

26 August 2014

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

Dear Sir

**DRILLING REPORT NO. 12 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA  
FOR THE PERIOD 0600 HOURS 25 AUGUST 2014 TO 0600 HOURS 26 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**

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Key Petroleum Limited ("Key") advises that since its last report the hole was logged with Crocker wireline logging tools to determine reservoir intervals, quality of reservoir interval and potential oil pay. The first two suites of logs are currently undergoing preliminary interpretation and will be integrated with results of the FET tool at some stage today. The wireline logs will also be integrated with existing mudlogging data with all technical personnel on site. That interpretation will not only assist in identifying any potential pay in the Dunnart-2 well but intervals for production testing if warranted.

Key also advises that it has submitted an application to the Department of Mines and Petroleum to suspend the well with 7" casing for future production testing and this equipment is anticipated to arrive on site today.

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**

+61 8 6389 0322

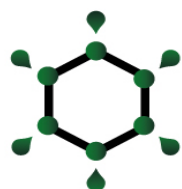
**Kane Marshall**

Managing Director

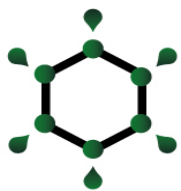
26 August 2014

**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 – 25 August 2014 to 0600 – 26 August 2014			
3.	This ASX Release Time and Date:	0730 WST – 26 August 2014			
4.	Report No:	Twelve			
5.	Start Date/DCA Rig #7:	13 July 2014			
6.	Days since commencement of drilling operations:	Forty Three			
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	637m	+1



13.	<b>Hydrocarbon Indications:</b>	<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>	
14.	<b>Operations since last Report:</b>	Mobilise Crocker logging personnel, rig up logging tools and complete first two suites of logs.	
15.	<b>Current Operations:</b>	Preparing to run FET logging tool to determine reservoir quality and net pay.	
16.	<b>Future Operations:</b>	Evaluate FET logging suite, run 7" casing and suspend well with DMP approval.	
17.	<b>Prospect Description:</b>	<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.	<b>Participants in the Well:</b>	Key Petroleum (Australia) Pty Ltd (Operator)	43.47%
		Rey Oil and Gas Perth Pty Ltd	43.47%
		Caracal Exploration Pty Ltd	13.06%

