REY RESOURCES LIMITED

A.B.N. 84 108 003 890

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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 2017 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
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 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 100% 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) in the Canning Basin.

Review and results of operations

Financial Results

The net loss of the consolidated entity after income tax amounted to $408,000 for the half-year ended 31 December 2017, compared with the loss of $302,000 for the corresponding period last year, an increase of approximately 35%.

The increase in loss for the period was mainly attributed to the increase in employee expenses and interest accrued for the two loans, one granted by ASF Group Limited and the other from a shareholder of the Company.

On 3 July 2017, the Company announced that it had entered into a loan agreement with Wanyan Liu, a substantial shareholder of the Company, for a $500,000 unsecured loan to the Company for a term of 12 months with interest accruing at the rate of 12% per annum, payable on maturity.

The Company further entered into a loan facility agreement on 12 October 2017 with ASF Group Limited ("ASF"), pursuant to which ASF agreed to provide up to $1 million standby facility ("Facility") to the Company at an interest rate of 12% per annum payable on maturity with facility maturity date on 11 October 2018. The Facility was subsequently increased to $1.5 million pursuant to a deed of amendment dated 18 December 2017. As at 31 December 2017, a total of $1 million of the Facility had been drawn down by the Company.

DIRECTORS' REPORT

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.

Planning for Magneto-Telluric Geophysical Surveying

During the period, the Joint Venture ("JV") commenced initial planning and preparations for a magneto-telluric (M-T) survey to be acquired in the permit to fulfil the minimum work requirement for Year 1 with the intention to conduct the survey during the second half of 2017. These preparations involved liaison and sharing of information with the holder of mineral exploration licence E04/1998 that partly overlies and extends beyond EP457 and to the northeast of EP458. This included the provision of a copy of several reports including for M-T surveys acquired by the minerals tenement holder in 2015 and 2016.

Investigations of potential synergies in acquiring new M-T data in conjunction with the minerals tenement holder during the latter part of the 2017 field season were conducted. The main purpose of this was to assist with devising an acquisition program that will allow the maximum opportunity to provide additional M-T data as an adjunct to the pre-existing data rather than acquiring more data over the earlier M-T surveys.

Land Access

The following activities were conducted during the period:

- Rehabilitation assessment of Rafael 2D seismic lines was undertaken from 17 July to 21 July 2017;
- Preparation and submission of the following documents to the Department of Mines, Industry Regulation and Safety ("DMIRS"):
    - Annual Environmental Report 2016 (HSE-REP-121) Revision 1 lodged on 14 July 2017 and approved 24 July 2017; and
    - Annual Rehabilitation Report 2016 (HSE-REP-117) Revision 1 lodged on 30 June 2017 and approved on 24 July 2017.
- Preparation of the following documents:
    - Annual Environmental Report 2017 (HSE-REP-139); and
    - Annual Rehabilitation Report 2017 (HSE-REP-140).

Permit Administration

Applications for a suspension of the minimum work requirements for Years 1 to 5 and an extension to the permit terms of EP457 and EP458 were compiled and submitted to the regulator (DMIRS) on 28 July 2016 (STP-EPS-0252 and STP-EPS-0253 respectively) and the JV discontinued the planning of magneto-telluric (M-T) surveys in the permits. The applications remained under assessment by the regulator at the end of the period.

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	05/01/2022	Geological and Geophysical Studies

*pending suspension

DIRECTORS' REPORT

Subsequent to the submission of the applications, the JV received a letter from DMIRS on 5 September 2017 advising that the Western Australian Government had introduced a moratorium on the hydraulic fracturing process (fracking) in the Kimberley pending the outcome of an independent scientific enquiry into the fracking process. An updated extension application letter has been prepared by the operator and will be lodged with DMIRS shortly.

1.2 Derby Block (EP487)

Also in the Canning Basin, the Company holds a 100% interest in petroleum exploration permit EP487 ("the Derby Block") via its 100% owned subsidiaries, Rey Lennard Shelf Pty Ltd and Rey Derby Block Pty Ltd.

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

An 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)[3]		
		P901	P501	P102
Gas in place	Tcf[1]	68.0	169.6	412.9
Recoverable Gas	Tcf[1]	9.4	28.4	81.1
Recoverable Condensate	MMbbl[2]	239	707	2,066
Recoverable BOE	MMBOE[4]	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).

[1] Tcf - trillion cubic feet.

[2] MMbbl - million barrels.

