

# ASX ANNOUNCEMENT

28 OCTOBER 2014

## ANNUAL REPORT 2014

Rey Resources provides its Annual Report for the financial year ended 30 June 2014.

On 28 October 2014, the Company released its updated Reserves and Resources Statement for the Duchess Paradise Project based on its review for the year ended 30 June 2014. The Company provides the following additional information on Proved and Probable Reserves, which forms part of the Company's Annual Reserve and Resource Statement commencing on page 9 of the Annual Report, as annexed.

### P1-seam Reserves Estimates for Proposed Duchess Paradise Mine Plan – October 2014 (JORC 2012 Code)<sup>5</sup>

Mining Type	Proved	Probable	Total
<b>Reserves (ROM Tonnes) <sup>1</sup></b>			
Slot Excavation	2,016,000	495,000	2,510,000
Highwall Mining	18,427,000	5,333,000	23,760,000
<b>Total</b>	<b>20,442,000</b>	<b>5,828,000</b>	<b>26,270,000</b>
<b>Marketable Cleaned Tonnes (ar) <sup>2, 3</sup></b>			
Slot Excavation	1,363,000	334,000	1,697,000
Highwall Mining	12,480,000	3,612,000	16,093,000
<b>Total</b>	<b>13,843,000</b>	<b>3,947,000</b>	<b>17,790,000 <sup>4</sup></b>

<sup>1</sup> (ROM) run of mine.

<sup>2</sup> (ar) as received.

<sup>3</sup> Average Mine Recoveries and Yields to generate Marketable Cleaned Coal tonnages is presented in Table 1 on page 9 of the Annual Report. A&B Mylec calculated a 67.3 percent wet yield based on coal quality data from 60 cored holes and seam thickness data from 380 available drill holes, as reported in the A&B Mylec 2011 DFS report (Including 2011 DFS report Addendum). The stated seam thickness data was supplied by Marshall Miller & Associates (now Cardno) for use in the 2011 DFS report Addendum. No further work has been completed by A&B Mylec since the completion of these 2011 works. Marshall Miller & Associates supplemented the thickness database with the available drill holes (385 holes) to derive a weighted average 67.7% wet yield.

<sup>4</sup> An additional 2.7 million marketable cleaned tonnes (ar) derived from inferred resource are included in the mine plan, which totals 20.5 million tonnes (ar).

<sup>5</sup> This additional information forms part of the Annual Reserve and Resource Statement of the Annual Report, as annexed, and is covered by the Competent Person Statement commencing on page 10 of the Annual Report.

For further information please contact:

**Kevin Wilson**

Managing Director +61 8 9211 1999



# ANNUALREPORT2014

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# CORPORATE DIRECTORY

## Directors

Ms Min Yang – Non-executive Chairman

Mr Kevin Wilson – Managing Director

Mr Geoff Baker – Non-executive Director

Mr Dachun Zhang – Non-executive Director

Mr Jin Wei – Non-executive Director

## Company Secretary

Ms Shannon Coates

## Registered Office

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## Solicitors

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## Share Registry

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## Stock Exchange

Australian Securities Exchange (ASX)  
ASX Code: REY

## Website

[www.reyresources.com](http://www.reyresources.com)



# COMPANY PROFILE

Rey Resources Limited ("Rey Resources" or "Rey") is an ASX-listed company (ASX:REY) focused on exploring and developing energy resources in Western Australia's Canning Basin and North Perth Basin.

In May 2014, Rey announced an agreement to farm-in to Exploration Permit ("EP") 437 in the North Perth Basin and to drill a well in the Dunnart Prospect. The Dunnart-2 well was spudded in July and encountered oil in August before being suspended for a future production test.

Rey Resources holds a 25% interest in the two highly prospective Canning Basin petroleum exploration permits (EP457 and EP458) known as the "Fitzroy Blocks". This provides a significant position in the emerging on-shore Canning Basin oil and gas province.

Rey holds coal tenements in the Canning Basin, partly contiguous with the Fitzroy Blocks, and continues to progress the process of approvals for the Duchess Paradise coal project.

In July 2014, Rey announced it had entered a Strategic Cooperation Framework Agreement with China National Fuels Corporation, with the objective of jointly establishing and developing oil and gas opportunities together with associated infrastructure in Western Australia, with an emphasis on the Canning Basin.

Rey has an experienced Board and management team, committed to continuing to develop and increase its energy assets to deliver maximum value to its shareholders.



## CHAIRMAN'S MESSAGE

Dear Fellow Shareholder,

It is my pleasure to deliver Rey Resources' Annual Report for the year ending 30 June 2014, my second as Chairman.

During the past twelve months we have continued the restructuring of Rey, a process that started last year. Our key focus remains our petroleum exploration business and in particular the Canning Basin, where we hold interests in core strategic leases on the recently discovered Ungani Trend. We have also extended our oil and gas exploration business into the North Perth Basin and earned a 43.47% interest in EP437. Exposure to the two basins provides us geographic diversity and operating flexibility but we continue to expect the Canning Basin to be the major driver of the Company's value. Indeed, we expect to extend our portfolio of exploration properties in this highly prospective region.

I am pleased to report we participated in our first exploration well, Dunnart-2 in the North Perth Basin in August 2014. This occurred while activity levels during 2014 in the Canning Basin were more subdued than expected and demonstrates the value of our geographic diversification. The well reported oil shows over a 20 metre interval and has been suspended for production testing.

In the coming year we intend to complete our investigation of Dunnart-2 and look forward to participating in several exploration wells in the Canning Basin. Our petroleum business will continue to gain momentum.

Meanwhile the outlook for the Duchess Paradise coal project remained challenging in an environment of depressed coal prices. A proposed sale of the project did not occur and we continue to manage the project through the approvals processes so as to be prepared for development when feasible.

I would like to thank all shareholders for your support, and welcome those who joined during the year. I would also like to welcome our new strategic partner, China National Fuels Corporation, with whom we will work to unlock the benefits of the Canning Basin for all stakeholders.

I also thank our staff and management team for their work over the past year and I look forward to that continuing over the next twelve months.



*Min Yang*  
Chairman

# BUSINESS PERFORMANCE AND OUTLOOK

## OIL & GAS

### Canning Basin

Equity interests in the Fitzroy Blocks (EP457 and EP458) are:

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

Rey's contribution to expenditure for the Fitzroy Blocks is 16.7% (as 10% of its interest is free-carried to production). The Fitzroy Blocks (comprising a combined area in excess of 10,000 km<sup>2</sup>) are located over parts of the southern flank of the Fitzroy Graben. The Fitzroy Blocks straddle three major trends:

- the Ungani conventional oil trend ("Ungani Trend") - the major focus of the Company;
- the Laurel Basin-Centred Gas Accumulation, conventional and unconventional gas; and
- the Goldwyer oil and gas unconventional shale.

The Ungani Trend includes identified leads and prospects in an area of prospectivity of at least 120 kilometres by 40 kilometres (over one million acres or 4,800km<sup>2</sup>). This extends diagonally, NW-SE, across the Fitzroy Blocks. The conventional dolomite reservoir oil discovery by Buru in 2011 at Ungani (located 15 kilometres northwest of EP457) on the trend running through the Fitzroy Blocks is a significant regional discovery event.





Although 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 Fitzroy Blocks. A wet gas accumulation has been identified immediately east of the Fitzroy Blocks which has the characteristics of a Basin-Centred Gas Accumulation.

The Goldwyer Shale Formation is characterised as a thick, regionally extensive organic rich “Bakken” shale analogue. The play type is regarded as highly prospective and clearly extends across part of the Fitzroy Blocks, although is believed to be at considerable depth.

During late 2013, 234 line kilometres of 2D seismic data was acquired along the Ungani Trend within Fitzroy Blocks and data processing completed in February 2014. Data interpretation provided numerous targets with the majority requiring follow-up prior to drill testing. Further seismic acquisition is underway as at August 2014.

Two wells are expected to be drilled in the Fitzroy Blocks in the next twelve months. In August 2014, the Joint Venture proposed the drilling of Senagi-1 in EP458. This is a shallow (~800 metre) structural target which is up-dip from an historical mineral borehole that encountered a well-developed dolomite with significant oil shows. It is intended that this well is drilled as soon as all permits and approvals are obtained. A further commitment well is required to be drilled in EP457 in 2015.

## **Perth Basin**

On 29 May 2014, Rey announced that it had executed a farm-out agreement with Key Petroleum (Australia) Pty Ltd (“Key”) and Caracal Exploration Pty Ltd to farm-in to EP437 in the North Perth Basin. This permit is located to the north of the large Dongara Field, which has been producing oil and gas since 1971.

As part of the agreement, Rey (via its wholly owned subsidiary Rey Oil and Gas Perth Pty Ltd) is earning 43.47% in EP437 by contributing 86.94% of the costs. This cost has been capped at \$1.7 million for the Dunnart-2 exploration well, which is being managed by Key as operator of the permit. Costs over \$1.7 million will be apportioned to the parties in accordance with their respective permit equity holdings.

After the farm-out of EP437 to Rey, the beneficial interests are as follows:

Rey (Rey Oil and Gas Perth Pty Ltd)	43.47%
Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)	43.47%
Caracal Exploration Pty Limited	13.06%

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 previously drilled Dunnart-1 well with a planned drilling depth of 670 metres. The prospect has a best estimate potential resource of two million barrels<sup>1</sup> of recoverable oil (“MMBL”) in the Early Triassic Bookara Sandstone. The Dunnart-1 well recorded excellent oil shows but was never tested.

The Dunnart-2 well spudded on 13 July 2014 and was completed in late August 2014. Oil shows over a 20 metre interval down into the granite basement were observed during the well site evaluation. Preliminary interpretations from wireline formation data indicate that there is a minimum of five metres of good quality reservoir sand development at the top of the Bookara Sandstone sequence that is thought to be oil bearing. The well was cased and suspended for a future production test.

<sup>1</sup> As reported by Key Petroleum (ASX:KEY) on 15 April, 2014 and Rey on 13 June 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, namely 0.5-1.5MMBL.

It should be noted that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project 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.



The oil and gas technical information quoted in this Annual Report has been compiled and/or assessed by Mr Keith Martens who is a self-employed consulting professional geologist, and 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 report of the matters based on the information in the form and context in which they appear.

## COAL

The proposed Duchess Paradise coal project is a bituminous thermal coal operation of up to 2.5 million tonnes per annum. A Definitive Feasibility Study ("DFS") of the Project was completed in June 2011.

The proposed Project is well advanced in the process of assessment by the Western Australian Environmental Protection Authority ("EPA"). In 2014, the Public Environmental Review ("PER") document was publicly released for information and comment. The result of the EPA assessment is expected to be reported to the Minister for Environment in early 2015 for a decision.

Rey continues to hold a number of other coal tenements in the Canning Basin. Due to depressed prevailing coal prices, only limited exploration was undertaken and the portfolio of acreage was reduced through the year on the basis of prospectivity or access. Key prospective areas have been retained.

# ANNUAL RESERVE AND RESOURCE STATEMENT

The Company reviews and reports its Reserves and Resources at least annually. The date of reporting is post-30 June each year to coincide with the release of this report. If there are any material changes to its Reserves and Resources over the course of the year, the Company is required to promptly report these changes.

In completing the annual review for the year ended 30 June 2014, the historical factors were examined and found to be relevant and current. The Duchess Paradise Project has not commenced active operation and hence no resource depletion has occurred for the review period. The Company has not relinquished any of the ground upon which the Reserves and Resources are based.

The current Reserve and Resource Statement for the Duchess Paradise Project, located in the Canning Basin, Western Australia, is shown in Tables 1 and 2 below.

**Table 1: P1 Seam Reserve Estimate for Duchess Paradise Mine Plan as at October 2014**

Type	Average Mine Recovery (%)	Total Run-of-Mine Coal (ar) <sup>1</sup> (Mt)	Wet Yield based on Expected Total Moisture (%)	Marketable Cleaned Coal (gar) <sup>1</sup> @ 17.3 % Total Moisture (Mt)
Slot Excavation	95	2.5	67.6	1.7
Highwall Mining	51	23.8	67.7	16.1
<b>Total</b>		<b>26.3</b>	<b>67.7<sup>2</sup></b>	<b>17.8<sup>3</sup></b>

<sup>1</sup> gar gross as received; ar as received.

<sup>2</sup> A&B Mylec calculated a 67.3 per cent wet yield based on coal quality data from 60 cored holes and seam thickness data from 380 available drill holes, as reported in the A&B Mylec 2011 DFS report. The stated data was supplied by Marshall Miller & Associates (now Cardno). No further work has been completed by A&B Mylec.

<sup>3</sup> An additional 2.7 million marketable cleaned tonnes (gar) derived from inferred resource are included in the mine plan, which totals 20.5 million marketable cleaned tonnes (gar).

Reserves are included in the following resource statements.

**Table 2: Duchess Paradise P1 Seam JORC Resources Estimate by category as at October 2014**

P1 Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
<b>Totals</b>	<b>60.2</b>	<b>78.5</b>	<b>167.0</b>	<b>305.8</b>

## Material Changes and Reserves and Resources Statement Comparison

Since the 2013 Annual Report Reserve and Resource Statement, Rey has conducted an update of the estimated Duchess Paradise P1 coal seam Resources and Reserves to the JORC Code 2012. The update resulted in no material change between 1 July 2013 and the review report date of 6 October 2014 to the Coal Reserves and Resources Statement as reported in the 2013 Annual Report announced on 25 October 2013.

## **Governance Arrangements and Internal Controls**

The Company has ensured that the Reserves and Resources quoted are subject to good governance arrangements and internal controls. The Reserves and Resources reported have been generated by independent external consultants who are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, Rey management carries out regular reviews of internal processes and external contractors that have been engaged by the Company.

The Reserves and Resources were compiled in accordance with the December 2012 Edition of "The Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves".

## **Coal Reserve and Resource – Competent Persons Statement**

Estimate of P1 resource in the Duchess Paradise area is in accordance with:

- "The Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves" – 2003 Edition prepared by the Coalfields Geology Council of New South Wales and the Queensland Mining Council;
- "The Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves" (effective December 2012) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ("JORC"), and as adopted by the Australian Stock Exchange; and
- ASX Companies Update 03/07 and the JORC paper of June 19th 2007, Guidance for Practitioners.

The resource estimate and discussion presented in this report is based on information supplied by Rey Resources or by companies employed by Rey Resources, as well as information collected during exploration activities under the guidance of Rey Resources. The information has been reviewed by Mr K. Scott Keim, C.P.G., Area Manager, Senior Principal for Cardno, and Mr Ronald H. Mullenex, C.P.G., C.G.W.P., Senior Principal for Cardno.

Mr Keim has over 32 years of experience in coal-related work, including but not limited to coal exploration and coal reserve/resource estimation. He is a member of the Society of Mining, Metallurgy, and Exploration ("SME"), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers ("AIME"). He is also a member of the American Institute of Professional Geologists ("AIPG"), member of the Board of Directors of The Penn State Research Foundation, and on the Advisory Board to the Virginia Center for Coal and Energy Research, affiliated with the Virginia Polytechnic Institute and State University. Mr Keim holds a Bachelor of Science degree from The Pennsylvania State University. His education and experience qualify him as a Competent Person as defined in the December 2012 Edition of the "The Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves".

Mr Mullenex has over 40 years of experience in diverse geologic and hydrogeologic applications related to all aspects of coal geology. One of his specific areas of expertise involves application of stratigraphic and deposystem analysis to coal resource and reserve delineation and mineability determination. Mr Mullenex is a member of the American Institute of Professional Geologists, the Association of Engineering Geologists, the Geological Society of America (Coal Geology and Hydrogeology Divisions), SME of AIME, Association of Ground Water Scientists and Engineers (division of National Ground Water Association), International Mine Water Association, and the American Society of Mining and Reclamation. Mr Mullenex holds both Bachelor of Science and Master of Science degrees in Geology from West Virginia University. He serves on the Visiting Committee for the Department of Geology and Geography at WVU. His education and experience qualify him as a Competent Person as defined in the December 2012 Edition of the "The Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves".

