REY RESOURCES LIMITED

A.B.N. 84 108 003 890

CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

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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 Director to Non-Executive Chairman, Ms Min Yang

Company Secretary
Ms Shannon Coates

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Securities Exchange
Australian Securities Exchange (ASX)
ASX Code: REY

Website
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DIRECTORS' REPORT

The Directors of Rey Resources Limited ("Rey", "Rey Resources" or "the Company") present their report together with the consolidated financial statements of the Company and its controlled entities ("the Group") for the financial year ended 30 June 2019.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

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 Director to Non-Executive Chairman, Ms Min Yang

Details of Directors' qualifications, experience, special responsibilities and directorships of other listed companies can be found on pages 4 to 6.

2. INFORMATION ON DIRECTORS AND OFFICERS

Directors	Designation and Independence status	Experience, expertise and qualifications	Directorships of other listed companies during the last three years	Special responsibilities during the year
Current				
Min Yang Appointed on 13 September 2012	Chairman Non-Executive	Min Yang has extensive business connections in the Asia Pacific region, especially greater China, and has over twenty years of hands-on experience dealing with both private and state-run businesses in China. Over the years, Ms Yang has proven her unique business insight and expertise in the identification, incubation and realisation of embryonic opportunities in the resources, commodities trading & residential estate and financial investment sectors.	• ASF Group Limited (September 2005, ongoing) • ActiveEX Limited (May 2012, ongoing) • Key Petroleum Limited (January 2014, ongoing) • Metaliko Resources Limited (appointed August 2014 and resigned October 2016) • BSF Enterprise PLC (appointed 5 September 2018)	• Non-Executive Chairman • Member, Audit and Risk Management Committee
Wei Jin Appointed Non-Executive Director on 2 December 2013. Appointed Managing Director on 1 July 2016.	Managing Director	Wei Jin holds PhD in Science from China University of Geosciences. He has over 20 years' professional experience covering exploration, mineral industry construction and operation, as well as international mineral trading activities in Australia, China, Russia and Mongolia.	None	• Member, Audit and Risk Management Committee
Geoff Baker Appointed on 13 September 2012	Director Non-Executive	Qualifications – BCom, LLB, MBA For the past 35 years Geoff Baker has been active in Asia and China working in law and conducting an advisory practice in assisting companies doing business in the region. As an experienced lawyer qualified to practice in Australia and Hong Kong, Mr Baker provides valuable assistance to international operations and in particular to the negotiation, structuring and implementation of joint venture and commercial agreements.	• ASF Group Limited (November 2006, ongoing) • ActiveEX Limited (appointed February 2013. Resigned June 2017 and re-appointed August 2017) • Key Petroleum Limited (January 2014, ongoing) • Metaliko Resources Limited (appointed August 2014 and resigned January 2017) • BSF Enterprise PLC (appointed 5 September 2018)	• Member, Audit and Risk Management Committee

Directors	Designation and Independence status	Experience, expertise and qualifications	Directorships of other listed companies during the last three years	Special responsibilities during the year
Current				
Dachun Zhang Appointed on 1 July 2013	Director Non-Executive Independent	Mr Zhang has a Bachelor's Degree from Poznan University, Poland and a Master's Degree from the University of Wales, UK and was conferred the qualification of Senior Economist in Shipping Management by the Ministry of Communications of China. Mr Zhang was most recently Executive Director and President of China Merchants Group, as well as the Chairman of Merchants International Co. Ltd (a listed Hong Kong company). Previously his career was with COSCO (a Chinese company and one of the world's largest shipping groups) where he held the positions of Executive Vice-Chairman and President of COSCO (Hong Kong) Group Ltd, as well as Vice-Chairman of two Hong Kong listed companies: COSCO Pacific Co. Ltd and COSCO International Holdings Co. Ltd. Mr Zhang, a resident of Victoria, Australia brings extensive international experience and Chinese business relationships to the Board of Rey.	None	• Chairman, Audit and Risk Management Committee
Zhiliang Ou Appointed on 22 September 2016	Director Non-Executive Independent	Dr Ou has over 27 years of professional engineering and management experience in the oil and gas, mining and infrastructure industries both in Australia and China. He currently serves as an executive director of Hao Tian Development Group Limited, a company listed on the main board of the Hong Kong Stock Exchange. Dr Ou holds a Doctor of Philosophy degree in Civil & Resource Engineering from the University of Western Australia. He also holds two Bachelor of Engineering degrees in Structural Engineering & Engineering Management respectively.	None	None

Directors	Designation and Independence status	Experience, expertise and qualifications	Directorships of other listed companies during the last three years	Special responsibilities during the year
Current				
Louis Chien Appointed Alternate Director to Non-Executive Chairman, Ms Min Yang on 11 January 2016.	Alternate Director	Mr Chien was born in Shanghai, China, grew up and was educated in the United States, and is now based in Australia. He has 20+ years of corporate experience based in Australia, the United States and Singapore and has held various engineering and finance leadership positions within The Procter & Gamble Company (P&G). He has managed organisations across the Americas, Europe and Asia-Pacific, and is currently a director of ASX listed ASF Group Limited, and ASF Consortium Pty Ltd. Mr Chien holds a Master of Business Administration in finance from Kelley School of Business, Indiana University, and two bachelor degrees in Architecture, all attained in the United States.	• ASF Group Limited (May 2015, ongoing)	None

3. COMPANY SECRETARY

Ms Shannon Coates was appointed to the position of Company Secretary on 11 January 2012. Ms Coates holds a Bachelor of Laws from Murdoch University and has over 20 years' experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as company secretary to several ASX listed companies and public and private unlisted companies, the majority of which operate in the mineral resources industry, both in Australia and internationally. Ms Coates is Director of Perth based corporate advisory firm Evolution Corporate Services Pty Limited, which specialises in the provision of corporate services to listed companies.

4. DIRECTORS' ATTENDANCE AT MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Meetings	
	A	**B**
Min Yang	**3**	**3**
Wei Jin	**3**	**3**
Geoff Baker	**3**	**3**
Dachun Zhang	**2**	**3**
Zhiliang Ou	**2**	**3**
Louis Chien	**0**	**3**

A - Number of meetings attended.
B - Number of meetings held during the time the Director held office.

The Company has established an Audit and Risk Management Committee, comprising one Executive and three Non-Executive Directors, with independent Non-Executive Director Mr Dachun Zhang as Chair. The number of Audit and Risk Management Committee meetings and number of meetings attended by each of the members of the Committee during the financial year are:

Director	Meetings	
	A	**B**
Min Yang	**2**	**2**
Wei Jin	**2**	**2**
Geoff Baker	**2**	**2**
Dachun Zhang	**1**	**2**
Louis Chien	**0**	**2**

A - Number of meetings attended.
B - Number of meetings held during the time the Director held office.

5. DIRECTORS' INTERESTS IN SECURITIES IN REY RESOURCES LIMITED

The relevant interest of each Director in the ordinary shares of Rey Resources Limited at the date of this report is set out as below:

	Ordinary shares	Options over ordinary shares	Performance Rights
Min Yang	200,000	Nil	Nil
Geoff Baker	200,000	Nil	Nil
Dachun Zhang	777,414	Nil	Nil
Wei Jin	200,000	Nil	Nil
Zhiliang Ou	Nil	Nil	Nil
Louis Chien	Nil	Nil	Nil

6. REMUNERATION REPORT - AUDITED

This remuneration report outlines the Director and executive remuneration arrangements for Rey Resources in accordance with the requirements of the Corporations Act 2001 and its Regulations. The information in the report has been audited as required by Section 308(3C) of the Act.

6.1 Principles of compensation

For the purpose of this report key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The officers listed as KMP below are included in the report. The report will provide an explanation of Rey Resources' remuneration policy and structure, details of remuneration paid to KMP (including Directors), an analysis of the relationship between Company performance and executive remuneration payments, details of share-based payments, key terms of executive employment contracts and details of independent external advice received in relation to KMP remuneration, if any.

