REY RESOURCES LIMITED

A.B.N. 84 108 003 890

CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

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CORPORATE DIRECTORY

Directors
Non-Executive Chairman – Ms Min Yang
Managing Director – Mr Kevin Wilson
Non-Executive Director – Mr Geoff Baker
Non-Executive Director – Mr Dachun Zhang
Non-Executive Director – Mr Jin Wei

Company Secretary
Ms Shannon Coates

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Australian Securities Exchange Code: REY

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 2015.

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 Kevin Wilson – Managing Director
Mr Geoff Baker – Non-Executive Director
Mr Dachun Zhang – Non-Executive Director
Mr Jin Wei – Non-Executive Director

Directors were in office from the start of the financial year to the date of this report.

Details of Directors' qualifications, experience, special responsibilities and directorships of other listed companies can be found on pages 5 to 6.

2. INFORMATION ON DIRECTORS AND OFFICERS

Directors	Designation and Independence status	Experience, expertise and qualifications	Directorships of other ASX 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, Min 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 Ltd (September 2005, ongoing) • ActiveEX Limited (May 2012, ongoing) • Key Petroleum Limited (January 2014, ongoing) • Metaliko Resources Limited (August 2014, ongoing)	• Non-Executive Chairman • Member, Audit and Risk Management Committee
Kevin Wilson Appointed on 9 August 2007	Managing Director Executive	Qualifications – BSc (Hons), ARSM, MBA Mr Wilson has over 30 years' experience in the minerals and finance industries. He was the Managing Director of Leviathan Resources Limited, a Victorian gold mining company, from its IPO in 2005 through to its sale in 2006. His experience includes eight years as a geologist with the Anglo American Group in Africa and North America and 14 years as a stockbroking analyst and investment banker with CS First Boston and Merrill Lynch in Australia and New York.	• Navarre Minerals Limited (March 2011, ongoing)	• Managing Director
Geoff Baker Appointed on 13 September 2012	Director Non-Executive	Qualifications – BCom, LLB, MBA For the past 35 years Geoff 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, Geoff provides valuable assistance to international operations	• ASF Group Ltd (November 2006, ongoing) • ActiveEX Limited (February 2013, ongoing)	• Member, Audit and Risk Management Committee

Directors	Designation and Independence status	Experience, expertise and qualifications	Directorships of other ASX listed companies during the last three years	Special responsibilities during the year
		and in particular to the negotiation, structuring and implementation of joint venture and commercial agreements.	• Key Petroleum Limited (alternate to Min Yang) (January 2014, ongoing) • Metaliko Resources Limited (August 2014, ongoing)	
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.		• Chairman, Audit and Risk Management Committee
Jin Wei Appointed on 2 December 2013	Director Non-Executive	Jin Wei holds PhD in Science in China University of Geosciences. He has over 20 years' professional experience covering exploration, mineral industry construction and operation, as well as mineral resources products international trading activities in Australia, China, Russia and Mongolia.		• Member, Audit and Risk Management Committee

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 and AIM listed companies and unlisted companies, the majority of which operate in the mineral resources industry, both in Australia and internationally. Ms Coates is Director to Perth based corporate advisory firm Evolution Corporate Services Pty Ltd, which specialises in the provision of corporate services to ASX, JSE and AIM 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	**7**	**7**
Kevin Wilson	**7**	**7**
Geoff Baker	**7**	**7**
Dachun Zhang	**7**	**7**
Jin Wei	**7**	**7**

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 the four Non-Executive Directors, with Mr Dachun Zhang as Chair. The number of Audit and Risk Management Committee meetings and number of meetings attended by each of the member of the Committee during the financial year are:

Director	**Meetings**	
	A	**B**
Min Yang	**2**	**2**
Kevin Wilson	**N/A**	**N/A**
Geoff Baker	**2**	**2**
Dachun Zhang	**2**	**2**
Jin Wei	**2**	**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	1,000,000	Nil	Nil
Kevin Wilson	4,485,006	Nil	3,426,667[1]
Geoff Baker	1,000,000	Nil	Nil
Dachun Zhang	2,915,300	Nil	Nil
Jin Wei	1,200,000[2]	Nil	Nil

1. 2,426,667 Performance Rights subject to the Company's absolute total shareholder return over the measurement period 1 July 2012 to 30 June 2015 with a re-test date at 30 June 2016; 1,000,000 Performance Rights subject to the Company's absolute total shareholder return over the measurement period 1 July 2014 to 30 June 2017 with a re-test date at 30 June 2018.
2. On 18 August 2014, Jin Wei advised he had ceased holding an indirect interest in 125,571,429 Rey Shares, previously held as a result of being a shareholder and director of Crystal Yield Investments Ltd (which holds 70,571,429 Rey ordinary shares) and of Ricky Holdings Ltd (which holds 55,000,000 Rey ordinary shares).

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 under 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.

6. REMUNERATION REPORT – AUDITED (continued)

6.1 Principles of compensation (continued)

2015 Key Management Personnel

The KMP of Rey Resources during the year ended 30 June 2015 were:

Non Executive	
Min Yang	Non-Executive Chairman (appointed 13 September 2012)
Geoff Baker	Non-Executive Director (appointed 13 September 2012)
Dachun Zhang	Non-Executive Director (appointed 1 July 2013)
Jin Wei	Non-Executive Director (appointed 2 December 2013)
Executive	
Kevin Wilson	Managing Director (appointed 9 August 2007)
Ian Pound	General Manager

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, particularly in Western Australia.
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. The only participant in the plan is currently the Managing Director.

Long term incentive

Executives are eligible to participate in the Rey Resources Limited Executive Incentive Rights Plan ("2014 EIRP"), which was approved by shareholders at the Company's 2014 Annual General Meeting. The 2014 EIRP replaced the 2011 EIRP that was previously approved by shareolders. The EIRP aligns the reward of the participants with the long term creation of shareholder value. The Managing Director and the General Manager are eligible to participate in the plan.

Both the 2014 EIRP and 2011 EIRP enable participants to be granted rights to acquire shares subject to the satisfaction of certain conditions including progression of Rey project milestones and Total Shareholder Return ("TSR"). 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 forms an important component of the total remuneration of the Managing Director. The number of rights provided are based on 50% of TFR. The allocated rights are then subject to a three year vesting period which requires achievement of a compound annual growth in Total Shareholder Return hurdle for the vesting period, and where relevant achievement of additional performance conditions. The proportion to vest increases from 25% at a 10% compound annual growth rate, to 100% for achieving greater than 20% compound annual growth. The vesting condition may be retested one year after the three year vesting period.

The EIRP plan 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.

