

27 August 2014

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

Dear Sir

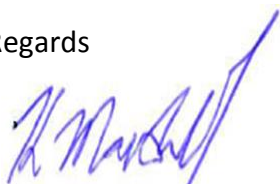
**DRILLING REPORT NO. 13 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0600 HOURS 26 AUGUST 2014 TO 0600 HOURS 27 AUGUST 2014**

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

ASX RELEASE

**DRILLING REPORT NO. 13 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0600 HOURS 26 AUGUST 2014 TO 0600 HOURS 27 AUGUST 2014**

Key Petroleum Limited (“Key”) advises that since its last report the hole was logged with the Crocker FET tool after the first two suites of logs were completed. Preliminary results suggest there are reservoir quality sands at the top of the Bookara sandstones and formation fluid samples collected are to be assayed and integrated with all data prior to a decision being made by the EP437 Joint Venture as to whether production testing is warranted.

Key has now received approval from the Department of Mines and Petroleum to suspend the well with 7” casing. The forward plan is to run the 7” casing (pictured below), install the wellhead and then release the rig. Key will then evaluate all data on behalf of the EP437 Joint Venture.

No further daily drilling reports will be released for Dunnart-2 and the market will be informed if any production testing is to be carried out on Dunnart-2 once the Joint Venture has evaluated all formation evaluation data.

For more information please contact:

Key Petroleum Limited
+61 8 6389 0322

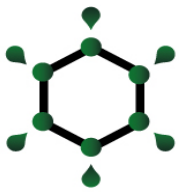
Kane Marshall
Managing Director

27 August 2014

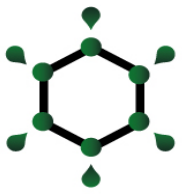


DUNNART-2 PETROLEUM EXPLORATION WELL
EP437 – PERTH BASIN

1.	Well Name/Permit:	Dunnart-2 EP437, Perth Basin, Western Australia			
2.	The Report is for the Period:	0600 – 26 August 2014 to 0600 – 27 August 2014			
3.	This ASX Release Time and Date:	0730 WST – 27 August 2014			
4.	Report No:	Thirteen			
5.	Start Date/DCA Rig #7:	13 July 2014			
6.	Days since commencement of	Forty Four			
7.	Locations of the Well:	<i>North Perth Basin</i>			
8.	Elevation:	<i>GL</i>	40.96m		
		<i>RT from GL (MSL)</i>	3.5m		
		<i>RT to MSL</i>	44.46m		
9.	Proposed Total Depth:	670 metres TVD RT			
10.	Targets:	<i>Primary: Bookara Sandstone Formation</i>			
		<i>Secondary: Basement</i>			
11.	Present Depth:	657m RT			
12.	Geological Summary:		Formation Tops (m RT):		
			<i>Prognosed</i>	<i>Actual</i>	<i>Difference</i>
		<i>Yarragadee Sandstone</i>	82m	82m	-
		<i>Cadda Formation</i>	280m	281m	-1
		<i>Cattamarra Formation</i>	325m	324m	+1
		<i>Woodada Formation</i>	484m	482.5m	+1.5
		<i>Kockatea Shale</i>	504m	503m	+1.0
		<i>Bookara Sandstone Formation</i>	615m	614m	+1
		<i>Basement</i>	638m (typo as 670m RT was TD)	637m	+1



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. The tool plugged and was an invalid test.</p> <p>A further section of 11m was drilled to 627m RT which has good live oil shows over a 2m sand interval. The entire 13m interval was tested and the DST tool experienced a mechanical failure meaning an invalid test. The DST tool was found to have good quality Bookara sand with indications of live oil. Further oil shows have been observed in a lower reservoir quality interval above basement.</p> <p>Preliminary interpretations of wireline logs indicate reservoir quality sands in the Bookara Sandstone and will be integrated with FET formation fluid samples.</p>	
14.	Operations since last Report:	Run FET tool to determine reservoir quality. Top part of the Bookara appears to have reservoir quality.	
15.	Current Operations:	Run 7" casing and install wellhead.	
16.	Future Operations:	Complete suspension of Dunnart-2 with casing and wellhead then integrate all data to determine if production testing is warranted.	
17.	Prospect Description:	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.	
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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DCA crew preparing to run 7" casing