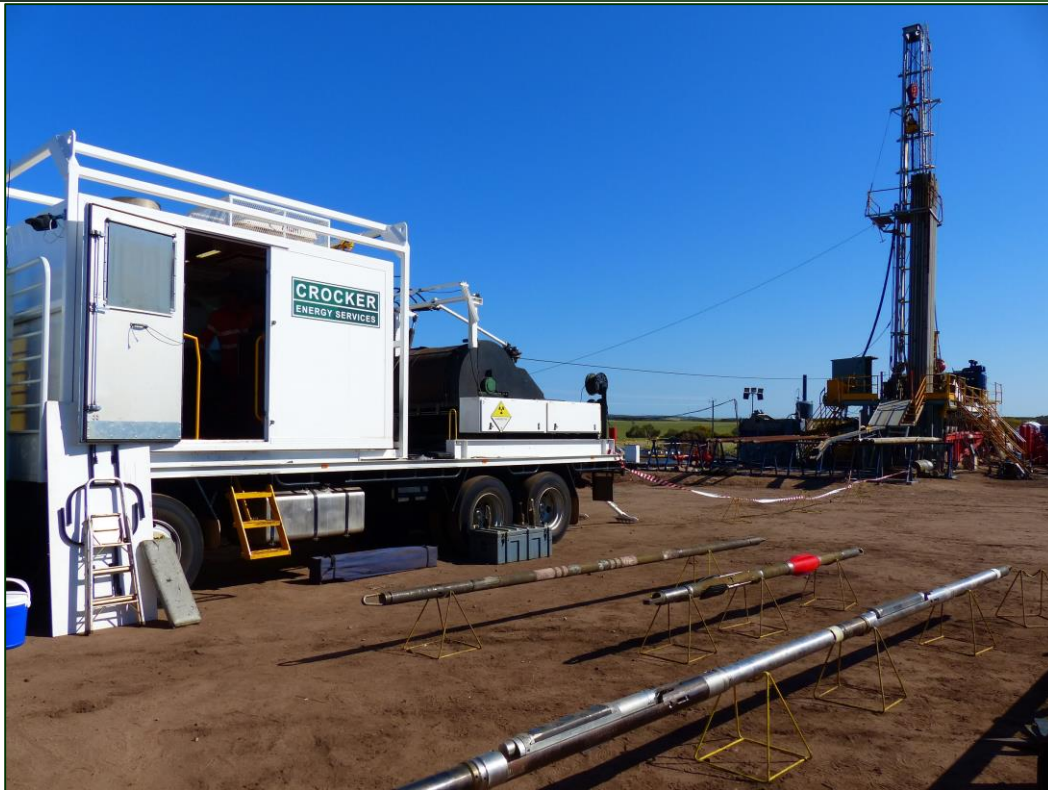


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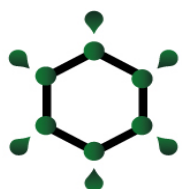
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Crocker Services personnel begin wireline logging of the Dunnart-2 well via their wireline logging unit (above) and Managing Director Kane Marshall overseeing logging engineers on the rig floor (bottom).