The below table represents the remuneration mix for executives in the current year. The long-term incentive amount is provided based on the share performance right in the current year.

	Fixed Remuneration	STI	LTI
Managing Director			
Kevin Wilson	85.48%	0%	14.52%
Other Executive			
Ian Pound	100%	0%	0%

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 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.

	2015	2014	2013	2012	2011
Rey Closing Share Price as at 30 June	0.105	0.105	0.052	0.075	0.199

Consequences of performance on shareholder wealth

	2015	2014	2013	2012	2011
Profit (loss)	($10,200)	($3,304)	($7,678)	($8,919)	($5,601)
Dividends declared	0	0	0	0	0
Total shareholder return (TSR)%	10%	83%	(38%)	(60%)	58%

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 $96,000 per annum; Mr Baker $120,000 per annum; Mr Zhang $50,000 per annum; Mr Wei $60,000 per annum. In addition, at the Annual General Meeting on 28 November 2014, Rey shareholder approval was received for the grant of 3,500,000 ordinary shares to Directors or their nominees (1,000,000 to Ms Yang, 1,000,000 to Mr Baker, 1,000,000 to Mr Jin Wei and 500,000 to Mr Zhang).

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 2014 and 30 June 2015.

	Short Term Benefits			Post-employment Benefits	Other Long Term employee benefit	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								
2015	96,000	-	-	-	-	90,000	-	186,000
2014	96,000	-	-	-	-	-	-	96,000
K Wilson -Managing Director								
2015	332,420	-	-	31,580	422	61,910	-	426,332
2014	333,181	-	-	30,819	20,879	(96,449)	-	288,430
G Baker - Non-Executive Director - Appointed 13 September 2012								
2015	120,000	-	-	-	-	90,000	-	210,000
2014	120,000	-	-	-	-	-	-	120,000
D Zhang - Non-Executive Director -Appointed 1 July 2013								
2015	50,000	-	-	-	-	45,000	-	950,000
2014	50,000	-	-	-	-	-	-	50,000
J Wei - Non Executive Director-Appointed 2 December 2013								
2015	60,000	-	-	-	-	90,000	-	150,000
2014	35,000	-	-	-	-	-	-	35,000
I Pound – General Manager								
2015	280,000	-	-	26,600	12,923	-	-	319,523
2014	281,000	-	-	25,900	6,462	(50,659)	-	262,703
TOTAL								
2015	938,420	-	-	58,180	13,345	376,910	-	1,386,855
2014	915,181	-	-	56,719	27,341	(147,108)	-	852,133

6.3 Equity instruments

6.3.1 1,000,000 share rights were granted to the Company's Managing Director during the financial year. The rights granted were provided at no cost to the recipient. The rights are issued as performance rights, which are conditional on the Company achieving certain performance hurdles.

6.3.2 The valuation assumptions and methodology for the Share based payments (rights) are set out in note 20 to the financial statements.

6.3.3 Rights over equity instruments granted as compensation

Details on rights over ordinary shares in the Company that were granted as compensation to the KMP during the reporting period and details on those rights that also vested during the reporting period are as follows:

Name	Number of rights held during FY 2015[1]	Investing condition	Grant Date	Fair value per share right at grant date	Vest Date	Expiry Date
K Wilson	1,000,000[1]	TSR	26 Nov 2014	$0.057	30 June 2017	30 June 2018
	2,426,667[2]	TSR	22 Nov 2012	$0.043	30 June 2015	30 June 2016

1. Approved by shareholders at 2014 Annual General Meeting.
2. Approved by shareholders at 2012 Annual General Meeting.

6.3.4 Options and rights over equity instruments granted as compensation

Details of the vesting profiles of the options and rights granted as remuneration to the KMP are detailed below.

Name	Number	Grant Date	% vested in year	% forfeited/ lapsed in financial year 2015	Financial year in which grant vests
Share Rights					
K Wilson	985,294	22.11.2012	0%	100%	Lapsed 30 June 2015
K Wilson	1,000,000	26.11.2014	0%	0%	Vest 30 June 2017
K Wilson	2,426,667	22.11.2012	0%	0%	Retest 30 June 2016

6.3.5 Movements in share rights

The movement during the reporting period of share rights over ordinary shares in the Company held by the KMP is detailed below.

The movement during the reporting period, by number of rights over ordinary shares in the Company held by the KMP is detailed below.

Name	Held at 1 July 2014	Other Changes[1]	Held at 30 June 2015	Vested during year
Share Rights				
K Wilson	985,294	(985,294)	-	-
K Wilson	2,426,667	-	2,426,667	-
K Wilson	-	1,000,000	1,000,000	-

1. Other Changes represent rights that lapsed or were issued during the year.

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[1]	Termination by Executive
Kevin Wilson Managing Director	Ongoing	6 months' notice or payment in lieu. Pro-rata Annual Incentive is paid. Unvested Long Term Incentive vests.	6 months' notice or payment in lieu. If terminated within 6 months of a Fundamental Change receives 6 months TFR at termination date[2.] Board discretion to pay pro-rata Annual Incentive and unvested Long Term Incentive.
Ian Pound General Manager	Ongoing	3 months' notice or payment in lieu.	1 month notice or payment in lieu.

1. All executives may be terminated immediately for serious misconduct, with payment of TFR and accrued leave up until the termination date.
2. A Fundamental Change occurs if the Company's shares are suspended from trading, the Company is delisted, or Mr Wilson is required to undertake a materially different role.

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 with reasonable 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 2014-2015 year.

The Board is satisfied that the remuneration recommendations were made free from any undue influence by the members of the KMP to whom the recommendations related.

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:

2015	Held at 1 July 2014	Received as compensation	Received on exercise of options/rights	Other changes	Held at 30 June 2015
Directors					
Min Yang	-	1,000,000	-	-	1,000,000
Kevin Wilson	4,485,006	-	-	-	4,485,006
Geoff Baker	-	1,000,000	-	-	1,000,000
Jin Wei	125,771,429	1,000,000	-	(125,571,429)[1]	1,200,000
Dachun Zhang	2,415,300	500,000	-	-	2,915,300

Executives					
Ian Pound	353,000	-	-	-	353,000
Total	133,024,735	3,500,000	-	(125,571,429)	10,953,306

1. On 18 August 2014, Jin Wei advised he had ceased holding an indirect interest in 125,571,429 Rey Shares, previously held as a result of being a shareholder and director of Crystal Yield Investments Ltd (which holds 70,571,429 Rey ordinary shares) and of Ricky Holdings Ltd (which holds 55,000,000 Rey ordinary shares).

6.7 Movements in Option holdings

No KMP held or were issued options during the 2015 reporting period.