Mr Keim and Mr Mullennex consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Estimate of P1 reserve in the Duchess Paradise area is in accordance with:

- “The Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves” – 2003 Edition prepared by the Coalfields Geology Council of New South Wales and the Queensland Mining Council;
- “The Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves” (effective December 2012) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Geoscientists and Mineral Council of Australia (JORC), and as adopted by the Australian Stock Exchange; and
- ASX Companies Update 03/07 and the JORC paper of June 19th 2007, Guidance for Practitioners.

The Coal Reserve estimate and discussions presented in this report are based on information supplied by Rey Resources or by companies employed by Rey Resources, as well as information collected during exploration activities under the guidance of Rey Resources. The information has been reviewed by Mr Gerard Enigk, B.S.M.E., P.E., Manager of Engineering for Cardno and Mr Peter Christensen, Mining Vice President for Cardno.

Mr Enigk has over 37 years of experience in coal-related work, including but not limited to coal reserve/resource estimation, mine planning and design, mine operations, mineral valuation and appraisals, and geotechnical evaluations. He is a Registered Member of the Society of Mining, Metallurgy, and Exploration (SME), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (AIME). Mr Enigk holds a Bachelor of Science degree in Engineering of Mines from The Pennsylvania State University and a Master’s degree in Environmental Science from the West Virginia Graduate College, and is a Registered Professional Engineer in West Virginia. Mr Enigk has served in the capacity as Manager of Engineering and as a production supervisor for operating coal companies, and has extensive experience with surface and underground mining operations, including the use of highwall mining systems. Mr Enigk is a certified mine foreman in West Virginia. His education and experience qualify him as a Competent Person as defined in the December 2012 Edition of the “The Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves”.

Mr Christenson has over 28 years of experience in underground and surface coal mining including the use of highwall mining systems. He is a member of the Society of Mining, Metallurgy, and Exploration (“SME”), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (“AIME”). He is also a member of the Australasian Institute of Mining and Metallurgy, the Rocky Mountain Coal Mining Institute, the Denver Mining Club, and the Denver Coal Club. Mr Christensen is a certified underground mine foreman in New Mexico. Mr Christensen holds a Bachelor of Engineering degree in Mining Engineering from University of Queensland, Australia. He has broad international mining experience in open cut, underground and highwall coal mining. He has held various senior positions with major mining companies and service providers including roles of engineering manager, operations manager, project manager and statutory responsibility as Site Senior Executive in Queensland, Australia. His experience includes managing feasibility studies, new mine development, mining method and equipment selection, mine planning and cost estimation. He has conducted economic and financial evaluations of mining operations as well as audits and reviews of mining practices, cost structures and operating performance. He has also developed and implemented safety management systems. His education and experience qualify him as a Competent Person as defined in the December 2012 Edition of the “The Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves”.

Mr Enigk and Mr Christensen consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.



### **Coal Quality – Competent Persons Statement**

The coal quality information in this report has been compiled under the supervision and reviewed by Mr Andrew Meyers, who is a Fellow of the Australasian Institute of Mining and Metallurgy (Member since 1993) and Director of A&B Mylec Pty Ltd, metallurgical and coal technology consultants. Andrew Meyers has more than 20 years' experience in coal processing for coal projects and coal mines both in Australia and overseas. With this level of experience, he is adequately qualified as a Competent Person as defined in the December 2012 Edition of "The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Meyers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

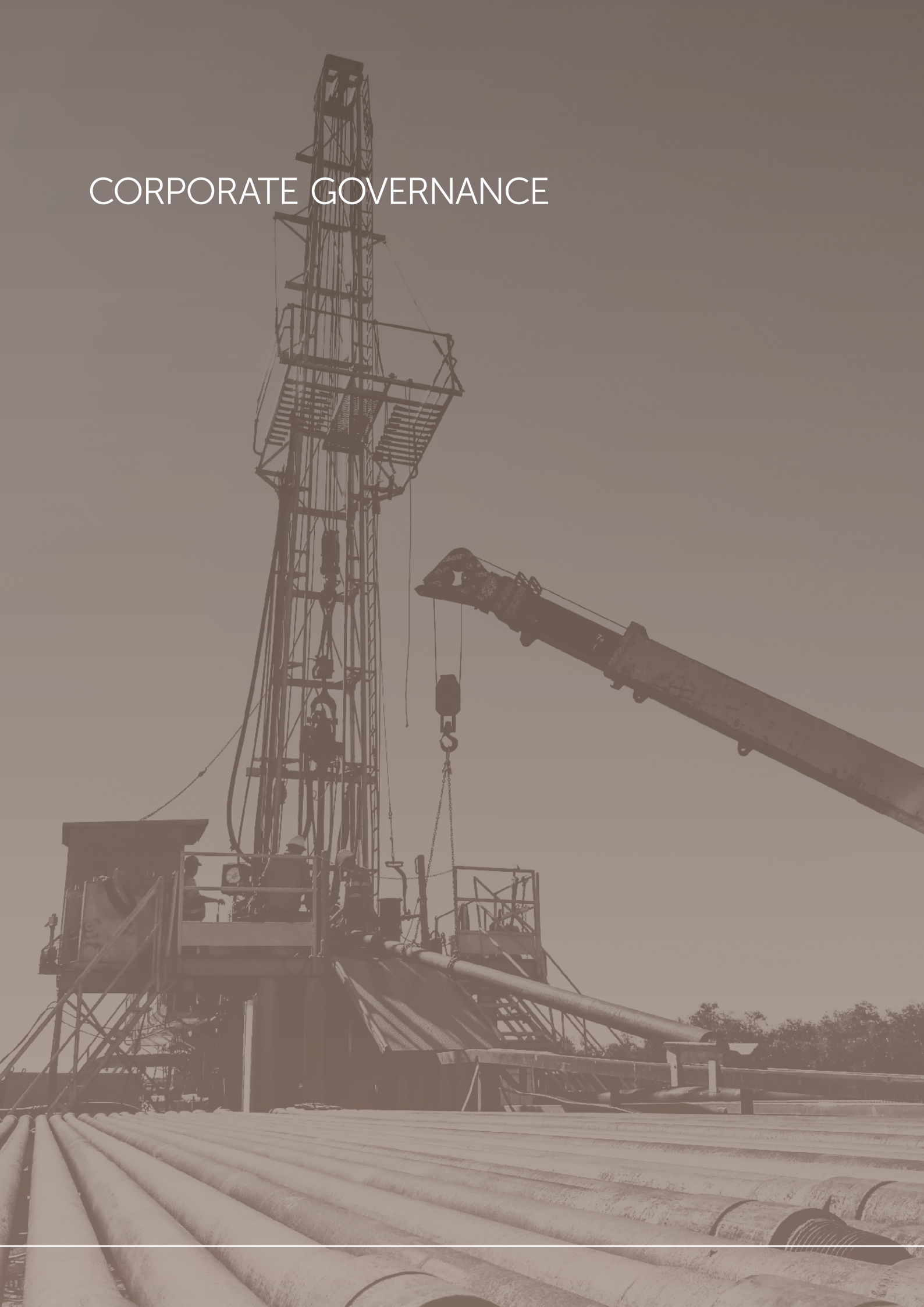
### **Coal Exploration – Competent Persons Statement**

The information in this report that relates to Exploration Results is based on information compiled by Mr Thomas Reddicliffe who is a Fellow of Australasian Institute of Mining and Metallurgy (Member since 2002), and is contracted to provide geological services to Rey Resources. Mr Reddicliffe has sufficient experience to qualify as a Competent Person for the purposes of the December 2012 Edition of "The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Reddicliffe consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### **Competent Persons Statement**

This Annual Reserve and Resource Statement has been approved as a whole by Mr Scott Keim (see details on page 10).

# CORPORATE GOVERNANCE



## STATEMENT ON CORPORATE GOVERNANCE AT REY RESOURCES

This statement reports on Rey Resources' key governance principles, practices and framework as at the date of the 2014 Annual Report. These principles and practices are reviewed annually and revised as appropriate to reflect changes in law and good practice in corporate governance.

## ASX PRINCIPLES OF CORPORATE GOVERNANCE

Rey Resources, as a listed entity, must comply with the Corporations Act 2001 (Cth) ("Corporations Act"), the Australian Securities Exchange ("ASX") Listing Rules ("ASX Listing Rules") and other Australian securities laws.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Corporate Governance Principles and Recommendations ("ASX Principles") released by the ASX Corporate Governance Council. The ASX Principles require the Board to consider the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles. For the 2014 financial year, the Company followed and reports against the Second Edition of the ASX Principles. The Company notes that for the 2015 financial year, the Third Edition of the ASX Principles will be followed and reported against.

## COMPLIANCE WITH ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Details of the Company's compliance during the financial year with the Second Edition ASX Principles are set out below. A checklist, cross referencing the ASX Principles to the relevant section of this Statement and the Remuneration Report, is provided on pages 25 to 27 of this Report and published on the Company's website at [www.reyresources.com](http://www.reyresources.com).

### 1 THE BOARD OF DIRECTORS

#### (a) Board Composition and Expertise

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate.

The current Board comprises four Non-executive Directors, one of whom is independent, and one Executive Director, the Managing Director. The Board has a broad range of qualifications, with combined experience and expertise in the resources, exploration, finance and legal industries. Details on each Director's background including experience, knowledge and skills and their status as an independent or non-independent Director are set out on pages 30 to 33 of this Annual Report.

The Board considers that the Non-executive and Executive Directors collectively bring the range of skills, knowledge and experience necessary to direct the Company.

In assessing the composition of the Board, the Directors have regard to the following policies:

- The Chairman should be a Non-executive Director
- The role of the Chairman and Managing Director should not be filled by the same person
- The Managing Director should be a full-time employee of the Company
- The Board should include a majority of independent Non-executive Directors.

## **(b) Board Role and Responsibilities**

The Board Charter outlines the matters that are reserved for the Board and those that the Board has delegated to management. The central role of the Board is to oversee and approve the Company's strategic direction, to select and appoint a Managing Director, to oversee the Company's management and business activities and report to shareholders.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- Strategy – providing strategic oversight and approving strategic plans and initiatives
- Board performance and composition – evaluating the performance of Non-executive Directors, and determining the size and composition of the Board as well as recommending to shareholders the appointment and removal of Directors
- Leadership selection – evaluating the performance of, and selection of, the Managing Director and those executives reporting directly to the Managing Director
- Corporate responsibility – considering the safety, ethical and environmental impacts of Rey Resources' activities, and setting policy and monitoring compliance with safety and corporate policies and practices
- Financial performance – approving Rey Resources' annual operating plans and budget, monitoring management, financial and operational performance
- Financial reports to shareholders – approving annual and half-year reports and disclosures to the market that contain, or relate to, financial projections, statements as to future financial performance or changes to the policy or strategy of the Company
- Risk management – providing oversight of risk management and setting risk management policy
- Procedures – ensuring that the Board is in a position to exercise its power and to discharge its responsibilities as set out in the Board Charter.

The Board also recognises its responsibilities to Rey Resources' employees, the communities and environments within which Rey Resources operates and, where relevant, other stakeholders.

Responsibility for management of Rey Resources' business activities is delegated to the Managing Director who is accountable to the Board.

The Board Charter is available in the corporate charters section of Rey Resources' website.

## **(c) Director Independence**

The independence of a Director will be assessed by determining whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

Mr Kevin Wilson is not regarded as independent due to his executive responsibilities. Ms Min Yang and Mr Geoff Baker are not regarded as independent as they are also directors of ASF Group Limited, which holds a relevant interest in approximately 19.69% of the Company's issued capital. Mr Jin Wei is not regarded independent as he is a former director and shareholder of Crystal Yield Investments Limited, which holds a relevant interest in approximately 19.9% of the Company's issued capital. Mr Dachun Zhang is regarded as independent.

Notwithstanding that the current composition of the Board does not meet the requirements of ASX Principle 2 as a majority of the Directors are not independent, the Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The Board has formed the view that the individuals on the Board can, and do make quality judgments in the best interests of the Company on all relevant issues.



#### **(d) Chairman**

The Board elects one of the Non-executive Directors to be Chairman. The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function, and for the promotion of relations between Board members and between Board and management that are open, cordial and conducive to productive co-operation.

Non-executive Director, Ms Min Yang, has served as Non-executive Chairman since 28 January 2013. As noted above, Ms Yang is not regarded as independent as she is also a Director of ASF Group Limited. Notwithstanding that Ms Yang is not regarded as independent, the Board considers that the current Chair possesses an appropriate level of expertise for the role and can and does make quality judgments in the best interests of the Company on all relevant issues.

#### **(e) Directors' Retirement and Re-election**

Rey Resources' Constitution states that no Director (other than a Managing Director) may retain office (without election) for more than three years or past the third annual general meeting following the Director's appointment, whichever is the longer.

Any Director appointed to fill a casual vacancy since the date of the previous annual general meeting must submit themselves to shareholders for election at the next annual general meeting. Directors who retire as required may offer themselves for re-election by shareholders. Re-appointment of Directors retiring by rotation or filling a casual vacancy is not automatic.

Mr Wei will seek re-election as a Director in accordance with the Company's Constitution at the Annual General Meeting to be held in November 2014.

#### **(f) Board Succession Planning**

The Board reviews the size and composition of the Board and the mix of existing and desired competencies across members from time to time.

#### **(g) Board Performance Evaluation**

The Board undertakes ongoing self-assessment and review of the performance of the Board and individual Directors at least every two years. The Chairman of the Board is responsible for determining the process for evaluating Board performance.

A formal review of the performance of the Board for the 2014 financial year is expected to take place within 4 months of the end of the financial year.

#### **(h) Nominations and Appointment of New Directors**

Recommendations for nomination of new Directors are considered and approved by the Board as a whole.

#### **(i) Professional Advice**

Directors may, in carrying out their Company-related duties, seek external professional advice. If external professional advice is sought, a Director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required by at least two Board members.

**(j) Conflicts of Interest**

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a Director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a Director, then the Director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, unless the non-conflicted Directors resolve otherwise, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision making process.

**(k) Terms of Appointment, Induction Training and Continuing Education**

All new Directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

An induction is provided to all new Directors. It includes comprehensive meetings with the Managing Director, key executives and management, and information on key corporate and Board policies.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

**(l) Directors' Remuneration**

Details of remuneration paid to Directors are set out in the Remuneration Report.

**(m) Board Meetings**

Regular Board meetings are held for which the Managing Director sets the agenda for each meeting in conjunction with the Chairman and the Company Secretary. Any Director may request additional matters be added to the agenda. Members of Senior Management attend meetings of the Board by invitation and sessions are also held for Non-executive Directors to meet without management present.

**(n) Company Secretary**

The Company appointed Ms Shannon Coates as Company Secretary in January 2012.

Ms Coates is a qualified lawyer and Company Secretary, and member of Chartered Secretaries Australia. Ms Coates is responsible for the secretarial function including providing advice to Directors and Executives on corporate governance and regulatory matters, recording minutes of Directors' and Committee meetings, administering Rey Resources' corporate governance framework and giving effect to the Board's decisions.

All Directors have access to advice from the Company Secretary.

## **2 BOARD COMMITTEES**

### **(a) Board Committees and Membership**

The Board generally has three standing committees to assist in the discharge of its responsibilities. These are the:

- Audit and Risk Committee
- Remuneration and Nomination Committee
- Sustainability Committee.

For the 2014 financial year, given the size of the Board and the stage of the Company's operations, the Board resolved that the duties of each committee would be undertaken by the full Board, in accordance with the existing committee charters. On 2 July 2014, the Board resolved to re-establish the Audit and Risk Committee, with membership as follows:

- Dachun Zhang (Chair)
- Min Yang
- Geoff Baker
- Jin Wei.

The Company recognises Recommendation 2.2 which recommends that the Chairman of the Company be independent. As noted above, the Chairman, Ms Min Yang, represents a substantial shareholder of the Company and, as a result, is not considered independent. However, Ms Yang has been appointed to this position as she has considerable experience as a public company Chairman and is a well-qualified person for this position. The Board believes that Ms Yang is able to and does bring impartial judgment to all relevant issues falling within the scope of the role of Chairman.

