REY RESOURCES LIMITED

A.B.N. 84 108 003 890

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

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 2018 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. 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 100% interest in L15, R1 and EP104 in Canning Basin, 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 $8,271,000 for the half-year ended 31 December 2018, compared with the loss of $408,000 for the corresponding period last year.

The significant increase in loss for the period was mainly attributed to the following:

- impairment of exploration assets of $7,450,000 as a result of revaluation of EP457 & EP458 to their fair value;
- impairment of listed investment of $53,000 as a result of the decline in market price; and
- finance costs of $224,00, which was principally interest accrued for the two loans, one granted by ASF Group Limited ("ASF") and the other from a shareholder of the Company.

On 5 March 2019, ASF agreed to further extend its existing loan facility to the Company from $3 million to $3.8 million. As at 31 December 2018, a total of $2.7 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 owned a 25% interest in the Fitzroy Blocks (including 8.3% free carry to production) via its wholly owned subsidiary together with Buru Energy Limited ("Buru") (37.5% and Operator); and Diamond Resources (Barbwire) Pty Ltd ("DRB") (37.5%), a wholly owned subsidiary of Mitsubishi Corporation.

On 10 December 2018, the Company announced that, pursuant to a transaction entered into between Buru and DRB whereby Buru will increase its interests in these permits from 37.5% to 60%, Rey (via its wholly owned subsidiary Rey Oil and Gas Pty Ltd) has exercised its pre-emptive rights under the permit joint operating agreements and entered into a parallel agreement with DRB to increase its current interests in each of the EP457 and EP458 permits from 25% to 40% for a total cash consideration of $480,000. The transaction and settlement is subject to standard approvals and registration by the WA regulatory authority which have not been received at the date of this report.

On 4 January 2019, the operator lodged an application for a further 12 month suspension of years 1-5 work requirements to DMIRS because the lifting of the frack moratorium has not been formalized. If the application is approved, the planned magneto-telluric survey will be conducted in 2021.

1.2 Derby Block (EP487)

The Company holds a 100% interest in 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).

On 31 December 2018, the Company announced that it has entered into a binding letter of intent ("LOI") with Doriemus PLC ("Doriemus", ASX: DOR) pursuant to which Doriemus agreed to farmin to exploration permit EP487. Upon completion of the farmin, Doriemus will earn a 50% operating interest in the asset. As announced by the Company on 5 March 2019, Doriemus advised that it has finalised the due diligence on EP487. The Company and Doriemus are now aiming to finalise definitive documentation for the proposed farmin to EP487.

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.

During the report period, Rey continually conducted the seismic interpretation and well location study with the aim of drilling the well by end of 2019 on the Butler Prospect in the Derby Block.

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.

1.3 Lennard Shelf Blocks – EP104, R1 and L15

In May 2018, 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 which were held by Key and Indigo, comprising an exploration permit ("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 square kilometres and are considered prospective for conventional oil and tight gas.

Upon completion of the acquisition of these tenements, Rey lodged a 12 months extension and suspension application for R1 and EP104. The application was granted on 30 July 2018.

During the report period, Rey planned the committed Geochemical Survey and site clean work which needed to be completed by July 2019. The environmental plan variation has also been conducted during the report period for the site clean.

On 31 December 2018, the Company announced that it has entered into a binding letter of intent ("LOI") with Doriemus PLC ("Doriemus", ASX: DOR) pursuant to which Doriemus agreed to farmin the 100% owned Petroleum Production Licence 15 (L15). Upon completion of the farmin, Doriemus will earn a 50% operating interest L15. On 5 March 2019, the Company announced that it has signed a binding Farmout Agreement with Doriemus pursuant to which Doriemus will fund A$1 million in development work on Petroleum Production Licence 15.

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 Thermal Coal 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 both open pit and underground mining potentially viable.

On 30 July 2018, the Company announced the signing of a Cooperation Framework Agreement ("Cooperation 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 Cooperation Agreement was subsequently terminated due to the non-payment by Yuanrun of an A$2 million deposit as required under the Cooperation Agreement.

