

29 January 2016

December 2015 Quarterly Report

HIGHLIGHTS

- Canning Basin- Victory-1 well and Senagi-1 well completed in Fitzroy Blocks
- Canning Basin- new prospective resource estimation for Basin Centred Gas in Derby Block completed
- Shareholder loan extended

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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%).

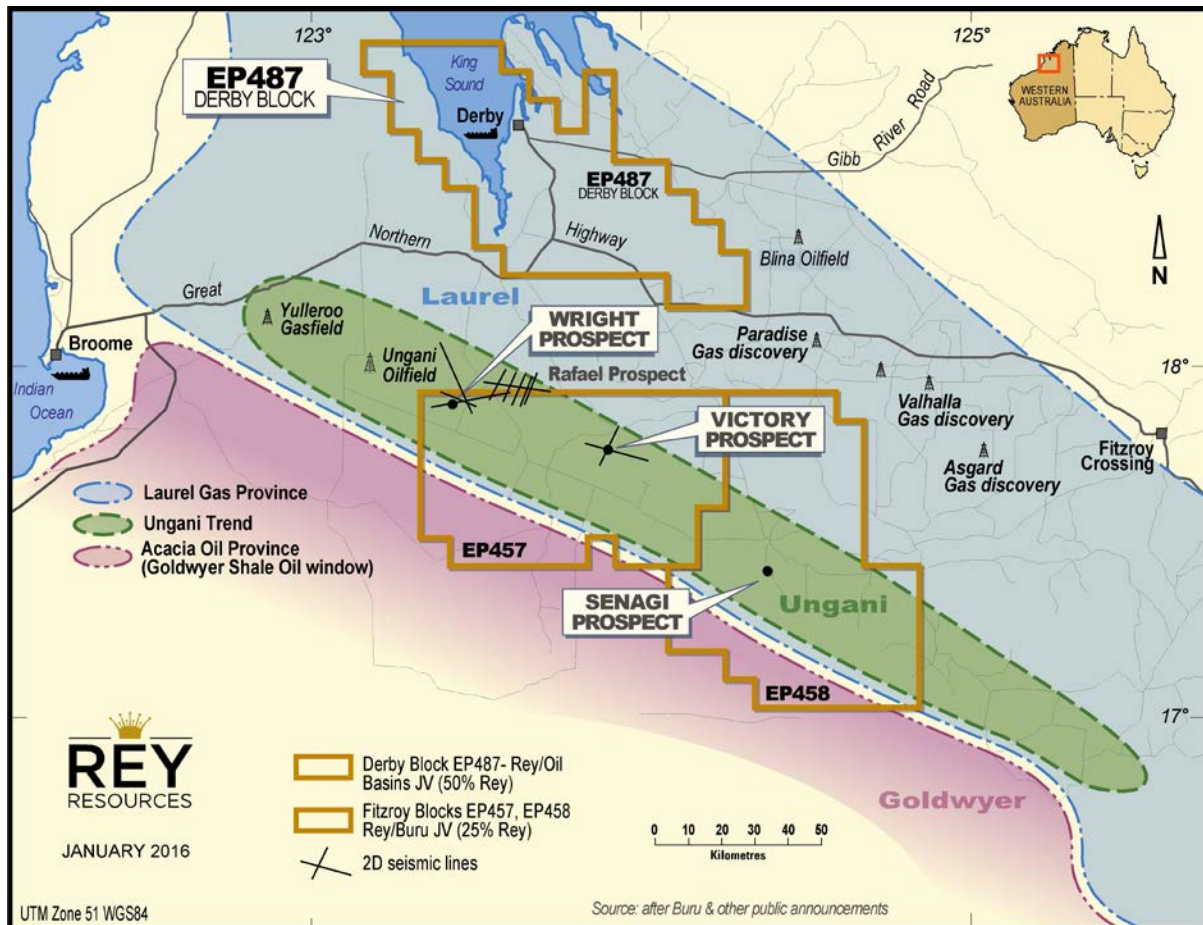


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

The Fitzroy Blocks Joint Venture drilled the Victory-1 well in EP457 and the Senagi-1 well in EP458 during September- November 2015 (refer Figure 1).

