

22 August 2014

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

Dear Sir

**DRILLING REPORT NO. 10 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0845 HOURS 21 AUGUST 2014 TO 0600 HOURS 22 AUGUST 2014**

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

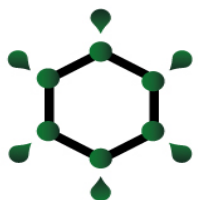
Joint Venture participants in EP437 are:

<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



KANE MARSHALL
Managing Director
KEY PETROLEUM LIMITED



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ASX RELEASE

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Key Petroleum Limited ("Key") advises that during the period since the last report, the hole has been cleaned out to 616m RT by circulating high viscosity mud and reaming the Kockatea Shale section above the Bookara Sandstone oil show to ensure the hole was in good condition prior to running another open hole DST. Significant Kockatea Shale fill was circulated out of hole and was also observed to be plugged in all DST tools.

After circulating and conditioning the hole Key drilled another 11m of Bookara Sandstone section and encountered fluorescence and oil shows in siltstones, claystone and sandstones. At 627m RT, the Company made the decision to circulate the hole clean and prepare to run another open hole DST over the interval 614m RT to 627m RT.

The forward plan at 0600 was to circulate and condition the hole in preparation for further testing and run DST tools to test the 13m interval with oil shows.

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:

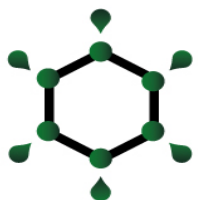
Key Petroleum Limited

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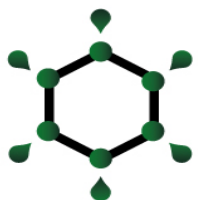
Managing Director

22 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:	0845 – 21 August 2014 to 0600 – 22 August 2014			
3.	This ASX Release Time and Date:	0730 WST – 22 August 2014			
4.	Report No:	Ten			
5.	Start Date/DCA Rig #7:	13 July 2014			
6.	Days since commencement of drilling operations:	Forty			
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:	627m 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 but test has confirmed tool was plugged.</p> <p>Drilling ahead, yellow fluorescence over siltstones, sandstones and claystones was observed over an 11m interval.</p>	
14.	Operations since last Report:	Circulated hole with high viscosity mud and complete cleaning of hole section by reaming Kockatea Shale above Bookara Sandstone interval 614m RT to 616m RT. Drilled ahead 11m in Bookara Sandstones.	
15.	Current Operations:	Circulate and clean hole in preparation for open hole DST over interval 614m RT to 627m RT.	
16.	Future Operations:	Conduct open hole DST in Bookara Formation.	
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 kanein 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%