

ASX ANNOUNCEMENT

16 JUNE 2017

Rey holds 100% of Derby Block (EP487)

Rey Resources Limited “Rey” or “the Company” (ASX: REY) announces that its wholly-owned subsidiary, Rey Derby Block Pty Ltd (“RDB”), has completed the acquisition (“Transaction”) of a 50% interest in petroleum exploration permit EP487 (“the Derby Block”) from its joint venture partner Oil Basins Ltd (“Oil Basins”) and now holds a 100% beneficial interest in the Derby Block.

The parties have satisfied the only conditions to the Transaction, which were obtaining FIRB and other necessary regulatory approvals.

Rey also has a three month option to acquire Oil Basins Royalties Limited (“OBR”), wholly owned subsidiary of Oil Basins, for up to \$400,000 if the currently negotiated sale of OBR by a third party does not proceed within six months from the date of completion of the Transaction. OBR holds various royalties including two on hydrocarbon sales from the Derby Block.

Managing Director Mr Wei Jin said “We are pleased to have obtained 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 Derby Block is a large exploration licence of approximately 5,000 km². 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).

Prior to completion of the Transaction, the Company held 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 held the remaining 50% interest.

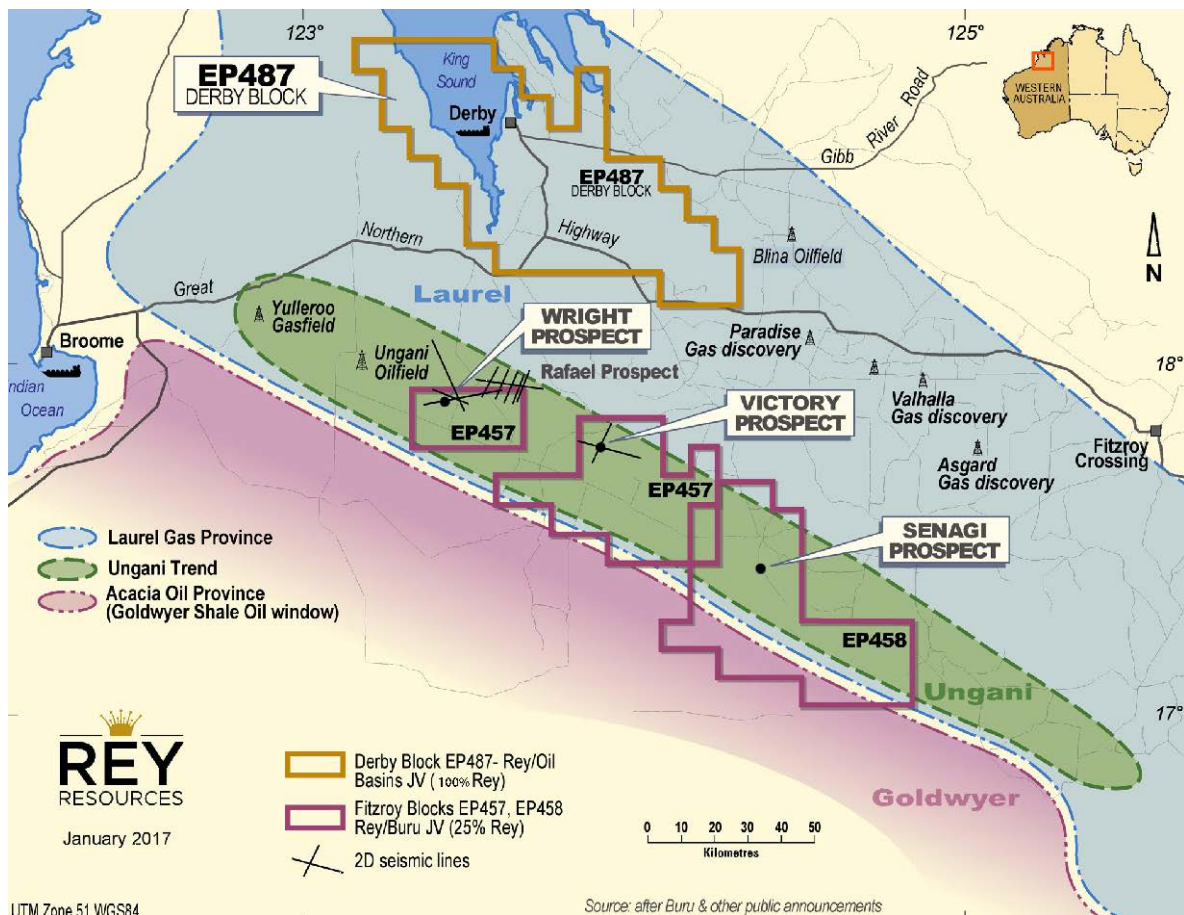


Figure 1. Location of the Derby Block and Rey's other oil and gas interests in the Canning Basin.

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 prepared by 3D GEO in June 2017. The Company's 100% interest in these prospective potential recoverable resources (unrisked, probabilistic estimate) of the Derby Block BCG play is provided in Table 1 below.