### **(b) Board Committee Charters**

The charters of all Board committees, detailing the roles and duties of each are available in the corporate charters section of Rey Resources' website. All Board committee charters are reviewed at least annually.

### **(c) Audit and Risk Committee**

The role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, financial risk management procedures and external audit function. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of Rey Resources.

As noted above, during the 2014 financial year, the full Board undertook the duties of the Audit and Risk Committee as per the existing committee charter. As noted above, on 2 July 2014, the Board resolved to re-establish the Audit and Risk Committee.

**(d) Remuneration and Nomination Committee**

The role of the Remuneration and Nomination Committee is to assist the Board by reviewing and recommending Rey Resources' remuneration policies and practices and the appointment of Non-executive Directors to the Board. The Committee's responsibilities include:

- Assessment of the necessary and desirable competencies of Board members
- Review of Board succession plans
- Review of the Company's remuneration framework, which is used to attract, retain and motivate employees to achieve operational excellence and create value for shareholders
- Review of the remuneration packages and incentive schemes for the Managing Director and Senior Executives to establish rewards, which are fair and responsible, having regard to the Company's strategic goals, individual performance and general remuneration conditions
- Review of the performance and succession planning for the Managing Director.

As noted above, during the 2014 financial year, the full Board undertook the duties of the Remuneration and Nomination Committee as per the existing committee charter.

**(e) Sustainability Committee**

The role of the Sustainability Committee is to assist the Board in the effective discharge of its responsibilities in relation to health, safety, environmental and community ("HSEC") issues for Rey Resources, and the oversight of risks relating to these issues. The Committee's responsibilities include to:

- Understand the risks of HSEC issues involving Rey Resources' activities
- Ensure that the systems and processes for identifying, assessing and managing HSEC risks of Rey Resources are adequately monitored
- Regularly review and ensure compliance with the HSEC strategies and policies of Rey Resources' and the supporting Management systems and processes
- Monitor developments in relevant HSEC related legislation and regulations and monitor Rey Resources' compliance with relevant legislation, including through audits.

As noted above, during the 2014 financial year, the full Board undertook the duties of the Sustainability Committee as per the existing committee charter.

**(f) Board and Committee Meetings during Financial Year 2014**

Refer to page 32 of the Directors' Report for details of meetings held and attended during the 2014 financial year.



### 3 EXTERNAL AUDITOR RELATIONSHIP AND INDEPENDENCE

#### (a) Approach to Audit and Governance

The Board is committed to the basic principles that:

- Rey Resources' financial reports represent a true and fair view
- Rey Resources' accounting practices are comprehensive, relevant and comply with applicable accounting standards and policies
- The external auditor is independent and serves shareholders' interests.

#### (b) External Auditor Relationship

Rey Resources' independent external auditor is KPMG.

The Board requires the rotation of the audit partner at least every five years and prohibits the re-involvement of a previous audit partner in the audit service for two years following their rotation.

The full Board oversees the terms of engagement of Rey Resources' external auditor, including provisions directed at maintaining the independence of the external auditor and in assessing whether the provision of any proposed non-audit services by the external auditor is appropriate.

### 4 RISK MANAGEMENT AND INTERNAL CONTROL

#### (a) Approach to Risk Management

The Board and Senior Executives are responsible for overseeing the implementation of the Company's Risk Oversight Policy.

The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks embedded in its business and management systems.

#### (b) Risk Management Roles and Responsibilities

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- The Board receives regular updates on key risks associated with the development of the Company's projects
- The implementation of Board-approved annual operating budgets and plans which are continually monitored against the actual cost and progress
- Ensuring the Executive Management team is responsible for developing policies, processes and procedures to identify risks and mitigation strategies in Rey Resources' activities.

The Company's Risk Oversight Policy is available on the corporate policies section of Rey Resources' website.

**(c) Managing Director and Financial Controller Assurance on Corporate Reporting**

The Board receives monthly management reports on the financial condition and operational results of Rey Resources.

The Managing Director and Financial Controller provide, at the end of each financial reporting period, a formal statement confirming that the Company's financial reports present a true and fair view, in all material respects, and the Group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement also confirms the integrity of the Company's financial statements and notes to the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that Rey Resources' risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

**5 PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR****(a) Workplace Health and Safety**

The Board recognises the importance of maintaining the highest practicable standards of Workplace Health and Safety in the conduct of Rey Resources' business operations, and is committed to providing a safe and secure working environment for its employees, contractors, visitors and host communities. A Sustainability Committee was established to assist the Board in the effective discharge of its responsibilities in relation to safety, health, environment and community issues and the risks relating to these issues. The committee charter was approved by the Board in July 2012.

As noted above, during the 2014 financial year, the full Board has undertaken the duties of the Sustainability Committee as per the existing committee charter.

The 2014 Health and Safety objectives are focused on creating a healthy work environment, keeping our people safe and ensuring our compliance. Health, Safety and Environment Management reporting ensures that the Board has oversight of Rey Resources' performance in this area.

**(b) Environment**

Rey Resources conducts its business in an environmentally responsible and sustainable manner, in addition to complying with the applicable environmental regulation for its exploration and development activities.

The Board has developed an Environment Policy that identifies the required standard of environmental care and to ensure that the Company complies with environmental legislation.

### **(c) Code of Conduct**

The Board has approved a Code of Conduct that applies to Directors, management and staff which describes the standards of ethical behaviour that Directors and employees are required to maintain.

Compliance with the Code of Conduct will also assist Rey Resources in effectively managing its operating risks and meeting its legal and compliance obligations.

A copy of the Code of Conduct is available in the corporate policies section of Rey Resources' website.

### **(d) Ethical Behaviour**

With the relatively small employee base at this stage of the Company's development, management is charged with the responsibility of ensuring all employees are committed to maintaining an open working environment in which employees are able to report instances of unsafe work practices, unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

### **(e) Securities Trading Policy**

Rey Resources' Securities Trading Policy is binding on all Directors and employees. This policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for or who are associated with Rey Resources, and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

The policy stipulates that the only appropriate time for a Director or employee to deal in the Company's securities is when he or she is not in possession of 'price sensitive information' that is not generally available to the share market. A Director wishing to deal in the Company's securities may only do so after first having received approval from the Chairman. All staff wishing to deal must obtain approval from the Managing Director. Confirmation of any dealing must also be given by the Director or employee to the Company Secretary within two business days after the dealing.

Trading in the Company's securities is also subject to specified blackout periods, which are set out in the Company's Securities Trading Policy or as otherwise determined by the Board from time to time.

The Company prohibits directors and employees from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

A copy of the Company's Securities Trading Policy is available in the corporate policies section of Rey Resources' website.

## 6 SHAREHOLDERS AND CORPORATE RESPONSIBILITY

Rey Resources aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from its activities.

In practice, this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers, and positive links into the community.

Sustainable and responsible business practices within Rey Resources are viewed as an important long-term driver of performance and shareholder value. Through such practices, Rey Resources seeks to reduce operational and reputational risk and enhance operational efficiency while contributing to a more sustainable society.

### (a) Continuous Disclosure

Rey Resources is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

Rey Resources' Continuous Disclosure Policy reinforces Rey Resources' commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Rey Resources' guiding principles for market communications.

A copy of the Continuous Disclosure Policy is available in the corporate policies section of Rey Resources' website.

### (b) Shareholder Communications and Participation

Rey Resources is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so that they can make informed decisions and has adopted a Shareholder Communications Policy. Similarly, prospective investors are entitled to be able to make informed investment decisions when considering the purchase of shares in Rey Resources.

A range of communication approaches are employed including direct communications with shareholders and presentations to shareholders at the Company's AGM. Publication of all relevant Company information, including the Company's annual report, can be found in the 'Investor Centre' section of Rey Resources' website at [www.reyresources.com](http://www.reyresources.com)

Rey Resources communicates effectively with its shareholders, giving them timely access to balanced and understandable information about Rey Resources and encouraging shareholder participation at shareholder meetings. The way it does this includes:

- Ensuring that financial reports are prepared in accordance with applicable laws
- Ensuring the disclosure of full and timely information about Rey Resources' activities in accordance with the general and continuous disclosure principles of the ASX Listing Rules and the Corporations Act 2001. This includes reporting on a quarterly basis the activities and prospects of the Company
- The Chairman and Managing Director reporting to shareholders at the Company's Annual General Meeting
- Placing all market announcements (including quarterly reports and financial reports) on Rey Resources' website as soon as practicable following release
- Ensuring that reports, notices of meetings and other shareholder communications are prepared in a clear and concise manner

The Company has adopted a Shareholder Communications Policy which is available in the 'Corporate Policies' section of the Rey Resources' website.

## 7 DIVERSITY

The Company is committed to developing a diverse workforce and providing a work environment in which all employees are treated fairly and with respect. To this end, the Company has in place an Employee Policy which details its commitment to being an equal opportunity employer. The Board has also adopted a Diversity Policy in accordance with ASX Principle 3. The Diversity Policy outlines the Company's commitment to fostering a corporate culture that embraces diversity and recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. A copy of the Diversity Policy is available in the 'Corporate Policies' section of the Rey Resources' website.

Given the small size of the Company and its current stage of operations, the Board has opted not to establish measurable objectives for achieving gender diversity and as a result has not assessed such objectives or the Company's progress towards achieving them. However the Board is pleased to report that in addition to having one female Director, (Ms Min Yang as Chairman), the Company has a number of women who undertake work on a salaried, contracted or casual basis including a Financial Controller, Accounts Payable and Company Secretary.

To provide an accurate reflection of the proportion of women across the whole organisation, the Company has opted to include contractors as well as casual and part-time employees in the below percentages, which show the proportion of women in the organisation as at the date of this Annual Report:

Rey Resources' diversity profile	
Board:	20%
Senior Executives:	0%
Employees/Contractors	67%



# ASX CORPORATE GOVERNANCE COMPLIANCE STATEMENT

All References are to the Company's ASX Principles Compliance Statement, Directors' Report and Remuneration Report, which are set out in the Company's 2014 Annual Report.

Principle	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Second Edition)	Reference	Compliance
<b>1</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	1b	Compliant
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Remuneration Report	Compliant
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1b, Remuneration Report	Compliant
<b>2</b>	<b>Structure the Board to add value</b>		
2.1	A majority of the Board should be independent directors.	1c, 1d	Non-compliant
2.2	The chair should be an independent director.	1c	Non-compliant
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1a	Compliant
2.4	The Board should establish a nomination committee.	1h, 2a, 2c	Non-compliant
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1g, 2a	Compliant
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1a, 1g 1i, 2a Directors' Report	Compliant
<b>3</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>– the practices necessary to maintain confidence in the Company's integrity; and</li> <li>– the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>– the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	5c, 5d	Compliant
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	7	Compliant
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	7	Non-compliant
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	7	Compliant
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	7	Partially Compliant

Principle	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Second Edition)	Reference	Compliance
<b>4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	2c	Non-compliant until 2 July 2014
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>– consists only of non-executive directors;</li> <li>– consists of a majority of independent directors;</li> <li>– is chaired by an independent chair, who is not chair of the Board;</li> <li>– and has at least three members.</li> </ul>	2a, 2b	Non-compliant
4.3	The audit committee should have a formal charter.	2b	Compliant
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	2a, 3b Directors' Report	Compliant
<b>5</b>	<b>Make timely and balanced disclosure</b>		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	6a	Compliant
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	6a	Compliant
<b>6</b>	<b>Respect the rights of shareholders</b>		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	6b	Compliant
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	6b	Compliant
<b>7</b>	<b>Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	2b, 4a, 4b	Compliant
7.2	The Board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	4b	Compliant
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	4c	Compliant
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	4b,4c, Directors' Report	Compliant

Principle	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Second Edition)	Reference	Compliance
<b>8</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The board should establish a remuneration committee.	2a, 2c, Remuneration Report	Non-compliant
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>– consists of a majority of independent directors</li> <li>– is chaired by an independent chair</li> <li>– has at least three members</li> </ul>	2c	Non-compliant
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration Report	Compliant
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	2a, 5e Directors' Report, Remuneration Report	Compliant

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# DIRECTORS' REPORT

The Directors of Rey Resources Limited ("Rey", "Rey Resources" or "the Company") present their report together with the consolidated financial statements of the Company and its controlled entities ("the Group") for the financial year ended 30 June 2014.

## 1 DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Ms Min Yang – Non-executive Chairman

Mr Kevin Wilson – Managing Director

Mr Geoff Baker – Non-executive Director

Mr Dachun Zhang – Non-executive Director – Appointed 1 July 2013

Mr Jin Wei – Non-Executive Director – Appointed 2 December 2013

Unless otherwise stated, Directors were in office from the start of the financial year to the date of this report.

Details of Directors' qualifications, experience, special responsibilities and details of directorships of other listed companies can be found on pages 30 to 31.



## 2 INFORMATION ON DIRECTORS AND OFFICERS

Directors	Designation and independence status	Experience, expertise and qualifications	Directorships of other ASX listed companies during the last three years	Special responsibilities during the year
<b>Current</b>				
<b>Min Yang</b> Appointed on 13 September 2012	Chairman Non-executive	Min Yang has extensive business connections in the Asia Pacific region, especially greater China, and has over twenty years of hands-on experience dealing with both private and state-run businesses in China. Over the years, Min Yang has proven her unique business insight and expertise in the identification, incubation and realisation of embryonic opportunities in the resources, commodities trading & residential estate and financial investment sectors.	<ul style="list-style-type: none"> <li>ASF Group Ltd (September 2005, ongoing)</li> <li>ActiveEX Limited (May 2012, ongoing)</li> <li>Key Petroleum Limited (January 2014, ongoing)</li> <li>Metaliko Resources Limited (August 2014, ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Non-executive Chairman</li> </ul>
<b>Kevin Wilson</b> Appointed on 9 August 2007	Managing Director Executive	<p>Qualifications - BSc (Hons), ARSM, MBA</p> <p>Mr Wilson has over 30 years' experience in the minerals and finance industries.</p> <p>He was the Managing Director of Leviathan Resources Limited, a Victorian gold mining company, from its IPO in 2005 through to its sale in 2006. His experience includes eight years as a geologist with the Anglo American Group in Africa and North America and 14 years as a stockbroking analyst and investment banker with CS First Boston and Merrill Lynch in Australia and New York.</p>	<ul style="list-style-type: none"> <li>Navarre Minerals (March 2011, ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Managing Director</li> </ul>
<b>Geoff Baker</b> Appointed on 13 September 2012	Director Non-executive	<p>Qualifications - BCom, LLB, MBA</p> <p>For the past 35 years Geoff has been active in Asia and China working in law and conducting an advisory practice in assisting companies doing business in the region. As an experienced lawyer qualified to practice in Australia and Hong Kong, Geoff provides valuable assistance to international operations and in particular to the negotiation, structuring and implementation of joint venture and commercial agreements.</p>	<ul style="list-style-type: none"> <li>ASF Group Ltd (November 2006, ongoing)</li> <li>ActiveEX Limited (February 2013, ongoing)</li> <li>Key Petroleum Limited (alternate to Min Yang) (January 2014, ongoing)</li> <li>Metaliko Resources Limited (August 2014, ongoing)</li> </ul>	

Directors	Designation and independence status	Experience, expertise and qualifications	Directorships of other ASX listed companies during the last three years	Special responsibilities during the year
<b>Dachun Zhang</b> Appointed on 1 July 2013	Director Non-executive Independent	<p>Mr Zhang has a Bachelor's Degree from Poznan University, Poland and a Master's Degree from the University of Wales, UK and was conferred the qualification of Senior Economist in Shipping Management by the Ministry of Communications of China.</p> <p>Mr Zhang was most recently Executive Director and President of China Merchants Group, as well as the Chairman of Merchants International Co. Ltd (a listed Hong Kong company). Previously his career was with COSCO (a Chinese company and one of the world's largest shipping groups) where he held the positions of Executive Vice-Chairman and President of COSCO (Hong Kong) Group Ltd, as well as Vice-Chairman of two Hong Kong listed companies: COSCO Pacific Co. Ltd and COSCO International Holdings Co. Ltd.</p> <p>Mr Zhang, a resident of Victoria, Australia brings extensive international experience and Chinese business relationships to the board of Rey.</p>		
<b>Jin Wei</b> Appointed on 2 December 2013	Director Non-executive	<p>Jin Wei holds PhD in Science in China University of Geosciences. He has over 20 years' professional experience covering exploration, mineral industry construction and operation, as well as mineral resources products international trading activities in Australia, China, Russia and Mongolia.</p>		

### 3 COMPANY SECRETARY

Ms Shannon Coates was appointed to the position of Company Secretary on 11 January 2012. Ms Coates holds a Bachelor of Laws from Murdoch University and has over 18 years' experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as company secretary to several ASX and AIM listed companies and unlisted companies, the majority of which operate in the mineral resources industry, both in Australia and internationally. Ms Coates is General Manager Corporate to Perth based corporate advisory firm Evolution Corporate Services Pty Ltd, which specialises in the provision of corporate services to ASX, JSE and AIM listed companies.

