

# March 2021

# Quarterly Report

## HIGHLIGHTS

### Corporate

- Extension of maturity date of Liu Loan

### Projects

- Agreement with Native Title has been referred to NNTT
- EP457/458 Farmin Agreement executed
- Stage one investment in Surat Gas Project completed

Authorised by:  
Board of Rey Resources Limited

Registered Office: Suite 2, 3B Macquarie Street, Sydney NSW 2000

For further information, contact:  
Wei Jin, Managing Director  
Phone: +61 2 9290 9600  
Email: [info@reyresources.com](mailto:info@reyresources.com)  
Web: [www.reyresources.com](http://www.reyresources.com)



Rey Resources Limited (ASX: REY) (“Rey” or “the Company”) is focused on developing its oil and gas interests in the Canning and Perth Basins, Western Australia.

## 1. Oil and Gas

### 1.1 Fitzroy Blocks (EP457 and EP458)

The Fitzroy Blocks are located in the Canning Basin in the northwest of Western Australia (refer Figure 1 below).

On 21 December 2020, a legally binding farmin letter of agreement had been executed by Rey, Buru Fitzroy Pty Ltd (**Buru**) and Origin Energy West Pty Ltd (**Origin**). According to the agreement, both Buru and Rey will farmout 20% of their respective participating interests to Origin. Origin will need to fully fund several work program including 2D seismic work with total costs of \$3 million across the two permits in 2021 and an optional one well drilling before 2025.

Subsequent after the quarter end on 15 April 2021, a formal Farmin Agreement has been executed between Rey, Buru and Origin pursuant to which Origin has been assigned 40% participating interests in the Fitzroy Blocks and the current interests of Rey, Buru and Origin in the Fitzroy Blocks as at the date of this report are 20%, 40% and 40% respectively.