2019 Key Management Personnel

The KMP of Rey Resources during the year ended 30 June 2019 were:

Non Executive	
Min Yang	Non-Executive Chairman (appointed 13 September 2012)
Geoff Baker	Non-Executive Director (appointed 13 September 2012)
Dachun Zhang	Independent Non-Executive Director (appointed 1 July 2013)
Zhiliang Ou	Independent Non-Executive Director (appointed 22 September 2016)
Louis Chien	Alternate Director to Ms Min Yang *(*appointed 11 January 2016*)*
Executive	
Wei Jin	Managing Director (appointed Non-Executive Director 2 December 2013, appointed Managing Director 1 July 2016)

6. REMUNERATION REPORT – AUDITED (continued)

6.1 Principles of compensation (continued)

Remuneration policy

The successful performance of the Company is dependent on the quality and performance of Directors and executives, so the focus of the remuneration policy is to attract, retain and motivate highly competent people to these roles.

Four broad principles govern the remuneration strategy of the Company:

1. To set demanding levels of performance for KMP and to align their remuneration with the achievement of clearly defined targets.
2. To provide market competitive remuneration and conditions in the current market for high quality Directors and executives.
3. To align remuneration with the creation of shareholder value and the achievement of Company strategy, objectives and performance.
4. To be able to differentiate reward based on performance, in particular acknowledging the contribution of outstanding performers.

The Company seeks to provide fixed remuneration at the median level of the markets in which it competes for talent, and to provide the opportunity for a higher than median level of variable reward for those individuals who make an outstanding contribution to the success of the business.

The Board is responsible for matters relating to the remuneration of the Directors, senior executives and employees of the Company, including making recommendations in relation to the remuneration framework of the Company and the fees and remuneration paid to Directors and executives.

The Board seeks independent remuneration advice from time to time, and refers to relevant market survey data for the purposes of external comparison. Further details have been included in section 6.5.

Hedging policy

The Company's Securities Trading Policy prohibits all Directors and employees from entering into arrangements to protect the value of unvested Long Term Incentive ("LTI") awards. The prohibition includes entering into contracts to hedge their exposure to unvested share rights and options awarded as part of their remuneration package.

6. REMUNERATION REPORT – AUDITED (continued)

6.1 Principles of compensation (continued)

Executive remuneration components

Executive remuneration is structured so that it supports the key remuneration principles outlined above, and is intended to motivate executives towards achievement of the annual objectives and longer term success of the Company. A Total Fixed Remuneration ("TFR") is paid which considers external market comparisons and individual performance. Performance linked compensation is available through the short term and long term incentive plans outlined below.

Fixed remuneration

Executives receive an annualised TFR from which they must have deducted statutory superannuation. They may elect to salary sacrifice further superannuation contributions and other benefits such as a motor vehicle. Accommodation assistance and medical insurance may be provided for employees from overseas or interstate where it is necessary to be able to attract key talent. A review of TFR is undertaken each year and reflects market movements and individual performance.

Short term incentive

The objective of the short term incentive ("STI") plan is to align the achievement of the Company's annual targets with the performance of those executives who have key responsibility for achieving those targets.

Long term incentive

Executives are eligible to participate in the Rey Resources Limited Executive Incentive Rights Plan ("EIRP"), which was first adopted by shareholders on 23 November 2011 and most recently re-approved at the Company's 2018 Annual General Meeting. The EIRP aligns the reward of the participants with the long term creation of shareholder value.

The EIRP enables participants to be granted rights to acquire shares subject to the satisfaction of certain vesting conditions which will be determined by the Board from time to time. Subject to adjustments for any bonus issues of shares and capital reorganisations, one share will be issued on the exercise of each right which vests or becomes exercisable. No amount is payable by employees in respect of the grant or exercise of rights.

The EIRP has been designed to deliver benefits based on the value of shares when performance and service conditions are satisfied. The benefits may be provided in cash or a combination of cash and shares.

6. REMUNERATION REPORT – AUDITED (continued)

6.1 Principles of compensation (continued)

Relationship between Company performance and remuneration

The objective of the Company's remuneration structure is to reward and incentivise the executives so as to ensure alignment with the interests of the shareholders. The remuneration structure also seeks to reward executives for their contribution in a manner that is appropriate for a company at this stage of its development. As outlined elsewhere in this Report, the remuneration structure incorporates fixed, annual at risk and long term incentive components.

For shareholders, the key measure of value is Total Shareholder Return ("TSR"). Other than general market conditions, the key drivers of value for the Company and a summary of performance are provided in the table following.

At this stage in the development of the Company, successful execution of the below drivers is the mechanism through which shareholder wealth will be created.

The only relevant financial measure at this point is the Rey share price for which the history is presented below. Absolute TSR performance is the basis for long term incentive awards under the EIRP.

	2019	**2018**	**2017**	**2016**	**2015**
Rey Closing Share Price as at 30 June	0.31	0.32	0.2	0.145*	0.525*

* *Adjusted for 5 into 1 share consolidation*

Consequences of performance on shareholder wealth

	2019	**2018**	**2017**	**2016**	**2015**
Loss ($'000)	**(8,923)**	(1,049)	(559)	(3,998)	(10,200)
Dividends declared	**0**	0	0	0	0
Total shareholder return (TSR)%	**(3%)**	60%	38%	(72%)	0%

Non-Executive Director fees

The policy on Non-Executive Director ("NED") fees is to apply a remuneration framework in order to attract and retain highly capable NEDs and also in accordance with governance best practice. A fixed annual fee is paid in cash.

An aggregate fee limit for NED fees of $400,000 was approved at the 2010 Annual General Meeting and no change is currently proposed.

NED fees comprise a fixed annual fee, with no participation in any performance rights plan.

The annual cash fees payable to each NED are as follows: Ms Yang $48,000 per annum payable to her related entity, Luxe Hill Limited; Mr Baker $60,000 per annum payable to his related entity, Gold Star Industry Ltd; Mr Zhang $25,000 per annum payable to his related entity, AMI Corporation Pty Ltd; Dr Ou $54,000 per annum plus superannuation.

6. REMUNERATION REPORT – AUDITED (continued)

6.2 Directors' and executive officers' remuneration

The table below sets out the remuneration of the Group's KMP for the years ended 30 June 2018 and 30 June 2019.

	Short Term Benefits			Post-employment Benefits	Other Long Term employee benefit [1]	Share Based Payments	Termination Benefits	Total
	Cash salary/ Fees	Annual Incentive	Non-monetary	Super	LSL & AL	Rights /Options	Termination Payments	
	$	$	$	$	$	$	$	$
M Yang - Non-Executive Chairman - Appointed 13 September 2012								
2019	48,000	-	-	-	-	-	-	48,000
2018	48,000	-	-	-	-	-	-	48,000
G Baker - Non-Executive Director - Appointed 13 September 2012								
2019	60,000	-	-	-	-	-	-	60,000
2018	60,000	-	-	-	-	-	-	60,000
D Zhang - Non-Executive Director - Appointed 1 July 2013								
2019	25,000	-	-	-	-	-	-	25,000
2018	25,000	-	-	-	-	-	-	25,000
W Jin - Managing Director - Appointed Non-Executive Director 2 December 2013, appointed Managing Director 1 July 2016								
2019	120,000	-	-	11,400	-	-	-	131,400
2018	120,000	-	-	11,400	-	-	-	131,400
Z Ou - Non-Executive Director - Appointed 22 September 2016								
2019	54,000	-	-	5,130	-	-	-	59,130
2018	54,000	-	-	5,130	-	-	-	59,130
L Chien - Alternate Director - Appointed 11 January 2016								
2019	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
TOTAL								
2019	307,000	-	-	16,530	-	-	-	323,530
2018	307,000	-	-	16,530	-	-	-	323,530

[1] *In accordance with his contract Wei Jin does not accrue long term employee benefits.*

6.3 Equity instruments

6.3.1 No share rights were granted during the financial year.

6.3.2 No options and rights over ordinary shares in the Company were granted during the financial year.

6. REMUNERATION REPORT – AUDITED (continued)

6.4 Key employment contracts

The table below summarises the key contractual provisions of the executive KMP.

