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ASX and Media Release

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REDUCTION IN TANZANIAN INTERESTS

Key Petroleum Limited (**ASX:KEY**) ("Key Petroleum") announces that it has entered into a binding Heads of Agreement to decrease its interest in the Nyuni Production Sharing Agreement in Tanzania ('Nyuni PSA') from 20% to 5% through a farm-out arrangement with Aminex plc ("**Aminex**"), the London and Dublin securities exchange listed company and current Operator of the Nyuni PSA.

Under the terms of the farm-out, Aminex will fund a 20% share in the dry hole cost of the forthcoming Nyuni-2 exploration well in Tanzania to acquire a 15% interest in the PSA from Key Petroleum. The farm-out transaction is subject to Tanzanian Government approval.

Key Petroleum is refocusing its activities with a greater emphasis now being given to its on-shore United Kingdom production, on-shore North Perth Basin exploration and other European and non-African opportunities.

Once the farm-out conditions have been satisfied, Key Petroleum will be responsible for 5% of the ongoing costs under the PSA, including any testing and completion costs of the Nyuni-2 well. The 15% interest being acquired by Aminex includes a 15% share of the tested Kiliwani North gas discovery and of the logged but not tested gas discovery in Albian-Aptian sands in the Nyuni-1 well, drilled in 2004.

The Nyuni-2 well is now due to be spudded in April 2011 and a rig contract is in the final stages of negotiation. Nyuni-2 will be drilled from Nyuni Island at an angle of approximately 30 degrees from vertical to target a large gas prospect in Neocomian age (Lower Cretaceous) sandstones. A commercial discovery here could be tied back via a 20 kilometre subsea pipeline to Songo-Songo island and would be relatively quicker and less expensive to develop than, for instance, a discovery in deep water.

Key Petroleum's Managing Director / CEO Ken Russell commented: 'With Aminex's focus on Tanzania and the East African margin in general and Key Petroleum's move towards a more Australian and European focus, this reduction in our Tanzanian interests will allow the strategic objectives of both companies to be met'.

"Key Petroleum will be maintaining an interest in what is undoubtedly a highly prospective area, with long term potential future growth opportunities" he said.

Partners in the Nyuni PSA after the farm-out terms have been fulfilled will be:

Ndovu Resources (Aminex subsidiary)	65% (Operator)
RAK Gas Commission	25%
Key Petroleum Ltd.	5%
Bounty Oil	5%

The agreement is subject to formal consent of the Government of Tanzania.

For further Company background information please see the website at <http://www.keypetroleum.com> or contact

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NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr. Ken Russell, Managing Director/CEO of Key Petroleum Ltd, who has at least 35 years experience in the sector. He consents to that information in the form and context in which it appears.