



21 January 2013

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

Dear Sir

RE: CYRENE-1 DRILLING COMMENCES

We attach herewith an ASX Announcement regarding Key Petroleum Limited's ("Key") drilling activities in EP 438.

The relevant interests in EP 438 after the drilling of Cyrene-1 will be as follows:

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

Regards

A handwritten signature in blue ink, appearing to read "K. Marshall", written over a light blue grid background.

KANE MARSHALL
Managing Director
KEY PETROLEUM LIMITED

ASX AND MEDIA ANNOUNCEMENT

21 January 2013

**CYRENE-1 PETROLEUM EXPLORATION WELL
EP 438 - WESTERN AUSTRALIA**

Key is pleased to announce the commencement of drilling Cyrene-1 in EP 438, Canning Basin, Western Australia as of 0600 hours on Monday, 21 January 2013.

During the week commencing 14 January 2013, rig and service personnel were mobilised to the Cyrene-1 wellsite located 100km south of Broome and BOP testing, BOP drills and the pre-spud meeting have now been conducted prior to drilling the 9 5/8" surface casing shoe.

At 0600 this morning, Monday 21 January 2013, the drilling of the 9 5/8" shoe commenced to undertake a leak off test prior to drilling to the primary objectives. The forward plan will be to continue drilling through to the primary targets including the coring of the Goldwyer Formation in 8 1/2" hole at an estimated depth of 950 metres.

Managing Director Kane Marshall said he was pleased that Key had managed to avoid delays due to wet weather from Tropical Cyclone Narelle and rain from repeated low fronts over the Kimberley.

"I consider the commencement of drilling Cyrene-1 as another positive step and we look forward to providing daily reports as we progress towards the Goldwyer and Willara objectives," he said.

The Cyrene-1 exploration well aims at targeting the Willara and Goldwyer Formations. It has an estimated resource for conventional targets of 5 million barrels of recoverable oil (MBO). Unconventional targets include a 135 metre section within the Goldwyer Formation Shales.

For media and shareholder enquiries please contact commrelations@keypetroleum.com.au

Kane Marshall

BSc (Geology), BCom (Inv & Corp Fin), Masters PetEng, SPE, AAPG, PESGB, SPWLA

Managing Director

Key Petroleum Ltd

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Competent Persons Statement

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

Key Petroleum Ltd

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ABN 50 120 580 618

1.	Well Name/Permit:	Cyrene-1 EP438 - Western Australia			
2.	The Report is for the Period:	0600 21 December 2013			
3.	This ASX Release Time and Date:	0800 WST 21 December 2013			
4.	Report No:	2			
5.	Spud Date/DCA Rig #7:	21 January 2013			
6.	Days since Spud:	0			
7.	Locations of the Well:	Latitude: 18° 16' 34.5"S	Longitude: 122° 24' 05.1"E		
8.	Elevation:	GL	47m		
		RT from GL (MSL)	5m		
		RT to GL	52m		
9.	Proposed Total Depth:	1060 metres TVD			
10.	Targets:	Primary: Goldwyer Formation			
		Secondary: Willara Formation			
11.	Present Depth:				
12.	Geological Summary:		Formation Tops:		
			Prognosed	Actual	Difference
		Jarlemai Sandstone			
		Alexander Formation			
		Wallal Sandstone			
		Grant Formation			
		Goldwyer Formation			
		Willara Formation			
13.	Hydrocarbon Indications:	Nil – none expected in current formations			
14.	Operations since last Report:	Mobilise equipment and crew for main hole 8 ½”section, conduct BOP testing, pre-spud meeting and BOP drills			
15.	Current Operations:	Drilling ahead in 8 ½”hole to the Goldwyer Formation at 197 metres			

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16.	Future Operations:	Drilling ahead in 8 ½" hole to coring point in the Goldwyer Formation	
17.	Prospect Description:	<p>The first reservoir target of the Cyrene 1 well is the Goldwyer unit, an argillaceous unit of some 135m thickness. This is regarded as an 'unconventional' reservoir with potential to establish prospectivity over a very large area of the Broome Platform and beyond. The qualities of the Goldwyer which support this concept, apart from thickness and broad distribution, include organic contents frequently averaging 1.5-2% but ranging up to 4% or more, and a high calcareous content which implies favourable fracture characteristics.</p> <p>The second reservoir target of the well, the 'cavernous' limestones of the Willara Formation, was confirmed by the substantial lost circulation zones encountered in Hedonia 1.</p>	
18.	Participants in the Well:	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%

