

14 July 2014

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

COMMENCEMENT OF DRILLING DUNNART-2

We attach herewith ASX Announcement for Investors regarding the exploration operations at Dunnart-2, EP437, Onshore Perth Basin.

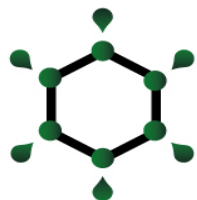
Joint Venture participants in EP437 are:

<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



KEY
PETROLEUM LIMITED

Ground Floor
39 Stirling Highway
Nedlands WA 6009

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F: + 61 (08) 6389 0697

ASX RELEASE

COMMENCEMENT OF DRILLING DUNNART-2

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 commenced at 10am on Sunday 13 July, 2014.

Drilling of the top hole section commenced after the cementing of the cellar well. This was carried out after the mixing of surface hole mud, the mobilisation of remaining pipework, offices and casing to site and the completion of earthworks over the last few days.

Drilling operations will continue throughout July with regular announcements including weekly drilling reports to the market. The anticipated time to drill, test and log to Total Depth is expected to be four weeks.

Photographs can be seen on the following pages and will be uploaded to the Company website in due course.

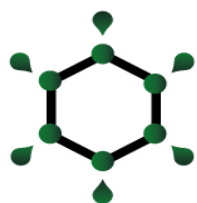
For more information please contact:

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

Ian Gregory

Company Secretary

14 July 2014



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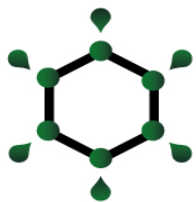
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*The commencement of drilling at Dunnart-2 began on Sunday, 13 July 2014 (top).
DCA personnel on the rig floor (left) as the bottom hole assembly drills through the
top hole section (right).*



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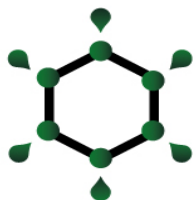
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The mobilisation of casing, pipework, site offices and other drilling equipment prior to the commencement of drilling.

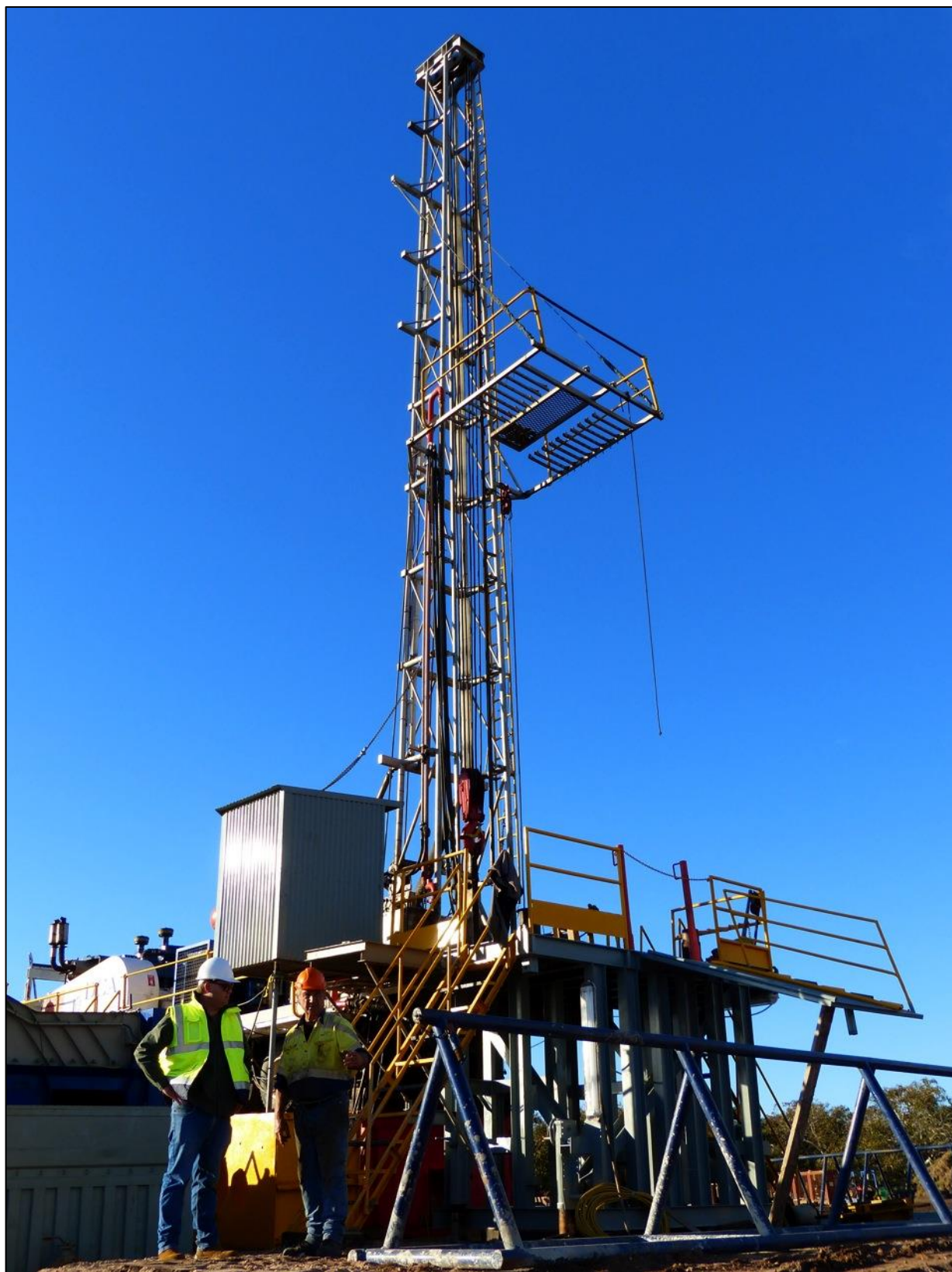


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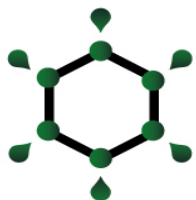
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Key Petroleum Managing Director Kane Marshall (left) with DCA Drilling Manager Trevor Iley (right) in front of Rig 7.



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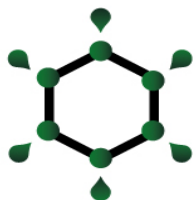


DCA personnel connecting the top drive to Rig 7.



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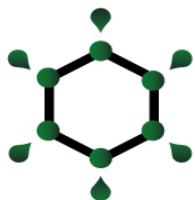


Cementing the cellar well (top) and the mobilisation of logging test tools.



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DCA Trevor Iley mixing drilling fluids in the mobilised mud tanks.