

30 October 2015

September 2015 Quarterly Report

HIGHLIGHTS

- Canning Basin- Fitzroy Blocks: two high impact wells, Senagi and Victory, spudded
 - Victory-1 currently being logged and expected to be flow tested
 - Senagi-1 currently coring through target
- Short term loan facility secured

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

1. Oil and Gas

1.1 Fitzroy Blocks (EP457 and EP458)

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

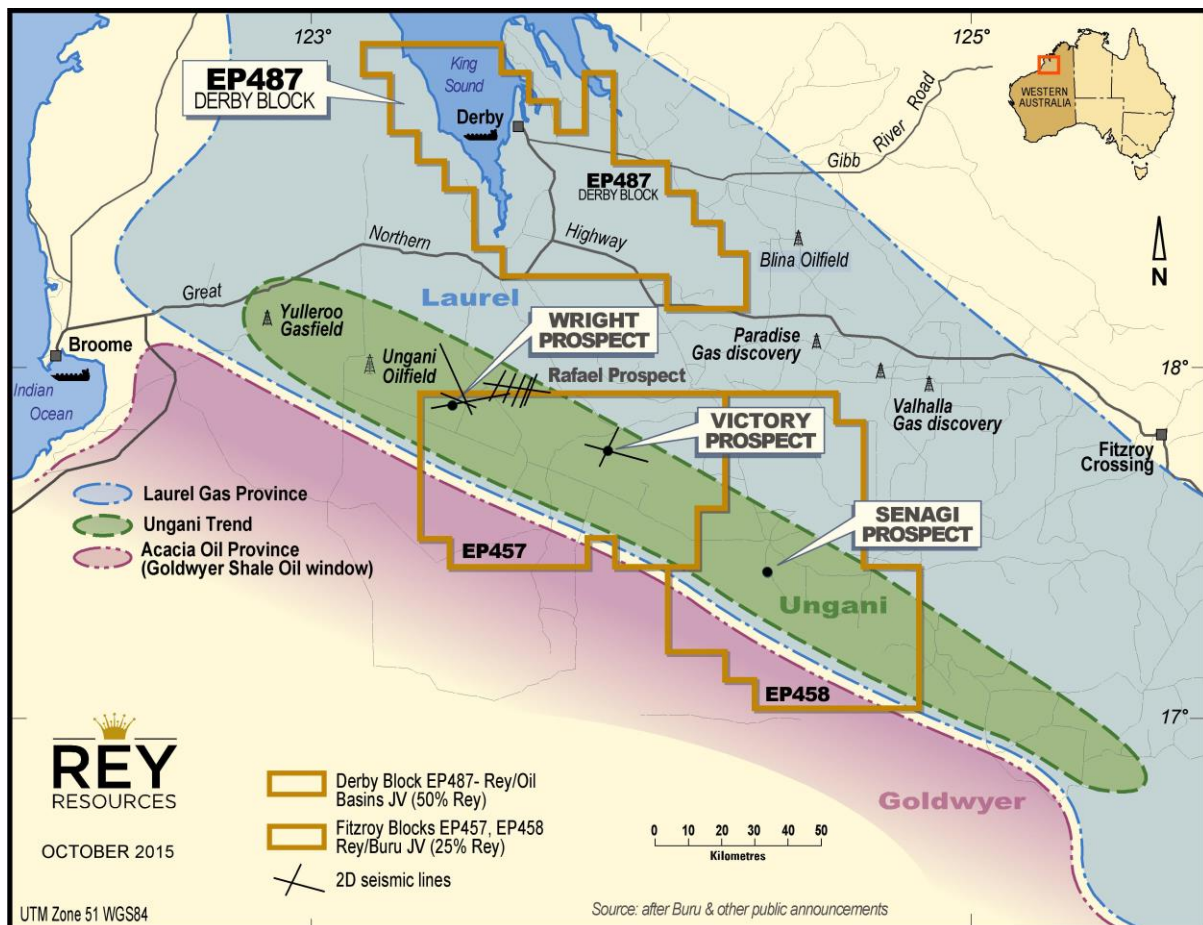


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

The Fitzroy Blocks Joint Venture spudded the Victory-1 well in EP457 during 3Q 2015 and the Senagi-1 well in EP458 on 15 October (refer Figure 1).

Victory-1

On 9 September the Victory-1 conventional exploration well was spudded on EP457, 185 km east of Broome and 85 km southeast of Buru Energy’s producing Ungani Oilfield. The well is being drilled with Atlas Rig 2 and has a programmed maximum total depth of 2,600 metres.