During the period, the Company continued to plan the second phase Definitive Feasibility Study ("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.

Rey is now negotiating with Hancock Prospecting, the objector to the Mining License Application for the DP project, to remove the objection. An Access Deed has been discussed since November 2017.

Further information

Further details of operations during the six months ended 31 December 2018 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

On 5 March 2019, the Company announced that it has signed a binding Farmout Agreement with Doriemus Plc ("Doriemus") pursuant to which Doriemus will fund $1 million in development work on Petroleum Production Licence 15 ("L15"), in exchange for a 50% interest in L15. Doriemus also advised that it has finalised due diligence in relation to potentially farming into Exploration Permit 487.

On 5 March 2019, the Company announced that ASF Group Limited had agreed to extend its existing loan facility from $3 million to $3.8 million.

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 2018.

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

Ms Min Yang
Chairman

13 March 2019
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 2018 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

13 March 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

In thousands of dollars

	NOTES	31 Dec 2018	31 Dec 2017
Other income	4	-	12
Administrative expenses		(374)	(220)
Employee benefit expense	5	(167)	(151)
Depreciation expense		(3)	(2)
Impairment of investment	9	(53)	-
Impairment of exploration and evaluation assets	10	(7,450)	(1)
Loss from operating activities		(8,047)	(362)
Finance income		-	-
Finance cost		(224)	(46)
Loss before income tax expense		(8,271)	(408)
Income tax		-	-
Loss for the period		(8,271)	(408)
Other comprehensive income		-	-
Total comprehensive loss for the period, attributable to owners of the company		(8,271)	(408)
Basic and diluted loss per share (cents)	6	(0.39)	(0.19)

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 2018

In thousands of dollars

	NOTES	31 Dec 2018	30 June 2018
ASSETS			
Current Assets			
Cash and cash equivalents		**14**	36
Trade and other receivables	7	**17**	22
Prepayments		**7**	14
Total Current Assets		**38**	72
Non-Current Assets			
Property, plant and equipment	8	**6**	9
Investment	9	**106**	159
Exploration and evaluation expenditure	10	**35,270**	41,825
Total Non-Current Assets		**35,382**	41,993
Total Assets		**35,420**	42,065
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**732**	84
Employee benefits	12	**17**	16
Loans and borrowings	13	**3,533**	2,602
Total Current Liabilities		**4,282**	2,702
Non-current liabilities			
Provision		**2,952**	2,900
Total non-current liabilities		**2,952**	2,900
Total Liabilities		**7,234**	5,602
Net Assets		**28,186**	36,463
EQUITY			
Share capital	14	**86,657**	86,663
Accumulated losses		**(58,471)**	(50,200)
Total equity		**28,186**	36,463

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 2018

In thousands of dollars	**Share capital**	**Accumulated losses**	**Total**
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
Balance at 1 July 2018	**86,663**	**(50,200)**	**36,463**
Total comprehensive income:			
Loss for the period	**-**	**(8,271)**	**(8,271)**
Total comprehensive income for the period	**-**	**(8,271)**	**(8,271)**
Transactions with owners recorded directly in equity:			
Contributions by and distributions to owners			
Issue of ordinary shares	**-**	**-**	**-**
Share Buyback	**(6)**	**-**	**(6)**
Balance at 31 Dec 2018	**86,657**	**(58,471)**	**(28,186)**

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 2018

In thousands of dollars	**31 Dec 2018**	**31 Dec 2017**
Cash flows from operating activities		
Payments to suppliers and employees	**(374)**	(292)
BAS refund/(payments)	**5**	59
Net cash used in operating activities	**(369)**	(351)
Cash flows from investing activities		
Payments for exploration expenditure	**(407)**	(1,219)
Net cash used in investing activities	**(407)**	(1,219)
Cash flows from financing activities		
Share Buy Back	**(6)**	-
Proceeds from loans and borrowings	**760**	1,000
Net cash generated from financing activities	**754**	1,000
Net decrease in cash and cash equivalents	**(22)**	(570)
Cash and cash equivalents at 1 July	**36**	590
Cash and cash equivalents at 31 December	**14**	20

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 2018

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 2018 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 2018 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 2018. The consolidated interim financial statements were approved by the Board of Directors on 13 March 2019.

