

19 July 2017

# June 2017 Quarterly Report

## HIGHLIGHTS

### Derby Block

- Obtained 100% interest of EP487
- Analysis on seismic reprocessing has been completed
- New resources estimation completed
- Heritage Survey and new 2D Seismic have been planned

### Coal

- Hearing for Mining Licence application has been extended

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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%).

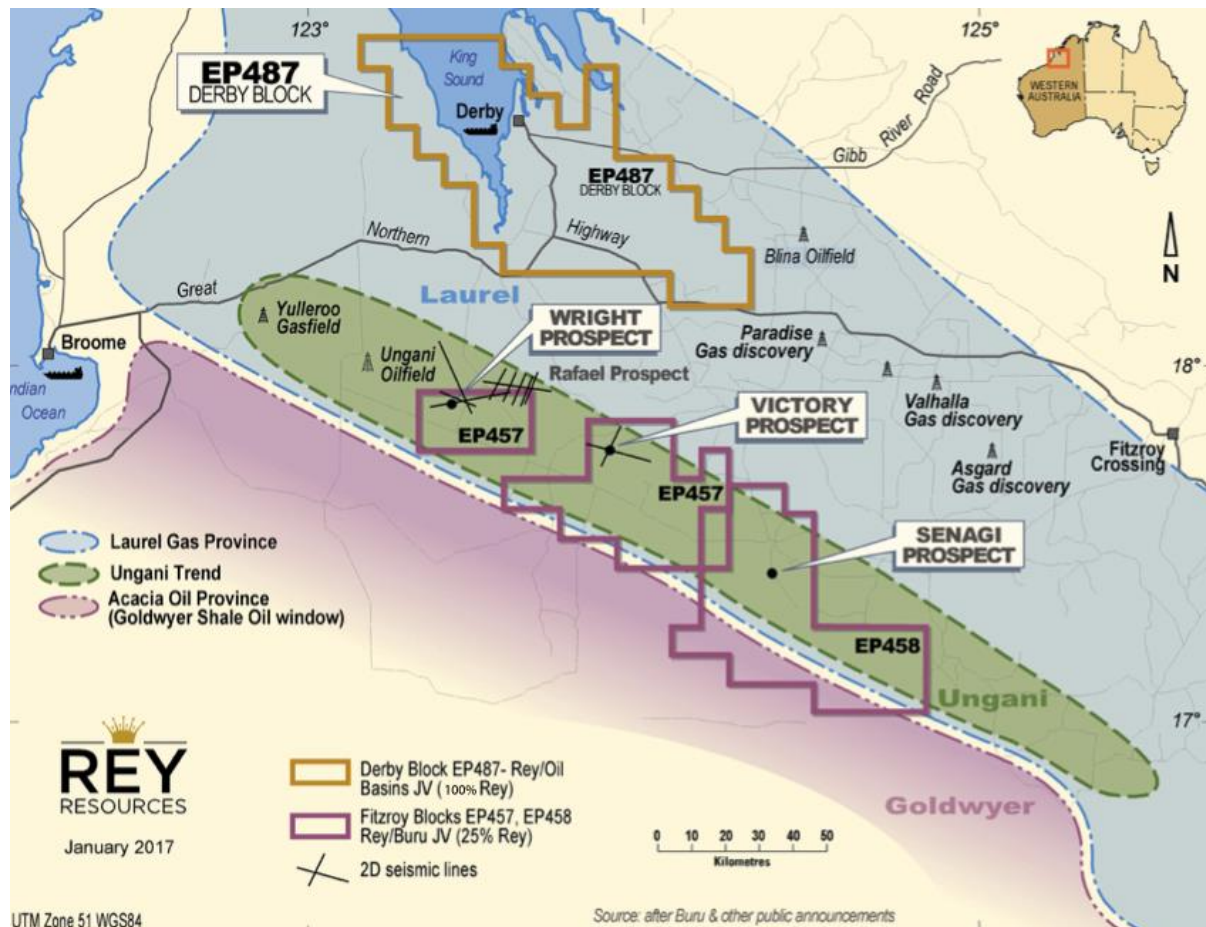


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

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. (Note that 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 a further five year term 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 an area of approximately 2517km<sup>2</sup> and 2920km<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 ended 30 June 2017, the Operator continued to investigate potential synergies in acquiring a magneto-telluric (M-T) survey in the permits data in conjunction with a minerals tenement holder that is seeking

to acquire M-T data during the 2017 field season. The minerals tenement holder advised that they have an obligation to acquire additional M-T data during the period from July 2017 to June 2018 and this field activity will provide a potential opportunity for collaboration with the EP457 and EP458 JV parties including sharing of equipment mobilisation and demobilisation.

