

# ASX ANNOUNCEMENT

13 JUNE 2014

## **All conditions cleared for Rey to farm in to EP437 in Perth Basin. Drilling to commence shortly.**

**Rey Resources Limited (ASX:REY)** ("Rey" or "Company"), announces that FIRB approval has been received and all conditions precedent have been satisfied to enable Rey to farm in to Exploration Permit EP437 in the North Perth Basin.

As announced on 29 May Rey (via its wholly owned subsidiary Rey Oil and Gas Perth Pty Ltd) has executed an agreement with Key Petroleum (Australia) Pty Ltd, a wholly owned subsidiary of **Key Petroleum Limited (ASX:KEY)**, and Caracal Exploration Pty Ltd ("Caracal") whereby Rey will earn up to 43.47% in EP437 by contributing to 86.94% of the costs. This cost is to be capped at \$1.7 million for the Dunnart-2 exploration well, which will be managed by Key as Operator of the permit. Costs over \$1.7 million will be apportioned between the parties in accordance with their respective beneficial interests in the permit.

On completion of the farm in to EP437 by Rey, the beneficial interests will be as follows:

|                                                                             |               |
|-----------------------------------------------------------------------------|---------------|
| <i>Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)</i> | <i>43.47%</i> |
| <i>Rey Oil and Gas Perth Pty Ltd</i>                                        | <i>43.47%</i> |
| <i>Caracal Exploration Pty Ltd</i>                                          | <i>13.06%</i> |

## **Dunnart-2 mobilisation to commence shortly**

Key as operator has today reported finalisation of a formal Land Access Agreement and an executed drilling contract for Rig 7 with Drilling Contractors of Australia ("DCA"). Commencement of operations will begin over the next few days with surveying of the well location followed by civil earthworks for the construction of the drill pad. The assembly of office facilities are expected to commence within the next week with DCA mobilising Rig 7 to the wellsite within a fortnight. Key further reports that based on correspondence received to date, the EP437 Joint Venture anticipates that formal drilling approvals from the WA Department of Mines and Petroleum ("DMP") will be received shortly. Subsequent to this, the expected spud date for Dunnart-2 is in July.

The Dunnart Prospect is a structural closure against a fault and is defined by seven seismic dip lines and one strike line. The well is located up-dip from the historic Dunnart-1 well, with a planned

drilling depth of 670 metres. The Dunnart Prospect prospective resource estimate was reported by Key in its 15 April 2014 ASX Announcement under the SPE-PRMS guidelines. The Dunnart-1 well recorded excellent oil shows but was never tested. Further Information on the Dunnart-2 target is provided in the attached presentation, "Dunnart prospect".

For more information please contact

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Rey Resources Limited

June 2014

**DUNNART PROSPECT- 3Q well, Perth Basin**



# Disclaimer and CP

Certain statements contained in this presentation, including information as to the future financial or operating performance of Rey Resources ("Rey") and its projects, are forward looking statements. Such forward looking statements may include, among other things, statements regarding targets, estimates and assumptions in respect of resources and anticipated recovery rates, production and prices, operating costs and results, capital expenditures, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions; are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Rey, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies; and involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward looking statements.

Rey disclaims any intent or obligation to update publicly any forward looking statements, whether as a result of new information, future events or results or otherwise. The words "believe", "expect", "anticipate", "indicate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. All forward looking statements made in this presentation are qualified by the foregoing cautionary statements. Investors are cautioned that forward looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward looking statements due to the inherent uncertainty therein.

