

13 July 2015

# June 2015 Quarterly Report

## HIGHLIGHTS

- Canning Basin- Fitzroy Blocks: two high impact wells, Senagi and Victory, to be drilled in 2H 2015
- Canning Basin- Derby Block: 50% interest acquired
- Perth Basin- Dunnart 2: flow test completed
- Perth Basin- cornerstone investment in Norwest Energy

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Rey Resources Limited (ASX: REY) (“Rey” or “the Company”) is focused on developing its oil, gas and coal interests in the Canning and Perth Basins, Western Australia.

## 1. Oil and Gas

### 1.1 Fitzroy Blocks (EP457 and EP458)

The Fitzroy Blocks are located in the highly prospective Canning Basin in the northwest of Western Australia (refer Figure 1 below). Ownership of the Fitzroy Blocks is: Rey (25% including 8.3% free carried to production); Buru Energy Limited (“Buru”) (37.5% and operator); and Diamond Resources (Fitzroy) Ltd (37.5%).

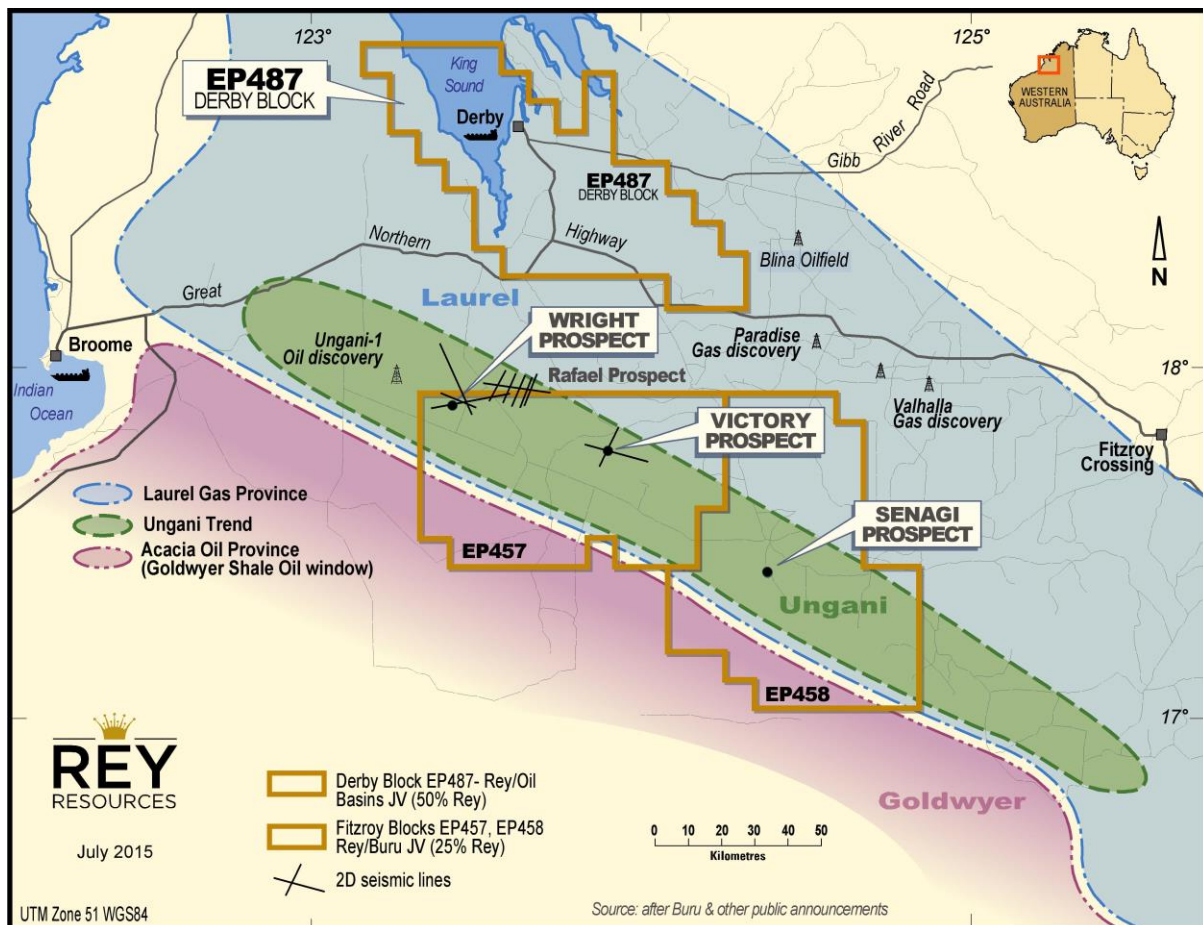


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

During the June 2015 quarter, the Fitzroy Blocks Joint Venture advanced the planning for drilling of both the Victory-1 well in EP457 and the Senagi-1 well in EP458 during 3Q 2015 (refer Figure 1).