### 4 DIRECTORS' ATTENDANCE AT MEETINGS

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board	
	A	B
Min Yang	6	6
Kevin Wilson	6	6
Geoff Baker	6	6
Dachun Zhang	6	6
Jin Wei <sup>1</sup>	2	2

**A** Number of meetings attended.

**B** Number of meetings held during the time the Director held office.

<sup>1</sup> Appointed 2 December 2013.

## 5 DIRECTORS' INTERESTS IN SECURITIES IN REY RESOURCES LIMITED

The relevant interest of each Director in the ordinary shares of Rey Resources Limited at the date of this report is set out as below:

	Ordinary shares	Options over ordinary shares	Performance rights
Min Yang	Nil	Nil	Nil
Kevin Wilson	4,485,006	Nil	3,411,961 <sup>1</sup>
Geoff Baker	Nil	Nil	Nil
Dachun Zhang	2,415,300	Nil	Nil
Jin Wei	200,000 <sup>2</sup>	Nil	Nil

<sup>1</sup> 985,294 Performance Rights subject to the Company's absolute total shareholder return over the measurement period 1 July 2011 to 30 June 2014 with a re-test date at 30 June 2015. 2,426,667 Performance Rights subject to the Company's absolute total shareholder return over the measurement period 1 July 2012 to 30 June 2015.

<sup>2</sup> On 18 August 2014, Jin Wei advised he had ceased holding an indirect interest in 125,571,429 Rey Shares, previously held as a result of being a shareholder and director of Crystal Yield Investments Ltd (which holds 70,571,429 Rey ordinary shares) and of Ricky Holdings Ltd (which holds 55,000,000 Rey ordinary shares).

## 6 REMUNERATION REPORT – AUDITED

This Remuneration Report outlines the Director and Executive remuneration arrangements for Rey Resources Limited in accordance with the requirements of the Corporations Act 2001 and its Regulations. The information in the report has been audited as required by Section 308(3C) of the Act.

### 6.1 Principles of compensation

For the purpose of this report key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The officers listed under KMP below are included in the report. The report will provide an explanation of Rey Resources' remuneration policy and structure, details of remuneration paid to KMP (including Directors), an analysis of the relationship between company performance and executive remuneration payments, details of share-based payments, key terms of executive employment contracts and details of independent external advice received in relation to KMP remuneration.

## 2014 Key Management Personnel

The KMP of Rey Resources Limited during the year ended 30 June 2014 were:

### *Non Executive*

Min Yang	Non-executive Chairman (appointed 13 September 2012)
Geoff Baker	Non-executive Director (appointed 13 September 2012)
Dachun Zhang	Non-executive Director (appointed 1 July 2013)
Jin Wei	Non-executive Director (appointed 2 December 2013)

### *Executive*

Kevin Wilson	Managing Director (appointed 9 August 2007)
Ian Pound	General Manager

## Remuneration policy

The successful performance of the Company is dependent on the quality and performance of Directors and Executives, so the focus of the remuneration policy is to attract, retain and motivate highly competent people to these roles.

Four broad principles govern the remuneration strategy of the Company:

- 1 To set demanding levels of performance for senior management and to align their remuneration with the achievement of clearly defined targets.
- 2 To provide market competitive remuneration and conditions in the current market for high quality Directors and Executives, particularly in Western Australia.
- 3 To align remuneration with the creation of shareholder value and the achievement of company strategy, objectives and performance.
- 4 To be able to differentiate reward based on performance, in particular acknowledging the contribution of outstanding performers.

The Company seeks to provide fixed remuneration at the median level of the markets in which it competes for talent, and to provide the opportunity for a higher than median level of variable reward for those individuals who make an outstanding contribution to the success of the business.

The Board is responsible for matters relating to the remuneration of the Directors, senior executives and employees of the Company, including making recommendations in relation to the remuneration framework of the Company and the fees and remuneration paid to Directors and executives.

The Board seeks independent remuneration advice from time to time, and refers to relevant market survey data for the purposes of external comparison. Further details have been included in section 6.4.

### *Hedging policy*

The Company's Securities Trading Policy prohibits all Directors and employees from entering into arrangements to protect the value of unvested Long-term Incentive ("LTI") awards. The prohibition includes entering into contracts to hedge their exposure to unvested share rights and options awarded as part of their remuneration package.



## **Executive remuneration components**

Executive remuneration is structured so that it supports the key remuneration principles outlined above, and is intended to motivate Executives towards achievement of the annual objectives and longer term success of the Company. A Total Fixed Remuneration ("TFR") is paid which considers external market comparisons and individual performance. Performance linked compensation is available through the short-term and long-term incentive plans outlined below.

### *Fixed remuneration*

Executives receive an annualised TFR from which they must have deducted statutory superannuation. They may elect to salary sacrifice further superannuation contributions and other benefits such as a motor vehicle. Accommodation assistance and medical insurance may be provided for employees from overseas or interstate where it is necessary to be able to attract key talent. A review of TFR is undertaken each year and reflects market movements and individual performance.

### *Short-term incentive*

The objective of the short term incentive ("STI") plan is to align the achievement of the Company's annual targets with the performance of those executives who have key responsibility for achieving those targets. The only participant in the plan is currently the Managing Director.

### *Long-term incentive*

Executives are eligible to participate in the Rey Resources Limited Executive Incentive Rights Plan ("2011 EIRP"), which replaced the 2010 Executive Incentive Rights Plan ("2010 EIRP") and was approved at the 2011 Annual General Meeting. The EIRP aligns the reward of the participants with the long term creation of shareholder value. The Managing Director and the General Manager are eligible to participate in the plan.

Both the 2011 EIRP and 2010 EIRP enable participants to be granted rights to acquire shares subject to the satisfaction of certain conditions including progression of Rey project milestones and Total Shareholder Return ("TSR"). Subject to adjustments for any bonus issues of shares and capital reorganisations, one share will be issued on the exercise of each right which vests or becomes exercisable. No amount is payable by employees in respect of the grant or exercise of rights.

The EIRP forms an important component of the total remuneration of the Managing Director. The number of rights provided are based on 50% of TFR. The allocated rights are then subject to a three year vesting period which requires achievement of a compound annual growth in Total Shareholder Return hurdle for the vesting period, and where relevant achievement of additional performance conditions. The proportion to vest increases from 25% at a 10% compound annual growth rate, to 100% for achieving greater than 20% compound annual growth. The vesting condition may be retested one year after the three year vesting period.

## **Relationship between Company performance and remuneration**

The objective of the Company's remuneration structure is to reward and incentivise the Executives so as to ensure alignment with the interests of the shareholders. The remuneration structure also seeks to reward Executives for their contribution in a manner that is appropriate for a company at this stage of its development. As outlined elsewhere in this Report, the remuneration structure incorporates fixed, annual at risk and long-term incentive components.

For shareholders, the key measure of value is TSR. Other than general market conditions, the key drivers of value for the Company and a summary of performance are provided in the table following.

At this stage in the development of the Company, successful execution of the above drivers is the mechanism through which shareholder wealth will be created.

The only relevant financial measure at this point is the Rey share price for which the history is presented below. Absolute TSR performance is the basis for long term incentive awards under the EIRP.

	2014	2013	2012	2011	2010	2009
Rey Closing Share Price 30 June	\$0.105	\$0.052	\$0.075	\$0.199	\$0.120	\$0.130

### Non-executive Director fees

The policy on Non-executive Director (“NED”) fees is to apply a remuneration framework in order to attract and retain highly capable NEDs and also in accordance with governance best practice. A fixed annual fee is paid in cash.

An aggregate fee limit for NED fees of \$400,000 was approved at the 2010 Annual General Meeting and no change is currently proposed.

NED fees comprise a fixed annual fee, with no participation in any performance rights plan.

The annual fee payable to each NED are as follows: Ms Yang \$96,000 per annum; Mr Baker \$120,000 per annum; Mr Zhang \$50,000 per annum; Mr Wei \$60,000 per annum.

### 6.2 Directors’ and executive officers’ remuneration

The table below sets out the remuneration of the Group’s KMP for the years ended 30 June 13 and 30 June 14.

Name	Short-term benefits			Post-employment benefits	Share based payments	Termination benefits	Total	Percentage shares related	Percentage performance related
	Cash salary/fees	Annual incentive	Non-monetary	Super-annuation benefits	Rights/options	Termination payments			
	\$	\$	\$	\$	\$	\$	\$	%	%
<b>DIRECTORS</b>									
<b>M Yang – Non-executive Chairman – Appointed 13 September 2012</b>									
2014	96,000	–	–	–	–	–	96,000	–	–
2013	80,000 <sup>4</sup>	–	–	–	–	–	80,000	–	–
<b>K Wilson – Managing Director</b>									
2014	333,181	–	–	30,819	56,351	–	420,351	(13)	–
2013	333,945	–	–	30,055	97,189	–	461,189	21	–
<b>G Baker – Non-executive Director – Appointed 13 September 2012</b>									
2014	120,000	–	–	–	–	–	120,000	–	–
2013	60,000	–	–	–	–	–	60,000	–	–

Name	Short-term benefits			Post-employment benefits	Share based payments	Termination benefits	Total	Percentage shares related	Percentage performance related
	Cash salary/fees	Annual incentive	Non-monetary	Super-annuation benefits	Rights/options	Termination payments			
	\$	\$	\$	\$	\$	\$	\$	%	%
<b>D Zhang – Non-executive Director – appointed 1 July 2013</b>									
2014	50,000	–	–	–	–	–	50,000	–	–
2013	0	–	–	–	–	–	0	–	–
<b>J Wei – Non-executive Director – Appointed 2 December 2013<sup>1</sup></b>									
2014	35,000	–	–	–	–	–	35,000	–	–
2013	0	–	–	–	–	–	0	–	–
<b>C Lenegan – Chairman – Resigned 22 November 2012</b>									
2014	–	–	–	–	–	–	–	–	–
2013	43,614	–	–	3,925	(20,555)	0	26,984	(76)	–
<b>M Arnason – Executive Director – Resigned 28 November 2012<sup>2</sup></b>									
2014	–	–	–	–	(280,384)	0	(280,384)	(100)	–
2013	159,664	–	–	12,663	75,839	280,000	528,166	14	–
<b>R Beevor – Non-executive Director – Resigned 28 November 2012</b>									
2014	–	–	–	–	–	–	–	–	–
2013	32,500	–	–	–	(13,589)	–	18,911	(72)	–
<b>B Clark – Non-executive Director – Resigned 28 November 2012</b>									
2014	–	–	–	–	–	–	–	–	–
2013	23,208	–	–	2,089	–	–	25,297	–	–
<b>L Graefe – Non-executive Director – Resigned 22 November 2012</b>									
2014	–	–	–	–	–	–	–	–	–
2013	18,172	–	–	1,634	–	–	19,806	–	–
<b>EXECUTIVES</b>									
<b>I Pound – General Manager<sup>3</sup></b>									
2014	281,000	–	–	25,900	(50,659)	–	256,241	(20)	–
2013	78,279	–	–	7,045	5,136	–	90,460	6	–
<b>TOTAL</b>									
2014	915,181	–	–	56,719	(274,693)	–	697,208	(40)	–
2013	829,382	–	–	57,411	144,020	280,000	1,310,813	11	–

<sup>1</sup> On 2 December 2013, Mr Jin Wei was appointed as a Non-executive Director.

<sup>2</sup> On 28 November 2012, Ms Maree Arnason resigned as a Director of Rey Resources Limited and ceased as an executive of the Company. Ms Arnason was paid \$280,000 in accordance with the redundancy terms of her contract.

<sup>3</sup> Mr Pound became a KMP on 20 March 2013.

<sup>4</sup> Restated as prior period presentation didn't cover the entire period as a director.

### 6.3 Equity instruments

**6.3.1** No options or rights were granted during this financial year. The rights previously granted were provided at no cost to the recipients. The rights are issued as performance rights, which are conditional on the Company achieving certain performance hurdles.

**6.3.2** The valuation assumptions and methodology for the Share base payments (rights) are set out in note 21 to the accounts.

#### 6.3.3 Rights over equity instruments granted as compensation

Details on rights over ordinary shares in the Company that were granted as compensation to the KMP during the reporting period and details on those rights that also vested during the reporting period are as follows:

	Number of rights granted during FY 2013 <sup>1</sup>	Investing condition	Grant date	Fair value per share at grant date	Expiry date	Review Period
K Wilson	985,294	TSR	22 Nov 2012	\$0.033	30 June 2014	30 June 2015
	2,426,667	TSR	22 Nov 2012	\$0.043	30 June 2015	30 June 2016

<sup>1</sup> As approved at 2012 Annual General Meeting

### 6.3.4 Options and rights over equity instruments granted as compensation

Details of the vesting profiles of the options and rights granted as remuneration to the KMP are detailed below.

Name	Number	Grant date	% vested in year	% forfeited/ lapsed in financial year 2013	% forfeited/ lapsed in financial year 2014	Financial year in which grant vests
<b>Share rights</b>						
C Lenegan	400,000	23.11.2012	0%	100%	0%	–
R Beevor	150,000	29.11.2010	0%	100%	0%	–
K Wilson	800,000	29.11.2010	0%	0%	100%	Lapsed 30 June 2014
K Wilson	985,294	22.11.2012	0%	0%	0%	Review in 2015
K Wilson	2,426,667	22.11.2012	0%	0%	0%	Review in 2016
M Arnason	1,500,000	23.11.2012	0%	0%	100%	Lapsed 30 June 2014
M Arnason	1,500,000	23.11.2012	0%	0%	0%	Review in 2015
I Pound	149,000	11.05.2011	100%	0%	0%	Issued 30 June 2013
I Pound	298,000	11.05.2011	0%	0%	100%	Lapsed 30 June 2014
<b>Options</b>						
K Wilson	1,000,000	24.06.2008	0%	100%	0%	2013
	1,000,000	24.06.2008	0%	0%	100%	2014
	500,000	26.11.2008	0%	100%	0%	2013
	500,000	26.11.2008	0%	0%	100%	2014

### 6.3.5 Movements in share rights

The movement during the reporting period of share rights over ordinary shares in the Company held by the KMP is detailed below.

Name	Granted in year \$	Value of options/rights exercised in year \$	Lapsed in year <sup>1</sup> \$
<b>Share rights</b>			
K Wilson	–	–	84,000
I Pound	–	–	31,290
M Arnason	–	–	157,500

<sup>1</sup> The value of the share rights and options lapsed in year is estimate based on the share spot price at the date of lapse.

The above share rights lapsed as the vesting conditions were not met.

The movement during the reporting period, by number of rights and options over ordinary shares in the Company held by the KMP is detailed below.

Name	Held at 1 July 2013	Other Change <sup>1</sup>	Held at 30 June 2014	Vested during year
<b>Share rights</b>				
K Wilson	800,000	(800,000)	–	–
K Wilson	985,294	–	985,294	–
K Wilson	2,426,667	–	2,426,667	–
M Arnason	1,500,000	(1,500,000)	–	–
M Arnason	1,500,000	–	1,500,000	–
I Pound	149,000	–	149,000	–
I Pound	298,000	(298,000)	–	–
<b>Options</b>				
K Wilson	1,000,000	(1,000,000)	–	–
	500,000	(500,000)	–	–

<sup>1</sup> Other Changes represent rights and options that expired or forfeited during the year.