[3] SPE PRMS (2011) - Society of Petroleum Engineers Petroleum Resource Management System (2011).

[4] 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.

Since the Company assumed operatorship in June 2016, an integrated geology and geophysical program have been completed during the 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.

On 30 September 2016, a one-year work program extension for Year 2 was granted by the Department of Mines and Petroleum ("DMP").

During the period, a further one-year work program revision and extension for Permit Year 2 was granted by DMP on 21 September 2017. The work program now requires 60km of new 2D Seismic and one well by end of 2018.

On 19 February 2018, a letter of managing work program commitments during the hydraulic fracturing stimulation moratorium period from DMIRS was received. Following this, a new 12 month suspension and extension application for current permit year has been lodged on 21 February 2018.

The committed new 2D seismic acquisition program in the North-East corner of EP487 was completed in October 2017 after the completion of Heritage Survey in September 2017, to assist in proving up the newly discovered Butler conventional resource prospect ("Butler Prospect"). This data was of high quality with processing completed in December 2017.

The Butler Prospect is located adjacent to the Gibb River Road, just 45km east of Derby. Seismic reprocessing and mapping conducted in early 2017 uncovered a large undrilled seismic feature in the mid-Laurel with an estimated potential of 4 TCF (120 mmbls associated liquids) recoverable net to EP487. The seismic anomaly is encased in the Laurel section which is gas saturated in local wells. This unconventional section produced gas after stimulation from the Yulleroo and Asgard/Valhalla area. It is interpreted that the section at Butler contains sandstones capable of conventional commercial production without need of stimulation.

The Company has completed the initial drilling cost analysis for the commitment well. Further works including management system design, drilling environmental plan and drilling contractor engagement will be conducted in first half of 2018.

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%

During the half year, the Joint Venture has approved the Authorisation for Expenditure ("AFE") for the long lead and well planning for the Wye Knot-1 drilling. However, the Operator has failed to reach suitable commercial compensation terms for access with the landholder at the preferred well location and is investigating options available to it for land access. Subsequently, in January 2018, the DMIRS have approved the suspension of the work program commitment and extended the duration of Permit Year 3 to November 2018. The supplementary AFE also has been approved by the Joint Venture to cover additional costs of the additional 12 months' extension of Permit Year 3.

2. Coal

Rey's thermal coal tenements are located in the Fitzroy Trough of the Canning Basin, north of 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 Project ("DP") 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 (Measured 60.2Mt/Indicated 78.5Mt/Inferred 167.1Mt). The thermal coal of DP is in shallow seam from the surface which makes it easy for both open pit and underground mining.

DIRECTORS' REPORT

During the period, the Company has conducted an internal review of its previously reported Ore Reserves and considered that a review of the Definitive Feasibility Study ("DFS") was warranted given that the initial DFS was undertaken six years ago. Consequently, the Company withdrew its Ore Reserves pending the outcome of this review.

In December 2017, the Company consulted with the expert about the DFS update. A proposal with work scope has been received and confirmed.

The DFS review and update will focus on updating the economic and financial model and is expected to result in an increased Coal Reserve and valuation in comparison to the 2011 DFS. Other factors that may also require revision include transportation pathways.

There is a matter before the WA Wardens Court mentioned in December 2017 in relation to the granting of the Mining License Application of the DP project. The final recommendation is expected to be made by the Warden to Minister for final decision after the supplementary documents were lodged February 2018.

Further information

Further details of operations during the six months ended 31 December 2017 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 half 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 2017.

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

Ms Min Yang
Chairman

12 March 2018
Sydney, NSW, Australia

COMPETENT PERSONS STATEMENT

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 oal, 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. 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.

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.

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.

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 of Rey Resources Limited for the half-year ended 31 December 2017 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

KPMG

Daniel Camilleri
Partner

Sydney

12 March 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

In thousands of dollars

	NOTES	31 Dec 2017	31 Dec 2016
Other income	4	**12**	51
Administrative expenses		**(220)**	(233)
Employee benefit expense	5	**(151)**	(118)
Depreciation expense		**(2)**	(2)
Impairment of exploration and evaluation assets	10	**(1)**	-
Loss from operating activities		**(362)**	(302)
Finance income		**-**	1
Finance cost		**(46)**	(1)
Loss before income tax expense		**(408)**	(302)
Income tax		**-**	-
Loss for the period		**(408)**	(302)
Other comprehensive income		**-**	-
Total comprehensive loss for the period, attributable to owners of the company		**(408)**	(302)
Basic and diluted loss per share (cents)	6	**(0.19)**	(0.15)

