

26 April 2018

March 2018 Quarterly Report

HIGHLIGHTS

Derby Block

- Current year work program suspended
- Well location review continued

Coal

- Definitive Feasibility Study review continued

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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 10% free carried to production); Buru Energy Limited (“Buru”, ASX: BRU) (37.5% and Operator); and Diamond Resources (Fitzroy) Ltd (37.5%).

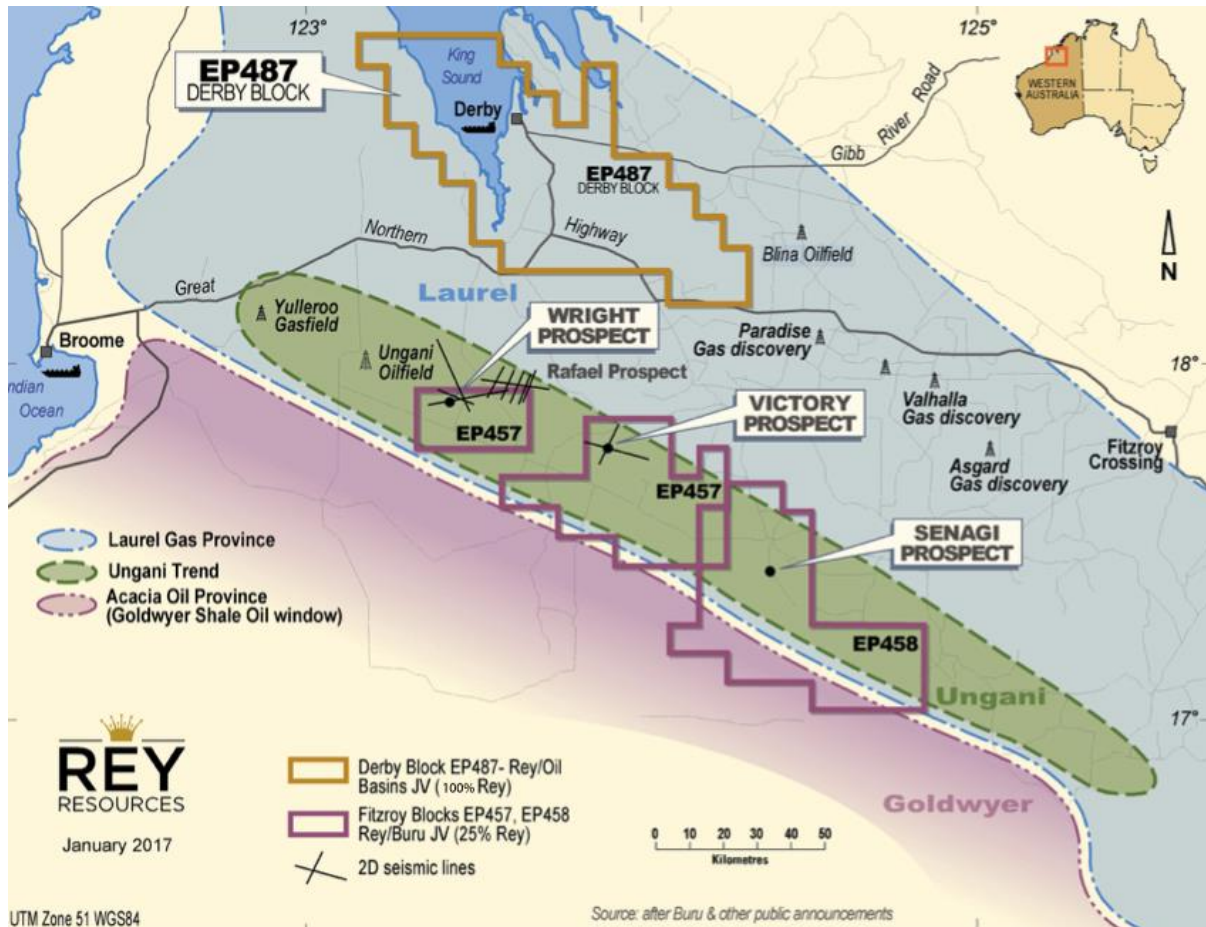


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

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 2517km² and 2920km² 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.