6.8 Movement in Share right holdings

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

2015	Held at 1 July 2014	Granted as compensation	Exercised	Other changes	Held at 30 June 2015	Vested and exercisable at 30 June 2015	Unvested and unexercisable at 30 June 2015
Directors							
Min Yang	-	-	-	-	-	-	-
Kevin Wilson	3,411,961	1,000,000	-	(985,294)	3,426,667	-	3,426,667
Geoff Baker	-	-	-	-	-	-	-
Jin Wei	-	-	-	-	-	-	-
Dachun Zhang	-	-	-	-	-	-	-
Executives							
Ian Pound	-	-	-	-	-	-	-
Total	3,411,961	1,000,000	-	(985,294)	3,426,667	-	3,426,667

END OF REMUNERATION REPORT

7. PRINCIPAL ACTIVITIES

The principal activity of Rey Resources is exploring for and developing energy resources in Western Australia's Canning and Perth Basins. The Company holds coal exploration assets, a 25% interest in petroleum permits EP457 & 458 in joint venture with Buru Energy Limited and Mitsubishi Corporation and a 43.47% in petroleum exploration permit EP437.

Rey acquired a 50% interest in the Derby Block EP487 in the Canning Basin and entered into Joint Venture Agreement with Oil Basins who will act as Operator until 1 January 2016, at which time the Company will assume operatorship of the Derby Block, subject to certain preconditions.

Rey also acquired approximately 4% of the issued share capital Norwest Energy NL in June 2015. Norwest is an Australian-based oil and gas company focused on the strategic exploration and development of its asset portfolio in Western Australia and the UK.

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 and Perth Basin, with particular focus on its oil and gas assets.

Oil and Gas

Canning Basin

EP457 & EP458

Rey Resources holds a 25% interest in Exploration Permits EP457 and EP458 ("the Fitzroy Blocks"). The Fitzroy Blocks are located in the Canning Basin in the northwest of Western Australia. The equity interest in each permit is:

Rey Oil and Gas Pty Ltd	25%	(of which a 10% interest is free carried to production)
Buru Fitzroy Pty Ltd	37.5%	(Buru Energy Limited operator)
Diamond Resources (Fitzroy) Pty Ltd	37.5%	(100% subsidiary of Mitsubishi Corporation)

In August 2014 a total of 112.5 line-km of 2D seismic was acquired in EP458 and planning is underway for an additional 100 line-km of 2D seismic acquisition in EP457 in the first half of 2015-16 financial year, over drilling prospects Wright and Victory.

Drilling of oil exploration wells Victory-1 in EP457 and Senagi-1 in EP458 was planned and approvals advanced with the target of drilling in the first half of 2015-16 financial year. Victory-1 spudded on 9 September 2015.

EP487

As announced on 1 June 2015, Rey Lennard Shelf Pty Ltd (a wholly owned subsidiary of Rey Resources) completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 from Backreef Oil Pty Ltd and entered into a Joint Venture Agreement with Oil Basins Limited. The equity interests in the permit are :

Rey Lennard Shelf Pty Ltd	50%
Oil Basins Limited	50%

Oil Basins is the appointed Operator until 1 January 2016 (or as extended with an Oil Basins introduced third party farminee) and Rey will become Operator from 1 January 2016 should no farmout occur by 31 December 2015.

Perth Basin

EP437

As reported in ASX announcement of 30 October 2014, Rey earned a 43.47% interest in EP437 by contributing 86.94% of the costs of the Dunnart-2 well, which was drilled in July-September 2014 under the management of Key Petroleum as Operator of the permit. The beneficial interests in EP437 are:

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

The Dunnart-2 well encountered oil shows over a 20m interval. During flow testing in June 2015 no commercial hydrocarbons flowed to surface and the well has been decommissioned.

As announced on 30 January 2015, further prospects and leads have been identified. 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.

Norwest Energy NL

In June 2015 Rey became a cornerstone invester in Norwest Energy NL. The companies will work together to investigate and develop potential farm-in opportunities around Norwest's Perth Basin interests.

Coal

Rey Resources' thermal coal tenements are also located in Western Australia's Canning Basin and are partly contiguous with the Fitzroy Blocks. No field work was undertaken during the year. Rey has continued to refine its exploration tenement holding by surrendering areas with lower coal prospectivity, constrained access or deeper coal.

During the year, Rey and Mineralogy Pty Ltd agreed to discontinue all legal activity in relation to the October 2009 Mineralogy Pty Ltd applications for forfeiture and objections to applications for exemption from expenditure affecting 11 mineral exploration licences.

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Duchess Paradise Coal Project

The Duchess Paradise Coal Project is a slot/highwall mine proposal for the mining and export of up to 2.5 million tonnes per annum of bituminous thermal coal, on which a positive Definitive Feasibility Study ("DFS") was completed at the end of June 2011.

Rey relinquished its sublease at the Derby Port during the June quarter 2015. 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.

In April 2015, the Duchess Paradise Coal Project environmental assessment was placed on hold.

During the first half of the financial year, Rey completed a review and update of its Duchess Paradise P1-seam thermal coal Resources and Reserves Statement to the 2012 edition of the JORC Code. As reported to the ASX on 28 October 2014, the review confirmed the Resources and Reserves Statements previously announced under the 2004 JORC Code. A review in August 2015 concluded that there had been no material change to the previously reported Resources and Reserves.

Corporate

During the year, Rey Resources raised a total of $7 million (before costs) through the issue of new equity.

- On 30 June 2014 the Company announced that it was undertaking a capital raising to raise up to $3 million (before costs) at 10 cents per share. The first tranche of $1 million was received and shares issued on 10 July 2014; the second tranche of $1.5 million was received and shares issued on 19 August 2014, the third tranche of $0.5 million was received on 4 September 2014 and shares issued on 9 September 2014.
- On 8 July 2014, Rey entered into a Strategic Cooperation Framework Agreement with China National Fuels Corporation, a China based energy company. The agreement formalises discussions that have occurred over the past 12 months and has a key objective that the parties will jointly establish and develop oil and gas opportunities together with associated infrastructure in Western Australia, with an emphasis in the Canning Basin.
- On 28 November 2014, the Company announced the proposed acquisition of a 50% interest in petroleum exploration permit EP487 (the Derby Block), located in the Canning Basin of Western Australia. The acquisition was completed on 1 June 2015, at which time Rey also entered into a Joint Venture Agreement ("JOA") with Oil Basins Limited (ASX: OBL), holder of the remaining 50% interest, for the operation of exploration programmes on the Derby Block.
- On 3 December 2014 the Company extended its on-market share buy back programme for a further 12 months. During the financial year at total of 1,806,445 shares ($188,080) were bought back, with a further 797,000 shares ($69,466) bought back from the end of the financial year to the date of this report.
- On 27 January 2015 the Company completed a further capital raising, raising $4 million (before costs) at 8 cents per share.
- On 3 June 2015, Rey announced it had become a cornerstone investor in Norwest Energy NL (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.