The Operator also commenced a post-mortem analysis of offset wells, review of seismic to well ties and structural interpretation.

## 1.2 Derby Block (EP487)

During the quarter, Rey completed the transaction with Oil Basins Ltd (“OBL”) to acquire its 50% interest in EP487 (“Transaction”). The Company now holds a 100% participating interest in petroleum exploration permit EP487 (“the Derby Block”) via its 100% owned subsidiaries Rey Lennard Shelf Pty Ltd and Rey Derby Block Pty Ltd .

According to the Agreement with OBL, Rey also has a three month option to acquire Oil Basins Royalties Pty Limited (“OBR”), a wholly owned subsidiary of OBL, for up to \$400,000 if the currently negotiated sale of OBR to a third party does not proceed within six months from the date of completion of the Transaction. OBR holds various royalties including two on hydrocarbon sales from the Derby Block.

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).

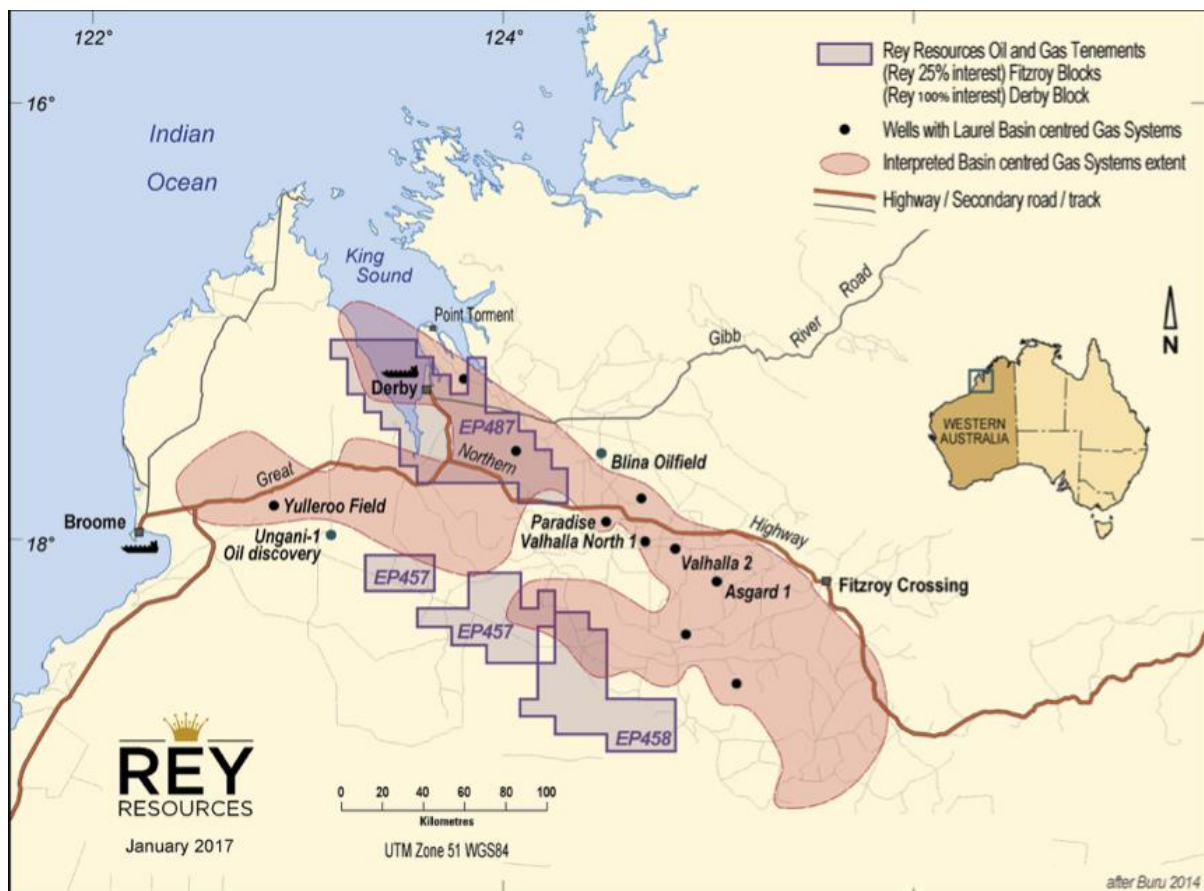


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

During the reporting period, Rey completed the analysis on seismic reprocessing. An initial well location report has also been prepared for the commitment wells this year.

