial assets

(i) Classification

From 1 July 2019 the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income or expenses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income or expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income or expenses and impairment losses are presented as a separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income or expenses in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in other income or expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology depends on whether there has been a significant increase in credit risk.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) Exploration and evaluation costs

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied.

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, salaries of exploration personnel, exploratory drilling and sampling and associated activities and depreciation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The policy on impairment can be found at Note 1(i). The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are paid on normal commercial terms.

(o) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Other long-term employee benefit obligations*

The group also has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

The Group provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value is determined by an internal valuation using a Black-Scholes Option Pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(p) Provisions and asset retirement obligation

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. When this provision gives access to future economic benefits, an asset is recognised and then subsequently depreciated in line with the life of the underlying producing asset, otherwise the costs are charged to the income statement. The unwinding of the discount on the provision is included in the profit or loss and other comprehensive income within finance costs. Any changes to estimated costs or discount rates are dealt with prospectively.

(q) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

(v) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation costs

Exploration and evaluation costs are accumulated in respect of each identifiable area of interest. The write-off or carrying forward of exploration expenditure is based on a periodic assessment of the viability of an area of interest and/or the existence of economically recoverable reserves.

This assessment is based on pre-determined impairment indicators, taking into account the requirements of the accounting standard, and with the information available at the time of preparing this report. Information may come to light in subsequent periods which requires the asset to be impaired or written down for which the directors are unable to predict the outcome. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Deferred tax assets are recognised for deductible temporary differences and taxation losses when the directors and management consider that it is probable that sufficient future tax profits will be available to utilise those temporary differences and losses. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the future period together with future tax planning strategies and the impact of the current income taxation legislation. Where there are significant variables relating to generating taxable profits in the future and there is limited operating history, the Group will disclose the unrecognised deferred taxes.

Share-based payments

Share-based payment transactions, in the form of options to acquire ordinary shares, are valued using the Black-Scholes option pricing model. This model uses assumptions and estimates as inputs based on historical information available at the time the valuation was undertaken. This historical information may not be indicative of the future result.

Provisions for rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value (including an appropriate discount rate relevant to the time value of money plus any risk premium associated with the liability) of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

30 JUNE 2020	2020 $	2019 $
2. REVENUE AND OTHER INCOME		
From continuing operations		
Other revenue		
Interest from financial institutions	**921**	8,620
Management fees	**32,092**	39,952
Fuel tax credits	**5,750**	9,219
Recharge Income	**481,094**	-
Gain on acquisition of permit	**-**	380,000
Consulting services	**133,286**	13,650
Cashflow boost	**89,500**	-
Other Income	**24,884**	8,936
	767,527	460,377

3. EXPENSES

	2020 $	2019 $
Loss before income tax includes the following specific expenses:		
Directors' fees	**156,000**	156,000
Superannuation expense	**52,306**	51,895

30 JUNE 2020	2020 $	2019 $
4. INCOME TAX		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	**(145,922)**	(780,637)
Prima facie tax (benefit)/expense at the Australian tax rate of 27.5% (2019: 27.5%)	**(40,129)**	(214,675)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	**2,890**	10,528
COVID-19 Cash flow BOOST	**(17,188)**	-
Loss on disposal of subsidiaries	-	17,250
Other	**416**	213
	(54,010)	(186,684)
Movements in unrecognised temporary differences	**(196,669)**	(423,470)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**277,020**	610,154
Under/Over	**(26,341)**	-
Income tax expense	-	-
(c) Deferred tax assets not brought to account		
Capital raising costs	**49,890**	43,530
Provision and accruals	**110,680**	39,841
Tax losses	**2,279,423**	2,143,668
Total	**2,439,993**	2,227,039

30 JUNE 2019	2019	2018
	$	$

4. INCOME TAX (cont'd)

(d) Deferred tax liabilities

Right of Use Asset	**827**	-
Capitalised exploration and evaluation costs	**845,135**	614,027
Total	**845,962**	614,027

(e) Offset provisions

Deferred tax liabilities	**(845,962)**	(614,027)
Deferred tax assets (portion off-set deferred tax liabilities)	**845,962**	614,027
Unused tax losses for which no deferred tax asset has been recognised	**-**	-

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2019 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

(i) the Group derives future assessable income of nature and of an amount sufficient to enable the benefits to be utilised;

(ii) the Group continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in income tax legislation adversely affect the Group in utilising the benefits.