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 2017

In thousands of dollars

	NOTES	31 Dec 2017	30 June 2017
ASSETS			
Current Assets			
Cash and cash equivalents		**20**	590
Trade and other receivables	7	**80**	23
Prepayments		**7**	13
Total Current Assets		**107**	626
Non-Current Assets			
Property, plant and equipment	8	**10**	12
Investment	9	**212**	212
Exploration and evaluation expenditure	10	**38,526**	37,296
Total Non-Current Assets		**38,748**	37,520
Total Assets		**38,855**	38,146
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**175**	111
Employee benefits	12	**11**	3
Loans and borrowings	13	**1,545**	500
Total Current Liabilities		**1,731**	614
Total Liabilities		**1,731**	614
Net Assets		**37,124**	37,532
EQUITY			
Share capital	14	**86,683**	86,683
Accumulated losses		**(49,559)**	(49,151)
Total equity		**37,124**	37,532

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 2017

In thousands of dollars	Share capital	Share based payment reserve	Accumulated losses	Total
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
Balance at 1 July 2017	**86,683**	**-**	**(49,151)**	**37,532**
Total comprehensive income:				
Loss for the period	**-**	**-**	**(408)**	**(408)**
Total comprehensive income for the period	**-**	**-**	**(408)**	**(408)**
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares	**-**	**-**	**-**	**-**
Share options and shares award lapsed	**-**	**-**	**-**	**-**
Balance at 31 Dec 2017	**86,683**	**-**	**(49,559)**	**37,124**

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 2017

In thousands of dollars	**31 Dec 2017**	**31 Dec 2016**
Cash flows from operating activities		
Payments to suppliers and employees	**(292)**	(609)
BAS refund/(payments)	**(59)**	24
Net cash used in operating activities	**(351)**	(585)
Cash flows from investing activities		
Interest received	**-**	1
Payments for exploration expenditure	**(1,219)**	(752)
Net cash used in investing activities	**(1,219)**	(751)
Cash flows from financing activities		
Proceeds from issue of ordinary shares (net of costs)	**-**	1,000
Proceeds from loans and borrowings	**1,000**	-
Loans to other parties	**-**	(22)
Net cash used in financing activities	**1,000**	978
Net decrease in cash and cash equivalents	**(570)**	(358)
Cash and cash equivalents at 1 July	**590**	1,157
Cash and cash equivalents at 31 December	**20**	799

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 2017

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 2017 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 2017 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 2017. The consolidated interim financial statements were approved by the Board of Directors on 12 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 2017 the Group incurred a loss of $408,000 and experienced net cash outflows of $570,000. As at 31 December 2017, the Group had cash of $20,000 and available standby loan facility of $500,000. On 2 March 2018, the Company announced that it has agreed with Wanyan Liu and ASF Group Limited ("ASF") respectively for the extension of loan maturity date to 31 December 2019. ASF also agreed to increase the loan facility amount to $2 million. Since 31 December 2017, a further $300,000 has been drawn down under the loan facility provided by ASF Group Limited. The total of the ASF Group Limited's facility that has been drawn down is $1.3 million at the date of signing this report.

The Group has prepared a cashflow forecast for the period to 31 March 2019. The cashflow forecast demonstrates the need to raise additional funding and the need to defer or 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, or defer expenditure, 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 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.

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 2017.

4. OTHER INCOME

In thousands of dollars	**31 Dec 2017**	**31 Dec 2016**
Other income	**12**	51
	12	51

5. EMPLOYEE BENEFIT EXPENSE

In thousands of dollars	**31 Dec 2017**	**31 Dec 2016**
Salaries and fees	**133**	114
Superannuation	**18**	4
	151	118

6. LOSS PER SHARE

	31 Dec 2017	31 Dec 2016
Basic loss per share (cents)	**(0.19)**	(0.15)
Diluted loss per share (cents)	**(0.19)**	(0.15)

The calculation of basic loss per share was based on the loss attributable to shareholders of $408,000 (2016: loss $302,000) and a weighted average number of ordinary shares outstanding during the half year of 212,495,266 (2016: 204,668,993).

The diluted loss per share for the six months ended 31 December 2017 and 2016 were the same as the basic loss per share.

