

ASX ANNOUNCEMENT

18 MARCH 2013

REY SIGNIFICANTLY INCREASES INTEREST IN KEY CANNING SUPERBASIN OIL & GAS EXPLORATION PERMITS

HIGHLIGHTS:

- Rey to acquire an additional 15% stake in petroleum Exploration Permits EP457 and EP458 ("the Fitzroy Blocks") in the Canning Superbasin⁽¹⁾, Western Australia, from Buru Energy Limited (ASX: BRU) for \$6.017 million ("Acquisition").
- When combined with its existing 10% interest, Rey will hold 25% of the Fitzroy Blocks, including the rights to its share of conventional oil and gas as well as unconventional gas.
- As part of the transaction, Mitsubishi Corporation will acquire a 37.5% interest in the Fitzroy Blocks from Buru.
- Buru will remain as operator of the Fitzroy Blocks.
- Rey's existing 10% interest is free-carried until the grant of a petroleum production licence. Following completion of the transaction, Rey will be required to contribute 16.7% of the forward capital expenditure to production, relevant to its 25% interest.
- On completion of the Acquisition, Rey will hold a 25% interest in two highly prospective Exploration Permits plus a 100% interest in 42 thermal coal exploration licences in the Canning Superbasin (including the Duchess Paradise thermal coal resource).
- The Acquisition and REY's share of the planned 2013 work program on the Fitzroy Blocks will be financed from Rey's cash holding of approximately \$8.5 million plus \$3 million expected to be raised from a proposed equity placement.
- **REY's Acquisition of the additional 15% interest in the Fitzroy Blocks is regarded by Rey management as a Company-transforming transaction which will materially enable Rey to transition into a diversified energy company.**

Rey Resources Limited ("Rey" or the "Company") (ASX: REY) is pleased to announce it has today executed an agreement to acquire an additional 15% interest in the Fitzroy Blocks, specifically petroleum Exploration Permits EP457 and EP458, located in the highly prospective Canning Superbasin in the northwest of Western Australia. Rey's existing 10% interest in the Fitzroy Blocks was subject to a pre-existing farm in agreement with Gujarat NRE Oil Limited ("Gujarat") entered into in 2007.

Rey has agreed to acquire the additional 15% interest from a wholly owned subsidiary of Buru Energy Limited ("Buru") (ASX: BRU) for \$6.017 million, reflecting the same acquisition terms on a pro-rata basis as Buru's acquisition of its 90% interest in the Fitzroy Blocks in October 2012.

(1) A Superbasin is a sedimentary basin comprising multiple sub-basins.

Rey Resources' Managing Director, Mr Kevin Wilson, said the Acquisition was a decisive action that gave Rey a meaningful stake in the diversified development of the Canning Superbasin.

"As a result of increasing our stake in the Fitzroy Blocks to 25%, Rey Resources now has a meaningful position in the highly prospective Canning Superbasin that we believe will create significant additional value for our shareholders in the short to medium term."

"This is potentially a company transforming deal for Rey and its shareholders as we build on our leadership position as one of the first to establish relationships and responsible new development in the Canning Superbasin. As a result of our 10% free carried interest, Rey will only be required to fund 16.7% of the capital expenditure requirements as part of future exploration drilling and development programmes."

"We have taken the decision to pursue a strategy of developing our oil and gas prospects in the light of the current softer thermal coal price. While we intend to continue the development of the Duchess Paradise Project, we believe the best interest of shareholders is further served by pursuing a diversified energy strategy."

1. Material Terms of the Acquisition

See Attachment 1.

2. Rey's Financing of the Acquisition and Work Program

Consideration for the Acquisition and Rey's share of the proposed work program on the Fitzroy Blocks in 2013 will be funded from the Company's current cash holdings of approximately \$8.5 million and a proposed placement of 55 million fully paid ordinary REY shares at an issue price of 5.5c per share, to raise a total of \$3.03 million before costs ("Placement"). A share subscription agreement with respect to the proposed Placement has been executed between the Company and Crystal Yield Investments Limited ("Crystal"), an investment company based in Hong Kong, pursuant to which Crystal will provide cleared Placement funds to the Company, at which time the Placement shares will be issued pursuant to the Company's 15% placement capacity. Following the Placement, Crystal will own approximately 9.7% of the Company's issued securities.

Crystal has also been granted exclusivity for 3 months to complete due diligence investigations on the Duchess Paradise coal project, with a view to financing future development of the project.

