

27 September 2022

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

Dear Sir/Madam

2022 ANNUAL REPORT

Please find attached Key Petroleum Limited's 2022 Annual Report.

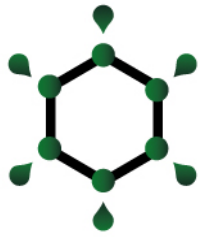
This announcement has been authorised by the Board of Directors.

For more information please contact:

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Company Secretary
Key Petroleum Limited

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Email: investors@keypetroleum.com.au



KEY
PETROLEUM LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

ACN 120 580 618

For personal use only

CORPORATE INFORMATION

ABN 50 120 580 618

Directors

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

Company Secretary

Ian Gregory

Registered Office and Principal Place of Business

Level 1
100 Havelock Street
WEST PERTH WA 6005
Telephone: +61 8 6160 6022
Facsimile: +61 8 6160 5901

Solicitors

Thomson Greer
Lawyers
Level 14, 60 Martin Place
SYDNEY NSW 2000

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

Hall Chadwick WA Audit Pty Ltd
283 Rokeby Road
SUBIACO WA 6008

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

I am pleased to present the Annual Report of the consolidated entity (referred to as the 'Group') consisting of Key Petroleum Limited (referred to as the 'Company') and the entities it controls.

The Company continues through 2022 to maintain stability and consistency despite the shadow of the disruption of COVID-19 over the last few years which lingers in Australia and across the world. This uncertainty has disrupted our plans for the future, although there are increasing signs that the worst maybe behind us.

In 2022 the Company had successfully implemented its strategy focussed on conventional oil and gas assets within Australia. Further the Company sought to monetise its Perth basin asset in the face of increasing exploration costs and commitments.

At the end of the 2022 financial year the Company has successfully sold its interest in WA-481-P to Pilot Energy Limited, and its interests in L7 and EP 437 to Triangle Energy Ltd. While the sale process for L7 and EP 437 has extended out beyond the end of this financial year the Company remains insulated from any ongoing costs, which are covered by Triangle Energy. Notwithstanding this the Company is now taking steps to complete this sale and permanently exit the permits.

These steps have enabled us to focus on the Cooper-Eromanga Basin assets in Queensland being ATPs 920, 924 and 783. The Company at the end of last year was successful in having these Permits declared 'Project status' from the Department of Natural Resources, Mines and Energy, Queensland which will now enable the Company to allocate its work program commitments and/or relinquishment requirements across all the ATPs.

The directors of the Group see great potential in its Cooper-Eromanga Basin assets, particularly for gas, and are confident in delivering enhanced shareholder wealth.

I want to sincerely thank all our loyal shareholders, lenders, clients, directors, employees and consultants for supporting us through this year. More than ever, we are fully committed to a path of continuous growth and value creation for our shareholders and partners.

Yours sincerely



Geoff Baker
Chairman

27 September 2022

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 2022.

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.

Louis Chien, MBA, BArch, GAICD (Managing Director, appointed 1 October 2021)

Mr Chien was born in Shanghai, China. He was raised in the United States where he was educated and has over 25 years of experience in Fortune 100 companies. He is now based in Sydney, Australia. Prior to joining the Group, Mr Chien held various leadership positions within ASF Group Limited, The Procter & Gamble Company, both in the United States and Singapore. He has extensive organisational experience across the Americas, Europe and Asia-Pacific.

Mr Chien is currently a Non-Executive Director of ASF Group Limited, and an alternate director of Rey Resources Limited and ActivEX Limited.

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.

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 DWCorporate Pty Ltd which provides advisory, funding and administrative management services to the resource sector. Within the last three years Mr Wilkins was also an alternate director of Middle Island Resources Limited (resigned 31 January 2021).

Dongmei (Yvonne) Ye, was a director from the beginning of the financial year until her resignation on 30 September 2021.

COMPANY SECRETARY

Ian Gregory, BBus, FGIA, FCG, 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 |
|----------------|----------------------------|------------------------------|--------------------|
| Geoff Baker | 225,372,940 ⁽¹⁾ | - | - |
| Louis Chien | 225,372,940 ⁽¹⁾ | - | - |
| Min Yang | 225,372,940 ⁽¹⁾ | - | - |
| Dennis Wilkins | - | - | - |

(1) Mr Baker, Mr Chien and Ms Yang are all 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

For the financial year ended 30 June 2022, Key Petroleum Ltd (“Company”) focused on two areas, advancing its ATP 783, 920, and 924 assets in the Cooper Eromanga Basin readying them for eventual drilling, and progressing efforts for L7 and EP437 in the Perth Basin in collaboration with Triangle Energy (TEG). Despite continued disruptions especially during the first half of the financial year created by border closures for Queensland and Western Australia due to the Covid-19 pandemic, supply chain issues, and the recent floods in Queensland, the Company was able to adapt, stay nimble, and continued to conduct its business with cost efficiency in these challenging times.

In July 2021, the Company received confirmation that the application for Project Status for Authority to Prospect (ATP) Numbers 783, 920 and 924 lodged with the Queensland regulator, Department of Natural Resources, Mines and Energy (DNRME), was approved. This enables the Company to transfer commitments between the ATPs, allowing the Company to focus efforts on the most prospective areas.

During the first half of the financial year, the Company under direction from new management conducted a detailed review of its Cooper Eromanga Basin exploration portfolio of ATPs 783, 920 and 924. High quality 3D seismic has uncovered data which indicates an early formed structure, commonly regarded as an important success factor for Permian level prospects in the Cooper Basin. Conventional sandstone reservoirs within the regionally productive Toolachee Formation are expected. The Prospective Resources for recoverable gas are estimated ranging from: P90 33.9 Bcf / P50 97.1 Bcf / P10 227.4 Bcf, and Mean 122.5 Bcf*.

Following this detailed review, the Company has been developing a set of calculated steps to action the prospective leads / prospects with planned activities and permitting to support test well(s). Activities ramped up in the 4th quarter which involved identifying drillable prospects and preparing geological well proposals and design wells.

While slowed by external impacts stated above, the Company remains committed to drilling and unlocking the potential of its Cooper Eromanga Basin assets.

During the financial year, the Company and TEG agreed several times to extend the Cut Off date for the Sale and Purchase Agreement for Key’s remaining equity in EP 437 and L7 (Sale Agreement) to TEG, now slated for the end of September 2022. This is to accommodate a number of delays involving L7 Mt Horner. Completion of the agreement requires the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS), to approve the transfer of title. Work continues with DMIRS for this approval.

During the 2nd quarter, the Company and TEG entered into a Management Services Agreement where TEG will provide all operational services in relation to the L7 and EP437 titles in the Perth Basin. The work executed during the full financial year includes a full clean-up of the Mt Horner area with guided directions from DMIRS and preparations completed for the Bookara 3D Seismic Survey. During the 4th quarter, the Company and TEG has requested and gotten approval from the Western Australian government for a 12 months Suspension with Extension for EP437.