Name and Position	Contract Term	Termination by Company	Termination by Executive
Wei Jin	Ongoing	3 months' notice or payment in lieu.	3 months' notice or payment in lieu.

Non-Executive Directors are engaged by a letter of appointment for a term as stated in the Constitution of the Company. They may resign from office by notice to the Chairman. Non-Executive Directors receive annual fees. There are no post-employment benefits other than statutory superannuation.

6.5 Remuneration Consultant

The Board may seek advice on remuneration matters for the KMP and Non-Executive Directors from independent external advisors. Such advisors are appointed and directly engaged by the Chairman.

No external advisors were engaged on remuneration matters for the 2019 financial year.

6.6 Movements in share holdings

Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held by each KMP, including their related parties, is as follows:

2019 Directors	Held at 1 July 2018	Received as compensation	Received on exercise of options/rights	Other changes	Held at 30 June 2019
Min Yang[1]	200,000	-	-	-	200,000
Geoff Baker[2]	200,000	-	-	-	200,000
Wei Jin[3]	200,000	-	-	-	200,000
Dachun Zhang[4]	777,414	-	-	-	777,414
Zhiliang Ou	-	-	-	-	-
Louis Chien	-	-	-	-	-
Total	1,377,414	-	-	-	1,377,414

1. The shares are held by Luxe Hill Ltd, of which Min Yang is a director and shareholder.
2. The shares are held by Gold Star Industry Ltd, of which Geoff Baker is a director and shareholder.
3. The shares are held by Renown Capital Holdings Ltd, of which Wei Jin is a director and shareholder.
4. The shares are held by Greenhouse Investment (VIC) Pty Ltd ATF AMF Superannuation Fund. Dachun Zhang is a director of Greenhouse Investment (VIC) Pty Ltd and a beneficiary of the AMF Superannuation Fund.

6.7 Movements in Option holdings

No KMP held or were issued options during the 2019 reporting period.

6.8 Movement in Share right holdings

No KMP held or were issued share rights during the 2019 reporting period.

7. PRINCIPAL ACTIVITIES

The principal activity of Rey Resources is exploring for and developing energy resources in Western Australia's Canning Basin. The Company holds a 40% interest in petroleum permits EP457 & 458 in joint venture with Buru Energy Limited, a 100% interest in the Derby Block EP487 and petroleum exploration permit EP104, retention licence R1 and production licence L15. Rey also holds 100% interests in Duchess Paradise Coal Project.

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS

During the year, Rey Resources continued its strategy of exploring and developing energy resources in Western Australia's Canning Basin, with particular focus on its oil and gas assets.

Oil and Gas

Fitzroy Blocks (EP457 & EP458)

On 10 December 2018, the Company announced that, pursuant to a transaction entered into between Buru Energy Limited ("Buru") and Diamond Resources (Barbwire) Pty Ltd ("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 Limited) 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 equity interest in each permit is currently:

Rey Oil and Gas Pty Limited	40%	(of which a 10% interest is free carried to production)
Buru Fitzroy Pty Limited	60%	(Buru Energy Limited operator)

Fitzroy Block is considered prospective for conventional oil. It is close to Ungani oil field and on the Ungani Oil Trend. Two wells have been drilled in 2015 and tens of prospects has been identified by the operator in the block for future development.

On 4 January 2019, the operator lodged an application for a further 12 month suspension of years 1-5 work requirements to the DMIRS because the lifting of the frack moratorium has not been formalized. The application was approved on 16 January 2019 and the planned magneto-telluric survey will be conducted in 2021.

Derby Block (EP487)

Rey Resources holds 100% equity interests in EP487 ("Derby Block") through the following wholly owned subsidiaries:

Rey Lennard Shelf Pty Limited	50%
Rey Derby Block Pty Limited	50%

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (continued)

The Derby Block is a large exploration licence with an area of approximately 5,000 km^2. The block is considered prospective for basin centred wet gas. It occurs to the north of Rey's existing interests in petroleum exploration licences in the Canning Basin.

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 farmout to exploration permit EP487. Upon completion of the farmout, Doriemus will earn a 50% operating interest in the asset. Subsequently, Doriemus failed to raise sufficient funds by end of June 2019 (which was extended to 31 July 2019) to undertake the farmout work on EP487 and Rey announced that it had terminated the Agreements on 5 August 2019.

On 20 May 2019, Rey sent a letter to the government regarding the voluntary relinquishment of 13 blocks in EP487 and apply to change the work programs for all rested permit years in consideration of ban area of fracture stimulation. On 9 August, Rey received suggestion letter from the DMIRS. The DMIRS will not suggest Rey to partially surrender of any blocks in EP487 at this stage but prepares to agree to remove the drilling depth and core conditions for year 2 commitment well and exempt the 2 well drilling requirements in permit year 3.

Lennard Shelf Blocks (EP104, R1, L15)

L15 is a production licence with production history in West Kora oil field. An estimation of oil reserves and contingent oil resource for West Kora oilfield and Point Torment gas discover in R1 was provided by third party in September 2015.

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 farmout the 100% owned Petroleum Production Licence 15 (L15). Upon completion of the farmout, 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. These activity has not yet commenced at 30 June 2019, and accordingly Rey continue to consider their interest and exploration activity.

On 5 May 2019, Doriemus released announcement regarding the updated reserves of West Kora prepared by ERCE cross Rey's ASX platform. Rey appointed 3D Geo to review and compare the new reserves report to the one provided by Energetca Consulting for Key Petroleum Ltd in 2015. According to the suggestion of 3D Geo, Rey adopts the reserves results provided by ERCE.

As requested by the Traditional Land Owners, Rey scheduled the heritage survey in July 2019 for the coming geochemical survey in R1 and well inspection work in L15. A drafted heritage protection agreement has also been received and reviewed by Rey. On 11 July 2019, the heritage survey was completed and final heritage clearance report was received on 24 July 2019. The well inspection and West Kora Tank Farm clean work, which is required by the government, is still ongoing as at 30 June 2019.

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (continued)

Coal

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.

During the period, the Company continued to plan the second phase Definitive Feasibility Study ("DFS") update. Rey has fully reviewed the proposed work program for DFS phase 2 update prepared by LDO during the June 2019 quarter and is consulting with mining services contractor for further comments.

The DFS review and update will focus on updating the economic and financial model through different mining technology. Rey expects the new results will potentially increase Coal Reserve in comparison to the 2011 DFS. Other factors that may also require revision include transportation pathways.

Rey is now negotiating with Hancock Prospecting, the only objector to the Mining License Application for the DP project, to remove the objection. After multi rounds discussion, the Access Deed is close to be finalized.

Corporate

During the year, the loan facility granted by ASF Group Limited ("ASF") increased to $3.8 million ("ASF Loan"). In April 2019, the Company repaid $2.5 million of ASF Loan which remains available for re-draw before maturity pursuant to the terms of the ASF Loan. On 14 June 2019, the Company further drawdown $150,000, therefore the remaining amount available under the $3.8 million ASF Loan is $2.35 million as at 30 June 2019.

In addition to the existing $500,000 loan ("First Liu Loan"), the Company entered into a further loan agreement on 18 April 2019 with Wanyan Liu ("Liu"), a substantial shareholder of the Company, for the granting of additional $3 million loan ("Second Liu Loan"), part of which had been used to repay ASF Loan as mentioned above. The Second Liu Loan will mature on 31 December 2020, with interest accruing at the rate of 12% per annum.

