

26 October 2018

September 2018 Quarterly Report

HIGHLIGHTS

Oil & Gas

- Lennard Shelf Blocks: 100% ownership to Rey
- Derby Block: 12 month extension and suspension granted

Coal

- Continued to progress DFS update
- Shareholder approval received to sell Duchess Paradise Coal Project

Corporate

- Extension of Loan Facility with ASF

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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%).

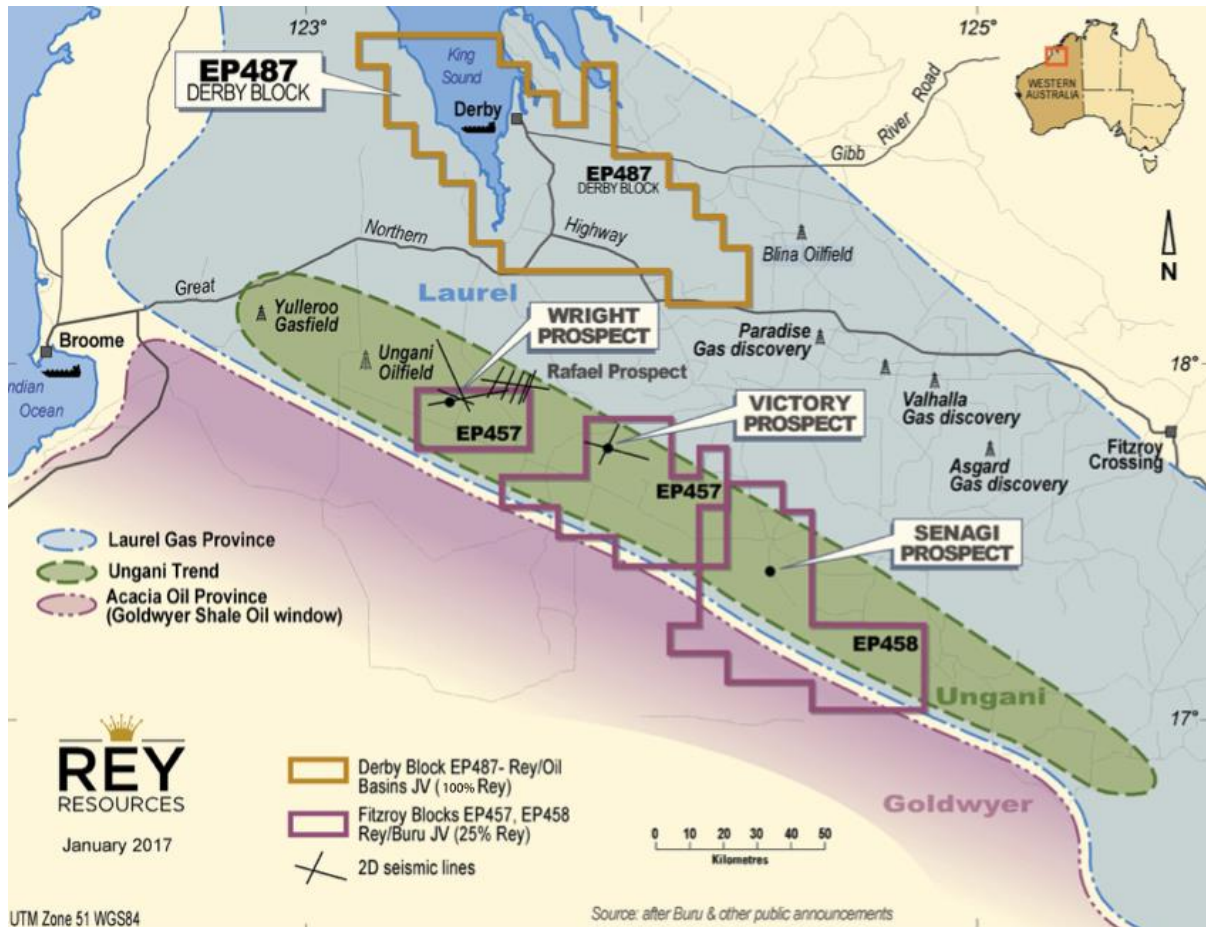


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

The 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.