(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 2018 the Group incurred a loss of $8,271,000 and experienced net cash outflows of $22,000. As at 31 December 2018, the Group had cash of $14,000 and an available standby loan facility of $300,000. The Group had a deficiency of working capital of $4,244,000 as at 31 December 2018.

The Directors have considered the following, in their assessment of the future funding of the Group:

- On 2 March 2018, the Company announced that it has agreed with significant shareholders Wanyan Liu and ASF Group Limited ("ASF") respectively for the extension of both loan maturity dates to 31 December 2019. The Company announced on 5 March 2019 that ASF has agreed to increase the existing loan facility amount from $3 million to $3.8 million. Notwithstanding the loan maturity date, both loans are repayable on demand with one month notice and three months' notice, respectively.
- On 5 March 2019, the Company announced that it has signed a binding Farmout Agreement with Doriemus Plc ("Doriemus") pursuant to which Doriemus will fund $1 million in development work on Petroleum Production Licence L15 ("L15") in exchange for 50% interest in L15. Doriemus also advised that it has finalised due diligence in relation to potentially farming into Exploration Permit 487 ("EP487"). The farmin by Doriemus of L15 and the proposed farmin of EP487 are expected to reduce the Company's expenditure commitments on these tenements.

- The Group has prepared a cashflow forecast for the period to 30 April 2020. The cashflow forecast reflects:
  - The need to raise additional funding during the forecast period;
  - The need to renegotiate to extend the repayment of the loans from ASF Group Limited and Wanyan Liu beyond 30 April 2020;
  - The assumption that ASF Group Limited and Wanyan Liu do not call their loans owing from the Group; 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 sourced, the repayment of loans extended, the loans will not be recalled and farm out parties will be sourced in the timeframes required and that the adoption of the going concern basis of preparation is therefore appropriate. The requirement to raise the necessary funding to meet its commitments and secure farm out parties, or defer expenditure, is a material uncertainty that may cast significant doubt 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 2018 apart from the items detailed below

New standards and interpretations
The Group has initially adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018. There was no impact on the Company as a result of these accounting standards.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the period ended 31 December 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below:

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is not expected to be material.

4. OTHER INCOME

In thousands of dollars	**31 Dec 2018**	**31 Dec 2017**
Other income	-	12
	-	12

5. EMPLOYEE BENEFIT EXPENSE

In thousands of dollars	**31 Dec 2018**	**31 Dec 2017**
Salaries and fees	**147**	133
Superannuation	**20**	18
	167	151

6. LOSS PER SHARE

	31 Dec 2018	31 Dec 2017
Basic loss per share (cents)	**(0.39)**	(0.19)
Diluted loss per share (cents)	**(0.39)**	(0.19)

The calculation of basic loss per share was based on the loss attributable to shareholders of $8,271,000 (2017: loss $408,000) and a weighted average number of ordinary shares outstanding during the half year of 212,391,729 (2017: 212,495,266).

The diluted loss per share for the six months ended 31 December 2018 and 2017 were the same as the basic loss per share.

7. TRADE AND OTHER RECEIVABLES

In thousands of dollars	31 Dec 2018	30 June 2018
Included in receivables are as follows:		
Current		
Other receivables	**17**	22
	17	22

8. PROPERTY, PLANT & EQUIPMENT

In thousands of dollars	31 Dec 2018	30 June 2018
Plant and equipment		
At cost	**181**	181
Accumulated depreciation	**(175)**	(172)
	6	9

9. INVESTMENT

In thousands of dollars	31 Dec 2018	30 June 2018
Investment in Norwest Energy NL		
Opening balance	**159**	212
Changes in fair value of investment	**(53)**	(53)
Closing balance	**106**	159

10. EXPLORATION AND EVALUATION EXPENDITURE

In thousands of dollars	31 Dec 2018	30 June 2018
Costs carried forward in respect of:		
Duchess Paradise (i)	**22,014**	21,942
EP457 and EP458 (ii)	**3,900**	10,789
EP104,R1 and L15 (iii)	**5,953**	5,740
EP487(iv)	**3,403**	3,354
Costs carried forward	**35,270**	41,825

(i) Exploration and evaluation expenditure recognised in Duchess Paradise which is held solely by the Group.