Finance review

The loss for the Group after income tax for the year ended 30 June 2015 was $10,200,000 (2014: $3,304,000). This amount includes $8,116,000 written off as a result of 19 mineral exploration tenements that were relinguished or converted to retention licence during the year.
During the period $4,758,000 (2014: $4,147,000) in exploration expenditure was capitalised, $3,723,000 of which related to oil and gas exploration (2014: $1,458,560).

9. DIVIDENDS

No dividend has been paid or declared by the Company during the financial year ended 30 June 2015 (2014: nil) and the Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2015.

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

During the financial period, 1,000,000 performance rights were issued to Managing Director, Mr Kevin Wilson (2014: Nil). Performance rights have no exercise price on vesting.

As at the date of this report there are 3,426,667 performance rights on issue. Details of performance rights over unissued shares in Rey Resources as at the date of this report are set out below:

Class	Number	Issue Date	Expiry Date
Director Performance Rights	2,426,667	5 December 2012	30 June 2016
Director Performance Rights[1]	1,000,000	28 November 2014	30 June 2018

1. Subject to review on 30 June 2017.

Performance Rights vested, forfeited or lapsed

During the financial period, 2,485,294 unvested performance rights lapsed.

During or since the end of the financial year no other performance rights were forfeited, cancelled or lapsed.

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 asprotection 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 September the Victory-1 well was spudded in EP457 and was progressing at the date of this report.

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 ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order 98/100, amounts included in the consolidated financial statements and Directors’ report have been rounded to the nearest thousand dollars, unless otherwise stated.

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 22 and forms part of the Directors' report for the financial year ended 30 June 2015.

Signed in accordance with a resolution of Directors.

Min Yang
Non-Executive Chairman
Sydney, Australia
24 September 2015

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 for the financial year ended 30 June 2015 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

R Gambitta
Partner

Perth

24 September 2015

Rey Resources Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

in thousands of dollars	Note	30 June 2015	30 June 2014
Other income	4	**14**	9
Exploration impairment	11	**(8,117)**	(1,416)
Administrative expenses	5	**(2,147)**	(2,017)
Loss from operations		**(10,250)**	(3,424)
Finance income	4	**50**	120
Net finance income		**50**	120
Loss before income tax		**(10,200)**	(3,304)
Income tax benefit	6	**-**	-
Loss for the year attributable to owners of the company		**(10,200)**	(3,304)
Other comprehensive income			
Items that will not be reclassified to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss		**-**	-
Total comprehensive loss for the year, attributable to owners of the Company		**(10,200)**	(3,304)
Loss per share			
Basic and diluted (cents per share)	7	**(1.50)**	(0.53)

The notes on pages 27-56 are an integral part of these consolidated financial statements

Rey Resources Limited

Consolidated statement of financial position

As at 30 June 2015

in thousands of dollars	Note	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	8a	**1,652**	3,000
Trade and other receivables	9	**58**	50
Prepayments		**22**	50
Total current assets		**1,732**	3,100
Non-current assets			
Security deposits	9	**-**	38
Property, plant and equipment	10	**20**	8
Investment in Norwest		**250**	-
Exploration and evaluation expenditure	11	**34,796**	38,155
Total non-current assets		**35,066**	38,201
Total assets		**36,798**	41,301
LIABILITIES			
Current liabilities			
Trade and other payables	12	**129**	268
Provisions	13	**184**	232
Total current liabilities		**313**	500
Non-current liabilities			
Provisions	13	**45**	45
Total non-current liabilities		**45**	45
Total liabilities		**358**	545
Net assets		**36,440**	40,756
EQUITY			
Share capital	14	**81,072**	75,565
Reserves	15	**2,200**	1,823
Accumulated losses		**(46,832)**	(36,632)
Total equity attributable to equity holders of the Company		**36,440**	40,756

The notes on pages 27-56 are an integral part of these consolidated financial statements

Rey Resources Limited

Consolidated statement of changes in equity

For the year ended 30 June 2015

In thousands of dollars

	Share capital	Share based payment Reserve	Accumulated Losses	Total
Balance at 30 June 2013	70,425	2,089	(33,328)	39,186
Total comprehensive income:				
Loss for the period			(3,304)	(3,304)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(3,304)	(3,304)
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares	5,360	-	-	5,360
Less: transaction Cost	(101)	-	-	(101)
Share-based payment transactions	-	(266)	-	(266)
Share buy back	(119)	-	-	(119)
Balance at 30 June 2014	**75,565**	**1,823**	**(36,632)**	**40,756**
Loss for the period			**(10,200)**	**(10,200)**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**(10,200)**	**(10,200)**
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares [14]	**6,000**	**-**	**-**	**6,000**
Less: transaction Cost[14]	**(305)**	**-**	**-**	**(305)**
Share-based payment transactions[19]	**-**	**377**	**-**	**377**
Share buy back[14]	**(188)**	**-**	**-**	**(188)**
Balance at 30 June 2015	**81,072**	**2,200**	**(46,832)**	**36,440**

The notes on pages 27-56 are an integral part of these consolidated financial statements.

Rey Resources Limited

Consolidated statement of cash flows

For the year ended 30 June 2015

in thousands of dollars	**Note**	**30 June 2015**	30 June 2014
Cash flows from operating activities			
Cash paid to suppliers and employees		**(1,927)**	(2,815)
Net cash used in operating activities	8b	**(1,927)**	(2,815)
Cash flows from investing activities			
Interest received		**47**	116
Cash received from R&D claims		**-**	545
Investment in share		**(250)**	-
Payments for property, plant and equipment		**(16)**	-
Proceeds from sale of plant and equipment		**10**	53
Recovery of rehabilitation bonds		**-**	256
Recovery of other bonds		**38**	300
Payments for exploration expenditure		**(4,757)**	(3,760)
Net cash used in investing activities		**(4,928)**	(2,490)
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of costs)		**5,695**	5,360
Share buy back		**(188)**	(119)
Repayment of loans and borrowings		**-**	(213)
Net cash from financing activities		**5,507**	5,028
Net (decrease)/increase in cash and cash equivalents		**(1,348)**	(277)
Cash and cash equivalents at the beginning of the year		**3,000**	3,277
Cash and cash equivalents at the end of the year	8a	**1,652**	3,000

The notes on pages 27-56 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 1121 Hay Street, West Perth, Western Australia, 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 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.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 September 2015.