Victory-1 is targeting conventional oil and gas in the Ungani Dolomite and Laurel clastic reservoirs and potentially also in Devonian-aged carbonates. The Victory prospect has similarities to Ungani although is potentially considerably larger, as defined by 2D seismic surveys and regional aerogravity surveys. Victory is one of a

series of structures along the structural terraces to the east of Ungani. These structures provide both potential follow-up locations and additional stand-alone prospectivity to Victory.

The well has subsequently been drilled to the programmed total depth of 2,600 metres and wireline logs are being obtained.

At a depth of 1,945 metres a complete loss of drill fluid circulation was encountered. This was accompanied with high and erratic drilling rates similar to those encountered in the Ungani Dolomite in other wells.

As planned, the drilling system was switched to managed pressure but complete losses continued to total depth. It is interpreted that the well has drilled through a cavernous horizon, probably dolomitic limestone and that this could represent a potential reservoir for hydrocarbons.

At the time of this report the well is being evaluated with wireline logs. It is expected that the well will be flow tested during November 2015, subject to final Joint Venture approval.

Senagi-1

Following the end of the quarter on 15 October, the Senagi-1 conventional exploration well was spudded on EP 458, 240 km southeast of Broome and 144 km southeast of Buru Energy's Ungani Oilfield. Senagi-1 is being drilled with the DDH1 Rig#31 and has a programmed maximum total depth of 1,200 metres. It is expected to take some 28 days to drill. The well is targeting conventional oil and gas in the Lower Laurel (Ungani Dolomite) and Devonian-aged (Nullara) carbonates. The Senagi prospect is a structural closure defined by 1980's vintage 2D seismic and a regional aerogravity survey undertaken by the JV in 2014. The Senagi prospect is interpreted to have some 100 metres of vertical relief at the initial target depth of around 800 metres drill depth. At the time of this report, the well was coring in the prognosed target formations.

Seismic acquisition survey

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

Site preparation work continued for an additional 100 line-km of 2D seismic survey in EP457 to be acquired during the remainder of Q4 2015 over prospects Rafael, Wright and Victory.

1.2 Derby Block (EP487)

The Company holds a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") with Oil Basins Limited ("Oil Basins" or "Operator") (ASX: OBL), holder of the remaining 50% interest and permit operator.

The Derby Block is considered to be predominantly a Wet Laurel Basin Centred Gas play ("BCG") which is regionally extensive throughout the Canning Basin (refer Figure 1) and has been the subject of exploration in the Canning by other parties in 2015, resulting in encouraging flow tests by Buru Energy at Valhalla (BRU ASX release dated 28 September 2015).

The Operator has previously estimated the following prospective resources for the BCG in the Derby Block (OBL ASX release dated 14 February 2013)

Prospective Resources

The Company has a 50% beneficial interest in the Prospective Recoverable Resources (unrisked) of the Derby Block BCG play. The Operator's estimate of the gross prospect total illustrative probabilistic volumetric estimates (TCF gas recoverable) of the BCG play in the Derby Block are as follows:

	2,500 to 4,000m depth	2,500m to 5,000m depth
Best Estimate:	18.7 TCF	31 TCF
Low:	4.8 TCF	

Prospective resources are the estimated quantities of petroleum that may be potentially recovered by the application of a future development project and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

During the quarter, the Operator continued negotiating agreement conditions with one of the two traditional owner groups impacted by a proposed 2D seismic survey and is in preliminary discussions with the second.

In September 2015, the joint venture's seismic operator advised that it would be unable to complete the proposed 534 kilometre 2D seismic survey in the remaining available dry weather window in 2015. As a consequence, the Operator, on behalf of the joint venture, lodged a workplan variation to enable the seismic survey to be undertaken in 2016, or alternatively to reprocess existing vintage 2D seismic to seek drill target locations and, if two are delineated, drill two wells in 2016. The wells are expected to target a recently prognosed "Valhalla look-alike" BCG prospect.

1.3 .Perth Basin

During the quarter, the Company continued evaluation and negotiations with various parties concerning further investment opportunities in the Perth Basin.