The regulator issued a letter to the EP457 and EP 458JV parties on 18 February 2018 advising of the policy that it has developed for the management of work programs during the period of the moratorium on hydraulic fracture

stimulation (fracking). The regulator also invited the JV to lodge new applications to replace the applications for suspensions that were lodged on 28 July 2017. Accordingly, replacement applications consistent with the regulator’s policy were therefore submitted for each of EP457 and EP458 on 9 March 2018. The applications remained under assessment by the regulator at the end of the report period.

1.2 Derby Block (EP487)

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 (refer Figure 1) 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).

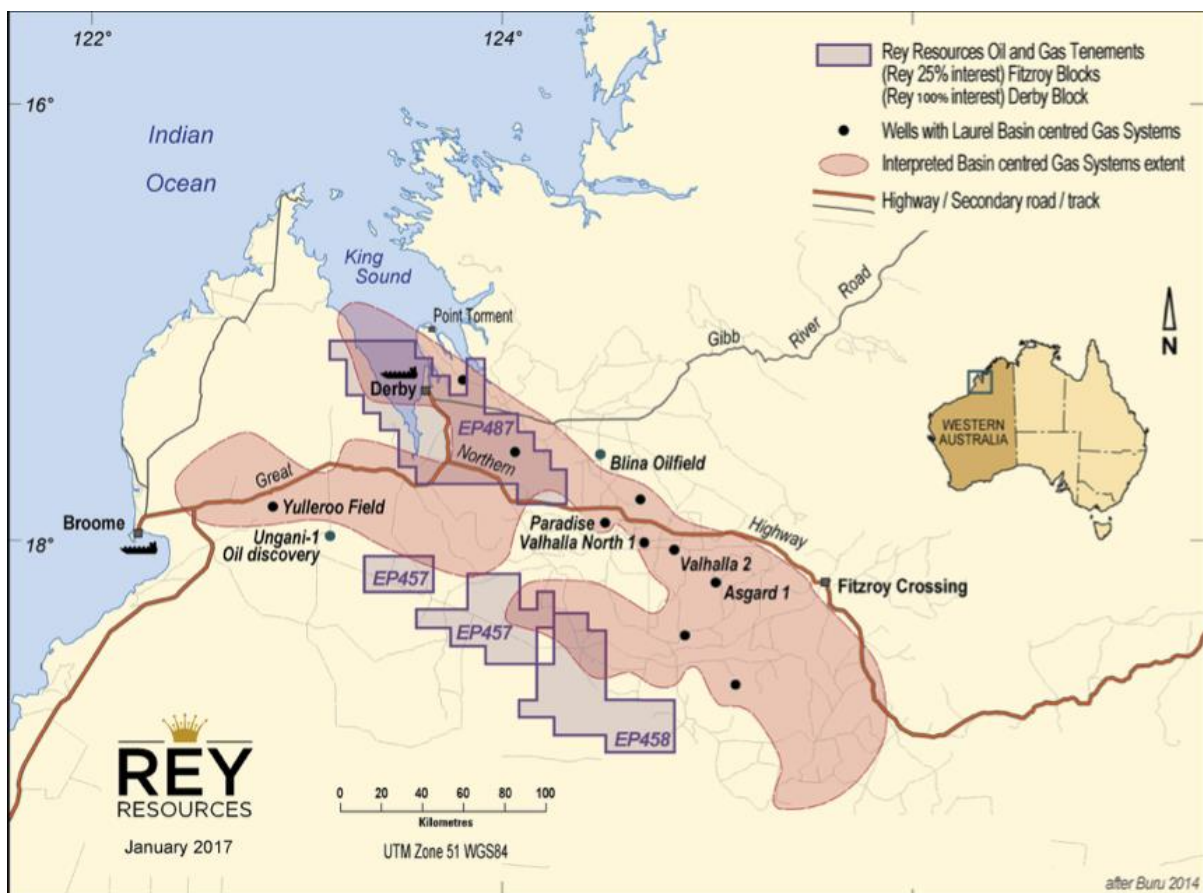


Figure 1: Interpreted extent of the Laurel Basin gas system in relation to Rey’s petroleum interests (after Buru and others).

