

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

REY RESOURCES LIMITED

ABN

84 108 003 890

Quarter ended ("current quarter")

30 September 2021

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | | |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation | - | - |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) staff costs | (18) | (18) |
| | (e) administration and corporate costs | (120) | (120) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | - |
| 1.5 | Interest and other costs of finance paid | (272) | (272) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash from / (used in) operating activities | (410) | (410) |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) exploration & evaluation | (61) | (61) |
| | (e) investments | - | - |
| | (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (61) | (61) |

| | | | |
|-------------|---|------------|------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | 950 | 950 |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (Share Buy Back) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 950 | 950 |

| | | | |
|-----------|--|-------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 36 | 36 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (410) | (410) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (61) | (61) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 950 | 950 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 515 | 515 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 515 | 36 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 515 | 36 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|---|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 33 * |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i> | | |

* Consulting fees (\$16,625), Director fees (\$16,425)

| | | | |
|-----------|---|---|--|
| 7. | Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
| 7.1 | Loan facilities | 14,500 | 10,450 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | Total financing facilities | 14,500 | 10,450 |
| 7.5 | Unused financing facilities available at quarter end | | 4,050 |
| 7.6 | <p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The total facility amount comprises:</p> <p>(i) <u>ASF Loan</u> - an unsecured loan facility of \$2 million from ASF Group Limited, a substantial shareholder of the Company. Interest accruing at the rate of 12% per annum, maturing on 31 October 2022 (ASF Loan Facility); and</p> <p>(ii) <u>Liu Loan</u> - an unsecured loan facility of \$12.5 million from Wanyan Liu, a substantial shareholder of the Company. Interest accruing at the rate of 12% per annum, maturing on 31 October 2022 (Liu Loan Facility).</p> <p>As at the quarter ended 30 September 2021, the Company had remaining available facilities of \$2.1 million under Liu Loan Facility and \$1.95 million under ASF Loan Facility.</p> | | |

| | | |
|-----------|--|----------------|
| 8. | Estimated cash available for future operating activities | \$A'000 |
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (410) |
| 8.2 | (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (61) |
| 8.3 | Total relevant outgoings (item 8.1 + item 8.2) | (471) |
| 8.4 | Cash and cash equivalents at quarter end (item 4.6) | 515 |
| 8.5 | Unused finance facilities available at quarter end (item 7.5) | 4,050 |
| 8.6 | Total available funding (item 8.4 + item 8.5) | 4,565 |
| 8.7 | Estimated quarters of funding available (item 8.6 divided by item 8.3) | 9.69 |
| | <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> | |
| 8.8 | <p>If item 8.7 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>Answer: N/A</p> | |

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8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

26 October 2021

Date:

By the Board of Rey Resources Limited

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

September 2021 Quarterly Report

HIGHLIGHTS

Corporate

- Extension of share buyback program

Projects

- EP457/458 proposed seismic survey completed
- 58km new seismic survey for EP487 under progress
- Extension of Surat Gas project

Authorised by:
Board of Rey Resources Limited

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

For further information, contact:
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Web: 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 was executed by Rey, Buru Fitzroy Pty Ltd (**Buru**), a wholly owned subsidiary of Buru Energy Limited (ASX: BRU) and Origin Energy West Pty Ltd (**Origin**), a wholly owned subsidiary of Origin Energy Limited (ASX: ORG). Both Buru and Rey had farmout 20% of their respective participating interests to Origin and pursuant to the Agreement Origin will need to fully fund several work programs including 2D seismic work with total costs of \$3 million across the two permits in 2021 and an optional one well drilling before 2025.

During the quarter, the planned seismic survey was completed within budget and without incident. The seismic result will be received by Buru. One well will be planned after Buru’s interpretation of the seismic data.