(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 2015 the Group incurred a loss of $10,200,000 and experienced net cash outflows of $1,348,000. The loss for the period was significantly impacted by the recognition of impairment losses on exploration and evaluation assets of $8,117,000. As at 30 June 2015 the Group has cash of $1,652,000 and a net working capital position of $36,440,000.

The Group has prepared a cashflow forecast for the 15 months ending 30 September 2015. The cashflow forecasts demonstrates the need to raise additional funding to meet both non-discretionary and discretionary expenditure. The forecast non-discretionary expenditure includes Rey's share of committed spend for exploration programs on the Canning Basin properties with a material amount due in the immediate term. Rey is considering funding alternatives in the form of debt and equity, including discussions with existing shareholders. Based on those alternatives, the directors are confident that sufficient funding will be available in the timeframes required and that the adoption of the going concern basis of preparation is appropriate.

Should the Group be unable to raise the necessary funding to meet its commitments, there is a material uncertainty in relation to as to whether the Group will continue as a going concern and whether it will 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 Class Order 98/100 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 6 - recoverability of tax losses.
Note 11 - ultimate recoupment of carried forward exploration expenditure.
Note 19 - key assumptions in determining the fair value of share based payments.

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 enity 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 enquiry 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) Jointly arrangement

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 are 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.

(c) Non derivative financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) 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.

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.

At the end of each reporting period, the capitalised exploration and evaluation expenditure is assessed for impairment. These costs are 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 mining plants, 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 is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables and held-to maturity securities

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.

(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.

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.

(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.

(o) New standards and interpretations not yet adopted

In the year ended 30 June 2015, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business that are not already disclosed, and therefore, no change is necessary to Group accounting policies.

4. OTHER INCOME AND FINANCE INCOME

in thousands of dollars	**2015**	**2014**
Other income		
Foreign exchange gain/(loss)	-	1
Other income	14	8
	14	9
Finance income		
Interest income	50	120
	50	120

5. ADMINISTRATIVE EXPENSES

in thousands of dollars	**2015**	**2014**
Office supplies and expenses	263	330
Professional consulting fees	311	560
Employee benefits expense (see below)	1,192	507
Depreciation and amortisation expense	4	45
Insurance premiums	50	140
Legal costs	94	198
Other expenses (inc Travel expense)	233	237
	2,147	2,017

Employee benefits expense consists of:		
Equity-settled share- based payments	377	(266)
Salaries and fees	757	723
Superannuation	58	50
	1,192	507

6. INCOME TAX EXPENSE

in thousands of dollars	2015	2014
Income tax recognised in 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	2015	2014
Accounting loss before tax	(10,200)	(3,304)
At statutory income tax rate of 30% (2014: 30%)	(3,061)	(990)
Non-deductible expenses	(259)	(335)
Tax exempt income	-	164
Tax losses for which no deferred tax asset was recognised	3,319	1,161
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	2015	2014	2015	2014
Deferred tax liabilities				
Exploration and evaluation expenditure	(10,438)	(11,446)	1,008	(6,775)
Other	-	(16)	16	28

Gross deferred tax liability	(10,438)	(11,462)	1,024	(6,747)
Deferred tax assets				
Tax loss carry forwards	10,339	11,382	(1,043)	6,760
Other	99	80	19	(13)
Gross deferred tax asset	10,438	11,462	(1,024)	6,747

Tax losses

At 30 June 2015, the Group has tax losses arising in Australia of $68,414,279 (2014: $60,719,333) 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.

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.

7. LOSS PER SHARE

	in thousands of dollars	**2015**	**2014**
a.	Loss attributable to owners of the Company	(10,200)	(3,304)
		No.	**No.**
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted loss per share	679,468,199	625,384,492
c.	Basic loss per Share (cents per share**)**	(1.50)	(0.53)

At 30 June 2015, the Company's potential ordinary shares, comprising 3,426,667 share performance rights (2014: 4,911,961) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

8a. CASH AND CASH EQUIVALENTS

in thousands of dollars	**2015**	**2014**
Cash at bank and in hand	1,652	3,000
Cash and cash equivalents	1,652	3,000

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

8b. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

in thousands of dollars	Note	**2015**	**2014**
Cash flows from operating activities			
Loss for the period		(10,200)	(3,304)
Adjustments for:			
Depreciation	10	4	45
Impairment of capitalised exploration expenditure	11	8,117	1,416
Equity-settled share-based payment expense	5	377	(266)
Interest income		(50)	(300)
Other benefit		(8)	(432)
		(1,760)	(2,841)
(Increase) / decrease in trade and other receivables		(8)	71
(Increase) / decrease in prepayments		28	396
Increase / (decrease) in trade and other payables		(139)	(400)
Increase / (decrease) in provisions and employee benefits		(48)	(41)
Net cash used in operating activities		(1,927)	(2,815)

9. TRADE AND OTHER RECEIVABLES

in thousands of dollars	2015	2014
Other receivables	58	50
Security deposits	-	38
	58	88
Current	58	50
Non-current	-	38
	58	88

10. PROPERTY, PLANT AND EQUIPMENT

in thousands of dollars	2015	2014
Property, plant and equipment		
At cost	198	242
Accumulated depreciation	(178)	(234)
Total property plant and equipment	20	8

Movements in carrying amounts:

in thousands of dollars	2015	2014
Balance as at 1 July	8	94
Additions	16	-
Disposals	-	(41)
Depreciation expense	(4)	(45)
Balance as at 30 June	20	8

11. EXPLORATION AND EVALUATION EXPENDITURE

in thousands of dollars	**2015**	**2014**
Costs carried forward in respect of:		
Incurred at cost by the Group on assets not governed by joint venture agreements[1]	23,579	30,478
Capitalised share of exploration assets under Joint Venture Agreements[2]	7,932	7,266
Capitalised share of exploration assets under Joint Venture Agreements[3]	2,445	411
Capitalised share of exploration assets under Joint Venture Agreements[4]	840	-
Costs carried forward	34,796	38,155

1. Exploration and evaluation expenditure recognised in exploration assets held solely by the Group.
2. Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Buru Energy Limited and Mitsubishi Corporation. This amount includes the Group's proportionate share of exploration assets held by the respective joint venture entities.
3. Exploration and evaluation expenditure recognised on tenements under under joint venture agreement with Key Petroleum Pty Ltd and Caracal Exploration Pty Ltd. This amount includes The Group's proportionate share of exploration assets held by the EP437 tenement owners.
4. Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Oil Basins Ltd. This amount includes The Group's proportionate share of exploration assets held by the EP487 tenement owners.

in thousands of dollars	**2015**	**2014**
At cost	52,363	47,603
Accumulated impairment losses	(17,567)	(9,448)
	34,796	38,155

Movements in carrying amount:

in thousands of dollars	**2015**	**2014**
Opening balance	38,155	15,569
Transfer from asset held for sale	-	20,400
Current year expenditure capitalised	4,758	4,147
Impairment	(8,117)	(1,416)
R&D refund offset	-	(545)
	34,796	38,155

During 2015, as a result of the impairment testing process at 30 June 2015, the Group recognised an impairment loss of $8,117,000 with respect to relinquishment of 18 Coal tenements exploration license and 1 coal tenement exploration license changed to retention license. The impairment loss was recognised in' exploration impairment' on the Consolidated Statement of Profit or Loss and other Income.

