

# ASX ANNOUNCEMENT

16 MARCH 2017

## Rey secures 100% of Derby Block (EP487)

Rey Resources Limited (**Rey** or the **Company**) (ASX: REY) is pleased to announce that its wholly owned subsidiary Rey Derby Block Pty Ltd (**Rey Derby**) has agreed to acquire a 50% interest in petroleum exploration permit EP487 (the **Derby Block**) from its joint venture partner Oil Basins Ltd (**Oil Basins**) (**Transaction**). Upon completion of the Transaction, Rey will have a 100% interest in the Derby Block.

The Derby Block is a large exploration licence of approximately 5,000 km<sup>2</sup>. The block is considered prospective for basin centred wet gas. It occurs to the north of Rey's existing interests in petroleum exploration licences the Canning Basin (refer Figure 1).

### Key Terms of the Transaction

Rey Derby has agreed to acquire Oil Basin's 50% interest in the Derby Block in consideration for Rey agreeing to waive outstanding claims of approximately \$577,000 cash calls on Oil Basins in connection with past expenses incurred on the management of the Derby Block joint venture by Rey. In addition, Rey will waive outstanding claims of \$32,000 for legal fees incurred by Rey in connection with a 2016 Supreme Court case concerning the transfer of operatorship from Oil Basins to a Rey subsidiary. These waivers and full settlement of claims between Rey and Oil Basins in relation to EP487 will become effective on completion of the Transaction, which is expected to occur in April 2017, subject to satisfaction of regulatory conditions.

Completion of the Transaction is conditional only on Australian foreign investment approval and approval under WA petroleum laws.

Further, if completion of the sale by Oil Basins of its wholly-owned subsidiary Oil Basins Royalties Limited (OBR), does not proceed within 6 months from the date of completion of the Transaction then Rey has a three month option to acquire OBR for up to \$400,000. OBR holds various royalties including two on hydrocarbon sales from the Derby Block.

The Transaction will resolve the ownership issues concerning the Derby Block and enable Rey to offer a significant interest to potential farm-in or joint venture partners.

Managing Director Wei Jin said "We are pleased to be able to secure a 100% interest in this prospective acreage and have commenced the process to attract a partner/farminnee to assist the development of the Derby Block."

## About the Derby Block (EP 487)

The Company currently holds a 50% participating interest in, and is operator of, the Derby Block via its 100% owned subsidiary Rey Lennard Shelf Pty Ltd (**RLS**). Oil Basins holds the remaining 50% interest, which Oil Basins has agreed to sell to Rey Derby pursuant to the Transaction.

