

29 October 2012

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

Dear Sir

RE: EP438 –CYRENE-1 UPDATE

We attach an update on the progress of drilling Cyrene-1 in Petroleum Exploration Permit, EP438, Canning Basin, Western Australia.

The post farmout interests after the drilling of Cyrene-1 are as follows:

Key Petroleum Ltd (Gulliver Productions Pty Ltd) (Operator)	20.0%
Buru Energy Limited	37.5%
Mitsubishi Corporation (Diamond Resources (Canning) Pty Ltd)	37.5%
Indigo Oil Pty Ltd	5.0%

Regards



KANE MARSHALL
Managing Director
KEY PETROLEUM LIMITED

Key Petroleum Ltd

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ABN 50 120 580 618

ASX AND MEDIA ANNOUNCEMENT

29 October 2012

CYRENE-1 UPDATE ON EP438 ACTIVITIES

The EP438 joint venture consisting of Buru Energy Limited (“Buru”), Mitsubishi Corporation (Diamond Resources (Canning) Pty Ltd) (“Mitsubishi”) and Indigo Oil Pty Ltd (“Indigo”) have appointed Key Petroleum Limited (“Key”) through its subsidiary Gulliver Productions Pty Ltd as the operator for the sole purpose of executing the drilling of Cyrene-1.

Buru and Mitsubishi previously entered into a farm-in agreement with Key and Indigo to earn their respective interests in EP438 by contributing 3 million dollars to seismic and exploration drilling within the permit.

Further to the release of 21 October 2012, Key has progressed the drilling of Cyrene-1 and has secured a slot with Drilling Contractors Australia with DCA Rig 7. The drilling of Cyrene-1 will commence once final approvals from the Department of Mines and Petroleum (DMP) are received. At this point DCA Rig 7 will be immediately mobilised with a 30 man camp, tubulars, well head and drilling equipment.

Site works at the well location are complete. The drilling pad was custom built for DCA Rig 7 to include a drilling cellar, dam (“turkey’s nest”) for drilling water, a water bore and lay down areas for equipment.

There are two parts to the Cyrene-1 drilling program. The first consists of coring the prospective unconventional Goldwyer Formation to assess the oil potential. The second includes drilling and testing the Willara Formation.

The location for Cyrene-1 is constructed to withstand the wet season. It is one hour south of Broome and only 1.6 kilometres off the Great Northern Highway.

The Cyrene structure consists of a four way dip closed anticline with estimated potential recoverable oil of up to 5 million barrels. It is adjacent to the Hedonia-1 well drilled by Gulf in the early 1980’s, which had strong oil and gas shows in parts of the Goldwyer Formation.

Competent Persons Statement

Information in this ASX Release relates to information compiled by Mr Kane Marshall. Kane Marshall is a Practicing Petroleum Engineer and holds a BSc (Geology), a BCom (Inv & Corp Fin) and a Masters Petroleum Engineering. He is a member of the Society of Petroleum Engineers (SPE) and the American Association of Petroleum Geologists (AAPG).

For further information, please contact:

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The Turkey's Nest located 40m from camp to provide water to Cyrene-1 operations



DCA Rig 7 drilling cellar (foreground) with sump (background)

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Cyrene-1 well location



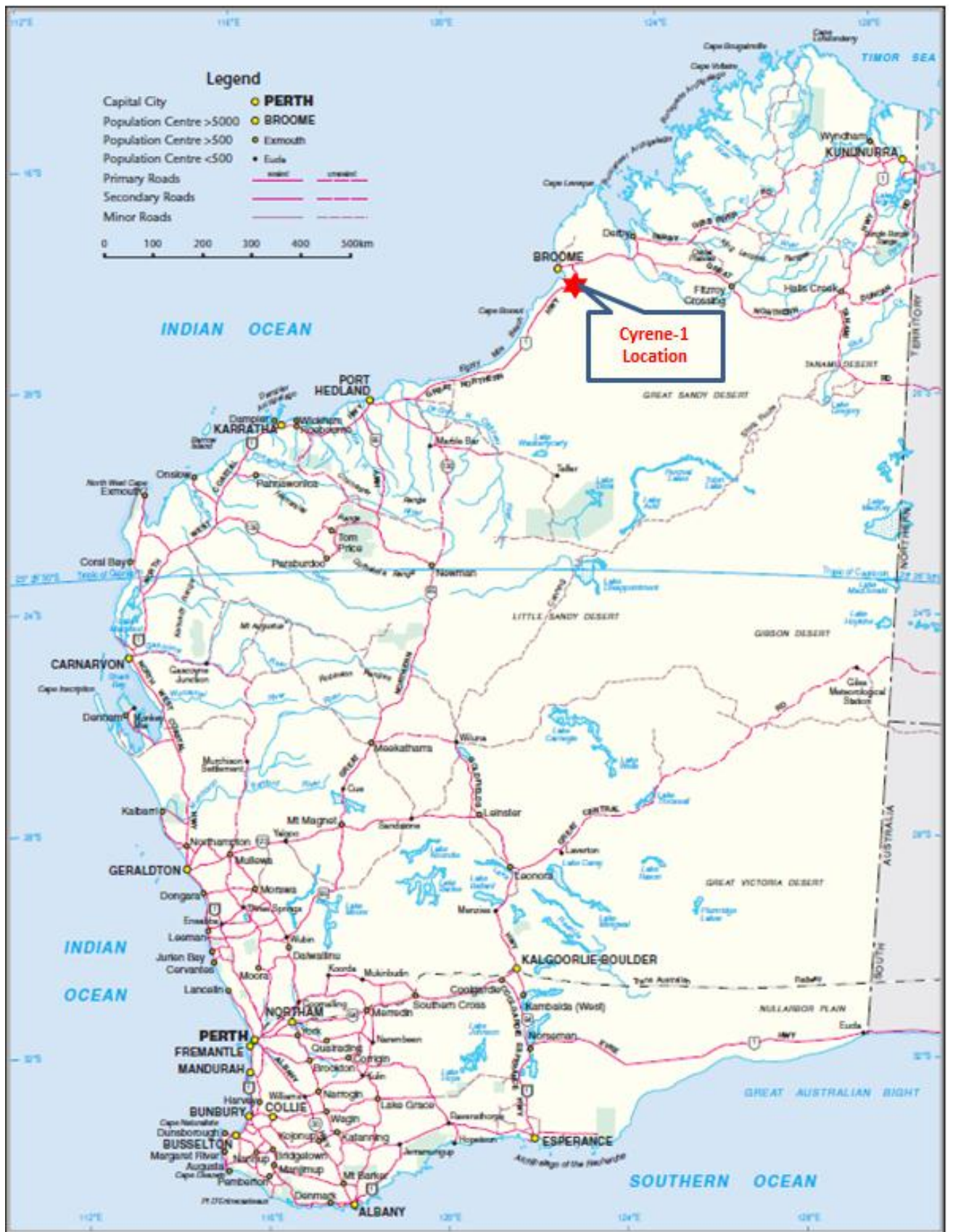
Graded roads into the well location and truck lay down areas

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Cyrene-1 map location, 1 hour south of Broome

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