Rey has agreed, subject to shareholder approval, to pay a fee to ASF Capital Pty Ltd in connection with its advisory and co-ordinating role in relation to the Placement ("Fee"). The Fee will be equivalent to 5% of the gross amount raised via the Placement. Shareholder approval will be sought at the next general meeting of Rey.

3. Exploration Program for the Fitzroy Blocks

Buru is currently reviewing the geology and prospectivity of the Fitzroy Blocks with a view to undertaking an on-ground exploration program which is likely to include additional seismic programs over some of the attractive prospects already identified, with a view to drilling exploration wells on the Ungani trend and the other highly prospective areas in the permits as soon as practicable.

4. EP457 and EP458 ("Fitzroy Blocks")

The Fitzroy Blocks are located over parts of the southern flank of the Fitzroy Graben (Figure 1) and cover parts of the Ungani oil trend; the Laurel Formation where tight gas plays are present; and the Goldwyer Shale thought to be in the oil to wet gas window within the Fitzroy Blocks. The Fitzroy Blocks are surrounded by other Buru/Mitsubishi joint venture permits which form part of the recent State Agreement announced by Buru for the development of its gas project (ASX announcement 7 November 2012).

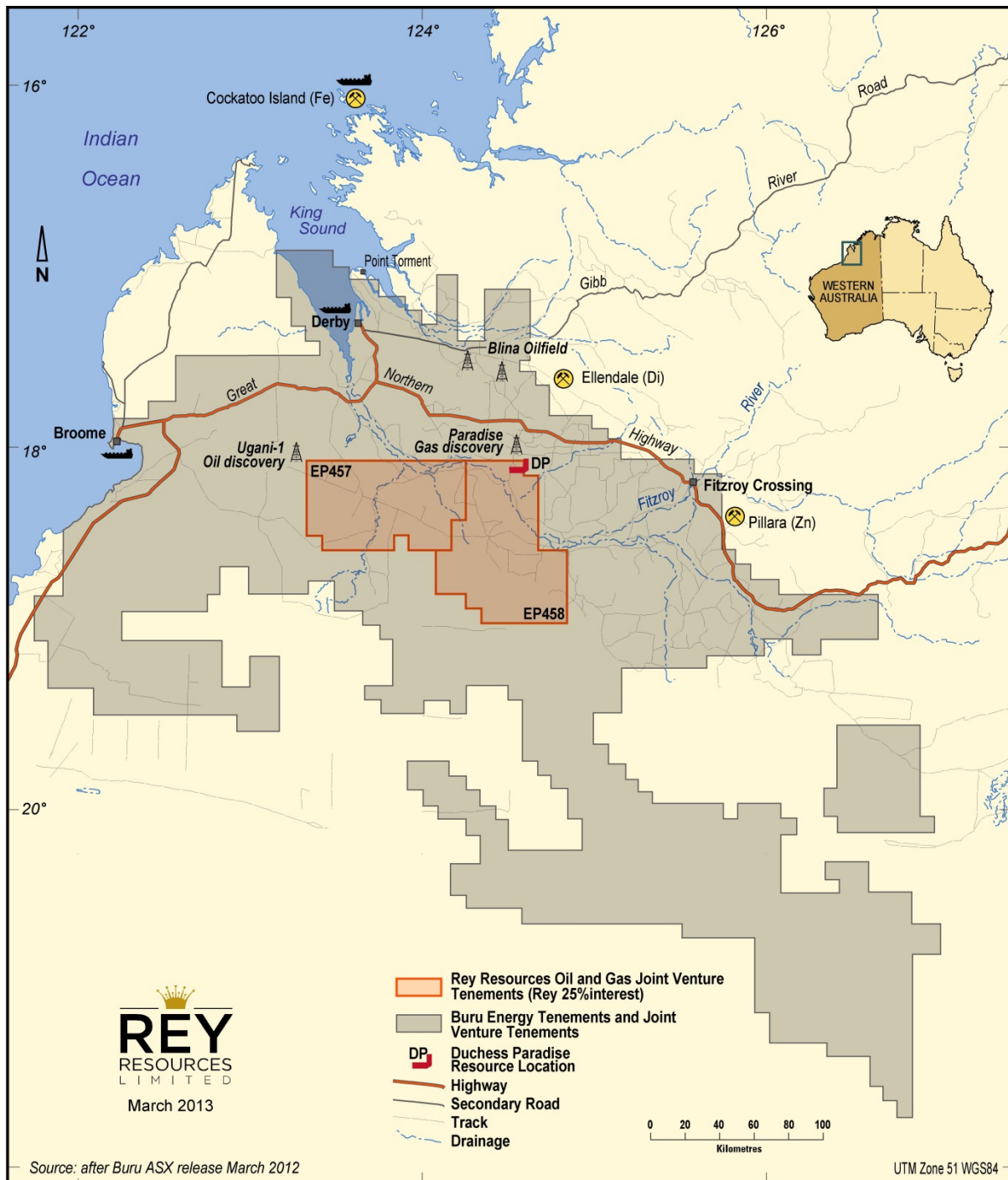


Figure 1. Location of the Fitzroy Blocks.

5. New Diversified Energy Strategy

The Acquisition of the further 15% interest in the Fitzroy Blocks reflects a significant part of Rey's strategy to diversify its energy exploration in the Canning Superbasin and provides the Company with critical mass in what Rey believes are key petroleum leases in the Basin. This strategy allows the company to contribute to the energy security of Western Australia and creates further long term opportunities and benefits for the region.

5.1 Thermal Coal

Rey's existing coal tenements, which include the Duchess Paradise Project, are also located in the Fitzroy Trough of the Canning Superbasin and are partly contiguous with the Fitzroy Blocks. The Company's strategy is to introduce an investor to support development of its Duchess Paradise Project and the proposed placement announced today to Crystal which is also undertaking due diligence on Duchess Paradise is part of that strategy. Rey also has exploration permits that cover approximately 300 linear kilometres of potential surface outcrop of

coal and is currently mobilising for the 2013 exploration field season. Discussions have been initiated with potential joint venture partners to contribute to the financing of this program on parts of these coal outcrops and shallow coal interpreted down-dip.

5.2 Conventional and Unconventional Oil and Gas