On 20 March, Rey was granted the suspension and extension of current year commitments for EP487. The one well commitment has been deferred by 12 months to end of 2019. This will provide Rey sufficient time to study the completed new seismic and choose the best well location for the Butler Prospect.

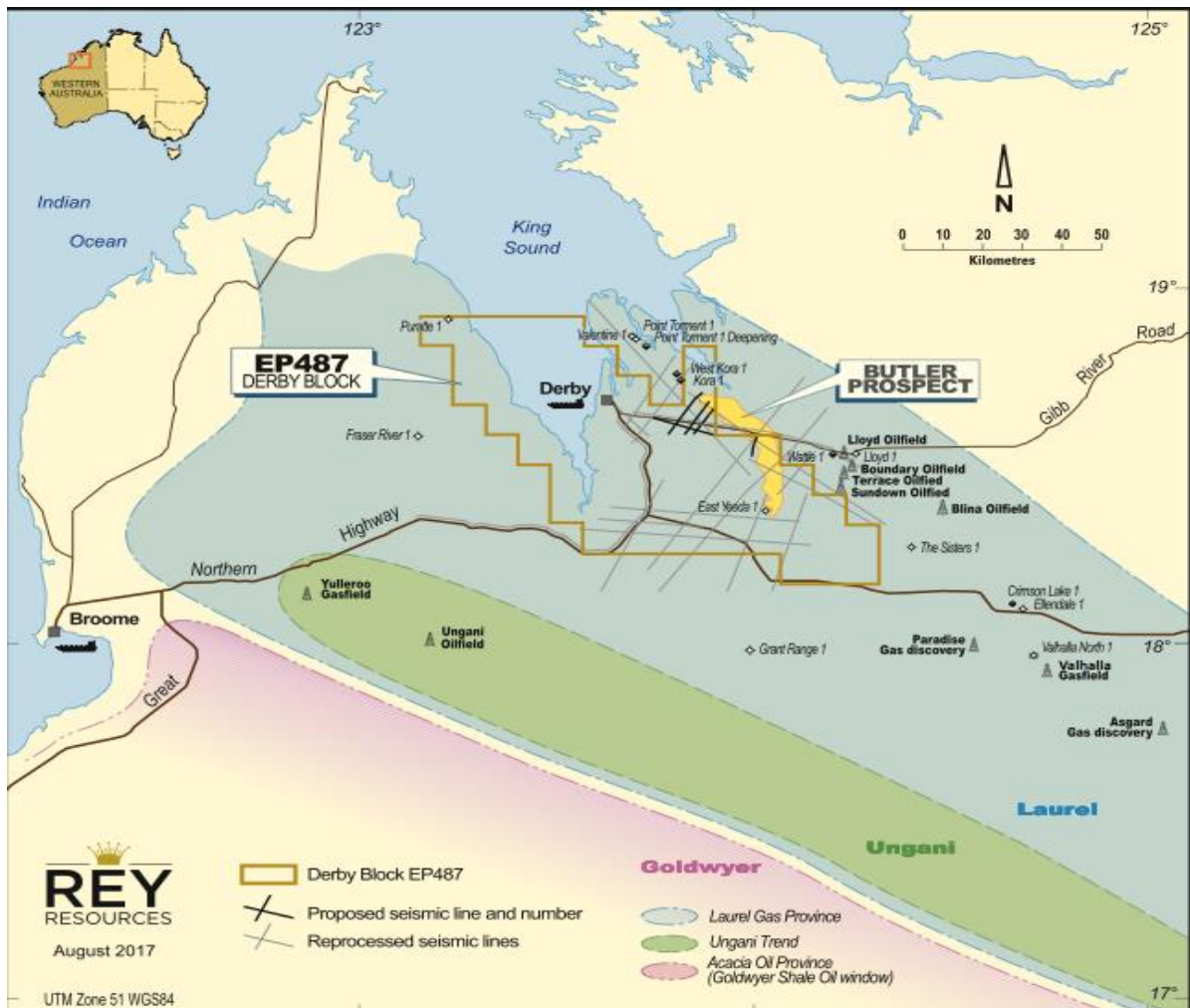


Figure 2: Location of New 2D Seismic

About the Butler Prospect

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 mmbbls 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.