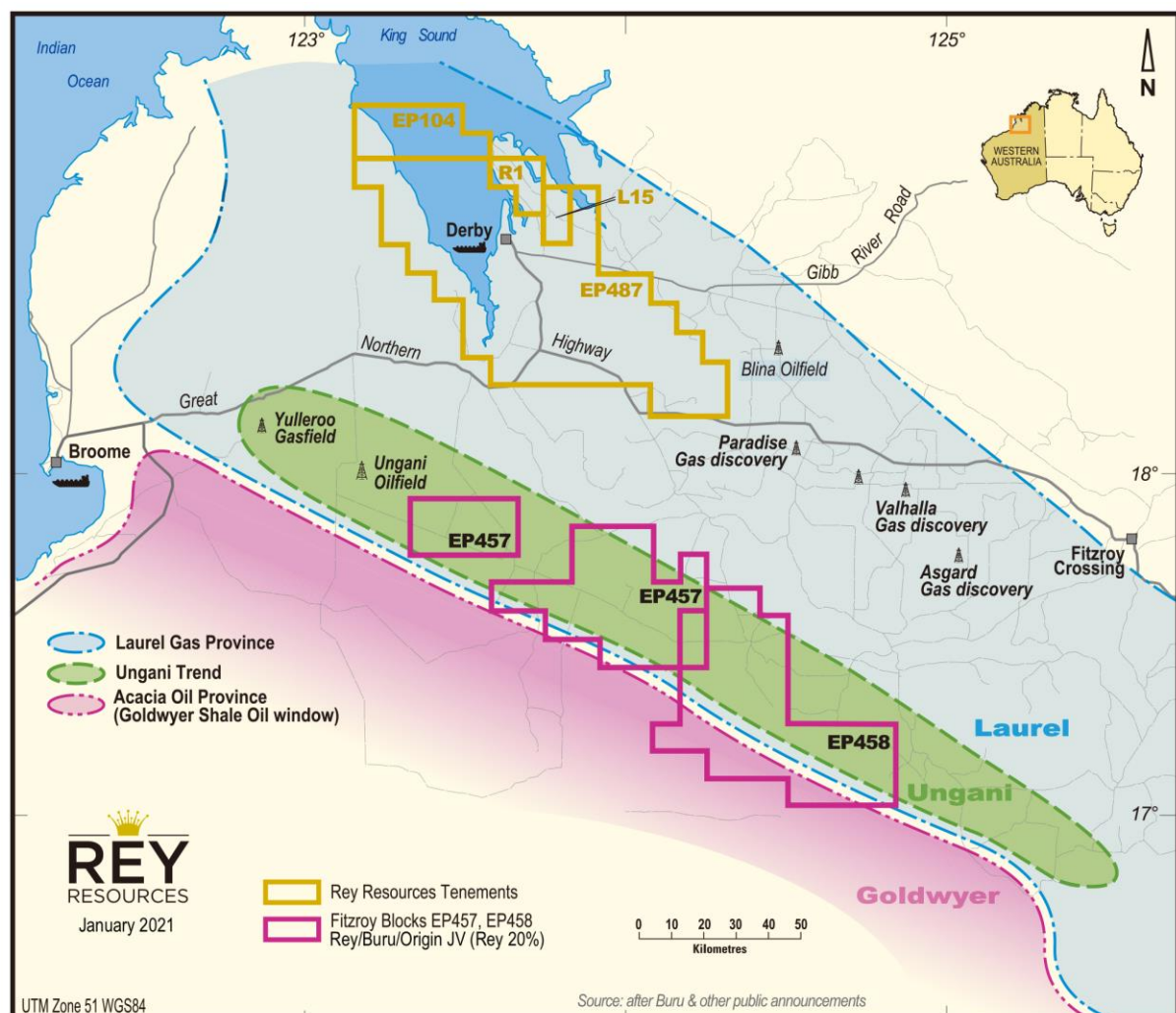


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

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).