On completion of the Acquisition, Rey will hold 25% of two key petroleum Exploration Permits that encompass a significant position in the Fitzroy Trough, and include tight gas and shale gas plays as well as the Ungani oil trend.

Buru Energy Limited and Mitsubishi will each hold a 37.5% interest in EP457 and EP458 and Buru, as the operator, has highlighted the Exploration Permits as being in close proximity to and providing exposure to both the Ungani oil trend and the Valhalla gas accumulation.

The combined area of the Fitzroy Blocks is in excess of 10,000 km².



Figure 2. Canning Superbasin in context of WA and Texas (source: after Buru public announcements).

6. The Canning Superbasin and the major plays in the Fitzroy Block

The onshore Canning Superbasin lies in the mostly arid central/northern part of Western Australia some 2,300 kilometres north of Perth and is the largest sedimentary basin in Western Australia covering an area of approximately 0.6 million km² or approximately 120 million acres (Figure 2). It is one of the few remaining areas in onshore Australia which is under-explored for petroleum with an exploration well density one fifth of the Perth Basin. It is geologically similar to many other Palaeozoic Basins worldwide that are prolific producers (e.g. the Anadarko and Permian Basins in the USA, the Alberta Basin in Canada, the North Caspian Basin and the Ghadamis and Murzuck Basins in Libya and the Ghaba Salt Basin in Oman). The US Energy Information Agency ("EIA") identifies the Canning Superbasin as having the largest "shale" or unconventional gas potential in Australia.

The Canning Superbasin is a composite basin made up of a number of smaller basins with widespread oil and gas shows and accumulations and it hosts abundant halotectonic (salt) features which have proved to be highly productive in other basins on a global basis. It has four major basins contained within it, each with its own geological history and prospectivity.

- The Fitzroy/Gregory Basin – up to 15 kilometres of sedimentary section, holds the currently commercial fields, is the most explored and is well represented in the Fitzroy Blocks.
- The Kidson Basin has thinner sedimentary section (4 to 5 kilometres) and has thick salt seals. It has had very little exploration, and relatively unquantified potential to date.
- The Broome Platform has a thinner sedimentary section but many good oil shows and oil and gas flows.

- The Willara Basin has had little exploration and is of lower prospectivity.

There are three major targets within the Fitzroy Blocks:

- The Ungani conventional oil trend;
- The Laurel Basin Centred Gas Accumulation ("BCGA"), conventional and unconventional gas; and
- The Goldwyer oil and gas unconventional shale.

These are shown in Figures 3 & 4 and described below.