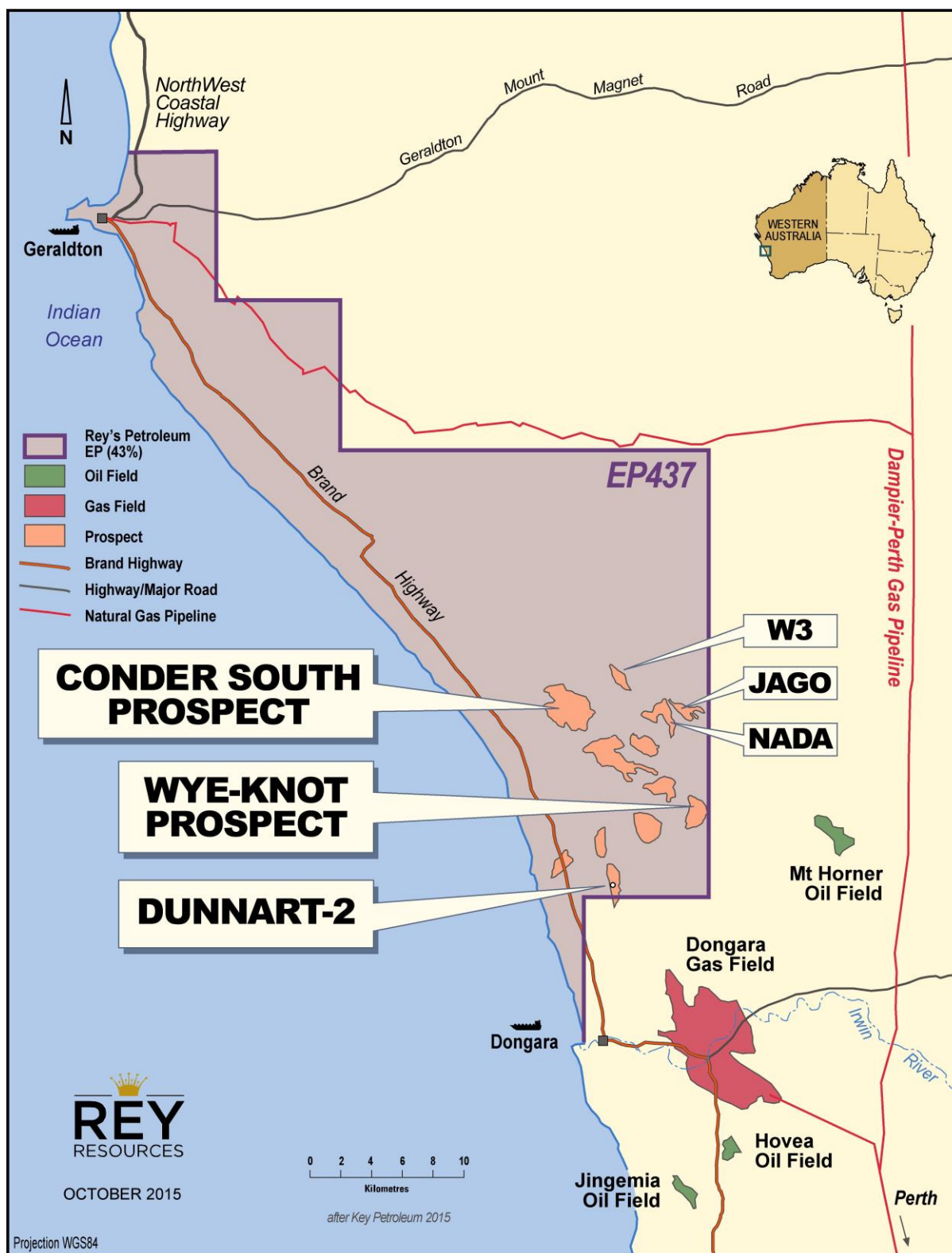


Figure 2: EP437 in the Perth Basin with prospects..

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

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

During the quarter the Operator presented to the joint venture partners revised mapping of the area together with an assessment of the potential impact recent gas discoveries in the Perth basin may have on the prospectivity of the eastern portion of EP437. Of note is that sedimentary sequences in the eastern part of EP437 are on trend with both the Yardarino Gas Field and the more recently the discovered and tested Waitsia gas accumulation.

2. Coal

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

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

2.1 Duchess Paradise Coal Project

The Duchess Paradise environmental approval assessment remains on hold while various matters are examined.

2.2 Coal exploration

No field work was undertaken during the quarter. The Company has continued to refine its exploration tenement holding by surrendering areas with lower coal prospectivity, constrained access or deeper coal. Two new Exploration Licence Applications were made and one Retention Licence was granted during the quarter. Six Exploration Licences were surrendered post the end of the quarter.

3. Corporate

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

A total of 797,000 shares were acquired and cancelled during the quarter for a cost of \$69,466 and an average price of 8.72 cents per share. A total of 3,058,596 shares have been acquired and cancelled since the scheme was initiated on 17 December 2013. No shares have been acquired subsequent to the quarter end. The timing and quantity of further shares purchased will depend on market conditions and other future events.

