

ASX ANNOUNCEMENT

31 DECEMBER 2018

Rey Signs Letter of Intent with Doriemus for Farmin - L15 and EP487

Highlights:

- LOI for Farmin of EP487 and L15
- EP487 Farmin includes a new Volumetrics Report and the drilling of commitment well
- L15 Farmin includes bringing the West Kora well back into production

Rey Resources Limited (**Rey** or the **Company**) (ASX: REY) is pleased to announce Rey has entered into a binding letter of intent (**Agreement**) with Doriemus PLC (**Doriemus**) (ASX: DOR) pursuant to which Doriemus has agreed to farmin to Rey's 100% owned Petroleum Production Licence 15 (**L15**) and Exploration Permit 487 (**EP487**). Upon the completion of the respective farmins, Doriemus will earn a 50% operating interest in each asset.

Summary of Terms of Agreement

Pursuant to the Agreement, Doriemus has the right to obtain a 50% interest (with operatorship) in L15. Doriemus will have a 30 day due diligence period. If at the completion of the due diligence period Doriemus is satisfied with its investigations, then it will enter into a JOA with REY to formalise the Agreement and further govern this project. If within 12 months of signing the LOI Doriemus has fulfilled its obligations, it will be formally assigned the 50% interest in L15 with the parties entering into a further joint venture arrangements as may be required for the ongoing development of the field.

To complete the L15 Farmin, Doriemus is required to expend a maximum of A\$1 million for the West Kora Well rework and flowtest within 12 months of this Agreement.

Further, pursuant to the Agreement, Doriemus has the right to obtain a 50% interest (with operatorship) in EP487. Doriemus will have a 60 day due diligence period. If at the completion of the due diligence period it is satisfied with its investigations then it will enter into an industry standard JOA with REY to formalise the LOI and further govern this project. If within 12 months of signing the LOI Doriemus fulfilled its obligations set out above, it will be formally assigned the 50% interest in EP487 with the parties entering into further joint venture arrangements as may be required for the ongoing development of the field.

Rey will grant Doriemus a 6 month exclusivity period from the date of execution of this Agreement to raise enough funding to drill a 4,000m commitment well in EP487. Once the funds are successfully raised, Doriemus will at its sole cost drill the well to completion or plug and abandon. Doriemus is required to conduct a Volumetrics Report for EP487 before drilling the well. The initial 6 months period includes the time for due diligence, the completion on a new Volumetrics report and to negotiate the EP487 JOA.

The completion of each of the farmins is conditional on Doriemus fulfilling certain funding and other obligations under the LOI and finalisation of formal documentation. Completion of the EP487 Farmin and the L15 Farmin are independent of each other. The parties will be formally bound for each asset once the applicable JOA is signed. On completion, subject to government approvals, Doriemus will be operator for each of L15 and EP487.

Doriemus may at any time by notice to Rey terminate the farmin and assign back all earned interests to Rey. The farmin of either EP487 and L15 will also be terminated if Doriemus fails to complete the West Kora Well rework and flowtest within the 12 month period or fails to raise funds to drill the EP87 well within 6 months.

Managing Directors Statement

Mr Wei Jin said “We are pleased to have Doriemus as a strong partner to develop L15 and EP487. The farmin is very important to bring the West Kora Well in L15 back to commercial production and release the huge gas potential of EP487.”

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).