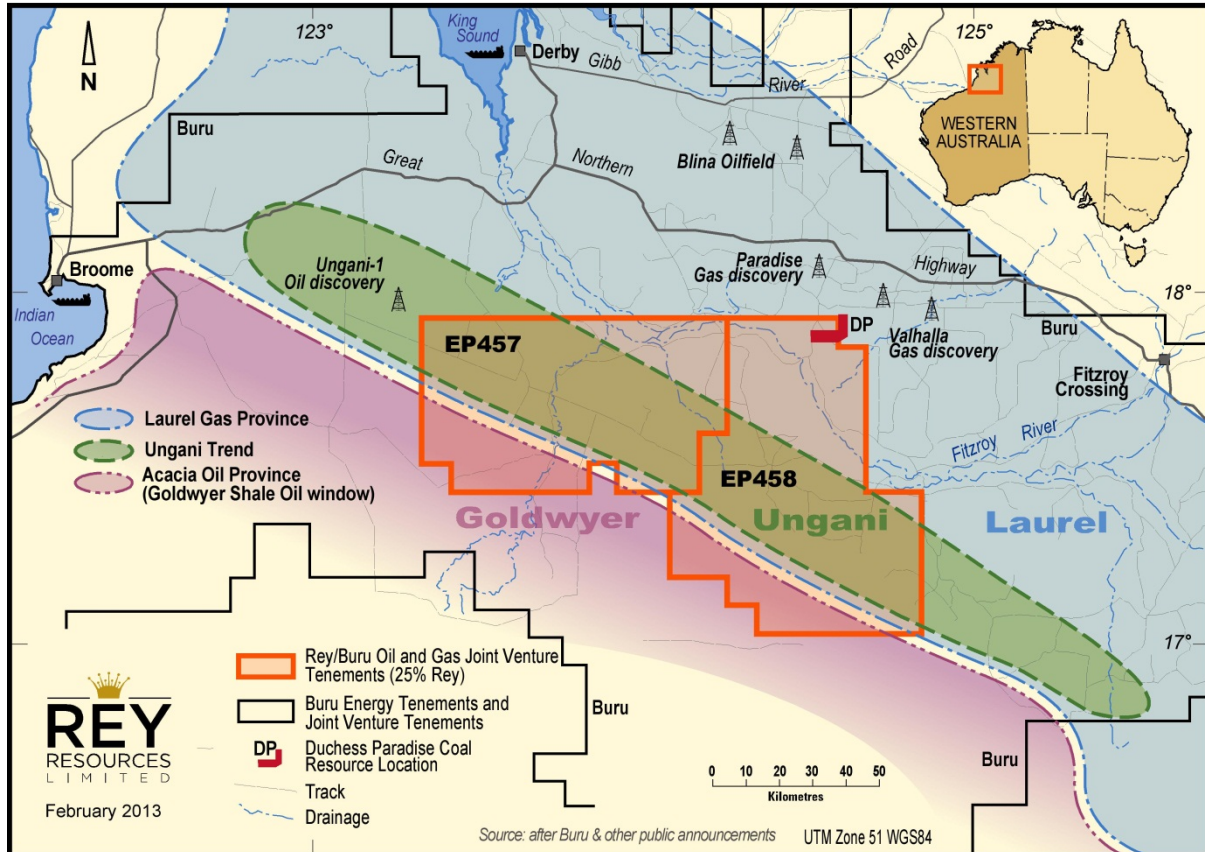


Figure 3. The major target trends in the Fitzroy Blocks.

6.1 Ungani conventional oil trend

Buru has published that the Ungani exploration trend generally includes major upside from identified leads and prospects. They have identified an immediate area of prospectivity being at least 120 kilometres by 40 kilometres (+ one million acres) which, inter alia, extends fully across the Fitzroy Blocks. A regional prospect review also completed by Buru in-house identified Mean risked Potential Prospective Resources for the greater Ungani exploration area of in excess of 300 million barrels of oil across 20 leads and prospects.

