

# ASX ANNOUNCEMENT

21 DECEMBER 2020

## Rey Participates in Queensland Conventional Gas Project

Rey Resources Limited (“**Rey or the Company**”) (ASX: REY) is pleased to announce that it has signed a term sheet (“**Term Sheet**”) with Southernpec (Australia) Pty Ltd (“**SouthnA**”) and Southernpec Holdings Pty Ltd (“**SouthnH**”), pursuant to which Rey will acquire up to 75% equity interests in SouthnA (“**Acquisition**”) which holds significant interests in 7 conventional gas production licences in Surat Gas Project that is located just south of Roma GLNG asset in Surat Basin of Queensland (“**Surat Gas Project**”). Surat Gas Project includes the Waldegrave Joint Venture where SouthnA is the operator with its joint venture partner Armour Energy (Surat Basin) Pty Ltd.

The Acquisition will be carried out in three stages:

- Stage one - Rey (or its nominee) will subscribe for 10% new shares in SouthnA (“**Subscription 1 Shares**”) for \$400,000 upon signing of the Term Sheet.
- Stage two - Upon satisfaction of the condition precedents by 28 February 2021, including:
  - (i) the satisfaction of the production flow test result;
  - (ii) the entering into of a legally binding agreement between the parties; and
  - (iii) joint venture agreeing to participate in the planned wellhead facilities and connection work of the 4 existing wells as well as well bore cleanup of Avondale 4,

subject to all regulatory requirements and ASX Listing Rules, Rey (or its nominee) will subscribe for additional shares in SouthnA for \$4.8 million which will be satisfied by the payment of \$1.5 million cash and the issue of \$3.3 million worth of Rey’s shares at an issue price equal to 30 day VWAP immediately before issuance. Upon completion of Stage two, Rey (or its nominee) will hold an interest of 55% in the issued capital of SouthnA and entitle to appoint a majority number of directors to the Board of SouthnA.

In the event that the Rey withdraws from the transaction by 28 February 2021 (or such other date as mutually agreed), SouthnH will have an option to acquire the Subscription 1 Shares from Rey (or its nominee) for \$400,000 within 30 days of termination.

- Stage three - Rey will invest or assist SouthnA to raise up to \$5 million for additional 20% interest in SouthnA before commencement of the third stage JV work program which is expected to commence from 1 October 2021.

## About the Surat Gas Project

The Surat Gas Project consists of 7 production licences in Surat Basin in Queensland. Armour Energy (Surat Basin) Pty Ltd is SouthnA joint venture partner (non operator) across the Surat Gas Project. The participating interests of each licence owned by SouthnA is listed as below:

Production Licence	SouthnA interests	Armour interests	Resources
PL69	53.75%	46.25%	Gas
PL28W	53.75%	46.25%	Gas
PL12W	53.75%	46.25%	Gas
PL320W	53.75%	46.25%	Gas
PL11W/PLA321	53.75%	46.25%	Gas
PL89	53.75%	46.25%	Gas
PL11SC	75%	25%	Gas