## **Competent Persons Statement**

The prospective resources and technical information quoted has been compiled and/or assessed by Mr Keith Martens who is a self-employed consulting professional geologist, a continuous Member of the Petroleum Exploration Society of Australia since 1999. Mr Martens has a BSc degree in geology/geophysics and has over 35 years' experience in the petroleum industry. Mr Martens has consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

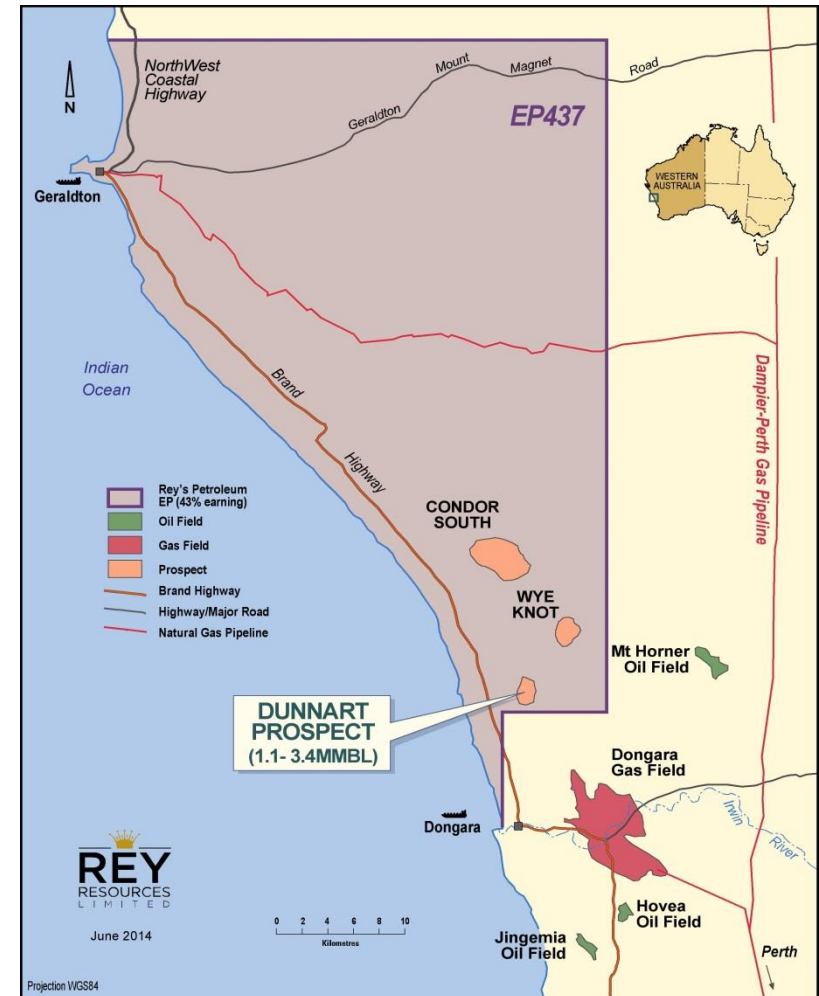
## Location - Perth Basin

- **11** new commercial oil and gas fields discovered over past 10 years
- north to north-west trending sedimentary basin extending 1,300km along the south-western coast of WA
- 172,000km<sup>2</sup> both onshore and offshore.



# Dunnart-2 location

- Located in north Perth basin
- 3km from Brand Highway
- 55k SE of Geraldton
- 14km NNW of Dongara gas field
- Part of EP437
- Rey earning-in for 43.47% with Key (operator) 43.47% and Caracal 13.06%



