

# ASX ANNOUNCEMENT

30 JULY 2018

## Duchess Paradise Project Transaction

Rey Resources Limited (“**Rey**” or the “**Company**”) (ASX: REY) announces that it has signed a Cooperation Framework Agreement (“**Agreement**”) with Yuanrun Investment Ltd (“**Yuanrun**”) for the sale of Blackfin Pty Ltd, a wholly owned subsidiary of the Company, which holds 100% interest in the Duchess Paradise Thermal Coal Project (“**DP Project**”) for a consideration of A\$24 million. The consideration equates to the book value of the DP Project plus an additional margin.

The DP project is located at West Kimberley Region in Canning Basin of West Australia (refer Figure 1). It includes three exploration tenements (E04/1386, E04/1519, E04/1770) with total area of approximately 197 km<sup>2</sup> and is the only coal project in the area. The Mining Licence Application (M04/453) was lodged in 2010 which covered the three tenements. The project has total JORC resources of 305Mt within the P1 coal seam based on the results 385 drill holes (see Annexure A). Derby Port is about 175km north west linked to the project via Great Northern Highway.

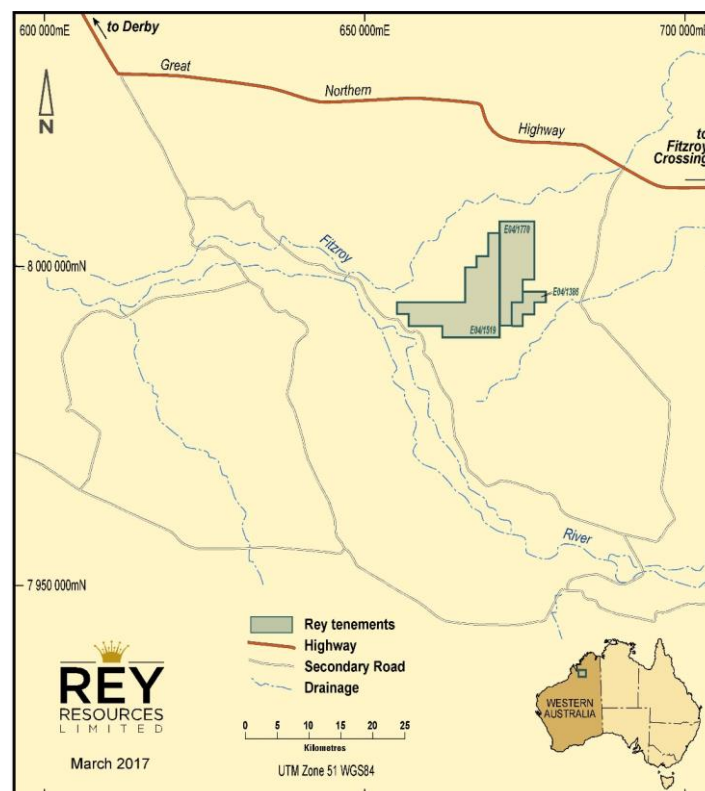


Figure 1. Location of Duchess Paradise Project.

## Key Terms of the Agreement

Pursuant to the Agreement, the consideration of A\$24 million will be satisfied as follows:

- Yuanrun will pay A\$2 million to Rey within 10 days of the date of the Agreement. This will be treated as a non-refundable deposit, repayable only in the circumstances where shareholders do not approve the transaction contemplated by the Agreement.
- Yuanrun will be indebted to Rey for the amount of the remaining consideration of A\$22 million and this debt will be treated as a convertible loan (“**CN**”). Yuanrun must pay interest on the CN to Rey in cash at rate of 3% per annum, payable on a quarterly basis. Yuanrun will also provide a guarantor (“**Guarantor**”), whose appointment must be accepted by Rey, as a guarantee for the CN. Once the Agreement has completed, Yuanrun will be responsible for funding and obtaining the Mining License as well as bearing the expenses of the environmental plan application for the DP Project.

The CN will be convertible into shares of a project company (“**Project Company**”, which will hold the DP Project) upon the Project Company's listing on a mutually approved stock exchange (preferably, the Hong Kong Stock Exchange) (“**Listing**”). Under this scenario, Rey will be issued shares in Project Company at the time of Listing. The Agreement contemplates that the Listing will occur within three years from all licenses being obtained for the Project Company. Within this three-year period, construction of a coal mine must also commence (“**Construction**”). If Listing and Construction do not occur within the three-year period, the parties can agree to extend the period for Listing and Construction by a further 24 months.