Applications for suspensions of the work conditions for each permit that were lodged with the regulator on 9 March 2018, were approved on 23 April 2018. The approvals provide a 24 month suspension of the commencement of Year 1 to 6 January 2019 (from 6 January 2017) and also a 24 month extension to the terms of each permit to 5 January 2024. The effect of these approvals is that the requirement to complete magneto-telluric (M-T) surveys to satisfy the Year 1 work obligation of each of these permits is deferred until January 2020.

During the reporting period, the Operator undertook continued analysis of historic data and the results of two wells drilled on the Fitzroy Blocks in 2015.

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).

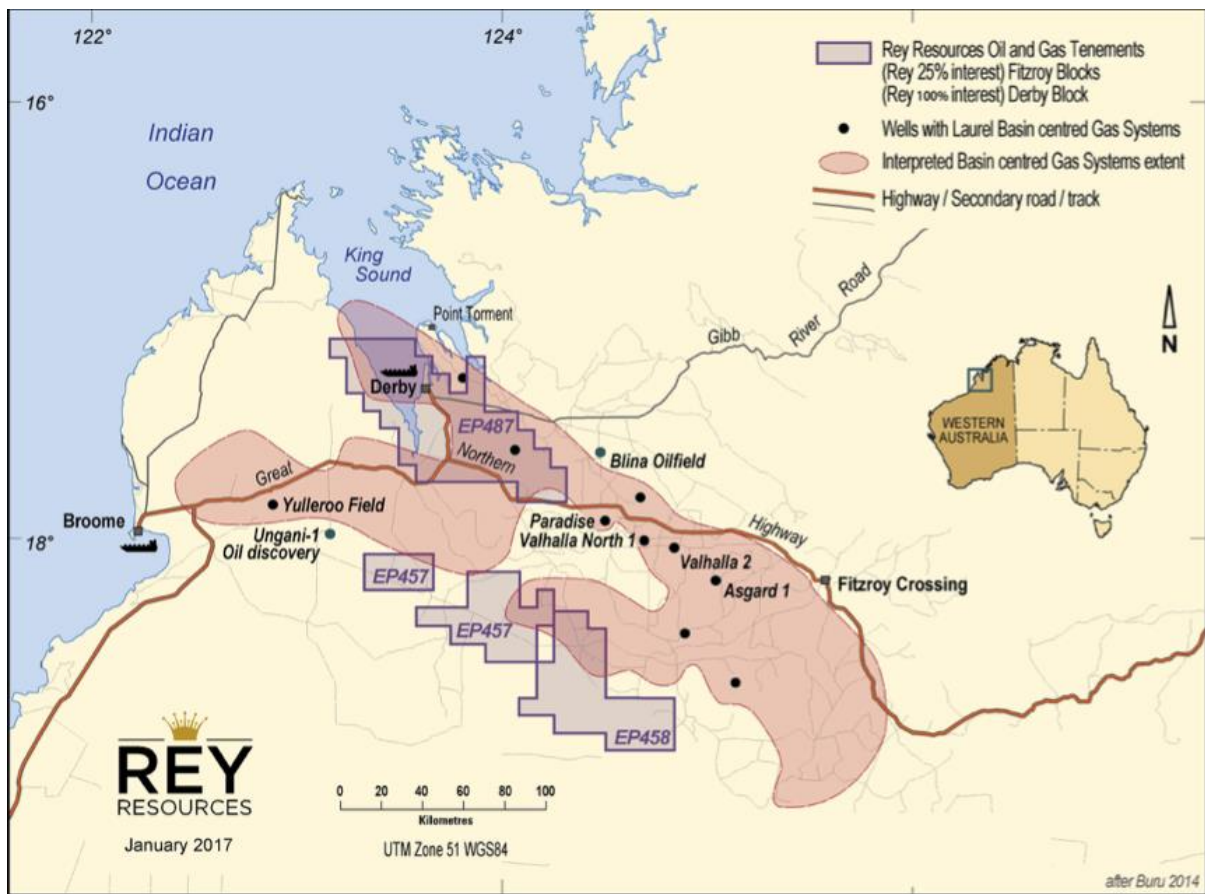


Figure 1: Interpreted extent of the Laurel Basin gas system in relation to Rey’s petroleum interests (after Buru and others).