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or evaluation phase is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas.

Tenements where tenure is not intended to be continued have been fully impaired as at 30 June 2015.

Blackfin Pty Ltd, a subsidiary of the Company, lodged applications for exemption from expenditure in relation to 11 of its exploration licences for the 2009 expenditure year. Mineralogy Pty Ltd lodged objections to the applications for exemption from expenditure and forfeiture applications affecting the 11 exploration licences. During the year Rey and Mineralogy agreed to discontinue all legal activity concerning the exploration licences and the Mining Warden dismissed the matters.

12. TRADE AND OTHER PAYABLES

in thousands of dollars	**2015**	**2014**
Unsecured liabilities		
Trade payables	2	174
Sundry payables and accrued expenses	127	94
	129	268

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 21.

13. PROVISIONS

in thousands of dollars	**2015**	**2014**
Current		
Employee benefits	184	152
Other[1]	-	80
	184	232
Non-current		
Employee benefits	45	45
	45	45

1. The dismissal of legal matters concerning eleven plainted mineral tenements resulted in the reversal of an $80,000 provision.

14. ISSUED CAPITAL

in thousands of dollars	2015	2014
711,750,074 (2014: 630,202,151) fully paid ordinary shares	81,072	75,565
	81,072	75,565

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

	2015		2014	
	Number	**$'000**	**Number**	**$'000**
On issue at beginning of the year	630,202,151	75,565	560,733,873	70,425
1 July 2013 [1]	-	-	149,000	-
14 October 2013[2]	-	-	53,571,429	3,000
29 October 2013[3]	-	-	17,000,000	1,360
30 June 2014[4]	10,000,000	-	-	1,000
Share buy back (18/02/14-30/06/14)	-	-	(1,252,151)	(119)
Shares issued during the year:				
19 August 2014[4]	15,000,000	1,500	-	-
9 September 2014[4]	4,854,368	500	-	-
28 November 2014[5]	3,500,000	-	-	-
27 January 2015[6]	50,000,000	4,000	-	-
Share buy back (01/07/14-30/06/15)[7]	(1,806,445)	(188)	-	-
Transaction costs relating to share issue	-	(305)	-	(101)
On issue at the end of the year	711,750,074	81,072	630,202,151	75,565

1. On 1 July 2013, the Company allotted 149,000 shares to Ian Pound (General Manager) on vesting of retention rights issued on 23 June 2011.

2. On 14 October 2013, the Company issued 53,571,429 fully paid ordinary Rey shares issed to Crystal Yield Investments Limited on conversion of the payment of $3 million in relation to the Duchess Paradise Project acquisition.

3. On 29 October 2013, Crystal Yield Investments subscribed to a further 17,000,000 shares at an issue price of 8 cents per share.

4. On 30 June 2014 the Company announced that it was undertaking a capital raising of up to $3 million (before costs) at 10 cents per share. The first tranche of shares was issued on 10 July 2014 and $1 million received before 30 June 2014; the second tranche was issued on 19 August 2014; and the final tranche of 4,854,368 shares was issued for 10.3 cents per share on 9 September 2014.

5. Issue of shares to directors following approval at the Company's AGM.

6. On 27 January, the Company completed a private placement to raise $4 million (before costs) via the issue of a total of 50,000,000 shares at an issue price of 8 cents per share to two Hong Kong-registered sophisticated investors

7. On 3 December 2013, the Company commenced an on-market buyback for up to 10% of its issued capital over the period of 12 months. In the period to 30 June 2015, 1,806,445 shares were bought back and subsequently cancelled, with an average share cost of 10.41c.

Options and share performance rights

For information relating to the Rey Resources Limited employee option plan and share performance rights plan, including numbers granted, exercised and lapsed during the financial year and the numbers outstanding at year-end, refer to note 19.

15. RESERVES

Share based payments reserve

The share based payments reserve records the fair values recognised in accounting for employee share options and share rights awarded as share-based payments. During the year to June 2015 the share based payment reserve increased $368,782 due to the issue of 3,500,000 new shares to Non-Executive Directors and the expensing of share performance rights granted to the Managing Director. In addition, 985,294 market condition Share performance rights lapsed during the year

16. COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

in thousands of dollars	**2015**	**2014**
Not later than one year[1]	86	115
Later than one year but not later than five years	-	-
	86	115

1. 1121 Hay Street West Perth office lease expires in February 2016.

(b) Exploration expenditure commitments

The commitments are required in order to maintain the Company'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	455	4,059	4,514
Year 2-5	470	5,278	5,748
Total	**925**	**9,337**	**10,262**

17. GROUP ENTITIES

Consolidated subsidiaries

	Country of incorporation	**Ownership Interest**	
		2015	**2014**
Blackfin Pty Limited	Australia	100%	100%
Rey Cattamarra Pty Limited	Australia	100%	100%
Rey Derby Pty Limited	Australia	100%	100%
Rey Derby Port Operations Pty Limited	Australia	100%	100%
Rey Royalty Chile Pty Ltd	Australia	100%	100%
Rey Mt Fenton Pty Limited	Australia	100%	100%
Rey Freney Pty Limited	Australia	100%	100%
Rey Victory Pty Limited	Australia	100%	100%
Rey Camballin Energy Pty Limited	Australia	100%	100%
Rey Oil and Gas Limited	Australia	100%	100%
Rey Oil and Gas Perth Limited	Australia	100%	100%
Rey Lennard Shelf Limited	Australia	100%	-
Humitos Pty Ltd	Australia	100%	-

18. 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 11) and disclosed distinctly from capitalised exploration costs incurred on the Group's 100% owned projects.

Rey/Buru/Mitsubishi Joint Venture

On 18 March 2013, the Company entered into an agreement with Buru Energy Limited 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.