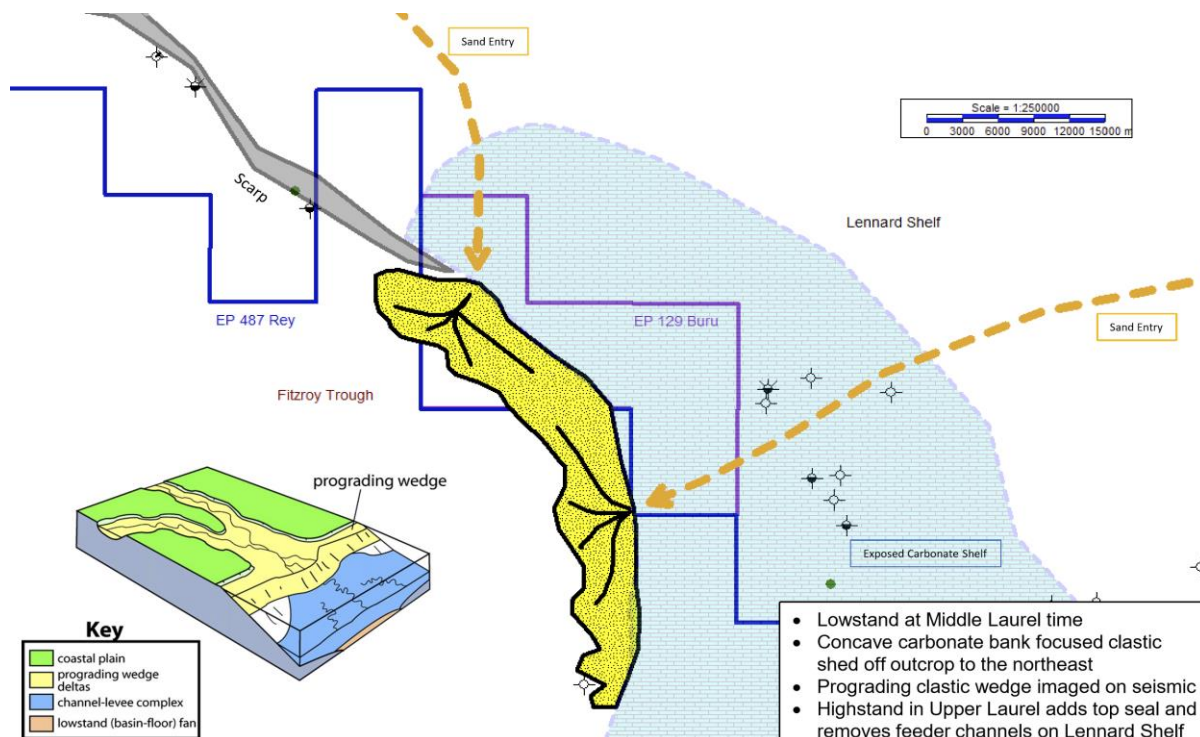


Figure 3: The Butler Prospect shown in depositional form in the North-East corner of EP 487.

The Company is working with the adjoining acreage holder (Buru Energy) on the interpretation of the area, as the Butler Prospect is interpreted to lie in both EP487 and Buru's adjacent EP129.

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		
		P90 ¹	P50 ¹	P10 ²
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.