On 20 March 2018, Rey was granted a suspension and extension of the current year commitments for EP487. The one well commitment has been deferred by 12 months to end of 2019. During the quarter, Rey continued to interpret the new seismic data for the well target in the Butler Prospect.

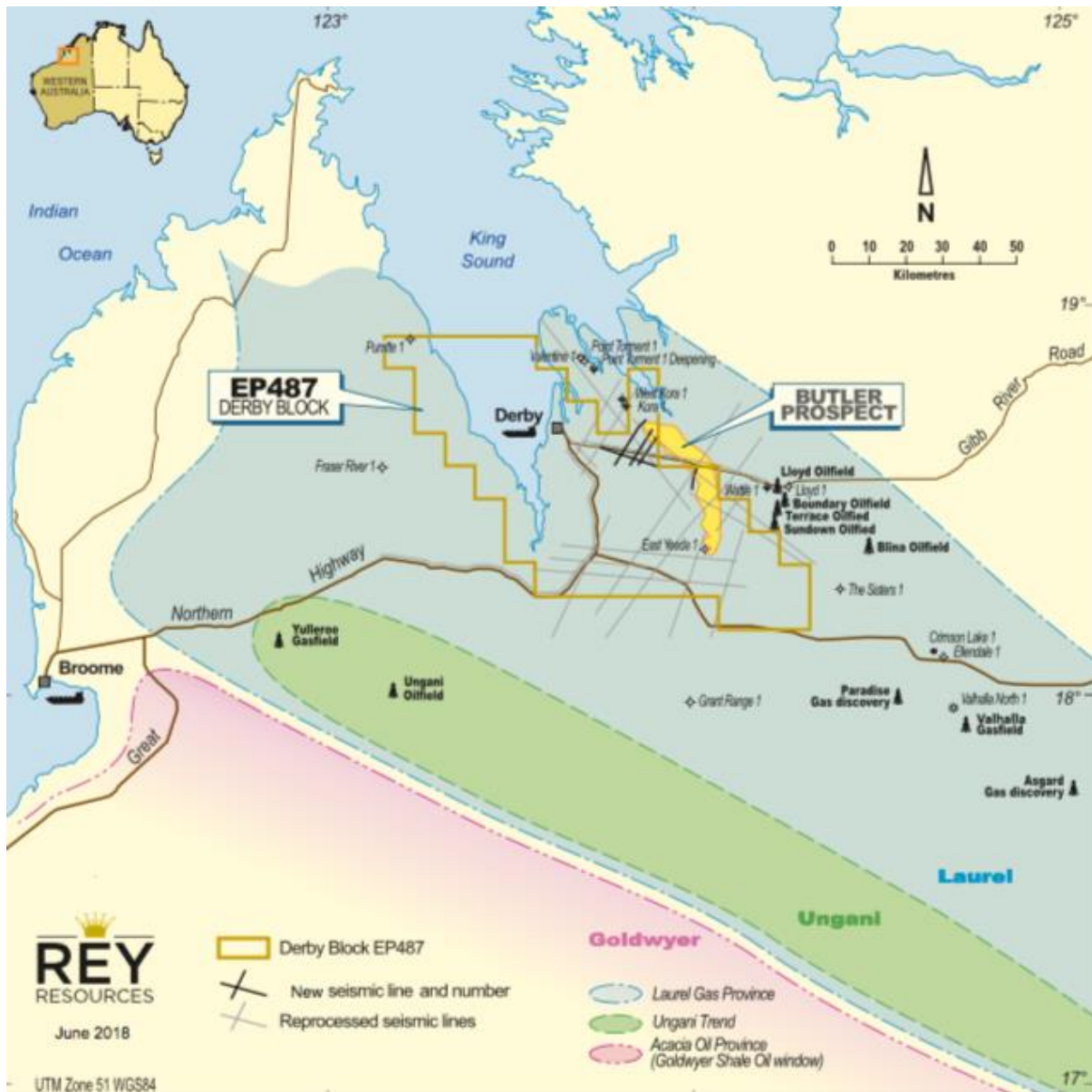


Figure 2: Location of New 2D Seismic

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.