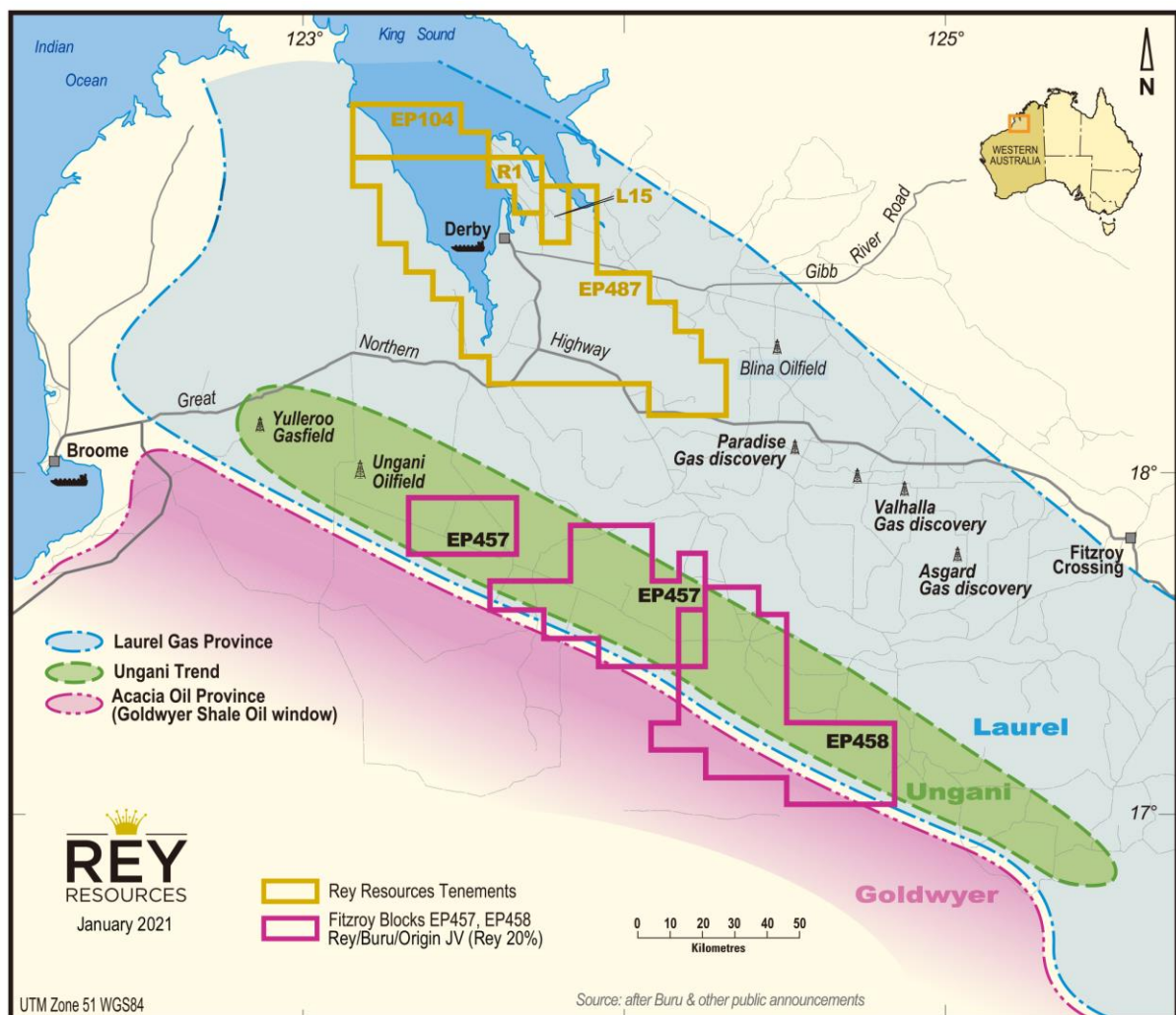


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

## 1.2 Derby Block (EP487)

The Company currently holds a 100% interest in petroleum exploration permit EP487, the Derby Block, via its 100% owned subsidiaries Rey Lennard Shelf Pty Ltd and Rey Derby Block Pty Ltd.

The Derby Block is considered to be predominantly a Wet Laurel Basin Centred Gas play (BCG) which is regionally extensive throughout the Canning Basin (refer to Figures 2 and 3 below) and has been the subject of exploration elsewhere in the Canning Basin by other parties in 2015, resulting in encouraging flow tests by Buru at Valhalla and Asgard (refer to various BRU ASX releases including releases dated 20 January 2016 and 18 April 2016).

