

ASX ANNOUNCEMENT

12 AUGUST 2013

Company Update

Canning Basin Oil and Gas Exploration

Rey Resources Limited (**Rey**) is pleased to note the announcements on 8 and 9 August 2013 by Buru Energy Limited (**Buru**, ASX: BRU) on the successful funding of its oil and gas activities in the Canning Basin, Western Australia.

Rey recently updated shareholders on its 2013 oil and gas activities (ASX 11 July 2013) and provides this further update on progress following the recent Buru announcements.

25% interest in Joint Venture on Fitzroy Blocks

Following the acquisition of an additional 15% participating interest in March 2013, Rey holds a 25% interest in two exploration licences (EP457 and EP458- the **Fitzroy Blocks**) in the Canning Basin (refer Figure 1). Joint Venture ownership of the Fitzroy Blocks is as follows:

Rey	25% (including 10% free carried to production)
Buru	37.5% (operator)
Diamond Resources (Fitzroy)	37.5% (100% subsidiary of Mitsubishi Corporation)

Ungani conventional Oil Trend in the Fitzroy Blocks

Buru is currently undertaking a 3D seismic survey on its Ungani discovery. Once this survey is completed, and all approvals for the Fitzroy Block work programs have been obtained, the seismic crew will commence the planned 670km 2D seismic programs along the conventional Ungani trend, including 593km in the Fitzroy Block permits.

Buru states in its announcements that up to four exploration wells primarily targeting Ungani "lookalikes" will be drilled during 2014 on the Ungani trend (refer Figure 1 below). Rey notes that the Ungani trend is estimated at 1 million acres and extends for 120 x 40kms. The majority of this interpreted trend occurs in the Fitzroy Blocks.

Cost of the 2013 Program

Rey holds a 10% free carried interest and 15% participating interest in the Fitzroy Blocks. The total cost to Rey of the applicable 2013 work program is estimated at under \$1 million. Rey currently has approximately \$6 million cash at bank.

