

4 August 2014

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

Dear Sir

**DRILLING REPORT NO. 3 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0600 HOURS 28 JULY 2014 TO 0600 HOURS 4 AUGUST 2014**

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

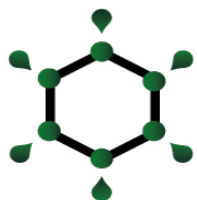
Joint Venture participants in EP437 are:

<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
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ASX RELEASE

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Since Drilling Report dated 28 July 2014, DCA Rig 7 has cemented the 9 5/8" casing at 294m RT to surface and undertaken rig maintenance to the mud tanks and top drive.

The forward plan in the next week is to complete rig maintenance to the mud tanks and top drive and then nipple up the blow out preventer (BOP) and pressure test the BOP prior to drilling ahead in 8 1/2" hole to the primary Bookara sandstones at approximately 617m RT, the 8 1/2" hole is only expected to take two to three days to complete.

The drilling contract is a turnkey fixed price contract therefore the Joint Venture does not incur any costs while awaiting completion of rig maintenance.

The next ASX Drilling Report will be made on the earlier of a weekly basis or where material disclosure is warranted.

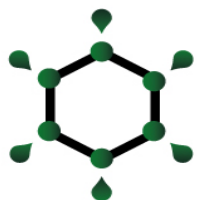
For more information please contact:

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

Ian Gregory

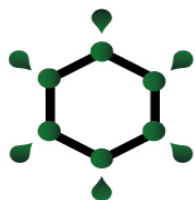
Company Secretary

4 August 2014



DUNNART-2 PETROLEUM EXPLORATION WELL
EP437 – PERTH BASIN

1.	Well Name/Permit:	Dunnart-2 EP437, Perth Basin, Western Australia			
2.	The Report is for the Period:	0600 – 28 July 2014 to 0600 – 4 August 2014			
3.	This ASX Release Time and Date:	1200 EST – 4 August 2014			
4.	Report No:	Three			
5.	Start Date/DCA Rig #7:	13 July 2014			
6.	Days since commencement of drilling operations:	Twenty Two			
7.	Locations of the Well:	North Perth Basin			
8.	Elevation:	GL	40.96m		
		RT from GL (MSL)	3.5m		
		RT to GL	44.46m		
9.	Proposed Total Depth:	670 metres TVD RT			
10.	Targets:	Primary: Bookara Sandstone Formation			
		Secondary: Basement			
11.	Present Depth:	Cemented 9 5/8” casing in 12 ¼” hole at 294m RT at 0600 hours 4 August 2014			
12.	Geological Summary:		Formation Tops (m RT):		
			Prognosed	Actual	Difference
		Yarragadee Sandstone	82m	82m	-
		Cadda Formation	280m	281	+1-
		Bookara Sandstone Formation	617m		
		Basement	670m		



13.	Hydrocarbon Indications:	Oil Shows: None, none expected. Gas Shows: None, none expected.	
14.	Operations since last Report:	Ran and cemented 9 5/8" surface casing and conducted rig maintenance.	
15.	Current Operations:	Complete rig maintenance to mud tanks and top drive.	
16.	Future Operations:	Nipple up BOP, pressure test BOP and conduct formation integrity test prior to drilling 8 1/2" hole to primary objective.	
17.	Prospect Description:	<p>The Dunnart prospect is a well-defined moderate relief fault closed structure with the top seal provided by the proven regional seal, the Kockatea Shale which is the source rock for oil discovered to date in the North Perth Basin.</p> <p>The Bookara sandstone is middle to upper shoreface sand which laps the south-western margin of the Northampton Block. Dunnart-1 encountered good oil shows in Bookara sands but was never tested or cored. Estimated prospective resources in the best case estimate are 2 million barrels under SPE-PRMS guidelines.</p>	
18.	Participants in the Well:	Key Petroleum (Australia) Pty Ltd (Operator)	43.47%
		Rey Oil and Gas Perth Pty Ltd	43.47%
		Caracal Exploration Pty Ltd	13.06%