

1 September 2014

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

Dear Sir

**DRILLING REPORT NO. 14 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0600 HOURS 27 AUGUST 2014 TO 0600 HOURS 1 SEPTEMBER 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

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FOR THE PERIOD 0600 HOURS 27 AUGUST 2014 TO 0600 HOURS 1 SEPTEMBER 2014**

Key Petroleum Limited ("Key") advises that since its last report, 7" production casing was run to a total depth of 657m RT and cemented to surface. The 'B' section production wellhead was installed and DCA Rig 7 released from the Dunnart-2 wellsite. The well is now suspended in a suitable condition to be production tested, subject to an approved program from the Department of Mines and Petroleum.

Analysis and interpretation of formation evaluation data is now being undertaken in conjunction with a completion design to facilitate production testing. Production testing would involve remobilization of a rig to run a completion string in addition to wireline services and the installation of a production Christmas tree. Key is also currently in discussions with other parties for the use of DCA Rig 7 in the Canning Basin this year and possible timing of any production testing on Dunnart-2.

Since the last logging run with the FET tool, it was noted that the main sampling period was curtailed due to a hydraulic tool failure. Two small (50cc) samples of the formation fluid in the top of the interval were recovered prior to this failure and are to be sent to the lab for analysis and then incorporated into all formation evaluation data to determine the forward plan.

The Joint Venture will decide on the next steps for Dunnart-2 once the evaluation is completed.

The final Dunnart-2 Drilling Report is now attached.

For more information please contact:

Key Petroleum Limited

+61 8 6389 0322

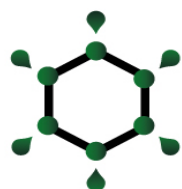
Kane Marshall

Managing Director

1 September 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 – 27 August 2014 to 0600 – 1 September 2014			
3.	This ASX Release Time and Date:	0730 WST – 1 September 2014			
4.	Report No:	Fourteen			
5.	Start Date/DCA Rig #7:	13 July 2014			
6.	Days since commencement of drilling operations:	Forty 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:	657m 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	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. Those formation samples (50cc) are currently being sent to the lab for analysis.</p>	
14.	Operations since last Report:	Run 7" production casing and install 'B' Section production wellhead.	
15.	Current Operations:	Rig release.	
16.	Future Operations:	Evaluate all formation data before determining forward plan on production testing.	
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%