## 6.4 Key employment contracts

The table below summarises the key contractual provisions of the executive KMP.

Name and Position	Contract Term	Termination by Company <sup>1</sup>	Termination by Executive
Kevin Wilson Managing Director	Ongoing	6 months' notice or payment in lieu.  Pro-rata Annual Incentive is paid.  Unvested Long-term Incentive vests.	6 months' notice or payment in lieu.  If terminate within 6 months of a Fundamental Change receives 6 months TFR at termination date. <sup>2</sup>  Board discretion to pay pro-rata Annual Incentive and unvested Long-term Incentive.
Ian Pound General Manager	Ongoing	3 months' notice or payment in lieu.	1 month notice or payment in lieu.

<sup>1</sup> All Executives may be terminated immediately for serious misconduct, with payment of TFR and accrued leave up until the termination date.

<sup>2</sup> A Fundamental Change occurs if the Company's shares are suspended from trading, the Company is delisted, or Mr Wilson is required to undertake a materially different role.

Non-executive Directors are engaged by a letter of appointment for a term as stated in the Constitution of the Company. They are able to resign from office with reasonable notice to the Chairman. Non-executive Directors receive annual fees. There are no post-employment benefits other than statutory superannuation.

## 6.5 Remuneration Consultant

The Board may seek advice on remuneration matters for the KMP and Non-executive Directors from independent external advisors. Such advisors are appointed and directly engaged by the Chairman.

During the 2012-2013 year, the Board engaged CRHR, a strategic human resources advisory business, to provide advice on the remuneration and superannuation. Under this engagement CRHR provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid \$20,300 for these services. No external advisors were engaged on remuneration matters for the 2013-2014 year.

The Board is satisfied that the remuneration recommendations were made free from any undue influence by the members of the KMP to whom the recommendations related.

## 6.6 Movements in share holdings

The movement during the reporting period in the number of ordinary shares in the Company held by each KMP, including their related parties, is as follows:

<b>2014</b>	<b>Held at 1 July 2013</b>	<b>Received as compensation</b>	<b>Received on exercise of options/rights</b>	<b>Other changes</b>	<b>Held at 30 June 2014</b>
<b>Directors</b>					
Min Yang	–	–	–	–	–
Kevin Wilson	4,485,006	–	–	–	4,485,006
Geoff Baker	–	–	–	–	–
Jin Wei <sup>1</sup>	N/A	–	–	125,771,429	125,771,429
Dachun Zhang <sup>2</sup>	N/A	–	–	2,415,300	2,415,300
<b>Executives</b>					
Ian Pound	204,000	–	149,000	–	353,000
<b>Total</b>	<b>4,689,006</b>	<b>–</b>	<b>149,000</b>	<b>73,241,729</b>	<b>78,079,735</b>

<sup>1</sup> KMP since 2 December 2013.

<sup>2</sup> KMP since 1 July 2013.

<b>2013</b>	<b>Held at 1 July 2012</b>	<b>Received as compensation</b>	<b>Received on exercise of options/rights</b>	<b>Other changes</b>	<b>Held at 30 June 2013</b>
<b>Directors</b>					
Min Yang	–	–	–	–	–
Kevin Wilson	4,485,006	–	–	–	4,485,006
Geoff Baker	–	–	–	–	–
Charlie Lenegan <sup>1</sup>	100,000	–	–	(100,000)	N/A
Ronnie Beevor <sup>1</sup>	1,952,149	–	–	(1,952,149)	N/A
Lex Graefe <sup>1</sup>	200,000	–	–	(200,000)	N/A
Brett Clark <sup>1</sup>	–	–	–	–	–
Maree Arnason <sup>1</sup>	74,000	–	–	(74,000)	N/A
<b>Executives</b>					
Ian Pound <sup>2</sup>	–	–	–	204,000	204,000
<b>Total</b>	<b>6,811,155</b>	<b>–</b>		<b>(2,122,149)</b>	<b>4,838,006</b>

<sup>1</sup> KMP since 30 June 2013. Resigned during the financial year.

<sup>2</sup> KMP since 20 March 2013.

## 6.7 Movements in option holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held by each KMP, including their related parties, is as follows:

2014	Held at 1 July 2013	Granted as compensation	Exercised	Lapsed	Held at 30 June 2014	Vested and exercisable at 30 June 2014	Unvested and unexercisable at 30 June 2014
<b>Directors</b>							
Kevin Wilson	1,500,000	–	–	(1,500,000)	–	–	–
<b>Total</b>	<b>1,500,000</b>	<b>–</b>	<b>–</b>	<b>(1,500,000)</b>	<b>–</b>	<b>–</b>	<b>–</b>

2013	Held at 1 July 2012	Granted as compensation	Exercised	Lapsed	Held at 30 June 2013	Vested and exercisable at 30 June 2013	Unvested and unexercisable at 30 June 2013
<b>Directors</b>							
Kevin Wilson	3,000,000	–	–	(1,500,000)	1,500,000	1,500,000	–
<b>Total</b>	<b>3,000,000</b>	<b>–</b>	<b>–</b>	<b>(1,500,000)</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>–</b>

No other KMP holds or was issued options during the year.

## 6.8 Movement in share right holdings

The movement during the reporting period in the number of share rights over ordinary shares in the Company by each KMP, including their related parties, is as follows:

2014	Held at 1 July 2013	Granted as compensation	Exercised	Rights Lapsed	Held at 30 June 2014	Vested and exercisable at 30 June 2014	Unvested and unexercisable at 30 June 2014
<b>Directors</b>							
Min Yang	–	–	–	–	–	–	–
Kevin Wilson	4,211,961	–	–	(800,000)	3,411,961	–	3,411,961
Geoff Baker	–	–	–	–	–	–	–
Jin Wei	–	–	–	–	–	–	–
Maree Arnason <sup>3</sup>	3,000,000	–	–	(1,500,000)	1,500,000	–	1,500,000
DaChun Zhang	–	–	–	–	–	–	–
<b>Executives</b>							
Ian Pound	447,000	–	149,000	(298,000)	–	–	–
<b>Total</b>	<b>7,658,961</b>	<b>–</b>	<b>149,000</b>	<b>(2,598,000)</b>	<b>4,911,961</b>	<b>–</b>	<b>4,911,961</b>

2013	Held at 1 July 2012	Granted as compensation	Exercised	Other changes	Held at 30 June 2013	Vested and exercisable at 30 June 2013	Unvested and unexercisable at 30 June 2013
<b>Directors</b>							
Min Yang	–	–	–	–	–	–	–
Kevin Wilson	800,000	3,411,961	–	–	4,211,961	–	4,211,961
Geoff Baker	–	–	–	–	–	–	–
Charlie Lenegan <sup>1</sup>	400,000	–	–	(400,000)	–	–	–
Maree Arnason <sup>3</sup>	3,000,000	–	–	–	3,000,000	–	3,000,000
Ronnie Beavor	150,000	–	–	(150,000) <sup>1</sup>	–	–	–
<b>Executives</b>							
Ian Pound <sup>2</sup>	447,000	–	–	–	298,000	(149,000)	298,000
<b>Total</b>	<b>4,797,000</b>	<b>3,411,961</b>	<b>–</b>	<b>(550,000)</b>	<b>7,509,961</b>	<b>(149,000)</b>	<b>7,509,961</b>

<sup>1</sup> Share rights lapsed at date of resignation as KMP.

<sup>2</sup> KMP since 20 March 2013.

<sup>3</sup> No longer a KMP but share rights retained.

## 7 PRINCIPAL ACTIVITIES

The principal activity of Rey Resources is exploring for and developing energy resources in Western Australia's Canning Basin. The Company holds coal exploration assets, a 25% interest in the highly prospective petroleum permits (EP457 & 458) in joint venture with Buru Energy Limited ("Buru") and Mitsubishi Corporation. During the year, the Company also executed a farm in agreement over petroleum permit EP437 with a wholly owned subsidiary of Key Petroleum Limited ("Key") and Caracal Exploration Pty Ltd whereby Rey would earn 43.47% in EP437 by contributing to 86.94% of costs, capped at \$1.7 million for the Dunnart-2 exploration well. These exploration costs were required to be paid in full by 31 August 2014. Costs over \$1.7 million will be apportioned between the parties in accordance with their respective beneficial interests in the permit. At the date of this report, Rey Resources had completed its earn-in expenditure.

## 8 RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS

During the year, Rey Resources continued its strategy of exploring and developing energy resources in Western Australia's Canning Basin, progressing both its oil and gas and coal assets.

## Oil and gas

### *Canning Basin*

Rey Resources holds a 25% interest in Exploration Permits EP457 and EP458 ("the Fitzroy Blocks"). The Fitzroy Blocks are located in the highly prospective Canning Basin in the northwest of Western Australia. The equity interest in each Permit is:

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

Buru, as operator, completed a geophysical survey over EP457 in November 2013, with a total of 234 line kilometres acquired. Processing of seismic data occurred in January 2014 and initial results provided several targets analogous to the Ungani discoveries made by Buru Energy Limited approximately 10-15 kilometres to the NW of EP457.

One of these targets is located in EP458. The Senagi prospect is a shallow (~800 metre depth) structural target which is updip from a mineral borehole that encountered a well developed Ungani Dolomite reservoir equivalent with significant oil shows. It is planned to drill this prospect in early 2015, subject to regulatory and Native Title agreements and approvals.

It is expected that further 2D seismic acquisition will also occur on the Fitzroy Blocks during 2014.

### *Perth Basin*

On 29 May 2014, Rey Resources announced that it had executed an agreement with Key Petroleum (Australia) Pty Ltd ("Key") and Caracal Exploration Pty Ltd to farm-in to Exploration Permit EP437 in the North Perth Basin. This permit is located to the north of the large Dongara Field which has been producing oil and gas since 1971.

As part of the agreement, Rey Resources (via its wholly owned subsidiary Rey Oil and Gas Perth Pty Ltd) is earning 43.47% in EP437 by contributing 86.94% of the costs. This cost has been capped at \$1.7 million for the Dunnart-2 exploration well which is being managed by Key as operator of the permit. These exploration costs were paid in full at 31 August 2014. Costs over \$1.7 million will be apportioned to the parties in accordance with their respective permit equity holdings.

After the farmout of EP437 to Rey, the beneficial interests are as follows:

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

The Dunnart Prospect is a structural closure against a fault and is defined by seven seismic dip lines and one strike line. The Dunnart-2 well is located up-dip from the previously drilled Dunnart-1 well. The prospect has a best estimate potential resource of two million barrels<sup>1</sup> of recoverable oil (MMBL) in the Early Triassic Bookara Sandstone.

The Dunnart-2 well spudded in July 2014. The targeted Bookara Sandstone was encountered at 614m and a four metre oil column reported. The well was cased and suspended for a future production test.

<sup>1</sup> As reported by Key Petroleum Limited (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.

## Coal

Rey Resources's thermal coal tenements are also located in Western Australia's Canning Basin and are partly contiguous with the Fitzroy Blocks.

### *Duchess Paradise Coal Project*

The Duchess Paradise Project is a slot/highwall mine proposal for the mining and export of up to 2.5 million tonnes per annum of bituminous thermal coal, on which a positive Definitive Feasibility Study ("DFS") was completed at the end of June 2011.

During the year the Duchess Paradise Project was assessed by the EPA and, in late 2014, a result of their assessment is expected to be forwarded to the Minister for Environment for a decision.

### *Other Coal Projects within Canning Basin*

In addition to the Duchess Paradise Project, Rey has interests in a number of coal exploration licenses in the Canning Basin, Western Australia. A review of all coal exploration tenements in 2014 resulted in relinquishment of several licences resulting in an impairment of capitalised exploration and evaluation expenditure and reduction in size of others.

The envisaged field programme will continue the reconnaissance drilling undertaken in 2013 and also follow up encouraging coal intercepts identified from the 2013 drilling programme. Of particular interest are (previously reported to ASX on 31 January 2014) intercepts of shallow coal seams up to 3.18m thick confirmed in two reconnaissance drill lines in the Mt Fenton Project area, 70km south of the Duchess Paradise Project.

## Corporate

During the year, Rey Resources raised a total of \$5.36 million through the issue of new equity.

On 30 August 2013, shareholders approved the sale of Blackfin Pty Ltd (a wholly owned subsidiary of Rey and the holder of the Duchess Paradise Project) to Crystal Yield Investments Limited ("Crystal") for \$21 million by way of a staged acquisition by Crystal of all of the issued shares in Blackfin.

On 29 October 2013, this arrangement was terminated and, in accordance with the agreement, \$3 million of the \$21 million conditional sale amount which had been received by Rey in satisfaction of the first stage payment was used to subscribe for 53,571,429 fully paid ordinary Rey shares for the benefit of Crystal. Rey retained its 100% interest in Blackfin and the Duchess Paradise Project.

In addition, on 29 October 2013, Crystal subscribed for a further \$1.36 million placement of 17 million Rey shares to become a cornerstone investor with a total of approximately 19.9% of Rey's issued capital.

On 2 December 2013, Mr Jin Wei, a former director of Crystal Yield Investments Ltd and Ricky Holding Ltd, became a Non-Executive Director on the Rey Board. Mr Jin Wei has since advised he has ceased to be director of both Crystal Yield Investments Ltd and Ricky Holding Ltd on 18 August 2014.

On 3 December 2013, Rey advised that as part of its ongoing capital management strategy it implemented an on-market buyback for up to 10% of the issued capital of the Company over the period of 12 months. The timing and quantity of shares purchased will depend on prevailing market conditions and other future events. A total of 1,252,151 shares were bought back in the 2014 financial year for \$119,414.



On 30 June 2014 the Company announced that it was undertaking a capital raising to raise up to \$3 million at approximately 10 cents per share. The first tranche of \$1 million was received and shares issued on 10 July 2014. A further \$1.5 million was received and shares issued on 19 August 2014 and the final \$500,000 was received on 4 September 2014 with shares issued on 9 September 2014.

## Finance review

The loss for the Group after income tax for the year ended 30 June 2014 was \$3,304,000 (2013: \$7,678,000).

During the period \$4,144,000 (2013: \$10,564,000) in exploration expenditure was capitalised, \$1,458,560 of which related to oil and gas exploration (2013: \$6,218,220).

## 9 DIVIDENDS

No dividend has been paid or declared by the Company during the financial year ended 30 June 2014 (2013: nil) and the Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2014.

## 10 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as noted elsewhere in this report, there have been no significant changes in the state of the affairs of the Company up to and including the date of this report.

## 11 LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Future information about the likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated Group.

## 12 PERFORMANCE RIGHTS OVER UNISSUED SHARES

### Performance rights on issue

During the financial period, no performance rights were issued (2013: 3,411,961). Performance rights have no exercise price on vesting.

As at the date of this report there are 4,911,961 performance rights on issue. Details of performance rights over unissued shares in Rey Resources as at the date of this report are set out below:

Class	Number	Grant date	Expiry date
Executive Performance Rights <sup>1</sup>	1,500,000	23 November 2011	30 June 2015
Director Performance Rights <sup>2</sup>	3,411,961	5 December 2012	30 June 2016

<sup>1</sup> Subject to review on 30 June 2015.

<sup>2</sup> 985,294 subject to review on 30 June 2015 and 2,426,667 subject to review on 30 June 2016.

### **Performance rights vested, forfeited or lapsed**

During the financial period, 2,598,000 unvested performance rights lapsed.

During or since the end of the financial year no other performance rights were forfeited, cancelled or lapsed.

## **13 OPTIONS OVER UNISSUED SHARES**

### **Options on issue**

As at the date of this report there are no options on issue.

### **Options exercised, forfeited or lapsed**

1,500,000 options lapsed in August 2013 in accordance with their terms of issue.

## **14 ENVIRONMENTAL DISCLOSURE**

The Group's operations are subject to various laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation and access to, and use of, ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation in the state in which they operate and such licences include requirements specific to the subject site.

So far as the Directors are aware, there have been no material breaches of the Company's licences and all exploration and other activities have been undertaken in compliance with the relevant environmental regulations.