(ii) Exploration and evaluation expenditure recognised on EP457 and EP458 tenements under joint venture agreement with Buru Energy Limited and Mitsubishi Corporation. This amount includes the Group's proportionate share of exploration assets held by the respective joint venture entities. On 10 December 2018, the Company announced that, subject to standard approvals and registration by the WA regulatory authority, it will increase its current interests in each of the EP457 & EP458 permits from 25% to 40% for a total cash consideration of $480,000. An impairment of $7,450,000 was made as a result of revaluation of EP457 & EP458 to their fair value. The Group utilized a third party valuation expert who applied the VALMIN code to determine the fair value of EP457 and EP458.

(iii) Acquisition costs and the exploration and evaluation expenditure recognised on EP104, R1 and L15 (together the "Lennard Shelf Blocks") which are held solely by the Group. On 5 March 2019, the Company announced that it has signed a binding Farmout Agreement with Doriemus Plc ("Doriemus") pursuant to which Doriemus will fund $1 million in development work on L15 for a 50% interest in L15.

(iv) Exploration and evaluation expenditure recognised on EP487 which is held solely by the Group. As announced by the Company on 5 March 2019, Doriemus has advised that it has finalised due diligence in relation to potentially farming into EP487. The Company and Doriemus are now aiming to finalise definitive documentation for the proposed farmin to EP487.

In thousands of dollars	31 Dec 2018	30 June 2018
At cost	**35,270**	41,825
	35,270	41,825
Movements in carrying amount:		
Opening balance	**41,825**	37,296
Disposal of interest in EP437	**-**	(2,716)
Acquisition of interests in EP104, R1, L15	**-**	5,616
Expenditure capitalised	**895**	1,629
Impairment	**(7,450)**	-
	35,270	41,825

For further information on exploration expenditure refer to note 16 on commitments. 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 2018	30 June 2018
Unsecured liabilities		
Trade payables	**176**	-
Consideration payable for EP457 and EP458	**480**	-
Sundry payables and accrued expenses	**76**	84
	732	84

12. EMPLOYEE BENEFITS

In thousands of dollars	31 Dec 2018	30 June 2018
Current:		
Employee benefits	**17**	16
	17	16

13. LOANS AND BORROWINGS

In thousands of dollars	31 Dec 2018	30 June 2018
Wanyan Liu[1]	**590**	560
ASF Group Ltd[2]	**2,943**	2,041
	3,533	2,601

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 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. An unsecured loan of $3,000,000 was granted by ASF Group Ltd, a substantial shareholder of the Company, with maturity date on 31 December 2019 and interest bearing at 12% per annum. On 5 March 2019, the Company announced that ASF Group Limited has agreed to extend its existing loan facility from $3 million to $3.8 million.

14. ISSUED CAPITAL

	6 months to 31 Dec 2018		12 months to 30 June 2018	
	$'000	Number	$'000	Number
Ordinary Shares				
At the beginning of the reporting date	**86,663**	**212,405,266**	86,683	212,495,266
Shares issued during the financial period:				
Share buy back [1]	**(6)**	**(20,000)**	(20)	(90,000)
On issue at the end of the period	**86,657**	**212,385,266**	86,663	212,405,266

1. For the six months ended 31 December 2018, a total of 20,000 shares were bought back at a cost of $6,000 and cancelled.

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 2018, no subsidiaries hold any debt or loan balances with third parties.