7. TRADE AND OTHER RECEIVABLES

In thousands of dollars	31 Dec 2017	30 June 2017
Included in receivables are as follows:		
Current		
Other receivables	**80**	23
	80	23

8. PROPERTY, PLANT & EQUIPMENT

In thousands of dollars	31 Dec 2017	30 June 2017
Plant and equipment		
At cost	**179**	179
Accumulated depreciation	**(169)**	(167)
	10	12

9. INVESTMENT

In thousands of dollars	31 Dec 2017	30 June 2017
Investment in Norwest Energy NL		
Opening balance	**212**	106
Changes in fair value of investment	**-**	106
Closing balance	**212**	212

10. EXPLORATION AND EVALUATION EXPENDITURE

In thousands of dollars	**31 Dec 2017**	**30 June 2017**
Costs carried forward in respect of:		
Capitalised explorations asset not governed by joint venture agreements (i)	**25,009**	23,939
Capitalised share of exploration assets under Joint Venture Agreements (ii)	**10,723**	10,640
Capitalised share of exploration assets under Joint Venture Agreements (iii)	**2,794**	2,717
Costs carried forward	**38,526**	37,296

(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 represents 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 represents the Group's proportionate share of exploration assets held by the joint venture.

In thousands of dollars	**31 Dec 2017**	**30 June 2017**
At cost	**38,526**	37,296
Accumulated impairment losses	**-**	-
	38,526	37,296
Movements in carrying amount:		
Opening balance	**37,296**	36,125
Expenditure capitalised	**1,231**	1,171
Impairment	**(1)**	-
	38,526	37,296

For further information on exploration expenditure refer to note 16 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, or the securing and maintaining of rights to tenure.

11. TRADE AND OTHER PAYABLES

In thousands of dollars	**31 Dec 2017**	**30 June 2017**
Unsecured liabilities		
Trade payables	**125**	60
Sundry payables and accrued expenses	**50**	51
	175	111

12. PROVISIONS

In thousands of dollars	31 Dec 2017	30 June 2017
Current:		
Employee benefits	**11**	3
	11	3

13. LOANS AND BORROWINGS

In thousands of dollars	31 Dec 2017	30 June 2017
Wanyan Liu[1]	**531**	500
ASF Group Ltd[2]	**1,014**	-
	1,545	500

1. An unsecured loan of $500,000 was granted by Wanyan Liu, a substantial shareholder of the Company, with maturity date on 27 June 2018 and interest bearing of 12% per annum payable on maturity. On 2 March 2018, the Company announced that Wanyan Liu has agreed to extend the maturity date to 31 December 2019.

2. A loan facility agreement was entered into with ASF Group Limited ("ASF") on 12 October 2017 pursuant to which ASF agreed to provide up to $1 million standby facility ("Facility") to the Company at an interest rate of 12% per annum with a facility maturity date on 11 October 2018. On 2 March 2018, the Company announced that ASF has agreed to increase the Facility to $2 million and to extend the maturity date to 31 December 2019. As at 31 December 2017, a total of $1 million of the Facility has been drawn down by the Company.

14. ISSUED CAPITAL

	6 months to 31 Dec 2017		12 months to 30 June 2017	
	$'000	Number	$'000	Number
Ordinary Shares				
At the beginning of the reporting date	**86,683**	**212,495,266**	85,683	992,381,876
Shares issued during the financial period:				
1 July 2016[1]	**-**	**-**	-	3,426,667
17 October 2016[2]	**-**	**-**	1,000	66,666,666
Share Consolidation[3]	**-**	**-**	-	(849,979,943)
On issue at the end of the period	**86,683**	**212,495,266**	86,683	212,495,266

1. 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.

2. On 17 October 2016, the Company completed a private placement to raise $1 million (net of 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.

3. 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.

15. CONTINGENCIES

Parent Entity Guarantee in respect of the debt of subsidiaries
The Company provides loan or debt guarantee to its wholly owned subsidiary companies. As of 31 December 2017, no subsidiaries hold any debt or loan balances with third parties.

16. COMMITMENTS

At 31 December 2017, 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 $20,406,000 (30 June 2017: $20,721,000). These obligations may be varied from time to time, subject to approval by the DMP.

In thousands of dollars	**Mineral**	**Petroleum**	**Total**
Year 1	126	7,591	7,717
Year 2-5	39	12,650	12,689
Total	**165**	**20,241**	**20,406**

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement principles adopted in this report are consistent with those applied in the Group's Annual Financial Report for the year ended 30 June 2017.

