

ASX ANNOUNCEMENT

14 MAY 2018

Acquisition of Lennard Shelf Interests & Sale of interest in Perth Basin

Rey Resources Limited (**Rey** or the **Company**) (ASX: REY) announces that it has signed a Sale and Purchase Agreement with Key Petroleum Ltd (**Key**) and Indigo Oil Pty Ltd (**Indigo**) to acquire 100% interests in EP104, R1 and L15 (together the **Lennard Shelf Blocks**) in consideration for the transfer to Key of 100% of its wholly owned subsidiary Rey Oil Gas Perth Pty Ltd, which sole asset is a 43.47% interest in EP437, located in the Perth Basin (the **Transaction**).

The Lennard Shelf Blocks include one Exploration Permit (EP 104), one Retention Lease (R1) and one Production Licence (L15), with a total area of approximately 1,145 km². The Lennard Shelf Blocks are considered prospective for conventional oil and tight gas and are situated to the north of Rey's existing interests in the Canning Basin petroleum exploration licence, EP487 (Rey 100%) (refer Figure 1).

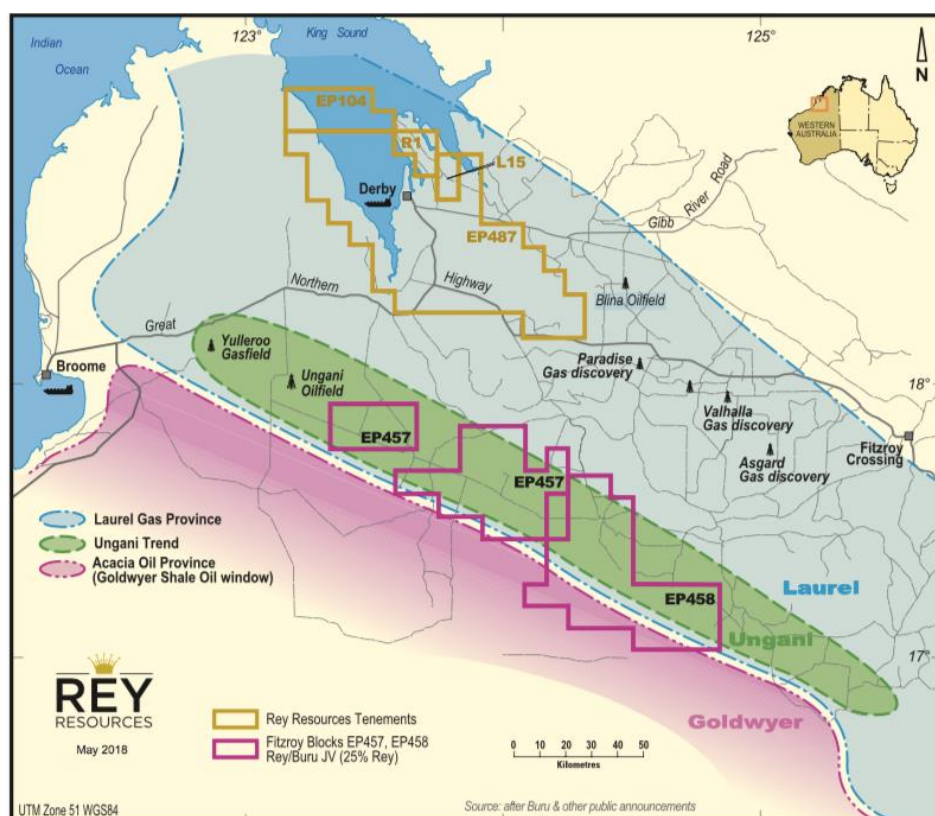


Figure 1. Location of Lennard Shelf Block and Rey's other oil and gas interests in the Canning Basin.

Key Terms of the Transaction

Rey has agreed to acquire from Key 100% of the shares in Gulliver Pty Ltd (**Gulliver**), a wholly owned subsidiary of Key, which currently holds majority interests in the Lennard Shelf Blocks. In consideration, Rey has agreed to transfer to Key 100% of its shares in its wholly owned subsidiary Rey Oil Gas Perth Pty Ltd, which holds a 43.47% interest in EP437, located in the Perth Basin

In addition, Indigo Oil Pty Ltd (**Indigo**) has agreed to transfer Indigo's interests in each of EP104, R1 and L15 to Gulliver. Following this transfer, Gulliver will hold 100% of the Lennard Shelf Blocks. Further, Gulliver has agreed to grant a commercial royalty of 2.5% and 0.5% to Key and Indigo separately over R1 and L15 upon completion of each applicable transfer.

Prior to all approvals being granted from the regulators, Rey is responsible for all obligations in the Lennard Shelf Block via Gulliver at its own cost, including performing commitment work and maintaining the permits in good standing.

The Transaction will extend the interests of Rey in the Canning Basin and enable it to offer a significant interest to potential farm-in or joint venture partners within a highly prospective area.

Rey's Managing Director, Mr Wei Jin, said, "We are pleased to have acquired the three new permits in this prospective acreage holding a 100% interest and have commenced the process to attract a partner/farm-in partners to assist the development of the Lennard Shelf Blocks."