Subsequently after the financial year end, the Company entered into another new loan agreement with Liu for the granting of a further $3 million standby loan facility ("Third Liu Loan") and the extension of the maturity date of the First Liu Loan from 31 December 2019 to 31 March 2021. The Third Liu Loan will mature on 31 December 2021, with interest accruing at the rate of 12% per annum.

During the financial year, the Company undertook an on-market share buyback and bought back 216,827 shares at a cost of $66,000. As part of the ongoing capital management strategy, the Company has on 24 June 2019 announced the extension of the on-market buyback program for a further 12 months from 9 July 2019.

8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (continued)

Finance review

Net loss of the consolidated entity after income tax for the year ended 30 June 2019 was $8,923,000, compared with the loss of $1,049,000 for the last year. The significant increase in loss for the year 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 $476,000, which was principally interest accrued for the loans from ASF and Liu.

During the year, $1,537,000 (2018: $1,629,000) in exploration expenditure was capitalised, of which $1,385,000 related to oil and gas exploration (2018: $1,249,000).

9. DIVIDENDS

No dividend has been paid or declared by the Company during the financial year ended 30 June 2019 (2018: nil) and the Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2019.

10. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as noted elsewhere in this report, there have been no significant changes in the state of the affairs of the Company up to and including the date of this report.

11. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Future information about the likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated Group.

12. PERFORMANCE RIGHTS OVER UNISSUED SHARES

Performance rights on Issue

As at the date of this report there were no performance rights on issue.

Performance rights vested, forfeited or lapsed

No performance rights were vested and converted to shares during the year.

13. OPTIONS OVER UNISSUED SHARES

Options on Issue

During the financial year and as at the date of this report there are no options on issue.

14. ENVIRONMENTAL DISCLOSURE

The Group's operations are subject to various laws governing the protection of the environment in areas such as protection of water quality, waste emission and disposal, environmental impact assessments, exploration rehabilitation and use of ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation in the state in which they operate and such licences include requirements specific to the subject site.

So far as the Directors are aware, there have been no material breaches of the Company's licences and all exploration and other activities have been undertaken in compliance with the relevant environmental regulations.

15. INDEMNITIES AND INSURANCE

During the financial year, the Company paid a premium to insure the Directors and officers of the Company against liabilities incurred in the performance of their duties. Under the terms and conditions of the insurance contract, the premium paid cannot be disclosed.

The officers of the Company covered by the insurance policy include any person acting in the course of duties for the Company who is, or was, a Director, Company Secretary or senior manager within the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers, in their capacity as officers, of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

16. SUBSEQUENT EVENTS

On 17 July 2019, the Group entered into a new loan agreement with Wanyan Liu, pursuant to which Liu agreed to grant a further loan facility to $3 million (Third Liu Loan) to the Company expiring 31 December 2021 and to extend the maturity date of the existing $500,000 loan (First Liu Loan) from 31 December 2019 to 31 March 2021.

During July 2019 and August 2019, the Group has drawn down $500,000 of the $3.0 million available under the Third Liu Loan.

The Company announced on 5 August 2019 that it has terminated the EP487 Farmout Agreement with Doriemus PLC.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

17. PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this report, there are no leave applications or proceedings brought on behalf of the Company under section 237 of the Corporations Act 2001.

18. ROUNDING

The Group is of a kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 2016/191. In accordance with that Class Order, amounts contained in the consolidated financial statements and Directors' report have been rounded off to the nearest one thousand dollars, unless specially stated to be otherwise.

19. NON-AUDIT SERVICES

There were no non-audit services provided by KPMG during this financial year.

20. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 20 and forms part of the Directors' report for the financial year ended 30 June 2019.

Signed in accordance with a resolution of Directors.

Min Yang
Non-Executive Chairman
Sydney, Australia
19 September 2019

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 audit of Rey Resources Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Daniel Camilleri

Partner

Sydney

19 September 2019

Rey Resources Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

in thousands of dollars	**Note**	**30 June 2019**	**30 June 2018**
Other income/(expense)	4	**(53)**	**(42)**
Impairment of exploration and evaluation assets	13	**(7,450)**	**(1)**
Administrative expenses	6	**(944)**	**(844)**
Loss from operations		**(8,447)**	**(887)**
Finance income	4	**-**	**1**
Finance costs	5	**(476)**	**(163)**
Net finance costs		**(476)**	**(162)**
Loss before income tax		**(8,923)**	**(1,049)**
Income tax benefit	7	**-**	**-**
Loss for the year attributable to owners of the company		**(8,923)**	**(1,049)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the year, attributable to owners of the Company		**(8,923)**	**(1,049)**
Loss per share			
Basic and diluted (cents per share)	8	**(4.20)**	**(0.49)**

The notes on pages 25-52 are an integral part of these consolidated financial statements

Rey Resources Limited

Consolidated statement of financial position

As at 30 June 2019

In thousands of dollars	**Note**	**2019**	**2018**
ASSETS			
Current assets			
Cash and cash equivalents	9a	**28**	**36**
Trade and other receivables	10	**20**	**22**
Prepayments		**16**	**14**
Total current assets		**64**	**72**
Non-current assets			
Property, plant and equipment	11	**4**	**9**
Investment	12	**106**	**159**
Exploration and evaluation expenditure	13	**35,912**	**41,825**
Total non-current assets		**36,022**	**41,993**
Total assets		**36,086**	**42,065**
LIABILITIES			
Current liabilities			
Trade and other payables	14	**110**	**84**
Employee benefits	15	**16**	**16**
Loan and borrowings	21d	**2,534**	**2,602**
Total current liabilities		**2,660**	**2,702**
Non-current liabilities			
Loan and borrowings	21d	**3,000**	**-**
Provision	16	**2,952**	**2,900**
Total non-current liabilities		**5,952**	**2,900**
Total liabilities		**8,612**	**5,602**
Net assets		**27,474**	**36,463**
EQUITY			
Share capital	17	**86,597**	**86,663**
Accumulated losses		**(59,123)**	**(50,200)**
Total equity attributable to equity holders of the Company		**27,474**	**36,463**

The notes on pages 25-52 are an integral part of these consolidated financial statements.

Rey Resources Limited

Consolidated statement of changes in equity

For the year ended 30 June 2019

in thousands of dollars

	Share capital	Accumulated Losses	Total
Balance at 30 June 2017	**86,683**	**(49,151)**	**37,532**
Loss for the period	-	**(1,049)**	**(1,049)**
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	**(1,049)**	**(1,049)**
Transactions with owners recorded directly in equity:			
Contributions by and distributions to owners			
Share buy back	**(20)**	**-**	**(20)**
Balance at 30 June 2018	**86,663**	**(50,200)**	**36,463**
Loss for the period	**-**	**(8,923)**	**(8,923)**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive loss for the period	**-**	**(8,923)**	**(8,923)**
Transactions with owners recorded directly in equity:			
Contributions by and distributions to owners			
Share buy back	**(66)**	**-**	**(66)**
Balance at 30 June 2019	**86,597**	**(59,123)**	**27,474**

The notes on pages 25-52 are an integral part of these consolidated financial statements.