On 29 October 2015 the Company entered into a loan facility agreement with its major shareholder ASF Group Limited ("ASF") ("Loan Facility"). The Loan Facility provides up to \$2 million in standby funding under which Rey can draw down as required, to fund exploration activities and general working capital. Pursuant the Loan Facility, interest will accrue daily at a rate of 9% per annum. Repayment of the Loan Facility is due on 29 January 2016, or earlier at Rey's election, with the provision for an extension of up to 2 months, in either cash or, at ASF's election, fully paid ordinary shares in the capital of Rey, at an issue price of 8 cents per Share. As at 29 October, \$850,000 of loan funds had been drawn down.

Discussions are underway for the provision of longer term equity funds from interested third parties. Some of these parties have already undertaken extensive due diligence but no terms have been agreed as yet.

Competent Persons Statement

Petroleum Exploration

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

Corporate Directory

Board of Directors

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

Company Secretary

Shannon Coates

Capital Structure

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

Share Registry

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

Registered Office

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1121 Hay Street
West Perth WA 6005 Australia
Mailing address: PO Box 1809, Hay Street, West Perth, 6872
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Fax: +61 8 9485 1094

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Tenement Tenure Status (as at 30 September 2015)

Tenure ID ¹	Tenure Type	Holder (Rey subsidiary company)	Ownership% begin quarter	Ownership% end quarter
	Mineral Licences			
E04/1219	Exploration Licence	Camballin Energy Pty Ltd	100	0
E04/1386	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1519	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1520 ²	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1521 ²	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1522 ²	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1523 ²	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1768 ²	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/1770	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1833 ²	Exploration Licence	Rey Freney Pty Ltd	100	100
E04/2380	Exploration Licence Application	Blackfin Pty Ltd	100	100
E04/2397	Exploration Licence Application	Rey Victory Pty Ltd	100	100
E04/2418	Exploration Licence Application	Rey Victory Pty Ltd	0	100
E04/2419	Exploration Licence Application	Rey Mt Fenton Pty Ltd	0	100
L04/0058	Miscellaneous Licence Application	Blackfin Pty Ltd	100	100
M04/0453	Mining Lease Application	Blackfin Pty Ltd	100	100
R04/2 ³	Retention Licence	Camballin Energy Pty Ltd	100	100
R04/3	Retention Licence Application	Blackfin Pty Ltd	100	100
	Petroleum Permits			
EP457	Exploration Permit	Rey Oil and Gas Pty Ltd	25	25
EP458	Exploration Permit	Rey Oil and Gas Pty Ltd	25	25
EP487	Exploration Permit	Rey Lennard Shelf Pty Ltd	50	50
EP437	Exploration Permit	Rey Oil and Gas Perth Pty Ltd	43.47	43.47

¹ All tenements are located in Western Australia.

² Relinquished post end of quarter.

³ Application granted during the quarter.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

REY RESOURCES LIMITED

ABN

84 108 003 890

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(1,231)	(1,231)
	(b) development	(44)	(44)
	(c) production	-	-
	(d) administration	(314)	(314)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4	4
1.5	Interest and other costs of finance paid	-	-
Net Operating Cash Flows		(1,585)	(1,585)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	5	5
1.10	Loans from other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Bonds received	-	-
	- Bonds paid	-	-
Net investing cash flows		5	5
1.13	Total operating and investing cash flows (carried forward)	(1,580)	(1,580)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,580)	(1,580)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares net of costs	-	-
1.15	Share buy- back cost	(70)	(70)
1.16	Proceeds from borrowings	250	250
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	180	180
	Net increase (decrease) in cash held	(1,400)	(1,400)
1.20	Cash at beginning of quarter/year to date	1,652	1,652
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	252	252

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	142
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

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

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,180
4.2 Development	40
4.3 Production	-
4.4 Administration	370
Total	2,590

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	252	1,652
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	252	1,652

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E04/1219		100%	0%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	EA04/2418		0%	100%
		EA04/2419		0%	100%
		R04/02		0%	100%

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	710,953,074	711,750,074		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through buy-backs	(797,000)	(797,000)		8.72cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>				
7.8 Issued during quarter				
7.9 Exercised during quarter	-			
7.10 Expired during quarter				

+ See chapter 19 for defined terms.


Appendix 5B
Mining exploration entity quarterly report

7.11	Cancelled during quarter	-			
7.12	Performance Rights (description)	2 426,667 1,000,000 <u>3,426,667</u>			<i>Expiry date</i> 30.06.2016 30.06.2017
7.13	Issued during quarter				
7.14	Exercised during quarter				
7.15	Expired during quarter				
7.16	Cancelled during quarter				
7.17	Debentures (totals only)	N/A	N/A		
7.18	Unsecured notes (totals only)	N/A	N/A		

+ See chapter 19 for defined terms.

Compliance statement

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



Sign here: Date: 30 October 2015

(Company secretary)

Print name: Shannon Coates

Notes

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

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