

14 January 2013

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

Dear Sir

RE: 2013 EXPLORATION UPDATE

We attach herewith an ASX Announcement for Investors regarding Key Petroleum Limited's ("Key") 2013 exploration activities in EP 438, EP 448 and EP 437.

The relevant interests in E438 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%

The relevant interests in EP448 are as follows:

Key Petroleum Ltd (Gulliver Productions Pty Ltd)	70.0%
Indigo Oil Pty Ltd	20.0%
UOG Limited	10.0%

The relevant interests in EP437 are as follows:

Key Petroleum Ltd (Key Petroleum Australia Pty Ltd)	50.0%
Empire Oil and Gas NL (Empire Oil Company (WA) Limited)	35.0%
Caracal Exploration Pty Ltd	15.0%

Regards

A handwritten signature in blue ink, appearing to read "Kane Marshall".

KANE MARSHALL
Managing Director
KEY PETROLEUM LIMITED

ASX AND MEDIA ANNOUNCEMENT

14 January 2013

2013 EXPLORATION UPDATE

Key is pleased to provide the following update on its onshore Australian exploration operations within the Canning and Perth Basins for EP 438, EP 448 and EP 437.

EP 438, Canning Basin

Rig and service personnel are expected to mobilise to the Cyrene-1 wellsite during the course of the week. The remaining equipment required to commence BOP testing and the spud of the main 8 ½" hole section is anticipated to occur this week but may be subject to some delays due to Tropical Cyclone Narelle.

The forward plan will be to conduct BOP testing prior to drilling out the 9 5/8" surface casing followed by drilling through to the primary targets including coring of the Goldwyer Formation in 8 ½" hole. A further announcement will be made prior to the spud of the main hole section with subsequent drilling reports to the ASX.

Cyrene-1 will be drilled to a total depth of 1060 metres targeting the Willara and Goldwyer Formations. It has an estimated resource for conventional targets in the order of 5 million barrels of recoverable oil (MBO) if hydrocarbons are present. Unconventional targets include a 135 metre section within the Goldwyer Formation Shales.

EP 448, Canning Basin

Key has successfully applied for a work commitment variation on EP 448. The approval by the Department of Mines and Petroleum was granted in late 2012 for well pre-planning and a geochemistry survey. The approval will result in a substantial cost saving against the original 500km 2D seismic survey commitment planned.

The 2013 work program will be used to further delineate both existing and new prospects as well as assist in understanding the prospectivity of the Goldwyer Shale extending across the Ambrose prospect. A total of 11 prospects have been mapped in EP 448. These include ten conventional prospects being mapped at the Nita Formation objective in addition to the pre-existing large Ambrose unconventional prospect in the south-eastern part of EP 448.

The work program for this year will include on-ground work to identify well location and access areas as well as undertaking relevant heritage and environmental surveys required for the approval of drilling exploration wells in 2014.

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EP 437, Perth Basin

The finalisation of the Waugh-1 drilling program and surface well location by the EP 437 Joint Venture is nearing completion. Depending on the timing of approvals, Waugh-1 could be drilled with DCA Rig 7 in the first half of 2013 immediately after Cyrene-1 as there is an available slot with this rig.

Re-mapping of the Waugh prospect has identified an up-dip well location, Waugh-2. This will be drilled upon an oil discovery at Waugh-1. The re-mapping has also identified a large fault dependent structure to the north of the permit and the venture is currently looking at a number of other prospects to follow up after drilling Waugh-1.

OTHER BUSINESS

The Key Petroleum Ltd website (www.keypetroleum.com.au) now includes an annual company presentation video outlining exploration and drilling activities in the Canning and Perth Basins. An update video on the Cyrene-1 wellsite prior to any drilling or operational activities is also available and photos will be posted in the upcoming weeks.

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

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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).

