

28 April 2017

# March 2017 Quarterly Report

## HIGHLIGHTS

### Derby Block

- Secured 100% of EP487
- Vintage seismic reprocessing completed

### Coal

- E04/1386 renewed
- Hearing for Mining Licence application set for July 2017

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

## 1. Oil and Gas

### 1.1 Fitzroy Blocks (EP457 and EP458)

The Fitzroy Blocks are located in the Canning Basin in the northwest of Western Australia (refer Figure 1 below). Ownership of the Fitzroy Blocks is: Rey (25% including 8.3% free carried to production); Buru Energy Limited ("Buru", ASX: BRU) (37.5% and Operator); and Diamond Resources (Fitzroy) Ltd (37.5%).

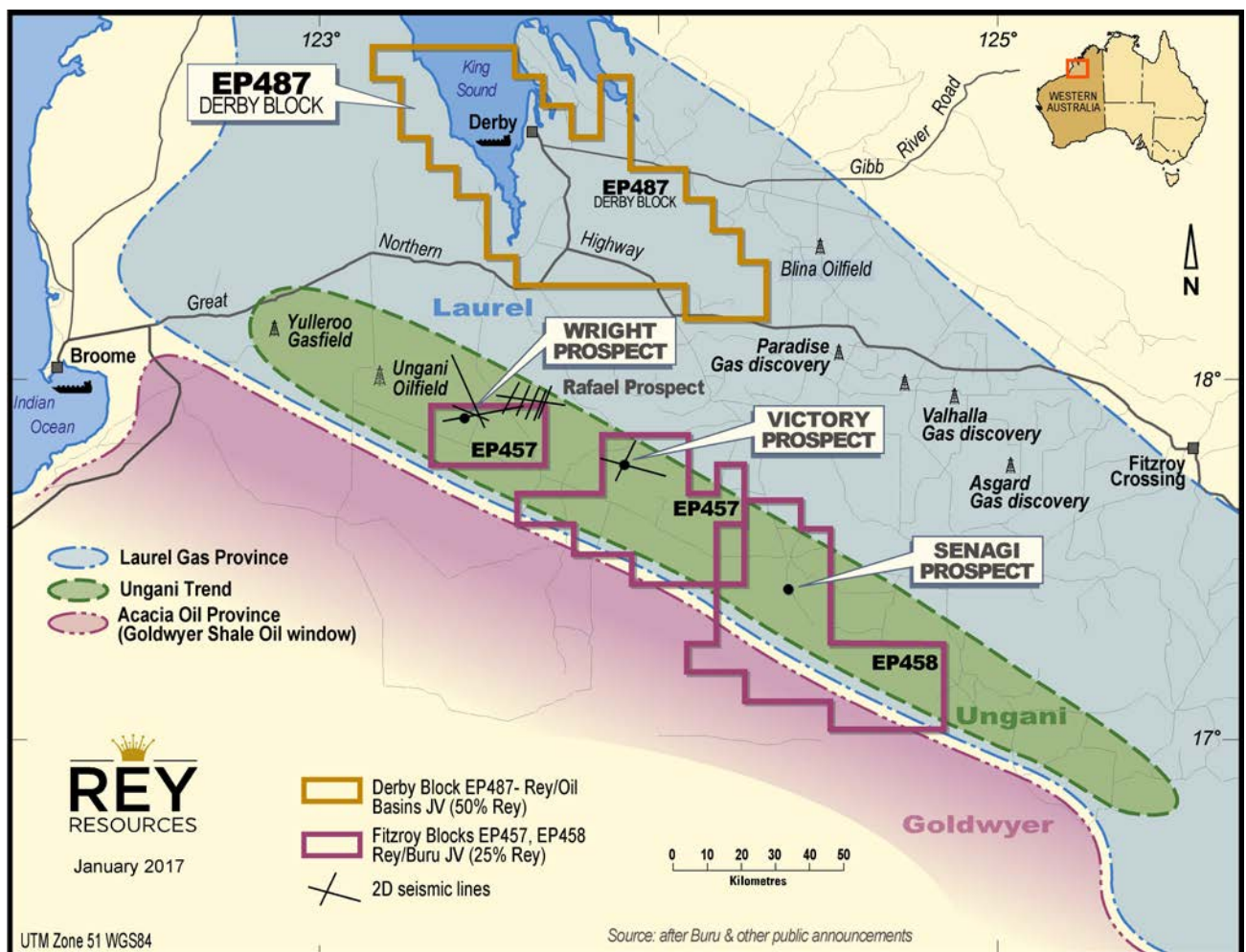


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

The Operator completed the final reports for the Victory 1 exploration well (drilled in EP457 in Q4 2015) and lodged these reports and all associated well data with the regulator in January 2017. (The final well reports for the Senagi 1 exploration well (drilled in EP458 during Q4 2015) and all associated well data were lodged with the regulator in November 2016.)

The regulator granted further five year terms for each of EP457 and EP458, commencing on 6 January 2017. The renewal of the permits mandatorily required the original area of each permit to be reduced by 50% and therefore EP457 and EP458 now cover areas of approximately 2,517km<sup>2</sup> and 2,920km<sup>2</sup> respectively. The work obligation for the first permit year of the new term of both permits is the acquisition of a magneto-telluric (M-T) survey.

During the quarter, the Operator made initial enquiries with a number of parties to acquire M-T data and also investigated potential synergies in acquiring the data in conjunction with a minerals tenement holder that is also seeking to acquire M-T data during the 2017 field season.

## 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"). During the quarter RLS agreed to acquire from its JV partner, Oil Basins Limited ("Oil Basins") (ASX: OBL), 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 at Valhalla and Asgard (refer to various BRU ASX releases including releases dated 20 January 2016 and 18 April 2016).