The Victory prospect is a large regional high (mapped closure of 30km<sup>2</sup>) on a depositional centre margin in a similar structural setting to Ungani. It is considered to have potential for oil in both the Laurel carbonate and Anderson / Laurel clastic reservoirs and for gas in the clastic reservoirs. The target depth is 1,750 - 2,400m. Subject to receiving the relevant approvals it is expected that this well will be drilled using Atlas Rig 2 and spud in September 2015.

Senagi-1 will be drilled on a shallow (~800 metre) structural target which is up-dip from a mineral borehole (Camelgooda-1) that encountered a well-developed Ungani Dolomite reservoir equivalent, with significant oil shows. The drilling of the Senagi prospect is anticipated in Q3 2015.

Data from 112.5 line-km of 2D seismic data acquired at Mt Fenton and elsewhere in EP458 on the Barbwire Terrace during 2014 continued to be processed by the operator during the quarter.

Planning continued for an additional 100 line-km of 2D seismic acquisition in EP457 for Q3 2015 over prospects Wright and Victory, in addition to optimising the well location for a large conventional gas prospect, Rafael (located just north of the northern boundary of EP457), which is being considered for drilling in 2016.

## 1.2 Derby Block (EP487)

As announced on 1 June 2015, the Company's wholly owned subsidiary company Rey Lennard Shelf Pty Ltd ("RLS") completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") from Backreef Oil Pty Ltd ("Backreef"). The Company has also entered into a Joint Venture Agreement ("JOA") with Oil Basins Limited ("Oil Basins") (ASX: OBL), holder of the remaining 50% interest and permit Operator, for the operation of exploration programmes on the Derby Block, located in the Canning Basin of Western Australia.

The Derby Block is a large exploration permit of approximately 5,000 km<sup>2</sup> that was granted to Backreef (50%) and Oil Basins Ltd (ASX: OBL) (50%) on 14 March 2014. It occurs to the north of Rey's existing interests in petroleum exploration licences in the Canning Basin (refer Figure 1).

Under the Agreement, RLS has acquired Backreef's 50% interest in the Derby Block for either:

- \$2 million, to be paid on grant of a Production Licence in respect of EP487; or (at RLS's election)
- a 2% royalty on future production (on RLS's acquired 50% interest). In addition,
- RLS has agreed to settle certain outstanding claims on Backreef by Oil Basins in connection with past expenses incurred on management of the Derby Block amounting to approximately \$391,000 and grant Oil Basins a 1% royalty over future production from RLS's acquired 50% interest and agreement of a Joint Operating Agreement (JOA). The settlement of these claims on 31 May 2015 has resulted in termination of all outstanding legal action between Oil Basins and Backreef.

Key terms of the JOA between RLS and Oil Basins are as follows:

- Oil Basins will act as Operator of the DMP approved and/or varied program until 1 January 2016, at which time RLS will assume operatorship of the Derby Block, subject to certain preconditions;
- until 1 January 2016, Oil Basins will seek to farm-out a 50% interest in the permit on behalf of the joint venture and Rey will participate in the farmout subject to certain commercial terms being achieved, including funding of the DMP approved and/or varied first two years' of the permit workplan on a 2 for 1 basis. This would result in both RLS and Oil Basins diluting to a respective 25% interest with the farminee at 50%; and
- other terms and conditions usual for an agreement of this sort.

Following completion of the acquisition, the Operator continued environmental and planning approvals for a seismic acquisition survey due in second half of 2015.