Victory-1

Exploration well Victory-1 was spudded on 9 September 2015 in EP457, 185 km east of Broome and 85 km southeast of Buru Energy's producing Ungani Oilfield. The well was drilled with Atlas Rig 2 to the programmed total depth of 2,600 metres.

As previously reported, at a depth of 1,945 metres complete lost circulation was encountered with high and erratic drilling rates similar to those encountered elsewhere by the Operator in the Ungani Dolomite. As planned, the drilling system was then switched to a managed pressure system but complete losses continued to a depth of 2,600 metres where logs were attempted to be run. Logs were initially unable to be obtained deeper than approximately 2,030 metres due to hole conditions and several further attempts were made to log the lower part of the hole below the lost circulation zone with no success. The difficulties in acquiring the logs were principally due to a well-developed shale section below the zone of lost circulation.

During these logging operations, further problems with the casing were encountered. After considering the options for remedying the issue, and the associated costs, it was agreed by the joint venture to plug and abandon the well bore, meaning that a flow test of the horizon where circulation was lost was not operationally achievable. Abandonment was undertaken in accordance with all regulations and oil field practice to ensure all formations were effectively isolated.

Additional seismic data was acquired over the Victory structure in late 2015 and is being processed and will be analysed along with the well data to enable the joint venture to make a decision on the prospectivity of the Victory prospect.

Senagi-1

Senagi-1 conventional exploration well was spudded on 15 October 2015 in EP 458, 240 km southeast of Broome and 144 km southeast of Buru Energy's Ungani Oilfield. Senagi-1 was drilled with the DDH1 Rig#31 (Buru operator) and was drilled to a total depth of 1,045 metres. The well targeted conventional oil and gas in the Lower Laurel (Ungani Dolomite) and Devonian-aged (Nullara) carbonates.

A total of 286m of continuous core was cut, with 97% recovered. A thin interval with vugular porosity with oil shows was observed in core however, the shows were interpreted to be residual. Valuable data was obtained which will assist with correlation of core and image logs over the very well developed vugular dolomite reservoir section. This correlation will provide more certainty in the interpretation of the dolomite reservoirs encountered in future wells. Wireline logs were obtained and the well was plugged and abandoned.

All of the data from the well is being analysed by the joint venture to ensure the highest chance of success of the other prospects in the area.

Seismic acquisition survey

100 line-km of 2D seismic data was acquired in EP457 to during Q4 2015 over prospects Rafael, Wright and Victory. Processing of this data is expected to be completed in February 2016.

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") (ASX: OBL), holder of the remaining 50% interest.

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 2) 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 and Asgard. (various BRU ASX releases including release dated 20 January 2016).