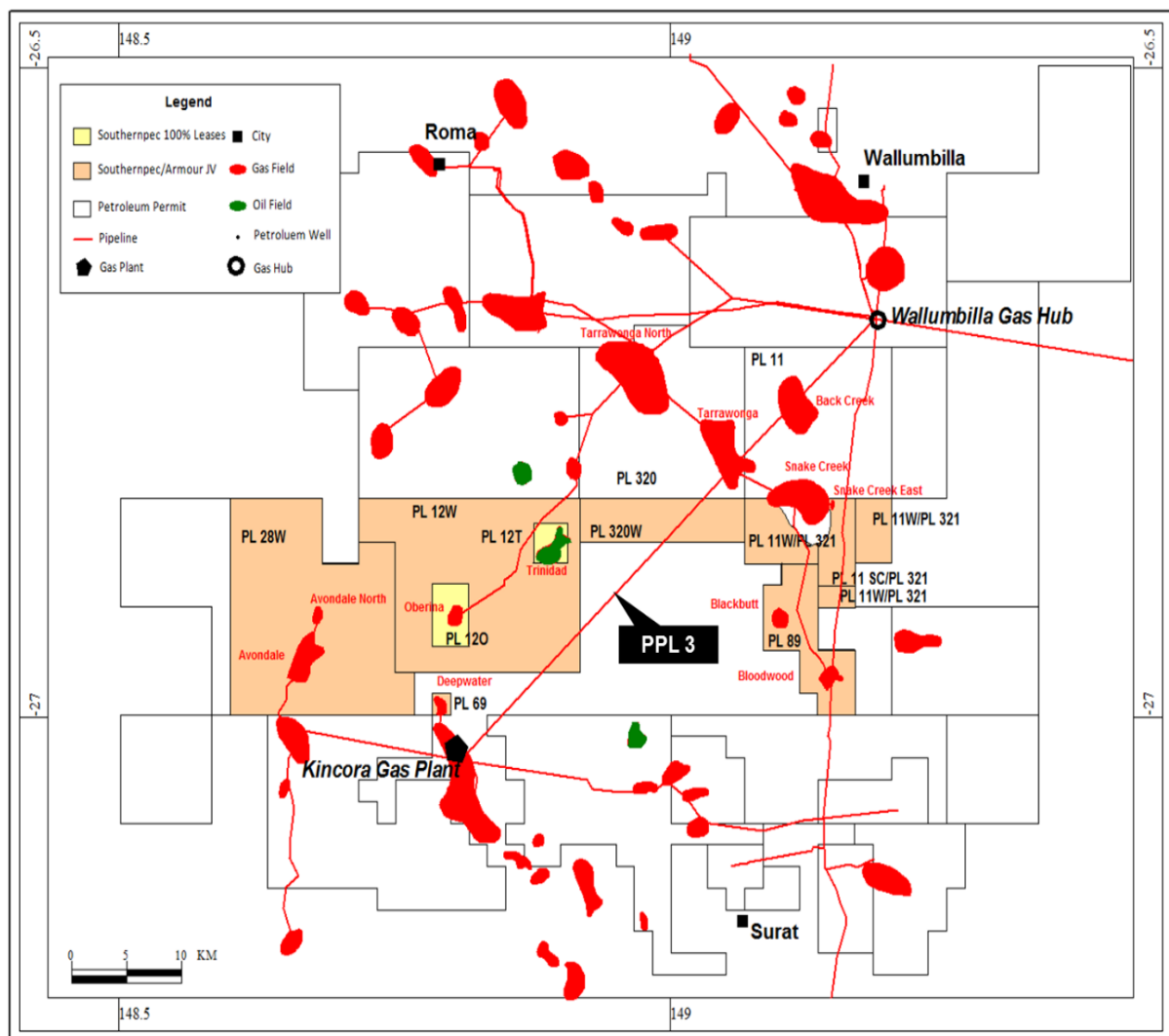


Figure 1: Surat Gas Project Location in Surat Basin

Some of the production licences including PL28, PL69 and PL89 had good production history from 5 wells since 1980s. These wells have been shut down since 2012 due to suspension of Kincora gas processing plant. Based on current studies, it believes that the 3 Avondale wells in PL28 and one Deepwater well in PL69 have good potential for gas production using existing flowlines. Many prospects also have not been tested.

Gas produced from the Surat Gas Project is likely to be sold through the Wallumbilla Gas hub. Subject to entering into an arrangement with Armour Energy, the adjacent Kincora Gas Processing Plant may provide a commercialisation pathway and connect the Surat Gas Project to Wallumbilla. The current capacity of the Kincora Gas Processing Plant is understood to be up to ~20TJd and restoring the original design capacity of 30 TJ/d is achievable with further investment.

Authorised by the Board of Rey Resources Limited

For further information please contact:

**Wei Jin**

Managing Director

+61 2 9251 9088