

18 August 2014

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

Dear Sir

**DRILLING REPORT NO. 5 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0600 HOURS 11 AUGUST 2014 TO 0600 HOURS 18 AUGUST 2014**

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

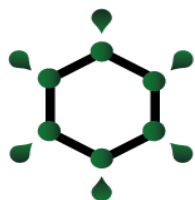
Joint Venture participants in EP437 are:

<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



IAN GREGORY
Company Secretary
KEY PETROLEUM LIMITED



ASX RELEASE

DRILLING REPORT NO. 5 FOR DUNNART-2 IN EP437, PERTH BASIN, WESTERN AUSTRALIA FOR THE PERIOD 0600 HOURS 11 AUGUST 2014 TO 0600 HOURS 18 AUGUST 2014

Since the last report, dated 11 August 2014, Key Petroleum Limited ("Key") advises that 202m of 8 ½" hole have been drilled and an encouraging hydrocarbon show was encountered at 460m RT in the coaly unit of the Cattamarra Coal Measures. The show was associated with 8.6 units of wet gas, several times higher than that of Dunnart-1 in the same unit over the depth interval 460-475m RT. Elevated readings of ethane of 151 ppm were encountered in this interval and details are contained in the attached drilling report.

The current depth at 0600 this morning was 496m RT drilling ahead in 8 ½" hole within the Woodada Formation. Background gas of 0.5 units has been established and is increasing with depth. The Newmarracarra Limestone and Cattamarra Coal Measures formations were intersected as prognosed.

In the past week the nipping-up and pressure testing of the Blow Out Preventer (BOP) and associated equipment has been completed. Additional operational personnel have been mobilised to site and the mud logging unit is rigged up to DCA Rig 7.

The Company advises that a formation integrity test of the 9 5/8" casing shoe was completed and crew are now working on a 24 hour work schedule while drilling ahead in 8 1/2" hole.

The forward plan is to drill ahead to the Bookara sandstones at approximately 617m RT and conduct a Drill Stem Test (DST) of the same interval encountered at Dunnart-1. DST personnel are being mobilised to site today and testing is anticipated to be sometime shortly thereafter.

Daily drilling reports to the ASX will continue until all drilling and formation evaluation of Dunnart-2 has been completed.

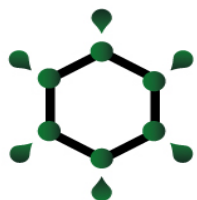
For more information please contact:

Key Petroleum Limited (Tel: +61 8 6389 0322)

Ian Gregory

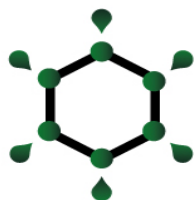
Company Secretary

18 August 2014

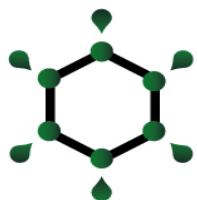


DUNNART-2 PETROLEUM EXPLORATION WELL
EP437 – PERTH BASIN

1.	Well Name/Permit:	Dunnart-2 EP437, Perth Basin, Western Australia			
2.	The Report is for the Period:	0600 – 11 August 2014 to 0600 – 18 August 2014			
3.	This ASX Release Time and Date:	1100 EST – 18 August 2014			
4.	Report No:	Five			
5.	Start Date/DCA Rig #7:	13 July 2014			
6.	Days since commencement of drilling operations:	Thirty Six			
7.	Locations of the Well:	North Perth Basin			
8.	Elevation:	GL	40.96m		
		RT from GL (MSL)	3.5m		
		RT to GL	44.46m		
9.	Proposed Total Depth:	670 metres TVD RT			
10.	Targets:	Primary: Bookara Sandstone Formation			
		Secondary: Basement			
11.	Present Depth:	495m RT at 0600 hours 18 August 2014			
12.	Geological Summary:		Formation Tops (m RT):		
			Prognosed	Actual	Difference
		Yarragadee Sandstone	82m	82m	-
		Cadda Formation	280m	281	+1-
		Bookara Sandstone Formation	617m		
		Basement	670m		