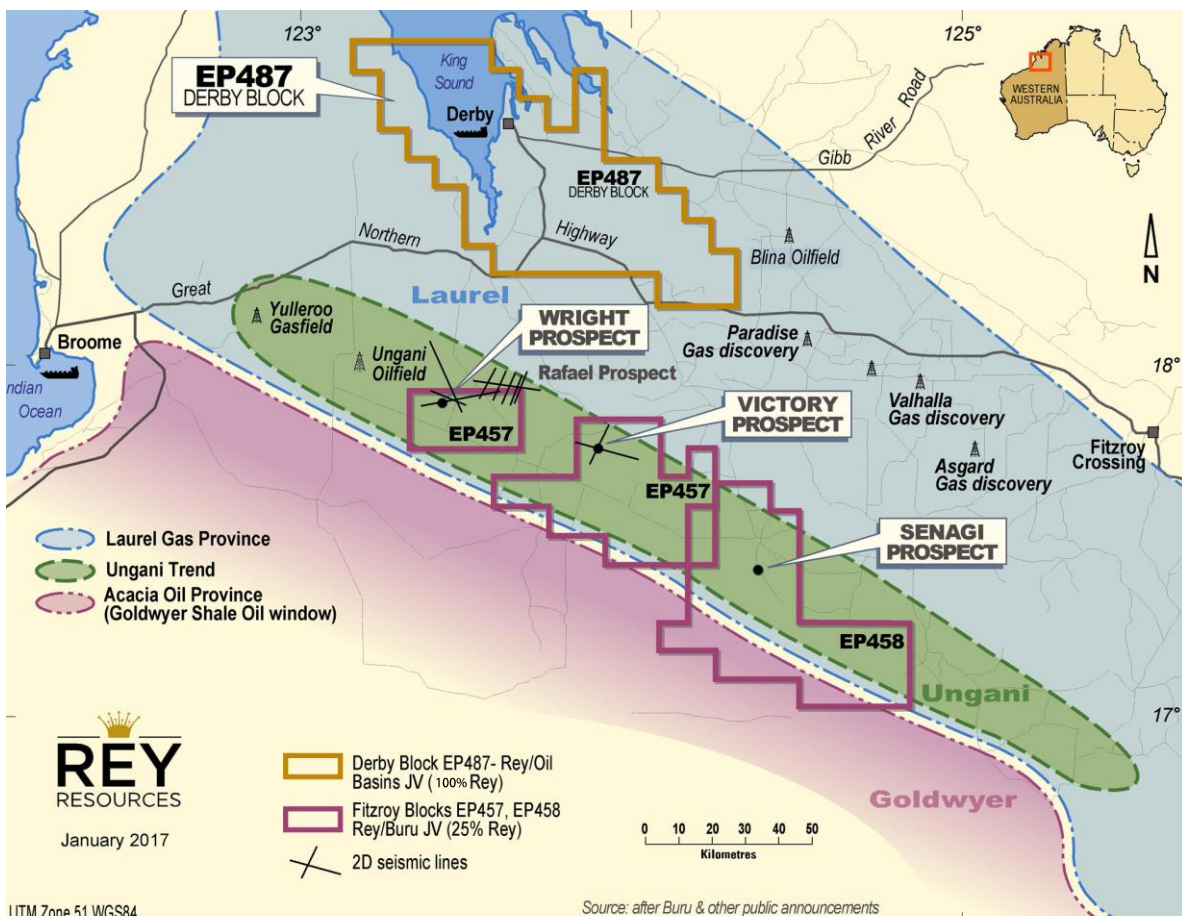


Figure 1. Location of the Derby Block and Rey’s other oil and gas interests in the Canning Basin.

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 of EP487

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.