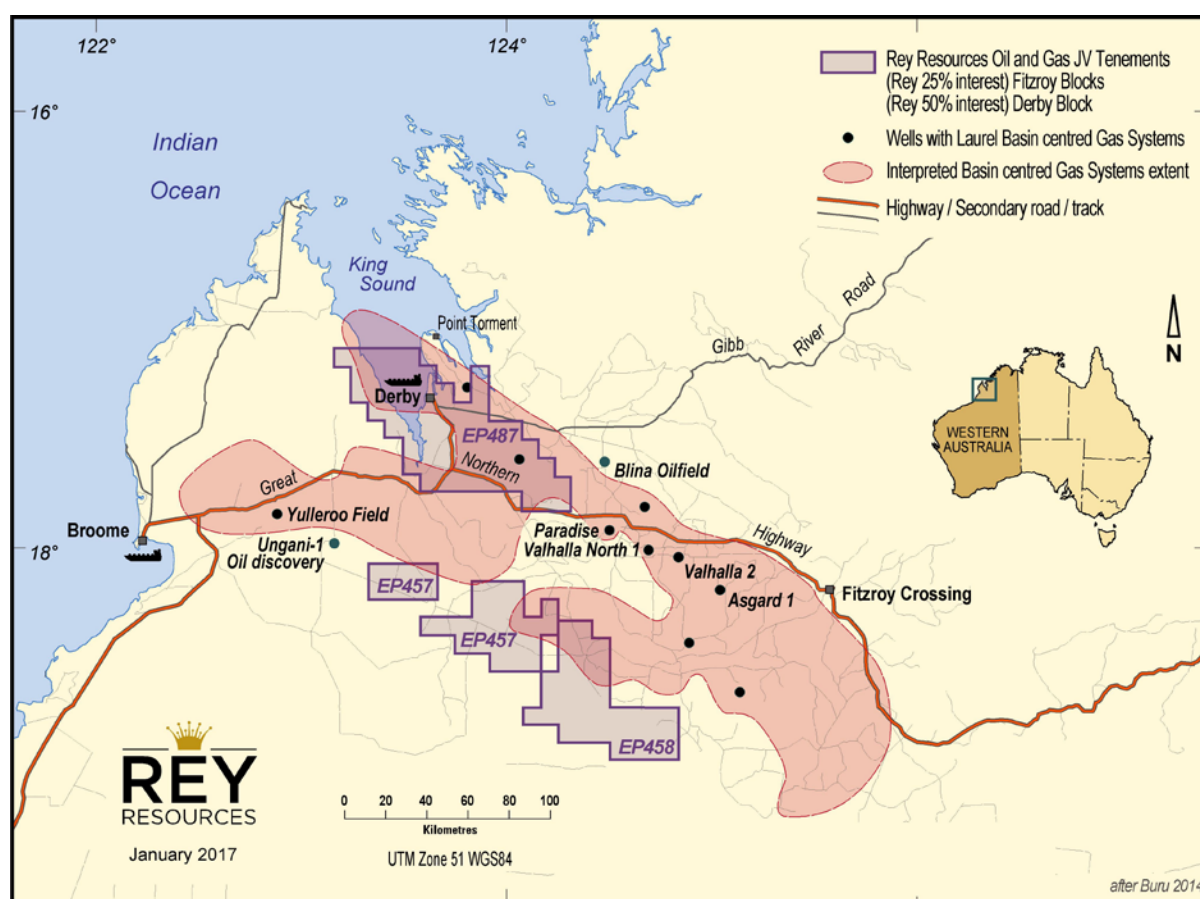


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

## 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 (refer to 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) <sup>6</sup>		
		P90 <sup>1</sup>	P50 <sup>1</sup>	P10 <sup>2</sup>
Gas in place	Tcf <sup>3</sup>	28.5	71.1	173.3
Recoverable Gas	Tcf <sup>3</sup>	4.3	12.3	35.6
Recoverable Condensate	MMbbl <sup>4</sup>	101.9	307	908
Recoverable BOE	MMBOE <sup>5</sup>	791.5	2,289.5	6,634.0

*Table 1: Rey's 50% attributable interest in the gross prospective potential recoverable resources estimate of the Laurel BCG in EP487 (estimate prepared by 3D-GEO January 2016).*

- <sup>1</sup> P90 and P50 estimates consider the Laurel section between 2,500-5,000m.
- <sup>2</sup> P10 estimates assume an additional 10% of Laurel section.
- <sup>3</sup> Tcf- trillion cubic feet.
- <sup>4</sup> MMbbl- million barrels.
- <sup>5</sup> MMBOE- million barrels oil equivalent. Calculated using ratio of 6.22 billion cubic feet of gas equivalent to 1 million barrels of crude oil.
- <sup>6</sup> 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.*

The Company, via its subsidiary RLS, assumed operatorship in June 2016, and since then has continued geological and petrophysical studies, as well as reprocessing of vintage seismic lines, to inform new proposed well sites. Vintage seismic line reprocessing over the licence was completed during the quarter along with geological mapping.

During the quarter, Rey reached an agreement with OBL to acquire its 50% interest in EP487. Upon completion of the agreement, Rey will hold another 50% interest via its wholly owned subsidiary Rey Derby Block Pty Ltd ("RDB"). The key terms of this agreement include:

- Rey will waive outstanding cash calls made on OBL in connection with operating EP487 as well as legal fees incurred by Rey in relation to the transfer of operatorship.
- Approval of the asset transfer from FIRB and under the Western Australian Petroleum Legislation.
- Rey will have an option to acquire Oil Basins Royalties Limited ("OBR"), a wholly owned subsidiary of OBL, for up to \$400,000 within 3 months if OBL fails to complete the sale of OBR within 6 months of completion of this agreement. OBR holds various royalties including two on hydrocarbon sales from Derby Block.

Upon completion of the agreement, Rey Resources will hold 100% of the Derby Block.