### 1.3 Perth Basin

#### EP437

The Company earned a 43.47% interest in EP437 in 2014 by contributing 86.94% of the costs of the Dunnart-2 well, which was drilled in 2014 under the management of Key Petroleum Limited as Operator of the permit. The beneficial interests in EP437 are:

Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)	43.47%
Rey (Rey Oil and Gas Perth Pty Ltd)	43.47%
Caracal Exploration Pty Limited	13.06%

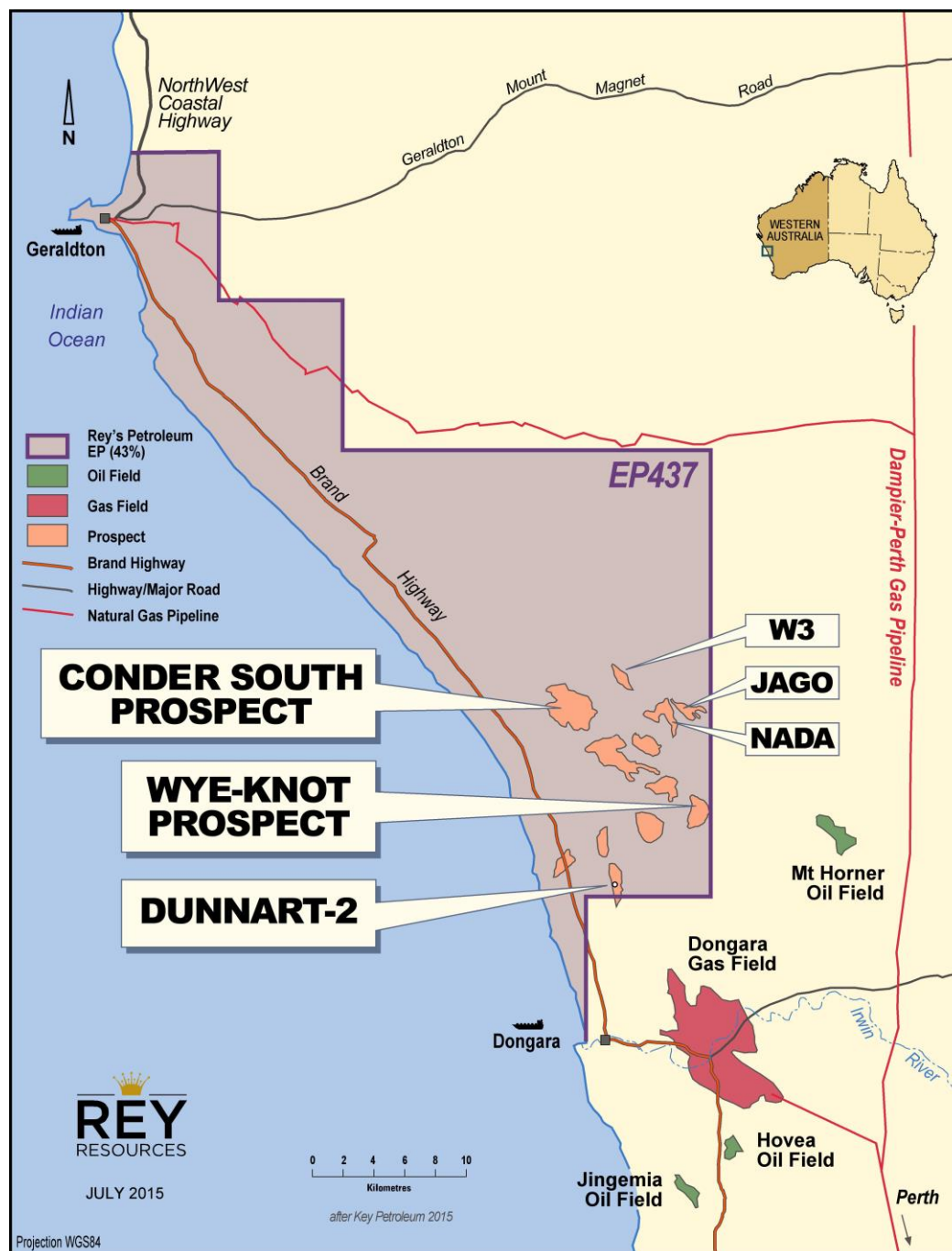


Figure 2. Location of EP437 prospects, North Perth Basin.

### **Dunnart-2 flow test**

During the quarter, the EP437 Joint Venture undertook flow testing of the Dunnart-2 well to establish whether oil encountered in the Bookara sandstone during drilling of the well in August 2014 was mobile.

As announced by the Operator on 9 June 2015, the flow test was completed with no commercial hydrocarbons flowing to surface. The well flowed at between 400 and 600 barrels per day of formation fluids confirming the Bookara sandstone as a high quality reservoir and exceeding pre-test well deliverability predictions. The well was drilled by the Operator under budget with no HSE incidents and the site has now been fully rehabilitated to the satisfaction of the landowner.

### **EP437 Exploration**

As announced on in January 2015, the Joint Venture has identified at least ten prospects and leads. These include shallow Bookara leads of W3, Jago and Nada leads (refer Figure 2) in addition to the two prospects identified previously at Conder South and Wye Knot.