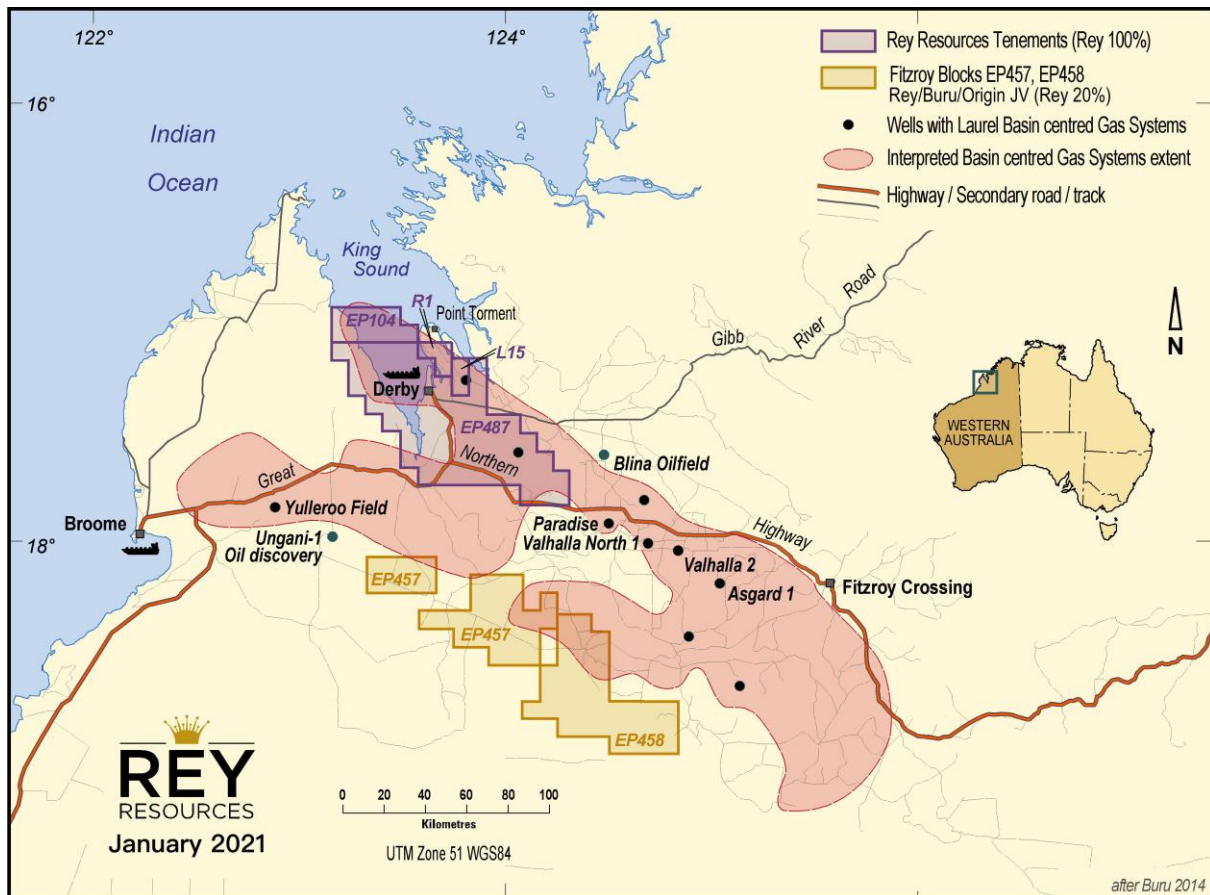


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

Rey is actively seeking farmout opportunity for EP487 during the quarter and preparing for the commitment drilling before end of permit year 2.