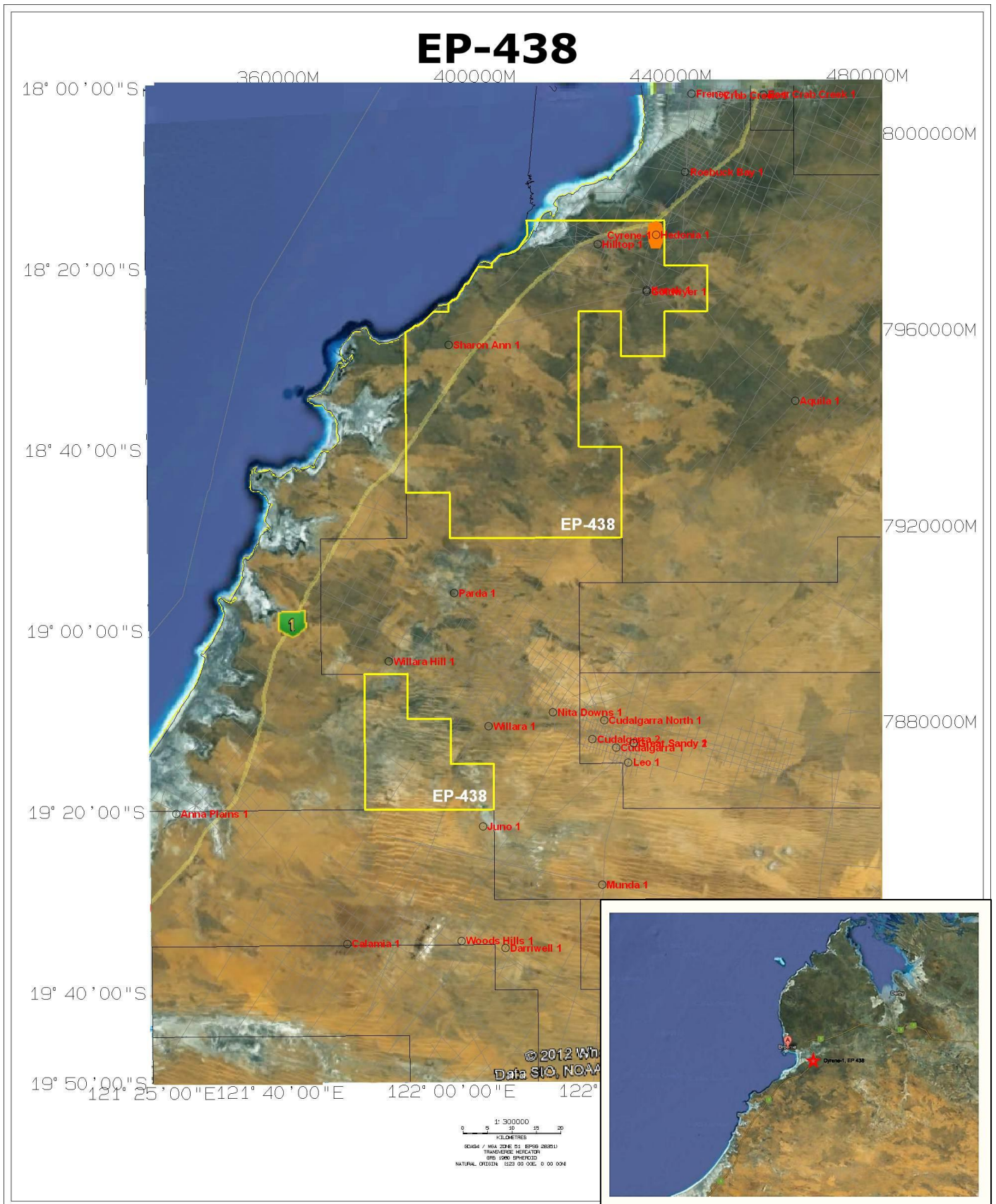
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Cyrene-1 (orange prospect) is located 100km south of Broome in the northern part of EP 438 (yellow blocks)