* **Note:** Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a chance of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Competent Person’s Statement: The Prospective Resources disclosed in this announcement are based on and fairly represent information and supporting documentation prepared by, or under the supervision of, Mr John Begg. Mr Begg (BSc Geol) is a Geologist with more than 35 years’ experience, practising in Petroleum Geology and is a member of the Petroleum Exploration Society of Australia (PESA) and the American Association of Petroleum Geologists (AAPG). Mr Begg has provided his prior written consent as to the form and context in which the information that relates to the Prospective Resources is presented in this announcement.

Outlook

Key will continue efforts to attract investment for its Cooper Eromanga Basin assets, while at the same time continue to plan for its exploration commitments. Efforts will ramp up towards seismic acquisition campaigns as several prospects are ready to be drilled. Key is working towards drilling these in the current permit terms with a further 2-year renewal allowed.

Key continues to maintain its status as operator of L7 and EP 437 until the transfer of equities and title is completed. As per the Management Services Agreement, all of the costs associated with related activities will continue to be paid for by Triangle. The Bookara 3D survey remains on track to commence post the 12 months Suspension with Extension period.

Key maintains its shareholdings in Pilot Energy and its strategy towards renewable energy projects earmarked for the Midwest region of Western Australia as the country marches towards a clean energy future through the Australian National Hydrogen Strategy.

Finance Review

The Group has recorded an operating loss after income tax for the year ended 30 June 2022 of \$1,222,280 (2021: \$2,233,603).

At 30 June 2022 funds available totalled \$39,808 (2021: \$45,903).

Operating Results for the Year

Summarised operating results are as follows:

| | 2022 | |
|--------------------------------|----------------|---------------|
| | Revenues \$ | Results \$ |
| Consolidated revenues and loss | 10,980 | (1,222,280) |

Shareholder Returns

| | 2022 | 2021 |
|------------------------------|--------|--------|
| Basic loss per share (cents) | (0.06) | (0.11) |

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

On 21 September 2022 the Group announced it had entered into a Share Sale Agreement ("Agreement") with Triangle Energy (Global) Limited ("Triangle") to sell to Triangle the Company's wholly owned subsidiaries, Key Petroleum (Australia) Pty Ltd and Key Midwest Pty Ltd, who hold the Group's interests in Production Licence L7(R1) and Exploration Permit EP 437. This new Agreement replaces the Sale and Purchase Agreement between the Group and Triangle which was announced to ASX on 29 January 2021. The Agreement also sells to Triangle the Company's 5% Petroleum Production Royalty for L7 and EP437. Total consideration for the transaction is \$1.1 million to be paid as: \$100,000 cash due on the purchase of the interests from the prior Sale and Purchase Agreement; \$500,000 cash on completion; and, \$500,000 of Triangle shares to be issued on or before 30 June 2023.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

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 10% for the 2022 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(o) 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 no performance based remuneration component built into key management personnel remuneration packages.

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 2022.

Voting and comments made at the Company's 2021 Annual General Meeting

The Company received 98.9% of "yes" votes on its remuneration report for the 2021 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 and the following executive officer who had authority and responsibility for planning, directing and controlling activities within the Group:

- Ric Jason – *Interim Chief Executive Officer and Exploration Manager* (resigned 30 September 2021).

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 | | Total |
|--|-------------|--|---------------------|------------------------|--------------|-------|---------------------------|-------|--------------------|----------------|-------------------------------------|----------------|-------|
| | | | Salary & Fees | Profit Share & Bonuses | Non-Monetary | Other | Pension & Super-annuation | Other | Incentive Plans | LSL | Shares/Units | Options/Rights | |
| | | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Directors | | | | | | | | | | | | | |
| Geoff Baker ⁽¹⁾ | 2022 | | 60,000 | - | - | - | - | - | - | - | - | 60,000 | |
| | 2021 | | 55,333 | - | - | - | - | - | - | - | - | 55,333 | |
| Louis Chien ^{(1),(2)} | 2022 | | 150,742 | - | - | - | - | - | - | - | - | 150,742 | |
| (appointed 1 October 2021) | | | | | | | | | | | | | |
| Min Yang ⁽¹⁾ | 2022 | | 32,000 | - | - | - | - | - | - | - | - | 32,000 | |
| | 2021 | | 32,000 | - | - | - | - | - | - | - | - | 32,000 | |
| Dennis Wilkins ⁽³⁾ | 2022 | | 36,285 | - | - | - | - | - | - | - | - | 36,285 | |
| | 2021 | | 28,250 | - | - | - | - | - | - | - | - | 28,250 | |
| Yvonne Ye | 2022 | | 8,000 | - | - | - | - | - | - | - | - | 8,000 | |
| (appointed 18 December 2020, resigned 30 September 2021) | 2021 | | 17,227 | - | - | - | - | - | - | - | - | 17,227 | |
| Rex Turkington | 2021 | | 10,000 | - | - | - | - | - | - | - | - | 10,000 | |
| (resigned 31 August 2020) | | | | | | | | | | | | | |
| Kane Marshall | 2021 | | 138,420 | - | - | - | 3,273 | - | - | - | 3,316 | 145,009 | |
| (retired 28 August 2020) | | | | | | | | | | | | | |
| Other KMP | | | | | | | | | | | | | |
| Ric Jason ⁽⁴⁾ | 2022 | | 52,366 | - | - | - | 3,447 | - | - | (3,575) | - | 52,238 | |
| (resigned 30 September 2021) | 2021 | | 171,467 | - | - | - | 13,943 | - | - | 2,306 | - | 187,716 | |
| Total key management personnel | 2022 | | 339,393 | - | - | - | 3,447 | - | - | (3,575) | - | 339,265 | |
| | 2021 | | 452,697 | - | - | - | 17,216 | - | - | 2,306 | 3,316 | 475,535 | |

(1) In addition to Geoff Baker, Louis Chien and Min Yang remuneration as directors, interest payments totalling \$6,575 (2021: \$6,301) were made to ASF Group Limited and a total of \$111,026 (2021: nil) was paid to ASF Corporate Pty Ltd, businesses of which all are directors. ASF Group Limited provided the Group with an unsecured loan during the year, refer to Note 12 for details. ASF Corporate Pty Ltd provided office accommodation and corporate services to the Group during the year. The amounts paid were at usual commercial rates.

(2) Mr Chien was appointed Managing Director on 1 October 2021. Included in Mr Chien's remuneration shown above is an amount of \$9,955 for consulting services provided during the current financial year prior to his appointment.

(3) In addition to Mr Wilkins' remuneration as a director, a total of \$40,956 (2021: \$21,274) was paid to DWCorporate Pty Ltd, a business of which Mr Wilkins is principal. DWCorporate Pty Ltd provided accounting services to the Group during the year. The amounts paid were at usual commercial rates with fees charged on an hourly basis.

(4) Ric Jason was appointed Interim Chief Executive Officer, and became a member of key management personnel, on 28 August 2020. Before this appointment he was the Group's Exploration Manager. Amounts shown above include all Mr Jason's remuneration during the reporting periods. Mr Jason resigned from all positions effective 30 September 2021.

Service agreements

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

Louis Chien, Managing Director (appointed 1 October 2021):

- Annual consulting fee of \$187,715 to be paid to Chanticleer 168 Pty Ltd, a business of which Mr Chien is principal;
- Agreement commenced 1 October 2021 for an initial period of twelve months with the option for the Company to renew at the end of this period; and
- The agreement may be terminated, without cause, by either party with two 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 Chairman:

- Annual consulting fee of \$60,000 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 DWCorporate 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.

