

29 February 2016

Dear Shareholder

Non-Renounceable Pro-Rata Rights Issue to Shareholders

Rey Resources Limited (ASX: REY) (the **Company**) announced a non-renounceable pro-rata 1 for 3 rights issue on 26 February 2016 (**Offer**) and is pleased to provide further detailed information on the Offer.

The Offer is for new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every three (3) existing shares held (**Entitlement**) by Eligible Shareholders (defined below) on the Record Date (defined below) (**Existing Shares**), at an issue price of \$0.015 per New Share (**Issue Price**).

Based on the current shares on issue in the Company, a total of 248,095,469 New Shares will be offered to raise up to \$3,721,432 (before the costs of the Offer).

The Issue Price represents a discount of approximately 28.57% to the weighted average price of the Company's shares on the ASX in the five trading days up to and including the day prior to the announcement of the Offer (this price being \$0.021) and no discount compared to the last closing price of the Company's shares on the ASX prior to the announcement of the Offer (this price being \$0.015).

The Offer is non-renounceable, meaning that Eligible Shareholders who do not take up their Entitlement will not be able to transfer or receive any value for those Entitlements, and their equity interest in the Company will be diluted.

Offer Document

The Offer is being conducted in accordance with section 708AA of the *Corporations Act 2001* (Cth) (the **Act**). Accordingly, the Company is not required to lodge a prospectus with ASX or ASIC or provide one to shareholders. The Company has prepared a document explaining the Offer in more detail (**Offer Document**).

The Offer Document was lodged with the ASX on 26 February 2016 and will be sent to Eligible Shareholders on or before 8 March 2016, together with a personalised Entitlement and Acceptance Form (**Acceptance Form**).

A Cleansing Notice and Appendix 3B were also lodged with the ASX on 26 February 2016.

All documents are available for inspection on the ASX website at www.asx.com.au and the Company's website at <http://reyresources.com/>.

Eligibility and Record Date

Holders of shares in the Company as at 4.00pm (Perth time) on 3 March 2016 (**Record Date**) will be eligible to participate in the Offer (**Eligible Shareholders**).

Placement of Shortfall

A Shortfall will arise if the applications for New Shares under the Offer received are less than the total number of New Shares offered (**Shortfall Shares**).

The Company will allow Eligible Shareholders, in addition to applying for all of their Entitlements, to apply for such further number of Shortfall Shares which the Eligible Shareholder may specify in the Acceptance Form.

In the event that there is no Shortfall, the Application Monies relating to the Shortfall will be returned to the Eligible Shareholder as soon as practicable following the Closing Date without interest.

In the event that applications from Eligible Shareholders to participate in the Shortfall exceed the number of Shortfall Shares, those applications will be scaled back in the discretion of the Directors.

No Shortfall Shares will be issued to any Eligible Shareholder or any third party if it results in an Eligible Shareholder increasing its shareholding to more than 20% of the Company's issued capital.

Notwithstanding any application received by the Company for Shortfall Shares from Eligible Shareholders, the Directors may at their complete and absolute discretion place the Shortfall Shares with any third party at not less than the issue price within 3 months of the Closing Date.

The Rights Issue is not being underwritten.

Use of proceeds from the Offer

The Company will use the proceeds raised under the Offer to:

- fund future investment opportunities;
- repay shareholder loans; and
- for general working capital.

Timetable

The current proposed timetable for the Offer is set out below. All dates are subject to change and accordingly are indicative only. The Company has the right to vary the dates of the Offer, without prior notice, subject to the Corporations Act and the ASX Listing Rules.

Event	Date
Announcement of Offer, lodgement of Appendix 3B, Section 708AA cleansing notice and Offer Document released to ASX	26 February 2016
Notice to Shareholders containing information required by Listing Rules	29 February 2016
"Ex" Date	1 March 2016
Record Date to determine Entitlement to New Shares	3 March 2016
Despatch of hard copy Offer Document and personalised Entitlement and Acceptance Forms to Eligible Shareholders and announcement to ASX that despatch completed	8 March 2016

Last day to extend Closing Date	24 March 2016
Closing Date	31 March 2016
Securities quoted on a deferred settlement basis	1 April 2016
ASX notified of Shortfall	5 April 2016
Issue of New Shares, despatch date of holding statements	7 April 2016
Trading commences for New Shares on a normal settlement basis	8 April 2016

Capital Structure

The effect of the Offer on the capital structure of the Company based on the current shares on issue is as follows:

- The maximum number of New Shares that may be issued under the Offer is 248,095,469, raising a maximum of \$3,721,432 (before the costs of the Offer); and
- After completion of the Offer, the maximum number of issued shares in the Company will be 992,381,876.

This assumes that no other shares are issued prior to the completion of the Offer.

Participating in the Offer

The Board recommends the Offer to shareholders.

However, before making a decision whether to apply for New Shares, Shareholders should read the Offer Document carefully and in its entirety when they receive it.

For further information on your Entitlement, please contact your professional advisor, the Company's Share Registry on 1300 737 760 for callers within Australia and +61 2 9290 9600 for callers outside Australia or the Company between 9.00am and 5.00pm (Sydney time) on business days by calling (02) 8629 9620 from within Australia or + 61 2 8629 9620 from outside Australia.

Yours sincerely



Ms Min Yang
Chairman