# Dunnart-2 well target

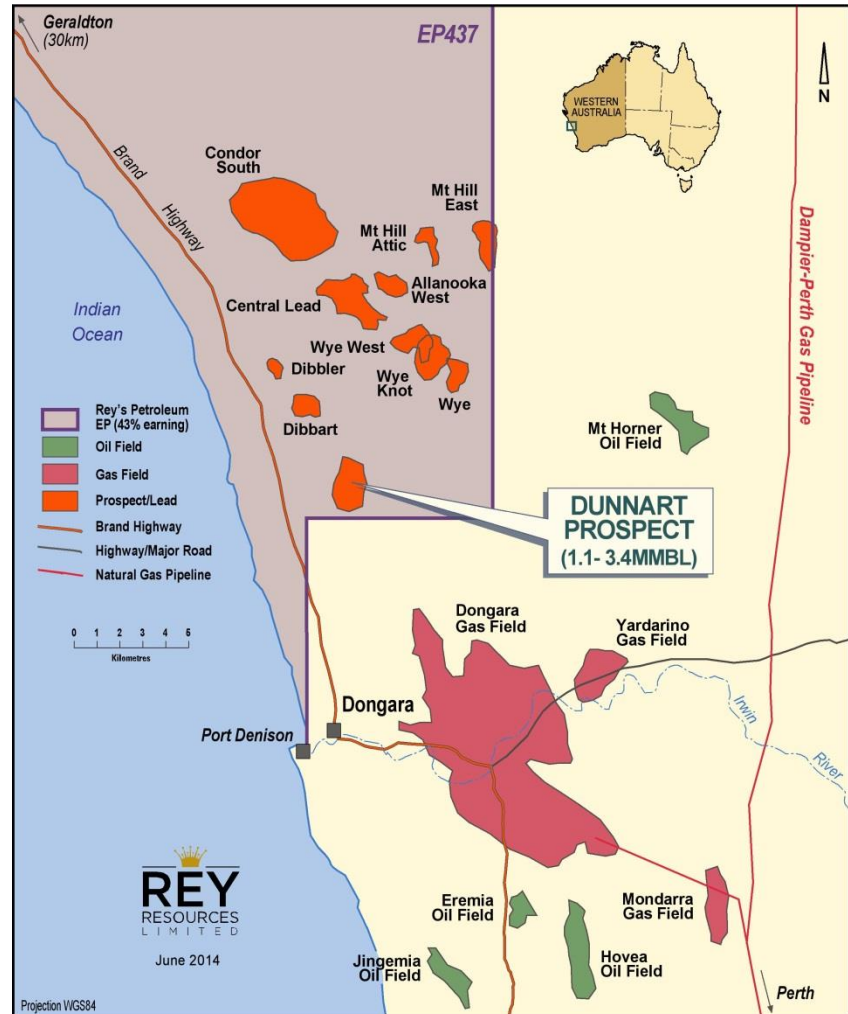
**Primary targets:** Bookara sandstones within Kockatea Shale Formation;

**Secondary targets:** sands below the Bookara sandstones (basement wash)

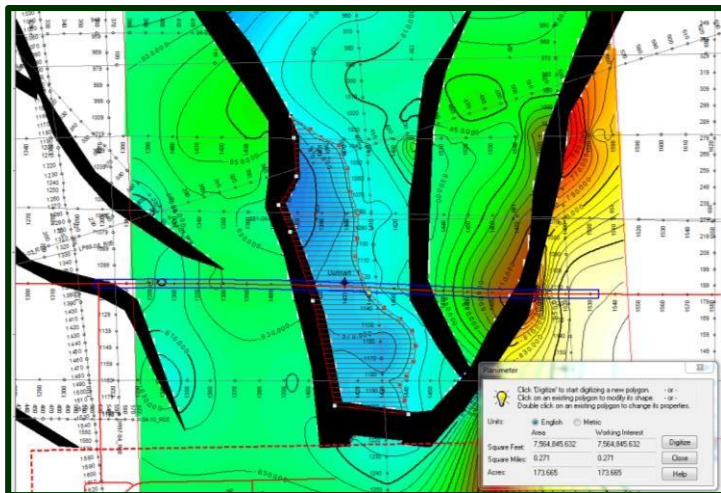
**Dunnart-1** encountered good oil shows (3-6m @ 615m) in the trap but was not tested or cored. **Drillable depth:** 670 metres (to basement)