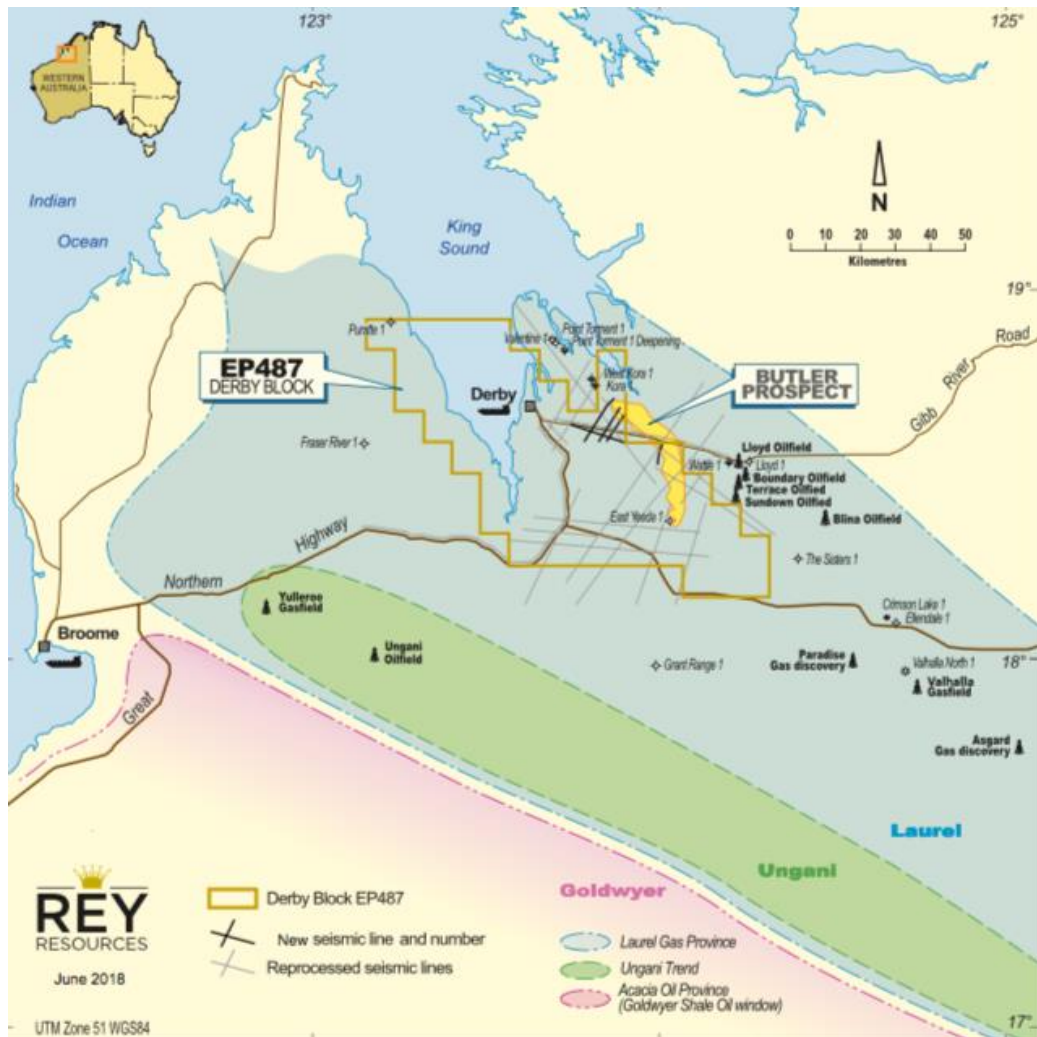


Figure 3: EP487 Location

### 1.3 Lennard Shelf Blocks (EP104, R1 and L15)

Rey holds a 100% interest in the Lennard Shelf Blocks, comprising EP104, a Retention Lease (R1) and one Production Licence (L15). The Lennard Shelf Blocks are situated to the north of Rey's existing interests in the Canning Basin (refer Figure 4) petroleum exploration licence, EP487 covering a total area of approximately 1,145 km<sup>2</sup> and are considered prospective for conventional oil and tight gas.

Due to the licence application withdrawn by Buru, the quotation for oil disposal received from Buru became invalid. Rey is now seeking other method for the oil disposal.

Several compliance reports have been lodged to DMIRS for EP104 and R1 in first quarter 2021.

### 1.4 Surat Gas Project

On 21 December 2020, the Company announced that it has signed a term sheet with Southernpec (Australia) Pty Ltd (**SouthnA**) and Southernpec Holdings Pty Ltd pursuant to which Rey will acquire up to 75% equity interest in SouthnA which holds significant interests in Surat Gas Project.

The Surat Gas Project consists of 7 production licences in Surat Basin in Queensland. Armour Energy (Surat Basin) Pty Ltd is the only joint venture partner (non operator) of Surat Gas Project (Waldegrave JV). The participating interests of each licence owned by SouthnA is listed as below:

Production Licence	SouthnA interests	Armour interests	Resources
PL69	53.75%	46.25%	Gas
PL28W	53.75%	46.25%	Gas
PL12W	53.75%	46.25%	Gas
PL320W	53.75%	46.25%	Gas
PL11W/PLA321	53.75%	46.25%	Gas
PL89	53.75%	46.25%	Gas
PL11SC	75%	25%	Gas