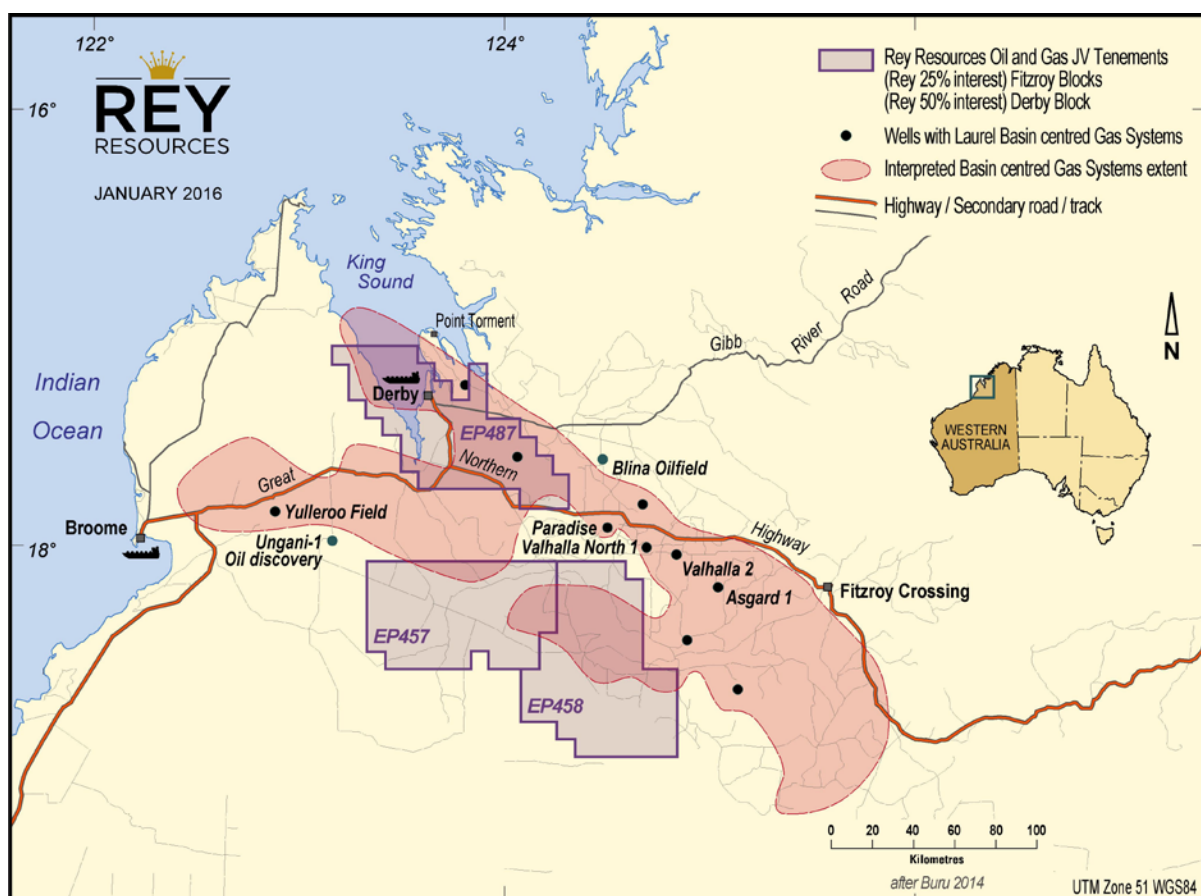


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

Prospective Resources

A new estimate of the gross prospective potential recoverable resource estimate (TCF gas recoverable) of the BCG play in the Derby Block (onshore portion) was provided by Oil Basins (OBL ASX release dated 15 January 2016). The Company's 50% interest in these Prospective Potential Recoverable Resources (unrisked) of the Derby Block BCG play is provided in Table 1 below.

		Prospective Potential Recoverable Resources SPE PRMS (2011) ⁶			
		P90 ¹	P50 ¹	P10 ²	Mean
Gas in place	Tcf ³	28.5	71.1	173.3	90.2
Recoverable Gas	Tcf ³	4.3	12.3	35.6	17.2
Recoverable Condensate	MMbbl ⁴	101.9	307	908	434
Recoverable BOE	MMBOE ⁵	791.5	2,290	6634	3195

Table 1: Rey Resources' 50% attributable interest in the gross prospective potential recoverable resources estimate of the Laurel BCG in EP487 (estimate prepared by 3D-GEO January 2016).

¹ P90 and P50 estimates consider the Laurel section between 2,500-5,000m.

² P10 estimates assumes an additional 10% of Laurel section.

³ Tcf- trillion cubic feet.

⁴ MMbbl- million barrels.

⁵ MMBOE- million barrels oil equivalent.

⁶ SPE PRMS (2011)- Society of Petroleum Engineers Petroleum Resource Management System (2011)

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.

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, Oil Basins, on behalf of the joint venture, lodged a workplan variation in September 2015 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.

On 14 January 2016 OBL made certain allegations in connection with Rey including in respect to the ability of Rey and its subsidiary, Rey Lennard Shelf Pty Ltd to meet any requirements to perform as Operator of the Derby Block. Rey refutes all allegations made by Oil Basins.

Rey will inform the market in due course of the action it proposes to take in response to these allegations.

1.3 .Perth Basin

EP437

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

<i>Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator)</i>	<i>43.47%</i>
<i>Rey (Rey Oil and Gas Perth Pty Ltd)</i>	<i>43.47%</i>
<i>Pilot Energy Limited¹</i>	<i>13.06%</i>

¹ Pilot Energy acquired its interest from Caracal Exploration Pty Ltd on 4 November 2015. The transaction is subject to regulatory authority approval. Rey welcomes Pilot as a joint venture partner on EP437.

