ASX ANNOUNCEMENT

2 DECEMBER 2016

REPLACEMENT ANNUAL REPORT

Rey Resources Limited (ASX: REY; “Rey Resources” or “the Company”) provides a replacement Annual Report. The Annual Report released to ASX on 26 October 2016 inadvertently omitted a page of the Independent Audit Report. Page 74 has now been corrected in the attached replacement Annual Report.

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www.reyresources.com

ANNUALREPORT2016

REY RESOURCES

ACN 108 003 890

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CORPORATE DIRECTORY

Directors

Ms Min Yang – Non-Executive Chairman

Mr Jin Wei – Managing Director

Mr Geoff Baker – Non-Executive Director

Mr Dachun Zhang – Independent Non-Executive Director

Dr Zhiliang Ou – Independent Non-Executive Director

Mr Louis Chien – Alternate Non-Executive Director (alternate to Min Yang)

Company Secretary

Ms Shannon Coates

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Stock Exchange

Australian Securities Exchange (ASX)
ASX Code: REY

Website

www.reyresources.com

COMPANY PROFILE

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

Rey holds a 25% interest in two prospective Canning Basin petroleum exploration permits (EP457 and EP458) known as the "Fitzroy Blocks" and a 50% participating interest in (and is operator of) the "Derby Block' (EP487). Two conventional oil wells were drilled in the Fitzroy Blocks during 2015, although neither resulted in a petroleum discovery. The Derby Block is considered prospective for both conventional and unconventional hydrocarbons and Rey assumed operatorship of this block in June 2016.

Rey also holds coal tenements in the Canning Basin, some contiguous with the Fitzroy Blocks, including those hosting the Duchess Paradise coal resources and reserves.

Rey continues to investigate targets in the Perth Basin within Exploration Permit 437 ("EP 437") in which it holds a 43.47% interest.

Rey has an experienced Board and management team, committed to continuing to develop 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 2016.

Our key focus remains our petroleum exploration business in the Canning Basin and Perth Basin.

Our interest in the Fitzroy Blocks straddles the continuation of the Ungani Trend and during the year we participated in the drilling of two exploration wells on the trend during the year, Victory-1 and Senagi-1. Unfortunately neither of these delivered a petroleum discovery but the information gained from the wells is developing the future strategy for exploration on the trend.

Following our acquisition of a 50% interest in EP 487, the Derby Block, in 2015, we eventually achieved operatorship in June 2016. Since that date, we have reviewed the available geological information and proposed further seismic acquisition in late 2016, prior to drilling in 2017.

As operator of the Derby Block, we are now well positioned to consider farmouts to support the proposed 2017 drilling campaign.

The outlook for development of the Duchess Paradise coal deposit remained challenging during the 2016 financial year, but a recent upturn in coal prices may represent an early sign that the business environment is turning. We continue to maintain the prospect in good standing pending further evidence of improving demand circumstances for the project.

I would like to thank all Shareholders for their support, and welcome those who joined during the year.

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
Non-Executive Chairman

BUSINESS PERFORMANCE AND OUTLOOK

OIL & GAS

Canning Basin – the Fitzroy Blocks

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^2) 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 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^2). 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. Commercial production was established by Buru at Ungani in mid-2015.

Although Prospective (recoverable) Resources of the Laurel Formation within the Fitzroy Blocks have not been assessed by drilling to date, the formation 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.

The joint venture drilled two exploration wells during the year.

Exploration well Victory-1 was spudded on 9 September 2015 in EP457, 185 km east of Broome and 85 km southeast of Buru Energy's producing Ungani Oilfield. The well was drilled with Atlas Rig 2 to the programmed total depth of 2,600 metres.

At a depth of 1,945 metres complete lost circulation was encountered with high and erratic drilling rates similar to those encountered elsewhere by the Operator in the Ungani Dolomite. The drilling system was then switched to a managed pressure system but complete losses continued to a depth of 2,600 metres where logs were attempted to be run. Logs were initially unable to be obtained deeper than approximately 2,030 metres due to hole conditions and several further attempts were made to log the lower part of the hole below the lost circulation zone with no success. The difficulties in acquiring the logs were principally due to a well-developed shale section below the zone of lost circulation. During these logging operations, further problems with the casing were encountered. After considering the options for remedying the issue, and the associated costs, it was agreed by the joint venture to plug and abandon the well bore, meaning that a flow test of the horizon where circulation was lost was not operationally achievable. Abandonment was undertaken in accordance with all regulations and oil field practice to ensure all formations were effectively isolated.

100 line-km of 2D seismic data was also acquired in EP457 during the year over prospects Rafael, Wright and Victory.

The Senagi-1 conventional exploration well was spudded on 15 October 2015 in EP 458, 240 km southeast of Broome and 144 km southeast of Buru Energy's Ungani Oilfield. Senagi-1 was drilled with the DDH1 Rig#31 (with Buru as Operator) and was drilled to a total depth of 1,045 metres. The well targeted conventional oil and gas in the Lower Laurel (Ungani Dolomite) and Devonian-aged (Nullara) carbonates. A total of 286m of continuous core was cut, with 97% recovered. A thin interval with vugular porosity with oil shows was observed in core however, the shows were interpreted to be residual. Valuable data was obtained which will assist with correlation of core and image logs over the very well developed vugular dolomite reservoir section. This correlation will provide more certainty in the interpretation of the dolomite reservoirs encountered in future wells. Wireline logs were obtained and the well was plugged and abandoned. All of the data from the well is being analysed by the joint venture to ensure the highest chance of success of the other prospects in the area.

In advance of the six year permit anniversary in October 2016 and compulsory relinquishment of 50% of the area of the two exploration licences, the joint venture applied for a five year extension of the licences with a 50% area reduction, in July 2016.

Canning Basin – the Derby Block

In June 2015, the Company's wholly owned subsidiary Rey Lennard Shelf Pty Ltd ("RLS") completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") from Backreef Oil Pty Ltd ("Backreef"). The Company has also entered into a Joint Venture Agreement ("JOA") with Oil Basins Limited ("Oil Basins") (ASX: OBL), holder of the remaining 50% interest and permit Operator, for the operation of exploration programmes on the Derby Block, located in the Canning Basin of Western Australia.

The Derby Block is a large exploration permit of approximately 5,000 km2 that was in March 2014. It occurs to the north of Rey's interests in the Fitzroy Blocks. The Derby Block is considered to be predominantly a Wet Laurel Basin Centred Gas play ("BCG") which is regionally extensive throughout the Canning Basin and has been the subject of exploration in the Canning Basin by other parties in 2015, resulting in encouraging flow tests by Buru Energy at Valhalla and Asgard (please refer various BRU ASX releases including releases dated 20 January 2016 and 18 April 2016).

Prospective Resources

A new (preliminary) estimate of the gross prospective potential recoverable resource estimate (Tcf gas recoverable) of the BCG play in the Derby Block (onshore portion) was provided by Oil Basins (OBL ASX release dated 15 January 2016 and an update on 14 April 2016). The Company's 50% interest in these Prospective Potential Recoverable Resources (unrisked, probabilistic estimate) of the Derby Block BCG play is provided in the Table below.

Prospective Potential Recoverable Resources SPE PRMS (2011)[6]

		P90[1]	P50[1]	P10[2]
Gas in place	Tcf[3]	28.5	71.1	173.3
Recoverable Gas	Tcf[3]	4.3	12.3	35.6
Recoverable Condensate	MMbbl[4]	101.9	307	908
Recoverable BOE	MMBOE[5]	791.5	2,289.5	6,634.0

Rey Resources' 50% attributable interest in the gross prospective potential recoverable resources estimate of the Laurel BCG in EP487 (estimate prepared by 3D-GEO January 2016).

1. P90 and P50 estimates consider the Laurel section between 2,500-5,000m.
2. P10 estimates assume an additional 10% of Laurel section.
3. Tcf- trillion cubic feet.
4. MMbbl- million barrels.
5. MMBOE- million barrels oil equivalent.
6. SPE PRMS (2011) - Society of Petroleum Engineers Petroleum Resource Management System (2011).

Prospective resources are the estimated quantities of petroleum that may be potentially recovered by the application of a future development project and 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.

On 3 February 2016, the Department of Mines and Petroleum of Western Australia approved a variation to the Year 2 work program. Well site locations have been proposed by Oil Basins for consideration by the Joint Venture for drilling in 2016, in satisfaction of the EP487 Year 2 permit conditions.

On 12 February 2016, Rey announced that it and RLS had commenced legal proceedings against Oil Basins in the Supreme Court of Western Australia seeking orders that Oil Basins resign as the Operator of EP487 in accordance with the terms of the Joint Operating Agreement between Rey, RLS and Oil Basins. The proceedings were heard in the Western Australian Supreme Court on 25 May 2016. On 26 May 2016, the Supreme Court ruled in favour of the Company and Oil Basins was ordered to immediately resign as operator.

Since assuming operatorship, the Company has reviewed the status of the work completed on the permit to date in the context of the regional setting. The study concluded that the original proposed well sites needed further de-risking as well as proposing new well sites that may be more favourable. A 2D seismic acquisition survey is planned to occur in the final quarter of 2016.

As a consequence of requiring additional work on the proposed well sites a suspension of the workplan and extension of title was requested from DMP in August 2016.

