REY RESOURCES LIMITED

A.B.N. 84 108 003 890

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

CORPORATE DIRECTORY

Directors
Ms Min Yang - Non-Executive Chairman
Mr Wei Jin - 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 Ms Min Yang)

Company Secretary
Ms Shannon Coates

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Securities Exchange
Australian Securities Exchange Code: REY

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DIRECTORS' REPORT

The Directors of Rey Resources Limited ("Rey" or "the Company") present their report together with the condensed consolidated interim financial report for the half-year ended 31 December 2016 and the auditor's review report thereon.

Directors

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

Name
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 – Independent Non-Executive Director
Dr Zhiliang Ou – Independent Non-Executive Director (appointed 22 September 2016)
Mr Louis Chien- Alternate Non-Executive Director to Ms Min Yang

Company Secretary

Ms Shannon Coates

Principal Activities

The principal activities of Rey are exploring for and developing energy resources in Western Australia's Canning Basin and Perth Basin. The Company holds a 25% interest in the Canning Basin petroleum permits EP457 and EP458 (known as the "Fitzroy Blocks") and a 50% interest in EP487 (known as the "Derby Block"). It also holds a 43.47% interest in the Perth Basin petroleum permit EP437, as well as holding coal exploration licences and applications for a coal Mining Lease (M04/453) and a Miscellaneous Licence (L04/58) in the Canning Basin.

Review and results of operations

Financial Results

As a result of corporate restructuring in the preceding year, the Group's operating costs for the six months period ended 31 December 2016 had been significantly reduced. Net loss of the consolidated entity after income tax amounted to $302,000 for the half-year ended 31 December 2016, compared with the loss of $3,252,000 for the corresponding period last year, a decrease of approximately 91%.

During the period, the Company issued 66,666,666 fully paid ordinary shares at an issue price of $0.015 per share for $1 million, which would be used for further exploration and working capital purposes. As at 31 December 2016, the Group's cash balance was $799,000 (2015: $56,000).

As approved by shareholders at the Company's Annual General Meeting held on 25 November 2016, the 5 to 1 share consolidation became effective in December 2016 and the current issued capital of the Company is 212,495,266 shares.

Operating Review

1. Oil and Gas

1.1 Fitzroy Blocks (EP457 & EP458)

Rey owns a 25% interest in the Fitzroy Blocks (including 8.3% free carry to production) together with Buru Energy Limited ("Buru") (37.5% and Operator); and Diamond Resources (Fitzroy) Ltd (37.5%), a subsidiary of Mitsubishi Corporation.

Up to end of December 2016, two exploration wells were drilled by the Joint Venture.

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.

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.

During the half year, the Operator continued interpretation and integration of the new 2D seismic data from the Rafael seismic survey (acquired by the JV in late 2015) with the other seismic and gravity data in EP457.

Also, analysis and integration of the results from the Victory 1 and Senagi 1 wells (drilled during late 2015 in EP457 and EP458 respectively) was largely completed. The Victory 1 well was drilled to test a mapped closure along trend from the Ungani oil field. Due to drilling difficulties, the primary target section of the well was not logged and no lithology samples were obtained. Although oil shows were encountered in the Grant Formation and traces in the deeper section, post well interpretation of the limited information obtained from the well suggest that the primary Laurel Formation target may not have been reached.

The Operator completed the final well reports for the Senagi 1 well and Victory 1 well in November 2016 and January 2017 separately during the Report Period. All these reports and all associated data have been lodged with the regulator.

Applications to renew the permits EP457 and EP458 were granted on 15 December 2016. Both permits commenced a new term of five years on 6 January 2017. Renewal of the permits required the area of the permits to be mandatorily reduced by 50% and EP457 now consists of an area of approximately 2,517km^2 and EP458 is now 2,920km^2.

The commitment work for each permit is listed below:

Year of Term	Title Year Start	Title Year End	Minimum Work Requirements
1	06/01/2017	05/01/2018	Magneto-Telluric Survey
2	06/01/2018	05/01/2019	Geological and Geophysical Studies
3	06/01/2019	05/01/2020	100km 2D Seismic and 2D Seismic Interpretation
4	06/01/2020	05/01/2021	One Exploration Well
5	06/01/2021	05/01/2020	Geological and Geophysical Studies

1.2 Derby Block (EP487)

Also in the Canning Basin, the Company holds a 50% participating interest in, and is operator of, petroleum exploration permit EP487 ("the Derby Block") via its 100% owned subsidiary Rey Lennard Shelf Pty Ltd ("RLS"). Oil Basins Limited ("Oil Basins") (ASX: OBL), is holder of the remaining 50% interest.