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%

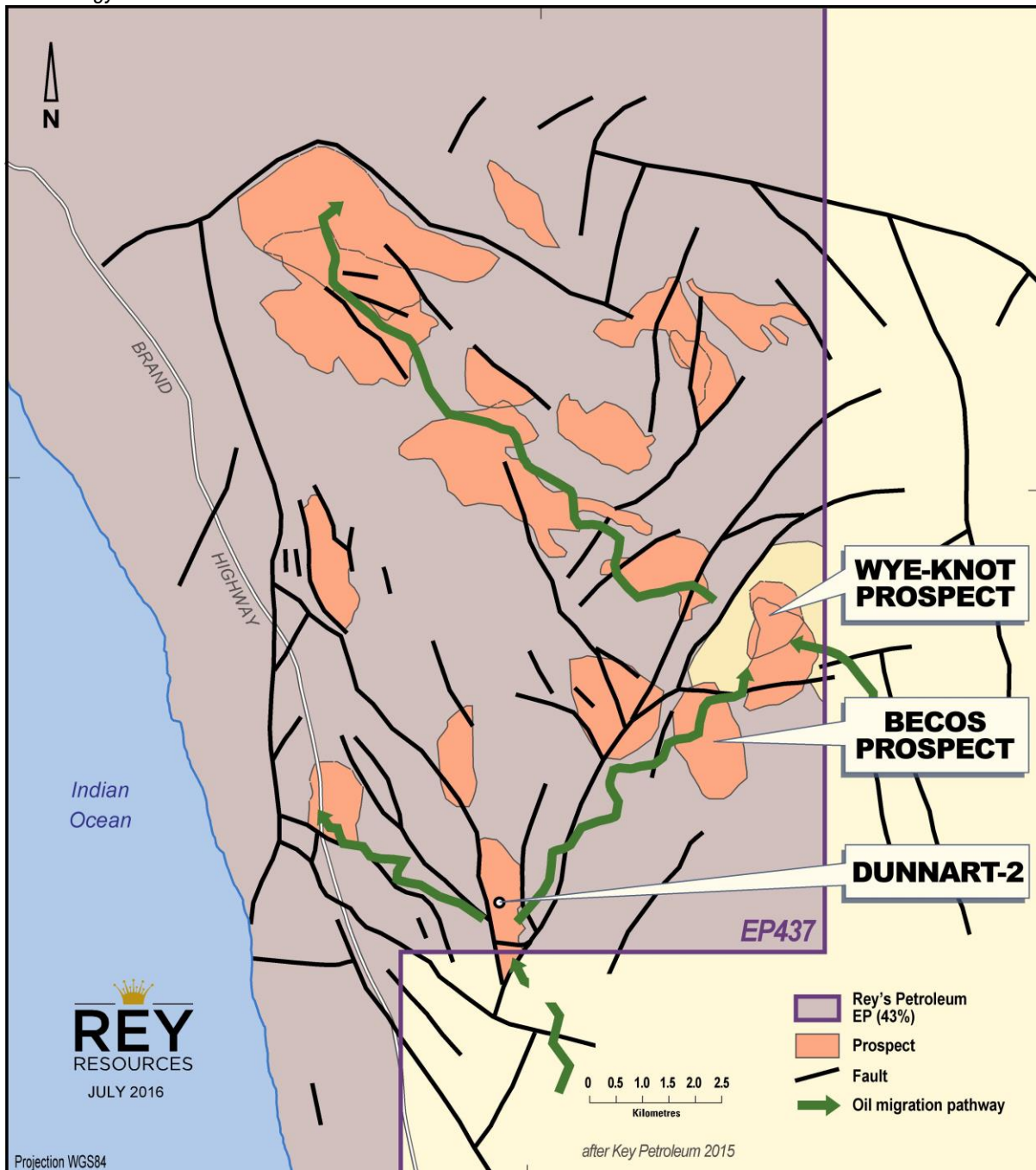


Figure 3: EP437 in the Perth Basin with prospects.

The Joint Venture has identified at least ten leads on the licence but only one significant mature drilling candidate. Additional mapping of the Wye area was conducted in light of results from the Waitsia gas discovery to the south of EP437 by AWE Limited. The Wye area consists of several fault bounded structures defined by vintage 2D seismic including a section of High Cliff sandstone encountered further south at the Dongara and Waitsia fields some 40 kilometres to the southeast in the Perth Basin. The petrophysical studies on surrounding wells was conducted to better define and de-risk the Wye Knot prospect.

During the report period, preparations to drill the Wye Knot-1 exploration well in EP437 (Operator: Key Petroleum) continued, including the purchase and design of long lead wellhead equipment and assessment of options by the Operator to have compensation determined for land access by a legal process. The preferred drilling location for Wye Knot-1 has not changed and the Operator has advised that it will advise the Joint Venture of the outcome of land compensation in the next quarter. The drilling of Wye Knot-1 commitment well is currently expected by 27 November 2018.