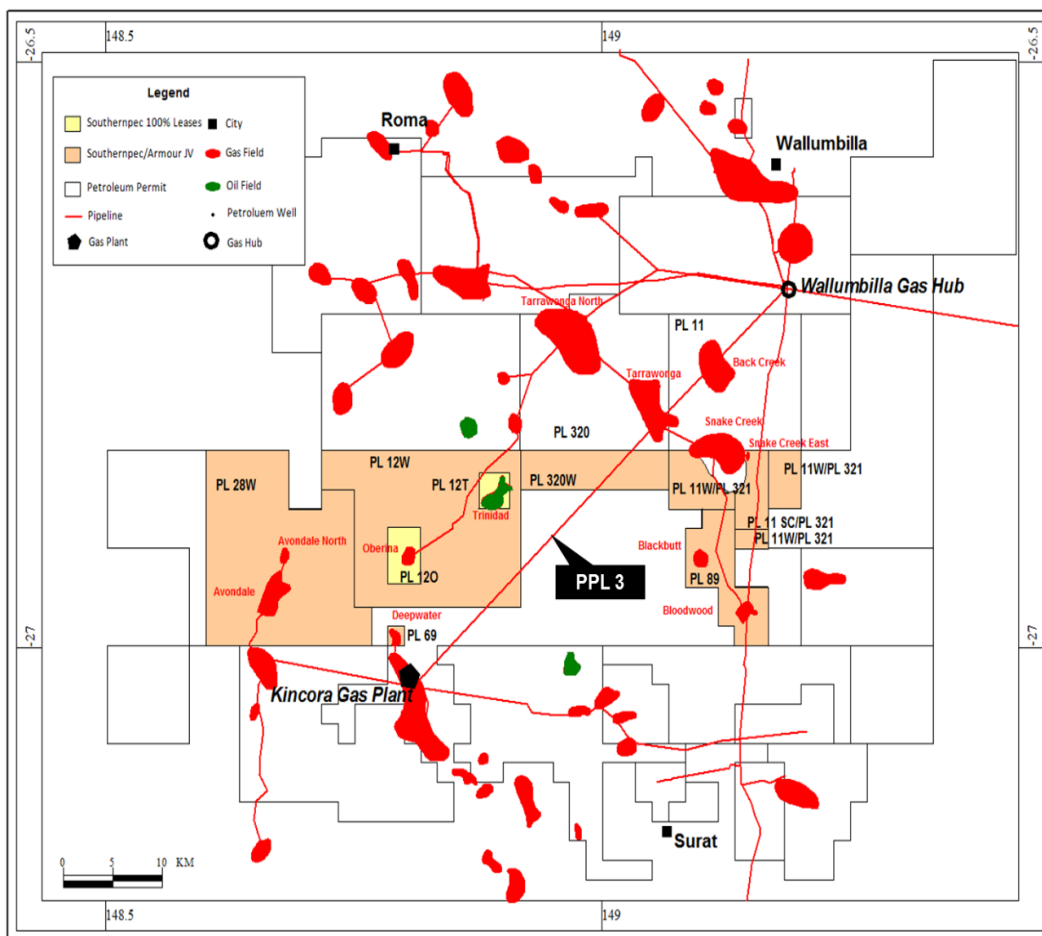


Figure 4: Surat Gas Project Location in Surat Basin

Some of the production licences including PL28, PL69 and PL89 had good production history from 5 wells since 1980s. These wells have been shut down since 2012 due to suspension of Kincora gas processing plant. Based on current studies, it believes that the 3 Avondale wells in PL28 and one Deepwater well in PL69 have good potential for gas production using existing flowlines. Many prospects also have not been tested.

Gas produced from the Surat Gas Project is likely to be sold through the Wallumbilla Gas hub. Subject to entering into an arrangement with Armour Energy, the adjacent Kincora Gas Processing Plant may provide a commercialisation pathway and connect the Surat Gas Project to Wallumbilla. The current capacity of the Kincora



Gas Processing Plant is understood to be up to ~20TJd and restoring the original design capacity of 30 TJ/d is achievable with further investment.

During the quarter, the Company completed stage one investment and is now holding 10% equity interest in SouthnA. Subsequent to the March quarter end, the Company and SouthnA agreed to further extend the commencement date of stage two investment to 30 June 2021 to allow additional time for the preparation of planned flow testing work.

## **2. Coal**

The Duchess Paradise Coal Project (**DP Project**) is a proposed bituminous thermal coal operation located in the Canning Basin of Western Australia and is partly contiguous with the Fitzroy Blocks. It has a reported Mineral Resource of 305.8Mt (JORC 2012 Code) (see ASX announcement on 28 October 2014).

Following the execution of the Access Deed with the last objector to the Mining Licence Application, the Court is making the final recommendations to the Minister. DMIRS also requested Rey to re-start the negotiation progress. Rey continues the negotiation with Native Title during the quarter for a heritage agreement. A protocol drafted by the Native Title has been received, reviewed and revised but no responses received yet.

Rey attended the Meeting of Native Title in March 2021 and present the project to Native Title again. Some questions have also been answered during the meeting. DMIRS also referred the case to NNTT. The first mediation meeting has been scheduled in April.

## **3. Corporate**

On 16 March 2021, the Company announced that it has agreed with Wanyan Liu (**Liu**), substantial shareholder of the Company, for the extension of maturity date of the \$500,000 loan facility from 31 March 2021 to 31 October 2022. The Company also has two other loan facilities provided by Liu, which comprises \$5 million with maturity date of 31 October 2021 and \$3 million with maturity date of 31 December 2021. Those facilities will be addressed later in the year.