Rey Resources Limited

Consolidated statement of cash flows

For the year ended 30 June 2019

in thousands of dollars	**Note**	**30 June 2019**	**30 June 2018**
Cash flows from operating activities			
GST refund		**2**	**(2)**
Cash paid to suppliers and employees		**(917)**	**(853)**
Net cash used in operating activities	9b	**(915)**	**(855)**
Cash flows from investing activities			
Interest received		**-**	**-**
Payments for property, plant and equipment		**-**	**(2)**
Payments for exploration expenditure		**(1,537)**	**(1,617)**
Net cash used in investing activities		**(1,537)**	**(1,619)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of costs)			**-**
Share buy back		**(66)**	**(20)**
Proceeds from loans and borrowings		**5,010**	**1,940**
Repayment of loans and borrowings		**(2,500)**	**-**
Finance costs			**-**
Net cash from financing activities		**2,444**	**1,920**
Net decrease in cash and cash equivalents		**(8)**	**(554)**
Cash and cash equivalents at the beginning of the year		**36**	**590**
Cash and cash equivalents at the end of the year	9a	**28**	**36**

The notes on pages 25-52 are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Rey Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 5, 62 Ord Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as "Rey Resources" or the "Group"). The Group is a for-profit entity and is primarily involved in mineral and oil and gas exploration and project evaluation.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including the Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"). The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

This is the first set of the Group's annual financial statements in which AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 3(o).

The consolidated financial statements were authorised for issue by the Board of Directors on 19 September 2019.

(b) Going concern

The 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 year ended 30 June 2019 the Group incurred a loss of $8,923,000 and incurred operating and investing cash outflows of $2,452,000. As at 30 June 2019 the Group had cash of $28,000, an available standby loan facility from ASF Group Limited of $2,350,000, net working capital deficiency of $1,897,000 and net assets of $27,474,000 as at 30 June 2019.

The Group has prepared a cashflow forecast for the period to 31 October 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 loan from ASF Group Limited beyond 31 December 2019.
- That the Group has subsequent to 30 June 2019 drawdown $500,000 and has access to the remaining $2.5 million under the $3.0 million "Third Liu Loan".
- That ASF Group Limited and Wanyan Liu will not call their loans owing from the Group in advance of the loan maturity date; and
- The need to defer or farm out the Group's share of certain petroleum interests to meet committed and forecast expenditures.

2. BASIS OF PREPARATION (Continued)

Rey is pursuing funding alternatives in the form of debt and equity, including discussions with existing shareholders, and with third parties for farmout 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 therefore the adoption of the going concern basis of preparation is 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.

If the Group is unable to continue as a going concern, it may be unable 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 consolidated financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(e) Use of estimates and judgements

The preparation of 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 estimates are revised and in any future periods affected.

Other information about assumptions, estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 2(b)	- Going concern
Note 7	- Recoverability of tax losses.
Note 13	- Ultimate recoupment of carried forward exploration expenditure.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Rey Resources Limited and its subsidiaries.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains and expenses on transactions between companies of the consolidated entity are eliminated in preparing the consolidated financial statements.

(iii) Loss of control

On the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounts investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Joint arrangements

Joint arrangements are defined as the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. These arrangements may be accounted for as a joint venture or a joint operation.

A joint venture, which is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than the rights to its assets and obligation for its liabilities. Interest in joint ventures is accounted for using the equity method.

A joint operation is an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator the Group recognises its relative share of its assets, liabilities, revenues and expenses.

(b) Foreign currency

Transactions in foreign currencies are translated to Australian dollars being the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency differences arising on retranslation are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Non derivative financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

The Group has two types of financial assets: amortised cost and FVTPL in accordance with AASB 9. Refer Note 22 for summary of the reclassification of the Group's financial assets and financial liabilities.

(iii) Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

(iv) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated depreciation rates for the current and comparative years are as follows:

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	20 - 40%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Exploration and development assets

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the end of each reporting period, the capitalised exploration and evaluation expenditure is assessed for impairment. This expenditure is only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of the site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for costs are accounted on a prospective basis. In determining the costs of site restoration, there may be uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

(f) Impairment

(i) Non-derivative financial assets

The Group has adopted AASB 9 from 1 July 2019 which has introduced a revised impairment model for financial assets. AASB 9 replaces the ‘incurred loss’ model in AASB 139 with an ‘expected credit loss’ ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-cost. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Rey Resources Limited. Current income tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

(j) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and share performance rights granted to employees.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's Chief Operating Decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Finance income and finance costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(n) Determination of fair values

Share-based payment transactions

The fair value of the Directors' performance rights is measured using Monte Carlo Sampling. The fair value of the executive rights is measured with reference to the share price at grant date. The fair value of the employee share options are measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Changes in significant accounting policies

The Group has initially applied AASB 15 and AASB 9, including any consequential amendments to other standards from 1 July 2018. A number of other new standards are also effective from 1 July 2018.

AASB 15 Revenue from Contracts with Customers
AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The adoption of AASB 15 has no impact on this set of financial statements.

AASB 9 Financial Instruments
AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of AASB 9 has not had a significant effect on the Group's financial statements.

Classification and measurement of financial assets and financial liabilities
AASB 9 contains principal classification categories for financial assets: measured at amortised cost and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard is never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

Impairment of financial assets
AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

The Group has determined that the application of AASB 9's impairment requirements does not result in material change to the impairment loss recognised at 1 July 2019.

Financial liabilities
The Group classifies non-derivative financial liabilities into the other financial liabilities category.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument. A financial liability is initially measured at fair value plus transactions costs that are directly attributable to its issue.

Transition
On the date of initial application, 1 July 2018, the Group's financial assets and financial liabilities were reclassified as follows:

In thousands of dollars	**Note**	**Original AASB 139 Category**	**New AASB 9 Category**	**Original Carrying Amount AASB 139**	**New Carrying Amount AASB 9**
Cash and cash equivalents	9a	Loans and receivables	Amortised cost	36	36
Investments – fair value	12	Designated at FVTPL	Mandatorily at FVTPL	159	159
Trade and other receivables	10	Loans and receivables	Amortised cost	22	22
Total financial assets				**217**	**217**
Trade and other payables	14	Other financial liabilities	Other financial liabilities	85	85
Loans and borrowings	21d	Other financial liabilities	Other financial liabilities	2,602	2,602
Total financial liabilities				**2,687**	**2,687**

(p) New standards and interpretations not yet adopted

At the date of authorisation of the financial report, AASB 16 Leases (effective 1 Jul 2019) was issued but not yet effective. As disclosed in Note 19 (a), there was no non-cancellable operating lease commitment for the Group. Based on management assessment, AASB 16 Leases will have minimal impact on the Group.

4. OTHER INCOME AND FINANCE INCOME

in thousands of dollars	**2019**	**2018**
Other income/(expense)		
Change in fair value of investment	(53)	(53)
Others	-	11
	(53)	(42)
Finance income		
Interest income	-	1
	-	1

5. FINANCE COSTS

in thousands of dollars	**2019**	**2018**
Finance costs		
Bank charges	2	1
Interest on loans	474	162
	476	163

6. ADMINISTRATIVE EXPENSES

in thousands of dollars	**2019**	**2018**
Office supplies and expenses	255	225
Professional consulting fees	1	2
Employee benefits expense (see below)	320	319
Depreciation and amortisation expense	5	5
Insurance premiums	16	10
Legal costs	191	198
Other expenses (incl travel expense)	156	85
	944	844
Employee benefits expense consists of:		
Salaries and fees	283	282
Superannuation	37	37
	320	319

7. INCOME TAX EXPENSE

in thousands of dollars	**2019**	**2018**
Income tax recognised in profit or loss		
Current tax benefit	-	-
Deferred tax benefit	-	-
	-	-
Income tax benefit	-	-

Reconciliation of prima facie tax on accounting loss before tax to income tax (benefit) / expense

in thousands of dollars	**2019**	**2018**
Accounting loss before tax	(8,923)	(1,049)
At statutory income tax rate of 27.5% (2018: 27.5%)	(2,453)	(288)
Non-deductible expenses	(19)	(25)
Tax losses for which no deferred tax asset was recognised	2,472	313
Income tax benefit	-	-

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Statement of financial position		**Profit or loss**	
in thousands of dollars	**2019**	**2018**	**2019**	**2018**
Deferred tax liabilities				
Exploration and evaluation expenditure	(9,876)	(10,704)	829	485
Other	(4)	(4)	(1)	-
Gross deferred tax liability	(9,880)	(10,708)	828	485
Deferred tax assets				
Tax loss carry forwards	9,053	10,692	(1,639)	(488)
Other	827	16	811	3
Gross deferred tax asset	9,880	10,708	(828)	(485)
Net deferred tax asset	-	-	-	-

Tax losses

At 30 June 2019, the Group has tax losses arising in Australia of $81,407,676 (2018: $79,503,136) that are available for offset against future taxable income. The Group has not recognised a deferred tax asset in relation to these tax losses (other than an offset to the deferred tax liability) as realisation of the benefit is not regarded as probable. Additionally, the ability of the Group to utilise these tax losses will depend on whether the Group is determined to pass the Australian Tax Office rules of continuity of ownership test, or failing that, the same business test.