13.	Hydrocarbon Indications:	Oil Shows: Nil Gas Shows: Background gas established of 0.5 units. Elevated gas shows over an interval 460-475m RT were encountered. The interval does not contain reservoir quality rock but gas readings are several times higher than that encountered at Dunnart-1 in the same interval. The breakdown is as follows:																																														
		<table border="1"> <thead> <tr> <th rowspan="2">Depth (m RT)</th><th colspan="2">Gas (Units)</th><th colspan="7">Gas Breakdown</th></tr> <tr> <th>Max</th><th>Background</th><th>C1</th><th>C2</th><th>C3</th><th>IC4</th><th>NC4</th><th>IC5</th><th>NC5</th></tr> </thead> <tbody> <tr> <td>319 - 460</td><td>nil-tr</td><td>nil</td><td>2 - 8</td><td>nil</td><td>nil</td><td>nil</td><td>nil</td><td>nil</td><td>nil</td></tr> <tr> <td>460 - 475</td><td>8.6</td><td>0.5</td><td>70 - 874</td><td>10 - 151</td><td>nil - 64</td><td>nil - 14</td><td>nil - 15</td><td>nil</td><td>nil</td></tr> </tbody> </table>								Depth (m RT)	Gas (Units)		Gas Breakdown							Max	Background	C1	C2	C3	IC4	NC4	IC5	NC5	319 - 460	nil-tr	nil	2 - 8	nil	nil	nil	nil	nil	nil	460 - 475	8.6	0.5	70 - 874	10 - 151	nil - 64	nil - 14	nil - 15	nil	nil
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14.	Operations since last Report:	Completed nipple up of BOP and conducted pressure testing of BOP. Completed rig up of mudlogging unit. Additional operational personnel mobilised to site and work schedule tours broken to 24 hours. Drilled 202m in 8 ½" hole.																																														
15.	Current Operations:	Drilling ahead in 8 ½" hole in the Woodada Formation.																																														
16.	Future Operations:	Drill 8 ½" hole to primary objective Bookara sandstones.																																														
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. 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.																																														
18.	Participants in the Well:	Key Petroleum (Australia) Pty Ltd (Operator)							43.47%																																							
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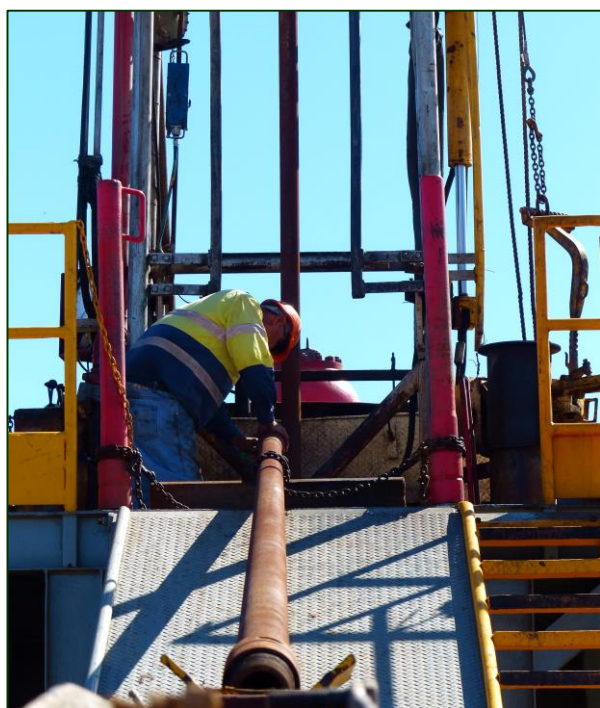


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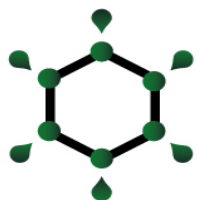
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39 Stirling Highway
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Drilling in the Cattamarra Coal Measures continues after the BOP (bottom right) was nipped-up and tested.

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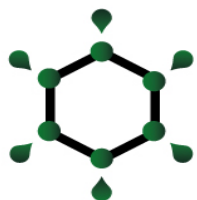
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Pressure testing equipment has been installed and Baker Hughes mud logging personnel have arrived on site.

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Baker Hughes mud logging personnel (top and bottom right) taking samples as DCA personnel mix drilling mud (fluid).