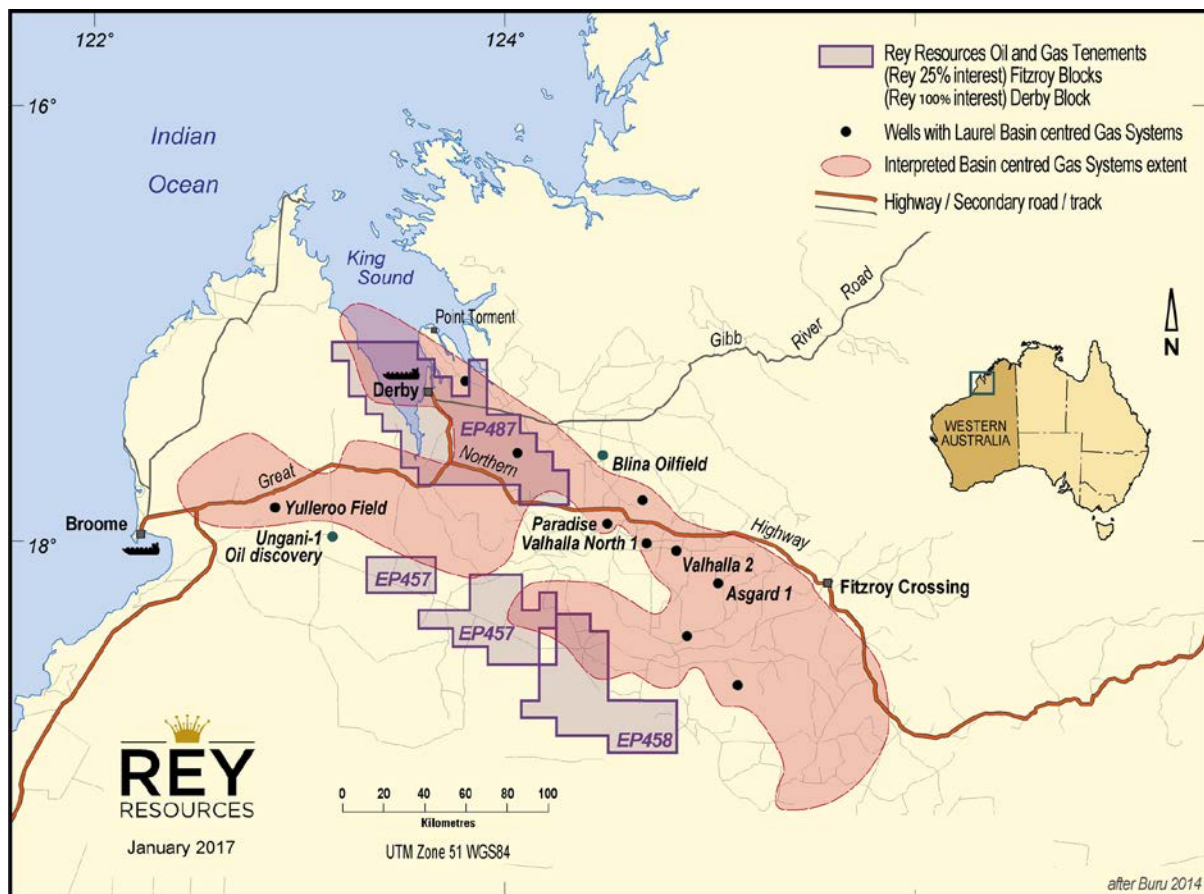


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru Energy and others).

		Prospective Potential Recoverable Resources SPE PRMS (2011) ³		
		P90	P50	P10
Gas in place	Tcf ¹	67.9	169.6	412.9
Recoverable Gas	Tcf ¹	9.37	28.4	81
Recoverable Condensate	MMbbl ²	239	707	2066

Table 1: Rey Resources' 100% attributable interest in the gross prospective potential recoverable resources estimate of the Laurel BCG in EP487 (estimate prepared by 3D-GEO June 2017).

¹ Tcf- trillion cubic feet.

² MMbbl- million barrels.

³ 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 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 have been 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:

Wei Jin

Managing Director +61 2 9290 9600

Competent Persons Statement Petroleum Exploration

The technical information quoted has been compiled and/or assessed by Mr. Keven Asquith who is a qualified petroleum reserves and resources evaluator. Mr Asquith is Director of 3D-GEO Pty Ltd and has over 30 years of geotechnical experience in the Petroleum Industry, as well as seven years of Project Management in the Government Sector. His experience includes four years at ESSO Resources Canada, 16 years at BHP Petroleum in Melbourne and the 10 years consulting at 3D-GEO. Keven has an Honours BSc in Geology and a Diploma in Project Management. He has been a member of the American Association of Petroleum Geologists for over 25 year.. Mr Asquith has consented to the inclusion in this report of the matters based on the information in the form and context in which they appear.