

13 June 2014

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

DUNNART-2 LAND ACCESS AGREEMENT AND DRILLING CONTRACT EXECUTED

We attach herewith ASX Announcement for Investors regarding the execution of the land access agreement and drilling contract in relation to the drilling of the Dunnart-2 commitment well.

Upon satisfaction of a binding farmout the beneficial interests in EP437 interests are as follows:

<i>Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)</i>	<i>43.47%</i>
<i>Rey Resources Limited (Rey Oil and Gas Perth Pty Ltd)</i>	<i>43.47%</i>
<i>Caracal Exploration Pty Limited</i>	<i>13.06%</i>

Regards



IAN GREGORY
Company Secretary
KEY PETROLEUM LIMITED

ASX RELEASE

DUNNART-2 LAND ACCESS AGREEMENT AND DRILLING CONTRACT EXECUTED

Key Petroleum (Australia) Pty Ltd ("Key" or "Company"), a wholly owned subsidiary of Key Petroleum Limited, is pleased to announce that drilling operations at Dunnart-2 are ready to commence following the finalisation of a formal Land Access Agreement and execution of a drilling contract for Rig 7 with Drilling Contractors of Australia ("DCA").

Based on correspondence received to date, the EP437 Joint Venture anticipates that formal drilling approvals from the WA Department of Mines and Petroleum ("DMP") will be received shortly. Subject to this, the spud date for Dunnart-2 is expected to be in July.

The terms of the Land Access Agreement include compensation for land use during drilling operations and an option to buy up to three lots at a predetermined price. This eliminates additional land access negotiations in the event of a discovery at Dunnart-2. Turnkey drilling contract terms entered into with DCA allow for flexible drilling of follow-up appraisal wells, such as Dunnart-3, upon successful operations at Dunnart-2. DCA also confirmed in writing that it would commit to drilling four optional wells for Key until January 2015.

Commencement of operations will begin over the next few days with surveying of the well location having already occurred during the week and site clearing and preparation for the construction of the drill pad expected to commence in the next couple of days. The assembly of office and camp facilities is expected to commence within the fortnight with DCA mobilising Rig 7 to the wellsite at the end of June.

Managing Director, Kane Marshall said drilling Dunnart-2 would be a significant milestone for the Company during a time where little to no exploration activities were occurring in onshore Western Australia.

"Although the lengthy process of gaining stakeholder and regulatory approvals has been time consuming and frustrating it is pleasing to finally get back to drilling wells in WA," Mr Marshall said. "Few farmin deals have been accomplished in the small cap end of the market over the last 12 months, emphasising the significant achievement Key has made in not only securing a quality partner with Rey Resources Ltd, but also successfully negotiating with stakeholders in the Perth Basin to secure drilling operations at a time where little to no exploration activities are being conducted in onshore WA. This certainly demonstrates the determination of the Board to deliver on its forward strategy outlined to its shareholders."

For more information please contact:

Key Petroleum Limited (Tel: +61 8 6389 0322)

Ian Gregory

Company Secretary

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