5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**627,193**	431,895
Short-term deposits	**15,000**	15,000
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**642,193**	446,895

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Credit risk

A-1+	**642,193**	446,895

The equivalent S&P rating of the financial assets represent that rating of the counterpart with whom the financial asset is held rather than the rating of the financial asset itself.

30 JUNE 2020	2020 $	2019 $

5. CURRENT ASSETS – CASH AND CASH EQUIVALENTS (cont'd)

(a) Reconciliation of net loss after income tax to net cash outflow from operating activities

	2020 $	2019 $
Net loss for the year	**(145,922)**	(780,637)
Non-cash items		
Depreciation of non-current assets	**82,793**	30,490
Share-based payments expense	**10,509**	38,284
Gain on acquisition of permit	-	(380,000)
Loss on sale of subsidiary	-	62,729
Net exchange differences	-	20,425
Change in operating assets and liabilities		
(increase)/Decrease in trade and other receivables	**(38,747)**	1,640
(Increase) in petroleum permits and capitalised exploration costs	**(679,050)**	(1,276,688)
Increase/(decrease) in trade and other payables	**(277,586)**	336,236
Increase in provisions	**837**	15,893
Net cash outflow from operating activities	**(1,047,166)**	(1,931,628)

6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
L7 restoration reimbursement receivable	**156,114**	1,481,352
Other receivables	**112,621**	27,193
	268,735	1,508,545

Refer to note 9 for further information on the L7 restoration reimbursement receivable.

6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (cont'd)

Credit Risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counterparties other than those receivables specifically provided for and mentioned within note 24. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered to be 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high quality.

The table below outlines the amounts due, past due and not impaired.

	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31 - 60	61 - 90	> 90	
	$	$	$	$	$	$	$
2020							
L7 restoration reimbursement receivable	**156,114**	-	-	-	-	-	**156,114**
Other receivables	**112,621**	-	-	-	-	-	**112,621**
Total	**268,735**	-	-	-	-	-	**268,735**
2019							
L7 restoration reimbursement receivable	1,481,352	-	-	-	-	-	1,481,352
Other receivables	27,193	-	-	-	-	-	27,193
Total	1,508,545	-	-	-	-	-	1,508,545

7. NON-CURRENT RECEIVABLES

	2020	2019
	$	$
Bank guarantees	**178,562**	178,562
	178,562	178,562

The guarantee is held by the Group's financial institution in cash. The credit rating has been disclosed above in note 5.

30 JUNE 2020	2020 $	2019 $
8. PLANT AND EQUIPMENT		
Plant and equipment		
Cost	**416,866**	416,866
Accumulated depreciation	**(245,573)**	(219,774)
Net book amount	**171,293**	197,092
Reconciliation of movements in plant and equipment		
Opening net book amount	**197,092**	227,148
Additions	-	434
Depreciation charge	**(25,799)**	(30,490)
Closing net book amount	**171,293**	197,092
9. CAPITALISED EXPLORATION COSTS		
Exploration, evaluation and development costs carried forward in respect of areas of interest	**4,502,264**	3,673,214
Reconciliation - Pre-production		
Carrying amount at the beginning of the year	**3,673,214**	2,396,526
Additions to exploration and evaluation costs	**979,050**	1,276,688
Disposals during the year	**(150,000)**	-
Carrying amount at the end of the year	**4,502,264**	3,673,214

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.

On 13 July 2019 the Company, through its wholly owned subsidiary Key Cooper Basin Pty Ltd entered into a Farmin Agreement with Pancontinental Oil and Gas NL ("Pancon"), Pancon will acquire from Key:

- an undivided 20% participating interest in ATP 920 (together with an option to acquire an additional undivided 15% participating interest in ATP 920); and
- an undivided 25% participating interest in the Ace Area (collectively the "Farmin Interest").

