Ground Floor
39 Stirling Highway
Nedlands WA 6009

T: + 61 (08) 6389 0322
F: + 61 (08) 6389 0697

29 May 2014

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

FARMOUT OF EP437 TO REY RESOURCES LIMITED

We attach herewith ASX Announcement for Investors regarding the farmout of EP437 in relation to the Dunnart-2 commitment well.

Joint Venture participants in EP437 are currently:

Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)	*77%*
Caracal Exploration Pty Limited	*23%*

After the farmout of EP437 to Rey Resources Limited, the beneficial interests are as follows:

Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)	*43.47%*
Rey Resources Limited (Rey Oil and Gas Perth Pty Ltd)	*43.47%*
Caracal Exploration Pty Limited	*13.06%*

Regards

IEGregory

IAN GREGORY
Company Secretary
KEY PETROLEUM LIMITED

Ground Floor
39 Stirling Highway
Nedlands WA 6009

T: + 61 (08) 6389 0322
F: + 61 (08) 6389 0697

ASX RELEASE

FARMOUT OF EP437 TO REY RESOURCES LIMITED

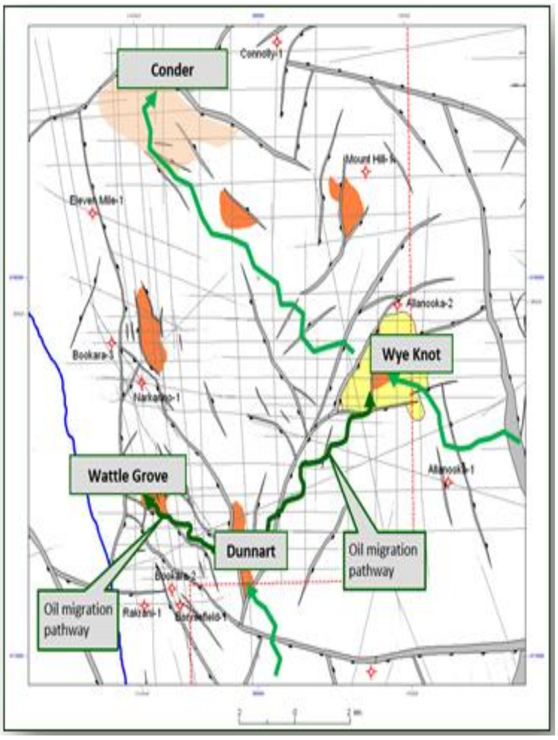
Key Petroleum (Australia) Pty Ltd ("Key" or "Company"), a wholly owned subsidiary of Key Petroleum Limited, is pleased to announce that Key and Caracal Exploration Pty Ltd ("Caracal") have executed a binding Farmout Agreement for its North Perth Basin Exploration Permit EP437 with Rey Oil and Gas Perth Pty Ltd ("Rey"), a subsidiary of Rey Resources Limited.

As part of the Agreement, Rey will earn up to 43.47% in EP437 by contributing 86.94% of the costs. This cost is to be capped at $1.7 million for the Dunnart-2 exploration well. Costs over $1.7 million will be apportioned to the parties in accordance with their respective permit equity holdings. The Agreement is subject to a number of approvals, including foreign investment review board approval which is expected to be finalised in the coming weeks.

After the farmout of EP437 to Rey, the beneficial interests are as follows:

Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)	*43.47%*
Rey Oil and Gas Perth Pty Ltd	*43.47%*
Caracal Exploration Pty Limited	*13.06%*

The Department of Mines and Petroleum ("DMP") has granted approvals for the Operator's Health and Safety Management System. The Application to Drill has been lodged and is awaiting the final DMP approval confirmation.



The Land Access Agreement and turnkey Drilling Contract are in the final stages of being formalised with service and material contracts put to tender with the execution of these contracts due prior to drilling Dunnart-2.

The Dunnart Prospect is a structural closure against a fault and is defined by seven seismic dip lines and one strike line. The well is located up-dip from Dunnart-1 with a planned drilling depth of 670 metres. The prospect has a best estimate potential resource of 2 million barrels[1] of recoverable oil (MMBO) in the Early Triassic Bookara Sandstone. The Dunnart-1 well recorded excellent oil shows but was never tested.

Key Petroleum Managing Director Kane Marshall said he was delighted to welcome Rey to the EP437 Joint Venture.

"We are very pleased to have secured farmout participation with Rey as a significant milestone towards our exploration activities in the North Perth Basin," Mr Marshall said. "It not only provides Key with the ability to control costs associated with exploration activities while drilling high impact prospects but demonstrates that the Company

[1] Dunnart potential resource estimate as reported in 15 April 2014 ASX Announcement under the SPE-PRMS guidelines

Ground Floor
39 Stirling Highway
Nedlands WA 6009

T: + 61 (08) 6389 0322
F: + 61 (08) 6389 0697

and its Board continues to deliver on its strategic exploration goal. The timing of the Farmout Agreement is also particularly noteworthy as it comes at a time when no onshore exploration wells are being drilled in Western Australia."

The EP437 Wye Knot Prospect, a potential follow up for drilling, has a best estimate potential resource of 5 MMBO[2]. This prospect is located northeast of Dunnart and to the north of the large Dongara Field which has been producing oil and gas since 1971.

For more information please contact:
Key Petroleum Limited (Tel: +61 8 6389 0322)

Ian Gregory
Company Secretary

29 May 2014

[2] Wye Knot potential resource estimate as reported in 15 April 2014 ASX Announcement under the SPE-PRMS guidelines