About the Lennard Shelf Blocks (EP104, R1, L15)

The Company has acquired 100% of the shares in Gulliver, which holds 89.23%, 85.23% and 85.40% participating interests in EP104, R1 and L15 respectively. Indigo holds the remaining interests in the permits and has agreed to assign these to Gulliver, subject to the granting of the approvals required under WA petroleum laws. Upon satisfaction of those conditions, Gulliver will hold a 100% interest in the Lennard Shelf Block assets.

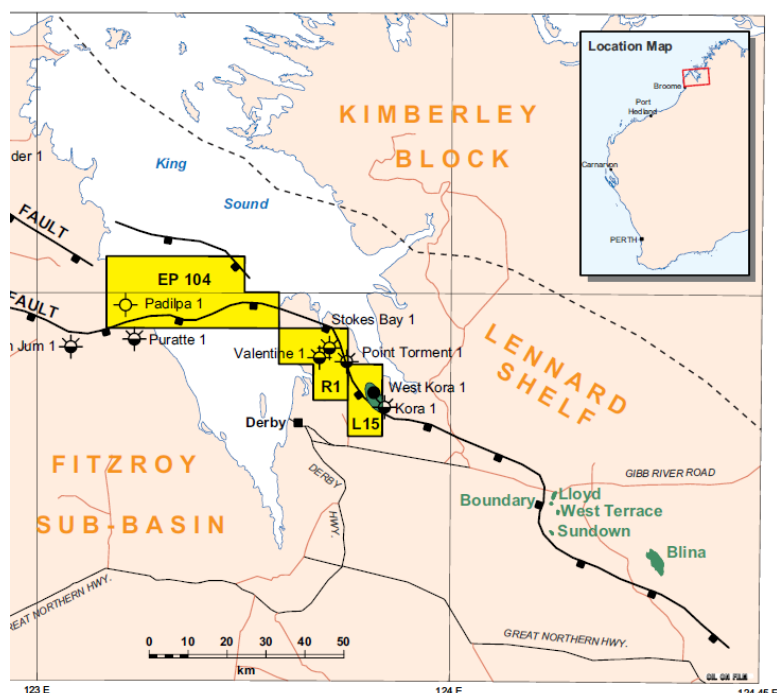


Figure 2. Location of the Lennard Shelf Block.

The Lennard Shelf Blocks consist of Permian-Carboniferous and Devonian plays with carbonate play potential.

L15 is a production licence granted in 2010 and contains the West Kora oilfield with production history. R1 contains the Point Torment-1 discovery and the most recent Stokes Bay-1 and Valentine-1 wells, which penetrated significant hydrocarbon bearing zones in both the Anderson and Laurel Formations. Valentine-1 also encountered significant geo-pressured hydrocarbon shows in the deeper May River Shale that were never originally tested and could potentially be developed via high angle wells. The main feature of EP104 is the untested Upper Devonian King Sound embayment. Regional mapping suggests the shelfal palaeo-environment is favorable for higher energy carbonates and secondary reservoir development similar to the Blina and Ungani oil fields.

Prospective Remaining Reserves and Resources of West Kora Oilfield in L15

An estimation of oil reserves and contingent oil resource for the West Kora Oilfield in L15 and Point Torment gas discover in R1 was provided by Energetica Consulting in September 2015 (refer to Key ASX releases dated on 30 September 2015) and reviewed by Rey. The estimation is based on the vintage wells in the permit and relevant studies. The estimated remaining reserves and resources is listed in Table 1 below.

Estimated Remaining Reserves and Resources				
		1P	2P	3P
West Kora Oilfield Recoverable Oil	mmSTBO ¹	0.25	0.38	0.66
		1C	2C	3C
West Kora Oilfield Recoverable Contingent Resources	mmSTBO	0.06	0.12	0.26
Point Torment Gas Discovery Recoverable Contingent Resources	BCF ²	2.41	4.725	8.42

Table 1: Reserves and Contingent Resources estimation of West Kora Oilfield (estimate prepared by Energetica Consulting in September 2015, refer to Key ASX releases dated on 30 September 2015).

¹ mmSTBO – million stock tank barrels of oil.

² BCF – billion cube feet

The remaining reserves and resources are the estimated quantities of petroleum that may be potentially recovered by the application of a future development project and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The Company is planning an integrated exploration project to develop the prospective resources in Lennard Shelf Blocks, including a geochemical survey and one well in EP104 due by June 2019.

For further information please contact:

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Competent Persons Statement Petroleum Exploration

The technical and the prospective reserves and resources information quoted has been compiled and/or assessed by Doug Barrenger. Doug Barrenger received a BSc degree (geology) from the Australian National University and a Graduate Diploma in computing Science from the Queensland University of Technology. He has more than 35 years of experience in the petroleum industry. He has written numerous Independent Expert Reports, Resource Reports and Acreage and Resource Valuations, for IPO on several stock exchanges. He was the General Manager Subsurface at Exoma Energy through 2012 and is a founding partner of Fluid Energy Consultants (2013). He is a member of the Petroleum Exploration Society of Australia (PESA), the Society of Petroleum Engineers (SPE) and a thirty five-year, Active Member of the American Association of Petroleum Geologists (number 330431). Mr Doug Barrenger has consented to the inclusion in this report of the matters based on the information in the form and context in which they appear.