

ASX ANNOUNCEMENT

1 JUNE 2015

Rey completes acquisition of 50% interest in the Derby Block and initiates JV with Oil Basins

Further to its announcement of 18 March 2015, Rey Resources Limited "Rey" or "the Company" (ASX: REY) is pleased to announce that its wholly owned subsidiary company Rey Lennard Shelf Pty Ltd ("RLS") has completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") from Backreef Oil Pty Ltd ("Backreef"). The Company has also entered into a Joint Venture Agreement ("JOA") with Oil Basins Limited ("Oil Basins") (ASX: OBL), holder of the remaining 50% interest, for the operation of exploration programmes on the Derby Block, located in the Canning Basin of Western Australia.

The Derby Block is a large exploration licence of approximately 5,000 km² that was granted to Backreef (50%) and Oil Basins (50%) in 2012. It occurs to the north of Rey's existing interests in petroleum exploration licences the Canning Basin (refer Figure 1).

Managing Director Kevin Wilson said: "The acquisition of a 50% interest in the Derby Block extends the Company's footprint into acreage we consider prospective for both conventional and unconventional hydrocarbons. The Derby Block also has some of the best existing access infrastructure in the region, enabling relatively straightforward mobilisation activities. We look forward to working with Oil Basins to explore EP487."

Key Terms of the Acquisition Agreement

Pursuant to the acquisition agreement with Backreef, RLS has acquired Backreef's 50% interest in the Derby Blocks for \$2 million, to be paid on grant of a Production Licence or, at Rey's election, a 2% royalty on future production. RLS has also agreed to settle certain outstanding claims on Backreef by Oil Basins in connection with past expenses incurred on management of the Derby Block amounting to approximately \$391,000 and grant Oil Basins a 0.5% royalty over future production from RLS' interest. The settlement of these claims has resulted in termination of all outstanding legal action between the parties.

Key Terms of the JOA

RLS and Oil Basins have entered into a JOA with the following key terms:

- Oil Basins will act as operator until 1 January 2016, at which time RLS will assume operatorship of the Derby Block, subject to certain preconditions;
- until 1 January 2016, Oil Basins will seek to farmout an interest in the permit and Rey will participate in the farmout subject to certain commercial terms being achieved, including

- funding of the first two years' of the permit workplan on a 2 for 1 basis. This would result in both RLS and Oil Basins diluting to a respective 25% interest with the farminee at 50%; and
- other terms and conditions usual for an agreement of this sort.

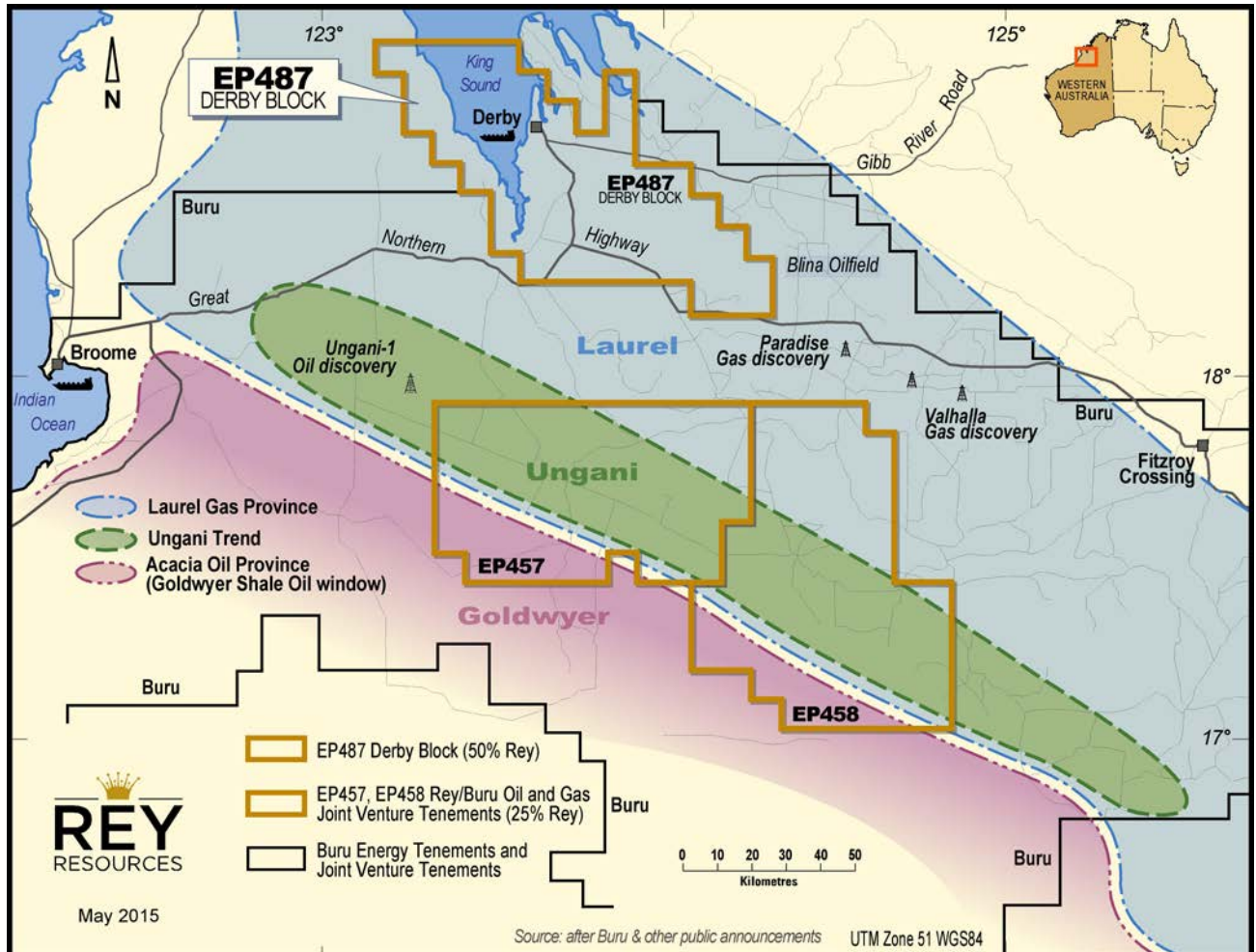


Figure 1. Location of the Derby Block and Rey's other oil and gas interests in the Canning Basin.

Oil Basins, as operator, is progressing the acquisition of seismic to meet the current permit work commitment.

For further information please contact:

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