Yvonne Ye – Non-Executive Director (resigned 30 September 2021):

- Annual consulting fee of \$32,000 to be paid to Star Surpass Ltd, a business of which Ms Ye is principal;
- The contract was a rolling month by month agreement with the Company; and
- The agreement was able to be terminated, without cause, by either party giving written notice.

Ric Jason – Interim Chief Executive Officer and Exploration Manager (resigned 30 September 2021):

- Mr Jason was a full-time employee of the Company with an annual salary of \$159,100, plus statutory superannuation;
- Mr Jason's original employment agreement expired in August 2020 and was rolling on a monthly basis on the same terms until his resignation; and
- The agreement was able to be terminated, without cause, by either party with three months' 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. There were no options granted to or vesting with key management personnel during the year.

Ordinary Shares

No ordinary shares in the Company have been provided as a result of the exercise of remuneration options to each director of Key Petroleum Limited and other key management personnel of the Group during the year.

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.

| 2022 | Balance at start of the year ⁽¹⁾ | Received during the year on the exercise of options | Other changes during the year | Balance at end of the year ⁽¹⁾ |
|---|---|---|-------------------------------|---|
| Directors of Key Petroleum Limited | | | | |
| Ordinary shares | | | | |
| Geoff Baker ⁽²⁾ | 225,372,940 | - | - | 225,372,940 |
| Louis Chien ⁽²⁾ (appointed 1 October 2021) | 225,372,940 | - | - | 225,372,940 |
| Min Yang ⁽²⁾ | 225,372,940 | - | - | 225,372,940 |
| Dennis Wilkins | - | - | - | - |
| Yvonne Ye (resigned 30 September 2021) | - | - | - | - |
| Other key management personnel | | | | |
| Ordinary shares | | | | |
| Ric Jason (resigned 30 September 2021) | 2,000,000 | - | - | 2,000,000 |

(1) Balances are at the respective dates of appointment or cessation where not in the position for the full reporting period.

(2) Mr Baker, Mr Chien and Ms Yang are all 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:

| 2022 | Balance at start of the year ⁽¹⁾ | Granted as compensation | Exercised | Other changes | Balance at end of the year ⁽¹⁾ | Vested and exercisable ⁽¹⁾ | Unvested |
|---|---|-------------------------|-----------|---------------|---|---------------------------------------|----------|
| Directors of Key Petroleum Limited | | | | | | | |
| Geoff Baker | - | - | - | - | - | - | - |
| Louis Chien (appointed 1 October 2021) | - | - | - | - | - | - | - |
| Min Yang | - | - | - | - | - | - | - |
| Dennis Wilkins | - | - | - | - | - | - | - |
| Yvonne Ye (resigned 30 September 2021) | - | - | - | - | - | - | - |
| Other key management personnel | | | | | | | |
| Ric Jason (resigned 30 September 2021) | 4,500,000 | - | - | - | 4,500,000 | 4,500,000 | - |

(1) Balances are at the respective dates of appointment or cessation where not in the position for the full reporting period.

Loans to key management personnel

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

Other transactions with key management personnel

DWCorporate Pty Ltd, a business of which Mr Wilkins is principal, provided accounting services to the Key Petroleum Group during the year. The amounts paid of \$40,956 (2021: \$21,274) were on arm's length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkin's compensation. At 30 June 2022 there was \$2,706 (2021: \$17,466) owing to DWCorporate Pty Ltd.

Interest payments totalling \$6,575 (2021: \$6,301) were made to ASF Group Limited and a total of \$111,026 (2021: nil) was paid to ASF Corporate Pty Ltd, businesses of which Mr Baker, Mr Chien and Ms Yang are directors. ASF Group Limited provided the Group with an unsecured loan during the year, refer to Note 12 for details. ASF Corporate Pty Ltd provided office accommodation and corporate services to the Group during the year. The amounts paid were at usual commercial rates. At 30 June 2022 there was \$66 (2021: nil) owing to ASF group entities.

End of audited Remuneration Report

DIRECTORS' MEETINGS

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

| | Directors Meetings | |
|--|--------------------|----|
| | A | B |
| Geoff Baker | 11 | 11 |
| Louis Chien (appointed 1 October 2021) | 7 | 7 |
| Min Yang | 11 | 11 |
| Dennis Wilkins | 9 | 11 |
| Yvonne Ye (resigned 30 September 2021) | 3 | 4 |

Notes

A – Number of meetings attended.

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

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

There are no unissued ordinary shares of Key Petroleum Limited under option at the date of this report.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Key Petroleum Limited paid a premium of \$20,250 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, Hall Chadwick WA Audit Pty Ltd or associated entities during the year ended 30 June 2022.

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 13.

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



Louis Chien
 Managing Director

27 September 2022

CORPORATE GOVERNANCE STATEMENT

The Company's 2022 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>.

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To the Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit director for the audit of the financial statements of Key Petroleum Limited for the financial year ended 30 June 2022, 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



HALL CHADWICK WA AUDIT PTY LTD



D M BELL CA
Director

Dated this 27th day of September 2022
Perth, Western Australia

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| YEAR ENDED 30 JUNE 2022 | Notes | 2022 \$ | 2021 \$ |
|---|-------|--------------------|--------------------|
| CONTINUING OPERATIONS | | | |
| Revenue | 2 | 10,980 | 549,193 |
| Fair value (losses)/gains on financial assets | | (541,033) | 525,000 |
| Depreciation expense | | (2,035) | (40,993) |
| Salaries and employee benefits expense | | (185,809) | (327,709) |
| Corporate expenditure | | (261,742) | (65,243) |
| Administration costs | | (218,804) | (412,497) |
| Exploration costs not capitalised | | (15,022) | (126,479) |
| Share-based payments expense | 24 | - | (3,316) |
| Finance costs | | (8,815) | (10,739) |
| Impairment of capitalised exploration costs | | - | (2,162,815) |
| Impairment of plant and equipment | | - | (158,005) |
| LOSS BEFORE INCOME TAX | 3 | (1,222,280) | (2,233,603) |
| INCOME TAX BENEFIT / (EXPENSE) | 4 | - | - |
| LOSS FOR THE YEAR | | (1,222,280) | (2,233,603) |
| Other comprehensive income for the year, net of tax | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF KEY PETROLEUM LIMITED | | (1,222,280) | (2,233,603) |
| Basic and diluted loss per share attributable to the members of Key Petroleum Limited (cents per share) | 23 | (0.06) | (0.11) |

