

ASX ANNOUNCEMENT

18 AUGUST 2017

EP 487 Derby Block Operational Update

Rey Resources Limited ("Rey" or the "Company") (ASX: REY) is pleased to announce that since the acquisition of a 100% interest in EP 487 (the "Derby Block"), infield works to assist in proving up the newly discovered Butler conventional resource prospect ("Butler Prospect") have commenced.

Over the past eight months, Rey has refined the prospectivity and size of the Butler Prospect. Rey will now commence its new 2D seismic acquisition program of 64km in the North-East corner of EP 487. The five lines will delineate potential drilling locations on the Butler Prospect and further the understanding of petroleum potential in the Fitzroy Trough.

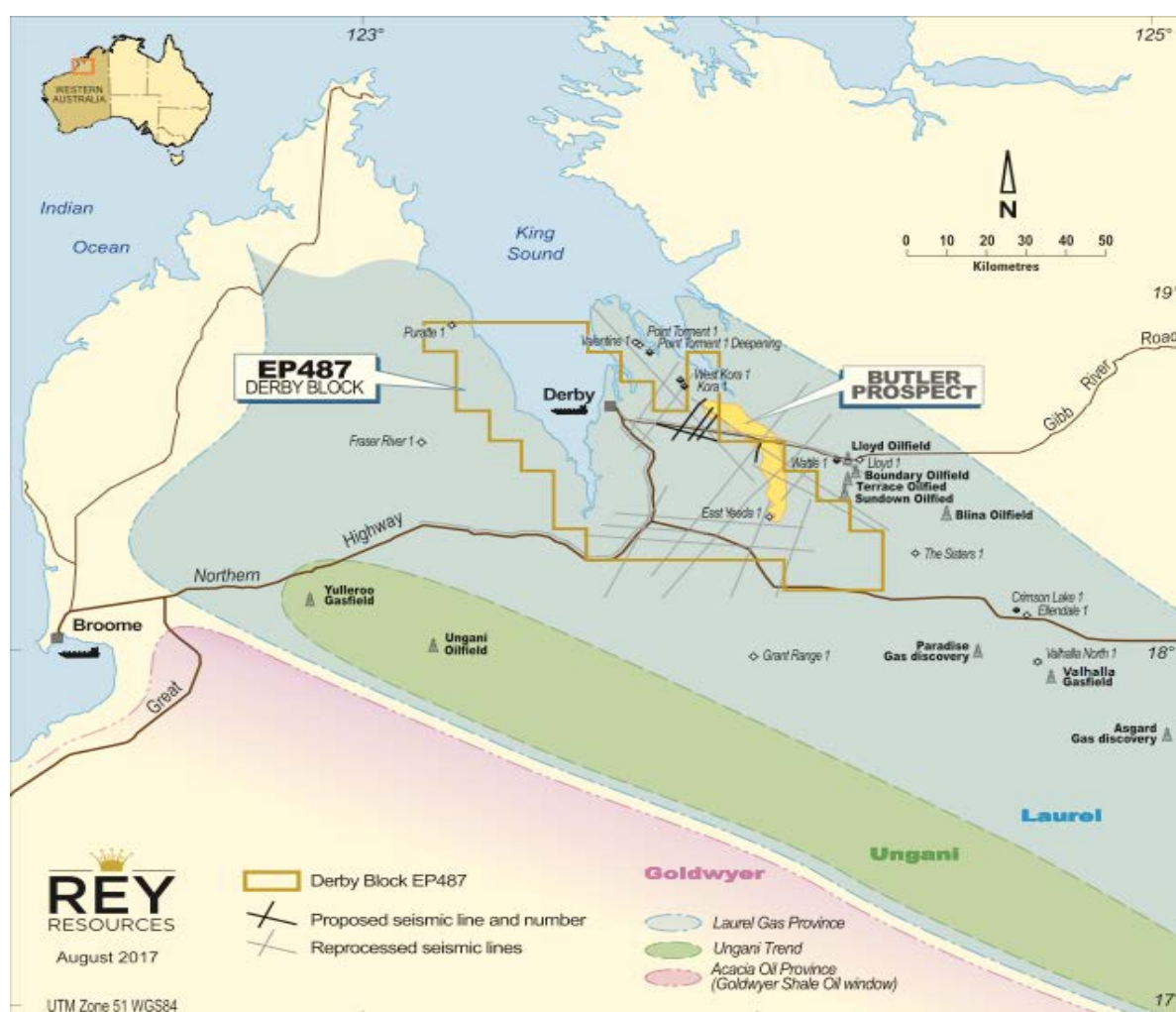


Figure 1: Location Plan of New 2D Seismic

The seismic acquisition will be conducted by Terrex in late September 2017. Following the completion of seismic acquisition, the processing and interpretation will be commenced in the December Quarter of 2017. The Cultural Heritage Survey for the proposed seismic was completed in early July 2017, with no culturally sensitive sites found.