During the quarter, the Company bought back 27,177 shares under the on-market buyback program at an average price of \$0.233 per share.

As required pursuant to section 6 of the Company's Appendix 5B, the Company paid approximately \$33,000 to related parties during the quarter, of which \$17,000 were consulting fees and \$16,000 were Director fees.

#### **4. Competent Persons Statements**

##### ***Petroleum Exploration***

*The technical information quoted for the Derby Block has been compiled and/or assessed by Mr. Keven Asquith who is a qualified petroleum reserves and resources evaluator. Mr Asquith is Director of 3D-GEO Pty Ltd and has over 30 years of geotechnical experience in the Petroleum Industry, as well as seven years of Project Management in the Government Sector. His experience includes four years at ESSO Resources Canada, 16 years at BHP Petroleum in Melbourne and the 10 years consulting at 3D-GEO. Keven has an Honours BSc in Geology and a Diploma in Project Management. He has been a member of the American Association of Petroleum Geologists for over 25 years. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement.*

*The technical and the prospective reserves and resources information quoted for L15 is quoted from Rey's announcement on 14 May 2018 and was compiled and/or assessed by Mr Doug Barrenger. Mr Barrenger received a BSc degree (geology) from the Australian National University and a Graduate Diploma in computing Science from the Queensland University of Technology. He has more than 35 years of experience in the petroleum industry. He has written numerous Independent Expert Reports, Resource Reports and Acreage and Resource Valuations, for IPO on several stock exchanges. He was the General Manager Subsurface at Exoma Energy through 2012 and is a founding partner of Fluid Energy Consultants (2013). He is a member of the Petroleum Exploration Society of Australia (PESA), the Society of Petroleum Engineers (SPE) and a thirty five-year, Active Member of the American Association of Petroleum Geologists (number 330431). The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement.*

## Corporate Directory

### Board of Directors

Min Yang	Non-Executive Chairman
Wei Jin	Managing Director
Geoff Baker	Non-executive Director
Dachun Zhang	Independent Non-Executive Director
Louis Chien	Alternate Non-Executive Director (alternate to Min Yang)

### Company Secretary

William Kuan

### Capital Structure

Rey Resources is listed on the Australian Securities Exchange (ASX: REY) and had 211,927,539 ordinary shares on issue as at 31 March 2021.

### Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000 Australia  
Tel: +61 2 9290 9600  
Fax: +61 2 9279 0664

### Registered Office

Suite 2, 3B Macquarie Street  
Sydney NSW 2000  
Tel: +61 2 9251 9088  
info@reyresources.com  
[www.reyresources.com](http://www.reyresources.com)



## Tenement Tenure Status (as at 31 March 2021)

Tenure ID <sup>1</sup>	Tenure Type	Holder (wholly owned Rey subsidiary company)	Ownership% beginning quarter	Ownership% end quarter
<b>Mineral Licences</b>				
E04/1519	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1770	Exploration Licence	Blackfin Pty Ltd	100	100
M04/0453	Mining Lease Application	Blackfin Pty Ltd	100	100
<b>Petroleum Permits</b>				
EP457	Exploration Permit	Rey Oil and Gas Pty Ltd	40	40
EP458	Exploration Permit	Rey Oil and Gas Pty Ltd	40	40
EP487 <sup>2</sup>	Exploration Permit	Rey Lennard Shelf Pty Ltd ("RLS")	50	50
EP487 <sup>2</sup>	Exploration Permit	Rey Derby Block Pty Ltd ("RDB")	50	50
L15	Production Licence	Gulliver Productions	100	100
R1	Retention Licence	Gulliver Productions	100	100
EP104	Exploration Permit	Gulliver Productions	100	100

<sup>1</sup> All tenements are located in Western Australia.

<sup>2</sup> Royalties attaching to EP487: RLS may, at its election, on the grant of a production licence on EP487, either: grant Backreef Oil Pty Ltd a 1% royalty on sales proceeds from future production from its interest in EP487; or pay \$2 million to Backreef.