In consideration of the assignment of the Farmin Interest, Pancon will undertake the following obligations (collectively Farmin Obligations):

- Pay to Key, $150,000 on the execution of the terms sheet to cover costs in relation to seismic reprocessing in respect of the Ace Area and the area of ATP 920 as well as other permitting costs.
- fund 26.67 % of the total costs and expenses of drilling a to be selected, exploration well to target depth including plugging and abandoning the well (Dry Hole Costs) but excluding success case costs associated with testing and completing the well, with such well costs to be capped at gross $3,000,000 ("on a 100% basis").

The deal has been completed during the year.

30 JUNE 2020	2020	2019
	$	$

9. CAPITALISED EXPLORATION COSTS (cont'd)

Joint operations

The Group accounts for the assets, liabilities, revenues and expenses relating to its interests in Joint Operations in accordance with the accounting policy of the Group (refer note 1(b)(iii)). The Group has the following interests in Joint Operations:

30 JUNE 2020	2020	2019
	%	%
EP 437	**86.94**	86.94
ATP 783/920/924	**100.00**	100.00
WA-481-P	**40.00**	40.00
L7	**50.00**	50.00

All joint operations do not have any profit or loss items as the costs are capitalised to exploration assets. The amounts below represent the Group's interests in each joint operation.

	2020	2019
	$	$
EP 437		
Balance sheet		
CURRENT ASSETS		
Cash and cash equivalents	**22**	15,887
Receivables	-	-
TOTAL CURRENT ASSETS	**22**	15,887
NON-CURRENT ASSETS		
Exploration assets	**1,614,180**	1,474,703
TOTAL NON-CURRENT ASSETS	**1,614,180**	1,474,703
CURRENT LIABILITIES		
Trade and other payables	**19,635**	17,170
TOTAL NON-CURRENT LIABILITIES	**19,635**	17,170

Commitments and contingencies

There are no capital commitments or contingencies as at 30 June 2020 and 30 June 2019 for the Joint Operations outside the work program commitments listed as part of note 17 below.

	2020	2019
	$	$

10. TRADE AND OTHER PAYABLES

	2020 $	2019 $
Trade payables	**166,569**	267,927
Other payables and accruals	**272,533**	431,410
	439,102	699,337

11. PROVISIONS

	2020 $	2019 $
Current		
Restoration provision (L7)	**300,000**	**1,336,500**
Long service leave	**38,256**	**46,250**
	338,256	**1,382,750**
Non-Current		
Long service leave	**1,269**	**433**
Total Provisions	**339,525**	**1,383,183**

Reconciliation – provision for restoration

	2020 $	2019 $
Opening balance	**1,336,500**	-
Additions – exploration (a)	**300,000**	1,718,016
Restoration expenses incurred	**(1,336,500)**	(381,516)
Closing balance	**300,000**	1,336,500

(a) The addition in the restoration provision during the current year relates to the further rehabilitation work required on the Production Licence L7.

Reconciliation – provision for long service leave

	2020 $	2019 $
Opening balance	**46,683**	30,790
Additional provision for the year	**(7,158)**	15,893
Closing balance	**39,525**	46,683

12. ISSUED CAPITAL

(a) Share capital

	Number of shares 2020	$ 2020	Number of shares 2019	$ 2019
Ordinary shares fully paid	**1,967,928,125**	**42,515,302**	1,549,462,207	41,314,075
Total issued capital	**1,967,928,125**	**42,515,302**	1,549,462,207	41,314,075

(b) Movements in ordinary share capital

	Number of shares 2020	$ 2020	Number of shares 2019	$ 2019
Beginning of the financial year	**1,549,462,207**	**41,314,075**	1,347,358,441	40,399,836
– Share placements	**418,465,918**	**1,297,010**	202,103,766	1,010,519
– Share issue transaction costs	**-**	**(95,783)**	-	(96,280)
End of the financial year	**1,967,928,125**	**42,515,302**	1,549,462,207	41,314,075