## **15 INDEMNITIES AND INSURANCE**

During the financial year, the Company paid a premium to insure the Directors and officers of the Company against liabilities incurred in the performance of their duties. Under the terms and conditions of the insurance contract, the premium paid cannot be disclosed.

The officers of the Company covered by the insurance policy include any person acting in the course of duties for the Company who is, or was, a Director, Company Secretary or senior manager within the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers, in their capacity as officers, of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## 16 SUBSEQUENT EVENTS

- On 30 June 2014 the Company announced that it was undertaking a capital raising to raise up to \$3 million at 10 cents per share. The first tranche of \$1 million was received and shares issued on 10 July, 2014; the second tranche of \$1.5 million was received and shares issued on 19 August 2014, the third tranche of \$0.5million was received on 4 September 2014 and shares issued on 9 September 2014.
- On 8 July 2014, Rey entered into a Strategic Cooperation Framework Agreement with China National Fuels Corporation, a China based energy company. The agreement formalises discussions that have occurred over the past 12 months and has a key objective that the parties will jointly establish and develop oil and gas opportunities together with associated infrastructure in Western Australia, with an emphasis in the Canning Basin.
- On 14 July 2014, the Company announced that the Dunnart-2 well spudded in EP437. In August, the well was cased and suspended for future production testing.

## 17 PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this report, there are no leave applications or proceedings brought on behalf of the Company under section 237 of the Corporations Act 2001.

## 18 ROUNDING

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order 98/100, amounts included in the consolidated financial statements and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

## 19 NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in relation to tax advisory and compliance in addition to their statutory duties, refer to note 26.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2011 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

## 20 AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 51 and forms part of the Directors' report for the financial year ended 30 June 2014.

Signed in accordance with a resolution of Directors.



*Min Yang*, Chairman  
Perth, Western Australia  
29 September 2014

# AUDITOR'S INDEPENDENCE DECLARATION



## *Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Rey Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

R Gambitta  
*Partner*

Perth

29 September 2014

**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2014**

*in thousands of dollars*

	<b>Note</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
Other income	<b>4</b>	9	9
Derby Port remediation costs		–	(567)
Exploration impairment	<b>12</b>	(1,416)	(4,103)
Administrative expenses	<b>5</b>	(2,017)	(3,314)
<b>Loss from operations</b>		<b>(3,424)</b>	<b>(7,975)</b>
Finance income	<b>4</b>	120	297
<b>Net finance income</b>		<b>120</b>	<b>297</b>
<b>Loss before income tax</b>		<b>(3,304)</b>	<b>(7,678)</b>
Income tax benefit	<b>6</b>	–	–
<b>Loss for the year, attributable to owners of the Company</b>		<b>(3,304)</b>	<b>(7,678)</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>–</b>
<b>Items that will not be reclassified to profit or loss</b>		<b>–</b>	<b>–</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive loss for the year, attributable to owners of the Company</b>		<b>(3,304)</b>	<b>(7,678)</b>
<b>Loss per share</b>			
Basic and diluted (cents per share)	<b>8</b>	(0.53)	(1.52)

*The notes on pages 56 to 86 are an integral part of these consolidated financial statements*

**Consolidated statement of financial position**  
**As at 30 June 2014**

*in thousands of dollars*

	<b>Note</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	<b>9a</b>	3,000	3,277
Trade and other receivables	<b>10</b>	50	124
Prepayments		50	446
Assets held for sale	<b>7</b>	0	20,400
<b>Total current assets</b>		<b>3,100</b>	<b>24,247</b>
<b>Non-current assets</b>			
Security deposits	<b>10</b>	38	294
Property, plant and equipment	<b>11</b>	8	94
Exploration and evaluation expenditure	<b>12</b>	38,155	15,569
<b>Total non-current assets</b>		<b>38,201</b>	<b>15,957</b>
<b>Total assets</b>		<b>41,301</b>	<b>40,204</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<b>13</b>	268	668
Loans and borrowings	<b>14</b>	–	22
Provisions	<b>15</b>	232	273
<b>Total current liabilities</b>		<b>500</b>	<b>963</b>
<b>Non-current liabilities</b>			
Loans and borrowings	<b>14</b>	–	15
Provisions	<b>15</b>	45	40
<b>Total non-current liabilities</b>		<b>45</b>	<b>55</b>
<b>Total liabilities</b>		<b>545</b>	<b>1,018</b>
<b>Net assets</b>		<b>40,756</b>	<b>39,186</b>
<b>EQUITY</b>			
Share capital	<b>16</b>	75,565	70,425
Reserves	<b>17</b>	1,823	2,089
Accumulated losses		(36,632)	(33,328)
<b>Total equity attributable to equity holders of the Company</b>		<b>40,756</b>	<b>39,186</b>

*The notes on pages 56 to 86 are an integral part of these consolidated financial statements.*



**Consolidated statement of changes in equity**  
**For the year ended 30 June 2014**

*in thousands of dollars*

	<b>Share capital</b>	<b>Share based payment reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
Balance at 30 June 2012	57,329	1,931	(25,650)	33,610
<b>Total other comprehensive income</b>				
Loss for the period	–	–	(7,678)	(7,678)
Other comprehensive income	–	–	–	–
<b>Total comprehensive income for the period</b>	0	0	(7,678)	(7,678)
<b>Transactions with owners recorded directly in equity:</b>				
<i>Contributions by and distributions to owners</i>				
Issue of ordinary shares	13,825	–	–	13,825
Less: Transaction costs	(729)	–	–	(729)
Share-based payment transactions	–	158	–	158
<b>Balance at 30 June 2013</b>	<b>70,425</b>	<b>2,089</b>	<b>(33,328)</b>	<b>39,186</b>
Loss for the period			(3,304)	(3,304)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	–	–	(7,678)	(7,678)
<b>Transactions with owners recorded directly in equity:</b>				
<i>Contributions by and distributions to owners</i>				
Issue of ordinary shares	5,360	–	–	5,360
Less: Transaction costs	(101)	–	–	(101)
Share-based payment transactions	–	(266)	–	(266)
Share buy back	(119)	–	–	(119)
<b>Balance at 30 June 2014</b>	<b>75,565</b>	<b>1,823</b>	<b>(36,632)</b>	<b>40,756</b>

*The notes on pages 56 to 86 are an integral part of these consolidated financial statements.*

**Consolidated statement of cash flows**  
**For the year ended 30 June 2014**

*in thousands of dollars*

	<b>Note</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>Cash flows from operating activities</b>			
Derby Port remediation cash paid		–	(567)
Cash paid to suppliers and employees		(2,815)	(3,057)
<b>Net cash used in operating activities</b>	<b>9b</b>	<b>(2,815)</b>	<b>(3,624)</b>
<b>Cash flows from investing activities</b>			
Interest received		116	297
Cash received from R&D claims		545	–
Payments for property, plant and equipment		–	(5)
Proceeds from sale of plant and equipment		53	5
Payment for bonds		–	(20)
Recovery of rehabilitation bonds		256	390
Recovery of other bonds		300	–
Payments for exploration expenditure		(3,760)	(10,652)
<b>Net cash used in investing activities</b>		<b>(2,490)</b>	<b>(9,985)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares (net of costs)		5,360	13,096
Share buy back		(119)	–
Repayment of loans and borrowings		(213)	–
<b>Net cash from financing activities</b>		<b>5,028</b>	<b>13,096</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(277)</b>	<b>(513)</b>
Cash and cash equivalents at the beginning of the year		3,277	3,790
<b>Cash and cash equivalents at the end of the year</b>	<b>9a</b>	<b>3,000</b>	<b>3,277</b>

*The notes on pages 56 to 86 are an integral part of these consolidated financial statements.*

# NOTES TO FINANCIAL STATEMENTS

## 1 REPORTING ENTITY

Rey Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 1121 Hay Street, West Perth, Western Australia, 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as "Rey Resources" or the "Group"). The Group is a for-profit entity and is primarily involved in mineral exploration and mineral project evaluation.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including the Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"). The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 September 2014.

### (b) Going concern

The Directors have prepared the financial statements on a going concern basis which contemplates the realisation of assets and payment of liabilities in the normal course of business.

The Group has no debt obligations. The Group successfully raised \$5.36 million (before costs) during the year.

Post year end, Rey successfully raised a further \$3 million (before costs) through a placement of new shares.

Based on a cashflow forecast the Directors believe that existing cash resources together with prudent management are sufficient for the Company to meet non-discretionary expenditure for a period of 12 months from the date of this report. On this basis, the going concern basis of preparation has been adopted.

### (c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

### (d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

#### **(e) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Other information about assumptions, estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 6 – recoverability of tax losses.

Note 21 – key assumptions in determining the fair value of share based payments.

Note 12 – ultimate recoupment of carried forward exploration expenditure.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Rey Resources Limited and its subsidiaries:

##### **(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group Controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### **(ii) Transactions eliminated on consolidation**

Intercompany transactions, balances and unrealised gains and expenses on transactions between companies of the consolidated entity are eliminated in preparing the consolidated financial statements.

##### **(iii) Loss of control**

On the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of enquiry related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounts investee or as an available-for-sale financial asset depending on the level of influence retained.

**(iv) Jointly controlled operations**

Joint arrangements are defined as the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. These arrangements may be accounted for as a joint venture or a joint operation.

A joint venture, which is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than the rights to its assets and obligation for its liabilities. Interest in joint ventures are accounted for using the equity method.

A joint operation is an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator the Group recognises its relative share of its assets, liabilities, revenues and expenses.

**(b) Foreign currency**

Transactions in foreign currencies are translated to Australian dollars being the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency differences arising on retranslation are recognised in profit or loss.

**(c) Non derivative financial instruments**

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

**(i) Non-derivative financial assets**

The Group initially recognises loans and receivables and deposits on the date that they are originated. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

**(ii) Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial liabilities comprise loans and borrowings and trade and other payables.

**(iii) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(d) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income/other expenses in profit or loss.

**(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated depreciation rates for the current and comparative years are as follows:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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Plant and equipment	20 – 40%
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Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(e) Exploration and development assets**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

At the end of each reporting period, the capitalised exploration and evaluation expenditure is assessed for impairment. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of the site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plants, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(f) Impairment**

**(i) Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

*Loans and receivables and held-to maturity securities*

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.



An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**(g) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-cost. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**(i) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) Share-based payment transactions**

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**(h) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(i) Income tax**

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Rey Resources Limited. Current income tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

#### **(j) Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and share performance rights granted to employees.

#### **(k) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's Chief Operating Decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**(l) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(m) Finance income and finance costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**(n) Determination of fair values**

**Share-based payment transactions**

The fair value of the Directors' performance rights is measured using Monte Carlo Sampling. The fair value of the executive rights is measured with reference to the share price at grant date. The fair value of the employee share options are measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**(o) New standards and interpretations not yet adopted**

In the year ended 30 June 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business that are not already disclosed, and therefore, no change is necessary to Group accounting policies.

#### 4 OTHER INCOME AND FINANCE INCOME

*in thousands of dollars*

##### Other income

Foreign exchange (gain)/loss

Other income

##### Finance income

Interest income

	2014	2013
	1	1
	8	8
	<b>9</b>	<b>9</b>
	120	297
	<b>120</b>	<b>297</b>

#### 5 ADMINISTRATIVE EXPENSES

*in thousands of dollars*

Office supplies and expenses

Professional and consulting fees

Employee benefits expense (see below)

Depreciation and amortisation expense

Insurance premiums

Legal costs

Other expenses (inc Travel expense)

Employee benefits expense consists of:

Equity-settled share-based payments

Salaries and fees

Superannuation

	2014	2013
	330	345
	560	680
	507	1,269
	45	60
	140	153
	198	526
	237	281
	<b>2,017</b>	<b>3,314</b>
	(266)	158
	723	1,078
	50	33
	<b>507</b>	<b>1,269</b>

## 6 INCOME TAX EXPENSE

*in thousands of dollars*

### Income tax recognised in loss

	2014	2013
Current tax benefit	–	–
Deferred tax (benefit)	–	–
Income tax benefit	–	–

### Reconciliation of prima facie tax on accounting loss before tax to income tax (benefit)/expense

*in thousands of dollars*

	2014	2013
Accounting loss before tax	(3,304)	(7,678)
At statutory income tax rate of 30% (2013: 30%)	(990)	(2,303)
Non-deductible expenses	(335)	(22)
Tax exempt income	164	–
Tax losses for which no deferred tax asset was recognised	1,161	2,325
Income tax benefit	–	–

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>in thousands of dollars</i>	Statement of financial position		Profit or loss	
	2014	2013	2014	2013
<b>Deferred tax liabilities</b>				
Exploration and evaluation expenditure	(11,446)	(4,671)	(6,775)	4,181
Other	(16)	(44)	28	5
Gross deferred tax liability	(11,462)	(4,714)	(6,747)	4,187
<b>Deferred tax assets</b>				
Tax loss carry-forwards	11,382	4,622	6,760	(4,154)
Other	80	93	(13)	(32)
Gross deferred tax asset	11,462	4,714	6,747	(4,187)
Net deferred tax asset/(liability)	–	–		
Deferred tax (expense)/benefit			–	–

### Tax losses

At 30 June 2014, the Group has tax losses arising in Australia of \$60,719,333 (2013: \$55,245,860) that are available for offset against future taxable income. The Group has not recognised a deferred tax asset in relation to these tax losses (other than an offset to the deferred tax liability) as realisation of the benefit is not regarded as probable.

### Tax consolidation

Rey Resources Limited and its 100% owned Australian resident subsidiaries formed a tax-consolidated Group with effect from 1 July 2009. The first consolidated income tax return for the Group was filed for the tax year ended 30 June 2010. Rey Resources Limited is the head entity of the tax-consolidated group.

## 7 ASSET HELD FOR SALE

As at 30 June 2013, the Duchess Paradise Project was presented as an asset held for sale following the commitment of the Board to the sale of the project to Crystal Yield Investments Limited.

An impairment loss of \$3,527,000 on the re-measurement of the asset to the lower of its carrying value less costs to sell was included in the statement of profit or loss and other comprehensive income at this date.

On 14 October 2013, Crystal Yield Investments Limited confirmed that it did not intend to proceed with the purchase, but expressed a desire to participate in the eventual development of the Project, as well as participating in the development of Rey Resources' oil and gas exploration businesses.

Accordingly, the Duchess Paradise Project is no longer classified as held for sale. The amount of \$20,400,000 has been reclassified as non-current asset at Exploration and Evaluation expenditure.

### Assets of disposal group held for sale

*in thousands of dollars*

Exploration and evaluation expenditure

**30 June 2014**

**30 June 2013**

–

20,400

## 8 LOSS PER SHARE

*in thousands of dollars*

- a. Reconciliation of earnings to profit or loss  
Loss attributable to owners of the Company

**2014**

**2013**

(3,304)

(7,678)

(3,304)

(7,678)

**No.**

**No.**

- b. Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted loss per share

625,384,492

503,939,352

At 30 June 2014, the Company's potential ordinary shares, comprising 4,911,961 share performance rights (2013: 7,509,961 and 1,500,000 options) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

## 9a CASH AND CASH EQUIVALENTS

<i>in thousands of dollars</i>	<b>2014</b>	<b>2013</b>
Cash at bank and in hand	3,000	3,277
Cash and cash equivalents	<b>3,000</b>	<b>3,277</b>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

## 9b RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>in thousands of dollars</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>			
Loss for the period		(3,304)	(7,678)
Adjustments for:			
Depreciation	<b>11</b>	45	60
Impairment of capitalised exploration expenditure	<b>12</b>	1,416	4,103
Equity-settled share-based payment expense	<b>5</b>	(266)	158
Interest income		–	–
Refund of other bonds		(300)	
Other benefits		(432)	
		<b>(2,841)</b>	<b>(3,357)</b>
(Increase)/decrease in trade and other receivables		71	(38)
(Increase)/decrease in prepayments		396	16
Increase/(decrease) in trade and other payables		(400)	(211)
Increase/(decrease) in provisions and employee benefits		(41)	(34)
<b>Net cash used in operating activities</b>		<b>(2,815)</b>	<b>(3,624)</b>



## 10 TRADE AND OTHER RECEIVABLES

*in thousands of dollars*

	2014	2013
Other receivables	50	124
Security deposits	38	294
	<b>88</b>	<b>418</b>
Current	50	124
Non-current	38	294
	<b>88</b>	<b>418</b>

## 11 PROPERTY PLANT AND EQUIPMENT

*in thousands of dollars*

	2014	2013
<b>Property, plant and equipment</b>		
At cost	242	242
Accumulated depreciation	(234)	(148)
<b>Total Property, plant and equipment</b>	<b>8</b>	<b>94</b>

### Movements in carrying amounts:

*in thousands of dollars*

	2014	2013
Balance as at 1 July	94	109
Additions	–	47
Disposals	(41)	(2)
Depreciation expense	(45)	(60)
<b>Balance as at 30 June</b>	<b>8</b>	<b>94</b>

## 12 EXPLORATION AND EVALUATION EXPENDITURE

*in thousands of dollars*

Costs carried forward in respect of:

Incurred at cost by the Group on assets not governed by Joint Venture Agreements<sup>1</sup>

Capitalised share of exploration assets under Joint Venture Agreements<sup>2</sup>

Capitalised share of exploration assets under Joint Venture Agreements<sup>3</sup>

Costs carried forward

	2014	2013
Incurred at cost by the Group on assets not governed by Joint Venture Agreements <sup>1</sup>	30,478	9,351
Capitalised share of exploration assets under Joint Venture Agreements <sup>2</sup>	7,266	6,218
Capitalised share of exploration assets under Joint Venture Agreements <sup>3</sup>	411	–
Costs carried forward	<b>38,155</b>	<b>15,569</b>

<sup>1</sup> Exploration and evaluation expenditure recognised in exploration assets held solely by the Group.