2. Coal

The Duchess Paradise Project (“DP”) is a thermal coal project located in the Canning Basin of Western Australia and is partly contiguous with the Fitzroy Blocks. It has a reported Mineral Resource of 305.8Mt (JORC 2012 Code). A Mining Licence Application will be considered by the Court once all parties have lodged the final documents as requested by the Court in February 2018.

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

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

1. Some values do not sum due to rounding.

Following an internal review of its previously reported Ore Reserves during the quarter, the Company 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.

During the March quarter, the expert has finished the report for the first stage of the DFS update. Rey is reviewing the results

3. Corporate

As announced on 2 March 2018, the Company extended the maturity date for its \$500,000 loan from Wanyan Liu (**Loan**), as announced on 3 July 2017. The new maturity date for the Loan is 31 December 2019.

The Company further advised it extended the facility amount and maturity date for its \$1,500,000 loan facility with ASF Group Limited (**Loan Facility**), as announced on 18 December 2017. The Loan Facility amount is now \$2 million and the new maturity date is 31 December 2019.

All other terms and conditions of the Loan and Loan Facility remain the same.

On 12 March 2018, the Company released its Half Yearly Report and Accounts.

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 Coal, Coal Resources and Coal Reserves” – 2003 Edition prepared by the Coalfields Geology Council of New South Wales and the Queensland Mining Council;
- JORC Code, 2012 Edition, and as adopted by the Australian Stock Exchange; and
- ASX Companies Update 03/07 and the JORC paper of June 19th 2007, Guidance for Practitioners.

The P1-seam Resources estimate and discussion presented in this report is based on information supplied by Rey Resources or by companies employed by Rey Resources, as well as information collected during exploration activities under the guidance of Rey Resources. The information was approved by consultants to the Company Mr K. Scott Keim, C.P.G Area Manager, Senior Principal for Cardno, and Mr Ronald H. Mullenex, 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 Mullenex 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 Mullenex 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 Mullenex 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.

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 as at 31 March 2018.

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 31 March 2018)

Tenure ID ¹	Tenure Type	Holder (wholly-owned Rey subsidiary company)	Ownership% begin quarter	Ownership% end quarter
	Mineral Licences			
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
	Petroleum Permits			
EP457	Exploration Permit	Rey Oil and Gas Pty Ltd	25	25
EP458	Exploration Permit	Rey Oil and Gas Pty Ltd	25	25
EP487 ²	Exploration Permit	RLS	50	50
EP487 ²	Exploraiton Permit	RDB	50	50
EP437	Exploration Permit	Rey Oil and Gas Perth Pty Ltd	43.47	43.47

¹ All tenements are located in Western Australia.

² 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.

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 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(201)	(1,291)
(b) development	-	-
(c) production	-	-
(d) staff costs	(53)	(128)
(e) administration and corporate costs	(158)	(563)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
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)	-	-
1.9 Net cash from / (used in) operating activities	(412)	(1,982)

2. Cash flows from investing activities		
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)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	1,500
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)	-	-
3.10	Net cash from / (used in) financing activities	500	1,500

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	19	589
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(412)	(1,982)
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	-	-
4.6	Cash and cash equivalents at end of period	107	107

Mining exploration entity and oil and gas exploration entity quarterly report

5. Reconciliation of cash and cash equivalents 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	107	19
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	107	19

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	82
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	

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

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

	Current quarter \$A'000
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	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,000	1,500
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.		

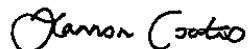
On 12 October 2017, a loan facility agreement was entered into between the Company and ASF Group Limited ("ASF") pursuant to which ASF will provide up to \$1 million unsecured loan facility to the Company for a term of 12 months, at the interest rate of 12% per annum. The loan facility amount was subsequently increased to \$1.5 million pursuant to a Deed of Amendment entered into between the Company and ASF on 18 December 2017. On 2 March 2018, ASF agreed to further increase the loan facility to \$2 million and to extend the loan maturity date to 31 December 2019. As at 31 March 2018, \$1.5 million had been drawn down under the loan facility with \$500,000 remaining available for draw down.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	161
9.2 Development	-
9.3 Production	-
9.4 Staff costs	58
9.5 Administration and corporate costs	178
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	397

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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				

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.



26 April 2018

Sign here:

Date:

(Director/Company secretary)

SHANNON COATES

Print name:

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.