

2 October 2014

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

Dear Sir


**PERTH BASIN OPERATIONS UPDATE**

We attach herewith an ASX Announcement for Investors regarding the activities in EP437, Onshore Perth Basin.

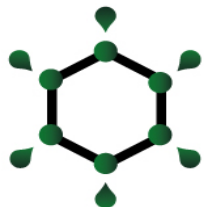
Joint Venture participants in EP437 are:

<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

### PERTH BASIN OPERATIONS UPDATE

Key Petroleum Limited ("Key") advises that since its last drilling report in respect of Dunnart-2, Key, as the Operator of EP437, has conducted preliminary interpretations of formation data from Dunnart-2 and secured and tidied the wellsite location.

Preliminary interpretations have indicated that it is likely that an invasion of drilling fluids during the testing operation component of Dunnart-2 occurred into the top porous Bookara sandstones and resulted in a mixed recovery of mud filtrate, formation water and oil emulsion during wireline sampling operations.

Oil shows over a 20 metre interval down into the granitic basement were observed during the wellsite evaluation. Preliminary interpretations from wireline formation data indicate that there is a minimum of 5 metres of good quality reservoir sand development at the top of this Bookara sequence that is thought to be oil bearing. These interpretations are in line with assumptions used to determine previously announced prospective resource volumes.

Based on the results to date, the EP437 Joint Venture has agreed in principle to production test Dunnart-2, subject to an approved budget and relevant Department of Mines and Petroleum approvals. A suitable workover or smaller fit for purpose rig will be required to run a production completion string in Dunnart-2.

Based on the encouraging indications of hydrocarbons in the Dunnart-2 Bookara sequence, the Operator is now in discussions with parties for further exploration and development activities including drilling of up to three prospects in EP437. These prospects could include Conder South, Wye Knot and potentially other areas in the north of the permit (refer map attached). The Operator is now re-mapping EP437 in light of Dunnart-2 results to rank prospects by size and risk and determine which of these prospects are the most mature to be drilled in such a campaign.

Discussions are also ongoing as to whether Dunnart-2 production testing is carried out in the short term or as part of an exploration campaign using a fit for purpose smaller rig that can drill exploration wells and run production completions.

The market will be fully informed as future operational activities in EP437 are determined.

For more information please contact:

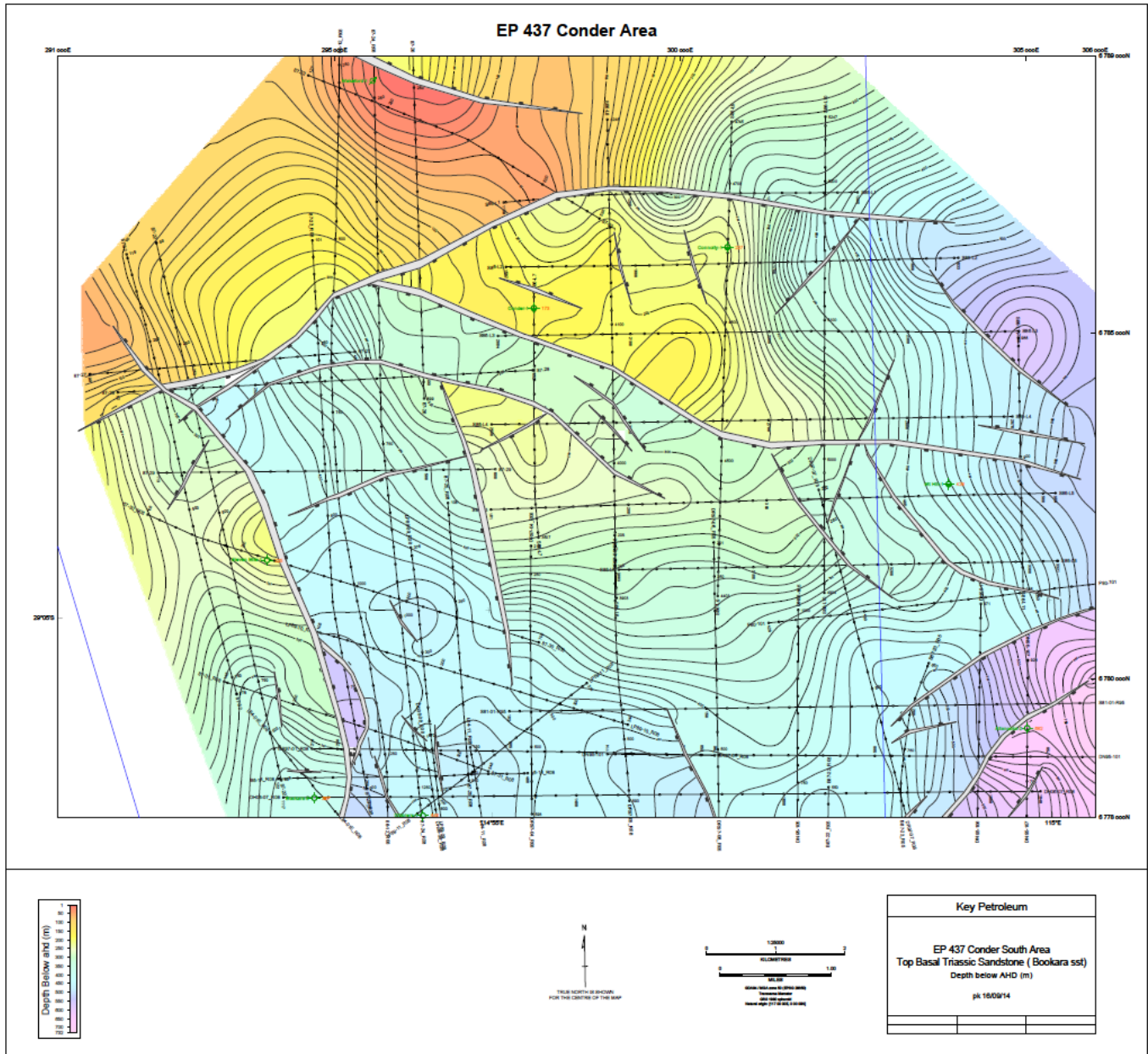
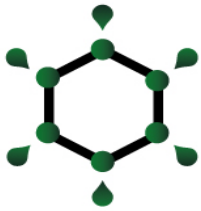
**Key Petroleum Limited**

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**Kane Marshall**

Managing Director

2 October 2014



The Conder Area in the northern part of EP437 has several structural highs (yellow and orange) that the Operator is currently mapping as follow up drilling prospects in conjunction with other mapped prospects in the area. The central high (middle of diagram) is undrilled and on trend with the Dunnart structure, interpreted to be on the main oil migration pathway.