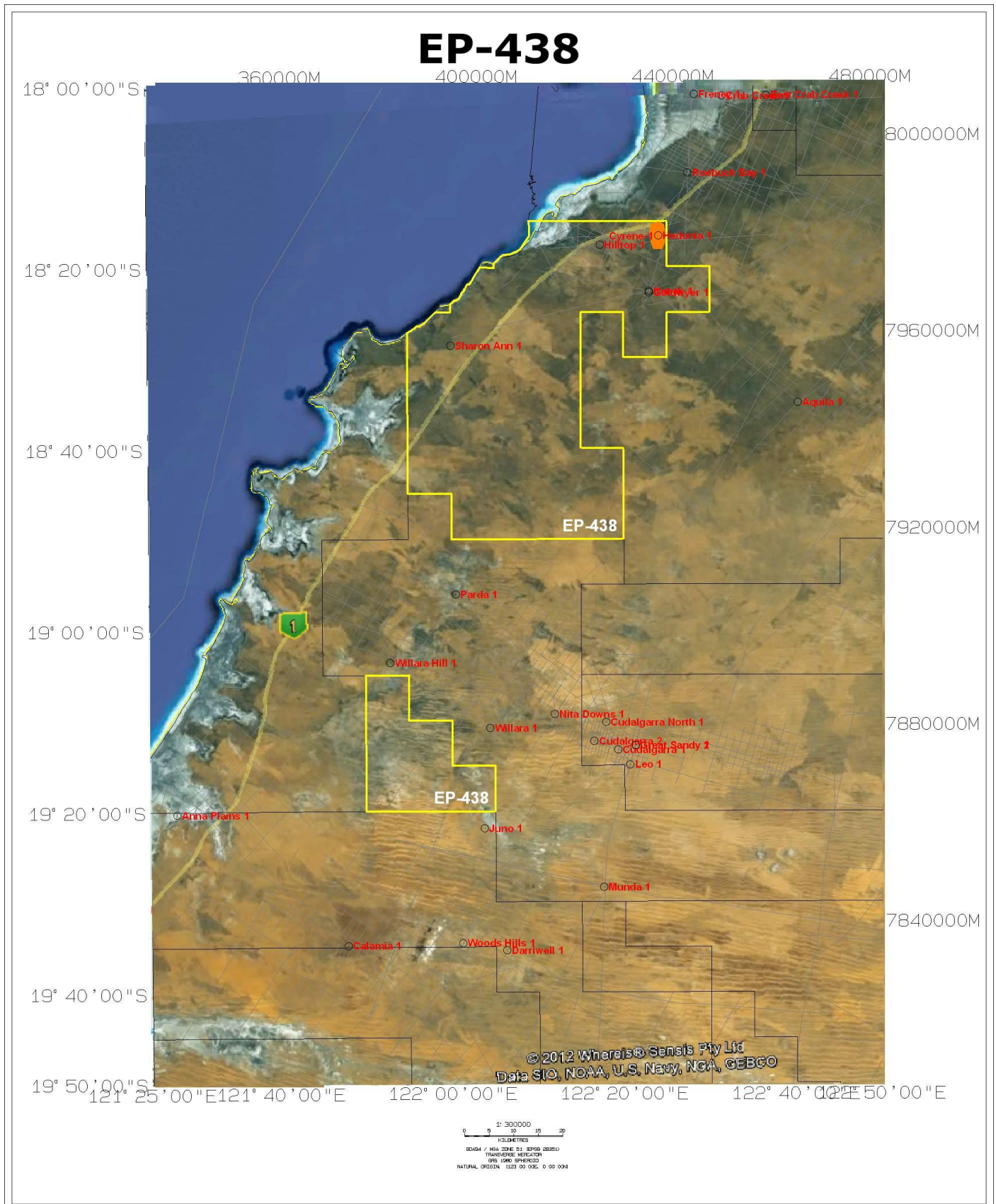
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Cyrene-1 (orange prospect) is located 100km south of Broome in the northern part of EP 438 (yellow blocks)



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