**Rey share (43.47% earning) of un-risked prospective resource: 0.5- 1.5 MMBL<sup>(1)</sup>**

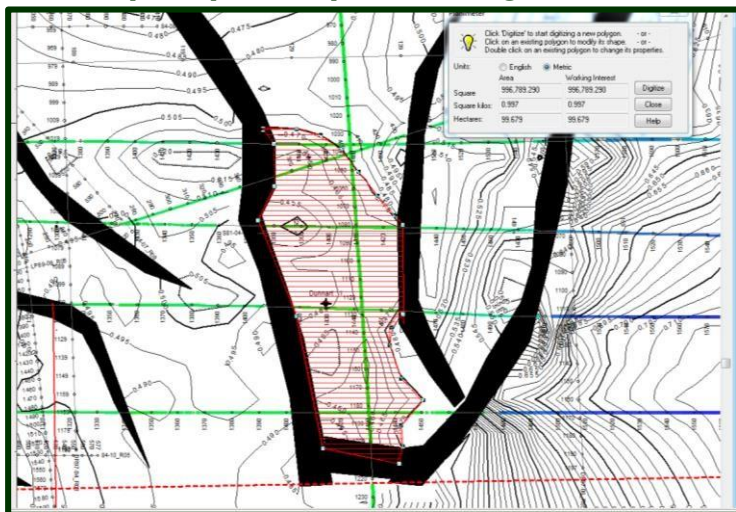
*(1) As reported by Key Petroleum (ASX:KEY) on 15 April, 2014, the "Un-risked Prospective Resource" (in accordance with Clause 7.3 of ASX Guidance Note 32) calculates recoverable oil in a range from a Low Estimate of 1.1MMBL; a Best Estimate of 2.1MMBL; and a High Estimate of 3.4MMBL. Rey's share is 43.47% of this.*



**Top Depth Map**



**Top Depth Map – closing contour**

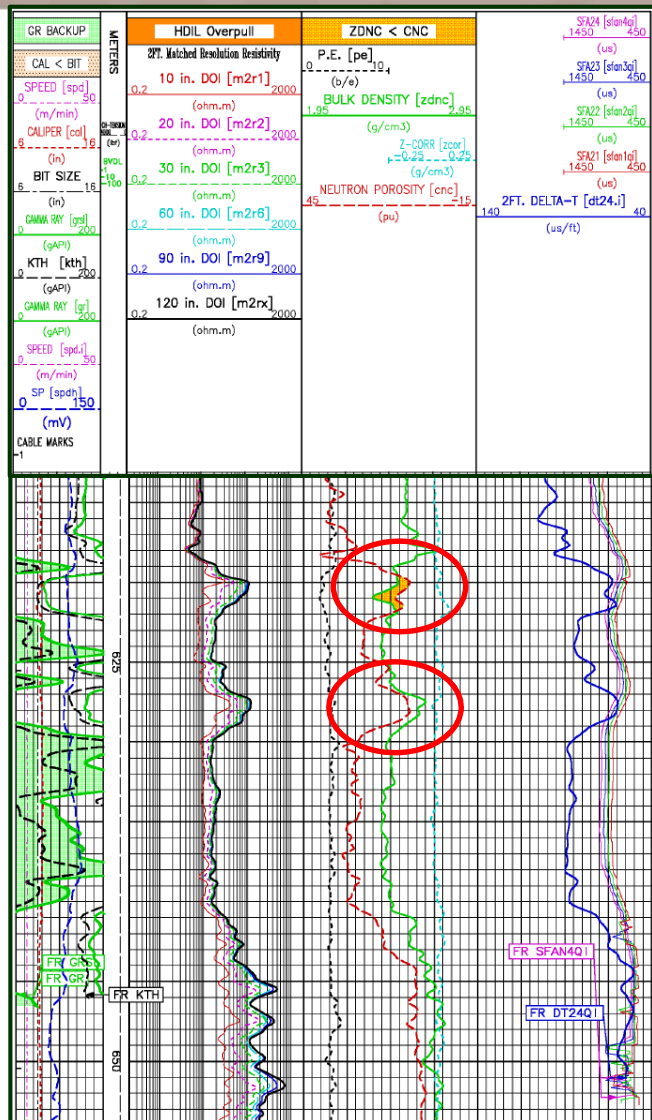


Play is combination of structural/stratigraphic with shale-shale juxtaposition across main bounding fault.