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

in thousands of dollars	**31 Dec 2017**	**30 June 2017**
Financial assets		
Financial assets measured at fair value		
Share investment [1]	**212**	212
Financial assets not measured at fair value		
Cash and cash equivalents	**20**	590
Trade and other receivables	**80**	23
Total	**312**	825
Financial liabilities		
Financial assets not measured at fair value		
Trade and other payables	**175**	111
Total	**175**	111

1. 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. The closing price of Norwest shares as at 31 December 2017 was $0.004 per share.

18. 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

Consolidated	**Mineral 6 months ended 31 Dec 2017 $'000**	Mineral 6 months ended 31 Dec 2016 $'000	**Petroleum 6 months ended 31 Dec 2017 $'000**	Petroleum 6 months ended 31 Dec2016 $'000	**Corporate 6 months ended 31 Dec 2017 $'000**	Corporate 6 months ended 31 Dec 2016 $'000	**Total 6 months ended 31 Dec 2017 $'000**	Total 6 months ended 31 Dec 2016 $'000
Revenue								
Total Reportable segment revenue	-	-	-	-	-	-	-	-
Other income	**12**	51	-	-	-	-	**12**	51
Impairment reversal of assets	**(1)**	-	-	-	-	-	**(1)**	-
Impairment of investment	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	1	-	1
Finance costs	-	-	-	-	**(46)**	(1)	**(46)**	(1)
Administration cost	-	-	-	-	**(373)**	(353)	**(373)**	(353)
Profit/(loss) before income tax benefit	**11**	51	-	-	**(419)**	(353)	**(408)**	(302)
income tax benefit	-	-	-	-	-	-	-	-
Loss after income tax benefit	**11**	51	-	-	**(419)**	(353)	**(408)**	(302)
Capital Expenditure	**218**	26	**1,012**	725	-	-	**1,230**	751

Consolidated	**Mineral As at 31 Dec 2017 $'000**	Mineral As at 31 Dec 2016 $'000	**Petroleum As at 31 Dec 2017 $'000**	Petroleum As at 31 Dec2016 $'000	**Corporate As at 31 Dec 2017 $'000**	Corporate As at 31 Dec 2016 $'000	**Total As at 31 Dec 2017 $'000**	Total As at 31 Dec 2016 $'000
Assets								
Other Assets	-	-	-	-	**329**	1,020	**329**	1,020
Segment assets	**21,780**	21,483	**16,746**	15,394	-	-	**38,526**	36,877
Total assets	**21,780**	21,483	**16,746**	15,394	**329**	1,020	**38,855**	37,897
Liability								
Other liabilities	-	-	-	-	**1,731**	108	**1,731**	108
Total Liabilities	-	-	-	-	**1,731**	108	**1,731**	108

19. SUBSEQUENT EVENTS

On 2 March 2018, the Company announced that it has agreed with Wanyan Liu to an extension of the maturity of the $500,000 loan to 31 December 2019 (previously 26 June 2018) at the existing 12% p.a. interest rate.

Also on 2 March 2018, the Company announced that it has agreed to increase the loan facility it has with ASF Group Limited to $2 million (previously $1.5 million) and extended the maturity date to 31 December 2019 (previously 11 October 2018). There is no change to the existing 12% p.a. interest rate.

Since 31 December 2017, a further $300,000 has been drawn down under the loan facility provided by ASF Group Limited. The total of the ASF Group Limited's facility that has been drawn down is $1.3 million at the date of signing this report.

No other matters or circumstances have arisen since the end of the half 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 18, 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 2017 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

12 March 2018
Sydney, NSW, Australia

Independent Auditor's Review Report

To the shareholders of Rey Resources Limited

Report on the Consolidated Interim Financial Report

Conclusion

We have reviewed the accompanying ***Consolidated 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 Consolidated 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 2017 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 ***Consolidated Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2017
- 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 19 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 the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the six months ended on 31 December 2017.

Material uncertainty related to going concern

We draw attention to Note 2 (b) "Going concern basis" in the Consolidated Interim Financial Report. The conditions disclosed in Note 2 (b), indicate a material uncertainty exists that may cast significant doubt on 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, and at the amounts stated in the Consolidated Interim Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Consolidated Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Consolidated 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 Consolidated Interim Financial Report that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Consolidated 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 Consolidated 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 2017 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 a Consolidated 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
12 March 2018