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

Prospective Resources

A 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 as previous operator (OBL ASX release dated 15 January 2016). The Company's 50% interest in these Prospective Potential Recoverable Resources (unrisked, probabilistic estimate) of the Derby Block BCG play is provided in Table 1 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

Table 1: 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. Calculated using ratio of 6.22 billion cubic feet of gas equivalent to 1 million barrels of crude oil.*

[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.

Since the Company assumed operatorship in June 2016, an integrated geology and geophysical program have been completed during the Report Period, including Geological and Petrophysical Studies, Perspective Studies, EP487 BCG Geological Analysis, Regional Geological and Exploration Target Studies, 400+km vintage seismic lines reprocessing, to inform new proposed well sites.

In June 2016, a WA Petroleum Geological Study Agreement was signed between the Company and China University of Geosciences. The university will provide geological services on EP487 and other petroleum permits in which Rey has interests.

On 30th September 2016, a one-year work program extension for Year 2 was granted by the Department of Mines and Petroleum. The work program now requires the drilling of two wells in 2017.

The Company continued to plan the acquisition of 70km of 2D seismic in 2017 following cessation of the wet season, in order to support well site placement and is commencing the preparatory work for its future drilling activities.

Preparation of a data room to assist in farmout discussions was also undertaken.

In this half year, the Company issued four cash calls for the period from June 2016 to March 2017 to the Joint Venture followed by a Buy Out Notice and an Enforcement Event Notice to its JV partner as a consequence of all cash calls to date remaining in default. Discussions continued with OBL to resolve the default and the ownership structure of EP487.

1.3 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%

DIRECTORS' REPORT

During the half year, the Joint Venture was unable to locate vintage 2D seismic lines across Wye Knot and Becos prospects and in place of this work conducted additional petrophysical studies on surrounding wells to better define and de-risk the Wye Knot prospect. Well pre-planning for drilling of the Wye Knot was undertaken. Drilling is expected to occur in the second half of 2017 and the Work Program and budget for this activity has been approved by the JV partners.

2. Coal

Rey's thermal coal tenements are located in the Fitzroy Trough of the Canning Basin, north Western Australia. 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 environmental approval assessment was withdrawn during the period. This is expected to lead to the stay on hearing objections to the Company's Mining Lease Application over Duchess Paradise coal deposit to be removed and the hearing of these objections in the Warden's Court to proceed during 2017.

The Duchess-Paradise Project is located in the Canning Basin in the northwest of Australia, which is also the largest undeveloped Permian coal-bearing basin in Australia. The total identified JORC mineral resources of P1 seam is 305Mt. The thermal coal of Duchess Paradise is in shallow seam form the surface which makes it easy for both open pit and underground mining.

3. Corporate

On 1 July 2016, Mr Wei Jin was appointed Managing Director of the Company. Mr Jin has been a Director of the Company since 2 December 2013. He holds a PhD in Science from the China University of Geosciences with 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.

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

On 22 September 2016, Dr Zhilang Ou was appointed Independent Non-Executive Director of the Company. Dr Ou holds a Doctor of Philosophy degree in Civil & Resource Engineering from the University of Western Australia and has over 27 years of professional engineering and management experience in the oil and gas, mining and infrastructure industries both in Australia and China. Dr Ou 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.

On 17 October 2016, the Company completed the placement of 66,666,666 fully paid ordinary shares for $1 million at an issue price of $0.015 per share. The placement funds would be used for further exploration on the Company's oil and gas assets and general working capital.

Further to the resolution passed by shareholders at the Company's Annual General Meeting held on 25 November 2016, the 5 to 1 share consolidation completed in December 2016 and the current issued capital of the Company is 212,495,266 shares.

DIRECTORS' REPORT

Further information

Further details of operations during the six months ended 31 December 2016 are reported in the Quarterly Activity Reports released to the ASX and also available on the Company's website.

Rounding of Amounts

The Company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 2016/191. In accordance with that Class Order, amounts contained in this report and in the Financial Report have been rounded off to the nearest one thousand dollars or, where the amount is $500 or less, zero, unless specifically stated to be otherwise.

Subsequent Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the Group in future financial years.

Lead Auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the Directors' report for the half-year ended 31 December 2016.

This report has been made in accordance with a resolution of Directors.