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 2022 | Notes | 2022 | 2021 |
|---|-------|------------------|--------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 39,808 | 45,903 |
| Trade and other receivables | 6 | 1,033 | 37,076 |
| Financial assets at fair value through profit or loss | 7 | 226,803 | 1,344,000 |
| | | 267,644 | 1,426,979 |
| Assets classified as held for sale | 10(2) | 400,000 | 700,000 |
| TOTAL CURRENT ASSETS | | 667,644 | 2,126,979 |
| NON-CURRENT ASSETS | | | |
| Receivables | 8 | 61,392 | 61,392 |
| Plant and equipment | 9 | - | 403 |
| Capitalised exploration costs | 10 | 1,431,433 | 1,346,177 |
| Right of use Asset | 19 | 2,137 | 4,136 |
| TOTAL NON-CURRENT ASSETS | | 1,494,962 | 1,412,108 |
| TOTAL ASSETS | | 2,162,606 | 3,539,087 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 225,225 | 273,724 |
| Borrowings | 12 | 100,000 | 200,000 |
| Lease liabilities | 19 | 2,346 | 2,127 |
| | | 327,571 | 475,851 |
| Liabilities directly associated with assets classified as held for sale | | 300,000 | 300,000 |
| TOTAL CURRENT LIABILITIES | | 627,571 | 775,851 |
| NON-CURRENT LIABILITIES | | | |
| Lease Liabilities | 19 | - | 2,346 |
| Provisions | 13 | - | 3,575 |
| TOTAL NON-CURRENT LIABILITIES | | - | 5,921 |
| TOTAL LIABILITIES | | 627,571 | 781,772 |
| NET ASSETS | | 1,535,035 | 2,757,315 |
| EQUITY | | | |
| Issued capital | 14 | 42,515,302 | 42,515,302 |
| Reserves | 15(a) | - | 32,950 |
| Accumulated losses | | (40,980,267) | (39,790,937) |
| TOTAL EQUITY | | 1,535,035 | 2,757,315 |

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 2022 | Issued Capital | Share-Based Payments Reserve | Accumulated Losses | Total |
|---|-------------------|------------------------------------|-----------------------|------------------|
| | \$ | \$ | \$ | \$ |
| BALANCE AT 1 JULY 2020 | 42,515,302 | 756,674 | (38,284,374) | 4,987,602 |
| Loss for the year | - | - | (2,233,603) | (2,233,603) |
| TOTAL COMPREHENSIVE INCOME | - | - | (2,233,603) | (2,233,603) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | |
| Share-based payments | - | (723,724) | 727,040 | 3,316 |
| BALANCE AT 30 JUNE 2021 | 42,515,302 | 32,950 | (39,790,937) | 2,757,315 |
| Loss for the year | - | - | (1,222,280) | (1,222,280) |
| TOTAL COMPREHENSIVE INCOME | - | - | (1,222,280) | (1,222,280) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | |
| Share-based payments | - | (32,950) | 32,950 | - |
| BALANCE AT 30 JUNE 2022 | 42,515,302 | - | (40,980,267) | 1,535,035 |

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 2022 | Notes | 2022 | 2021 |
|--|-------|------------------|------------------|
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 4,998 | 4,223 |
| Payments to suppliers and employees | | (759,422) | (893,536) |
| Interest received | | 1,349 | 4,499 |
| Government Grants and tax incentives | | - | 121,056 |
| Finance costs paid | | (12,486) | (7,068) |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 5(a) | (765,561) | (770,826) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Expenditure on petroleum interests | | (55,828) | (455,690) |
| Proceeds from sale of plant and equipment | | 5,000 | 4,400 |
| Refund of bank/permit guarantees | | 36,257 | 95,913 |
| Proceeds on sale or farmout of Permit | | 300,000 | 200,000 |
| Proceeds on sale of financial assets | | 576,164 | - |
| Reimbursement of rehabilitation expenses | | - | 156,114 |
| NET CASH INFLOW FROM INVESTING ACTIVITIES | | 861,593 | 737 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of borrowings | | (250,000) | - |
| Proceeds from borrowings | | 150,000 | 200,000 |
| Principal elements of Lease Payment | | (2,127) | (26,201) |
| NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES | | (102,127) | 173,799 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (6,095) | (596,290) |
| Cash and cash equivalents at the beginning of the financial year | | 45,903 | 642,193 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 5 | 39,808 | 45,903 |

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 2022

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 27 September 2022. 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 all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 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 that they are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iv) 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.

(v) 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 \$1,222,280 (2021: \$2,233,603) and net cash outflows from operating activities of \$765,561 (2021: \$770,826).

The directors have prepared an estimated cash flow forecast for the period to September 2023 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 \$39,808 as at 30 June 2022 (2021: \$45,903) and listed equity investments with a market value of \$226,803 as at 30 June 2022 (2021: \$1,344,000);
- 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 agreed a sale for its interests in the L7 and EP 437 projects for cash proceeds of \$600,000 (of which \$200,000 was received as a non-refundable deposit in January 2021, a further \$200,000 was received as a non-refundable deposit in August 2021 and a further \$100,000 was received as a non-refundable deposit in October 2021) plus a 5% gross overriding royalty payable on production from L7 and EP 437;
- The Group has the ability to raise funds from equity sources; 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) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(e) 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 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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.

(f) Leases

The Group leases an item of office equipment with a five-year term. Upon commencement of the lease the Group recognised a lease liability for this lease, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, being 10%.

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 so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-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 by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably 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 agreement does 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.

(g) 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.

(h) 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.

(i) 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.

(j) Investments and other financial assets

(i) Classification

The Group 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 Group 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.

(k) 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 5% 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(h)).

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.

(l) 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(h). 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Earnings per share

(i) 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.

(ii) 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.

(r) 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.

(s) Comparative figures

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

(t) 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Assets held for sale

During January 2021 the Group announced it had entered into the Agreement and Royalty Deed with Triangle Energy (Global) Limited (Triangle) to sell to Triangle Key Petroleum's 50% participating interest in L7 and Key Petroleum and Key Midwest's combined 86.94% interest in EP 437. The Board considered the sale agreement met the criteria to classify the L7 and EP 437 assets and associated liabilities as held for sale from the date of execution. The subsequent extensions to the agreement have not resulted in a change to the classification. For more details on the assets and liabilities held for sale refer to note 10(2).

30 JUNE 2022

2022

2021

\$

\$

2. REVENUE AND OTHER INCOME
From continuing operations
Other revenue

| | | |
|---|---------------|----------------|
| Interest from financial institutions | 1,349 | 4,499 |
| Fuel tax credits | - | 1,058 |
| Gain on sale of permit | - | 463,816 |
| Net gain on disposal of plant and equipment | 4,633 | 2,790 |
| Government grants | - | 74,800 |
| Other Income | 4,998 | 2,230 |
| | 10,980 | 549,193 |

3. EXPENSES
Loss before income tax includes the following specific expenses:

| | | |
|--|--------------|---------------|
| Directors' fees | 136,285 | 142,811 |
| Superannuation expense | 36,175 | 16,423 |
| Expenses relating to short-term leases | 5,982 | 40,265 |
| Depreciation expenses: | | |
| Plant and equipment | 36 | 11,273 |
| Right-of-use assets | 1,999 | 29,720 |
| | 2,035 | 40,993 |

30 JUNE 2022

2022

2021

\$

\$

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 | (1,222,280) | (2,233,603) |
| Prima facie tax (benefit)/expense at the Australian tax rate of 25% (2021: 26%) | (305,570) | (580,737) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Share based payments | - | 862 |
| COVID-19 Cash flow BOOST | - | (19,448) |
| Other | - | 353 |
| | (305,570) | (598,970) |
| Movements in unrecognised temporary differences | 176,967 | 462,401 |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | 128,603 | 136,569 |
| Under/Over | - | - |
| Income tax expense | - | - |