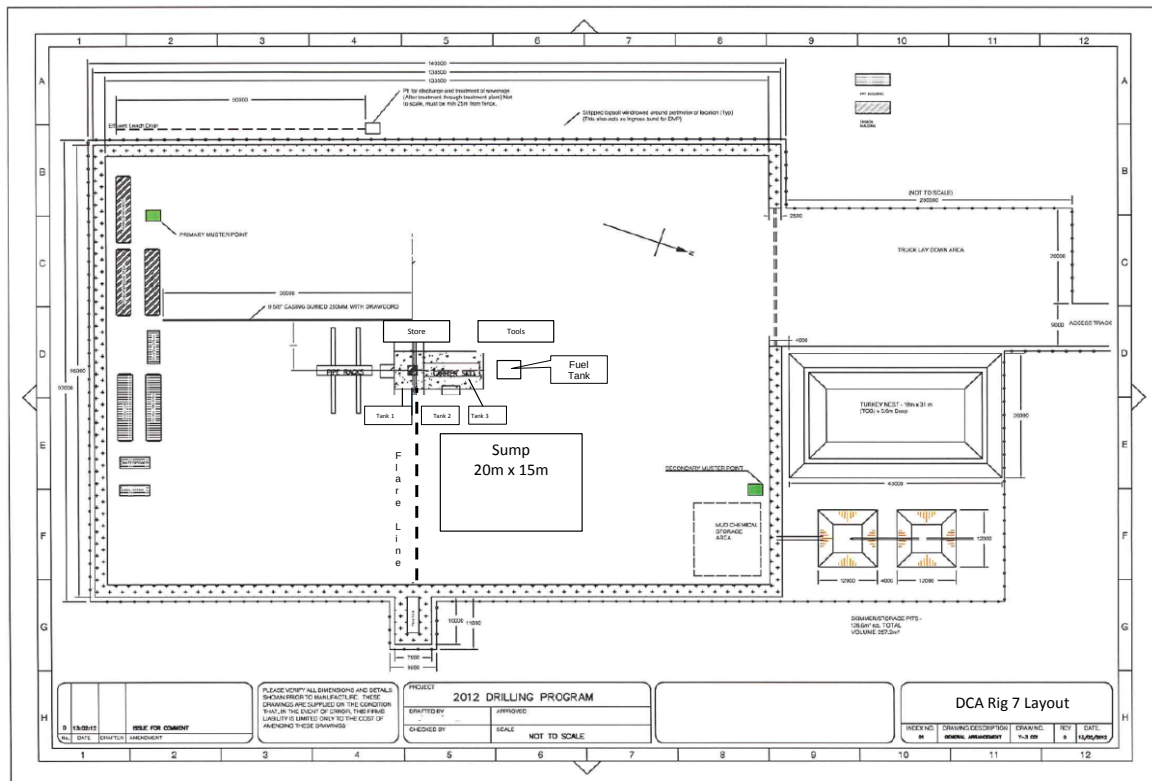
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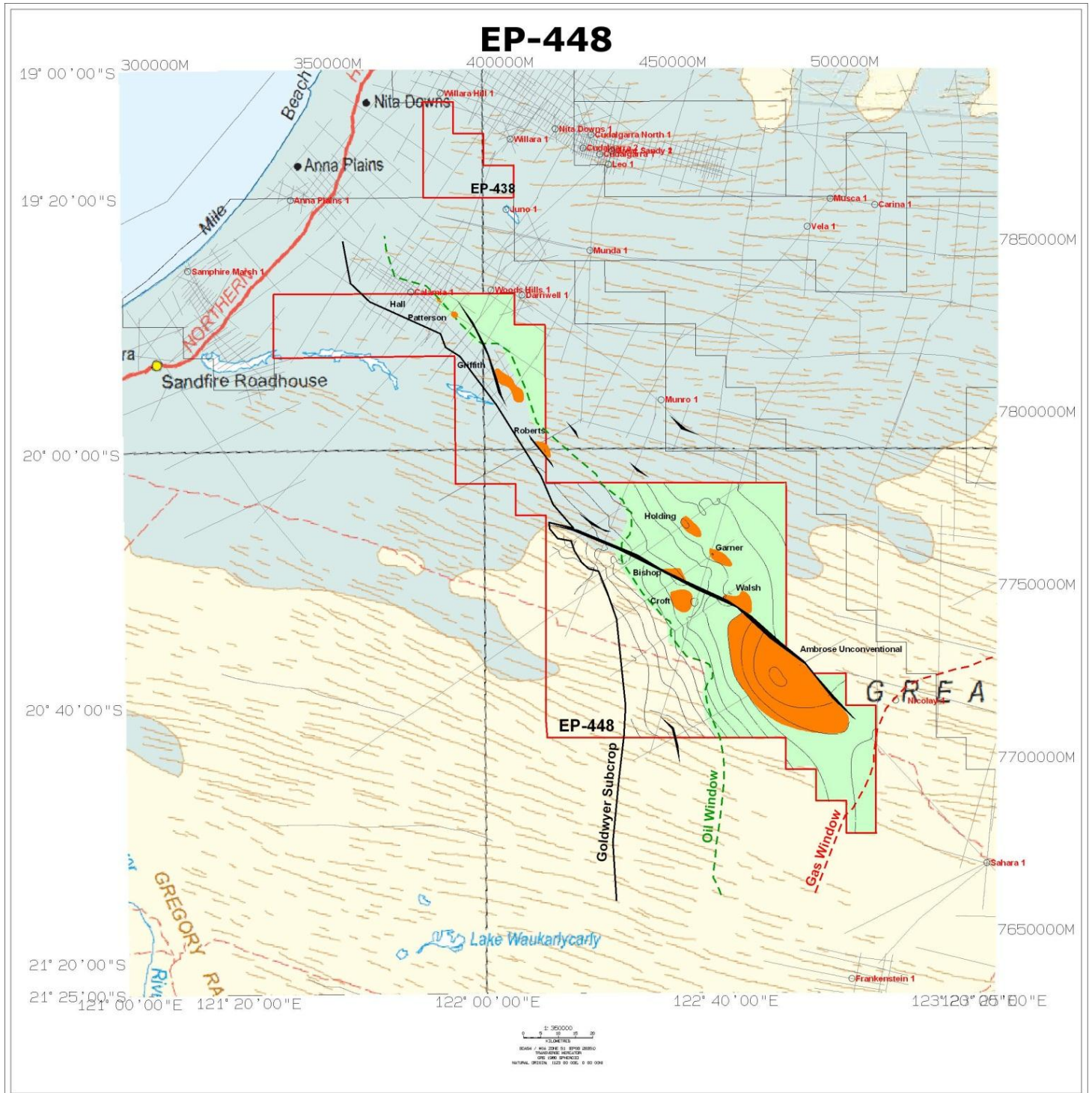
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Site layout for DCA Rig 7 including the layout of surface casing and drill pipe (below)