Perth Basin

Rey farmed into EP437 during 2014 through funding the drilling of exploration well Dunnart-2. The beneficial interests in the licence are as follows:

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

The Joint Venture has identified at least ten prospects and leads on the licence. Additional mapping of the Wye area was conducted in light of results from the Waitsia gas discovery to the south of EP437 by AWE Limited. The Wye area consists of several fault bounded structures defined by vintage 2D seismic including a section of High Cliff sandstone encountered further south at the Dongara and Waitsia fields some 40 kilometres to the southeast in the Perth Basin.

The Joint Venture is reviewing the prospects, particularly the Wye Knot prospect and is undertaking petrophysical studies as part of preplanning for an exploration well in 2017.

COAL

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

In April 2015 the environmental assessment of the proposed Duchess Paradise Project by the Western Australian Environmental Protection Authority (EPA) was placed on hold by agreement between Rey and the EPA. In August 2016, Rey informed the EPA that it considered the assessment of the proposed project should be withdrawn pending an improvement in economic conditions impacting Duchess Paradise.

ANNUAL MINERAL RESERVES AND RESOURCES STATEMENT

The current Reserves and Resources Statement for the Duchess Paradise Project, located in the Canning Basin, Western Australia, is shown in Tables 1 to 3 below.

Table 1: P1-seam Reserves Estimates for Proposed Duchess Paradise Mine Plan – October 2014 (JORC 2012 Code)

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

1. (ROM) run of mine.
2. (ar) as received.
3. Average Mine Recoveries and Yields to generate Marketable Cleaned Coal tonnages is presented in Table below. 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 Marshal Miller & Associates (now Cardno) for use in the 2011 DFS report Addendum. No further works 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.
4. 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).

Table 2: P1-seam Marketable Cleaned Coal Estimate Derivation Factors – October 2014 (JORC 2012 Code)

Type	Average Mine Recovery (%)	Total Run of Mine Coal (ar) 1 (Mt) [2]	Wet Yield based on Expected Total Moisture (%) [3]	Marketable Cleaned Coal [4] (ar)[1] @ 17.3 % Total Moisture (Mt) [2]
Slot Excavation	95	2.5	67.6	1.7
Highwall Mining	51	23.8	67.7	16.1
Total		**26.3**	**67.7 3**	**17.8**

1. (ar) as received.
2. (Mt) million tonnes.
3. 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 Marshal Miller & Associates (now Cardno) for use in the 2011 DFS report Addendum. No further works 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.
4. an additional 2.7 million marketable cleaned tonnes (ar) derived from Inferred Resources are included in the mine plan, which totals 20.5 million marketable cleaned tonnes (ar).

Reserves are included in the following Resources Statement.

Table 3: Duchess Paradise P1-seam Resources - October 2014 (JORC 2012 Code)

Duchess Paradise Resources Estimate (in-place, with in situ moisture) Million Tonnes					
Measured	Indicated	Inferred (Interpolated)	Inferred (Extrapolated)	Total Inferred [1]	Total
60.2	78.5	51.3	115.7	167.1	305.8

1. Difference in Total Inferred Resources due to rounding

For further information on the above summary Reserves and Resources estimates, please refer to the Company's ASX announcement dated 28 October 2014.

Material Changes and Reserves and Resources Statement Comparison

The Company reviews its Mineral Reserves and Resources at least annually in accordance with ASX Listing Rule 5.21. The date of reporting is post-30 June each year to coincide with the release of this Annual 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 as they occur.

Rey has undertaken an annual review for the year ended 30 June 2016, which was conducted by Cardno Inc. The historical factors were examined and found not to have materially changed the Reserves and Resources of Duchess Paradise P1-seam from the time they were first reported to ASX on 28 October 2014 (at which time the Reserves and Resources were updated in accordance with JORC 2012 and found not to have materially changed since reported in accordance with JORC 2004 on 6 April 2011 and 6 June 2011 respectively). The Duchess Paradise Project has not commenced active operation and hence no resource depletion has occurred for the review period. The result of the review was verification of the Coal Reserve estimate for the P1 seam of 17.79 million marketable tonnes (gross as-received basis), recovered over a mine life of approximately 10 years. The review also indicates that the resource defined in the ASX announcement on 28 October 2015 remains valid at 305.8 million tonnes in place.

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 of Exploration Results, Minerals Resources and Ore Reserves".

Competent Persons Statements

Coal Reserves and Resources

Coal Quality

The coal quality information in this report was first reported to ASX on 28 October 2014. It was compiled under the supervision of and reviewed by Mr Andrew Meyers, a consultant to the Company, 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" (The JORC Code, 2012 Edition).

Coal Resources Estimate

The estimate of P1-seam Resources in the Duchess Paradise area was first reported to ASX on 28 October 2014, 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;
- JORC Code, 2012 Edition, 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 P1-seam Resources 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 was approved by consultants to the Company Mr K. Scott Keim, C.P.G. , Area Manager, Senior Principal for Cardno, and Mr Ronald H. Mullennex, 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). He has served as a 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 JORC Code, 2012 Edition.

Mr Mullennex 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 Mullennex 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 Mullennex holds both Bachelor of Science and Master of Science degrees in Geology from West Virginia University. He has served 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 JORC Code, 2012 Edition.

Coal Reserves Estimate

The estimate of P1-seam Reserves in the Duchess Paradise area was first reported to ASX on 28 October 2014, 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;
- JORC Code, 2012 Edition, 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 P1-seam Reserves 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 was approved by consultants to the Company, 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 JORC Code, 2012 Edition.

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 JORC Code, 2012 Edition.

The Company is not aware of any new information or data that materially affects the Reserves and Resources information included in the ASX announcement on 28 October 2014 and confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Reserves and Resources Statement

This Annual Mineral Reserves and Resources Statement is based on and fairly represents information and supporting documentation prepared by the Competent Persons described above. The Annual Mineral Reserves and Resources Statement as a whole has been consented to by Mr Gerard Enigk (see details above) and Mr Justin Douthat.

Mr Douthat graduated with a Bachelor of Science in Mining Engineering from the Virginia Polytechnic Institute & State University and a Master of Business Administration degree from The Pennsylvania State University, is a registered member of SME and is licensed as a professional engineer in Virginia, West Virginia, Kentucky, Illinois, North Carolina, Kansas, Arkansas, Colorado, Mississippi and Louisiana. He has been employed at Cardno since 1995, working on coal mining projects and feasibility studies throughout the United States and abroad. His education and experience qualify him as a CP as defined in the JORC Code, 2012 Edition.

Oil and Gas

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.

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 2016.

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 Wei Jin - Managing Director (appointed Managing Director 1 July 2016)

Mr Geoff Baker - Non-Executive Director

Mr Dachun Zhang - Non-Executive Director

Dr Zhiliang Ou - Non-Executive Director (appointed 22 September 2016)

Mr Louis Chien - Alternate Director to Non-Executive Chairman, Ms Min Yang (appointed 11 January 2016)

Mr Kevin Wilson - Managing Director (resigned 31 May 2016)

Details of Directors' qualifications, experience, special responsibilities and directorships of other listed companies can be found on pages 17 to 19.

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
Current				
Min Yang 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.	• ASF Group Ltd (September 2005, ongoing) • ActiveEX Limited (May 2012, ongoing) • Key Petroleum Limited (January 2014, ongoing) • Metaliko Resources Limited (August 2014, ongoing)	• Non-Executive Chairman • Member, Audit and Risk Management Committee
Geoff Baker Appointed on 13 September 2012	Director Non-Executive	Qualifications – BCom, LLB, MBA 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.	• ASF Group Ltd (November 2006, ongoing) • ActiveEX Limited (February 2013, ongoing) • Key Petroleum Limited (alternate to Min Yang) (January 2014, ongoing) • Metaliko Resources Limited (August 2014, ongoing)	• Member, Audit and Risk Management Committee
Dachun Zhang Appointed on 1 July 2013	Director Non-Executive Independent	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. 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. Mr Zhang, a resident of Victoria, Australia brings extensive international experience and Chinese business relationships to the Board of Rey.		• Chairman, Audit and Risk Management Committee

2. INFORMATION ON DIRECTORS AND OFFICERS (Continued)

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
Current				
Wei Jin Appointed Non-Executive Director on 2 December 2013. Appointed Managing Director on 1 July 2016	Managing Director	Wei Jin 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.		Member, Audit and Risk Management Committee
Zhiliang Ou Appointed on 22 September 2016	Director Non-Executive Independent	Dr Ou has over 27 years of professional engineering and management experience in the oil and gas, mining and infrastructure industries both in Australia and China. He currently serves as an executive director of Hao Tian Development Group Limited, a company listed on the main board of the Hong Kong Stock Exchange. Dr Ou holds a Doctor of Philosophy degree in Civil & Resource Engineering from the University of Western Australia. He also holds two Bachelor of Engineering degrees in Structural Engineering & Engineering Management respectively.		
Louis Chien Appointed Alternate Director to Non-Executive Chairman, Ms Min Yang on 11 January 2016.	Alternate Director	Mr Chien was born in Shanghai, China, grew up and was educated in the United States, and is now based in Australia. He has 20+ years of corporate experience based in Australia, the United States and Singapore and has held various engineering and finance leadership positions within The Procter & Gamble Company (P&G). He has managed organisations across the Americas, Europe and Asia-Pacific, and is currently a director of ASX listed ASF Group Limited, and ASF Consortium Pty Ltd. Mr Chien holds a Master of Business Administration in finance from Kelley School of Business, Indiana University, and two bachelor degrees in Architecture, all attained in the United States.	ASF Group Ltd (May 2015, ongoing)	

2. INFORMATION ON DIRECTORS AND OFFICERS (Continued)

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
Current				
Kevin Wilson Appointed on 9 August 2007 and resigned 31 May 2016	Managing Director	Qualifications – BSc (Hons), ARSM, MBA Mr Wilson has over 30 years' experience in the minerals and finance industries. 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.	Navarre Minerals Limited (March 2011, ongoing)	Managing Director

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 20 years' experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as company secretary to several ASX listed companies and unlisted companies, the majority of which operate in the mineral resources industry, both in Australia and internationally. Ms Coates is Director to Perth based corporate advisory firm Evolution Corporate Services Pty Ltd, which specialises in the provision of corporate services to listed companies.