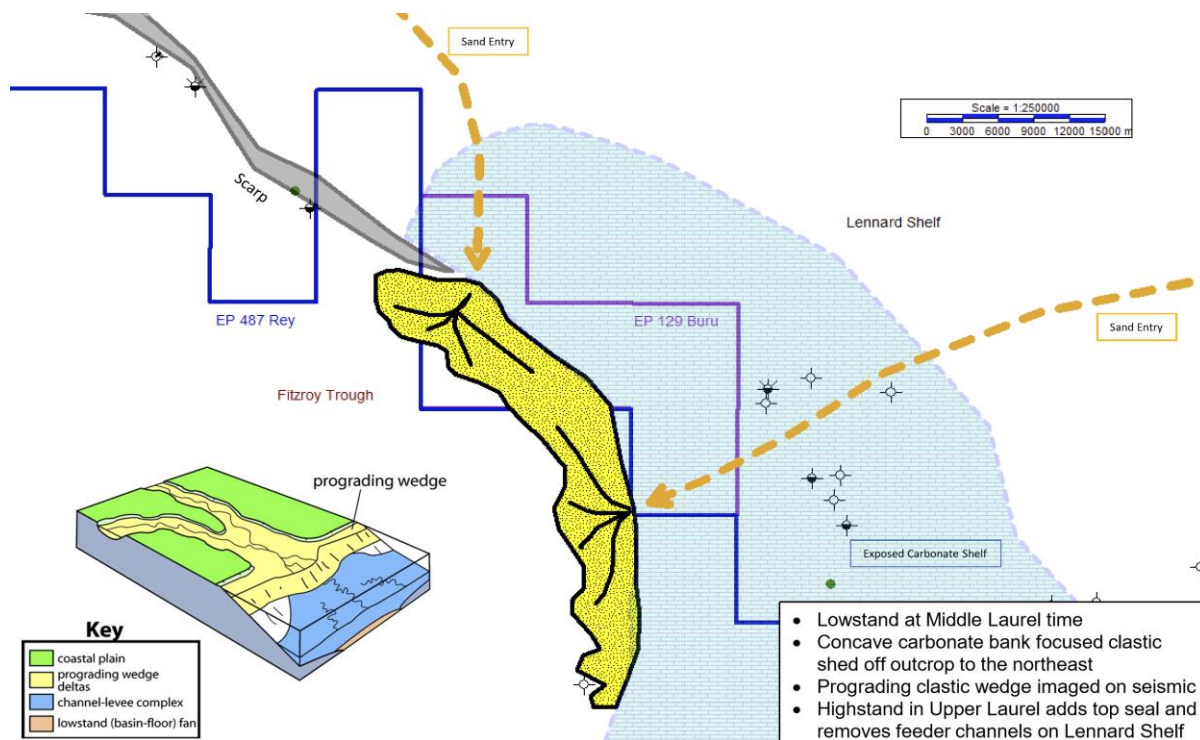


Figure 3: The Butler Prospect shown in depositional form in the North-East corner of EP 487.

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 Lennard Shelf Blocks

EP104, R1 and L15

In the June 2018 quarter, the Company entered into a Sale and Purchase Agreement with Key Petroleum Ltd (**Key**) and Indigo Oil Pty Ltd (**Indigo**) to acquire the Lennard Shelf Blocks, comprising EP104, a Retention Lease (R1) and one Production Licence (L15). The Lennard Shelf Blocks are situated to the north of Rey's existing interests in the Canning Basin petroleum exploration licence, EP487 covering a total area of approximately 1,145 km² and are considered prospective for conventional oil and tight gas.