(c) Deferred tax assets not brought to account at 25% (2021: 25%)

| | | |
|---|------------------|-----------|
| Capital raising costs | 14,764 | 31,367 |
| Provisions and accruals | 5,900 | 11,205 |
| Financial assets at fair value through profit or loss | - | 131,250 |
| Tax losses | 2,449,482 | 2,323,069 |
| Total | 2,470,146 | 2,496,891 |

30 JUNE 2022
2021
2018
\$
\$
4. INCOME TAX (cont'd)
(d) Deferred tax liabilities at 25% (2021: 25%)

| | | |
|---|----------------|----------------|
| Financial assets at fair value through profit or loss | 53,866 | - |
| Right of Use Asset | 52 | 84 |
| Capitalised exploration and evaluation costs | 147,791 | 165,323 |
| Total | 201,709 | 165,407 |

(e) Offset provisions

| | | |
|---|-----------|-----------|
| Deferred tax liabilities | (201,709) | (165,407) |
| Deferred tax assets (portion off-set deferred tax liabilities) | 201,709 | 165,407 |
| 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 2022 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.

In April 2017, the Australian Government enacted legislation which reduces the corporate rate for small and medium business (base rate) entities from 30% to 25% over the next decade. For the 2017 financial year the corporate tax rate reduced to 27.5% for small business entities with turnover less than \$10 million. This turnover threshold progressively increased until it reached \$50 million in the 2020 financial year. For the 2021 financial year, the tax rate decreased to 26% and then 25% for the 2022 and later financial years. Key Petroleum Limited satisfies the criteria to be a base rate entity.

5. CASH AND CASH EQUIVALENTS

| | | |
|---|---------------|---------------|
| Cash at bank and in hand | 39,808 | 45,903 |
| Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows | 39,808 | 45,903 |

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+ | 39,808 | 45,903 |
|------|--------|--------|

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 2022

2022

2021

\$

\$

5. CASH AND CASH EQUIVALENTS (cont'd)
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities

| | | |
|---|------------------|------------------|
| Net loss for the year | (1,222,280) | (2,233,603) |
| Non-cash items | | |
| Depreciation of non-current assets | 2,035 | 40,993 |
| Net gain on disposal of plant and equipment | (4,633) | (2,790) |
| Impairment of plant and equipment | - | 158,005 |
| Impairment of capitalised exploration costs | 15,022 | 2,289,294 |
| Share-based payments expense | - | 3,316 |
| Gain on sale of permit | - | (463,817) |
| Change in operating assets and liabilities | | |
| Decrease in trade and other receivables | 74 | 46,923 |
| Decrease/(Increase) in financial assets | 541,033 | (525,000) |
| (Decrease) in trade and other payables | (93,237) | (48,197) |
| (Decrease) in provisions | (3,575) | (35,950) |
| Net cash outflow from operating activities | (765,561) | (770,826) |

(b) Liabilities for which cash flows classified as financing activities

This section sets out an analysis of the liabilities for which cash flows have been classified as financing activities and the movements for each of the periods presented.

| | | |
|-------------------|----------------|----------------|
| Borrowings | 100,000 | 200,000 |
| Lease liabilities | 2,346 | 4,473 |
| | 102,346 | 204,473 |

Liabilities from financing activities

| | Borrowings | Lease liabilities | Total |
|--------------------|----------------|-------------------|----------------|
| | \$ | \$ | \$ |
| As at 1 July 2020 | - | 30,674 | 30,674 |
| Cash flows | 200,000 | (26,201) | 173,799 |
| As at 30 June 2021 | 200,000 | 4,473 | 204,473 |
| Cash flows | (100,000) | (2,127) | (102,127) |
| As at 30 June 2022 | 100,000 | 2,346 | 102,346 |

(c) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- During the 2021 financial year the Group received shares in ASX listed Pilot Energy Limited (ASX: PGY), classified as financial assets at fair value through profit or loss, as consideration for the sale a permit, refer Note 10(1); and
- Options issued to employees, contractors and suppliers for no cash consideration – Note 24.

30 JUNE 2022

2022

2021

\$

\$

6. TRADE AND OTHER RECEIVABLES

Other receivables

1,033

37,076

1,033

37,076

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 26. 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 \$ | |
| 2022 | | | | | | | |
| Other receivables | 1,033 | - | - | - | - | - | 1,033 |
| Total | 1,033 | - | - | - | - | - | 1,033 |
| 2021 | | | | | | | |
| Other receivables | 37,076 | - | - | - | - | - | 37,076 |
| Total | 37,076 | - | - | - | - | - | 37,076 |

2022

2021

\$

\$

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Australian listed equity securities

226,803

1,344,000

Changes in fair values of financial assets at fair value through profit or loss are disclosed directly on the face of the consolidated statement of profit or loss and other comprehensive income. These constitute Level 1 financial assets.

8. NON-CURRENT RECEIVABLES

Bank guarantees

61,392

61,392

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

| 30 JUNE 2022 | Notes | 2022 | 2021 |
|--|-------|-------|-----------|
| | | \$ | \$ |
| 9. PLANT AND EQUIPMENT | | | |
| Plant and equipment | | | |
| Cost | | - | 14,028 |
| Accumulated depreciation | | - | (13,625) |
| Net book amount | | - | 403 |
| Reconciliation of movements in plant and equipment | | | |
| Opening net book amount | | 403 | 171,293 |
| Disposals | | (367) | (1,612) |
| Impairment prior to transfer to assets classified as held for sale | 10(2) | - | (158,005) |
| Depreciation charge | | (36) | (11,273) |
| Closing net book amount | | - | 403 |

10. CAPITALISED EXPLORATION COSTS

| | | | |
|---|----------|-----------|-------------|
| Exploration, evaluation and development costs carried forward in respect of areas of interest | | 1,431,433 | 1,346,177 |
| <i>Reconciliation - Pre-production</i> | | | |
| Carrying amount at the beginning of the year | | 1,346,177 | 4,502,264 |
| Additions to exploration and evaluation costs | | 85,256 | 261,911 |
| Disposals during the year | (1), (2) | - | (555,184) |
| Impairment prior to transfer to assets classified as held for sale | (2) | - | (2,162,815) |
| Transferred to assets classified as held for sale | (2) | - | (699,999) |
| Carrying amount at the end of the year | | 1,431,433 | 1,346,177 |

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.

- (1) During the 2021 financial year the Group completed the sale of its 40% interest in WA-481-P to Pilot Energy Limited (Pilot) for consideration of 21 million new ordinary shares in Pilot. The fair value of the consideration at completion was \$819,000, resulting in a gain on sale of \$463,816.
- (2) During January 2021 the Group announced it had entered into the Agreement and Royalty Deed with Triangle Energy (Global) Limited (**Triangle**) to sell to Triangle Key Petroleum's 50% participating interest in L7 and Key Petroleum and Key Midwest's combined 86.94% interest in EP 437. The Group will receive cash proceeds of \$600,000 plus a 5% gross overriding royalty payable on production from L7 and EP 437.