Additional mapping of the Wye area was conducted during the quarter in light of results from the Waitsia gas discovery to the south of EP437 by AWE Limited. The Wye area consists of several fault bounded structures defined by vintage 2D seismic including a section of High Cliff sandstone encountered further south at the Dongara and Waitsia fields some 40km to the southeast in the Perth Basin.

The JV is reviewing the prospects, particularly the Wye area following the result of the Dunnart-2 flow test together with historic geochemical, geophysical and well data with structural mapping to define a drill ready prospect.

### **Investment in Norwest**

As announced on 3 June 2015, Rey has become a cornerstone investor in Norwest Energy NL ("Norwest") (ASX: NWE), via the subscription by a wholly owned subsidiary company for 53,056,027 shares, or approximately 4% of the total shares currently on issue in Norwest, at an issue price of \$0.004712, for a total investment of \$250,000.

The subscription follows discussions between Rey and Norwest about potential farm-in opportunities around Norwest's Perth Basin interests. The companies will continue to work together to develop these opportunities.

## **2. Coal**

Rey's coal tenements are located in the Canning Basin and are partly contiguous with the Fitzroy Blocks.

During the quarter Rey commenced negotiation with the representatives of the Traditional Owners for an updated Heritage Protection Agreement covering exploration access to its coal tenements, including the Duchess Paradise coal project.

### **2.1 Duchess Paradise Coal Project**

Rey relinquished its sublease at the Derby Port during the quarter. This has allowed the lessor, the Shire of Derby/West Kimberley, to bring forward the planning, survey and geotechnical studies for redefining lease areas and further development at the Derby Port, aimed at facilitating multiple users. Future export of coal is expected to be via negotiation of access to a multi-user bulk commodity export facility.

Environmental approval assessment remains on hold while various matters are examined, including the future arrangements at the Derby Port.

## 2.2 Coal exploration

No field work was undertaken during the quarter. Rey has continued to refine its exploration tenement holding by surrendering areas with lower coal prospectivity, constrained access or deeper coal.

## 3. Corporate

As part of an ongoing capital management strategy, on 17 December 2013 the Company announced an on market buyback for up to 10% of its issued capital over a period of 12 months. On 3 December 2014, the Company announced that the buyback scheme was extended for up to a further twelve months to 17 December 2015.

701,060 shares were acquired and cancelled during the quarter at an average price of 10.43cps, for a total consideration of \$73,115.06. A total of 3,058,596 shares have been acquired and cancelled since the scheme was initiated on 17 December 2013.

No shares have been acquired subsequent to the quarter end. The timing and quantity of further shares purchased will depend on market conditions and other future events.

## Competent Persons Statement

### ***Petroleum Exploration***

*The technical information quoted has been compiled and/or assessed by Mr. Keith Martens who is a self-employed consulting professional geologist, and a continuous Member of the Petroleum Exploration Society of Australia since 1999. Mr. Martens has a BSc degree in geology/geophysics and has over 35 years' experience in the petroleum industry. Mr. Martens has consented to the inclusion in this report of the matters based on the information in the form and context in which they appear.*



## Corporate Directory

### Board of Directors

Min Yang	Non-executive Chairman
Kevin Wilson	Managing Director
Geoff Baker	Non-executive Director
Dachun Zhang	Non-executive Director
Jin Wei	Non-executive Director

### Company Secretary

Shannon Coates

### Capital Structure

Rey Resources is listed on the Australian Securities Exchange (ASX: REY) and has 711.0 million ordinary shares on issue and 3.4 million performance rights as at 30 June 2015.

### Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000 Australia  
Tel: +61 2 9290 9600  
Fax: +61 2 9279 0664

### Registered Office

Rey Resources Limited  
1121 Hay Street  
West Perth WA 6005 Australia  
Mailing address: PO Box 1809, Hay Street, West Perth, 6872  
Tel: +61 8 9211 1999  
Fax: +61 8 9485 1094  
[www.reyresources.com](http://www.reyresources.com)