4. DIRECTORS' ATTENDANCE AT MEETINGS

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

Director	Meetings	
	A	B
Min Yang	3	4
Kevin Wilson[1]	4	4
Geoff Baker	4	4
Dachun Zhang	4	4
Wei Jin	4	4
Louis Chien[2]	2	2
Zhiliang Ou[3]	0	0

1. Mr Kevin Wilson resigned 31 May 2016.
2. Mr Louis Chien attended one Directors meeting as an invitee and one as Alternate Director to Ms Min Yang.
3. Dr Zhiliang Ou was appointed on 22 September 2016.

A - Number of meetings attended.
B - Number of meetings held during the time the Director held office.

The Company has established an Audit and Risk Management Committee, comprising the four Non-Executive Directors, with Mr Dachun Zhang as Chair. The number of Audit and Risk Management Committee meetings and number of meetings attended by each of the member of the Committee during the financial year are:

Director	Meetings	
	A	B
Min Yang	2	2
Geoff Baker	2	2
Dachun Zhang	2	2
Wei Jin	2	2

A - Number of meetings attended.
B - Number of meetings held during the time the Director held office.

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	1,000,000	Nil	Nil
Geoff Baker	1,000,000	Nil	Nil
Dachun Zhang	3,887,066	Nil	Nil
Wei Jin	1,200,000	Nil	Nil
Zhiliang Ou	Nil	Nil	Nil
Louis Chien	Nil	Nil	Nil
Kevin Wilson	8,911,673[1]	Nil	Nil[1]

1. Mr Wilson resigned on 31 May 2016. At resignation, Mr Wilson held 3,426,667 performance rights All performance rights were vested to Mr Kevin Wilson and converted into shares on 1 July 2016 in accordance with the Company's share incentive scheme and as part of Mr Wilson's agreed termination payment.

6. REMUNERATION REPORT - AUDITED

This remuneration report outlines the Director and executive remuneration arrangements for Rey Resources 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 as 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.

6. REMUNERATION REPORT - AUDITED (Continued)

2016 Key Management Personnel

The KMP of Rey Resources during the year ended 30 June 2016 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)
Louis Chien	Alternate Director to Ms Min Yang (appointed 11 January 2016)

Executive

Wei Jin	Managing Director (appointed Non-Executive Director 2 December 2013, appointed Managing Director 1 July 2016)
Kevin Wilson	Managing Director (appointed 9 August 2007, resigned 31 May 2016)
Ian Pound	General Manager (resigned 31 January 2016)

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 KMP 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 6.5.

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.

6. REMUNERATION REPORT - AUDITED (Continued)

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 ("2014 EIRP"), which was approved by shareholders at the Company's 2014 Annual General Meeting. The 2014 EIRP replaced the 2011 EIRP that was previously approved by shareholders. 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 2014 EIRP and 2011 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.

The EIRP plan has been designed to deliver benefits based on the value of shares when performance and service conditions are satisfied. The benefits may be provided in cash or a combination of cash and shares.

6. REMUNERATION REPORT - AUDITED (Continued)

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 below 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.

	2016	2015	2014	2013	2012
Rey Closing Share Price as at 30 June	0.029	0.105	0.105	0.052	0.075

Consequences of performance on shareholder wealth

	2016	2015	2014	2013	2012
Profit (loss)	(3,998)	($10,200)	($3,304)	($7,678)	($8,919)
Dividends declared	0	0	0	0	0
Total shareholder return (TSR)%	(72%)	0%	102%	(31%)	(63%)

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 cash fees payable to each NED are as follows: Ms Yang $96,000 per annum payable to her related entity, Luxe Hill Limited; Mr Baker $120,000 per annum payable to his related entity, Gold Star Industry Ltd; Mr Zhang $50,000 per annum payable to his related entity, AMI Corporation Pty Ltd; Mr Jin $60,000 per annum payable to his related entity, Crystal Yield Investments Ltd. From 1 December 2015, fees payable to each NED were reduced as follows: Ms Yang $48,000 per annum; Mr Baker $60,000 per annum; Mr Zhang $25,000 per annum; Mr Jin $30,000 per annum.

6. REMUNERATION REPORT - AUDITED (Continued)

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 2015 and 30 June 2016.

	Short Term Benefits			Post-employment Benefits	Other Long Term employee benefit	Share Based Payments	Termination Benefits	Total
	Cash salary/ Fees	Annual Incentive	Non-monetary	Super	LSL & AL	Rights /Options	Termination Payments	
	$	$	$	$	$	$	$	$
M Yang - Non-Executive Chairman - Appointed 13 September 2012								
2016	68,000	-	-	-	-	-	-	68,000
2015	96,000	-	-	-	-	90,000	-	186,000
K Wilson -Managing Director – Resigned 31 May 2016								
2016	304,718	-	-	28,948	49,264	38,000	108,601	529,531
2015	332,420	-	-	31,580	422	61,910	-	426,332
G Baker - Non-Executive Director - Appointed 13 September 2012								
2016	85,000	-	-	-	-	-	-	85,000
2015	120,000	-	-	-	-	90,000	-	210,000
D Zhang - Non-Executive Director - Appointed 1 July 2013								
2016	35,625	-	-	-	-	-	-	35,625
2015	50,000	-	-	-	-	45,000	-	95,000
W Jin - Managing Director - Appointed 2 December 2013								
2016	42,500	-	-	-	-	-	-	42,500
2015	60,000	-	-	-	-	90,000	-	150,000
L Chien – Alternate Director - Appointed 11 January 2016								
2016	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
I Pound – General Manager – Resigned 31 January 2016								
2016	163,333	-	-	15,517	-	-	112,349	291,199
2015	280,000	-	-	26,600	12,923	-	-	319,523
TOTAL								
2016	699,176	-	-	44,465	49,264	38,000	220,950	1,051,855
2015	938,420	-	-	58,180	13,345	376,910	-	1,386,855

6. REMUNERATION REPORT - AUDITED (Continued)

6.3 Equity instruments

6.3.1 No share rights were granted during the financial year.

6.3.2 The valuation assumptions and methodology for the Share based payments (rights) are set out in note 20 to the financial statements.

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:

Name	Number of rights held during FY 2016	Vesting condition[3]	Grant Date	Fair value per share right at grant date	Vest Date	Expiry Date
K Wilson	1,000,000[1]	TSR	26 Nov 2014	$0.057	1 July 2016[4]	N/A
	2,426,667[2]	TSR	22 Nov 2012	$0.043	1 July 2016[4]	N/A

1. Approved by shareholders at 2014 Annual General Meeting.
2. Approved by shareholders at 2012 Annual General Meeting.
3. Subject to the Board's discretion.
4. Mr Wilson resigned on 31 May 2016. In accordance with the Company's share incentive scheme and as part of his agreed termination payment, all performance rights vested and converted to Shares on 1 July 2016.

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 2015	Financial year in which grant vests
Share Rights					
K Wilson	1,000,000	26.11.2014	0%	0%	Vest 1 July 2016
K Wilson	2,426,667	22.11.2012	0%	0%	Vest 1 July 2016

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	Held at 1 July 2015	Other Changes1	Held at 30 June 2016	Vested during year
Share Rights				
K Wilson	2,426,667	2,426,6672	N/A	N/A
K Wilson	1,000,000	1,000,0002	N/A	N/A

1. Other changes represent rights that lapsed or employees who are no longer key management personnel as at 30 June 2016.
2. Rights were vested on 1 July 2016.

6. REMUNERATION REPORT - AUDITED (Continued)

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	Termination by Executive
Kevin Wilson[1] 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 terminated within 6 months of a Fundamental Change receives 6 months TFR at termination date. Board discretion to pay pro-rata Annual Incentive and unvested Long Term Incentive.
Ian Pound[2] General Manager	Ongoing	3 months' notice or payment in lieu.	1 month notice or payment in lieu.

1. Mr Kevin Wilson resigned 31 May 2016.
2. Mr Ian Pound resigned 31 January 2016.

Non-Executive Directors are engaged by a letter of appointment for a term as stated in the Constitution of the Company. They may 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.

No external advisors were engaged on remuneration matters for the 2016 financial year.