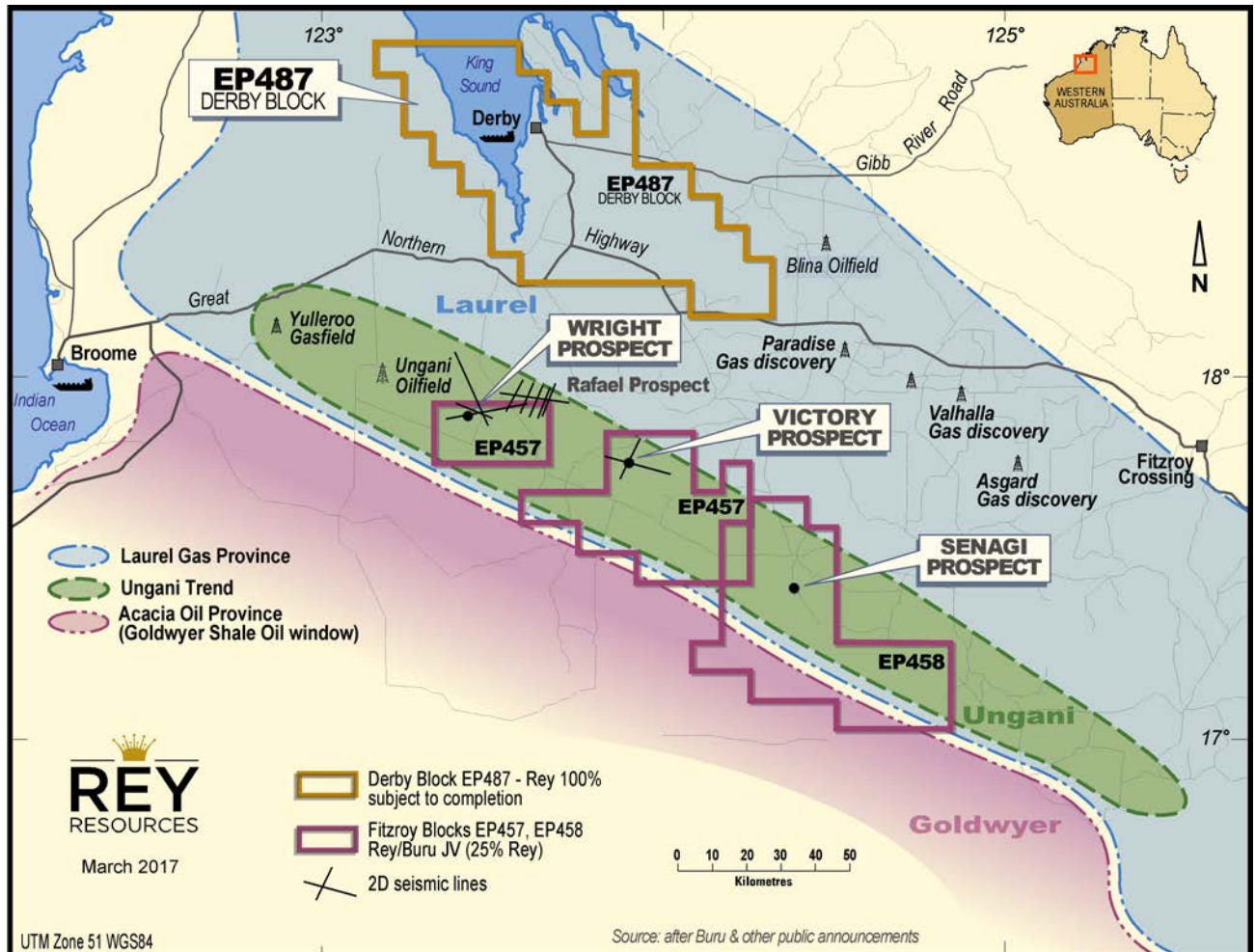


Figure 1. Location of the Derby Block and Rey's other oil and gas interests in the Canning Basin.

The Derby Block is considered to be predominantly a Wet Laurel Basin Centred Gas play (**BCG**) which is regionally extensive throughout the Canning Basin (refer Figure 2) and has been the subject of exploration elsewhere in the Canning Basin by other parties, resulting in encouraging flow tests by Buru Energy Limited (ASX: BRU) at Valhalla and Asgard (various BRU ASX releases including releases dated 20 January 2016 and 18 April 2016).

## Prospective Resources

A preliminary estimate of the gross prospective potential recoverable resource estimate (Tcf gas recoverable) of the BCG play in the Derby Block (onshore portion) was provided by Oil Basins as previous operator (OBL ASX release dated 15 January 2016). The Company's current 50% attributable interest in these Prospective Potential Recoverable Resources (unrisked, probabilistic estimate) of the Derby Block BCG play is provided in Table 1 below.