Summary of the key terms of the Agreement and Royalty Deed

Completion of the Agreement is conditional on usual regulatory approvals, execution of a deed of covenant in respect of the EP 437 JOA, Triangle receiving binding commitments for a capital raising of at least \$1,000,000 and, if required, Key obtaining the approval of its shareholders under Chapter 11 of the ASX Listing Rules for the Key subsidiaries to sell its interests in these assets. Under the terms of the Agreement:

- Triangle will pay to Key a cash consideration of A\$600,000 (\$200,000 was received as a non-refundable deposit in January 2021, a further \$200,000 was received as a non-refundable deposit in August 2021 and a further \$100,000 was received as a non-refundable deposit in October 2021), any outstanding cash calls in respect of L7 based on an agreed work program and budget plus a 5% gross overriding royalty payable on production from L7 and EP 437;
- Subject to Completion occurring, the existing Farmout Agreement between Key and Triangle in relation to the L7 licence at Mt Horner, the execution of which was announced on 31 October 2018, will terminate and the parties will release each other from all claims and liabilities in respect of L7 and the Farmout Agreement, except in relation to certain rehabilitation work undertaken by Key Petroleum prior to execution of the Agreement, including any disputes in respect of the Farmout Agreement (refer announcement by KEY on 4 August 2020); and

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Notes

2022

2021

\$

\$

10. CAPITALISED EXPLORATION COSTS (cont'd)

- Triangle is guaranteeing the performance by the Triangle subsidiary acquiring the interest under the Agreement and the Royalty Deed.

The fair value of the disposal group was determined by reference to the estimated fair value of the consideration receivable. This resulted in the recognition of impairment during the 2021 financial year of \$2,162,815 for capitalised exploration costs and \$158,005 for plant and equipment. Following recognition of this impairment, receipt of the non-refundable deposits has been treated as disposals of capitalised exploration costs with a resulting nil gain or loss on disposal.

The following assets and liabilities of the Group have been presented as a disposal group classified as held for sale at 30 June 2022:

Assets classified as held for sale

| | | |
|--|----------------|----------------|
| Plant and equipment | 1 | 1 |
| Capitalised exploration costs | 399,999 | 699,999 |
| Total assets of disposal group held for sale | 400,000 | 700,000 |

Liabilities directly associated with assets classified as held for sale

| | | |
|---|----------------|----------------|
| Provision for restoration | 300,000 | 300,000 |
| Total liabilities of disposal group held for sale | 300,000 | 300,000 |

11. TRADE AND OTHER PAYABLES

| | | |
|-----------------------------|----------------|----------------|
| Trade payables | 17,745 | 87,599 |
| Other payables and accruals | 207,480 | 186,125 |
| | 225,225 | 273,724 |

12. BORROWINGS

| | | | |
|--------------------------|-----|---------|---------|
| Unsecured loan – at cost | (1) | 100,000 | 200,000 |
|--------------------------|-----|---------|---------|

- (1) ASF Group Limited (ASF) has provided the Group with an unsecured \$250,000 loan facility. The loan has an interest rate of 10% per annum, payable on a quarterly basis, with a maturity date of 31 December 2023. Geoff Baker, Louis Chien and Min Yang, directors of the Company, are also directors of ASF. Total interest paid during the year to ASF was \$6,575 (2021: \$6,301). ASF had provided the Group with a similar facility that was repaid upon expiration on 30 September 2021.

| 30 JUNE 2022 | Notes | 2022 | 2021 |
|--|-------|----------|--------------|
| | | \$ | \$ |
| 13. PROVISIONS | | | |
| Current | | | |
| Restoration provision (L7) | | - | - |
| Long service leave | | - | - |
| Non-Current | | | |
| Long service leave | | - | 3,575 |
| Total Provisions | | - | 3,575 |
| <u>Reconciliation – provision for restoration</u> | | | |
| Opening balance | | - | 300,000 |
| Transferred to liabilities directly associated with assets classified as held for sale | | - | (300,000) |
| Closing balance | | - | - |
| <u>Reconciliation – provision for long service leave</u> | | | |
| Opening balance | | 3,575 | 39,525 |
| Additional provision for the year | | - | 2,306 |
| Amounts used during the year | | (3,575) | (38,256) |
| Closing balance | | - | 3,575 |

30 JUNE 2022

14. ISSUED CAPITAL
(a) Share capital

| | Number of shares 2022 | \$ | Number of shares 2021 | \$ |
|----------------------------|--------------------------|-------------------|--------------------------|-------------------|
| Ordinary shares fully paid | 1,967,928,126 | 42,515,302 | 1,967,928,126 | 42,515,302 |
| Total issued capital | <u>1,967,928,126</u> | <u>42,515,302</u> | <u>1,967,928,126</u> | <u>42,515,302</u> |

(b) Movements in ordinary share capital

| | | | | |
|---------------------------------|----------------------|-------------------|----------------------|-------------------|
| Beginning of the financial year | 1,967,928,126 | 42,515,302 | 1,967,928,126 | 42,515,302 |
| End of the financial year | <u>1,967,928,126</u> | <u>42,515,302</u> | <u>1,967,928,126</u> | <u>42,515,302</u> |

(c) Movements in options on issue

| | Number of options | |
|---|-------------------|------------------|
| | 2022 | 2021 |
| Beginning of the financial year | 5,500,000 | 25,500,000 |
| Options lapsed or expired during the year: | | |
| – Lapsed, exercisable at 1.3 cents, expiry 24 August 2022 | (4,500,000) | - |
| – Lapsed, exercisable at 1.3 cents, expiry 27 March 2023 | (1,000,000) | - |
| – Expired on 30 November 2020, exercisable at 1.5 cents | - | (20,000,000) |
| End of the financial year | <u>-</u> | <u>5,500,000</u> |

(d) Movements in performance rights on issue

| | Number of performance rights | |
|---------------------------------|------------------------------|-------------|
| | 2022 | 2021 |
| Beginning of the financial year | - | 4,000,000 |
| Lapsed during the year | - | (4,000,000) |
| End of the financial year | <u>-</u> | <u>-</u> |

(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 2022 and 30 June 2021 are as follows:

30 JUNE 2022

2022

2021

\$

\$

14. ISSUED CAPITAL (cont'd)

| | | |
|---|---------------|------------------|
| Cash and cash equivalents | 39,808 | 45,903 |
| Trade and other receivables | 1,033 | 37,076 |
| Financial assets at fair value through profit or loss | 226,803 | 1,344,000 |
| Net assets classified as held for sale | 100,000 | 400,000 |
| Trade and other payables | (225,225) | (273,724) |
| Borrowings | (100,000) | (200,000) |
| Lease liabilities - current | (2,346) | (2,127) |
| Working capital position | 40,073 | 1,351,128 |

15. RESERVES
(a) Reserves

| | | |
|------------------------------|---|--------|
| Share-based payments reserve | - | 32,950 |
|------------------------------|---|--------|

(b) Nature and purpose of reserves
(i) Share-based payments reserve

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

16. DIVIDENDS

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

17. 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

| | | |
|---|---------------|---------------|
| Hall Chadwick – audit and review of financial reports | 33,839 | 30,551 |
| Total remuneration for audit services | 33,839 | 30,551 |