6.6 Movements in share holdings

Movements in shares

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:

2016	Held at 1 July 2015	Received as compensation	Received on exercise of options/rights	Other changes	Held at 30 June 2016
Directors					
Min Yang	1,000,000	-	-	-	1,000,000
Geoff Baker	1,000,000	-	-	-	1,000,000
Wei Jin	1,200,000	-	-		1,200,000
Dachun Zhang	2,915,300	-	-	971,766[3]	3,887,066
Louis Chien	-	-	-		-
Kevin Wilson	4,485,006	-	-	1,000,000[3]	N/A [1]
Executives					
Ian Pound	353,000	-	-	-	N/A [2]
Total	**10,953,306**	**-**	**-**	**1,971,766**	**7,087,066**

1. Mr Kevin Wilson resigned 31 May 2016.
2. Mr Ian Pound resigned 31 January 2016.
3. Shares acquired pursuant to Company's Rights Issue.

6. REMUNERATION REPORT - AUDITED (Continued)

6.7 Movements in Option holdings

No KMP held or were issued options during the 2016 reporting period.

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:

2016	Held at 1 July 2015	Granted as compensation	Exercised	Other changes	Held at 30 June 2016	Vested and exercisable at 30 June 2016	Unvested and unexercisable at 30 June 2016
Directors							
Min Yang	-	-	-	-	-	-	-
Geoff Baker	-	-	-	-	-	-	-
Wei Jin	-	-	-	-	-	-	-
Dachun Zhang	-	-	-	-	-	-	-
Louis Li Chien	-	-	-	-	-	-	-
Kevin Wilson	3,426,667	-	-	3,426,667	-	-	3,426,667[1]
Executives							
Ian Pound	-	-	-	-	-	-	-
Total	3,426,667	-	-	3,426,667	-	-	3,426,667

1. Mr Wilson resigned on 31 May 2016. In accordance with the Company's share incentive scheme and as part of his agreed termination payment, all performance rights vested and converted to Shares on 1 July 2016.

This is the end of the audited remuneration report.

7. PRINCIPAL ACTIVITIES

The principal activity of Rey Resources is exploring for and developing energy resources in Western Australia's Canning and Perth Basins. The Company holds coal exploration assets, a 25% interest in petroleum permits EP457 & 458 in joint venture with Buru Energy Limited and Mitsubishi Corporation, a 50% interest in the Derby Block EP487 and a 43.47% in petroleum exploration permit EP437.

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 and Perth Basin, with particular focus on its oil and gas assets.

Oil and Gas
Canning Basin
EP457 & EP458

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

Rey Oil and Gas Pty Ltd	25%	(of which a 10% interest is free carried to production)
Buru Fitzroy Pty Ltd	37.5%	(Buru Energy Limited operator)
Diamond Resources (Fitzroy) Pty Ltd	37.5%	(100% subsidiary of Mitsubishi Corporation)

The joint venture drilled two exploration wells during the year. Exploration well Victory-1 was spudded on 9 September 2015 in EP457, 185 km east of Broome and 85 km southeast of Buru Energy's producing Ungani Oilfield. The well was drilled with Atlas Rig 2 to the programmed total depth of 2,600 metres.

At a depth of 1,945 metres complete lost circulation was encountered with high and erratic drilling rates similar to those encountered elsewhere by the Operator in the Ungani Dolomite. The drilling system was then switched to a managed pressure system but complete losses continued to a depth of 2,600 metres where logs were attempted to be run. Logs were initially unable to be obtained deeper than approximately 2,030 metres due to hole conditions and several further attempts were made to log the lower part of the hole below the lost circulation zone with no success. The difficulties in acquiring the logs were principally due to a well-developed shale section below the zone of lost circulation. During these logging operations, further problems with the casing were encountered. After considering the options for remedying the issue, and the associated costs, it was agreed by the joint venture to plug and abandon the well bore, meaning that a flow test of the horizon where circulation was lost was not operationally achievable. Abandonment was undertaken in accordance with all regulations and oil field practice to ensure all formations were effectively isolated.

100 line-km of 2D seismic data was acquired in EP457 over prospects Rafael, Wright and Victory. Processing of this data was completed and early results suggest Wright to be a promising drill target.

The Senagi-1 conventional exploration well was spudded on 15 October 2015 in EP458, 240 km southeast of Broome and 144 km southeast of Buru Energy's Ungani Oilfield. Senagi-1 was drilled with the DDH1 Rig#31 (with Buru as Operator) and was drilled to a total depth of 1,045 metres. The well targeted conventional oil and gas in the Lower Laurel (Ungani Dolomite) and Devonian-aged (Nullara) carbonates. A total of 286m of continuous core was cut, with 97% recovered. A thin interval with vugular porosity with oil shows was observed in core however, the shows were interpreted to be residual. Valuable data was obtained which will assist with correlation of core and image logs over the very well developed vugular dolomite reservoir section. This correlation will provide more certainty in the interpretation of the dolomite reservoirs encountered in future wells. Wireline logs were obtained and the well was plugged and abandoned. All of the data from the well is being analysed by the joint venture to ensure the highest chance of success of the other prospects in the area.

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (Continued)

As part of the title conditions of both EP457 and EP458, the Joint Venture is required to relinquish 50% of the licence area of both permits at the end of Title Year 6 in October 2016. Buru Energy, as Operator, completed permit reviews in 2Q 2016 and proposed areas for mandatory relinquishment to the Joint Venture. Following consideration and unanimous agreement on the relinquishment areas by the JV parties, applications to renew both permits were lodged with the regulator.

Derby Block (EP487)

As announced on 1 June 2015, Rey Lennard Shelf Pty Ltd (a wholly owned subsidiary of Rey Resources) completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") from Backreef Oil Pty Ltd and entered into a Joint Venture Agreement with Oil Basins Limited (ASX: OBL). The equity interests in the permit are :

Rey Lennard Shelf Pty Ltd	50%
Oil Basins Limited	50%

The Derby Block is considered to be predominantly a Wet Laurel Basin Centred Gas play ("BCG") which is regionally extensive throughout the Canning Basin.

A new estimate of the gross prospective potential recoverable resource estimate (TCF gas recoverable) of the BCG play in the Derby Block (onshore portion) was provided by Oil Basins (OBL ASX release dated 15 January 2016).

In September 2015, the joint venture, lodged a work plan variation and on 5 February 2016 Oil Basins announced that the joint venture had been successful in its application to have the Work Program for Year 1 deemed complete and the Work Program Year 2 variation approved by the WA regulator, the Department of Mines and Petroleum. The Year 2 Work Program requires the drilling of two exploration wells in 2016.

On 12 February 2016, Rey announced that it and RLS had commenced legal proceedings against Oil Basins in the Supreme Court of Western Australia seeking orders that Oil Basins resign as the Operator of EP487 in accordance with the terms of the Joint Operating Agreement between Rey, RLS and Oil Basins.

The proceedings were heard in the Western Australian Supreme Court on 25 May 2016. On 26 May 2016, the Supreme Court ruled in favour of the Company and Oil Basins was ordered to immediately resign as operator.

Since assuming operatorship, the Company has reviewed the status of the work completed on the permit to date in the context of the regional setting and proposed new well sites to the joint venture as well as geophysical studies.

Perth Basin (EP437)

The beneficial interests in EP437 are as follows:

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

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (Continued)

The Joint Venture continued to review the prospectivity of the basin during the quarter and decided to reprocess approximately 130kms of vintage 2D seismic data across the Wye Not and Becos prospects. The permit conditions requires a commitment well in 2017.

Coal

Rey's thermal coal tenements are located in the Fitzroy Trough of the Canning Basin, north Western Australia and are partly contiguous with the Fitzroy Blocks petroleum tenements. The Canning Basin is well situated to feed the strong Asian demand for Australian export thermal coal for power generation.

Duchess Paradise Project

The Duchess Paradise Project is a proposed bituminous thermal coal operation of up to 2.5 million tonnes per annum in the Canning Basin, north Western Australia. A Definitive Feasibility Study of the Project was completed in June 2011.

In April 2015, the environmental assessment of the proposed Duchess Paradise Project by the Western Australian Environmental Protection Authority (EPA) was placed on hold by agreement between Rey and the EPA. In August 2016, Rey informed the EPA that it considered the assessment of the proposed project should be withdrawn pending an improvement in economic conditions impacting Duchess Paradise. However, Rey is currently meeting its statutory expenditure commitments on the Duchess Paradise project and the intention is to realise the value of the project through development. Management has re-assessed the carrying value of the Duchess Paradise exploration and evaluation asset using a fair value calculation. The calculation supports the carrying value of the Duchess Paradise exploration and evaluation asset however changes in certain key assumptions, such as the coal price (US$65 per tonne), FX (AUD:USD $0.74) and the post-tax discount rate (10%) may result in an impairment of the carrying value of the asset.

Corporate

During the year, the Company raised a total of $4.7 million (before costs) through the issue of new equity as follows:

- On 12 February 2016, the Company completed a private placement to raise $1 million (before costs) via the issue of a total of 33,333,333 shares at an issue price of 3 cents per share to an existing shareholder; and
- On 26 February 2016, the Company announced a non-renounceable pro-rata 1 for 3 rights issue at an offer price of $0.015 per share. On 5 April 2016, the Company announced that entitlement applications were received for 141,692,231 new shares and a further 87,804,814 new shares were applied for as additional shortfall shares, raising approximately $3.4 million before costs. On 29 April 2016 it was announced that the remaining shortfall of 18,598,424 shares was placed to investors, completing the rights issue.