## Tenement Tenure Status (as at 30 June 2015)

Tenure ID <sup>1</sup>	Tenure Type	Holder (Rey subsidiary company)	Ownership% begin quarter	Ownership% end quarter
	<b>Mineral Licences</b>			
E04/1219 <sup>2</sup>	Exploration Licence	Camballin Energy Pty Ltd	100	100
E04/1386	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1515	Exploration Licence	Camballin Energy Pty Ltd	100	0
E04/1516	Exploration Licence	Rey Victory Pty Ltd	100	0
E04/1517	Exploration Licence	Camballin Energy Pty Ltd	100	0
E04/1518	Exploration Licence	Rey Victory Pty Ltd	100	0
E04/1519	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1520	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1521	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1522	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1523	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1524	Exploration Licence	Rey Mt Fenton Pty Ltd	100	0
E04/1525	Exploration Licence	Rey Mt Fenton Pty Ltd	100	0
E04/1529	Exploration Licence	Rey Victory Pty Ltd	100	0
E04/1768	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1770	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1833	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/2380	Exploration Licence Application	Blackfin Pty Ltd	100	100
E04/2397	Exploration Licence Application	Rey Victory Pty Ltd	0	100
L04/0058	Miscellaneous Licence Application	Blackfin Pty Ltd	100	100
M04/0453	Mining Lease Application	Blackfin Pty Ltd	100	100
R04/2 <sup>3</sup>	Retention Licence Application	Camballin Energy Pty Ltd	100	100
R04/3	Retention Licence Application	Blackfin Pty Ltd	100	100
	<b>Petroleum Permits</b>			
EP457	Exploration Permit	Rey Oil and Gas Pty Ltd	25	25
EP458	Exploration Permit	Rey Oil and Gas Pty Ltd	25	25
EP487	Exploration Permit	Rey Lennard Shelf Pty Ltd	0	50
EP437	Exploration Permit	Rey Oil and Gas Perth Pty Ltd	43.47	43.47

<sup>1</sup> All tenements are located in Western Australia.

<sup>2</sup> Relinquished post end of quarter.

<sup>3</sup> Granted post end of quarter.



## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**REY RESOURCES LIMITED**

ABN

84 108 003 890

Quarter ended ("current quarter")

30 June 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(1,667)	(4,647)
	(b) development	(115)	(604)
	(c) production	-	-
	(d) administration	(274)	(1,614)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	11	48
1.5	Interest and other costs of finance paid	-	-
	<b>Net Operating Cash Flows</b>	<b>(2,045)</b>	<b>(6,817)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	(50)
	(c) other fixed assets	-	(7)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	8	22
1.10	Loans from other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Bonds received	-	-
	- Bonds paid	-	-
	<b>Net investing cash flows</b>	<b>8</b>	<b>(35)</b>
1.13	Total operating and investing cash flows (carried forward)	(2,037)	(6,853)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,037)	(6,853)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares net of costs	-	6,000
1.15	Share buy-back cost	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(58)	(477)
	<b>Net financing cash flows</b>	<b>(58)</b>	<b>5,523</b>
	<b>Net increase (decrease) in cash held</b>	<b>(2,095)</b>	<b>(1,330)</b>
1.20	Cash at beginning of quarter/year to date	3,765	3,000
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,670</b>	<b>1,670</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'ooo
1.23 Aggregate amount of payments to the parties included in item 1.2	199
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.19) \$58K share buyback costs

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,550
4.2 Development	100
4.3 Production	-
4.4 Administration	450
<b>Total</b>	<b>3,100</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,670	3,765
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,670</b>	<b>3,765</b>

### Changes in interests in mining and petroleum tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly report

6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	E04/1524		100%	0%
		E04/1525		100%	0%
		E04/1516		100%	0%
		E04/1529		100%	0%
		E04/1518		100%	0%
		E04/1515		100%	0%
		E04/1517		100%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	E04A/2397 EP487		0% 0%	100% 50%

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	711,750,074	711,750,074		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through buy-backs	(701,060)	(701,060)		10.43cents
7.5	<b>+Convertible debt securities</b> (description)				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)				
7.8	Issued during quarter				
7.9	Exercised during quarter	-			
7.10	Expired during quarter				
7.11	Cancelled during quarter	-			
7.12	<b>Performance Rights</b> (description)	2 426,667 1,000,000 <u>3,426,667</u>			<i>Expiry date</i> 30.06.2016 30.06.2017
7.13	Issued during quarter				
7.14	Exercised during quarter				
7.15	Expired during quarter	1,500,000 985,294			<i>Expiry date</i> 30.06.2015 30.06.2015
7.16	Cancelled during quarter				
7.17	<b>Debentures</b> (totals only)	N/A	N/A		
7.18	<b>Unsecured notes</b> (totals only)	N/A	N/A		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 13 July 2015

(Company secretary)

Print name: Shannon Coates

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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