(c) Movements in options on issue

	Number of options 2020	Number of options 2019
Beginning of the financial year	**25,500,000**	21,000,000
Issued during the year:		
– Exercisable at 1.3 cents, on or before 24 August 2022	-	4,500,000
– Exercisable at 1.3 cents, on or before 27 March 2023	-	1,000,000
Options expired during the year:		
– On 9 March 2019, exercisable at 1.287 cents	-	(1,000,000)
End of the financial year	**25,500,000**	25,500,000

(d) Movements in performance rights on issue

	Number of performance rights 2020	Number of performance rights 2019
Beginning of the financial year	**4,000,000**	4,000,000
End of the financial year	**4,000,000**	4,000,000

12. ISSUED CAPITAL (continued)

(e) 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.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the natures of the Group's activities, being petroleum exploration, the Group does not have the access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Refer to note 1 for management plans to remain a going concern. The working capital position of the Group as 30 June 2020 and 30 June 2019 are as follows:

	2020 $	2019 $
Cash and cash equivalents	**642,193**	446,895
Trade and other receivables	**268,735**	1,508,545
Trade and other payables	**(439,102)**	(699,337)
Provisions - current	**(338,256)**	(1,382,750)
Lease liabilities	**(26,369)**	-
Working capital position	**107,201**	(126,647)

13. RESERVES

(a) Reserves

Foreign currency translation reserve	-	-
Share-based payments reserve	**756,674**	746,165
	756,674	746,165

30 JUNE 2020	2020	2019
	$	$

13. RESERVES (cont'd)

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in Note 1(d) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) Foreign currency translation reserve

The share-based payments reserve is used to recognise the fair value of options issued.

14. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

15. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Audit services

	2020 $	2019 $
Bentleys – audit and review of financial reports	**25,000**	21,539
Total remuneration for audit services	**25,000**	21,539

16. CONTINGENCIES

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

17. COMMITMENTS

(a) Exploration commitments

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

	2020 $	2019 $
Within one year	**3,524,840**	3,992,600
Later than one year but not later than five years	**12,084,040**	12,084,040
	15,608,880	16,076,640

30 JUNE 2020	2020	2019
	$	$

17. COMMITMENTS (cont'd)

(b) Leased Assets and Liabilities

Leased Assets		
Right-of-use assets	**90,850**	-
Accumulated Depreciation of Right of Use Asset	**(56,994)**	-
Carrying value of right-of-use-asset	**33,856**	-

Lease Liabilities		
Current Lease Liabilities	**26,369**	-
Non-Current Lease Liabilities	**4,305**	-
Total Lease Liabilities	**30,674**	-

	2020	2019
	$	$

18. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Key Petroleum Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 19.

(c) Key management personnel compensation

	2020 $	2019 $
Short-term benefits	**378,160**	391,431
Post-employment benefits	**21,904**	22,580
Long-term benefits	**(6,382)**	10,700
Share-based payments	**7,911**	7,911
	401,593	432,622

Detailed remuneration disclosures are provided in the remuneration report within the Directors' Report.

(d) Transactions and balances with other related parties

Transactions with key management personnel are disclosed below:

- The Company has a lease agreement for a vehicle relating to an associate of Mr Marshall. The value of the lease payments for the year was $14,364 (2019: $14,364) and this total plus related FBT contribution was taken from Mr Marshall's gross salary as a deduction for the year. There are no other related party transactions during the year.
- DW Corporate Pty Ltd, a business of which Mr Wilkins is principal, provided bookkeeping and accounting services to the Key Petroleum Group during the year. The amounts paid of $21,787 (2019: $30,694) were on arm's length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkins' compensation. At 30 June 2020 there was $11,951 (2019: $1,412) owing to DW Corporate Pty Ltd.
- ASF Capital Ltd, a business of which Mr Baker and Ms Yang, provided corporate advisory services to the Key Petroleum Group during the year. The amounts paid of $30,000 (2019: $36,000) were on arm's length commercial terms.

19. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding*	
			2020	2019
			%	%
Key Petroleum (Australia) Pty Ltd	Australia	Ordinary	**100**	**100**
Key Cooper Basin Pty Ltd	Australia	Ordinary	**100**	**100**
Key Petroleum Services Pty Ltd	Australia	Ordinary	**100**	**100**
Key Midwest Pty Ltd	Australia	Ordinary	**100**	**100**

20. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the end of the financial year the following items occurred:

- The Managing Director, Kane Marshall, retired from the board with effect from 28 August 2020 and Rex Turkington retired as Chairman and Non-executive of the Company with effect from 31 August 2020. Geoff Baker was appointed as Chairman of the board on 31 August 2020. Ric Jason, who was the Company's Exploration Manager, was appointed as Interim Chief Executive Officer with effect from 28 August 2020.
- On 8 September 2020, Key entered into a term sheet with Pilot Energy Limited whereby Key will sell its 40% interest in the WA-481-P Permit to Pilot. In consideration for the transfer of its interest, Pilot will issue to Key (or its nominee) in two tranches 21 million shares in Pilot that will be fully paid ordinary listed shares. The parties will terminate the Joint Venture Agreement between each other in relation to the WA-481-P Permit. The 21 million shares in Pilot will be issued to Key (or its nominee), subject to approval by Pilot's shareholders.

Other than the above, there was no other events occurring after the reporting date.

30 JUNE 2020	2020 $	2019 $

21. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

	2020 $	2019 $
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share:	**(145,922)**	(780,637)
	(145,922)	(780,637)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**1,718,902,416**	1,419,955,027

(c Information on the classification of options

As the Group made a loss for the year ended 30 June 2020, the options on issue were considered anti-dilutive and were not included in the calculation of diluted earnings per share. The options currently on issue could potentially dilute basic earnings per share in the future.

22. SHARE-BASED PAYMENTS

(a) Employees and contractors' options

The Group provides benefits to employees (including Directors) and contractors of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. The exercise prices of the options granted and on issue at 30 June 2020 range from 1.3 to 1.5 cents per option, with expiry dates ranging from 30 November 2020 to 27 March 2023.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

	2020		2019	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**25,500,000**	**1.46**	21,000,000	1.49
Granted	-	-	5,500,000	1.30
Forfeited/cancelled	-	-	-	-
Exercised	-	-	-	-
Expired / lapsed	-	-	(1,000,000)	(1.29)
Outstanding at year-end	**25,500,000**	**1.46**	25,500,000	1.46
Exercisable at year-end	**25,500,000**	**1.46**	25,500,000	1.46

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.8 years (2019: 1.8), and the exercise prices range from 1.3 cents to 1.5 cents.

The weighted average fair value of options granted during the year was 0.6 cents. There were no options granted during the 2020 financial year. The prices were calculated using a Black Scholes Option Pricing model applying the following inputs:

	2020
Weighted average exercise price (cents)	**1.3**
Weighted average life of the options	**4.0**
Weighted average underlying share price (cents)	**0.8**
Weighted average expected volatility	**137.3%**
Weighted average risk free rate	**1.9%**

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

(b) Employees and contractors performance rights

The Group provides benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby performance rights over ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. The performance rights granted to directors and on issue at 30 June 2020 have no expiration date.

Performance rights granted carry no dividend or voting rights. When each performance condition is satisfied, each performance right is converted into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the performance rights granted:

	2020 $	2019 $
Outstanding at the beginning of the year	**4,000,000**	4,000,000
Granted	-	-
Forfeited/cancelled	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	**4,000,000**	4,000,000

There were no performance rights granted during the 2020 and 2019 financial years.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

Options and performance rights issued to or vesting with employees and contractors	**10,509**	38,284
	10,509	38,284

30 JUNE 2020	2020	2019
	$	$

23. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Key Petroleum Limited, at 30 June 2020. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2020 $	2019 $
Current assets	**684,346**	**387,459**
Non-current assets	**4,269,672**	**4,167,854**
Total assets	**4,954,018**	**4,555,313**
Current liabilities	**352,544**	**633,092**
Non-current liabilities	**5,574**	**433**
Total liabilities	**358,118**	**633,525**
Issued capital	**42,515,302**	**41,314,075**
Share-based payments reserve	**756,674**	**746,165**
Accumulated losses	**(38,676,076)**	**(38,138,452)**
Total equity	**4,595,900**	**3,921,788**
Loss for the year	**(537,623)**	**(700,463)**
Total comprehensive income	**(537,623)**	**(700,463)**

The parent entity is responsible for the contingent liabilities outlined in Note 16.