7. INCOME TAX EXPENSE (CONTINUED)

Tax consolidation

Rey Resources Limited and its 100% owned Australian resident subsidiaries formed a tax-consolidated Group with effect from 1 July 2009. The first consolidated income tax return for the Group was filed for the tax year ended 30 June 2010. Rey Resources Limited is the head entity of the tax-consolidated group.

8. LOSS PER SHARE

in thousands of dollars	**2019**	**2018**
Earnings		
Earnings used in calculating basic and diluted earnings per share attributable to the owners of the company	(8,923)	(1,049)
Number of ordinary shares	**2019**	**2018**
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted loss per share	212,364,928	212,484,287
Basic loss per Share (cents per share)	(4.2)	(0.49)
Diluted loss per Share (cents per share)	(4.2)	(0.49)

Calculation of loss per share

Basic loss per share is calculated as loss for the period attributable to shareholders of $8,923,000 (2018: $1,049,000 loss) divided by the weighted average number of ordinary shares of 212,364,928 (2018: 212,484,287). The diluted loss per share for the year ended 30 June 2019 and 2018 were the same as the basic loss per share as the outstanding performance share rights had an anti-dilutive effect to the basic loss per share.

9a. CASH AND CASH EQUIVALENTS

in thousands of dollars	**2019**	**2018**
Cash at bank and in hand	28	36
Cash and cash equivalents	28	36

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

9b. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

in thousands of dollars	Note	**2019**	**2018**
Cash flows from operating activities			
Loss for the period		(8,923)	(1,049)
Adjustments for:			
Depreciation	11	5	5
Write back Impairment of capitalised exploration expenditure		-	(12)
Impairment of capitalised exploration expenditure		7,450	-
Change in fair value of investment	12	53	53
Finance costs	5	474	162
		(941)	(841)
(Increase) / decrease in trade and other receivables		2	1
(Increase) / decrease in prepayments		(2)	(1)
Increase / (decrease) in trade and other payables		27	(27)
Increase / (decrease) in employee benefits		(1)	13
Net cash used in operating activities		(915)	(855)

10. TRADE AND OTHER RECEIVABLES

in thousands of dollars	**2019**	**2018**
Current		
Other receivables	20	22
	20	22

11. PROPERTY, PLANT AND EQUIPMENT

in thousands of dollars	**2019**	**2018**
Property, plant and equipment		
At cost	181	181
Accumulated depreciation	(177)	(172)
Total property plant and equipment	4	9

Movements in carrying amounts:

in thousands of dollars	**2019**	**2018**
Balance as at 1 July	9	12
Additions	-	2
Disposals	-	-
Depreciation expense	(5)	(5)
Balance as at 30 June	4	9

12. INVESTMENT

in thousands of dollars	**2019**	**2018**
Investment in Norwest Energy NL at fair value as at 1 July	159	212
Changes in fair value of investment	(53)	(53)
	106	159

The financial asset at fair value through profit or loss is an investment in Norwest Energy NL. Fair value represents the market value of the financial assets at balance date. On 5 June 2015, Rey subscribed for $250,000 of Norwest Energy NL (Norwest) shares at a price of $0.004712 per share. The closing price of Norwest shares as at 30 June 2019 was $0.002 per share. This financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

13. EXPLORATION AND EVALUATION EXPENDITURE

	Working Interests		Exploration and evaluation expenditures carried forward *in thousands of dollars*	
	2019	**2018**	**2019**	**2018**
in respect of:				
Duchess Paradise [1]	100%	100%	22,094	21,942
EP457 and EP458 [2]	40%	25%	4,134	10,789
EP104 [3]	100%	100%	2,893	2,829
R1 [3]	100%	100%	169	4
L15 [3]	100%	100%	3,087	2,907
EP487 [4]	100%	100%	3,535	3,354
Costs carried forward			35,912	41,825

Movements in carrying amount:

in thousands of dollars	**2019**	**2018**
Opening balance	41,825	37,296
Disposal of interest in EP437	-	(2,716)
Acquisition of interests in EP104, R1, L15	-	5,616
Current year expenditure capitalised	1,537	1,629
Impairment[2]	(7,450)	-
	35,912	41,825

1. Exploration and evaluation expenditure recognised in Duchess Paradise is held solely by the Group.
2. Exploration and evaluation expenditure recognised on EP457 and EP458 tenements under joint venture agreement with Buru Energy Limited. This amount includes the Group's proportionate share of exploration assets held by the respective joint venture entities. On 28 March 2019, the Company increased 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.
3. 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. The carry value of L15 will be reassessed upon the completion of the Farmout Agreement activities.
4. Exploration and evaluation expenditure recognised on EP487 which is held solely by the Group. 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 farmout to exploration permit EP487. Upon completion of the farmout, 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. On 5 August 2019, Rey announced that it has terminated the farmout arrangement with Doriemus as Doriemus has failed to raise the necessary fund required for the drilling commitments before the mutually agreed deadline.

13. EXPLORATION AND EVALUATION EXPENDITURE (Continued)

An exploration and evaluation asset is recognized in relation to an area of interest if the following conditions are satisfied:

(a) The rights to tenure of the area of interest are current;

(b) At least one of the following conditions is also met:

(i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

(ii) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Management expect to extend the right of tenure for tenements approaching expiry.

14. TRADE AND OTHER PAYABLES

in thousands of dollars	**2019**	**2018**
Unsecured liabilities		
Sundry payables and accrued expenses	110	84
	110	84

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

15. EMPLOYEE BENEFITS

in thousands of dollars	**2019**	**2018**
Employee benefits		
Current	16	16
Non-current	-	-
	16	16

16. Provision

in thousands of dollars	**2019**	**2018**
Restoration provision (L15, R1)	2,952	2,900
	2,952	2,900

The restoration provision relates to the West Kora 1 well and disused production facilities in Production License L15, which was estimated based upon converting the well to a water well following confirmation from the pastoral lease owner and removing the tank farm and restoring the site back to its original condition.

The provision has been calculated on an assumption that management expects that the cash out flow will not be incurred until approximately 2029.

The movement of the provision is related to the discount unwind.

17. ISSUED CAPITAL

in thousands of dollars	**2019**	**2018**
212,188,439 (2018: 212,405,266) fully paid ordinary shares	86,597	86,663
	86,597	86,663

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares participate in the proceeds on winding up of the parent entity in proportion to the numbers of shares held.

Movements in shares on issue

	2019		**2018**	
	Number	**$'000**	**Number**	**$'000**
On issue at beginning of the year	212,405,266	86,663	212,495,266	86,683
Share buy back	(216,827)	(66)	(90,000)	(20)
On issue at the end of the year	212,188,439	86,597	212,405,266	86,663

During the year ended 30 June 2019, a total of 216,827 shares were bought back at a cost of $66,000 and cancelled. On 24 June 2019, the Company announced the extension of the on-market buyback program for a further 12 months from 9 July 2019.

