

24 January 2013

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

Dear Sir

**RE: DAILY DRILLING REPORT FOR CYRENE-1 IN EP 438, CANNING BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0600 HOURS 23 JANUARY 2013 TO 0600 HOURS 24 JANUARY 2013**

Please find details of the drilling activities of Cyrene-1 attached.

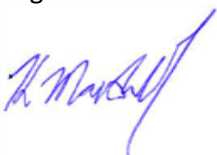
Update as of 0600 hrs 24 January 2013:

At 0600 hrs 24 January 2013 drilling had reached a depth of 618 metres RT with background gas established of 0.02 units and 160 ppm methane. Drilling is currently continuing through the Grant Formation in 8 ½" hole.

EP438 Participants after drilling of Cyrene-1:

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



KANE MARSHALL
Managing Director
KEY PETROLEUM LIMITED

ASX AND MEDIA ANNOUNCEMENT

24 January 2013

CYRENE-1 PETROLEUM EXPLORATION WELL EP 438 - WESTERN AUSTRALIA

1.	Well Name/Permit:	Cyrene-1 EP438 - Western Australia			
2.	The Report is for the Period:	0600 – 23 January 2013 to 0600 - 24 January 2013			
3.	This ASX Release Time and Date:	1000 – 24 January 2012			
4.	Report No:	Four			
5.	Spud Date/DCA Rig #7:	21 January 2013			
6.	Days since Spud:	Three			
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)		3.1m	
		RT to GL		50.1m	
9.	Proposed Total Depth:	1060 metres TVD			
10.	Targets:	Primary: Goldwyer Formation			
		Secondary: Willara Formation			
11.	Present Depth:	618 metres RT as of 0600 hours 23 January 2013			
12.	Geological Summary:		Formation Tops (m RT):		
			Prognosed	Actual	Difference
		Wallal Sandstone	295m	295m	-
		Grant Formation	490m	490m	-
		Goldwyer Formation	900m		
		Willara Formation	1035m		

Key Petroleum Ltd

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ABN 50 120 580 618

13.	Hydrocarbon Indications:	Background gas has been established with C1 up to 160 ppm and 0.02 units of total gas.	
14.	Operations since last Report:	Drilled to depth of 618 metres	
15.	Current Operations:	Drill ahead through Grant Formation.	
16.	Future Operations:	Drill ahead in 8 1/2" hole to coring point in Goldwyer	
17.	Prospect Description:	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. 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.	
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%

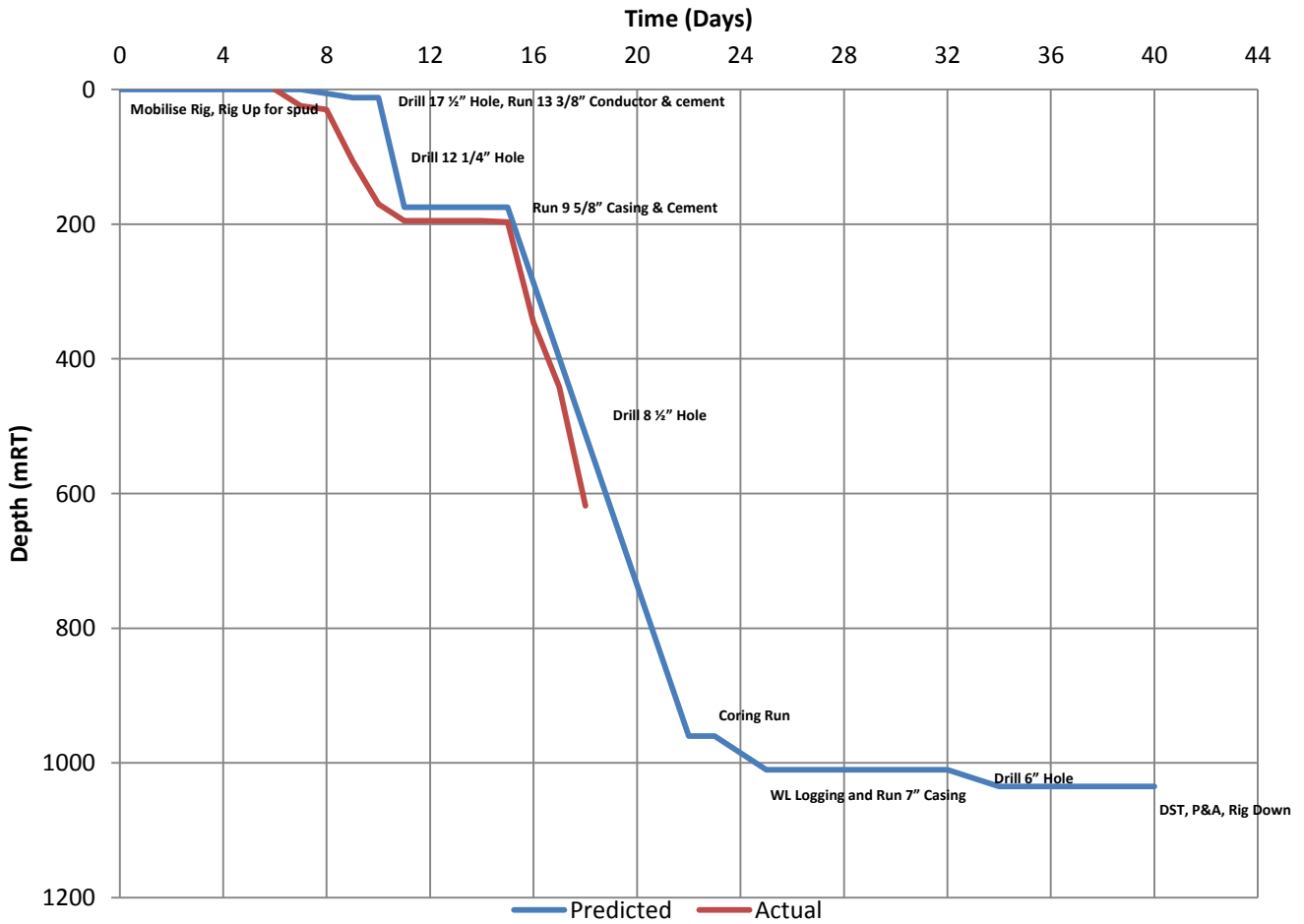
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Cyrene-1 Time v Depth (Budget) Well Spud to Rig Release



