

20 December 2012

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

Dear Sir

RE: CYRENE-1 SURFACE HOLE DRILLING REPORT FOR THE PERIOD 0600 HOURS 13 DECEMBER 2012 TO 0600 HOURS 20 DECEMBER 0600, EP 438, CANNING BASIN, WESTERN AUSTRALIA

We attach herewith an ASX Announcement regarding the surface hole drilling activities for commitment well Cyrene-1, EP 438.

The relevant interests 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



KANE MARSHALL
Managing Director
KEY PETROLEUM LIMITED

ASX AND MEDIA ANNOUNCEMENT

20 December 2012

CYRENE-1 SURFACE HOLE DRILLING REPORT FOR THE PERIOD 0600 HOURS 13 DECEMBER 2012 TO 0600 HOURS 20 DECEMBER 0600 EP 438, CANNING BASIN, WESTERN AUSTRALIA

Key Petroleum is pleased to provide the following update on operations at the Cyrene-1 Exploration Well within EP 438, Canning Basin, Western Australia.

On 13 December 2012, the planned surface hole to a depth of 175-200 metres began using Drilling Contractors of Australia (DCA) Rig 7.

The Current Program at 0600 hours 20 December 2012:

Rigging up choke manifold and flareline after 9 5/8" surface casing at 191m was cemented.

Forward Program:

Run flareline and rig it up to choke manifold.

Prepare well for suspension prior to spud of main 8 1/2" hole in January, 2013.

Daily drilling reports to be issued to the ASX upon commencement of drilling in January on spud of the main hole section.

It is expected that Cyrene-1 will be drilled to a total depth of 1060m. The main objectives targeted are the Willara and Goldwyer Formations.

Third Party Services for January Drilling Program includes:

- Baker Hughes - mudlogging and coring of the lower Goldwyer
- Schlumberger - wireline logging of the intermediate 8 1/2" hole section including the cored Goldwyer section
- Westlog - wireline operations including logging of the Willara Formation and swabbing during flow testing of the Willara
- DST Australia - flow testing of the Willara "lost circulation zone"

CYRENE-1
EP 438 – CANNING BASIN, WESTERN AUSTRALIA

1. **Well Name/Permit:** Cyrene-1 EP 438 - Western Australia
2. **The Report is for the Period:** 13-20 December 2012
3. **This ASX Release Time and Date:** 1200 WST 20 December 2012
4. **Report No:** 1
5. **Spud Date/DCA Rig #7:** TBA
6. **Days since Spud:** TBA
7. **Locations of the Well:** *Latitude:* 18° 16' 34.5"S *Longitude:* 122° 24' 05.1"E
8. **Elevation:**

<i>GL</i>	47m
<i>RT from GL (MSL)</i>	5m
<i>RT to GL</i>	52m
9. **Proposed Total Depth:** 1,060 metres
10. **Targets:**

Primary: Goldwyer Formation

Secondary: Willara Formation
11. **Present Depth:** 191 metres
12. **Geological Summary:**

	Formation Tops:		
	<i>Prognosed</i>	<i>Actual</i>	<i>Difference</i>
<i>Alexander Formation</i>	235m	TBA	
<i>Wallal Sandstone</i>	295m	TBA	
<i>Grant Formation</i>	490m	TBA	
<i>Goldwyer Formation</i>	900m	TBA	
<i>Willara Formation</i>	1,035m	TBA	

13. **Hydrocarbon Indications:** None – none expected in surface hole.
14. **Operations since last Report:** Commenced surface hole operations with conductor installation at 24m. Drilled 311mm surface hole to 191m, ran and cemented 244mm casing.
15. **Current Operations:** Rigging up choke manifold and flareline.
16. **Future Operations:** Run flareline and rig it up to choke manifold. Prepare well for suspension, tidy lease and demobilise personnel. 216mm hole to be spudded in January 2013.
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% |

For further information, please contact:

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Managing Director

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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 in Petroleum Engineering. He is a member of the Society of Petroleum Engineers (SPE) and the American Association of Petroleum Geologists (AAPG).

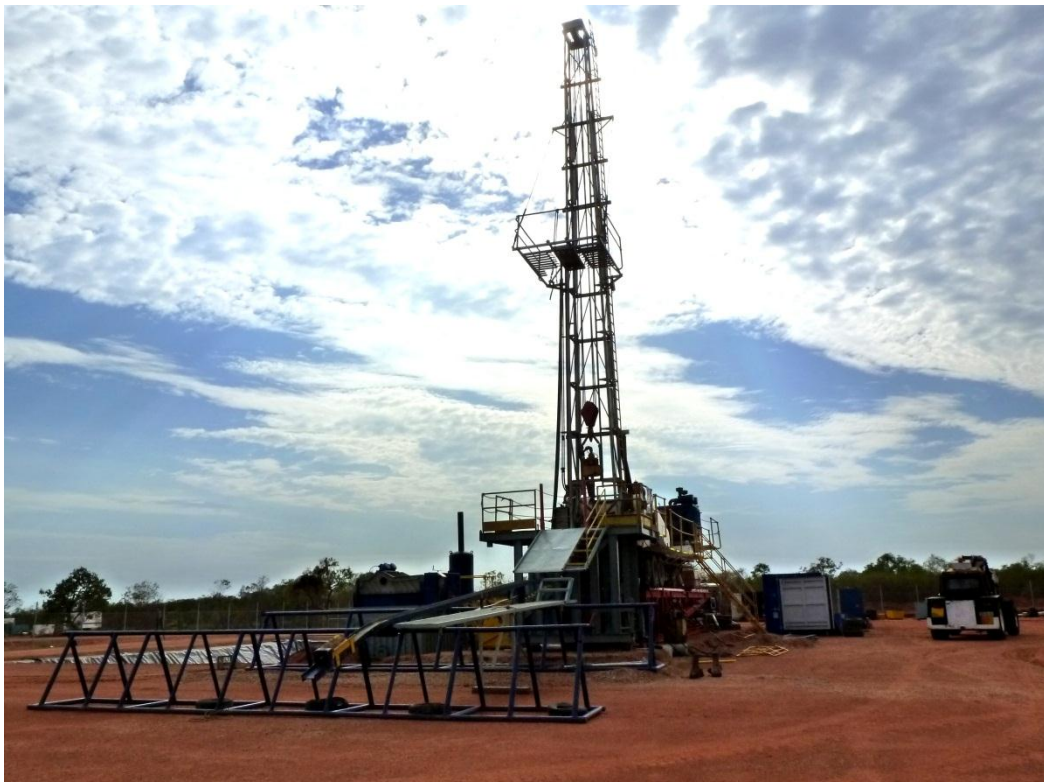
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**PRE-DRILL MEETING WITH KEY PETROLEUM MANAGING DIRECTOR KANE MARSHALL (LEFT),
DCA TREVOR ILEY (MIDDLE) & RIG PERSONNEL**



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LOCATION
CYRENE-1, EP 438, CANNING BASIN, WESTERN AUSTRALIA



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