18. CONTINGENCIES

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

30 JUNE 2022

2022

2021

\$

\$

19. 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:

| | | |
|---|------------------|------------------|
| Within one year | 3,124,500 | 3,124,500 |
| Later than one year but not later than five years | 6,585,000 | 6,585,000 |
| | 9,709,500 | 9,709,500 |

(b) Leases

The statement of financial position shows the following amounts relating to leases:

Leased Assets

| | | |
|--|--------------|--------------|
| Right-of-use assets | 8,140 | 8,140 |
| Accumulated Depreciation of Right of Use Asset | (6,003) | (4,004) |
| Carrying value of right-of-use-asset | 2,137 | 4,136 |

Lease Liabilities

| | | |
|-------------------------------|--------------|--------------|
| Current Lease Liabilities | 2,346 | 2,127 |
| Non-Current Lease Liabilities | - | 2,346 |
| Total Lease Liabilities | 2,346 | 4,473 |

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

| | | |
|--|-------|--------|
| Depreciation charge for right-of-use assets | 1,999 | 29,720 |
| Interest expense (included in finance costs) | 330 | 1,141 |

The Group leases an item of office equipment with a five-year term.

20. 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 21.

(c) Key management personnel compensation

| | | |
|--------------------------|----------------|----------------|
| Short-term benefits | 339,393 | 452,697 |
| Post-employment benefits | 3,447 | 17,216 |
| Long-term benefits | (3,575) | 2,306 |
| Share-based payments | - | 3,316 |
| | 339,265 | 475,535 |

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

30 JUNE 2022

20 RELATED PARTY TRANSACTIONS (cont'd)

(d) Transactions and balances with other related parties

Transactions with key management personnel are disclosed below:

- DWCorporate 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 \$40,956 (2021: \$21,274) were on arm's length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkins' compensation. At 30 June 2022 there was \$2,706 (2021: \$17,466) owing to DWCorporate Pty Ltd.
- Interest payments totalling \$6,575 (2021: \$6,301) were made to ASF Group Limited and a total of \$111,026 (2021: nil) was paid to ASF Corporate Pty Ltd, businesses of which Mr Baker, Mr Chien and Ms Yang are directors. ASF Group Limited provided the Group with an unsecured loan during the year, refer to Note 12 for details. ASF Corporate Pty Ltd provided office accommodation and corporate services to the Group during the year. The amounts paid were at usual commercial rates.

21. 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 ⁽¹⁾ | |
|-------------------------------------|--------------------------|-----------------|-------------------------------|-----------|
| | | | 2022 % | 2021 % |
| 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 |
| Key Perth Basin Investments Pty Ltd | Australia | Ordinary | 100 | 100 |

(1) The proportion of ownership interest is equal to the proportion of voting power held.

22. EVENTS OCCURRING AFTER THE REPORTING DATE

On 21 September 2022 the Group announced it had entered into a Share Sale Agreement ("Agreement") with Triangle Energy (Global) Limited ("Triangle") to sell to Triangle the Company's wholly owned subsidiaries, Key Petroleum (Australia) Pty Ltd and Key Midwest Pty Ltd, who hold the Group's interests in Production Licence L7(R1) and Exploration Permit EP 437. This new Agreement replaces the Sale and Purchase Agreement between the Group and Triangle which was announced to ASX on 29 January 2021. The Agreement also sells to Triangle the Company's 5% Petroleum Production Royalty for L7 and EP437. Total consideration for the transaction is \$1.1 million to be paid as: \$100,000 cash due on the purchase of the interests from the prior Sale and Purchase Agreement; \$500,000 cash on completion; and, \$500,000 of Triangle shares to be issued on or before 30 June 2023.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

30 JUNE 2022

2022

2021

\$

\$

23. LOSS PER SHARE
(a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share

(1,222,280)

(2,233,603)

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

1,967,928,126

1,967,928,126

(c) Information on the classification of options

As the Group made a loss for the year ended 30 June 2022, the options on issue during the year were considered anti-dilutive and were not included in the calculation of diluted earnings per share.

24. 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. There are no options on issue at 30 June 2022.

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:

| | 2022 | | 2021 | |
|--|-------------------|---------------------------------------|-------------------|---------------------------------------|
| | Number of options | Weighted average exercise price cents | Number of options | Weighted average exercise price cents |
| Outstanding at the beginning of the year | 5,500,000 | 1.30 | 25,500,000 | 1.46 |
| Granted | - | - | - | - |
| Forfeited/cancelled | - | - | - | - |
| Exercised | - | - | - | - |
| Expired / lapsed | (5,500,000) | 1.30 | (20,000,000) | 1.50 |
| Outstanding at year-end | - | - | 5,500,000 | 1.30 |
| Exercisable at year-end | - | - | 5,500,000 | 1.30 |

The weighted average remaining contractual life of share options outstanding at the end of the 2021 financial year was 1.3 years.

There were no options granted during the 2022 or 2021 financial years.

(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. There are no performance rights on issue at 30 June 2022.

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.

30 JUNE 2022

24 SHARE BASED PAYMENTS (cont'd)

Set out below are summaries of the performance rights granted:

| | 2022 | 2021 |
|--|------|-------------|
| | \$ | \$ |
| Outstanding at the beginning of the year | - | 4,000,000 |
| Granted | - | - |
| Forfeited/cancelled | - | (4,000,000) |
| Exercised | - | - |
| Expired | - | - |
| Outstanding at year-end | - | - |

There were no performance rights granted during the 2022 or 2021 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 | - | 3,316 |
| | - | 3,316 |

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Key Petroleum Limited, at 30 June 2022. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

| | | |
|-----------------------------------|------------------|--------------------|
| Current assets | 22,813 | 28,802 |
| Non-current assets | 1,388,812 | 2,503,091 |
| Total assets | 1,411,625 | 2,531,893 |
| Current liabilities | 150,681 | 347,638 |
| Non-current liabilities | - | 5,921 |
| Total liabilities | 150,681 | 353,559 |
| Issued capital | 42,515,302 | 42,515,302 |
| Share-based payments reserve | - | 32,950 |
| Accumulated losses | (41,254,358) | (40,369,918) |
| Total equity | 1,260,944 | 2,178,334 |
| Loss for the year | (917,390) | (2,420,882) |
| Total comprehensive income | (917,390) | (2,420,882) |

The parent entity is responsible for the contingent liabilities outlined in Note 18.

The parent entity is responsible for funding the commitments outlined in Note 19.

Interests in subsidiaries are set out in Note 21.

30 JUNE 2022

2022

2021

\$

\$

26. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, financial assets at fair value through profit or loss, 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:

Financial Assets

| | | |
|---|----------------|------------------|
| Cash and cash equivalents | 39,808 | 45,903 |
| Loans and receivables | 1,033 | 37,076 |
| Financial assets at fair value through profit or loss | 226,803 | 1,344,000 |
| Total Financial Assets | 267,644 | 1,426,979 |

Financial Liabilities

| | | |
|------------------------------------|----------------|----------------|
| Trade payables | 17,745 | 87,599 |
| Borrowings | 100,000 | 200,000 |
| Lease liabilities | 2,346 | 4,473 |
| Total Financial Liabilities | 120,091 | 292,072 |

(a) Market risk
(i) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position at fair value through the profit and loss. The Group is not exposed to commodity price risk. At the reporting date, the Group has investments in ASX listed equity securities.