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DCA rig personnel up the derrick making inspections prior to drilling

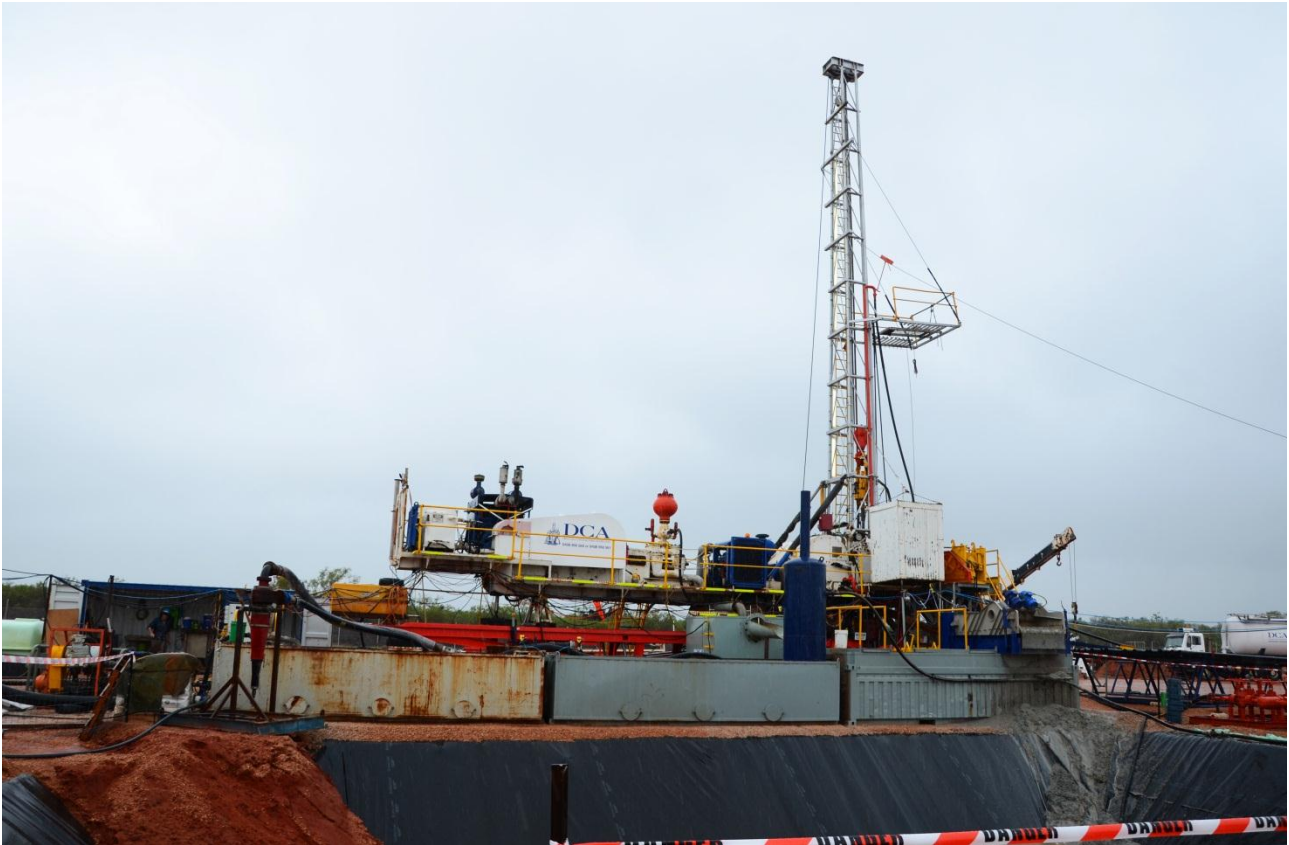


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DCA Rig 7 prior to commencing drilling on 21 January 2013



Managing Director Kane Marshall examining the flare pit and drilling equipment

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