Ms Min Yang
Chairman

10 March 2017
Sydney, NSW, Australia

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 review for the half-year ended 31 December 2016 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Daniel Camilleri
Partner

Sydney

10 March 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

In thousands of dollars

	NOTE	31 Dec 2016	31 Dec 2015
Other income	4	**51**	3
Administrative expenses		**(233)**	(503)
Employee benefit expense	5	**(118)**	(400)
Depreciation expense		**(2)**	(2)
Impairment of exploration and evaluation assets	10	**-**	(2,329)
Loss from operating activities		**(302)**	(3,231)
Finance income		**1**	2
Finance cost		**(1)**	(23)
Loss before income tax expense		**(302)**	(3,252)
Income tax		**-**	-
Loss for the period		**(302)**	(3,252)
Other comprehensive income		**-**	-
Total comprehensive loss for the period, attributable to owners of the company		**(302)**	(3,252)
Basic and diluted loss per share (cents)	6	**(0.15)**	(2.29)*

*Basic and diluted loss per share for 31 December 2015 have been restated. Refer to Note 6.

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

In thousands of dollars

	NOTES	31 Dec 2016	30 June 2016
ASSETS			
Current Assets			
Cash and cash equivalents		**799**	1,157
Trade and other receivables	7	**42**	28
Prepayments		**9**	19
Total Current Assets		**850**	1,204
Non-Current Assets			
Property, plant and equipment	8	**11**	15
Investment	9	**159**	106
Exploration and Evaluation Expenditure	10	**36,877**	36,125
Total Non-Current Assets		**37,047**	36,246
Total Assets		**37,897**	37,450
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**108**	201
Employee benefits	12	**-**	158
Total Current Liabilities		**108**	359
Total Liabilities		**108**	359
Net Assets		**37,789**	37,091
EQUITY			
Share capital	13	**86,683**	85,683
Reserves		**-**	2,238
Accumulated losses		**(48,894)**	(50,830)
Total equity		**37,789**	37,091

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

In thousands of dollars	Share capital	Share based payment reserve	Accumulated losses	Total
Balance at 1 July 2015	81,072	2,200	(46,832)	36,440
Total comprehensive income:				
Loss for the period	-	-	(3,252)	(3,252)
Total comprehensive income for the period	-	-	(3,252)	(3,252)
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares	-	-	-	-
Share based payment	-	9	-	9
Share buy back	(70)	-	-	(70)
Share issue costs	-	-	-	-
Balance at 31 Dec 2015	81,002	2,209	(50,084)	33,127
Balance at 1 July 2016	**85,683**	**2,238**	**(50,830)**	**37,091**
Total comprehensive income:				
Loss for the period	**-**	**-**	**(302)**	**(302)**
Total comprehensive income for the period	**-**	**-**	**(302)**	**(302)**
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares	**1,000**	**-**	**-**	**1,000**
Share options and shares award lapsed	**-**	**(2,238)**	**2,238**	**-**
Balance at 31 Dec 2016	**86,683**	**-**	**(48,894)**	**37,789**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

In thousands of dollars	**31 Dec 2016**	**31 Dec 2015**
Cash flows from operating activities		
Payment for office security bond	**-**	(35)
Payments to suppliers and employees	**(609)**	(597)
BAS refund	**24**	-
Net cash used in operating activities	**(585)**	(632)
Cash flows from investing activities		
Interest received	**1**	2
Proceeds from sale of property plant & equipment	**-**	3
Payments for exploration expenditure	**(752)**	(2,549)
Net cash used in investing activities	**(751)**	(2,544)
Cash flows from financing activities		
Proceeds from issue of ordinary shares (net of costs)	**1,000**	-
Share buyback expenses	**-**	(70)
Proceeds from loans and borrowings	**-**	1,650
Loans to other parties	**(22)**	-
Net cash used in financing activities	**978**	1,580
Net decrease in cash and cash equivalents	**(358)**	(1,596)
Cash and cash equivalents at 1 July	**1,157**	1,652
Cash and cash equivalents at 31 December	**799**	56

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

Rey Resources Ltd (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "Group").

The condensed consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office or at www.reyresources.com.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with *AASB 134 Interim Financial Reports* and the Corporations Act 2001. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2016. The consolidated interim financial statements were approved by the Board of Directors on 10 March 2017.