The parent entity is responsible for funding the commitments outlined in Note 17.

Interests in subsidiaries are set out in Note 19.

30 JUNE 2020	2020	2019
	$	$

24. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	2020 $	2019 $
Financial Assets		
Cash and cash equivalents	**642,193**	**446,895**
Loans and receivables	**268,435**	**1,508,545**
Total Financial Assets	**910,628**	**1,955,440**
Financial Liabilities		
Trade payables	**166,569**	**267,927**
Total Financial Liabilities	**166,569**	**267,927**

	2020 NZD	2019 NZD
Foreign currency		
Cash and cash equivalents	-	-

Sensitivity analysis

At 30 June 2020, if interest rates had changed by -/+ 50 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $3,597 lower/higher (2019: $3,636 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is minimised by investing surplus funds in financial institutions that maintain a minimum of an A credit ratings and by ensuring customers and counterparties to transactions are of sound credit worthiness.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

All cash holdings within the Group are currently held with A-1+ rated financial institutions.

(b) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being oil and gas exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Refer to note 1 for management's plans to remain a going concern.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Financial Liability and Financial Asset Maturity Analysis

	Within 1 Year		1 to 5 Years		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Financial liabilities due for payment						
Trade payables (excluding estimated annual leave)	**166,569**	267,927	-	-	**137,500**	267,927
Total contractual outflows	**166,569**	267,927	-	-	**137,500**	267,927
Financial assets – cash flows realisable						
Cash and cash equivalents	**642,193**	446,895	-	-	**642,193**	446,895
Trade and loan receivables	**268,435**	1,508,545	-	-	**268,435**	1,508,545
Total anticipated inflows	**910,628**	1,955,440	-	-	**910,628**	1,955,440
Net inflow on financial instruments	**744,059**	1,687,513	-	-	**744,059**	1,687,513

(c) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their fair value.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

As disclosed in note 1 should the Company not continue as a going concern then the fair value of financial assets and financial liabilities may not reflect the true fair value of financial assets and financial liabilities on a liquidation basis.

25. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. During the period, the Group is managed primarily based on one segment being oil and gas exploration in Australia.

26. COMPANY DETAILS

The registered office of the company is:

Key Petroleum Limited
Suite 8, Churchill Court
331-335 Hay Street
SUBIACO WA 6008

The principal place of business is:

Key Petroleum Limited
Suite 8, Churchill Court
331-335 Hay Street
SUBIACO WA 6008

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 16 to 49 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the managing director and equivalent chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors for Key Petroleum Limited.

Geoff Baker
Non-Executive Chairman

Perth, 29 September 2020

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of Key Petroleum Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Key Petroleum Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1(a)(iv) in the financial report which indicates that the company incurred a net loss of $145,922 during the year ended 30 June 2020. This condition, along with other matters as set forth in Note 1(a)(iv), indicates the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Capitalised Exploration Costs
As disclosed in note 9 to the financial statements, as at 30 June 2020, the Group's capitalised exploration costs are carried at $4,502,264.
 	