About the Butler Prospect

The Butler Prospect is located adjacent to the Gibb River Road, just 45km east of Derby. Seismic reprocessing and mapping conducted in early 2017 uncovered a large undrilled seismic feature in the mid-Laurel with an estimated potential of 4 TCF (120 mmbbls associated liquids) recoverable net to EP 487. The seismic anomaly is encased in the Laurel section which is gas saturated in local wells. This unconventional section produced gas after stimulation from the Yulleroo and Asgard/Valhalla area. It is interpreted that the section at Butler contains sandstones capable of conventional commercial production without need of stimulation.

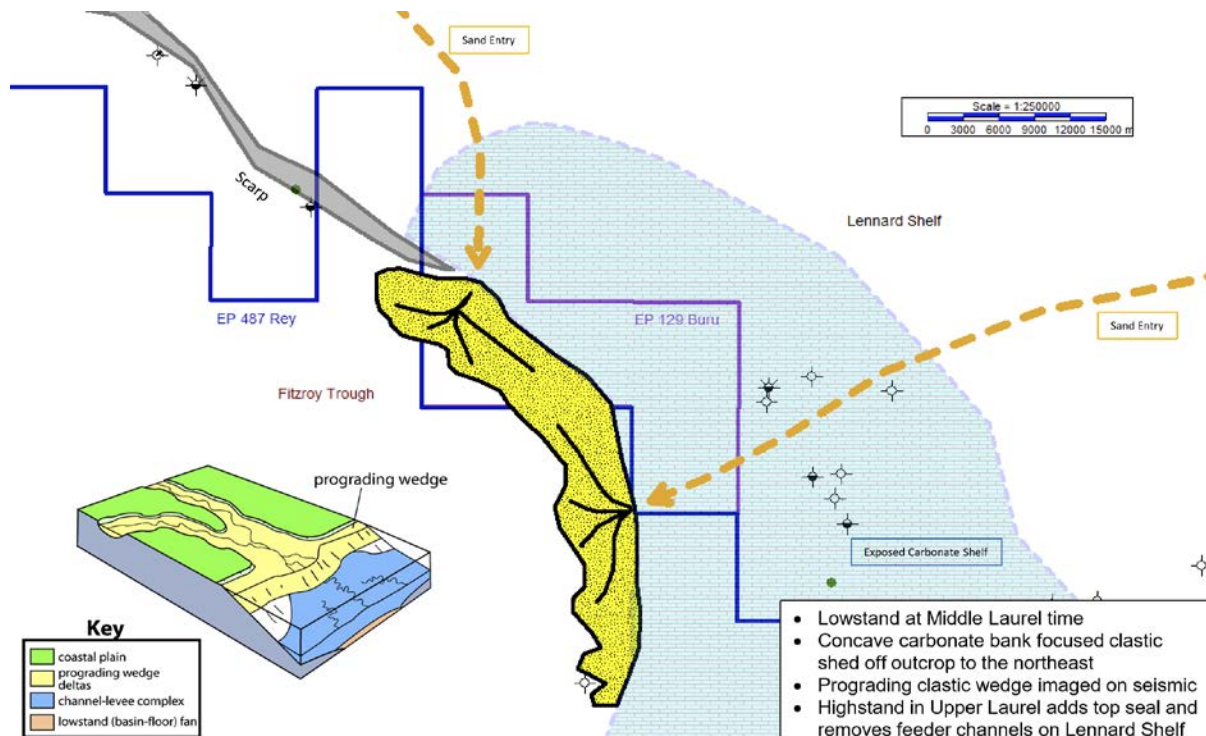


Figure 2: The Butler Prospect shown in depositional form in the North-East corner of EP 487.

Rey are working with the adjoining acreage holder (Buru Energy) on the interpretation of the area, as the Butler prospect is interpreted to lie in both EP 487 and Buru's adjacent EP 129.

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Competent Persons Statement- Petroleum Exploration

The technical information quoted has been originated, compiled and/or assessed by Mr Keith Martens who is the principal of Martens Petroleum Consulting, and a continuous Member of the Petroleum Exploration Society of Australia since 1999. Mr Martens has a dual BSc degree in geology/geophysics and has over 40 years' experience in the petroleum industry both in Australia and North America. 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.