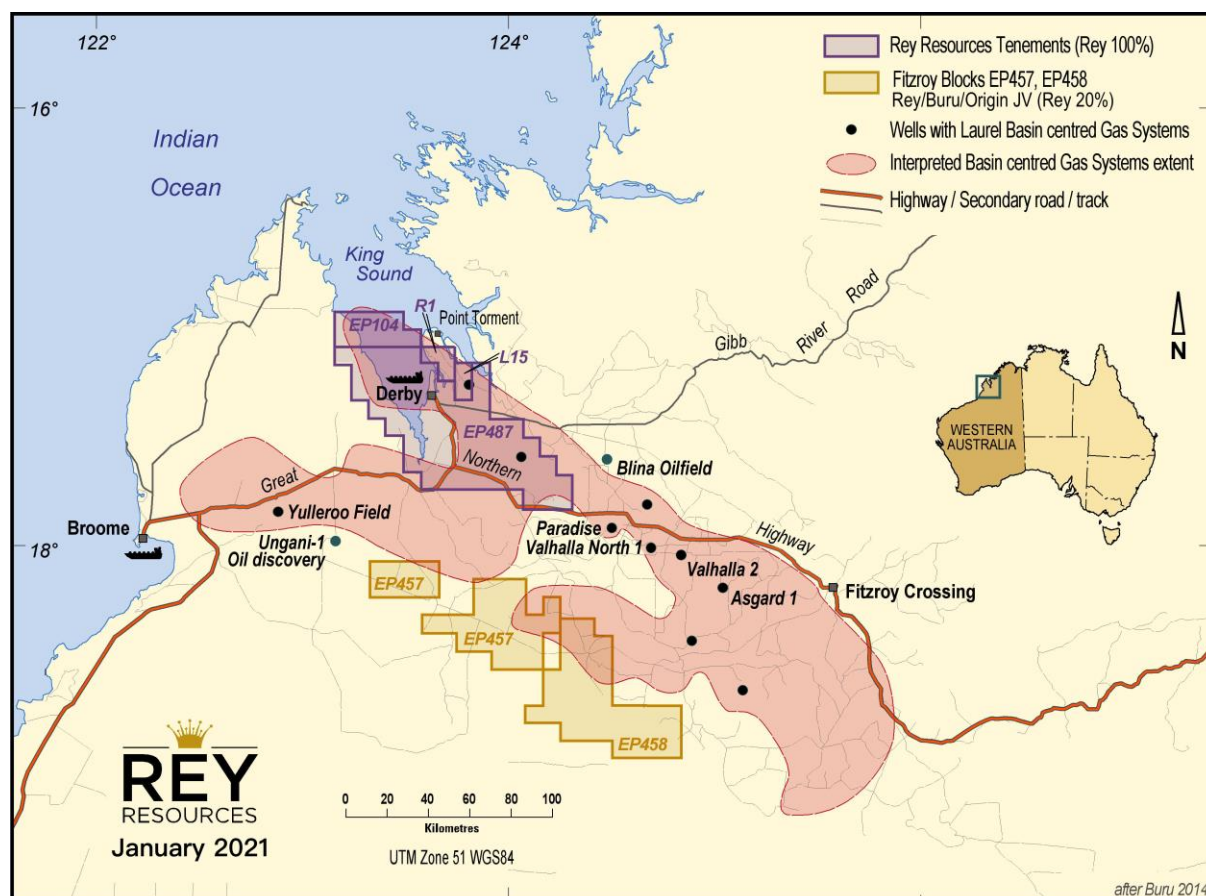


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

During the report period, DMIRS approved the work variation that add the 58km new seismic into permit year 3. Rey plans to carry out the seismic survey which will cover part of the south part of Butler before conducting the commitment well. The seismic now is under progress including environmental preparation, heritage survey and survey contracts. Rey plans to carry out the seismic in first half of 2022.