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (Continued)

On 29 October 2015 the Company entered into a loan facility agreement with its major shareholder ASF Group Limited ("ASF") for a loan facility of up to $2 million with an interest rate of 9% per annum ("Loan Facility"). The Loan Facility had been fully drawn down during the year. On 16 May 2016, the Company announced that it had repaid the Loan Facility in full.

As part of the Company's restructuring, the registered address of the Company was changed to Suite 5, 62 Ord Street, West Perth WA 6005 on 1 January 2016.

During the year, a total of 797,000 shares were bought back at a cost of $69,466 and cancelled under the previous buyback scheme which expired on 17 December 2015. On 10 May 2016, the Company announced the implementation of a new buyback scheme for 12 months from 25 May 2016. No shares have been acquired and cancelled under the new buyback scheme to the date of this report.

On 11 January 2016 the Company appointed Mr Louis Chien as Alternate Director to the Non-Executive Chairman, Ms Min Yang.

On 1 June 2016, the Company announced that Mr Kevin Wilson had resigned as Managing Director following the completion of his 6 month notice period. Pursuant to the Company's share incentive scheme and as part of Mr Wilson's termination payment, 3,426,667 performance rights held by Mr Wilson vested and were converted to an equivalent number of ordinary shares on 1 July 2016.

Finance review

The loss for the Group after income tax for the year ended 30 June 2016 was $3,998,000 (2015: $10,200,000). This amount includes $2,329,000 written off as a result of relinquishment of mineral exploration tenements during the year.

During the period $3,658,000 (2015: $4,758,000) in exploration expenditure was capitalised, $3,451,000 of which related to oil and gas exploration (2015: $3,723,000).

9. DIVIDENDS

No dividend has been paid or declared by the Company during the financial year ended 30 June 2016 (2015: nil) and the Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2016.

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

As at the date of this report there were no performance rights on issue.

Performance rights vested, forfeited or lapsed

During or since the end of the financial year, 3,426,667 performance rights vested and were converted to shares.

13. OPTIONS OVER UNISSUED SHARES

Options on Issue

During the financial year and as at the date of this report there are no options on issue.

14. ENVIRONMENTAL DISCLOSURE

The Group's operations are subject to various laws governing the protection of the environment in areas such asprotection of water quality, waste emission and disposal, environmental impact assessments, exploration rehabilitation 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

Mr Wei Jin was appointed Managing Director of the Company on 1 July 2016. Mr Jin has been a Director of Rey Resources since 2 December 2013. He holds a PhD in Science from the China University of Geosciences. He has over 22 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.

3,426,667 performance rights held by former Managing Director, Mr Wilson vested and were converted to an equivalent number of ordinary shares of the Company on 1 July 2016 in accordance with the Company's share incentive scheme and as part of his agreed termination payment.

Dr Zhiliang Ou was appointed as an independent Non-Executive Director of the Company on 22 September 2016.

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 Corporations Instrument 2016/191 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

There were no non-audit services provided by KPMG during this financial year.

20. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 35 and forms part of the Directors' report for the financial year ended 30 June 2016.

Signed in accordance with a resolution of Directors.

Min Yang
Non-Executive Chairman
Sydney, Australia
23 September 2016

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 2016 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

Daniel Camilleri
Partner

Sydney
23 September 2016

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 Profession Standards Legislation.

Rey Resources Limited

Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2016

in thousands of dollars	Note	30 June 2016	30 June 2015
Other income	4	7	14
Impairment of exploration and evaluation assets	12	(2,329)	(8,117)
Impairment of investment		(144)	-
Administrative expenses	5	(1,458)	(2,147)
Loss from operations		(3,924)	(10,250)
Finance income	4	9	50
Finance costs		(83)	-
Net finance income		(74)	50
Loss before income tax		(3,998)	(10,200)
Income tax benefit	6	-	-
Loss for the year attributable to owners of the company		(3,998)	(10,200)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the year, attributable to owners of the Company		(3,998)	(10,200)
Loss per share			
Basic and diluted (cents per share)	7	(0.48)	(1.40)

The notes on pages 40-71 are an integral part of these consolidated financial statements.

Rey Resources Limited

Consolidated statement of financial position
as at 30 June 2016

in thousands of dollars	Note	2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	8a	**1,157**	**1,652**
Trade and other receivables	9	**28**	**58**
Prepayments		**19**	**22**
Total current assets		**1,204**	**1,732**
Non-current assets			
Property, plant and equipment	10	**15**	**20**
Investment	11	**106**	**250**
Exploration and evaluation expenditure	12	**36,125**	**34,796**
Total non-current assets		**36,246**	**35,066**
Total assets		**37,450**	**36,798**
LIABILITIES			
Current liabilities			
Trade and other payables	13	**201**	**129**
Employee benefits	14	**158**	**184**
Total current liabilities		**359**	**313**
Non-current liabilities			
Employee benefits	14	**-**	**45**
Total non-current liabilities		**-**	**45**
Total liabilities		**359**	**358**
Net assets		**37,091**	**36,440**
EQUITY			
Share capital	15	**85,683**	**81,072**
Reserves	16	**2,238**	**2,200**
Accumulated losses		**(50,830)**	**(46,832)**
Total equity attributable to equity holders of the Company		**37,091**	**36,440**

The notes on pages 40-71 are an integral part of these consolidated financial statements.

Rey Resources Limited

Consolidated statement of changes in equity
for the year ended 30 June 2016

In thousands of dollars

	Share capital	Reserves	Accumulated Losses	Total
Balance at 30 June 2014	75,565	1,823	(36,632)	40,756
Total comprehensive income:				
Loss for the period			(10,200)	(10,200)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(10,200)	(10,200)
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares	6,000	-	-	6,000
Less: transaction Cost	(305)	-	-	(305)
Share-based payment transactions	-	377	-	377
Share buy back	(188)	-	-	(188)
Balance at 30 June 2015	**81,072**	**2,200**	**(46,832)**	**36,440**
Loss for the period			**(3,998)**	**(3,998)**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**(3,998)**	**(3,998)**
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares (Note 15)	**4,721**	**-**	**-**	**4,721**
Less: transaction Cost (Note 15)	**(41)**	**-**	**-**	**(41)**
Share-based payment transactions (Note 20)	**-**	**38**	**-**	**38**
Share buy back (Note 15)	**(69)**	**-**	**-**	**(69)**
Balance at 30 June 2016	**85,683**	**2,238**	**(50,830)**	**37,091**

The notes on pages 40-71 are an integral part of these consolidated financial statements.

Rey Resources Limited

Consolidated statement of cash flows
for the year ended 30 June 2016

in thousands of dollars	**Note**	**30 June 2016**	30 June 2015
Cash flows from operating activities			
BAS refund		**30**	-
Misc income		**4**	-
Cash paid to suppliers and employees		**(1,408)**	**(1,927)**
Net cash used in operating activities	8b	**(1,374)**	**(1,927)**
Cash flows from investing activities			
Interest received		**9**	**47**
Cash received from R&D claims		-	-
Investment in share		-	**(250)**
Payments for property, plant and equipment		-	**(16)**
Proceeds from sale of plant and equipment		**4**	**10**
Recovery of rehabilitation bonds		-	-
Recovery of other bonds		-	**38**
Payments for exploration expenditure		**(3,658)**	**(4,757)**
Net cash used in investing activities		**(3,645)**	**(4,928)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of costs)		**4,680**	**5,695**
Share buy back		**(69)**	**(188)**
Proceeds from loans and borrowings		**2,503**	
Repayment of loans and borrowings		**(2,503)**	-
Finance costs		**(87)**	
Net cash from financing activities		**4,524**	**5,507**
Net (decrease)/increase in cash and cash equivalents		**(495)**	**(1,348)**
Cash and cash equivalents at the beginning of the year		**1,652**	**3,000**
Cash and cash equivalents at the end of the year	8a	**1,157**	**1,652**

The notes on pages 40-71 are an integral part of these consolidated financial statements.

Notes to the 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 Suite 5, 62 Ord Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 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 and oil and gas exploration and 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 23 September 2016.

(b) Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2016 the Group incurred a loss of $3,998,000 and incurred operating and investing cash outflows of $5,019,000. The loss for the period was significantly impacted by the recognition of non-cash impairment losses on exploration and evaluation assets of $2,329,000. As at 30 June 2016 the Group had cash of $1,157,000,net working capital of $845,000 and net assets of $37,091,000.

The Group has prepared a cashflow forecast for the 12 months ending 30 September 2017. The cashflow forecasts demonstrates the need to raise additional funding to meet both non-discretionary and discretionary expenditure. The forecast non-discretionary expenditure includes Rey's share of committed spend for exploration programs on the Canning Basin and Perth properties. Rey is considering funding alternatives in the form of debt and equity, including discussions with existing shareholders, and with third parties for farming out certain petroleum interests.

2. BASIS OF PREPARATION (Continued)

The Directors believe that sufficient funding will be available in the timeframes required and that the adoption of the going concern basis of preparation is appropriate. The matters referred to above indicate the existence of a material uncertainty as to whether the Group will continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(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 Corporations Instrument 2016/191 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 2(b) - going concern
Note 6 - recoverability of tax losses.
Note 12 - ultimate recoupment of carried forward exploration expenditure.
Note 20 - key assumptions in determining the fair value of share based payments.

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.

