

20 August 2014

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

Dear Sir

**DRILLING REPORT NO. 7 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 1630 HOURS 19 AUGUST 2014 TO 0600 HOURS 20 AUGUST 2014**

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

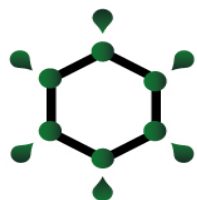
Joint Venture participants in EP437 are:

<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
PETROLEUM LIMITED

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ASX RELEASE

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Key Petroleum Limited ("Key" or "Company") advises that drilling operations have continued through the Kockatea Shale and into the top of the primary reservoir of the Bookara Sandstone intersecting live oil in the first 2.87m drilled.

The first 1.5m of the Bookara Sandstone from 614m to 615.5m was circulated with indications of live oil from clear porous sandstone. The Company agreed to drill a further 1.37m interval with further indications of live oil.

Current operations are to 'trip' the drill string out of the hole and run back in the hole with attached test tools and conduct an open hole Drill Stem Test ("DST") during daylight hours on 20 August 2014 once approvals have been received from the Department of Mines and Petroleum. The interval to be tested in the Bookara Sandstone is from 614m to 616.87m and the objective of the test is to confirm reservoir quality and whether the oil is recoverable.

Oil tanks are on site for collecting and storing any oil flow recovery during the DST.

Drilling operations and further formation evaluation of the remainder of the primary Bookara sandstone objective will continue after the DST test is completed to the TD of 670m.

Daily drilling reports to the ASX will continue until all drilling and formation evaluation of Dunnart-2 has been completed.

For more information please contact:

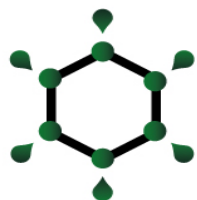
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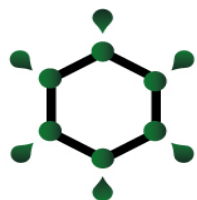
Company Secretary

20 August 2014

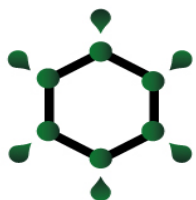


DUNNART-2 PETROLEUM EXPLORATION WELL
EP437 – PERTH BASIN

1.	Well Name/Permit:	Dunnart-2 EP437, Perth Basin, Western Australia			
2.	The Report is for the Period:	1630 – 19 August 2014 to 0600 – 20 August 2014			
3.	This ASX Release Time and Date:	0730 WST – 20 August 2014			
4.	Report No:	Seven			
5.	Start Date/DCA Rig #7:	13 July 2014			
6.	Days since commencement of drilling operations:	Thirty eight			
7.	Locations of the Well:	North Perth Basin			
8.	Elevation:	GL	40.96m		
		RT from GL (MSL)	3.5m		
		RT to MSL	44.46m		
9.	Proposed Total Depth:	670 metres TVD RT			
10.	Targets:	Primary: Bookara Sandstone Formation			
		Secondary: Basement			
11.	Present Depth:	616.87m RT at 0600 hours 20 August 2014			
12.	Geological Summary:		Formation Tops (m RT):		
			Prognosed	Actual	Difference
		Yarragadee Sandstone	82m	82m	-
		Cadda Formation	280m	281m	-1
		Cattamarra Formation	325m	324m	+1
		Woodada Formation	484m	482.5m	+1.5
		Kockatea Shale	504m	503m	+1.0
		Bookara Sandstone Formation	615m	614m	+1
		Basement	670m		



13.	Hydrocarbon Indications:	<p>Oil Shows: At 614m a drilling break was observed over a 1.5m interval (614m – 615.5m).</p> <p>Live light oil was observed and collected. The oil is light and has been interpreted to be 34° API but is only a very preliminary assessment. A further 1.37m was drilled with live oil also circulated up.</p> <p>An open hole DST will be conducted over this interval in the Bookara Sandstone from 614m-616.87m.</p>	
14.	Operations since last Report:	Drilling ahead in 8 ½" hole from 612m in the Kockatea Shale to 616.87m in the Bookara Sandstone.	
15.	Current Operations:	Preparing to conduct an open hole DST of the oil recorded interval drilled 614m-616.87m	
16.	Future Operations:	Conduct an open hole DST during daylight hours on 20 August 2014 to evaluate the extent of the oil pay zone.	
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%



Sand from the Bookara Sandstone being examined by the Wellsite Geologist (top) and a sample of the oil film collected from the ditch cuttings from the top section of the Bookara Sandstone (below).