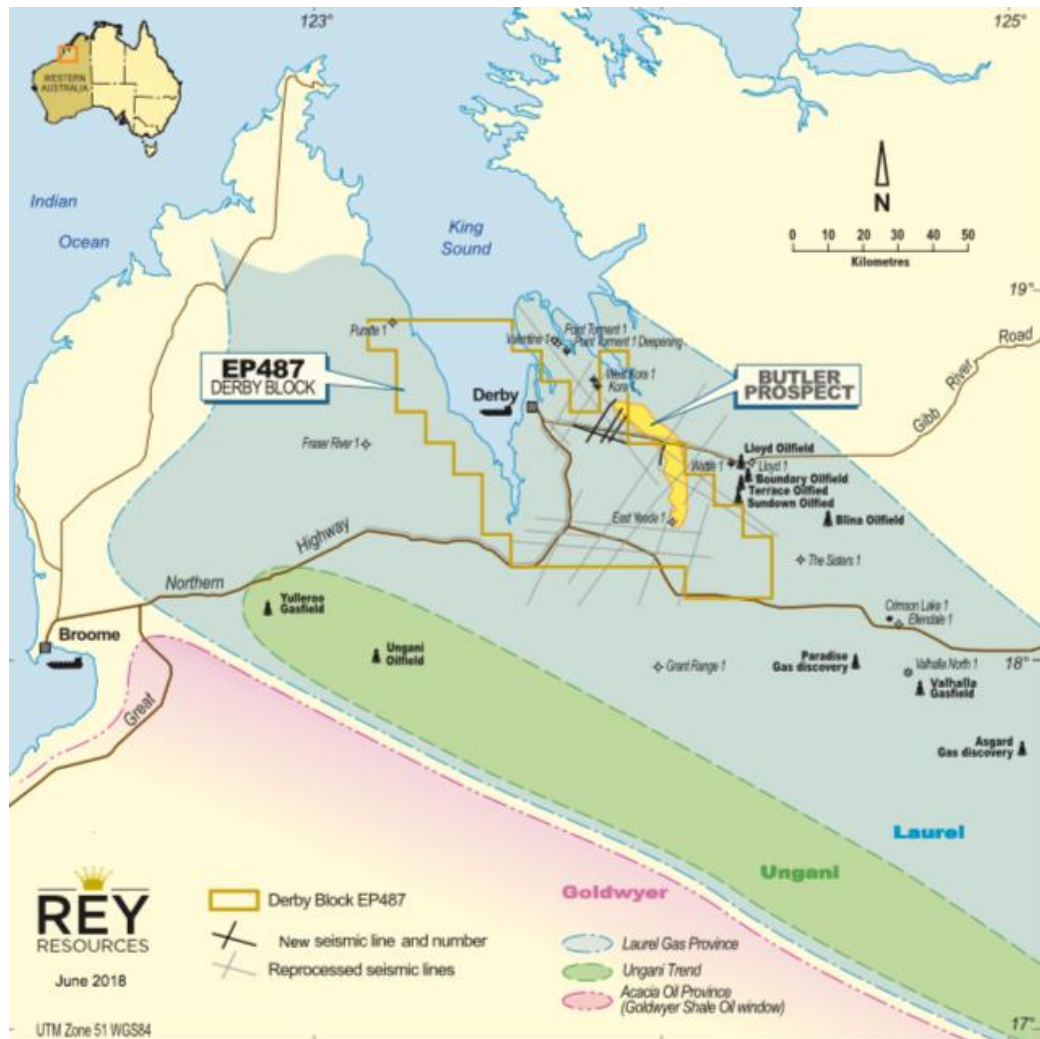


Figure 3: EP487 Location

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 km² and are considered prospective for conventional oil and tight gas.