16. COMMITMENTS

At 31 December 2018, 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 $32,702,000 (30 June 2018: $36,298,000). These obligations may be varied from time to time, subject to approval by the DMP.

In thousands of dollars	Mineral	Petroleum	Total
Year 1	117	10,442	10,559
Year 2-5	40	22,103	22,143
Total	**157**	**32,545**	**32,702**

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 2018.

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

in thousands of dollars	**31 Dec 2018**	**30 June 2018**
Financial assets		
Financial assets measured at fair value		
Share investment [1]	**106**	159
Financial assets not measured at fair value		
Cash and cash equivalents	**14**	36
Trade and other receivables	**17**	22
Total	**137**	217
Financial liabilities		
Financial assets not measured at fair value		
Trade and other payables	**732**	84
Total	**732**	84

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 2018 was $0.002 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 2018 $'000**	Mineral 6 months ended 31 Dec 2017 $'000	**Petroleum 6 months ended 31 Dec 2018 $'000**	Petroleum 6 months ended 31 Dec2017 $'000	**Corporate 6 months ended 31 Dec 2018 $'000**	Corporate 6 months ended 31 Dec 2017 $'000	**Total 6 months ended 31 Dec 2018 $'000**	Total 6 months ended 31 Dec 2017 $'000
Revenue								
Total Reportable segment revenue	-	-	-	-	-	-	-	-
Other income	-	12	-	-	-	-	-	12
Impairment reversal of assets	-	(1)		-		-		(1)
Impairment of investment	-	-	-	-	**(53)**	-	**(53)**	-
Impairment of Exploration Assets	-	-	**(7,450)**	-	-	-	**(7,450)**	-
Interest revenue	-	-	-	-	-	-	-	-
Finance costs	-	-	-	-	**(224)**	(46)	**(224)**	(46)
Administration cost	-	-	-	-	**(544)**	(373)	**(544)**	(373)
Profit/(loss) before income tax benefit	-	11	**(7,450)**	-	**(821)**	(419)	**(8,271)**	(408)
income tax benefit	-	-		-	-	-	-	-
Loss after income tax benefit	-	11	**(7,450)**	-	**(821)**	(419)	**(8,271)**	(408)
Capital Expenditure	**73**	218	**822**	1,012	-	-	**895**	1,230

Consolidated	**Mineral As at 31 Dec 2018 $'000**	Mineral As at 31 Dec 2017 $'000	**Petroleum As at 31 Dec 2018 $'000**	Petroleum As at 31 Dec2017 $'000	**Corporate As at 31 Dec 2018 $'000**	Corporate As at 31 Dec 2017 $'000	**Total As at 31 Dec 2018 $'000**	Total As at 31 Dec 2017 $'000
Assets								
Other Assets	**-**	-	**-**	-	**150**	329	**150**	329
Segment assets	**22,014**	21,780	**13,256**	16,746	**-**	-	**35,270**	38,526
Total assets	**22,014**	21,780	**13,256**	16,746	**150**	329	**35,420**	38,855
Liability								
Other liabilities	**-**	-	**-**	-	**7,234**	1,731	**7,234**	1,731
Total Liabilities	**-**	-	**-**	-	**7,234**	1,731	**7,234**	1,731

19. SUBSEQUENT EVENTS

On 5 March 2019, the Company announced that it has signed a binding Farmout Agreement with Doriemus Plc ("Doriemus") pursuant to which Doriemus will fund $1 million in development work on Petroleum Production Licence 15. Doriemus also advised that it has finalised due diligence in relation to potentially farming into Exploration Permit 487.

On 5 March 2019, the Company announced that ASF Group Limited has agreed to extend its existing loan facility from $3 million to $3.8 million.

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 19, 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 2018 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

13 March 2019
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 2018 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:

- Consolidated statement of financial position as at 31 December 2018;
- 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; and
- 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 2018.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2(b), "Going Concern" 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 2018 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 Period 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

Daniel Camilleri
Partner

Sydney
13 March 2019