Notes to the financial statements (Continued)

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 enity 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 equity 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) Joint arrangements
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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Notes to the financial statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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:

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	20 - 40%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Notes to the financial statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Notes to the financial statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Notes to the financial statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Notes to the financial statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 2016, 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 material impact 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.

Notes to the financial statements (Continued)

4. OTHER INCOME AND FINANCE INCOME

in thousands of dollars	2016	2015
Other income		
Other income	7	14
	7	14
Finance income		
Interest income	9	50
	9	50

5. ADMINISTRATIVE EXPENSES

in thousands of dollars	2016	2015
Office supplies and expenses	140	263
Professional consulting fees	257	311
Employee benefits expense (see below)	578	1,192
Depreciation and amortisation expense	4	4
Insurance premiums	23	50
Legal costs	157	94
Other expenses (inc Travel expense)	299	233
	1,458	2,147
Employee benefits expense consists of:		
Equity-settled share- based payments	38	377
Salaries and fees	491	757
Superannuation	45	58
Fringe Benefit Tax	4	-
	578	1,192

Notes to the financial statements (Continued)

6. INCOME TAX EXPENSE

in thousands of dollars	2016	2015
Income tax recognised in loss		
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	2016	2015
Accounting loss before tax	(3,998)	(10,200)
At statutory income tax rate of 30% (2015: 30%)	(1,199)	(3,061)
Non-deductible expenses	(139)	(259)
Tax exempt income	-	-
Tax losses for which no deferred tax asset was recognised	(1,338)	3,319
Income tax benefit	-	-

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Statement of financial position		Profit or loss	
in thousands of dollars	**2016**	**2015**	**2016**	**2015**
Deferred tax liabilities				
Exploration and evaluation expenditure	(10,837)	(10,438)	(399)	1,008
Other	(6)	-	(6)	16
Gross deferred tax liability	(10,843)	(10,438)	(405)	1,024
Deferred tax assets				
Tax loss carry forwards	10,735	10,339	396	(1,043)
Other	108	99	9	19
Gross deferred tax asset	10,843	10,438	405	(1,024)
Net deferred tax asset	-	-	-	-

Tax losses

At 30 June 2016, the Group has tax losses arising in Australia of $74,471,305 (2015: $69,020,361) 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.

Notes to the financial statements (Continued)

7. LOSS PER SHARE

in thousands of dollars	**2016**	**2015**
Earnings		
Earnings used in calculating basic and diluted earnings per share attibutable to the owners of the company	(3,998)	(10,200)
Number of ordinary shares	**2016**	**2015 Restated[1]**
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted loss per share	832,749,305	728,837,778
Basic loss per Share (cents per share)	(0.48)	(1.40)
Diluted loss per Share (cents per share)	(0.48)	(1.40)

1. Restatement of weighted average number of shares used as denominator.

During the period, Rey Resources completed a rights issue of 248,095,469 shares at $0.015 per share. The rights issue took place on two dates, with the first date having a 25% discount to the market price and the second date having a 50% discount to the market price. Therefore a bonus was received by shareholders who participated in the rights issue. Accordingly, earnings per share for the 2015 comparative period have been adjusted for the bonus element of the issue by multiplying the average weighted number of shares prior to the rights issue by 1.07 (i.e. a 7% bonus element).

	2015
Weighted average number of ordinary shares pre adjustement for rights issue	679,468,199
Bonus element of rights issue	1.07
Weighted average number of ordinary shares adjusted for rights issue	728,837,778

Notes to the financial statements (Continued)

8. CALCULATION OF LOSS PER SHARE

Basic loss per share is calculated as loss for the period attributable to the parent entity (2016: $3,998,000 loss; 2015: $10,200,000 loss) divided by the weighted average number of ordinary shares (2016: 832,749,305; 2015: 728,837,778).

Diluted loss per share represents loss for the period attributable to the parent entity divided by the weighted average number of ordinary shares (2016: 836,175,972; 2015: 732,264,445) which has been adjusted to reflect the number of shares which would be issued the performance share rights were to be exercised (2016: 3,426,667; 2015: 3,426,667). Due to the loss attributable to the parent entity for the year ended 30 June 2016, the effect of these instruments and the impact of the share rights issue on these instruments has been excluded in the 30 June 2016 calculation of diluted earnings per share as they would reduce the loss per share.

8a. CASH AND CASH EQUIVALENTS

in thousands of dollars	**2016**	**2015**
Cash at bank and in hand	1,157	1,652
Cash and cash equivalents	1,157	1,652

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

Notes to the financial statements (Continued)

8. CALCULATION OF LOSS PER SHARE (Continued)

8b. Reconciliation of cash flows from operating activities

in thousands of dollars	Note	2016	2015
Cash flows from operating activities			
Loss for the period		(3,998)	(10,200)
Adjustments for:			
Depreciation	10	4	4
Impairment of capitalised exploration expenditure	12	2,329	8,117
Impairment of investment	11	144	-
Equity-settled share-based payment expense	5	38	377
Interest income		(9)	(50)
Finance costs		87	-
Profit on disposal of fixed assets		(4)	-
Other non-cash		1	(8)
		(1,408)	(1,760)
(Increase) / decrease in trade and other receivables		30	(8)
(Increase) / decrease in prepayments		3	28
Increase / (decrease) in trade and other payables		72	(139)
Increase / (decrease) in employee benefits		(71)	(48)
Net cash used in operating activities		(1,374)	(1,927)

9. TRADE AND OTHER RECEIVABLES

in thousands of dollars	2016	2015
Current		
Other receivables	28	58
	28	58

Notes to the financial statements (Continued)

10. PROPERTY, PLANT AND EQUIPMENT

in thousands of dollars	2016	2015
Property, plant and equipment		
At cost	178	198
Accumulated depreciation	(163)	(178)
Total property plant and equipment	15	20

Movements in carrying amounts:

in thousands of dollars	2016	2015
Balance as at 1 July	20	8
Additions	2	16
Disposals	(3)	-
Depreciation expense	(4)	(4)
Balance as at 30 June	15	20

11. INVESTMENT

in thousands of dollars	2016	2015
Investment in Norwest Energy NL	250	250
Provision for impairment	(144)	-
	106	250

On 5 June 2015, Rey subscribed for $250,000 of Norwest Energy NL (Norwest) shares at a price of $0.004712 per share, resulting in approximately 3.68% of total Norwest shares on issue. The closing price of Norwest shares as at 30 June 2016 was $0.002 per share and as a result a provision for impairment of $144,000 was made for the financial year ended 30 June 2016. Refer to note 16 for further details.

12. EXPLORATION AND EVALUATION EXPENDITURE

in thousands of dollars	**2016**	**2015**
Costs carried forward in respect of:		
Incurred at cost by the Group on assets not governed by joint venture agreements[1]	21,456	23,579
Capitalised share of exploration assets under Joint Venture Agreements[2]	10,459	7,932
Capitalised share of exploration assets under Joint Venture Agreements[3]	2,650	2,445
Capitalised share of exploration assets under Joint Venture Agreements[4]	1,560	840
Costs carried forward	36,125	34,796

1. Exploration and evaluation expenditure recognised in exploration assets held solely by the Group.
2. Exploration and evaluation expenditure recognised on EP457 and EP458 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.
3. Exploration and evaluation expenditure recognised on tenements under under joint venture 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.
4. Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Oil Basins Ltd. This amount includes The Group's proportionate share of exploration assets held by the EP487 tenement owners.

in thousands of dollars	**2016**	**2015**
At cost	56,021	52,363
Accumulated impairment losses	(19,896)	(17,567)
	36,125	34,796

Movements in carrying amount:

in thousands of dollars	**2016**	**2015**
Opening balance	34,796	38,155
Transfer from asset held for sale	-	-
Current year expenditure capitalised	3,658	4,758
Impairment	(2,329)	(8,117)
R&D refund offset	-	-
	36,125	34,796

During 2016, as a result of the impairment testing process at 30 June 2016, the Group recognised an impairment loss of $2,329,000 with respect to relinquishment of tenements exploration licenses. The impairment loss was recognised in 'exploration impairment' on the Consolidated Statement of Profit or Loss and other comprehensive Income.

Management has re-assessed the carrying value of the Duchess Paradise exploration and evaluation asset using a fair value calculation. The calculation supports the carrying value of the Duchess Paradise exploration and evaluation asset however changes in certain key assumptions, such as the coal price (US$65 per tonne), FX (AUD:USD $0.74) and the post-tax discount rate (10%) may result in an impairment of the carrying value of the asset.

Notes to the financial statements (Continued)

12. EXPLORATION AND EVALUATION EXPENDITURE (Continued)

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 2016.

13. TRADE AND OTHER PAYABLES

in thousands of dollars	**2016**	**2015**
Unsecured liabilities		
Trade payables	-	2
Sundry payables and accrued expenses	201	127
	201	129

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

14. EMPLOYEE BENEFITS

in thousands of dollars	**2016**	**2015**
Employee benefits		
Current	158	184
Non-current	-	45
	158	229

15. ISSUED CAPITAL

in thousands of dollars	**2016**	**2015**
992,381,876 (2015: 711,750,074) fully paid ordinary shares	85,683	81,072
	85,683	81,072

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.