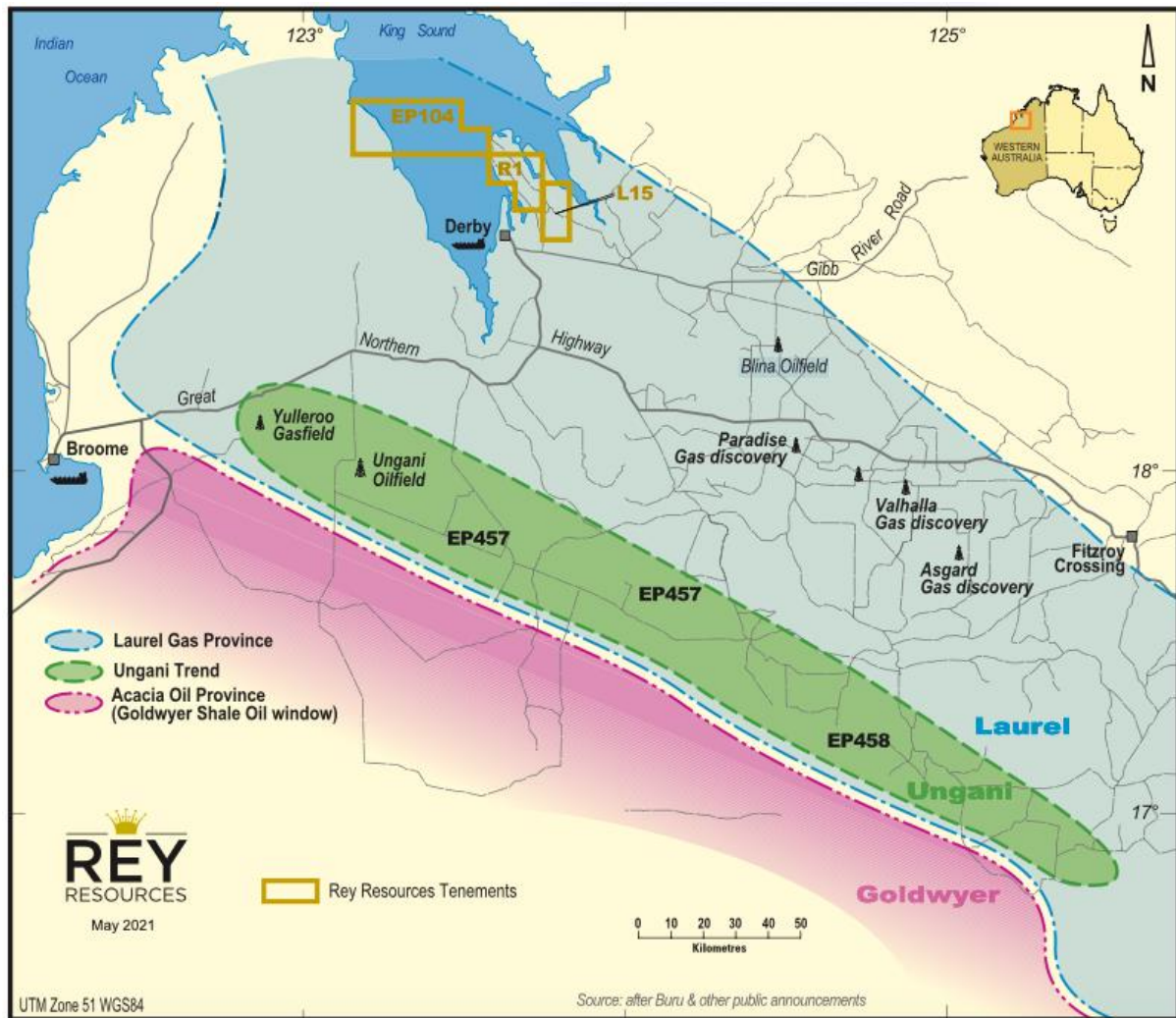


Figure 4: Location of Lennard Shelf Blocks

DMIRS conducted the onsite inspection over R1 and L15 in July 2021. An inspection report with 9 findings has been issued to Rey. In August, Rey addressed all findings and lodged the engineering study and R1 commercial study to DMIRS to avoid the rehabilitation activity requirements over Stokes Bay-1, Point Tormment-1 and West Kora-1.

During the report period, Rey completed the waste oil removal and disposal from West Kora Tank Farm. The waste oil was transported to Port Headland for disposal. The soil sampling work has also been done during the activity for environmental monitoring purposes. The sample is under analysis by lab currently.

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:

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 continued the discussion with Southernpec for the 2nd stage investment and subsequent to the quarter end the parties agreed to extend the commencement date of the 2nd stage investment until 31 December 2021.

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 Titleholders during the quarter for a heritage agreement.

Rey continues the negotiation with Native Titleholders for the protocol. The protocol with comments from Native Titleholders was received during the report period.

3. Corporate

On 22 July 2021, the Company announced the extension of its on-market share buyback program for a further 12 months from 5 August 2021. During the quarter the Company did not buy back any shares under the buyback program.

As at the quarter ended 30 September 2021, the Company maintained a cash balance of \$0.52 million and available loan facilities from Wanyan Liu and ASF Group Limited of \$2.1 million and \$1.95 million respectively.

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 30 September 2021.

Share Registry

Boardroom Pty Limited
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Tenement Tenure Status (as at 30 September 2021)

| Tenure ID ¹ | Tenure Type | Holder (wholly owned Rey subsidiary company) | Ownership% beginning quarter | Ownership% end quarter |
|--------------------------|--------------------------|--|------------------------------------|---------------------------|
| Mineral Licences | | | | |
| 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 |
| Petroleum Permits | | | | |
| EP457 | Exploration Permit | Rey Oil and Gas Pty Ltd | 20 | 20 |
| EP458 | Exploration Permit | Rey Oil and Gas Pty Ltd | 20 | 20 |
| EP487 ² | Exploration Permit | Rey Lennard Shelf Pty Ltd ("RLS") | 50 | 50 |
| EP487 ² | 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 |

¹ All tenements are located in Western Australia.

² 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.