(b) Going concern basis

The condensed 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 half year ended 31 December 2016 the Group incurred a loss of $302,000 and experienced net cash outflows of $358,000. As at 31 December 2016 the Group had cash of $799,000, net working capital of $742,000 and net assets of $37,789,000.

The Group has prepared a cashflow forecast for the period to 28 February 2018. The cashflow forecast demonstrates the need to raise additional funding and the need to farm out the Group's share of certain petroleum interests to meet committed and forecast expenditures. Rey is pursuing funding alternatives in the form of debt and equity, including discussions with existing shareholders, and with third parties for farming out certain petroleum interests.

The Directors believe that sufficient funding will be available and farm out parties will be sourced in the timeframes required and that the adoption of the going concern basis of preparation is appropriate. In the event that the Group is unable to raise the necessary funding to meet its commitments and secure farm out parties, there is a material uncertainty as to whether the Group will be able to continue as a going concern and whether it will be able to 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 financial report is prepared on the historical cost basis.

(d) Functional and presentation currency

The financial report is presented in Australian Dollars which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

The ASIC class order CO 2016/191 permits the rounding of amounts in financial reports and Directors' reports prepared under Chapter 2M of the Corporations Act 2001. There are restrictions on the extent to which certain information can be rounded, such as remuneration of Directors, executive officers and auditors.

(e) Use of estimates and judgements

The preparation of the interim 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 estimate is revised and in any future periods affected.

(f) Operating segments

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2016.

4. OTHER INCOME

In thousands of dollars	**31 Dec 2016**	**31 Dec 2015**
Other income	**51**	3
	51	3

5. EMPLOYEE BENEFIT EXPENSE

In thousands of dollars	**31 Dec 2016**	**31 Dec 2015**
Salaries and fees	**114**	364
Superannuation	**4**	27
Share based payment expense	**-**	9
	118	400

6. LOSS PER SHARE

	31 Dec 2016	31 Dec 2015 (Restated)
Basic loss per share (cents)	**(0.15)**	(2.29)
Diluted loss per share (cents)	**(0.15)**	(2.29)

During the period, Rey completed a 5 to 1 share consolidation and accordingly loss per share for the 2015 comparative period have been adjusted for such share consolidation by dividing the average weighted number of share prior to the share consolidation by 5.

Upon completion of the 5 to 1 share consolidation in December 2016, the issued capital of the Company was consolidated into 212,495,266 fully paid ordinary shares.

The calculation of basic loss per share was based on the loss attributable to shareholders of $302,000 (2015: loss $3,252,000) and a weighted average number of ordinary shares outstanding during the half year of 204,668,993 (2015 (restated): 142,224,566). The diluted loss per share for the six months ended 31 December 2016 and 2015 were the same as the basic loss per share as the outstanding performance share rights had an anti-dilutive effect to the basic loss per share.

7. TRADE AND OTHER RECEIVABLES

In thousands of dollars	31 Dec 2016	30 June 2016
Included in receivables are as follows:		
Current		
Other receivables	**42**	28
	42	28

8. PROPERTY, PLANT & EQUIPMENT

In thousands of dollars	31 Dec 2016	30 June 2016
Plant and equipment		
At cost	**176**	178
Accumulated depreciation	**(165)**	(163)
	11	15

9. INVESTMENT

In thousands of dollars	31 Dec 2016	30 June 2016
Investment in Norwest Energy NL	**250**	250
Provision for impairment	**(91)**	(144)
	159	106

10. EXPLORATION AND EVALUATION EXPENDITURE

In thousands of dollars	31 Dec 2016	30 June 2016
Costs carried forward in respect of:		
Incurred at cost by the Group on assets not governed by joint venture agreements (i)	**21,483**	21,456
Capitalised share of exploration assets under Joint Venture Agreements (ii)	**10,591**	10,459
Capitalised share of exploration assets under Joint Venture Agreements (iii)	**2,653**	2,650
Capitalised share of exploration assets under Joint Venture Agreements (iv)	**2,150**	1,560
Costs carried forward	**36,877**	36,125

(i) Exploration and evaluation expenditure recognised in exploration assets held solely by the Group.

(ii) Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Buru Energy Limited and Mitsubishi Corporation. This amount includes the Group's proportionate share of exploration assets held by the joint venture.

(iii) Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Key Petroleum (Australia) Pty Ltd (Key) and Pilot Energy Ltd. This amount includes the Group's proportionate share of exploration assets held by the joint venture.

(iv) Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Oil Basins Ltd. This amount is the accumulated amount of Rey Resources' expenditure on EP487.