Sensitivity analysis

The Group's equity investments are listed on the Australian Stock Exchange (ASX) and are all classified at fair value through the profit or loss. At 30 June 2022, if the value of the equity investments held had increased/decreased by 15% (2021: 15%) with all other variables held constant, post tax loss for the Company would have been \$34,020 lower/higher (2021: \$201,600) as a result of gains/losses on the fair value of the financial assets.

(ii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group of \$39,808 (2021: \$45,903) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 0.8% (2021: 2.5%).

Sensitivity analysis

At 30 June 2022, if interest rates had changed by +/- 100 (2021: +/- 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 \$1,779 lower/higher (2021: \$901 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) 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.

30 JUNE 2022

(c) 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 | |
|---|---------------|-----------|--------------|---------|----------|-----------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial liabilities due for payment | | | | | | |
| Trade payables (excluding estimated annual leave) | 17,745 | 87,599 | - | - | 17,745 | 87,599 |
| Borrowings | - | 200,000 | 100,000 | - | 100,000 | 200,000 |
| Lease liabilities | 2,346 | 2,127 | - | 2,346 | 2,346 | 4,473 |
| Total contractual outflows | 20,091 | 289,726 | 100,000 | 2,346 | 120,091 | 292,072 |
| Financial assets – cash flows realisable | | | | | | |
| Cash and cash equivalents | 39,808 | 45,903 | - | - | 39,808 | 45,903 |
| Trade and loan receivables | 1,033 | 37,076 | - | - | 1,033 | 37,076 |
| Total anticipated inflows | 40,841 | 82,979 | - | - | 40,841 | 82,979 |
| Net inflow/(outflow) on financial instruments | 20,750 | (206,747) | (100,000) | (2,346) | (79,250) | (209,093) |

(d) 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.

27. 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.

30 JUNE 2022

28. COMPANY DETAILS

The registered office of the company is:

Key Petroleum Limited
Level 1
100 Havelock Street
WEST PERTH WA 6005

The principal place of business is:

Key Petroleum Limited
Level 1
100 Havelock Street
WEST PERTH WA 6005

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DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 42 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 consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that Key Petroleum Limited will be able to pay its debts as and when they become due and payable; 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.



Louis Chien
Managing Director

27 September 2022

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 2022, 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 2022 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(a)(i).

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.

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Material Uncertainty Related to Going Concern

We draw attention to Note 1(a)(v) in the financial report, which indicates that the Group incurred a net loss of \$1,222,280 during the year ended 30 June 2022. As stated in Note 1(a)(v), these events or conditions, along with other matters as set forth in Note 1(a)(v), indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 |
|---|---|
| <p>Capitalised Exploration Costs (Note 10)</p> <p>At balance date, the Group’s capitalised exploration costs are carried at \$1,431,433.</p> <p>The recognition and recoverability of the capitalised exploration costs was considered a key audit matter due to:</p> <ul style="list-style-type: none"> • 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. | <p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ 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; |

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| Key Audit Matter | How our audit addressed the Key Audit Matter |
|------------------|---|
| | <ul style="list-style-type: none"> ○ Decision or intent by the Group to discontinue activities in the specific area of 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 2022, 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(a)(i), 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.

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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 2022. 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 2022, complies with section 300A of the *Corporations Act 2001*.



HALL CHADWICK WA AUDIT PTY LTD



D M BELL CA
Director

Dated this 27th day of September 2022
Perth, Western Australia

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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 16 September 2022.

(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 | 68 | 11,671 | 0.00 |
| 1,001 | - 5,000 | 84 | 268,920 | 0.01 |
| 5,001 | - 10,000 | 121 | 1,084,168 | 0.06 |
| 10,001 | - 100,000 | 570 | 28,497,344 | 1.45 |
| 100,001 and over | | 811 | 1,938,066,023 | 98.48 |
| | | 1,654 | 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 \$0.002 per unit – minimum parcel size 250,000): | | 1,120 | 76,291,134 | 3.88 |

(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 <DRP> | 284,189,205 | 14.44 |
| 2 | CITICORP NOMINEES PTY LIMITED | 231,842,780 | 11.78 |
| 3 | ASF OIL & GAS HOLDINGS PTY LTD | 225,372,940 | 11.45 |
| 4 | GREAT SCHEME INVESTMENTS LIMITED | 178,125,000 | 9.05 |
| 5 | START GRAND GLOBAL LIMITED | 170,000,000 | 8.64 |
| 6 | MR ANDREW CHRISTOPHER MAYES | 33,000,000 | 1.68 |
| 7 | RENOWN CAPITAL HOLDINGS LTD | 32,500,000 | 1.65 |
| 8 | YUCAJA PTY LTD <THE YOEGIAR FAMILY A/C> | 31,016,017 | 1.58 |
| 9 | GRANBOROUGH PTY LTD <AJ & J KING S/F A/C> | 30,000,000 | 1.52 |
| 10 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 29,724,262 | 1.51 |
| 11 | OLI PRIVATE INVESTMENT PTY LTD | 13,000,000 | 0.66 |
| 12 | MR XUMING QIN | 12,500,000 | 0.64 |
| 13 | MR HANIF MIAH | 12,000,000 | 0.61 |
| 14 | MINSK PTY LTD | 11,898,365 | 0.60 |
| 15 | MRS MARGARET ANN RYAN + MR MICHEAL RODNEY RYAN | 10,350,000 | 0.53 |
| 16 | MR DAVID ROBERT JOHN KALUZA | 10,000,001 | 0.51 |
| 17 | MR MARK FRANCIS SWIFT | 10,000,000 | 0.51 |
| 18 | MS HONGQING WANG | 7,000,000 | 0.36 |
| 19 | GIANFAM INVESTMENTS PTY LTD <MARK GIANNARELLI FAMILY A/C> | 6,607,357 | 0.34 |
| 20 | MR RAJENDRA NATH | 6,250,000 | 0.32 |
| | | 1,345,375,927 | 68.37 |

ASX ADDITIONAL INFORMATION

(iii) 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 <DRP> | 284,189,205 |
| Citicorp Nominees Pty Limited | 231,842,780 |
| ASF Oil & Gas Holdings Pty Ltd | 225,372,940 |
| Great Scheme Investments Limited | 178,125,000 |
| Start Grand Global Limited | 170,000,000 |

(iv) Voting rights

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

(v) 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 | 100.00% |
| Australia – Onshore | ATP 920 | 100.00% |
| Australia – Onshore | ATP 924 | 100.00% |

(vi) On-Market Buy-Back

On 11 February 2022, Key Petroleum Limited announced its intention to undertake an on-market buy-back of up to 196,792,813 shares (being approximately 10% of the Company's issued ordinary shares). As at the date of this report, nil shares have been bought back. The buy-back is scheduled to complete by 27 February 2023.