

ASX ANNOUNCEMENT

21 DECEMBER 2020

EP457 AND EP458 – JV with Origin

Rey Resources Limited (**Rey** or the **Company**) (ASX: REY) is pleased to announce that it has entered into a binding letter agreement with Buru Fitzroy Pty Ltd (**Buru**) and Origin Energy West Pty Ltd (**Origin**), for the farmout of a 40% participating interest in each of EP457 and EP458 (the Permits) to Origin, with Buru and Rey each contributing a 20% participating interest in each Permit (**Farmin Interests**).

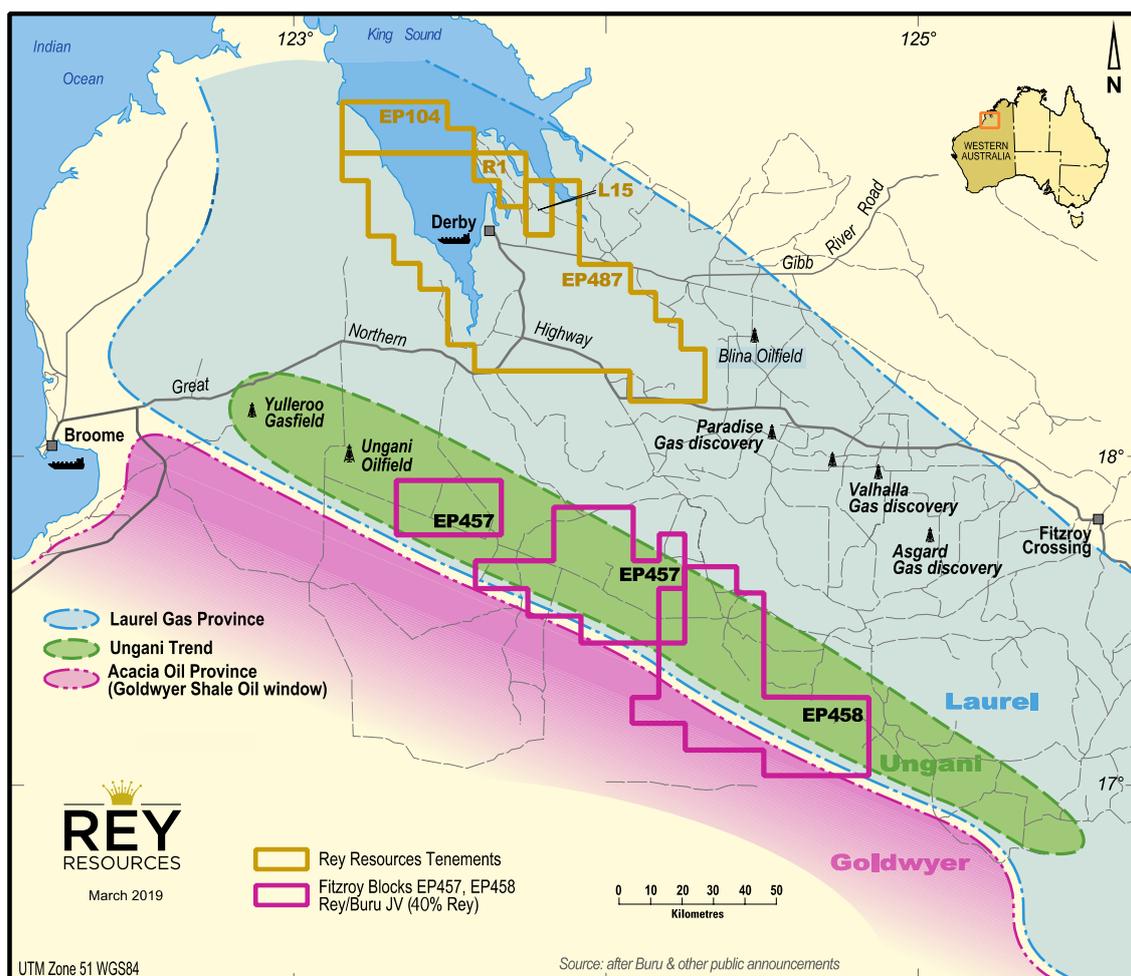


Figure 1. Location of the Permits and Rey's other oil and gas interests in the Canning Basin.

The parties are committed to negotiate and agree a formal farm-in agreement (**Farm-in Agreement**) by 31 March 2021. If the Farm-in Agreement has not been executed by 31 March 2021 (or such later date agreed by the parties), Origin will acquire the Farmin Interests on 12 April 2021 or such later date

as may be agreed by the parties (**Completion**) for a total amount of \$3 million (**Completion Payment**). Upon Completion, Buru, Rey and Origin will hold 40%, 20% and 40% participating interests in the Permits, respectively. Buru will remain as operator of the Permits and the respective Joint Venture agreements.

The Completion Payment will be used to fund the first \$3 million of expenditure (on a 60% Buru and 40% Rey basis) for the Initial Work Program on the Permits, with each of Buru and Rey receiving 50% of the Completion Payment (\$1.5 million). The Initial Work Program consisting of a 2D seismic acquisition survey is expected to be undertaken during the 2021 Canning Basin dry season.

If the total expenditure for the Initial Work Program is less than \$3 million, the resulting shortfall must be paid and incurred by Buru and Rey (on a 60% Buru and 40% Rey basis) towards expenditure for any agreed future work programs. In the event that the expenditures for the Initial Work Program exceed \$3 million, the excess amount will be funded by Buru, Rey and Origin based on their respective participating interests (on a 40% Buru, 20% Rey and 40% Origin basis).

Furthermore, Origin shall elect by 5 January 2024 whether to carry and fund the first \$6m for one exploration well to be drilled on the Permits. If Origin elect to drill the well, the drilling needs to be completed by 5 January 2025 or such later date agreed by the parties. If Origin elect not to drill the well, it can choose to either withdraw from the Joint Ventures (and assign the Farmin Interests back equally to Buru and Rey) or remain in the Joint Ventures and assign a 10% interest in the Permits back to each of Buru and Rey.

Information about EP457 and EP458

The Fitzroy Blocks (comprising a combined area in excess of 5,000 square kilometres) are located over parts of the southern flank of the Fitzroy Graben. The Fitzroy Blocks straddle three major trends:

- the Ungani conventional oil trend (“Ungani Trend”);
- the Laurel Basin-Centred Gas Accumulation, conventional and unconventional gas; and
- the Goldwyer oil and gas unconventional shale.

The Ungani Trend includes identified leads and prospects in an area of prospectivity of at least 120 kilometres by 40 kilometres (over one million acres or 4,800 square kilometre). This extends diagonally, north-west to south-east, across the Fitzroy Blocks. The conventional dolomite reservoir oil discovery by Buru in 2011 at Ungani (located 15 kilometres north-west of EP457) on the trend running through the Fitzroy Blocks is a significant regional discovery event. Commercial production was established by Buru at Ungani in mid-2015.

Although Prospective (recoverable) Resources of the Laurel Formation within the Fitzroy Blocks have not been assessed by drilling to date, the formation extends across part of the Fitzroy Blocks. A wet gas accumulation has been identified immediately east of the Fitzroy Blocks which has the characteristics of a Basin-Centred Gas Accumulation.

The Goldwyer Shale Formation is characterised as a thick, regionally extensive organic rich “Bakken” shale analogue. The play type is regarded as highly prospective and interpreted to extend across part of the Fitzroy Blocks.

Authorised by the Board of Rey Resources Limited

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