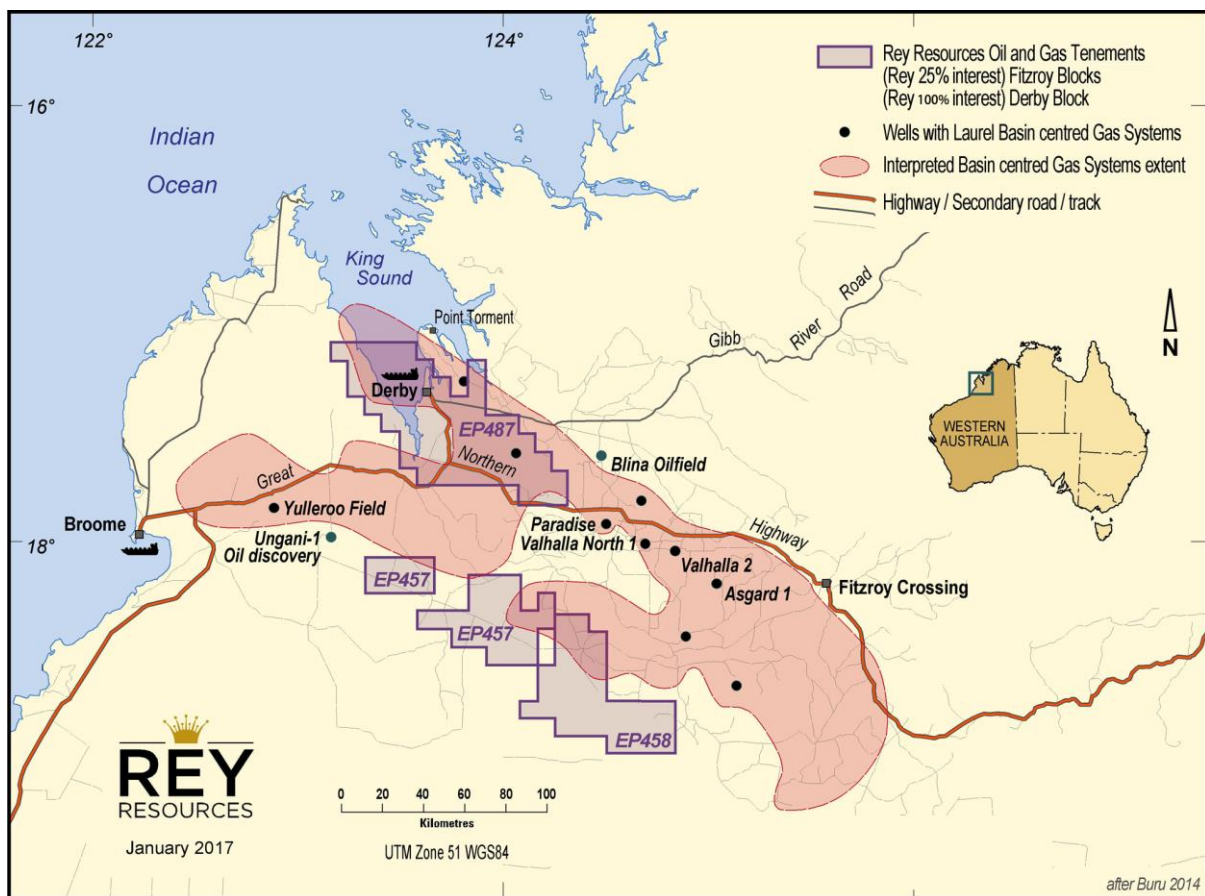


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey’s petroleum interests (after Buru Energy and others).

	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.

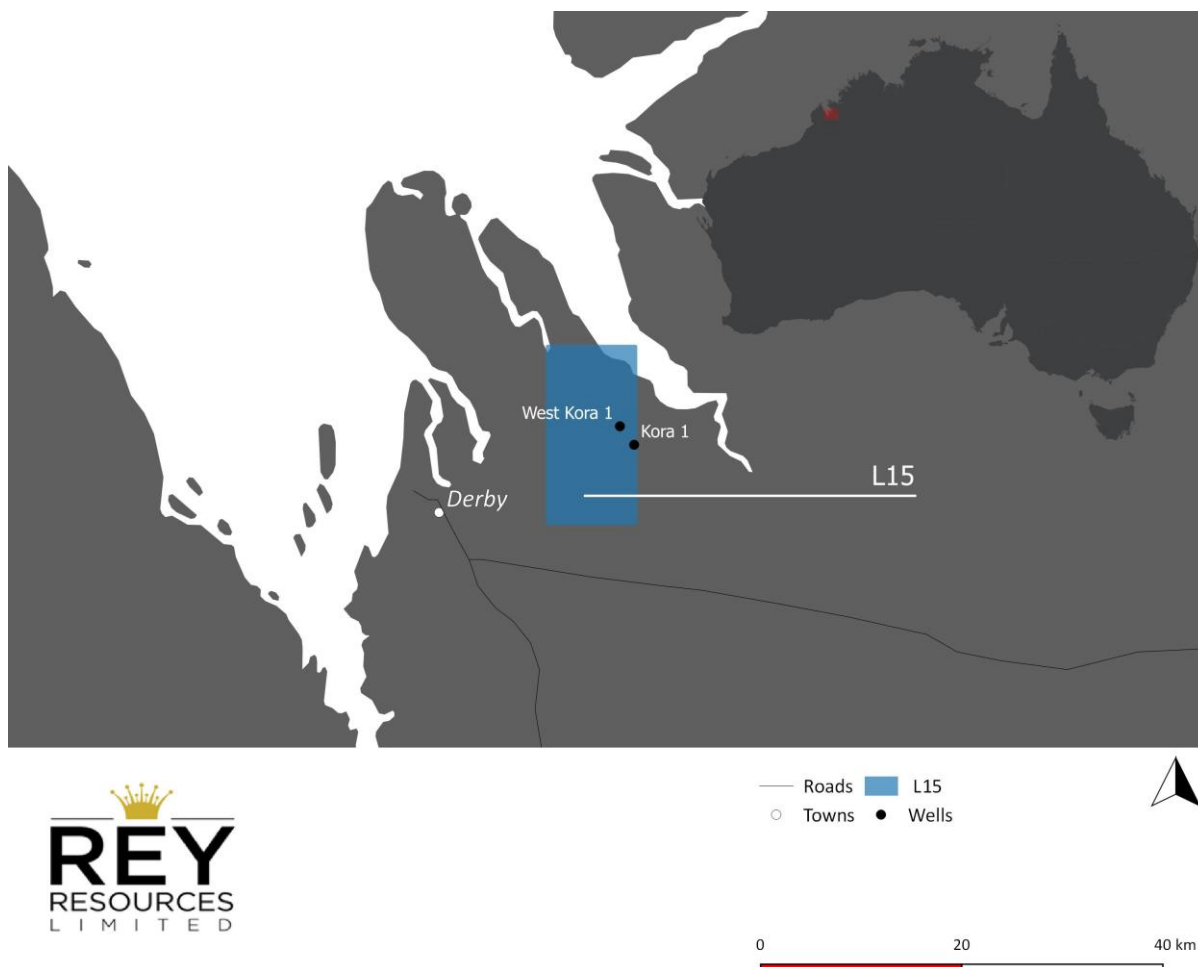
² MMbbl- million barrels.

