

21 August 2014

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

Dear Sir

**DRILLING REPORT NO. 8 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0600 HOURS 20 AUGUST 2014 TO 0600 HOURS 21 AUGUST 2014**

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

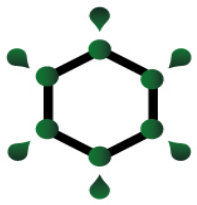
Joint Venture participants in EP437 are:

<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") advises that during the time period the drill string was 'tripped' out of the hole and Drill Stem Test (DST) tools were run in hole to conduct an open hole DST to evaluate the top Bookara Sandstone interval from 614m to 616.87m which had live oil show indications.

Currently the test tools are being pulled out of the hole to determine if the test tool has potentially experienced a misrun or it has been plugged during testing. Fill was noted in the bottom of the 8 ½" hole while running test tools and historically one in two open hole drill stem tests in the Perth Basin have either experienced a misrun or been plugged. The EP437 Joint Venture is currently considering re-running the test or drilling ahead further then conducting another test. The test tools are to be inspected today after tripping out of the hole and the Joint Venture will then determine the forward formation evaluation plan.

In parallel with the testing operations, 7" production casing was mobilised to site late yesterday.

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:

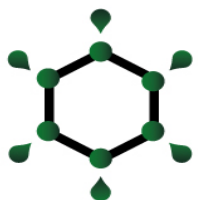
Key Petroleum Limited

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Ian Gregory

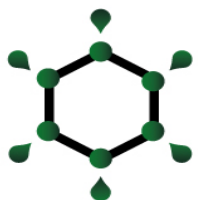
Company Secretary

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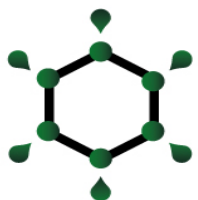


DUNNART-2 PETROLEUM EXPLORATION WELL
EP437 – PERTH BASIN

1.	Well Name/Permit:	Dunnart-2 EP437, Perth Basin, Western Australia			
2.	The Report is for the Period:	0600 – 20 August 2014 to 0600 – 21 August 2014			
3.	This ASX Release Time and Date:	0730 WST – 21 August 2014			
4.	Report No:	Eight			
5.	Start Date/DCA Rig #7:	13 July 2014			
6.	Days since commencement of drilling operations:	Thirty nine			
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			
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 evaluated at 34° API. A further 1.37m was drilled with live oil also circulated up.</p> <p>An open hole DST was conducted over this interval in the Bookara Sandstone from 614m - 616.87m.</p>	
14.	Operations since last Report:	<p>Drill string 'tripped' out of the hole and DST tools successfully run in with an open hole DST conducted over the interval from 614m to 616.87m.</p>	
15.	Current Operations:	<p>Tripping out of hole with DST tools.</p>	
16.	Future Operations:	<p>Inspect DST tools for potential misrun or plugging then determine forward formation evaluation programme.</p>	
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%



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DST Australia personnel setting up the test tools to run down the hole (top) and 7" production casing delivered to site (below).

 **KEY**
PETROLEUM LIMITED