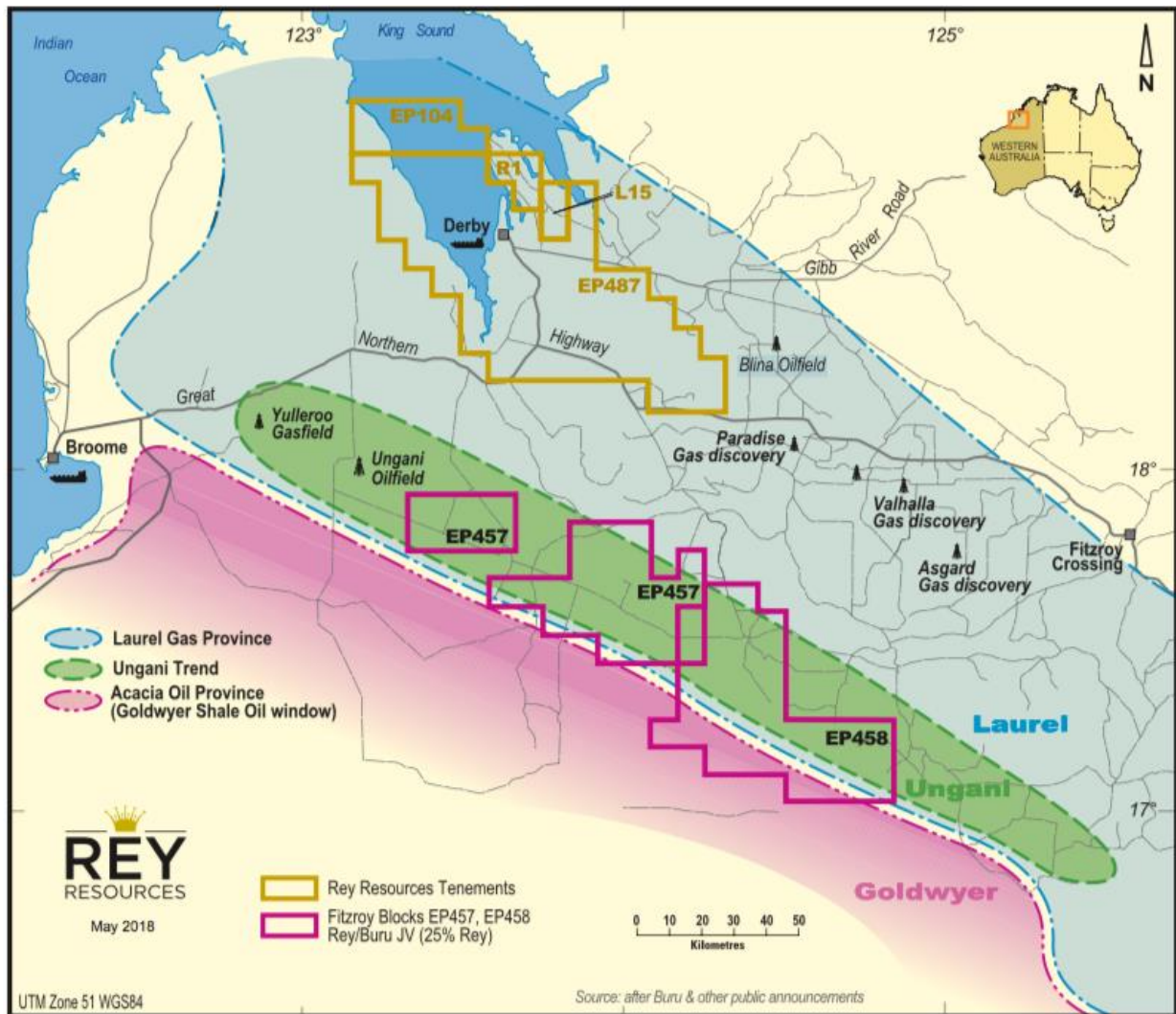


Figure 3: Location of Lennard Shelf Block and Rey's other oil and gas interests in the Canning Basin.

