

ASX ANNOUNCEMENT

14 OCTOBER 2013

Crystal to become cornerstone shareholder in Rey

Rey Resources Limited (ASX:REY) advises that Crystal Yield Investments Limited (**Crystal**), the proposed purchaser of Rey's Duchess Paradise coal project (**DP Project**) in the Canning Basin of Western Australia, has confirmed to Rey that it does not intend to proceed with the staged acquisition of the DP Project as previously agreed and approved by shareholders on 30 August 2013 (**Transaction**). Consequently, the parties are in the process of formal termination of the Transaction in its current form.

During extensive discussion, Crystal has expressed a continued desire to participate in the eventual development of the DP Project; as well as participating in the development of the Company's oil and gas exploration businesses. To this end, Crystal has agreed to subscribe at \$0.08 per share for a further \$1.36 million placement (**Placement**) in Rey to become a cornerstone investor with 19.9% of Rey's issued capital.

In addition, we are in discussions for Mr Jin Wei, a principal of Crystal, to become a non-executive director on the Rey Board which is expected before 31 December 2013.

In accordance with the Share Sale Agreement for the Transaction (**SSA**), the Stage 1 payment of \$3 million will be converted at a 10% premium to VWAP over the 30 trading day period prior to execution of the SSA (\$0.056 per share) to 53,571,429 fully paid ordinary Rey shares, to be issued to Crystal pursuant to the Company's 15% annual placement capacity.

A further 17 million shares will be issued to Crystal at an issue price of \$0.08 per share to raise a further \$1.36 million pursuant to the Placement and to bring Crystal's holding in Rey's expanded capital base to 19.9%. These shares will also be issued pursuant to the Company's 15% annual placement capacity.

The \$1.36 million to be raised via the Placement will provide the Company with a total cash balance of approximately \$6.5 million, which the Board believes will be sufficient to finance its oil and gas exploration activities through to the end of 2014.

Background on the Transaction

On 1 July 2013, Rey announced that it had entered into an agreement with Crystal to sell the DP Project by way of a staged acquisition by Crystal of all of the issued shares in Blackfin Pty Ltd, a wholly owned subsidiary of Rey, as follows:

- Stage 1 - A\$3 million on signing the Share Sale Agreement (received by Rey in July 2013);
- Stage 2 - A\$9.6 million upon satisfactory completion of due diligence by Crystal, upon which Crystal would acquire a 60% interest in Blackfin; and
- Stage 3 - A\$8.4 million on the grant of the Mining Lease (upon which Crystal would acquire a further 40% interest in Blackfin, taking its total interest in Blackfin's shares to 100%).

Crystal to become a major shareholder in Rey

Crystal currently holds a relevant interest in 55 million shares in Rey, via its parent Ricky Holdings Pty Ltd. Crystal is a privately held investment company incorporated and based in Hong Kong.

As the Transaction will no longer proceed, Crystal will receive 53,571,429 Rey shares in consideration for the A\$3 million payment received for Stage 1 of the Transaction and a further 17,000,000 Rey shares pursuant to the Placement, taking Crystal's relevant interest to 125,571,429, comprising 19.9% of Rey's expanded issued capital.

Rey's exploration and development businesses

Rey's major focus of the Company will continue to be its oil and gas exploration investments in the Canning Basin, in particular its 25% joint venture interest in petroleum exploration permits EP 457 and EP 458.

As announced to the ASX on 24 September 2013, Buru, as operator, has commenced a regional gravity survey which is expected to be completed in December and will provide data to assist mapping the controlling structures of the Fitzroy Trough, and high grade targets on the Ungani trend.

A 2D seismic survey is due to commence on the Ungani trend in EP457 in November and data acquisition completed by year end. Data will be processed for target selection early in 2014 with an initial target expected to be drilled in Q2 2014. The 2D survey is expected to resume in EP458 in Q2 2014 following the end of the wet season, with drilling anticipated in 2H 2014 subject to all regulatory and other required approvals and completion of all necessary technical evaluation.

During a period of low thermal coal prices, Rey will also continue to manage the Duchess Paradise project through the approvals processes in Western Australia and maintain its interests in coal exploration leases in the Canning Basin. A short exploration drilling program is being mobilised on other tenements Rey holds with the intent of identifying further coal deposits.

Kevin Wilson
Managing Director +61 8 9211 1999

About Rey:

Rey Resources Limited is an ASX-listed diversified energy company (ASX:REY) focussed on exploring for and developing energy resources in Western Australia's Canning Basin. The company holds coal exploration assets and a 25 per cent interest in two highly prospective petroleum permits (EP457 & 458) in joint venture with Buru Energy Limited and Mitsubishi Corporation.