The recognition and recoverability of the capitalised exploration costs was considered a key audit matter due to:
- The carrying value of capitalised exploration costs represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest the carrying amount of this asset may exceed the recoverable amount; and
- Determining whether impairment indicators exist involves significant judgement by management.
	Our audit procedures included but were not limited to:
	- Assessing management's determination of its areas of interest for consistency with the definition in AASB 6 *Exploration and Evaluation of Mineral Resources* ("AASB 6");
	- Assessing the Group's rights to tenure for a sample of permits and licenses;
	- Testing the Group's additions to capitalised exploration costs for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of AASB 6;
	- By testing the status of the Group's tenure and planned future activities, reading board minutes and discussions with management we assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised exploration costs:
	  - The licenses for the rights to explore expiring in the near future or are not expected to be renewed;
	  - Substantive expenditure for further exploration in the area of interest is not budgeted or planned;
	  - Decision or intent by the Group to discontinue activities in the specific area of

Key audit matter	How our audit addressed the key audit matter
	interest due to lack of commercially viable quantities of resources; and - Data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recorded in full from successful development or sale; and - Assessing the appropriateness of the related disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 internal 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. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

BENTLEYS	**MARK DELAURENTIS** CA
Chartered Accountants	**Partner**

Dated at Perth this 29th day of September 2020

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 22 September 2020.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary shares	
	Number of holders	Number of shares	% of shares
1 - 1,000	67	11,170	0.00
1,001 - 5,000	87	282,547	0.01
5,001 - 10,000	125	1,128,643	0.06
10,001 - 100,000	726	38,223,665	1.94
100,001 and over	944	1,928,282,101	97.99
	1,949	**1,967,928,126**	**100.00**
The number of equity security holders holding less than a marketable parcel of securities are (minimum $500.00 parcel at $0.0060 per unit – minimum parcel size 83,334):	**844**	**23,931,942**	**1.22**

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	283,022,808	14.38
2	ASF OIL & GAS HOLDINGS PTY LTD	225,372,940	11.45
3	GREAT SCHEME INVESTMENTS LIMITED	178,125,000	9.05
4	START GRAND GLOBAL LIMITED	170,000,000	8.64
5	FOREVER NEW LIMITED	152,500,000	7.75
6	FOREVER GRAND GROUP LIMITED	60,000,000	3.05
7	RENOWN CAPITAL HOLDINGS LTD	32,500,000	1.65
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,318,094	1.08
9	MR ANDREW CHRISTOPHER MAYES	20,000,000	1.02
10	CITICORP NOMINEES PTY LIMITED	14,624,314	0.74
11	COMSEC NOMINEES PTY LIMITED	13,322,476	0.68
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	13,084,681	0.66
13	MR GREGORY JOHN HOOK	12,685,349	0.64
14	MR MITCHELL JAMES BURGON	12,500,000	0.64
15	MR KENNETH RAYMOND PETTIT	12,000,000	0.61
16	MR RICHARD MICHAEL FREMLIN	11,111,111	0.56
17	NELVAN PTY LIMITED	11,111,111	0.56
18	MR BRIAN DESMOND MOLONEY + MRS DIANE JOY MOLONEY	11,000,000	0.56
19	JAMESON BOYCE PARTNERS PTY LTD	10,043,888	0.51
20	GRANBOROUGH PTY LTD <AJ & J KING S/F A/C>	10,000,000	0.51
		1,274,321,772	**64.75**

ASX ADDITIONAL INFORMATION

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
BNP Paribas Noms Pty Ltd <UOB KH P/L AC UOB KH DRP>	283,022,808
ASF Oil & Gas Holdings Pty Ltd	225,372,940
Great Scheme Investments Limited	178,125,000
Start Grand Global Limited	170,000,000
Forever New Limited	152,500,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in petroleum blocks

Location	Block	Percentage held/earning
Australia – Onshore	EP 437	86.94%
Australia – Onshore	L7	50.00%
Australia – Onshore	ATP 783/920/924	100.00%
Australia – Onshore	WA-481-P	40.00%

(f) Unquoted Securities

			Holders of 20% or more of the class	
Class	Number of Securities	Number of Holders	Holder Name	Number of Securities
1.5 cent Options, Expiry 30 November 2020	20,000,000	1	JL Kane Marshall	20,000,000
1.3 cent Options, Expiry 24 August 2022	4,500,000	1	R Jason	4,500,000
1.3 cent Options, Expiry 27 March 2023	1,000,000	1	M Armitage	1,000,000