Structural mapping of EP 448 has identified 11 prospects.



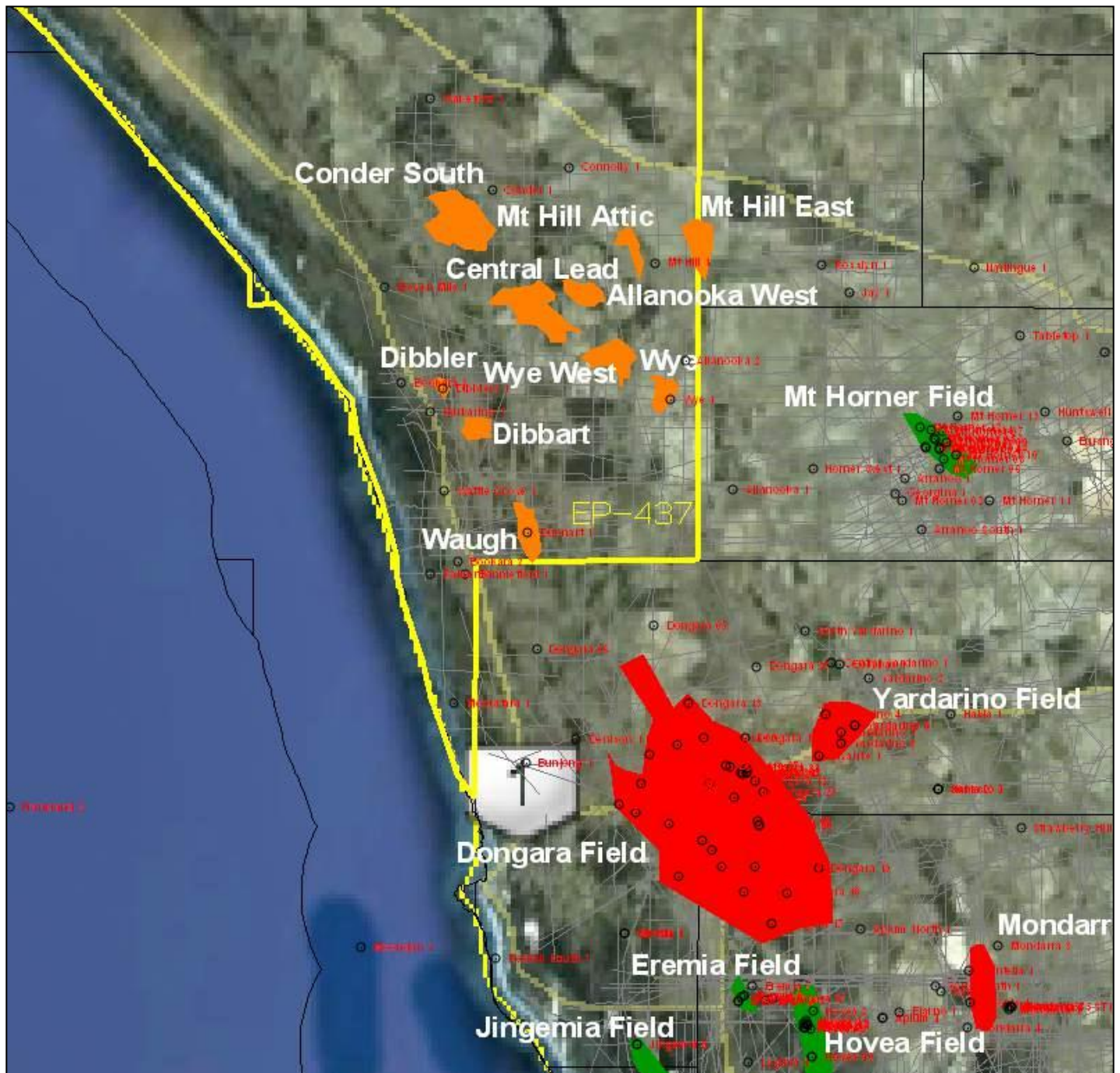
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Location of EP 437 (yellow) and prospects (orange) including Waugh



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