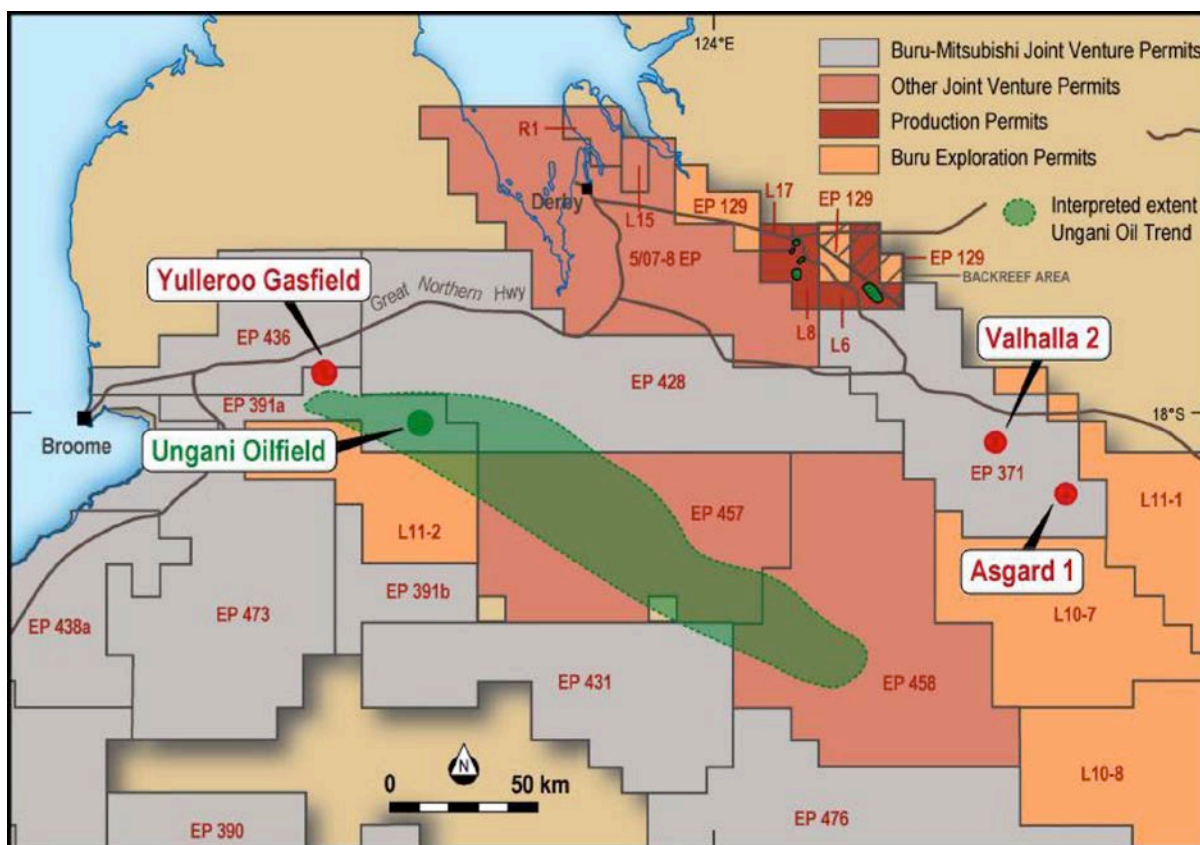


Figure 1: Location of EP 457 and EP 458 and the Ungani Trend in the Canning Basin.
 Source: Buru announcement to ASX, 8 August 2013.

Notice of Meeting correction

As announced on 1 July 2013, Rey has entered into an agreement with Crystal Yield Investments Limited (**Crystal**), to sell the Duchess Paradise Coal Project for \$21 million by way of a staged acquisition by Crystal of all of the issued shares in Blackfin Pty Ltd, a wholly owned subsidiary of Rey (**Transaction**). Rey has received \$3 million from Crystal in satisfaction of the first stage of the Transaction.

A notice of meeting (**NOM**) for a shareholders meeting, scheduled for 30 August 2013 to consider and, if appropriate, approve the Transaction was despatched to shareholders on 31 July 2013.

The NOM contained an accounting oversight in the pro-forma balance sheet of the Company after completion of the Transaction. The correct estimated book value of the assets to be sold to Crystal as part of the Transaction is \$23,958,000 and not \$21,490,000 and the write-down of the carrying value of assets is \$3,558,000 and not \$1,090,000 as presented on page 9 of the NOM. This results in a total accounting loss of \$2,958,000 (before Transaction costs estimated at \$600,000) being recorded on the Transaction, rather than \$490,000 as presented in section 1.7 on page 11 of the NOM. The restated pro-forma balance sheet is attached to this announcement (Attachment 1).

The Directors of Rey remain of the view that the Transaction is in the best interests of shareholders, and restate their unanimous recommendation that shareholders vote in favour of the Resolution to approve the Transaction.

Expiry of Unlisted Options

Rey advises that 1,500,000 unlisted employee options remain unexercised on their expiry date of 9 August 2013 and accordingly have lapsed pursuant to the Rules of the Rey Resources Limited Option Plan.

Details of the expired unlisted options are as follows:

Code	Expiry Date	Exercise Price	No of Options
REYAZ	9 August 2013	\$0.30	1,000,000
REYAI	9 August 2013	\$0.50	500,000

END

Kevin Wilson

Managing Director +61 8 9211 1999

ATTACHMENT 1

Re-stated Pro-forma Balance Sheet

	Consolidated 31 December 2012 Reviewed	Consolidated 30 June 2013 Forecast pre sale of Blackfin	Adjustment for sale of Blackfin to Crystal	Pro-forma consolidated 30 June 2013 forecast post sale of Blackfin
Assets				
Current Assets				
Cash and cash equivalents	8,980	3,277	20,400	23,677
Trade and other receivables	174	111	-	111
Prepayments	507	453	-	453
Total current assets	9,661	3,841	20,400	24,241
Non-current assets				
Trade and other receivables	646	294	-	294
Property, plant and equipment	79	100	-	100
Exploration and evaluation expenditure	31,763	33,313	(23,958)	9,355
Petroleum JV	-	6,218	-	6,218
Total Non-current assets	32,488	39,925	(23,958)	15,967
Total assets	42,149	43,766	(3,558)	40,208
Current liabilities				
Trade and other payables	259	471	-	471
Loans and borrowings	-	22	-	22
Provisions	223	268	-	268
Total current liabilities	482	761	-	761
Non-current liabilities				
Loans and borrowings	-	15	-	15
Provisions	36	35	-	35
Total non-current liabilities	36	50	-	50
Total liabilities	518	811	-	811
Net Assets	41,631	42,955	(3,558)	39,397
Equity				
Share Capital	67,569	70,425	-	70,425
Reserves	2,054	2,142	-	2,142
Accumulated losses	(27,992)	(29,612)	(3,558)	(33,170)
Total Equity	41,631	42,955	(3,558)	39,397