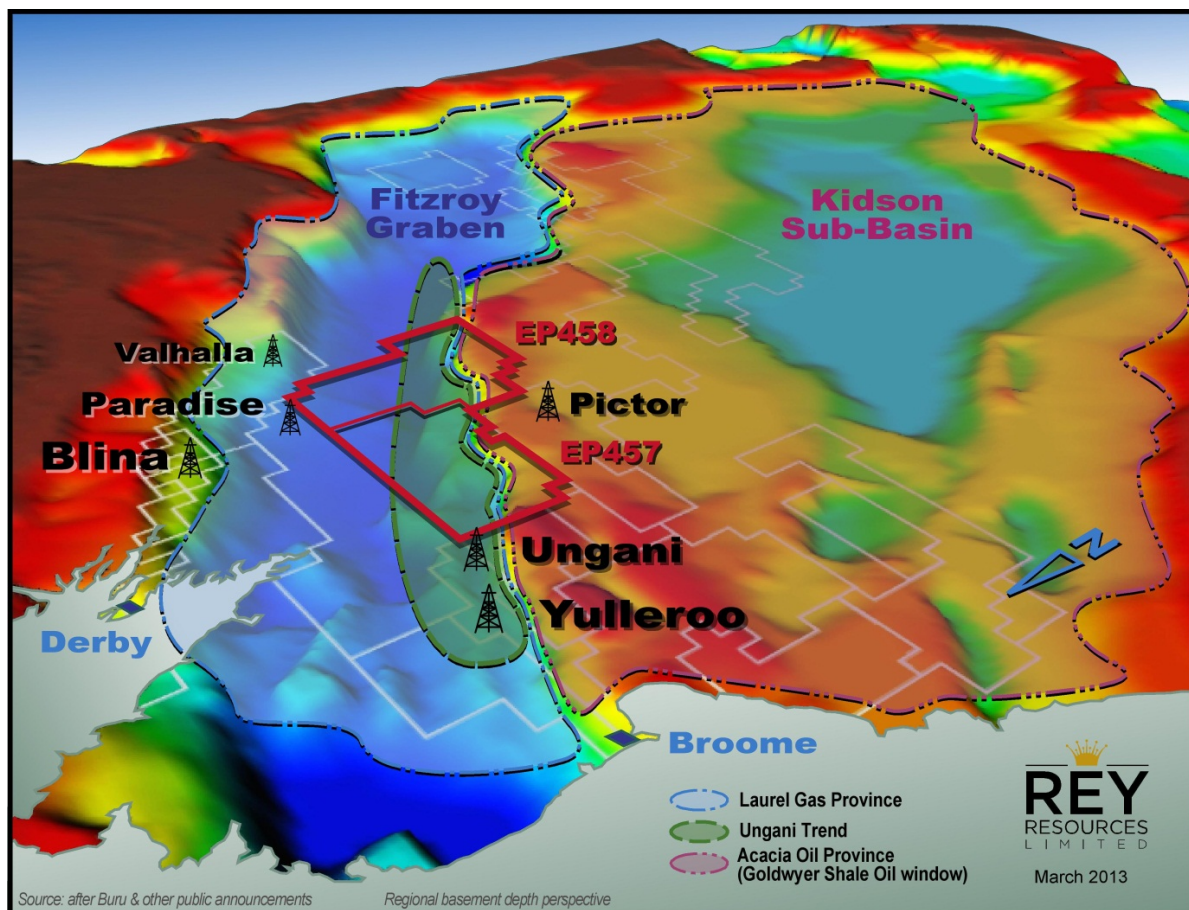


Figure 4. Major target trends in the Fitzroy Blocks.

6.2 Laurel BCGA, conventional and unconventional gas

- Although the Prospective (recoverable) Resources of the Laurel Formation within the Fitzroy Blocks have not been assessed by drilling to date, the formation clearly extends across part of the Blocks and it is believed that it is highly prospective within the Fitzroy Blocks. Buru's evaluation program in the Valhalla area (immediately east of the Fitzroy Blocks) has identified a regionally significant wet gas accumulation in the Laurel Formation. This accumulation also has the characteristics of a Basin Centred Gas Accumulation or "BCGA". Buru has announced that, according to independent consultant's estimates, the Laurel Formation in the Valhalla discovery area (within Buru's acreage) may host Mean Prospective (recoverable) Resources of approximately 260 million barrels in condensate and approximately 9 trillion cubic feet of gas (TCFG).
- Buru has also announced that, according to independent consultant's estimates, the Laurel Formation play net to Buru across all of its permit interests hosts Prospective (recoverable) Resources of "low" or P90 226 million barrels of condensate and 12 trillion cubic feet of gas; "best" or P50 1.177 billion barrels of condensate and 47 trillion cubic feet of gas; and "high" or P10 4.7 billion barrels of condensate and 150 trillion cubic feet of gas.
- Buru has highlighted this type of accumulation being a different, and potentially more productive and commercially attractive, style of accumulation than traditional "shale" plays. The Laurel Formation is a thick, regionally extensive package of sands, shales and limestones with in excess of 1,300 metres of gas saturations in recent wells. Key characteristics of the formation as identified by Buru are as follows:

- o Mud gas shows over up to 2,000 metre intervals in ten regional wells combined with seismic mapping and gas recoveries in well tests; indicate significant accumulations in the Yulleroo and Valhalla gas provinces.
- o Location of overpressure and maturity windows confirms regional extent with characteristics of Basin Centred Gas.
- o Gas is sweet with low CO₂, no H₂S and interpreted high liquids content.