Notes to the financial statements (Continued)

15. ISSUED CAPITAL (Continued)

Movements in shares on issue

	2016		2015	
	Number	**$'000**	**Number**	**$'000**
On issue at beginning of the year	711,750,074	81,072	630,202,151	75,565
30 June 2014[1]	-	-	10,000,000	-
19 August 2014[1]	-	-	15,000,000	1,500
9 September 2014[1]	-	-	4,854,368	500
28 November 2014[2]	-	-	3,500,000	-
27 January 2015[3]	-	-	50,000,000	4,000
Share buy back (01/07/14-30/06/15)	-	-	(1,806,445)	(188)
Transaction costs relating to share issues	-	-	-	(305)
Shares issued during the year:				
12 February 2016[4]	33,333,333	1,000	-	-
7 April 2016[5]	229,497,045	3,442	-	-
29 April 2016[5]	18,598,424	279	-	-
Share buy back (01/07/15-30/06/16)[6]	(797,000)	(69)	-	-
Transaction costs relating to share issues	-	(41)	-	-
On issue at the end of the year	992,381,876	85,683	711,750,074	81,072

1. On 30 June 2014 the Company announced that it was undertaking a capital raising of up to $3 million (before costs) at 10 cents per share. The first tranche of shares was issued on 10 July 2014 and $1 million received before 30 June 2014; the second tranche was issued on 19 August 2014; and the final tranche of 4,854,368 shares was issued for 10.3 cents per share on 9 September 2014.
2. Issue of shares to Directors following approval at the Company's AGM.
3. On 27 January 2015, the Company completed a private placement to raise $4 million (before costs) via the issue of a total of 50,000,000 shares at an issue price of 8 cents per share to two Hong Kong-registered sophisticated investors.
4. On 12 February 2016, the Company completed a private placement to raise $1 million (before costs) via the issue of a total of 33,333,333 shares at an issue price of 3 cents per share to a sophisticated investor.
5. On 26 February 2016, the Company announced a non-renounceable pro-rata one for three rights issue at an offer price of $0.015 per share. A total of 229,497,045 new shares were subscribed and issued on 7 April 2016 under the entitlement offer. The remaining shortfall of 18,598,424 shares were issued on 29 April 2016.
6. During the year, a total of 797,000 shares were bought back at a cost of $69,466 and cancelled under the previous buyback scheme which expired on 17 December 2015. On 10 May 2016, the Company announced the implementation of a new buyback scheme for 12 months from 25 May 2016. No shares have been acquired and cancelled under the new buyback scheme to the date of this Report.

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 20.

Notes to the financial statements (Continued)

16. 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 2016 the share based payment reserve increased $38,000 due to the expensing of share performance rights granted to Mr Kevin Wilson.

Available for sale reserve

The available for sale reserve records movements in the fair value of the Company's investment in Norwest Energy NL. The closing price of Norwest shares as at 30 June 2016 was $0.002 per share and as a result an impairment of $144,000 was made for the financial year ended 30 June 2016. The diminution in share price was considered permanent and as such the change in fair value recorded in reserves was reclassified to the income statement.

17. COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

in thousands of dollars	**2016**	**2015**
Not later than one year[1]	-	86
Later than one year but not later than five years	-	-
	-	86

1. 1121 Hay Street West Perth office lease expired in February 2016.

(b) Exploration expenditure commitments

The commitments are required in order to maintain the Company's interests in good standing with the Department of Mines & Petroleum (DMP). It includes commitment for both mineral exploration tenements and also the Company's share in petroleum exploration permits in which it has joint venture interests. These obligations may be varied from time to time, subject to approval by the DMP.

In thousands of dollars	**Mineral**	**Petroleum**	**Total**
Year 1	250	4,167	4,417
Year 2-5	-	5,883	5,883
Total	250	10,050	10,300

Notes to the financial statements (Continued)

18. Group entities

Consolidated subsidiaries

	Country of incorporation	Ownership Interest	
		2016	**2015**
Blackfin Pty Limited	Australia	100%	100%
Rey Cattamarra Pty Limited	Australia	100%	100%
Rey Derby Pty Limited	Australia	100%	100%
Rey Derby Block Pty Limited	Australia	100%	100%
Rey Derby Port Operations Pty Limited	Australia	100%	100%
Rey Royalty Chile Pty Ltd	Australia	100%	100%
Rey Mt Fenton Pty Limited	Australia	100%	100%
Rey Freney Pty Limited	Australia	100%	100%
Rey Victory Pty Limited	Australia	100%	100%
Camballin Energy Pty Limited	Australia	100%	100%
Rey Oil and Gas Pty Limited	Australia	100%	100%
Rey Oil and Gas Perth Pty Limited	Australia	100%	100%
Rey Lennard Shelf Pty Limited	Australia	100%	100%
Humitos Pty Ltd	Australia	100%	100%

19. JOINT OPERATION 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.

Rey/Buru/Mitsubishi 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 $10,458,786 (2015: $7,931,895) (note 12)

Notes to the financial statements (Continued)

19. JOINT OPERATION INTERESTS (Continued)

Rey/Key/Caracal Joint Venture

On 29 May 2014, Rey Oil and Gas Perth Ltd (a wholly owned subsidrary 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.

Following the completion of the farm in the beneficial interests in EP437 are 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 $2,649,463 (2015:$ 2,445,281) (note 12).

Rey/Oil Basins Joint Venture

On 29 May 2015, Rey Lennard Shelf Pty Ltd ("RLS" a wholly owned subsidiary of the Company) completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") from Backreef Oil Pty Ltd. RLS entered into a Joint Operating agreement with Oil Basins Ltd (holder of the remaining 50% interest), for the operation of exploration programmes on the Derby Block, located in the Canning Basin of Western Australia.

The equity interests in the exploration permit are:

RLS	50% (assuming operatorship on 1 January 2016 under certain preconditions)
Oil Basins Ltd	50% (acting as operator until at least 1 January 2016)

Following a hearing in the Supreme Court of western Australia, Oil Basins transferred operatorship to RLS on 2 June 2016.

The total amount of the Group's capitalised interest in EP487 is $1,560,229 (2015: 839,559) (note 12)

Notes to the financial statements (Continued)

20. 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. No options remain outstanding at 30th June 2016.

Share performance rights programme (equity-settled)

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

The 2011 EIRP enables 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 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.

Notes to the financial statements (Continued)

20. SHARE BASED PAYMENTS (Continued)

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

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

No options were outstanding at the beginning of the year ended 30 June 2016.

(c) Share rights programme

Terms and conditions of share rights programme

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

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of rights
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. Subject to retest on 30 June 2016.	4 years
Rights grant to Director in 28 November 2014	1,000,000	Subject to the Company's absolute total shareholder return over the measurement period 1 July 2014 to 30 June 2017.	3 years
Total	**3,426,667**		

Notes to the financial statements (Continued)

20. SHARE BASED PAYMENTS (Continued)

(c) Share rights programme (Continued)

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

	Weighted average exercise price ($) 2016	Number 2016	Weighted average exercise price ($) 2015	Number 2015
Outstanding at 1 July	-	3,426,667	-	4,911,961
Granted during the year	-	-	-	1,000,000
Vested during the year	-	-	-	-
Lapsed during the year	-	-	-	(2,485,294)
Outstanding at 30 June	-	3,426,667	-	3,426,667

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	28 November 2014	22 November 2012	
		Tranche A	Tranche B
Start of measurement period	1 July 2014	1 July 2012	1 July 2011
End of first DPR measurement period	30 June 2017	30 June 2015	30 June 2014
End of second DPR measurement period	30 June 2018	30 June 2016	30 June 2015, retest 30 June 2016
Spot price at start of measurement period ($)	$0.105	$0.22	$0.08
Share price at grant date	$0.09	$0.06	$0.06
Volatility of share (%)	90.0	90.0	90.0
Risk fee rate (4.0 years) (%)	2.4	2.63	2.63
Dividend yield	Nil	Nil	Nil
Expected life (years)	2.59	1.57	2.57
Director performance rights (DPR) Fair Value at Grant Date ($/DPR)	**0.057**	**0.033**	**0.043**

Notes to the financial statements (Continued)

21. 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 18.

(c) KMP compensation

Disclosures relating to compensation of the KMP compensation comprised:

Individual Directors and executives compensation disclosures

in thousands of dollars	**2016**	**2015**
Short term benefits	699	938
Post-employment benefits	45	58
Other long term employee benefits	49	13
Share based payments	38	377
Termination benefits	221	-
	1,052	1,386

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.

(d) Transactions with related parties

In thousands of dollars	**2016**	**2015**
ASF Group Ltd		
Service fees	45	-
Loan granted and fully repaid during the year (inclusive of interest)	2,587	-

Notes to the financial statements (Continued)

22. FINANCIAL RISK MANAGEMENT

Categories of financial instruments

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

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	**2016**	**2015**
Financial assets		
Financial assets measured at fair value		
Share investment	106	250
Financial assets not measured at fair value		
Cash and cash equivalents	1,157	1,652
Trade and other receivables	28	58
Total	1,291	1,960
Financial liabilities		
Financial assets not measured at fair value		
Trade and other payables	201	129
Total	201	129

In support of a strategic alliance, Rey subscribed for $250,000 of Norwest Energy NL (Norwest) shares at a price of $0.004712 per share on 5 June 2015, resulting in approximately 3.68% of total Norwest shares on issue. The closing price of Norwest shares as at 30 June 2016 was $0.002 per share and as a result a provision for impairment of $144,000 was made for the financial year ended 30 June 2016.