Preparation of a data room to assist in farmout discussions is also underway.

The reprocessed 2D seismic data was under analysis during the reporting period. It is expected that the results will be available in the current quarter.

The Company continues to plan the acquisition of 70km of 2D seismic in 2017 upon cessation of the wet season in order to support well site placement and to undertake the preparatory work for its future drilling activities.

### 1.3 Perth Basin

#### EP437

The Company earned a 43.47% interest in EP437 in 2014. The beneficial interests in EP437 are:

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%

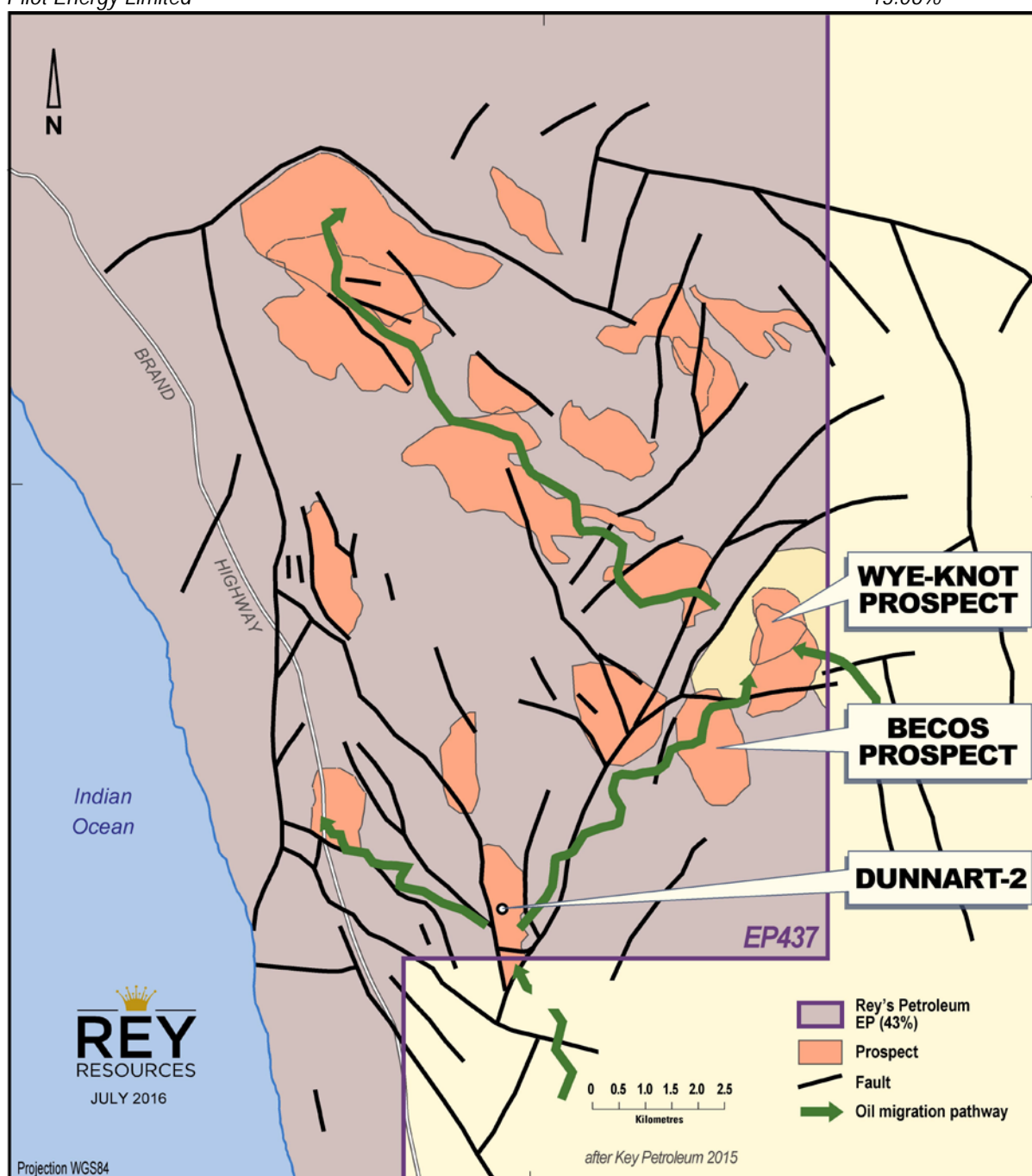


Figure 3: EP437 in the Perth Basin with prospects.