6.3 Goldwyer oil and gas unconventional shale

The Goldwyer Shale Formation is characterised by Buru as a thick, regionally extensive organic rich “Bakken” shale analogue, the play type is regarded as highly prospective and it clearly extends across part of the Fitzroy Blocks.

Although the Prospective Resource potential of the Goldwyer Shale Formation remains unassessed to date by drilling within the Fitzroy Blocks, potential from well intersections in Buru's and others ground, and Buru analysis indicates the play has:

- Thick, organic rich shales in the oil window grading in to the wet gas window.
- Buru regards the Goldwyer as a multi-billion barrel play. Buru will evaluate this play when drilling the Cyrene 1 well and wells in the Acacia province.
- Buru has proven the hydrocarbon potential for this play on its acreage with gas and oil recoveries from the Pictor Field:
 - o Goldwyer source, Nita Formation carbonate reservoir;
 - o Gas and oil recoveries from Nita Formation.

Competent Persons Statement

The technical information quoted has been compiled and/or assessed by Mr John Heugh who is a professional geologist, a continuous Member of the Petroleum Exploration Society of Australia since 2003 and a continuous Member of the American Association of Petroleum Geologists since 1986. Mr Heugh has a BSc (Hons) degree in geology and has over 30 years' experience in the petroleum industry. Mr Heugh has consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

ENDS

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Attachment 1

Details of the Transaction

1. Background

As previously announced, on 3 October 2012, Buru Energy Limited ("Buru") acquired the shares in Gujarat NRE Oil Limited (now Buru Fitzroy Limited ("**Buru Fitzroy**") from Gujarat NRE Mineral Resources Limited ("**Gujarat**"). Buru Fitzroy holds a 90% interest in each of exploration permits EP457 and EP458 ("**Permits**"). Rey Resources Limited ("Rey") holds a 10% interest in the Permits in joint venture with Buru Fitzroy.

Rey, Buru Fitzroy and Mitsubishi Corporation (**MC**) have now reached agreement on a transaction to rationalise the equity in the Permits. Under this agreement, Buru will sell interests in the Permits to Rey and to MC of 15% and 37.5% respectively, on the same terms that it acquired the Buru Fitzroy interest.

2. Key Contractual Terms

On completion of the above transactions, the equity interests in each Permit will be:

Buru	37.5% (operator)
MC	37.5%
Rey	25%

Under the existing Joint Venture Operating Agreement, Rey has a free carry in relation to its 10% interest in the Permits through to the grant of a production licence, with its share of costs then repayable from production. With effect from completion of the above transactions, Buru Fitzroy, Rey and MC will each be proportionately liable to fund Rey's 10% free carry interest. Rey will also be required to pay for its share of expenditure for its remaining 15% interest.

Additionally, the joint venture participants have agreed to enter into a new Joint Operating Agreement in similar form to the existing Buru/Mitsubishi Joint Operating Agreement which applies to other permits in the Canning Superbasin.

Buru, Buru Fitzroy, Rey and Gujarat have also agreed to enter into a deed of termination and release under which the parties agree to terminate the existing joint venture arrangements, with the exception of a provision referring to pre-emptive rights in favour of Gujarat over Rey's 10% interest in the Exploration Permits and certain of Rey's coal tenements, which will continue. The parties also agree to release each other from all claims and liabilities arising under or in connection with the existing joint venture arrangements. Under the deed, Rey will also release Buru and Gujarat from all claims by Rey concerning the previous transaction.

The transactions are due to be completed in April 2013 and are subject to FIRB and other regulatory approvals.

3. Key Commercial Terms

Under the terms of the sale agreement, Rey and Mitsubishi will pay to Buru an equivalent amount to the Buru/Gujarat transaction as follows:

Rey	\$6,016,667
MC	\$15,041,667

For a total consideration paid to Buru of \$21,058,333.