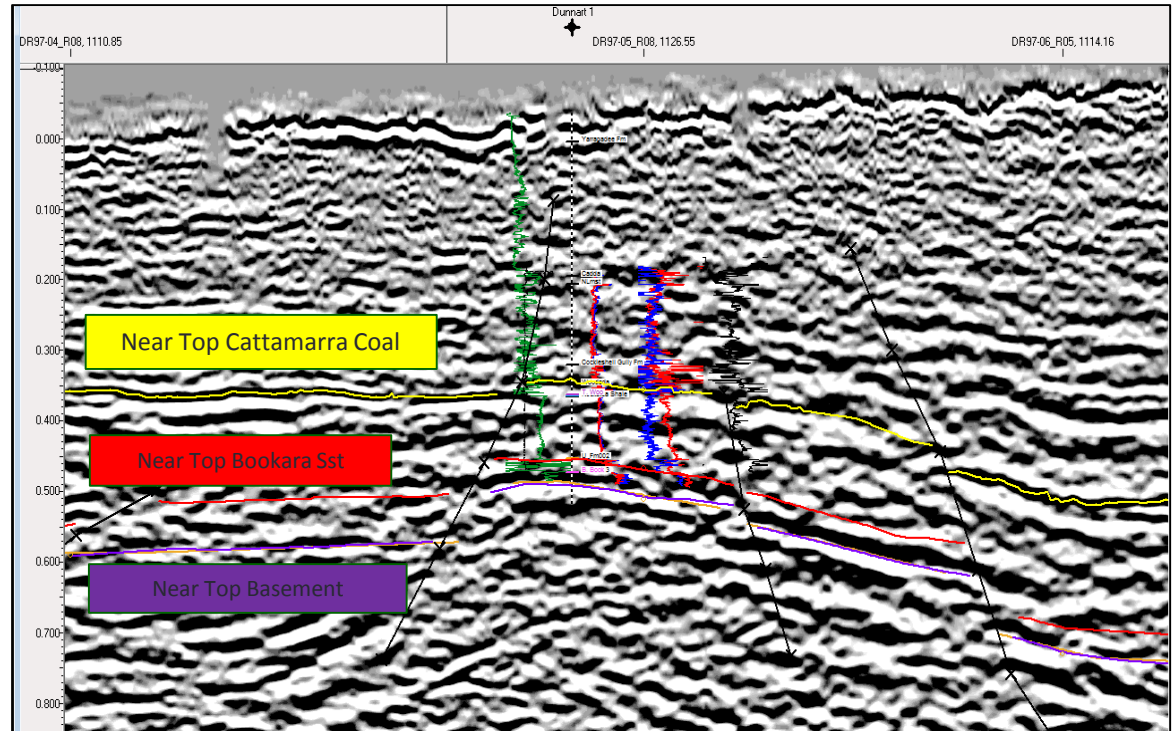
Low Estimate - Best Estimate - High Estimates for Unrisked Prospective Resources <sup>(1)</sup> are 0.5 – 0.9 – 1.5 MMBL (Rey share).

Best Estimate <sup>(1)</sup> of 0.9 MMBL assumes area 1.21 km<sup>2</sup>, reservoir thickness 7m, oil saturation 61%, porosity 16%, formation factor 1.1, recovery 35%, Rey share 43.47%.

*(1) All estimates made using deterministic procedure. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) 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.*



- ☼ Bookara sandstone sequence accompanied good oil shows with yellow cut fluorescence (red circles).
- ☼ Visible porosity in cuttings of Bookara sequence.
- ☼ Neutron tool unreliable for porosity estimation due to presence of heavy minerals.
- ☼ Typical clastic evaluation of such a sequence cannot be applied.
- ☼ Resistivity suppressed due to use of induction logs with high conductive shales above and below sand intervals.
- ☼ Petrophysical interpretations by Hugh Crocker estimate water saturations of 40% over top 6 metres or more (moveable oil).
- ☼ Dedicated drill stem test planned over interval.



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