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.

About L15

West Kora 1 is located within L15 (Production Licence) which is located on the Lennard Shelf, onshore Canning Basin, Western Australia. It comprises two graticular blocks covering an area of 163.46 square kilometres. L15 was granted on 1 April 2010 for a period of 21 years.



Prospective Remaining Reserves and Resources of West Kora Oilfield in L15

An estimation of oil reserves and contingent oil resource for the West Kora Oilfield in L15 was provided by Energetica Consulting in September 2015 (refer to Key Petroleum Limited's ASX releases dated 30 September 2015) and reviewed and released by REY on 14 May 2018. The estimation is based on the vintage wells in the permit and relevant studies. The estimated remaining reserves and resources, as calculated by Energetica Consulting in September 2015, are listed in Table 2 below.

Estimated Remaining Reserves and Resources				
		1P	2P	3P
West Kora Oilfield Recoverable Oil	mmSTBO ¹	0.25	0.38	0.66
		1C	2C	3C
West Kora Oilfield Recoverable Contingent Resources	mmSTBO	0.06	0.12	0.26
Point Torment Gas Discovery Recoverable Contingent Resources	BCF ²	2.41	4.725	8.42

Table 2: Reserves and Contingent Resources estimation of West Kora Oilfield (estimate prepared by Energetica Consulting in September 2015, refer to Key ASX releases dated on 30 September 2015 and REY release dated 14 May 2018).

¹ mmSTBO – million stock tank barrels of oil.

² BCF – billion cube feet

The remaining reserves and 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.

For further information please contact:

Wei Jin

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Competent Persons Statement Petroleum Exploration

The technical information quoted for EP487 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 years. 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.

The technical and the prospective reserves and resources information quoted for L15 is quoted from Rey's announcement on 14 May 2018 and was compiled and/or assessed by Mr Doug Barrenger. Mr Doug Barrenger received a BSc degree (geology) from the Australian National University and a Graduate Diploma in computing Science from the Queensland University of Technology. He has more than 35 years of experience in the petroleum industry. He has written numerous Independent Expert Reports, Resource Reports and Acreage and Resource Valuations, for IPO on several stock exchanges. He was the General Manager Subsurface at Exoma Energy through 2012 and is a founding partner of Fluid Energy Consultants (2013). He is a member of the Petroleum Exploration Society of Australia (PESA), the Society of Petroleum Engineers (SPE) and a thirty five-year, Active Member of the American Association of Petroleum Geologists (number 330431). 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.