18. COMMITMENTS

(a) Operating lease commitments

There was no non-cancellable operating lease commitment for the Group.

(b) Exploration expenditure commitments

The commitments are required in order to maintain the Group's interests in good standing with the Department of Mines & Petroleum (DMP). It includes commitment for both mineral exploration tenements and also the company's share in petroleum exploration permits in which it has joint venture interests. These obligations may be varied from time to time, subject to approval by the DMP.

In thousands of dollars	**Mineral**	**Petroleum**	**Total**
Year 1	169	7,327	7,496
Year 2-5	37	13,882	13,919
Total	**206**	**21,209**	**21,415**

In May 2018, the Company acquired from Key and Indigo 100% interests in EP104, R1 and L15. Pursuant to the agreement, Key and Indigo would be granted a royalty of 2.5% and 0.5% separately over R1 and L15 upon completion of each applicable transfer. The royalty is payable based on the value of wellhead petroleum recovered and produced from the licences.

19. GROUP ENTITIES

Consolidated subsidiaries	**Country of incorporation**	**Ownership Interest**	
		2019	**2018**
Blackfin Pty Limited	Australia	100%	100%
Rey Cattamarra Pty Limited	Australia	100%	100%
Rey Derby Pty Limited	Australia	100%	100%
Rey Derby Block Pty Limited	Australia	100%	100%
Rey Derby Port Operations Pty Limited	Australia	100%	100%
Rey Royalty Chile Pty Limited	Australia	100%	100%
Rey Victory Pty Limited	Australia	100%	100%
Rey Oil and Gas Pty Limited	Australia	100%	100%
Rey Lennard Shelf Pty Limited	Australia	100%	100%
Humitos Pty Limited	Australia	100%	100%
Gulliver Productions Pty Limited	Australia	100%	100%

20. JOINT OPERATION INTERESTS

Joint venture agreements have been entered into with third parties. Details of joint venture agreements are disclosed below. These are accounted for as joint operations.

Assets employed by these joint ventures and the Group's expenditure in respect of them is brought to account initially as capitalised exploration expenditure (refer note 13) and disclosed distinctly from capitalised exploration costs incurred on the Group's 100% owned projects.

Rey/Buru Joint Venture

On 18 March 2013, the Company entered into an agreement with Buru Energy Limited ("Buru") and Mitsubishi Corporation pursuant to which the Company acquired an additional 15% interest in exploration permits EP457 and EP458 in the Canning Basin, Western Australia.

On 10 December 2018, the Company announced that, pursuant to a transaction entered into between Buru and Diamond Resources (Barbwire) Pty Limited ("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 Limited) 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 current interest in the two exploration permits, known as "The Fitzroy Blocks", are:

Rey Oil and Gas Pty Limited	40%	(of which a 10% interest is free carried to production)
Buru Fitzroy Pty Limited	60%	(Buru Energy Limited operator)

The total amount of the Group's capitalised exploration and evaluation expenditure under this joint venture agreement at the reporting date was $4,134,000 (2018: $10,789,000).

21. RELATED PARTIES

(a) Parent entity

The ultimate parent entity within the Group is Rey Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 19.

21. RELATED PARTIES (Continued)

(c) KMP compensation

Disclosures relating to compensation of the KMP compensation comprised:

Individual Directors and executives compensation disclosures

	2019	2018
Short term benefits	307,000	307,000
Post-employment benefits	16,530	16,530
	323,530	323,530

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03, is provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Loans to KMP and their related parties

There were no loans given to KMP and their related parties.

(d) Transactions with related parties

	2019	2018
ASF Group Limited		
Service fees	120,000	120,000
Loan granted (inclusive of interest) [1]	1,834,969	2,041,717
- *current*	*1,834,969*	*2,041,717*
Wanyan Liu		
Loan granted (inclusive of interest) [2]	3,699,069	560,164
- *current*	*699,069*	*560,164*
- *Non current*	*3,000,000*	-

1. An unsecured loan of up to $3.8 million ("ASF Loan") was granted by ASF Group Limited, a substantial shareholder of the Company, with maturity date on 31 December 2019 and interest bearing at 12% per annum. During the year, the Company repaid $2.5 million ASF Loan, which will remain available for re-draw pursuant to the terms of the ASF Loan. Ms Min Yang and Mr Geoff Baker are directors of ASF Group Limited.

   There is $2.35 million available under the $3.8 million facility from ASF to the Group at 30 June 2019.

2. An unsecured loan of $500,000 was granted by Wanyan Liu ("Liu"), a substantial shareholder of the Company, with maturity date on 31 March 2021 and interest bearing at 12% per annum (First Liu Loan). On 18 April 2019, the Company entered into another Loan Agreement with Liu for the granting of $3 million additional loan (Second Liu Loan), with maturity date on 31 December 2020 and interest bearing at 12% per annum payable quarterly by cash.

   Liu loans are fully drawn down as at 30 June 2019. Refer to Note 24 Subsequent event update relating to Liu loans.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, investment, trade and other payables, and loan and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

in thousands of dollars	**2019**	**2018**
FVTPL		
-Investment [1]	106	159
Financial assets measured at amortised cost		
- Cash and cash equivalents	28	36
-Trade and other receivables	20	22
Total financial assets	154	217
Financial liabilities measured at amortised cost		
Trade and other payables	110	84
Total financial liabilities	110	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 30 June 2019 was $0.002 per share.

Trade and other receivables: analysis of age of financial asset
The aging of trade and other receivables at the reporting date that were not impaired was as follows:

	2019	**2018**
Neither past due nor impaired	20	22

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group does not use any form of derivatives for speculative purposes. The Group is not at a level of exposure that requires the use of derivatives to hedge its exposure.

The main risks the Group is exposed to through its financial instruments are liquidity risk and market risk which includes interest rate risk.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, and trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

The Group limits its exposure to credit risk in respect of cash and cash equivalents and other deposits with banks by only dealing with reputable banks with high credit ratings.

In respect of trade and other receivables, the Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The Group is not exposed to any significant credit risk as there were no trading operations during the year.

At 30 June 2019 and 30 June 2018, there was no impairment loss allowance and there were no receivables past due but not impaired.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market, by continuously monitoring forecast and actual cash flows and ensuring that adequate uncommitted funding is available and maintained.

The following are the expected maturities of financial assets and the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2019 in thousands of dollars	**Carrying amount**	**Expected / contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Financial liabilities							
Trade and other payables	110	110	110	-	-	-	-
Loans from shareholders	5,534	6,188	2,827	180	3,181	-	-
	5,644	6,298	2,937	180	3,181	-	-

2018 in thousands of dollars	**Carrying amount**	**Expected / contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Financial liabilities							
Trade and other payables	84	84	84	-	-	-	-
Loans from shareholders	2,602	3,042	-	-	3,042	-	-
	2,686	3,126	84	-	3,042	-	-

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Currency risk

The Group is not exposed to currency risk at the reporting date because the Group holds no financial assets or liabilities denominated in foreign currency.

Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market interest rates on interest-bearing financial instruments.

At the reporting date, the Group had the following mix of financial assets exposed to interest rate risk.

in thousands of dollars	**2019**	**2018**
Variable rate instruments		
Cash and cash equivalents	28	36
	28	36

At the reporting date, the Group had a total of $7.3 million term loan facilities from shareholders. Due to the fixed interest rate of the loans, the Group is not exposed to interest rate fluctuations.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased or decreased profit or loss by $374 (2018: $624).

Fair values

The Group's share investment measured at fair value at the end of the reporting period on a recurring basis and categorised into Level 1 fair value hierarchy as defined in AASB 13 *Fair value measurement*. The fair value of the share investment is measured using unadjusted quote price on the Australian Securities Exchange.

During the year ended 30 June 2018 and 2019, there were no transfers between Level 1 and Level 2 or transfer into or out of Level 3.