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. The permit conditions are a commitment well in 2017 and well pre-planning for drilling of the Wye Knot prospect continued during the quarter. 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.

Drilling location of the commitment well has been proposed by the operator during the period.

## 2. Coal

Rey's coal tenements are located in the Canning Basin and are partly contiguous with the Fitzroy Blocks.

The Duchess Paradise environmental approval assessment was withdrawn in the previous quarter. This has enabled the stay on hearing certain objections against the grant of a Mining Lease over Duchess Paradise to be lifted and the hearing of these objections in the Warden's Court is expected to proceed in 2017. The hearing has been set for July 2017.

During the period, the tenement E04/1386 was renewed for a further one year term.

### Competent Persons Statement

#### *Petroleum Exploration*

*The technical information quoted 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.*

## Corporate Directory

### Board of Directors

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

### Company Secretary

Shannon Coates

### Capital Structure

Rey Resources is listed on the Australian Securities Exchange (ASX: REY) and had 212,495,266 ordinary shares on issue as at 31 March 2017.

### Share Registry

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

### Registered Office

Rey Resources Limited  
Suite 5, 62 Ord Street  
West Perth WA 6005 Australia  
Tel: +61 2 8259 9620  
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## Tenement Tenure Status (as at 31 March 2017)

Tenure ID <sup>1</sup>	Tenure Type	Holder (wholly-owned Rey subsidiary company)	Ownership% begin quarter	Ownership% end quarter
	<b>Mineral Licences</b>			
E04/1386	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1519	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1770	Exploration Licence	Blackfin Pty Ltd	100	100
M04/0453	Mining Lease Application	Blackfin Pty Ltd	100	100
	<b>Petroleum Permits</b>			
EP457	Exploration Permit	Rey Oil and Gas Pty Ltd	25	25
EP458	Exploration Permit	Rey Oil and Gas Pty Ltd	25	25
EP487 <sup>2</sup>	Exploration Permit	RLS	50	50
EP437	Exploration Permit	Rey Oil and Gas Perth Pty Ltd	43.47	43.47

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

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



## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

**REY RESOURCES LIMITED**

### ABN

84 108 003 890

### Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(229)	(1,114)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	(158)
(e) administration and corporate costs	(165)	(481)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (Refund of Rental Bond)	40	40
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(353)</b>	<b>(1,711)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	1,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,000</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	799	1,157
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(353)	(1,711)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,000
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>446</b>	<b>446</b>

5.	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	446	799
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>446</b>	<b>799</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
85
-

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

## Mining exploration entity and oil and gas exploration entity quarterly report

8.	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end</b>	<b>Amount drawn at quarter end</b>
		<b>\$A'000</b>	<b>\$A'000</b>
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

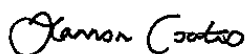
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9.	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Exploration and evaluation	43
9.2	Development	-
9.3	Production	-
9.4	Staff costs	-
9.5	Administration and corporate costs	178
9.6	Other (provide details if material)	-
9.7	<b>Total estimated cash outflows</b>	<b>221</b>

10.	<b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	EP487 Canning Basin	50% interest currently held by Oil Basins Limited	50%	50% (will become 100% upon completion of the agreement, as announced 16 March 2017)

### Compliance statement

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



28 April 2017

Sign here: .....  
(Director/Company secretary)

Date: .....

Print name: SHANNON COATES

.....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.