The interest in the two exploration permits, known as "The Fitzroy Blocks", are:

Buru Energy Limited	37.5% (operator)
Mitsubishi Corporation	37.5%
Rey Resources Limited	25% (of which a 10% interest is free carried to production).

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under this joint venture agreement at the reporting date is $7,931,895 (2014: $7,265,765) (note 11).

Rey/Key/Caracal Joint Venture

On 29 May 2014, Rey Oil and Gas Perth Ltd (a wholly owned subsidrary company of the Company) entered into an agreement with Key Petroleum (Australia) Pty Ltd and Caracal Exploration Pty Ltd to farm in to Exploration Permit EP437 in the North Perth Basin, Western Australia.

Following the completion of the farm in the beneficial interests in EP437 are as follows:

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

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed in this farm in agreement at the reporting date is $2,445,281 (2014:$411,016) (note 11).

Rey/Oil Basins Joint Venture

On 29 May 2015, Rey Lennard Shelf Pty Ltd ("RLS" a wholly owned subsidiary of the Company) completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") from Backreef Oil Pty Ltd. RLS entered into a Joint Operating agreement with Oil Basins Ltd (holder of the remaining 50% interest), for the operation of exploration programmes on the Derby Block, located in the Canning Basin of Western Australia.

The interests in the exploration permit are:

RLS	50% (assuming operatorship on 1 January 2016 under certain preconditions)
Oil Basins Ltd	50% (acting as operator until at least 1 January 2016)

Until 1 January 2016, Oil Basins has the right to seek to farmout an interest in the permit and Rey will participate in the farmout subject to certain commercial terms being achieved, including funding of the 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%.

The total amount of the Group's capitalised interest in EP487 is $839,559 (2014:Nil) (note 11).

19. SHARE BASED PAYMENTS

(a) Description of the share-based payment arrangements

The Group has the following share-based payment arrangements:

Share option programme (equity-settled)

On 2 June 2006, the Group established a share option programme that entitles key management personnel (KMP) to purchase shares in the Company. The plan is subject to ASX Listing Rules. In accordance with these programmes, options are exercisable at the market price of the share at the date of the grant. No options remain at 30th June 2015.

Share performance rights programme (equity-settled)

On 29 November 2010, the Group established a share performance rights programme. The 2010 Executive Incentive Rights Plan ("2010 EIRP") enables eligible participants to be granted rights to acquire shares subject to the satisfaction of certain conditions.

Executives are also eligible to participate in the 2011 Executive Incentive Rights Plan ("2011 EIRP"), which replaced the 2010 EIRP and was approved at the 2011 Annual General Meeting. The 2010 EIRP and 2011 EIRP align the reward of the participants with the long term creation of shareholder value as outlined below.

Both the 2011 EIRP and 2010 EIRP enable participants to be granted rights to acquire shares subject to the satisfaction of certain conditions. 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 2010 EIRP relates to the period 1 July 2010 to 30 June 2013 with provision for a one year retest. The 2011 EIRP, issued in November 2012, relates to the period 1 July 2011 to 30 June 2014 with provision for a one year retest; and for share rights issued in November 2012 for the period 1 July 2012 to 30 June

(a) Description of the share-based payment arrangements (continued)

2015 with provision for a one year retest. At the end of the measurement periods (either first or second), the following vesting scale will be applied to the share rights given to executive Directors. This will be based on the compound annual growth rate over the relevant period. The retest of provision only applies if none of the share rights for Directors vest at the end of the First Test Period.

Vesting Scale:

Performance Level	Compound Annual Rate of the Company's Total Shareholder Return (TSR) Over the Measurement Period	Vesting %
<Threshold	<10%	-
Threshold	10%	25%
>Threshold & <Target	>10% & <15%	Pro rata based on the % achieved
Target	15%	50%
>Target & <Stretch	>15% & <20%	Pro rata based on the % achieved
Stretch	≥20%	100%

In relation to the share rights granted to the executive KMP, the Board has determined the service and/or performance conditions that need to be satisfied for incentive rights to vest along with the relationship between the various potential levels of performance and levels of vesting that may occur. Performance conditions will be determined by the Board for each tranche of each offer and may vary between offers.

Following the end of the measurement period, the Board will determine for each tranche of incentive rights to which the measurement period applies, the extent to which they vest. If the incentive rights in a tranche have not vested and there is no opportunity for those incentive rights to vest at a later date, they lapse.

(b) Share-option programme

Terms and conditions of share-option programme

No options were outstanding at the beginning of the year ended 30 June 2015.

The terms and conditions relating to the grants of the share-option programme that were in existence at the start of the previous year are as follows:

Grant date / employees entitled	Number of instruments	Vesting conditions	Exercise price	Contractual life of options	Expired during Year
Option grant to KMP on 24 June 2008	1,000,000	Vested on 9 August 2010	$0.30	5.129 years	Expired August 2013
Option grant to KMP on 26 November 2008	500,000	Vested on 9 August 2012	$0.50	4.704 years	Expired August 2013
Lapsed during the year	(1,500,000)				
Total outstanding at 30 June 2014	Nil				

The number and weighted average exercise prices of share options in existence during the year to 30 June 2015 were are as follows:

	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)	Number of options
	2015	2015	2014	2014
Outstanding at 1 July	-	-	0.37	1,500,000
Exercised during the period	-	-		-
Expired during the period	-	-	0.37	(1,500,000)
Granted during the period	-	-	-	-
Outstanding at 30 June	-	nil	-	nil
Exercisable at 30 June	-	nil	-	nil

19. SHARE BASED PAYMENTS (continued)

(c) Share rights programme

Terms and conditions of share rights programme

The terms and conditions relating to the grants of the share rights are as follows:

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of rights
Rights grant to Director in 22 November 2012	2,426,667	Subject to the Company's absolute total shareholder return over the measurement period 1 July 2012 to 30 June 2015. Subject to retest on 30 June 2016.	4 years
Rights grant to Director in 28 November 2014	1,000,000	Subject to the Company's absolute total shareholder return over the measurement period 1 July 2014 to 30 June 2017.	3 years
Total	**3,426,667**		

The number and weighted average exercise prices of share performance rights are as follows:

	Weighted average exercise price ($)	Number	Weighted average exercise price ($)	Number
	2015	**2015**	**2014**	**2014**
Outstanding at 1 July	-	4,911,961	-	7,509,961
Granted during the year	-	1,000,000	-	-
Vested during the year	-	-	-	-
Lapsed during the year	-	(2,485,294)	-	(2,598,000)
Outstanding at 30 June	-	3,426,667	-	4,911,961