In thousands of dollars	31 Dec 2016	30 June 2016
At cost	**56,772**	56,021
Accumulated impairment losses	**(19,895)**	(19,896)
	36,877	36,125
Movements in carrying amount:		
Opening balance	**36,125**	34,796
Expenditure capitalised	**752**	3,658
Impairment [1]	**-**	(2,329)
	36,877	36,125

[1] The impairment relates to written off capitalised costs with respect to relinquishment of tenement exploration licenses during the period.

For further information on exploration expenditure refer to note 14 on contingent liabilities. The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or evaluation stage is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas.

11. TRADE AND OTHER PAYABLES

In thousands of dollars	31 Dec 2016	30 June 2016
Unsecured liabilities		
Trade payables	**9**	-
Sundry payables and accrued expenses	**99**	201
	108	201

12. PROVISIONS

In thousands of dollars	**31 Dec 2016**	**30 June 2016**
Current:		
Employee benefits	-	158
	-	158

13. ISSUED CAPITAL

	6 months to 31 Dec 2016		**12 months to 30 June 2016**	
	$'000	**Number**	**$'000**	**Number**
Ordinary Shares				
At the beginning of the reporting date	**85,683**	**992,381,876**	81,072	711,750,074
Shares issued during the financial period:				
12 February 2016[(1)]	-	-	1,000	33,333,333
7 April 2016[(2)]	-	-	3,442	229,497,045
29 April 2016[(2)]	-	-	279	18,598,424
1 July 2016[(3)]	-	**3,426,667**	-	-
17 Oct 2016[(4)]	**1,000**	**66,666,666**	-	-
Share consolidation[(5)]	-	**(849,979,943)**	-	-
Share buyback (1/07/15-30/06/16)[(6)]	-	-	(69)	(797,000)
Transaction costs relating to share issues	-	-	(41)	-
On issue at the end of the period	**86,683**	**212,495,266**	85,683	992,381,876

1. 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.

2. 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.

3. On 1 July 2016, 3,426,667 share performance rights held by Mr Wilson vested and were converted to fully paid ordinary shares of the Company.

4. On 17 October 2016, the Company completed a private placement to raise $1 million (before costs) via the issue of a total of 66,666,666 shares at an issue price of 1.5 cents per share to sophisticated investors.

5. On 1 December 2016, shares of the Company were consolidated on a five (5) for one (1) basis. Accordingly the total number of issued shares of the Company after consolidation became 212,495,266 shares.

6. During the year ended 30 June 2016, a total of 797,000 shares were bought back at a cost of $69,466 and cancelled. No shares were acquired and cancelled for the half year ended 31 December 2016.

14. CONTINGENCIES

Parent Entity Guarantee in respect of the debt of subsidiaries

The Company has certain wholly owned subsidiaries which hold joint venture interests. In the case of Rey Lennard Shelf Pty Ltd (RLS) the Company guarantees the payment and performance obligations of RLS under the terms of the joint venture operating agreement entered into by the Company, RLS and Oil Basins.

The Company provides loan or debt guarantee to its wholly owned subsidiary companies. As of 31 December 2016, no subsidiaries hold any debt or loan balances with third parties.

15. COMMITMENTS

At 31 December 2016, the total commitments for both mineral exploration tenements and the Company's share in petroleum exploration permits in which it has joint venture interests for the following five years are $14,000,000 (30 June 2016: $10,300,000). These obligations may be varied from time to time, subject to approval by the DMP.

16. SUBSEQUENT EVENTS

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of Rey Resources Limited ("the Company"):

1. the condensed consolidated financial statements and notes, as set out on pages 8 to 17, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of financial position of the Group as at 31 December 2016 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 "*Interim Financial Reporting*", the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Ms Min Yang
Chairman

10 March 2017
Sydney, NSW, Australia

Independent Auditor's Review Report

To the shareholders of Rey Resources Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Rey Resources Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Rey Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2016 and of its performance for the Interim period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2016
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim period ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Rey Resources Limited (the Company) and the entities it controlled at 31 December 2016 or from time to time during the Interim period.

The Interim period is the six month period ended on 31 December 2016.

Going concern

We draw your attention to Note 2(b) of the Interim Financial Report which describes the going concern basis. As stated in Note 2(b), these events or conditions, along with other matters described in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our Conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the Interim period ended on that date; and complying with *Australian Accounting Standard* AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Rey Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

KPMG

Daniel Camilleri
Partner

Sydney

10 March 2017