Rey subsequently acquired from Key 100% of the shares in Gulliver Pty Ltd (**Gulliver**), a wholly owned subsidiary of Key, which holds majority interests in the Lennard Shelf Blocks. In consideration, Rey transferred to Key 100% of its shares in Rey Oil Gas Perth Pty Ltd, which holds a 43.47% interest in EP437, located in the Perth Basin. The transaction was completed and Gulliver is now a wholly owned subsidiary of Re.

In addition, Indigo agreed to transfer Indigo's interests in each of EP104, R1 and L15 to Gulliver and Gulliver agreed to grant a commercial royalty of 2.5% and 0.5% to Key and Indigo separately over R1 and L15 upon completion of each applicable transfer. The transaction was approved by DMIRS in August 2018 and Gulliver now holds a 100% interest in the Lennard Shelf Blocks.

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 is currently under consideration by the Court.

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 in 2017, 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, on 20 September 2017 the Company withdrew its Ore Reserves pending the outcome of this review and decided to update the DFS.

On 30 July 2018, Rey announced to ASX that it had signed a Cooperation Framework Agreement (“**Agreement**”) with Yuanrun Investment Ltd (“**Yuanrun**”) for the sale of Blackfin Pty Ltd, a wholly owned subsidiary of the Company, which holds 100% interest in DP for a consideration of A\$24 million. The Agreement was subject to approval of shareholders of the Company pursuant to ASX Listing Rule 11.4 and any approvals from the relevant governments and regulatory authorities. On 13 September 2018, the Company received shareholder approval to sell DP to Yuanrun, on the terms contemplated in the Agreement. The Directors remain in negotiation with Yuanrun regarding the receipt of the deposit to crystallise the transaction.

During the September quarter, Rey continued to progress its review of the DFS. Four proposals have been received from mining services companies for the DFS update, including the mining method. Rey is now reviewing the proposals with the intention of appointing a company to progress the work with Yuanrun.

3. Corporate

On 7 June 2018, the Company announced the commencement of a new on-market share buy-back on 22 June 2018 for a further 12 months. Pursuant to section 257B(4) of the Corporations Act 2001 (Cth) a total of 21,240,526 shares can be bought back. To date, 20,000 shares have been bought back for a total consideration of \$5,796.01.

On 18 July 2018, the Company advised that it had agreed to extend the facility amount for its \$2,000,000 loan facility with ASF Group Limited (**Loan Facility**), as announced on 2 March 2018, to \$2,500,000. All other terms and conditions of the Loan Facility remain the same.

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 212,385,266 ordinary shares on issue as at 30 September 2018.

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000 Australia
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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 September 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	Exploration Permit	RDB	50	50
L15	Production Licence	Gulliver Productions	85.40	100
R1	Retention Licence	Gulliver Productions	85.23	100
EP104	Exploration Permit	Gulliver Productions	89.23	100

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")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(82)	(82)
(b) development	-	-
(c) production	-	-
(d) staff costs	(53)	(53)
(e) administration and corporate costs	(308)	(308)
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	(443)	(443)

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	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	460	460
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Share buy back	(6)	(6)
3.10	Net cash from / (used in) financing activities	454	454

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	36	36
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(443)	(443)
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)	454	454
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	47	47

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	47	47
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)	47	47

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 | 74 |
| 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 (\$40,000), 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	2,500	2,400
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. On 18 July 2018, ASF agreed to further increase the loan facility to \$2.5 million. As at 30 September 2018, \$2.4 million had been drawn down under the loan facility with \$100,000 remaining available for draw down.

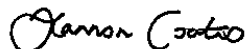
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	37
9.2 Development	-
9.3 Production	-
9.4 Staff costs	68
9.5 Administration and corporate costs	152
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	257¹

1. The Company expects to fund cash outflows from \$2 million deposit for the proposed sale of Duchess Paradise Coal Project, approved by shareholders on 13 September 2018.

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	EP104 R1 L15	Held by Gulliver Productions Pty Ltd, wholly owned subsidiary of the Company	89.23% 85.23% 85.40%	100% 100% 100%
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 October 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.