<sup>2</sup> Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Buru Energy Limited and Mitsubishi Corporation. This amount includes the Group's proportionate share of exploration assets held by the respective joint venture entities.

<sup>3</sup> Exploration and evaluation expenditure recognised on tenements under farm-out agreement with Key Petroleum Pty Ltd and Caracal Exploration Pty Ltd. This amount includes The Group's proportionate share of exploration assets held by the EP437 tenement owners.

*in thousands of dollars*

At cost

Accumulated impairment losses

	2014	2013
At cost	47,603	23,601
Accumulated impairment losses	(9,448)	(8,032)
	<b>38,155</b>	<b>15,569</b>

### Movements in carrying amount:

*in thousands of dollars*

Opening balance

Transfer from asset held for sale (note 7)

Current year expenditure capitalised

Impairment

R&D refund offset

Duchess Paradise expenditure reclassified as held for sale

	2014	2013
Opening balance	15,569	29,508
Transfer from asset held for sale (note 7)	20,400	–
Current year expenditure capitalised	4,147	10,564
Impairment	(1,416)	(4,103)
R&D refund offset	(545)	–
Duchess Paradise expenditure reclassified as held for sale	–	(20,400)
	<b>38,155</b>	<b>15,569</b>

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or evaluation phase is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas.

Tenements where tenure is not intended to be continued have been fully impaired as at 30 June 2014.

Blackfin Pty Ltd ("Blackfin"), a subsidiary of the Company, lodged applications for exemption from expenditure in relation to 11 of its exploration licences (E04/1515-1518, E04/1520-1525 and E04/1529) for the 2009 expenditure year. Mineralogy Pty Ltd lodged objections to the applications for exemption from expenditure and forfeiture applications affecting the 11 exploration licences. While the tenements which are the subject of the application cover areas of strategic interest to Rey Resources, they do not relate to Rey Resources' Duchess Paradise Project.

A hearing was conducted before the Mining Warden in 2012. The Mining Warden delivered his report and recommendations with respect to applications for exemption from expenditure in relation to the Exploration Licences to the Minister for Mines and Petroleum in September 2013. The Warden recommended that an exemption from expenditure on one Exploration Licence should be granted by the Minister, and that exemptions from expenditure on ten Exploration Licences should not be granted. In August 2014 the Minister released his decision that three tenements would be granted exemption from expenditure and eight tenements would not be granted exemption. The Warden has not yet made a recommendation in relation to the applications for forfeiture. For the eight tenements where Blackfin was not successful in obtaining certificates of exemption, the Exploration Licences are at risk of forfeiture, or Blackfin may be issued with a fine of up to \$10,000 per tenement.

The carrying value of the exploration and evaluation expenditure at 30 June 2014 is \$4,782,000 (2013:\$4,418,000) pertaining to the 11 tenements.

### 13 TRADE AND OTHER PAYABLES

*in thousands of dollars*

#### **Unsecured liabilities**

Trade payables

Sundry payables and accrued expenses

	2014	2013
Trade payables	174	553
Sundry payables and accrued expenses	94	115
	<b>268</b>	<b>668</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

## 14 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate, foreign currency and liquidity risk, see note 23.

*in thousands of dollars*

### Current liabilities

Hire purchase

	2014	2013
Hire purchase	–	22
	<b>–</b>	<b>22</b>
<b>Non-current liabilities</b>		
Hire purchase	–	15
	<b>–</b>	<b>15</b>
<b>Carrying amounts of non-current assets pledged as security are:</b>		
Plant and equipment	–	45

## 15 PROVISIONS

*in thousands of dollars*

### Current

Employee benefits

Other

	2014	2013
Employee benefits	152	193
Other	80	80
	<b>232</b>	<b>273</b>
<b>Non-current</b>		
Employee benefits	45	40
	<b>45</b>	<b>40</b>

## 16 ISSUED CAPITAL

*in thousands of dollars*

	2014	2013
630,202,151 (2013: 560,733,873 ) fully paid ordinary shares	75,565	70,425
	<b>75,565</b>	<b>70,425</b>

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares participate in the proceeds on winding up of the parent entity in proportion to the numbers of shares held.

### Movements in shares on issue

	2014		2013	
	Number	\$'000	Number	\$'000
On issue at the beginning of the year	560,733,873	70,425	415,733,873	57,329
Shares issued during the year:				
7 September 2012	–	–	90,000,000	10,800
21 March 2013	–	–	55,000,000	3,025
1 July 2013	149,000	–		
14 October 2013	53,571,429	3,000	–	–
29 October 2013	17,000,000	1,360	–	–
30 June 2014	–	1,000	–	–
Share buy back (18/02/14-30/06/14)	(1,252,151)	(119)	–	–
Transaction costs relating to share issues	–	(101)	–	(729)
On issue at the end of the year	<b>630,202,151</b>	<b>75,565</b>	<b>560,733,873</b>	<b>70,425</b>

On 1 July 2013, the Company allotted 149,000 shares to Ian Pound (General Manager) on vesting of retention rights issued on 23 June 2011.

On 14 October 2013, the Company issued 53,571,429 fully paid ordinary Rey shares issued to Crystal Yield Investments Limited on conversion of the payment of \$3 million in relation to the Duchess Paradise Project acquisition.

On 29 October 2013 the Company undertook a placement of shares, issuing 17,000,000 shares to Crystal Yield Investments Limited at an issue price of \$0.08 per share.

On 3 December 2013, the Company commenced an on-market buyback for up to 10% of its issued capital over the period of 12 months. In the period to 30 June 2014, 1,252,151 shares were bought back and subsequently cancelled, with an average share cost of \$0.0944.

## Options and share performance rights

For information relating to the Rey Resources Limited employee option plan and share performance rights plan, including numbers granted, exercised and lapsed during the financial year and the numbers outstanding at year-end, refer to note 21.

## 17 RESERVES

### Share based payments reserve

The share based payments reserve records the fair values recognised in accounting for employee share options and share rights awarded as share-based payments. During the year to June 2014 the expiry and lapse of share rights and options resulted in \$266,000 decrease in the share based payment reserve.

## 18 COMMITMENTS

### (a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

*in thousands of dollars*

Not later than one year

Later than one year but not later than five years

<b>2014</b>	<b>2013</b>
115	175
–	120
<b>115</b>	<b>295</b>

### (b) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by tenements licenses and acquisition agreements. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

*in thousands of dollars*

Not later than one year

Later than one year but not later than five years

<b>2014</b>	<b>2013</b>
2,772	2,532
2,789	1,746
<b>5,961</b>	<b>4,278</b>

## 19 GROUP ENTITIES

### Consolidated subsidiaries

	Country of incorporation	Ownership interest	
		2014	2013
Blackfin Pty Limited	Australia	100%	100%
Rey Kimberley Pty Limited	Australia	100%	100%
Rey Derby Pty Limited	Australia	100%	100%
Rey Derby Operations Pty Limited	Australia	100%	100%
Rey Royalty Chile Pty Ltd	Australia	100%	–
Rey Mt Fenton Pty Limited	Australia	100%	–
Rey Freney Pty Limited	Australia	100%	–
Rey Victory Pty Limited	Australia	100%	–
Rey Camballin Energy Pty Limited	Australia	100%	–
Rey Oil and Gas Limited	Australia	100%	–
Rey Oil and Gas Perth Limited	Australia	100%	–

## 20 JOINT VENTURE INTERESTS

Joint venture agreements have been entered into with third parties. Details of joint venture agreements are disclosed below. These are accounted for as joint operations.

Assets employed by these joint ventures and the Group's expenditure in respect of them is brought to account initially as capitalised exploration expenditure (refer note 12) and disclosed distinctly from capitalised exploration costs incurred on the Group's 100% owned projects.

### **Buru/Mitsubishi/Rey Joint Venture**

On 18 March 2013, the Company entered into an agreement with Buru Energy Limited and Mitsubishi Corporation pursuant to which the Company acquired an additional 15% interest in exploration permits EP457 and EP458 in the Canning Basin, Western Australia.

The interest in the two exploration permits, known as "The Fitzroy Blocks", are:

- Buru Energy Limited 37.5% (operator)
- Mitsubishi Corporation 37.5%
- Rey Resources Limited 25% (of which a 10% interest is free carried to production).

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under this joint venture agreement at the reporting date is \$7,265,765 (2013: \$6,218,220) (note 12).

### **Key/Caracal/Rey**

On 29 May 2014, Rey Oil and Gas Perth Ltd (a wholly owned subsidiary company of the Company) entered into an agreement with Key Petroleum (Australia) Pty Ltd and Caracal Exploration Pty Ltd to farm in to Exploration Permit EP437 in the North Perth Basin, Western Australia.

On completion of the farm in to EP437 which requires that Rey fund 86.942% of exploration costs up to \$1.7 million, the beneficial interests will be as follows:

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

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed in this farm in agreement at the reporting date is \$411,016 (2013: Nil) (note 12).



## 21 SHARE BASED PAYMENTS

### (a) Description of the share-based payment arrangements

The Group has the following share-based payment arrangements:

#### *Share option programme (equity-settled)*

On 2 June 2006, the Group established a share option programme that entitles key management personnel (KMP) to purchase shares in the Company. The plan is subject to ASX Listing Rules. In accordance with these programmes, options are exercisable at the market price of the share at the date of the grant.

#### *Share performance rights programme (equity-settled)*

On 29 November 2010, the Group established a share performance rights programme. The 2010 Executive Incentive Rights Plan ("2010 EIRP") enables eligible participants to be granted rights to acquire shares subject to the satisfaction of certain conditions.

Executives are also eligible to participate in the 2011 Executive Incentive Rights Plan ("2011 EIRP"), which replaced the 2010 EIRP and was approved at the 2011 Annual General Meeting. The 2010 EIRP and 2011 EIRP align the reward of the participants with the long term creation of shareholder value as outlined below.

Both the 2011 EIRP and 2010 EIRP enable participants to be granted rights to acquire shares subject to the satisfaction of certain conditions. Subject to adjustments for any bonus issues of shares and capital reorganisations, one share will be issued on the exercise of each right which vests or becomes exercisable. No amount is payable by employees in respect of the grant or exercise of rights.

The 2010 EIRP relates to the period 1 July 2010 to 30 June 2013 with provision for a one year retest. The 2011 EIRP, issued in November 2012, relates to the period 1 July 2011 to 30 June 2014 with provision for a one year retest; and for share rights issued in November 2012 for the period 1 July 2012 to 30 June 2015 with provision for a one year retest. At the end of the measurement periods (either first or second), the following vesting scale will be applied to the share rights given to executive Directors. This will be based on the compound annual growth rate over the relevant period. The retest of provision only applies if none of the share rights for Directors vest at the end of the First Test Period.

Vesting Scale:

Performance level	Compound annual rate of the Company's Total Shareholder Return (TSR) over the Measurement Period	Vesting%
<Threshold	<10%	–
Threshold	10%	25%
>Threshold & <Target	>10% & <15%	Pro rata based on the % achieved
Target	15%	50%
>Target & <Stretch	>15% & <20%	Pro rata based on the % achieved
Stretch	≥20%	100%

In relation to the share rights granted to the executive KMP, the Board has determined the service and/or performance conditions that need to be satisfied for incentive rights to vest along with the relationship between the various potential levels of performance and levels of vesting that may occur. Performance conditions will be determined by the Board for each tranche of each offer and may vary between offers.

Following the end of the measurement period, the Board will determine for each tranche of incentive rights to which the measurement period applies, the extent to which they vest. If the incentive rights in a tranche have not vested and there is no opportunity for those incentive rights to vest at a later date, they lapse.

## (b) Share-option programme

### Terms and conditions of share-option programme

The terms and conditions relating to the grants of the share-option programme that were in existence at the start of the year are as follows:

Grant date/ employees entitled	Number of instruments	Vesting conditions	Exercise price	Contractual life of options	Expired during Year
Option grant to KMP on 24 June 2008	1,000,000	Vest on 9 August 2010	\$0.30	5.129 years	Expired August 2013
Option grant to KMP on 26 November 2008	500,000	Vest on 9 August 2012	\$0.50	4.704 years	Expired August 2013
Lapsed during the year	(1,500,000)				
<b>Total outstanding at 30 June 2014</b>	<b>nil</b>				

The number and weighted average exercise prices of share options in existence during the year to 30 June 2014 were as follows:

	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)	Number of options
<i>in thousands of dollars</i>	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
Outstanding at 1 July	0.37	1,500,000	0.32	3,000,000
Exercised during the period		–		–
Expired during the period	0.37	(1,500,000)	0.27	(1,500,000)
Granted during the period	–	–		–
Outstanding at 30 June	–	nil	0.37	1,500,000
Exercisable at 30 June	–	nil	0.37	1,500,000

The options outstanding as at 30 June 2013 had an exercise price in the range of \$0.30 to \$0.50 and a weighted average remaining contractual life of 0.111 years.

**(c) Share rights program**

**Terms and conditions of share rights program**

The terms and conditions relating to the grants of the share rights are as follows:

<b>Grant date/employees entitled</b>	<b>Number of instruments</b>	<b>Vesting conditions</b>	<b>Contractual life of rights</b>
Rights grant to KMP on 23 November 2011 <sup>1</sup>	1,500,000	Subject to full delivery of full permitting condition for the Company's first mining operation	5 years
Rights grant to Director on 22 November 2012	985,294	Subject to the Company's absolute total shareholder return over the measurement period 1 July 2011 to 30 June 2014 with a retest date at 30 June 2015.	3 years
Rights grant to Director in 22 November 2012	2,426,667	Subject to the Company's absolute total shareholder return over the measurement period 1 July 2012 to 30 June 2015	3 years
<b>Total</b>	<b>4,911,961</b>		

<sup>1</sup> No longer a KMP as at 30 June 2013 but certain share rights retained.