The Agreement is subject to any required approval of shareholders of the Company and approvals from the relevant governments and regulatory authorities. ASX has advised that ASX Listing Rule 11.4 will apply to the proposed transaction therefore the Company will shortly convene a meeting for the purposes of obtaining shareholder approval under ASX Listing Rule 11.4. Once the relevant approvals have been obtained by the Company, the Company shall transfer the shares in Blackfin Pty Ltd to Yuanrun.

In the event that the Project Company is unable to achieve Listing and Construction within the agreed period, the Agreement shall be terminated by the parties and Yuanrun or the Guarantor shall repay in full any remaining amounts under the CN together with any accrued interest in cash.

Rey’s Managing Director, Mr Wei Jin, said, “We are pleased to reach the agreement with Yuanrun who will fund all works of DP Project in future. The transaction will give the DP Project access to the HK capital market for the fund raising for future mine construction. Rey will still have interests in DP Project via holding shares in the Project Company. The \$2 million deposit will help Rey to partially repay debt and to fund the development of other projects”.

## Information about Yuanrun

Yunrun Investment Ltd is the investment platform of Mr K.K. Mung who is a very successful Hong Kong investor. He holds Chairman level positions in and is major shareholder of many companies including Hong Kong Airline and HK listed companies of Global Mastermind Holdings, Hong Kong International Construction Investment Management Group, Tai United Holding and Hong Kong Resources Holdings. Mr Mung was also the Chairman and the major shareholder of the listed companies of Shougang Concord Technology Holdings and APAC Resources. Mr Mung has very strong investment experience in finance, property, resources and logistic industry. He successfully invested multi coal and metal mines and oilfields around the world.

For further information please contact:

**Wei Jin**

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**Competent Persons Statement**

*The estimate of P1-seam Resources in the Duchess Paradise area was first reported to ASX on 28 October 2014, in accordance with:*

- *“The Australian Guidelines for Estimating and Reporting of Inventory coal, Coal Resources and Coal Reserves” – 2003 Edition prepared by the Coalfields Geology Council of New South Wales and the Queensland Mining Council;*
- *JORC Code, 2012 Edition, and as adopted by the Australian Stock Exchange; and*
- *ASX Companies Update 03/07 and the JORC paper of June 19th 2007, Guidance for Practitioners.*

*The P1-seam Resources estimate and discussion presented in this report is based on information supplied by Rey Resources or by companies employed by Rey Resources, as well as information collected during exploration activities under the guidance of Rey Resources. The information was approved by consultants to the Company Mr K. Scott Keim, C.P.G Area Manager, Senior Principal for Cardno, and Mr Ronald H. Mullenex, C.P.G., C.G.W.P., Senior Principal for Cardno. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement.*

*Mr Keim has over 32 years of experience in coal-related work, including but not limited to coal exploration and coal reserve/resource estimation. He is a member of the Society of Mining, Metallurgy, and Exploration (SME), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (AIME). He is also a member of the American Institute of Professional Geologists (AIPG). He has served as a member of the Board of Directors of The Penn State Research Foundation, and on the Advisory Board to the Virginia Center for Coal and Energy Research, affiliated with the Virginia Polytechnic Institute and State University. Mr Keim holds a Bachelor of Science degree from The Pennsylvania State University. His education and experience qualify him as a Competent Person as defined in the JORC Code, 2012 Edition.*

*Mr Mullenex has over 40 years of experience in diverse geologic and hydrogeologic applications related to all aspects of coal geology. One of his specific areas of expertise involves application of stratigraphic and deposystem analysis to coal resource and reserve delineation and mineability determination. Mr Mullenex is a member of the American Institute of Professional Geologists, the Association of Engineering Geologists, the Geological Society of America (Coal Geology and Hydrogeology Divisions), SME of AIME, Association of Ground Water Scientists and Engineers (division of National Ground Water Association), International Mine Water Association, and the American Society of Mining and Reclamation. Mr Mullenex holds both Bachelor of Science and Master of Science degrees in Geology from West Virginia University. He has served on the Visiting Committee for the Department of Geology and Geography at WVU. His education and experience qualify him as a Competent Person as defined in the JORC Code, 2012 Edition.*

## ANNEXURE A

### Duchess Paradise P1-seam Resources - October 2014 (JORC 2012 Code)

Duchess Paradise Resources Estimate (in-place, with <i>in situ</i> moisture) Million Tonnes <sup>1</sup>					
Measured	Indicated	Inferred (Interpolated)	Inferred (Extrapolated)	Total Inferred	Total
60.2	78.5	51.3	115.7	167.1	305.8

1. Some values do not sum due to rounding.