The Heritage Survey is planned to commence in July 2017. Following by this, the new 2D seismic, which is the commitment work for 2017, will be conducted in the second half of the 2017 calendar year. Rey is under negotiation with Terrex for the seismic contract.

### Prospective Resources

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 3D Geo in June 2017. The Company's 100% 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>3</sup>				
		P90 <sup>1</sup>	P50 <sup>1</sup>	P10 <sup>2</sup>
Gas in place	Tcf <sup>1</sup>	68.0	169.6	412.9
Recoverable Gas	Tcf <sup>1</sup>	9.4	28.4	81.1
Recoverable Condensate	MMbbl <sup>2</sup>	239	707	2,066
Recoverable BOE	MMBOE <sup>4</sup>	1,852	5,283	15,096

Table 1: Rey Resources' 100% attributable interest in the gross prospective potential recoverable resources estimate of the Laurel BCG in EP487 (estimate prepared by 3D-GEO June 2017).

<sup>1</sup> Tcf- trillion cubic feet.

<sup>2</sup> MMbbl- million barrels.

<sup>3</sup> SPE PRMS (2011) - Society of Petroleum Engineers Petroleum Resource Management System (2011).

<sup>4</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.

*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.*

## 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%



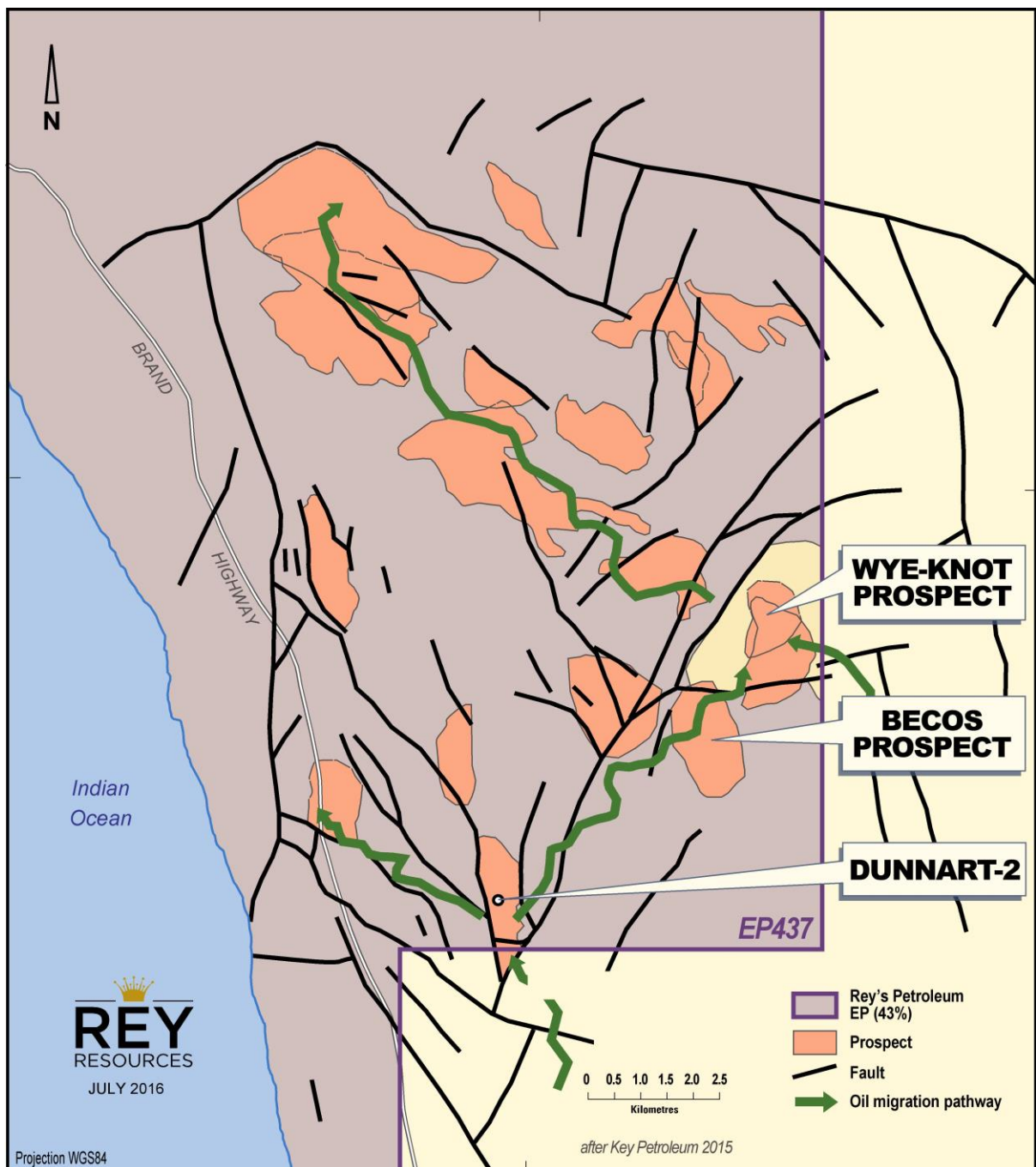


Figure 3: EP437 in the Perth Basin with prospects.

The Joint Venture was unable to locate field tapes for reprocessing for seven seismic lines from the Narkarino 2D survey that are located across the Wye Knot and Becos prospects. The alternative work conducted comprised of 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 was the focus of activity 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.

During the report period an AFE for the long lead and well planning for the Wye Knot-1 well has been issued to the JV partners by the Operator.

## **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 early 2017. 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 the second half of 2017.

As discussed, all objectors agreed to vacate the hearing scheduled on 30 June 2017. The next hearing date is yet to be fixed but is not expected to be held before 17 November 2017. During the period and before the next hearing, the objectors have agreed to amend the particulars. An Access Deed is also being prepared.

### **Competent Persons Statement**

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

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

## Corporate Directory

### Board of Directors

Min Yang	Non-executive Chairman
Wei Jin	Managing Director
Geoff Baker	Non-executive Director
Dachun Zhang	Independent Non-executive Director
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 and as at 30 June 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

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West Perth WA 6005 Australia  