Except for the share investment, the carrying amounts of other financial assets and financial liabilities are assumed to approximate their fair values due to their short-term nature.

23. 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 2019 $'000**	Mineral 2018 $'000	**Petroleum 2019 $'000**	Petroleum 2018 $'000	**Corporate 2019 $'000**	Corporate 2018 $'000	**Total 2019 $'000**	Total 2018 $'000
Revenue								
Total Reportable segment revenue	**-**	-	**-**	-	**-**	-	**-**	-
Other income/ (expense)	**-**	-	**-**	11	**(53)**	(53)	**(53)**	42
Impairment of assets	**-**	-	**(7,450)**	-	**-**	-	**(7,450)**	-
Interest revenue	**-**	-	**-**	-	**-**	-	**-**	-
Finance costs	**-**	-	**-**	-	**(476)**	(163)	**(476)**	(163)
Administration cost	**-**	-	**-**	-	**(942)**	(844)	**(944)**	(844)
Profit/(loss) before income tax benefit	**-**	-	**(7,450)**	11	**(1,471)**	(1,060)	**(8,923)**	(1,049)
income tax benefit	**-**	-	**-**	-	**-**	-	**-**	-
Loss after income tax benefit	**-**	-	**(7,450)**	11	**(1,471)**	(1,060)	**(8,923)**	(1,049)
Assets								
Other Assets	**-**	-	**-**	-	**174**	240	**174**	240
Segment assets	**22,094**	21,942	**13,818**	19,883	**-**	-	**35,912**	41,825
Total assets	**22,094**	21,942	**13,818**	19,883	**174**	240	**36,086**	42,065
Liability								
Other liabilities	**-**	-	**-**	-	**5,660**	2,702	**5,660**	2,702
Segment liabilities	**-**	-	**2,952**	2,900	**-**	-	**2,952**	2,900
Total Liabilities	**-**	-	**2,952**	2,900	**5,660**	2,702	**8,612**	5,602
Capital Expenditure	**152**	380	**1,385**	1,249	**-**	-	**1,537**	1,629

24. SUBSEQUENT EVENTS

On 17 July 2019, the Group entered into a new loan agreement with Wanyan Liu, pursuant to which Liu agreed to grant a further loan facility to $3 million (Third Liu Loan) to the Company expiring 31 December 2021 and to extend the maturity date of the existing $500,000 loan (First Liu Loan) from 31 December 2019 to 31 March 2021.

During July 2019 and August 2019, the Group has drawn down $500,000 of the $3.0 million available under the Third Liu Loan.

The Company announced on 5 August 2019 that it has terminated the EP487 Farmout Agreement with Doriemus PLC.

No other matter or circumstance that is not already disclosed in these financial statements has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

25. AUDITORS REMUNERATION

in dollars	**2019**	**2018**
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	69,917	62,000
Other assurance services	-	2,000
	69,917	64,000

26. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was Rey Resources Limited.

in thousands of dollars	**2019**	**2018**
A. Result of parent entity		
Loss for the year	(1,419)	(1,060)
Total comprehensive loss for the year	(1,419)	(1,060)
B. Financial position of the parent entity		
Total current assets	57	65
Total non-current assets	31,301	37,263
Total assets	31,358	37,328
Total current liabilities	2,660	2,695
Total non-current liabilities	3,000	-
Total liabilities	5,660	2,695
Net assets	**25,698**	**34,633**
Total equity of the parent entity comprising of:		
Share capital	86,597	86,663
Accumulated losses	(60,899)	(52,030)
Total equity	**25,698**	**34,633**

C. Parent entity contingencies

As at 30 June 2019 and 2018, there are no contingent liabilities of the parent entity.

D. Parent entity capital commitments

As at 30 June 2019 and 2018, the parent entity has not entered into any material contractual agreements for the acquisition of property, plant or equipment.

E. Parent entity guarantees in respect of the debts of its subsidiaries

As at 30 June 2019 and 2018, there are no guarantees entered into by the parent entity.

Rey Resources Limited

Directors' declaration

For the year ended 30 June 2019

The Board of Directors of Rey Resources Limited declares that:

(a) The consolidated financial statements, accompanying notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
- giving a true and fair view of the financial position as at 30 June 2019 and performance of the consolidated entity for the financial year ended on that date; and
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) The Directors draw attention to note 2(a) of the consolidated financial statements, which includes a statement of compliance with the International Financial Reporting Standards.

(c) The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.

(d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has received the declaration by the Managing Director and Financial Controller required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the Directors.

Min Yang
Non-Executive Chairman
Sydney, Australia
19 September 2019

Independent Auditor's Report

To the shareholders of Rey Resources Limited

Report on the audit of the Financial Report

Opinions

We have audited the ***Financial Report*** of Rey Resources Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audits of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(b), "Going concern" in the 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 financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing the cash flow projections by:
  - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices;
  - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows including the impact of a potential share issue subsequent to year end for feasibility, quantum and timing. We used our knowledge of the client, its industry and current status of those initiatives to assess the level of associated uncertainty.
- Reading Directors' minutes to understand the Group's ability to raise additional shareholder funds, and assess the level of associated uncertainty; and
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principle matters giving rise to the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Exploration and evaluation expenditure ($35,912,000)	
Refer to Note 13 'Exploration and Evaluation Expenditure'	
The key audit matter	**How the matter was addressed in our audit**
Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to: • the significance of the activity to the Group's business and the balance (being 99% of total assets); and • the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 *Exploration for and Evaluation of Mineral Resources*, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. In assessing the conditions allowing capitalisation of relevant expenditure, we focused on: • the determination of the areas of interest; • documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&E activities; and • the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.	Our audit procedures included: • Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard; • We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programs planned for those for consistency with documentation such as license related technical conditions, joint venture agreements, and planned work programs; • For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses; • We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard; • We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel; • We analysed the Group's determination of recoupment through successful development and exploitation of the area or by its sale by evaluating the Group's documentation of planned

In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists. In addition to the assessments above, and given the financial position of the Group and restrictive events imposed we paid particular attention to: • documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&E activities; • The ability of the Group to fund the continuation of activities; • The impact of the restrictive event imposed on the Groups to the implications to carrying forward capitalised E&E; and • Results from latest activities regarding the existence or otherwise of economically recoverable reserves. These assessments can be inherently difficult, particularly in uncertain or depressed market conditions such as those currently being experienced in Australian oil and gas exploration. In addition to the above across significant tenements, the Group recorded an impairment charge of $7,450,000 against two areas of interest, as a result of the recent market transaction with a third party. This further increased our audit effort in this key audit area.	future/continuing activities including work programs and project and corporate budgets for a sample of areas; • We obtained project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding; • We assessed the impact of the unconventional drilling moratoriums to the Group's planned continued exploration and evaluation activities. We read correspondence from the Government of Western Australia which imposed the moratorium to understand the scenario and status, and compared this to the Group's proposed level and timing of recommencement activity to that prior to the moratorium. We used this knowledge to assess the Group's decision to continue to carry E&E on these areas, and the consistency of the decision for commercial continuation of activities; and • We compared the results regarding the existence of reserves for consistency to the treatment of E&E and the requirements of the accounting standard. • We assessed the scope, competency and objectivity of the external expert engaged by the Group who assisted with the assessments of the valuation of E&E assets. • For the specific tenements where impairment was recorded, we recalculated the impairment charge against the recorded carrying value and compared this to the amount disclosed.

Other Information

Other Information is financial and non-financial information in Rey Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Corporate Directory and Directors' Report. The Annual Mineral Reserves and Resources Statement is expected to be made available to us after the date of the Auditor's report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Report that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about the Financial Report as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Rey Resources Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in section 6 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Daniel Camilleri

Partner

Sydney

19 September 2019