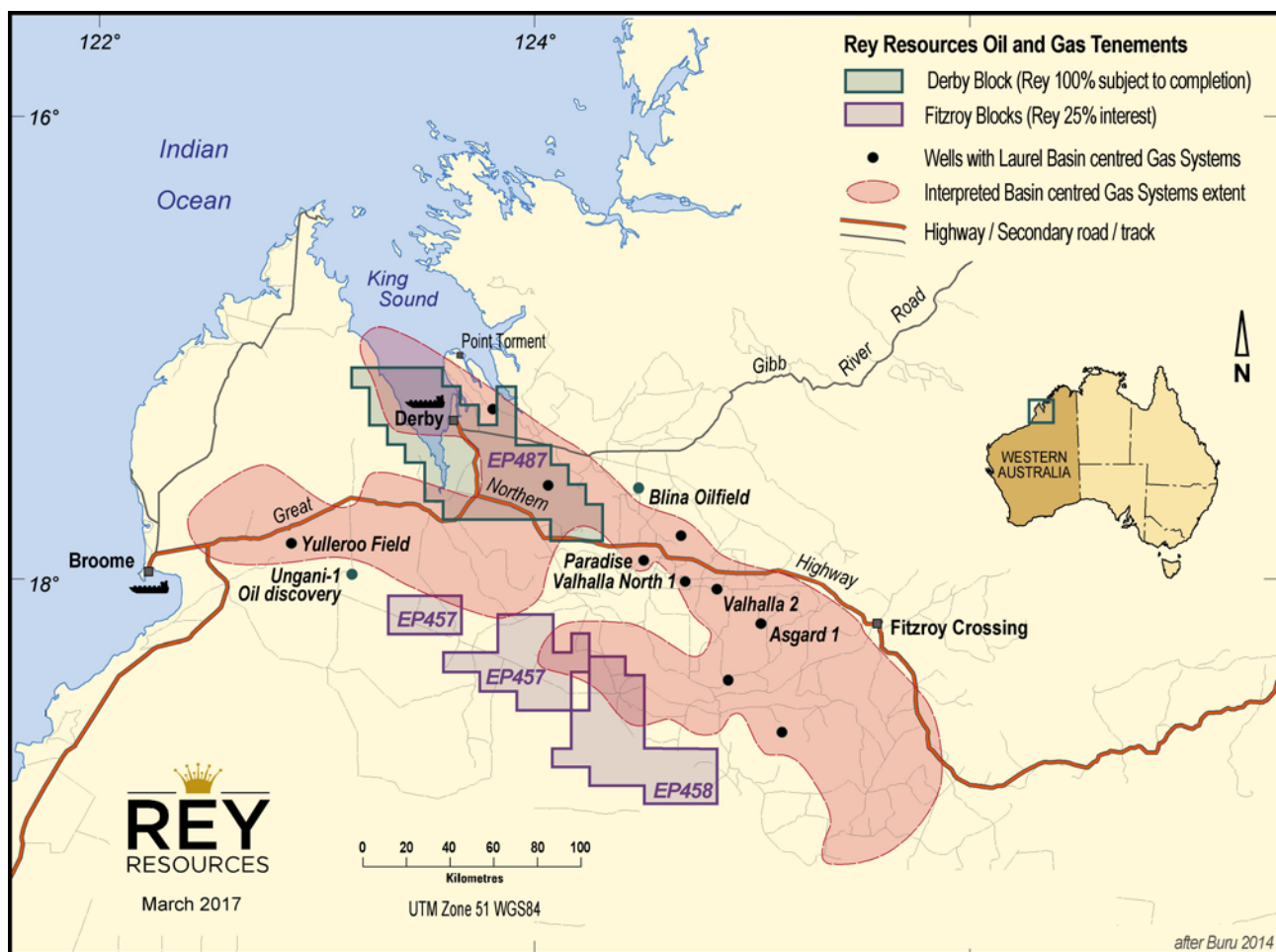


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru Energy and others).

		Prospective Potential Recoverable Resources SPE PRMS (2011) <sup>6</sup>		
		P90 <sup>1</sup>	P50 <sup>1</sup>	P10 <sup>2</sup>
Gas in place	Tcf <sup>3</sup>	28.5	71.1	173.3
Recoverable Gas	Tcf <sup>3</sup>	4.3	12.3	35.6
Recoverable Condensate	MMbbl <sup>4</sup>	101.9	307	908
Recoverable BOE	MMBOE <sup>5</sup>	791.5	2,289.5	6,634

Table 1: Rey Resources' current 50% attributable interest in the gross prospective potential recoverable resources estimate of the Laurel BCG in EP487 (estimate prepared by 3D-GEO January 2016).

<sup>1</sup> P90 and P50 estimates consider the Laurel section between 2,500-5,000m.

<sup>2</sup> P10 estimates assume an additional 10% of Laurel section.

<sup>3</sup> Tcf- trillion cubic feet.

<sup>4</sup> MMbbl- million barrels.

<sup>5</sup> MMBOE- million barrels oil equivalent. Calculated using ratio of 6.22 billion cubic feet of gas equivalent to 1 million barrels of crude oil.

<sup>6</sup> SPE PRMS (2011) - Society of Petroleum Engineers Petroleum Resource Management System (2011).

*Prospective 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, via its subsidiary RLS, assumed operatorship of the Derby Block in June 2016, and since then has continued geological and petrophysical studies, as well as reprocessing of vintage seismic lines, to inform new proposed well sites. Vintage seismic line reprocessing over the licence was completed, along with geological mapping.

On 30 September 2016, a one-year work program extension for Year 2 was granted by the Department of Mines and Petroleum. The work program now requires the drilling of two wells in 2017.

For further information please contact:

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#### ***Competent Persons Statement   Petroleum Exploration***

*The technical information quoted has been compiled and/or assessed by Mr. Keith Martens who is a self-employed consulting professional geologist, and a continuous Member of the Petroleum Exploration Society of Australia since 1999. Mr. Martens has a BSc degree in geology/geophysics and has over 35 years' experience in the petroleum industry. Mr. Martens has consented to the inclusion in this report of the matters based on the information in the form and context in which they appear.*