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## Tenement Tenure Status (as at 30 June 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
EP487 <sup>2</sup>	Exploraiton Permit	RDB	0	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.

<sup>2</sup> Royalties attaching to EP487: RLS may, at its election, on the grant of a production licence on EP487, either: grant Backreef Oil Pty Ltd a 1% royalty on sales proceeds from future production from its interest in EP487; or pay \$2 million to Backreef. In addition, Oil Basins Royalties Pty Ltd has 2 royalties on sales proceeds from future production from EP487. According to the agreement between Rey and OBL, Rey has an option to purchase Oil Basins Royalties Pty Ltd for up to \$400,000 within 3 months if current sale does not proceed within six months with a third party.



## 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")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(130)	(1,244)
(b) development	-	-
(c) production	-	-
(d) staff costs	(34)	(192)
(e) administration and corporate costs	(194)	(675)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
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
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(357)</b>	<b>(2,068)</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	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
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	500	500
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>500</b>	<b>1,500</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	446	1,157
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(357)	(2,068)
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)	500	1,500
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>589</b>	<b>589</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	589	446
5.2      Call deposits	-	-
5.3      Bank overdrafts	-	-
5.4      Other (provide details)	-	-
<b>5.5      Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>589</b>	<b>446</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
82
-

Director fees (\$48,000), Consulting fees (\$34,000)

**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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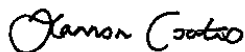
9.	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Exploration and evaluation	198
9.2	Development	-
9.3	Production	-
9.4	Staff costs	58
9.5	Administration and corporate costs	212
9.6	Other (provide details if material)	-
9.7	<b>Total estimated cash outflows</b>	<b>468 *</b>

\* The Company is investigating various fund raising options including but not limited to potential farm-outs, a loan facility and capital raising scenarios.

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 held by Oil Basins Limited	50%	100%

### **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.



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

Date: 19 July 2017

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.