The number and weighted average exercise prices of share performance rights are as follows:

	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)	Number
<i>in thousands of dollars</i>	2014	2014	2013	2013
Outstanding at 1 July	–	7,509,961	–	4,797,000
Granted during the year	–	–	–	3,411,961
Vested during the year	–	–	–	(149,000)
Cancelled during the year	–	(2,598,000)	–	(550,000)
Outstanding at 30 June	–	4,911,961	–	7,509,961

#### Inputs for measurement of grant date fair values

The grant date fair value of the rights granted, the vesting conditions of which were subject to the Company's absolute total shareholder return over the measurement period, was measured based on Monte Carlo simulation model. The grant date fair value of other share-based payments was measured based on the fair value of the shares on the grant date and for options issued fair value was measured based on the Black-Scholes valuation model. The inputs used in the measurement of the fair values at grant date of the share-based payment plans, which were subject to the vesting conditions relating to the Company's absolute total shareholder return are the following:

#### Valuation of Director and Executive performance rights

Grant Date	22 November 2012		23 November 2011
	Tranche A	Tranche B	
Start of measurement period	1 July 2011	1 July 2012	1 July 2010
End of first DPR measurement period	30 June 2014	30 June 2015	30 June 2013
End of second DPR measurement period	30 June 2015	30 June 2016	30 June 2014
Spot price at start of measurement period (\$)	\$0.22	\$0.08	\$0.125
Share price at grant date	\$0.06	\$0.06	\$0.135
Volatility of share (%)	90.0	90.0	100.0
Risk free rate (4.0 years) (%)	2.63	2.63	3.4
Dividend yield	Nil	Nil	Nil
Expected life (years)	1.57	2.57	4.0
<b>Director performance rights (DPR) Fair Value at Grant Date (\$/DPR)</b>	<b>0.033</b>	<b>0.043</b>	<b>0.1163</b>

## 22 RELATED PARTIES

### (a) Parent entity

The ultimate parent entity within the Group is Rey Resources Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 19.

### (c) KMP compensation

Disclosures relating to compensation of the KMP compensation comprised:

#### **Individual Directors and executives compensation disclosures**

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03, is provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

#### **Loans to KMP and their related parties**

There were no loans given to KMP and their related parties.

#### **Transactions with KMP and their related parties.**

There were no transactions with KMP or their related parties.

## 23 FINANCIAL RISK MANAGEMENT

### Categories of financial instruments

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

*in thousands of dollars*

#### Financial assets

	2014	2013
Cash and cash equivalents	3,000	3,277
Trade and other receivables	88	418
<b>Total</b>	<b>3,088</b>	<b>3,695</b>

#### Financial liabilities

Trade and other payables	268	668
Hire purchase liabilities	–	37
<b>Total</b>	<b>268</b>	<b>706</b>

Trade and other receivables: analysis of age of financial asset

The aging of trade and other receivables at the reporting date that were not impaired was as follows:

	2014	2013
Neither past due nor impaired	50	124

### Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group does not use any form of derivatives for speculative purposes. The Group is not at a level of exposure that requires the use of derivatives to hedge its exposure.

The main risks the Group is exposed to through its financial instruments are liquidity risk and market risk which includes interest rate risk.

## Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, and trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

The Group limits its exposure to credit risk in respect of cash and cash equivalents and other deposits with banks by only dealing with reputable banks with high credit ratings.

In respect of trade and other receivables, the Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The Group is not exposed to any significant credit risk as there were no trading operations during the year.

At 30 June 2014 and 30 June 2013, there was no allowance for doubtful debts and there were no receivables past due but not impaired.

## Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market, by continuously monitoring forecast and actual cash flows and ensuring that adequate uncommitted funding is available and maintained. Refer note 2(b).

The following are the expected maturities of financial assets and the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

### 2014

*In thousands of dollars*

#### Financial liabilities

Trade and other payables

Loans and borrowings

	Carrying amount	Expected/ contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	268	268	268	–	–	–	–
Loans and borrowings	–	–	–	–	–	–	–
	<b>268</b>	<b>268</b>	<b>268</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### 2013

*In thousands of dollars*

#### Financial liabilities

Trade and other payables

Loans and borrowings

	Carrying amount	Expected/ contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	668	668	668	–	–	–	–
Loans and borrowings	38	38	11	11	16	–	–
	<b>706</b>	<b>706</b>	<b>679</b>	<b>11</b>	<b>16</b>	<b>–</b>	<b>–</b>

### Currency risk

The Group is not exposed to currency risk at the reporting date because the Group holds no financial assets or liabilities denominated in foreign currency.

### Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market interest rates on interest-bearing financial instruments.

At the reporting date, the Group had the following mix of financial assets exposed to interest rate risk. There were no financial liabilities exposed to interest rate risk.

*in thousands of dollars*

#### Variable rate instruments

Cash and cash equivalents

Security deposits

	2014	2013
Cash and cash equivalents	3,000	3,277
Security deposits	38	294
	<b>3,038</b>	<b>3,571</b>

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased profit or loss by \$ 45,576 (2013: \$3,013).

#### Fair values

The carrying amounts of financial assets and financial liabilities approximate fair value.



## 24 OPERATING SEGMENTS

The Group operates in one segment being the mining industry and in one geographical location, being Western Australia. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

## 25 SUBSEQUENT EVENTS

On 30 June 2014, Rey Resources announced a proposed capital raising to raise up to \$3 million through the issue of up to 30 million shares at an issue price of \$0.10 per share. On 10 July 2014, the Company issued 10 million shares and on 19 August 2014, a further 15 million shares were issued, raising a total of \$2.5 million.

## 26 AUDITOR'S REMUNERATION

*in dollars*

### Audit services

Auditors of the Company

*KPMG Australia:*

Audit and review of financial reports

### Other services

Auditors of the Company

*KPMG Australia:*

Taxation services

Independent experts report

Scrutineer's role at AGM

	2014	2013
	69,870	90,023
	69,870	90,023
	46,230	37,650
	–	97,850
	–	8,500
	<b>46,230</b>	<b>144,000</b>

## 27 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2014 the parent entity of the Group was Rey Resources Limited.

*In thousands of dollars*

### A. Result of parent entity

Loss for the year

Total comprehensive loss for the year

### B. Financial position of the parent entity

Total current assets

Total non-current assets

#### Total assets

Total current liabilities

Total non-current liabilities

#### Total liabilities

#### Net assets

#### Total equity of parent entity comprising of:

Share capital

Options reserve

Accumulated losses

#### Total equity

### C. Parent entity contingencies

There are no contingent liabilities of the parent entity.

### D. Parent entity capital commitments

At balance date the parent entity has not entered into any material contractual agreements for the acquisition of property, plant or equipment.

### E. Parent entity guarantees in respect of the debts of its subsidiaries

There are no guarantees entered into by the parent entity.

	2014	2013
	(3,304)	(8,411)
	(3,304)	(8,411)
	3,100	3,086
	38,201	37,658
	<b>41,301</b>	<b>40,744</b>
	500	1,519
	45	40
	<b>545</b>	<b>1,559</b>
	<b>40,756</b>	<b>39,185</b>
	75,565	70,425
	1,823	2,089
	(36,632)	(33,329)
	<b>40,756</b>	<b>39,185</b>

# DIRECTORS' DECLARATION

The Board of Directors of Rey Resources Limited declares that:

- (a) The financial statements, accompanying notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
  - giving a true and fair view of the financial position as at 30 June 2014 and performance of the consolidated entity for the financial year ended on that date; and
  - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001).
- (b) The Directors draw attention to note 2(a) of the consolidated financial statements, which includes a statement of compliance with the International Financial Reporting Standards.
- (c) The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.
- (d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has received the declaration by the Managing Director and Financial Controller required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.



**Min Yang**

Chairman

Perth, Western Australia

29 September 2014

# INDEPENDENT AUDITOR'S REPORT



## **Independent auditor's report to the members of Rey Resources Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Rey Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit and loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



*Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

**Report on the remuneration report**

We have audited the Remuneration Report included in section 6 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Rey Resources Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

R Gambitta  
Partner

Perth

29 September 2014

# ASX ADDITIONAL INFORMATION

## Additional Shareholder Information

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this Annual Report is set out below. The information was current as at 16 September 2014.

### Top 20 Shareholders

The 20 largest shareholders of the Company are listed below:

Name	Number of shares	Percentage held %
1 ASF CANNING BASIN ENERGY PTY LTD	130,000,000	19.69
2 MISS WANYAN LIU	84,100,000	12.74
3 CRYSTAL YIELD INVESTMENTS LIMITED	70,571,429	10.69
4 RICKY HOLDINGS LIMITED	55,000,000	8.33
5 MISS MEI CHI JOYCE LEE	45,34,074	6.87
6 NEWAY ENERGY INTERNATIONAL LIMITED	27,676,107	4.19
7 XIAO HUI ENTERPRISES LIMITED	24,504,368	3.71
8 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,340,743	2.62
9 MR HAITAO GENG	15,000,000	2.27
10 START GRAND GLOBAL LIMITED	13,473,307	2.04
11 MISS DONGMEI YE	11,300,000	1.71
12 MR JUNRUI WU	10,070,210	1.52
13 TONG HENG HOLDINGS LIMITED	9,230,628	1.39
14 UNIQUE INVESTMENT HOLDINGS PTY LTD <UNIQUE INVEST HOLDINGS A/C>	5,550,000	0.84
15 BROWNSTONE INTERNATIONAL PTY LTD	5,000,000	0.75
16 MEGA AHEAD LIMITED	4,947,829	0.75
17 MEGSHA TAN	4,854,368	0.73
18 ABN AMRO CLEARING SYDNEY NOMINES PTY LTD <CUSTODIAN A/C>	4,477,046	0.67
19 SMART FAMOUS INTERNATIONAL HOLDINGS LIMITED	4,315,639	0.65
20 MR BRUCE CLEMENT PRESTON <SUPER FUND A/C>	4,119,402	0.62
<b>TOTAL TOP 20 SHAREHOLDERS</b>	<b>413,983,261</b>	<b>73.80%</b>

## Substantial Shareholders

An extract of the Company's register of substantial shareholders (being those shareholders who held 5% or more of the issued capital on 16 September 2014 and who have provided substantial shareholding notices to the Company) is set out below:

Shareholder	Number of shares	Percentage held
ASF Canning Basin Energy Pty Ltd <sup>1</sup>	130,000,000	19.84
Wanyan Liu <sup>2</sup>	84,100,000	13.14
Crystal Yield Investments Ltd/ Ricky Holdings Ltd <sup>3</sup>	125,571,429	19.89

<sup>1</sup> As provided to the Company on 19 August 2014.

<sup>2</sup> As provided to the Company on 14 July 2014.

<sup>3</sup> As provided to the Company on 1 November 2013.

## Distribution of Equity Securities

There were 536 holders of less than a marketable parcel of ordinary shares (being 571,475 shares on 16 September 2014).

The number of shareholders by size of holding is set out below:

### Fully Paid Ordinary Shares

Size of Holding	Number of holders	Number of shares
1 - 1,000	329	80,010
1,001 - 5,000	335	1,075,226
5,001 - 10,000	269	2,234,426
10,001 - 100,000	858	32,116,217
100,001 and over	214	624,550,630
<b>TOTALS</b>	<b>2,005</b>	<b>660,056,519</b>

The number of performance right holders by size of holding is set out below:

*Performance Rights*

Size of Holding	Number of holders	Number of performance rights
1 - 1,000	–	–
1,001 - 5,000	–	–
5,001 - 10,000	–	–
10,001 - 100,000	–	–
100,001 and over	2 <sup>1</sup>	4,911,961
<b>TOTALS</b>	<b>2</b>	<b>4,911,961</b>

<sup>1</sup> Ms Maree Arnason holds 1,500,000 performance rights comprising 30.53% of this class. Mr Kevin Wilson holds 3,411,961 performance rights comprising 69.46% of this class.

## Voting Rights

*Ordinary Shares*

For all ordinary shares, voting rights are on a show of hands whereby every member present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

*Options and Performance Rights*

There are no voting rights attached to options and performance rights.

## On-market Share Buy-back

On 3 December 2013, Rey Resources announced an on market share buy-back of up to 10% of its issued share capital on market over a 12 month period. As at the date of this Annual Report, Rey had bought back 1,252,151 shares.

## Securities Exchange

Rey Resources is listed on the Australian Securities Exchange (ASX code: REY).



## Tenement Schedule

The tenement schedule for the Group is tabulated below:

Licence Type	Licence No.	Location	Grant Date	Expiry Date	Holder	Area (Ha)	Percentage Held
EL	E04/1386	WA, Australia	21/01/2004	20/01/2015	Blackfin Pty Ltd	3,720	100%
EL	E04/1518	WA, Australia	13/09/2007	12/09/2014 <sup>1,2</sup>	Rey Victory Pty Ltd	1,240	100%
EL	E04/1519	WA, Australia	20/04/2006	19/04/2015	Blackfin Pty Ltd	14,880	100%
EL	E04/1219	WA, Australia	18/03/2008	17/03/2015	Camballin Energy Pty Ltd	6,510	100%
EL	E04/1515	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Camballin Energy Pty Ltd	620	100%
EL	E04/1517	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Camballin Energy Pty Ltd	2,480	100%
EL	E04/1723	WA, Australia	1/12/2008	30/11/2018	Camballin Energy Pty Ltd	3,100	100%
EL	E04/1383	WA, Australia	27/10/2003	26/10/2014	Rey Freney Pty Ltd	1,860	100%
EL	E04/1516	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Rey Victory Pty Ltd	14,260	100%
EL	E04/1529	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Rey Victory Pty Ltd	8,990	100%
EL	E04/1520	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Rey Freney Pty Ltd	2,480	100%
EL	E04/1521	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Rey Freney Pty Ltd	3,100	100%
EL	E04/1522	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Rey Freney Pty Ltd	10,850	100%
EL	E04/1523	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Rey Freney Pty Ltd	2,790	100%
EL	E04/1524	WA, Australia	20/04/2006	19/04/2015 <sup>2</sup>	Rey Mt Fenton Pty Ltd	620	100%
EL	E04/1525	WA, Australia	13/09/2007	12/09/2014 <sup>1,2</sup>	Rey Mt Fenton Pty Ltd	1,550	100%
EL	E04/1728	WA, Australia	17/10/2008	16/10/2018	Rey Victory Pty Ltd	2,170	100%
EL	E04/1753	WA, Australia	24/02/2009	23/02/2019	Blackfin Pty Ltd	8,370	100%
EL	E04/1767	WA, Australia	4/03/2009	3/03/2019	Rey Victory Pty Ltd	1,240	100%
EL	E04/1768	WA, Australia	4/03/2009	3/03/2019	Rey Freney Pty Ltd	1,550	100%
EL	E04/1769	WA, Australia	4/03/2009	3/03/2019	Rey Mt Fenton Pty Ltd	620	100%
EL	E04/1770	WA, Australia	4/03/2009	3/03/2019	Blackfin Pty Ltd	7,440	100%
EL	E04/1785	WA, Australia	4/03/2009	3/03/2019	Rey Mt Fenton Pty Ltd	29,140	100%
EL	E04/1833	WA, Australia	15/10/2009	14/10/2014	Rey Freney Pty Ltd	8,060	100%
EL	E04/1834	WA, Australia	24/07/2009	23/07/2019	Rey Victory Pty Ltd	8,060	100%
EL	E04/1835	WA, Australia	15/10/2009	14/10/2014	Rey Mt Fenton Pty Ltd	930	100%
EL	E04/1842	WA, Australia	15/10/2009	14/10/2014	Rey Victory Pty Ltd	1,240	100%
EL	E04/2089	WA, Australia	20/10/2011	19/10/2016	Camballin Energy Pty Ltd	1,860	100%

Licence Type	Licence No.	Location	Grant Date	Expiry Date	Holder	Area (Ha)	Percentage Held
RA	R04/2	WA, Australia	Pending	Pending	Camballin Energy Pty Ltd	6,832	100%
RA	R04/3	WA, Australia	Pending	Pending	Blackfin Pty Ltd	1,650	100%
MA	M04/453	WA, Australia	Pending	Pending	Blackfin Pty Ltd	12,964	100%
LA	L04/58	WA, Australia	Pending	Pending	Blackfin Pty Ltd	3,138	100%
EP	EP457	WA, Australia	24/10/2007	23/10/2016	Rey/Buru/MC	503,780	25%
EP	EP458	WA, Australia	24/10/2007	23/10/2014	Rey/Buru/MC	576,022	25%
EP	EP437	WA, Australia	0/07/2007	07/07/2014 <sup>1</sup>	Rey/Key/Caracal	159,500	43.47%

RA: Retention Licence Application

EL: Exploration Licence

MA: Mining Lease Application

LA: Miscellaneous Licence Application

EP: Exploration Permit Petroleum

<sup>1</sup> Subject of renewal application

<sup>2</sup> Subject to Mineralogy application for forfeiture





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