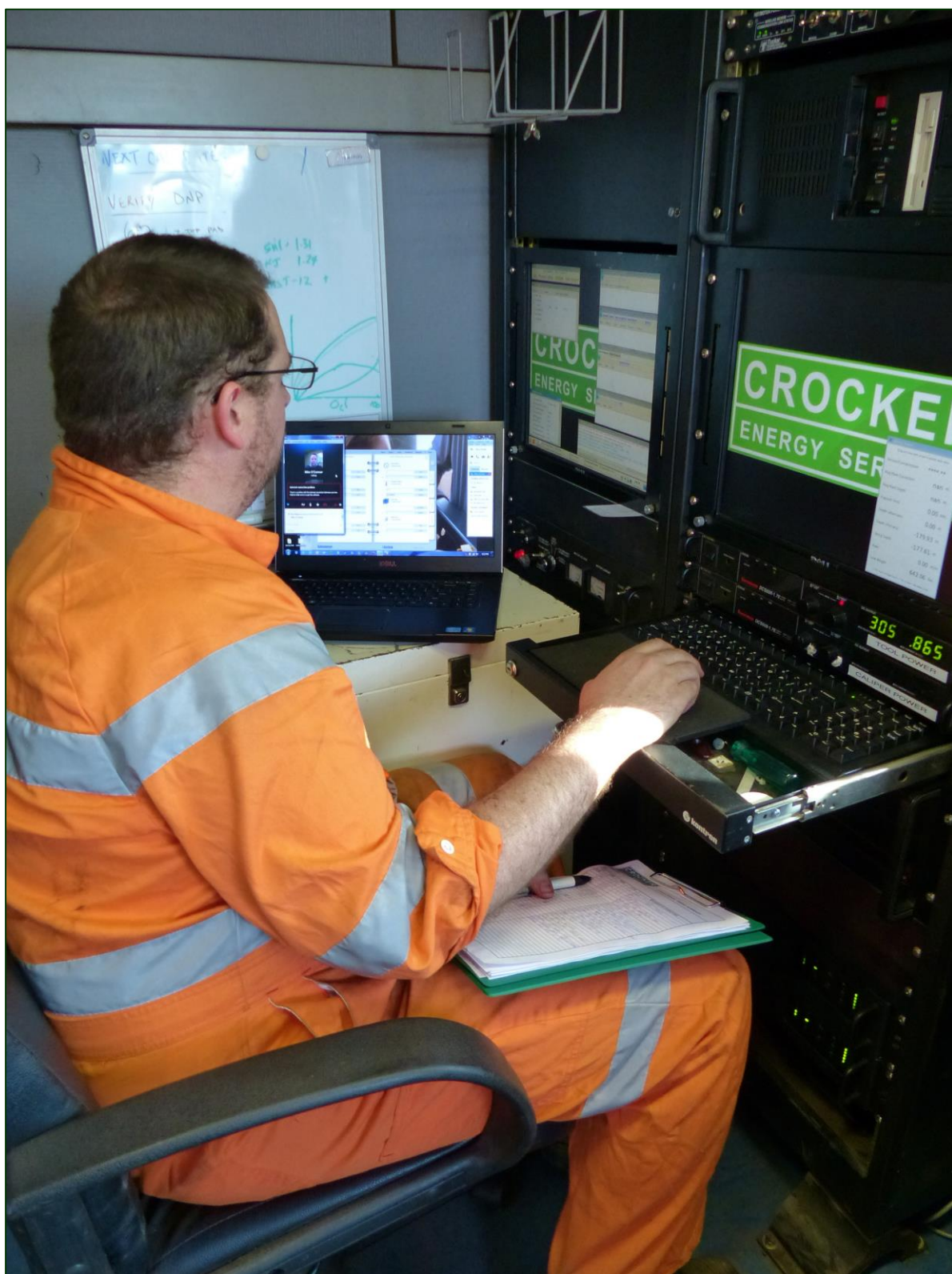


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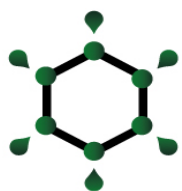
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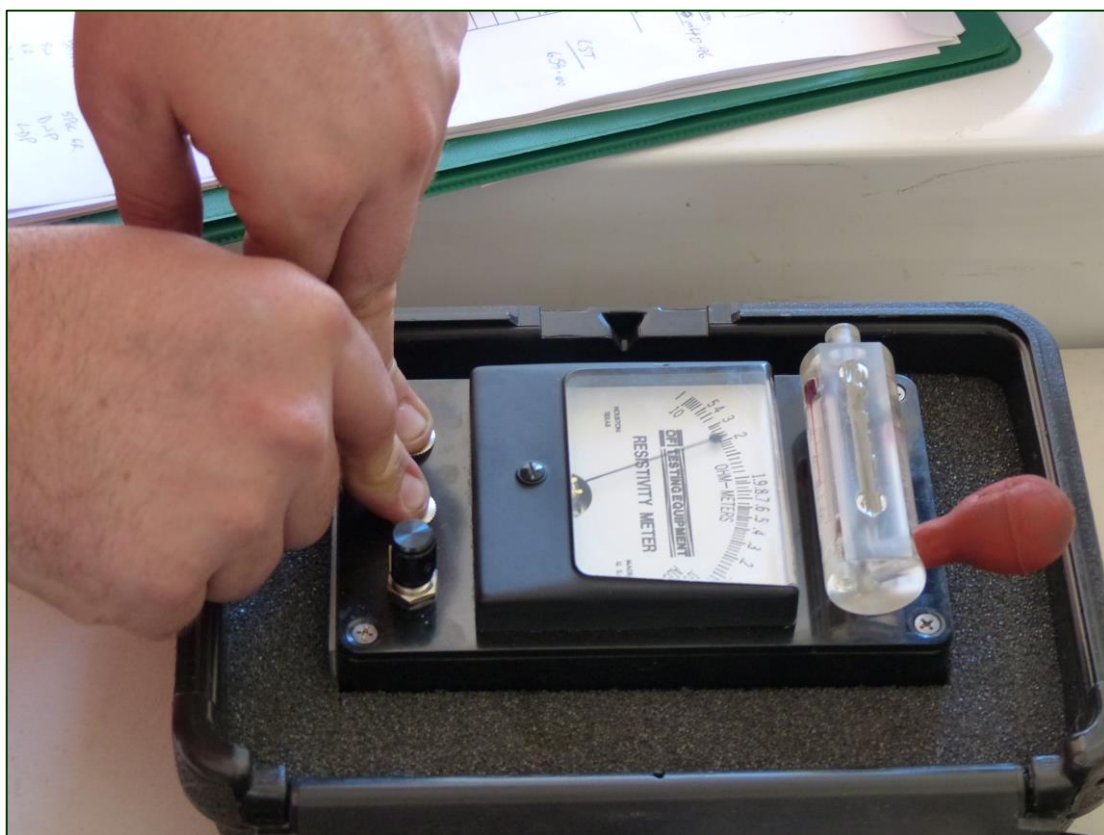
Crocker personnel inside the logging unit monitoring real time wireline data from Crocker tools run in hole in the Dunnart-2 well.



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Samples from mudlogging being reviewed by Crocker Services founder Hugh Crocker with Managing Director Kane Marshall and Wellsite Geologist Len Diekman (above). Mud filtrate sample analysis being carried out (bottom) for interpretation of wireline logs.