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:

	2016	**2015**
Neither past due nor impaired	28	58

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.

Notes to the financial statements (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

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 2016 and 30 June 2015, 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.

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:

2016

in thousands of dollars	Carrying amount	Expected / contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	201	201	201	-	-	-	-
Loans and borrowings	-	-	-	-	-	-	-
	201	201	201	-	-	-	-

Notes to the financial statements (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

2015

in thousands of dollars	Carrying amount	Expected / contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	129	129	129	-	-	-	-
Loans and borrowings	-	-	-	-	-	-	-
	129	129	129	-	-	-	-

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	2016	2015
Variable rate instruments		
Cash and cash equivalents	1,157	1,652
Security deposits	-	-
	1,157	1,652

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 $7,164 (2015: $23,850).

Fair values

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

Notes to the financial statements (Continued)

23. OPERATING SEGMENTS

The Group operates in two segments, mineral exploration and development and petroleum exploration in one geographical location, Western Australia. The consolidated financial results from these segments are equivalent to the financial statements of the Group.

Operating segment information

	Mineral	Petroleum	Corporate	Total
Consolidated-2016	$'000	$'000	$'000	$'000
Revenue				
Total Reportable segment revenue	-	-	-	-
Other income	7	-	-	**7**
impairment of assets	(2,329)	-	(144)	**(2,473)**
interest revenue	-	-	9	**9**
Finance costs	-	-	(83)	**(83)**
Administration cost	-	-	(1,458)	**(1,458)**
Profit/(loss) before income tax benefit	(2,322)	-	(1,676)	**(3,998)**
income tax benefit	-		-	**-**
Loss after income tax benefit	(2,322)	-	(1,676)	**(3,998)**
Assets				
Other Assets	-	-	1,325	**1,325**
Segment assets	21,456	14,669	-	**36,125**
Total assets	**21,456**	**14,669**	**1,325**	**37,450**
Liability				
Other liabilities	-	-	359	**359**
Total Liabilities	-	-	359	**359**
Capital Expenditure	207	3,452	-	**3,659**

Notes to the financial statements (Continued)

24. SUBSEQUENT EVENTS

Mr Wei Jin was appointed Managing Director of the Company on 1 July 2016. Mr Jin has been a Director of Rey Resources since 2 December 2013. He holds a PhD in Science from the China University of Geosciences. He has over 22 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.

3,426,667 share performance rights held by Mr Wilson vested and were converted to an equivalent number of ordinary shares of the Company on 1 July 2016 in accordance with the Company's share incentive scheme and as part of Mr Wilson's terminiation payment.

Dr Zhiliang Ou was appointed as an independent Non-Executive Director of the Company on 22 September 2016.

25. AUDITORS REMUNERATION

in dollars	**2016**	**2015**
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports -2015	13,317	57,538
-2016	56,690	-
	70,007	57,538

The auditors of the Company did not provide any other services to the Company during the years ended 30 June 2016 and 30 June 2015.

Notes to the financial statements (Continued)

26. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2016 the parent entity of the Group was Rey Resources Limited.

in thousands of dollars	**2016**	**2015**
A. Result of parent entity		
Loss for the year	(26,673)	(2,071)
Total comprehensive loss for the year	(26,673)	(2,071)
B. Financial position of the parent entity		
Total current assets	1,194	1,719
Total non-current assets	34,477	55,968
Total assets	35,671	57,687
Total current liabilities	202	121
Total non-current liabilities	158	229
Total liabilities	360	350
Net assets	**35,311**	**57,337**
Total equity of the parent entity comprising of:		
Share capital	85,683	81,072
Options reserve	2,238	2,200
Accumulated losses	(52,610)	(25,935)
Total equity	**35,311**	**57,337**

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.

DIRECTORS' DECLARATION

The Board of Directors of Rey Resources Limited declares that:

(a) The consolidated 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 2016 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 for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.

Min Yang
Non-Executive Chairman
Sydney, Australia
23 September 2016

INDEPENDENT AUDIT REPORT – KPMG

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 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 26 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 a 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 about 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 Company'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 Company'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 that 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*.

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 2016 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).

Emphasis of Matter

Without modifying our opinion, we draw attention to the Directors' assessment of going concern in Note 2(b) of the financial report. The matters set out in Note 2(b) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business.

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 2016. 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 2016 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Daniel Camilleri
Partner

Sydney
23 September 2016

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 14 September 2016.

Corporate Governance Statement

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 2016 financial year, the Company followed and reports against the 3rd Edition of the ASX Principles. The Company's 2016 Corporate Governance Statement is available from the Company's website at http://reyresources.com/corporate/corporate-governance/

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	173,333,333	17.40
2	MISS WANYAN LIU	170,344,000	17.10
3	MERCHANT CENTRAL LIMITED	125,571,429	12.61
4	MRS YINXIN HE	66,686,424	6.69
5	MISS MEI CHI JOYCE LEE	60,462,765	6.07
6	START LINK INVESTMENTS LIMITED	54,798,067	5.50
7	JADE SILVER INVESTMENTS LIMITED	46,760,280	4.69
8	START GRAND GLOBAL LIMITED	40,103,583	4.03
9	XIAO HUI ENTERPRISES LIMITED	34,797,020	3.49
10	UNIQUE INVESTMENT HOLDINGS PTY LTD <UNIQUE INVEST UNIT NO 1 A/C>	21,703,912	2.18
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,406,385	1.85
12	MR HAITAO GENG	15,000,000	1.50
13	TONG HENG HOLDINGS LIMITED	9,230,628	0.93
14	JADE SILVER INVESTMENTS LTD	7,400,000	0.74
15	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	7,211,426	0.72
16	BNP PARIBAS NOMS PTY LTD <UOB KH P/L UOB KH DRP>	6,664,548	0.67
17	FOREVER GRAND GROUP LIMITED	5,754,185	0.58
18	NEWAY ENERGY INTERNATIONAL LIMITED	5,586,233	0.56
19	BROWNSTONE INTERNATIONAL PTY LTD	5,000,000	0.50
20	MEGA AHEAD LIMITED	4,951,626	0.50
TOTAL TOP 20 SHAREHOLDERS		**879,765,844**	**88.35%**

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 14 September 2016 and who have provided substantial shareholding notices to the Company) is set out below:

Shareholder	Number of shares	Percentage held
Merchant Central Limited[1]	125,571,429	12.90
Mrs Yinxin He[2]	66,686,424	6.72
Wanyan Liu[3]	170,344,300	17.49
Jade Silver Investments Limited[4]	64,160,280	5.56
Start Link Investments Limited[5]	54,798,067	5.62
Miss Mei Chi Joyce Lee[6]	60,462,765	6.20
ASF Canning Basin Energy Pty Ltd[7]	173,333,333	17.60
Start Grand Global Limited[8]	40,103,583	5.62

1. As provided to the Company on 21 June 2016.
2. As provided to the Company on 2 May 2016.
3. As provided to the Company on 14 April 2016.
4. As provided to the Company on 12 April 2016.
5. As provided to the Company on 11 April 2016.
6. As provided to the Company on 11 April 2016.
7. As provided to the Company on 7 April 2016.
8. As provided to the Company on 29 January 2015.

Distribution of Equity Securities

There were 1,250 holders of less than a marketable parcel of ordinary shares (being 31,250 shares on 14 September 2016).

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	332	77,039
1,001 - 5,000	282	876,180
5,001 - 10,000	221	1,797,674
10,001 - 100,000	728	26,628,694
100,001 and over	206	966,428,956
TOTALS	**1,769**	**995,808,543**

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.

On-market Share Buy-back

On 23 May 2016, 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 Resources had not bought back any shares pursuant to the share buy-back.

Securities Exchange

Rey Resources is listed on the Australian Securities Exchange (ASX code: REY).
Tel: +61 8 9322 1587
Fax: +61 8 9322 5230
www.reyresources.com

Tenement Schedule

The tenement schedule for the Group as at the date of this report is tabulated below:

Licence Type	Licence No.	Grant Date	Expiry Date	Holder	Area (Ha)	Percentage Held
EL	E04/1386	21/01/2004	20/01/2017	Blackfin Pty Ltd	1,627	100%
EL	E04/15191	20/04/2006	19/04/2017	Blackfin Pty Ltd	11,386	100%
EL	E04/1770	4/03/2009	3/03/2019	Blackfin Pty Ltd	6,834	100%
MA	M04/453	Pending	Pending	Blackfin Pty Ltd	12,964	100%
LA	L04/58	Pending	Pending	Blackfin Pty Ltd	3,137	100%
EP	EP457	24/10/2007	23/10/20161	Rey Oil and Gas Pty Ltd /Buru/DR	503,780	25%
EP	EP458	24/10/2007	23/10/20161	Rey Oil and Gas Pty Ltd /Buru/DR	576,022	25%
EP	EP437	28/11/2014	27/11/2019	Rey Oil and Gas Perth Pty Ltd	71,573	43.47%
EP	EP487	14/03/2014	13/12/2020	Rey Lennard Shelf Pty Ltd	505,840	50%

R: Retention Licence

RA: Retention Licence Application

EL: Exploration Licence

EA: Exploration Licence Application

MA: Mining Lease Application

LA: Miscellaneous Licence Application

EP: Exploration Permit Petroleum

1: Extension applied for

All licences are located in Western Australia

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REY RESOURCES