Inputs for measurement of grant date fair values

The grant date fair value of the rights granted, the vesting conditions of which were subject to the Company's absolute total shareholder return over the measurement period, was measured based on Monte Carlo simulation model. The grant date fair value of other share-based payments was measured based on the fair value of the shares on the grant date and for options issued fair value was measured based on the Black-Scholes valuation model. The inputs used in the measurement of the fair values at grant date of the share-based payment plans, which were subject to the vesting conditions relating to the Company's absolute total shareholder return are the following:

Valuation of Director and Executive Performance Rights			
Grant Date	**28 November 2014**	**22 November 2012**	
		Tranche A	**Tranche B**
Start of measurement period	1 July 2014	1 July 2012	1 July 2011
End of first DPR measurement period	30 June 2017	30 June 2015	30 June 2014
End of second DPR measurement period	30 June 2018	30 June 2016	30 June 2015, retest 30 June 2016
Spot price at start of measurement period ($)	$0.105	$0.22	$0.08
Share price at grant date	$0.09	$0.06	$0.06
Volatility of share (%)	90.0	90.0	90.0
Risk fee rate (4.0 years) (%)	2.4	2.63	2.63
Dividend yield	Nil	Nil	Nil
Expected life (years)	2.59	1.57	2.57
Director performance rights (DPR) Fair Value at Grant Date ($/DPR)	**0.057**	**0.033**	**0.043**

20. 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 17.

(c) KMP compensation

Disclosures relating to compensation of the KMP compensation comprised:

Individual Directors and executives compensation disclosures

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.

21. FINANCIAL RISK MANAGEMENT

Categories of financial instruments

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

in thousands of dollars	**2015**	**2014**
Financial assets		
Financial assets measured at fair value		
Share investment	250	-
Financial assets not measured at fair value		
Cash and cash equivalents	1,652	3,000
Trade and other receivables	58	88
Prepayments	22	-
Total	1,982	3,088
Financial liabilities		
Financial assets not measured at fair value		
Trade and other payables	129	268
Total	129	268

In support of strategic alliance, Rey subscribed for $250,000 of Norwest shares at a price of $0.004712 per share on 5th June 2015,resulting approximately 3.68% of total Norwest shares on issue. This shares are in an active market, At the end of 30th June 2015, the fair value measurement of Norwest shares is about the same.

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:

	2015	**2014**
Neither past due nor impaired	58	50

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.

21. FINANCIAL RISK MANAGEMENT (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 2015 and 30 June 2014, there was no allowance for doubtful debts 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. Refer note 2(b).

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:

2015

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	129	129	129	-	-	-	-
Loans and borrowings	-	-	-	-	-	-	-
	129	129	129	-	-	-	-

21. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

2014

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	268	268	268	-	-	-	-
Loans and borrowings	-	-	-	-	-	-	-
	268	268	268	-	-	-	-

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 (primarily on its cash and cash equivalents), 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. There were no financial liabilities exposed to interest rate risk.

in thousands of dollars	**2015**	**2014**
Variable rate instruments		
Cash and cash equivalents	1,652	3,000
Security deposits	-	38
	1,652	3,038

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 $23,850 (2014: $45,576).

Fair values

The carrying amounts of financial assets and financial liabilities approximate fair value.

22. OPERATING SEGMENTS

The Group operates in two segments, mineral exploration and development and petroleum exploration in one geographical location, Western Australia. The consolidate financial results from these segments are equivalent to the financial statements of the Group.

Operating segment information

	Mineral	Petroleum	Corporate	Total
Consolidated-2015	$'000	$'000	$'000	$'000
Revenue				
Total Reportable segment revenue	-	-	-	**-**
Other income	14	-	-	**14**
Impairment of assets	(8,117)	-	-	**(8,117)**
Interest revenue	-	-	50	**50**
Finance costs	-	-	-	**-**
Administration cost	-	-	(2,147)	**(2,147)**
Profit/(loss) before income tax benefit	(8,103)	-	(2,097)	**(10,200)**
Income tax benefit	-	-	-	**-**
Loss after income tax benefit	(8,103)	-	(2,097)	**(10,200)**
Assets				
Other assets	-	-	2,002	**2,002**
Segment assets	23,578	11,218	-	**34,796**
Total assets	**23,578**	**11,218**	**270**	**36,798**
Liability				
Other liabilities	-	-	358	**358**
Total liabilities	-	-	358	**358**
Capital expenditure	1,218	3,540	-	**4,758**

23. SUBSEQUENT EVENTS

On 9 September the Victory-1 well was spudded in EP457 and was progressing at the date of this report.

24. AUDITORS REMUNERATION

in dollars	**2015**	**2014**
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	57,538	69,870
	57,538	69,870
Other services		
Auditors of the Company		
KPMG Australia:		
Taxation services	-	46,230
Independent expert's report	-	-
Scrutineer's role at AGM	-	-
	-	46,230

25. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2015 the parent entity of the Group was Rey Resources Limited.

in thousands of dollars	**2015**	**2014**
A. Result of parent entity		
Loss for the year	(2,071)	(1,880)
Total comprehensive loss for the year	(2,071)	(1,880)
B. Financial position of the parent entity		
Total current assets	1,719	3,122
Total non-current assets	55,968	50,849
Total assets	57,687	53,971
Total current liabilities	121	403
Total non-current liabilities	229	45
Total liabilities	350	448
Net assets	**57,337**	**53,523**
Total equity of the parent entity comprising of:		
Share capital	81,072	75,565
Options reserve	2,200	1,823
Accumulated losses	(25,935)	(23,865)
Total equity	**57,337**	**53,523**

C. Parent entity contingencies

There are no contingent liabilities of the parent entity.

D. Parent entity capital commitments

At balance date 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

There are no guarantees entered into by the parent entity.

DIRECTORS' DECLARATION

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 2015 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 2015.

Signed in accordance with a resolution of the Directors.

Min Yang
Non-Executive Chairman
Sydney, Australia
24 September 2015

KPMG

Independent auditor's report to the members of Rey Resources Limited

Report on the financial report

We have audited the accompanying financial report of Rey Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and 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 ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).

Management have disclosed the key assumptions and risks associated with the going concern assessment, including the financial positions and performance of the Group to 30 June 2015 and the requirement to raise additional funding within the next 15 months in order to continue as a going concern.

Emphasis of matter regarding going concern

Without modification to the opinion expressed above, we draw attention to the following matter. As a result of the facts set out in note 2(b), there is a material uncertainty which may cast significant doubt regarding the ability of the Company to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts raised in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in section 6 of the directors' report for the year ended 30 June 2015. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Rey Resources Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

R Gambitta
Partner

Perth

24 September 2015