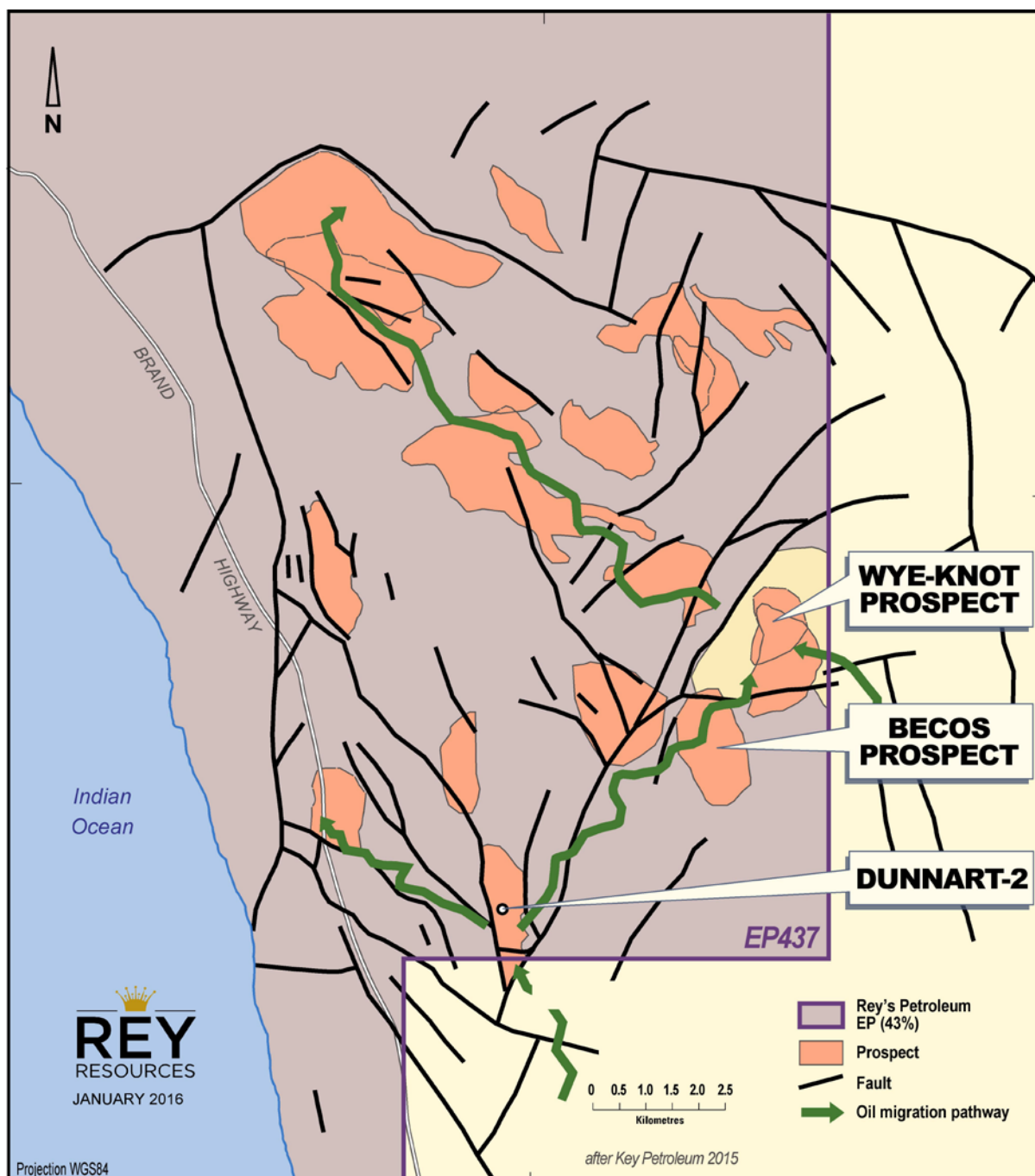


Figure 3: EP437 in the Perth Basin with prospects.

The joint venture continued to review the prospectivity of the basin and has identified several shallow prospects structurally up-dip from the Dunnart structure where oil shows were encountered during the drilling of Dunnart-2.

2. Coal

Rey's coal tenements are located in the Canning Basin and are partly 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.

The Duchess Paradise environmental approval assessment remains on hold while various matters are examined. No field work was undertaken during the quarter. Six Exploration Licences were surrendered and all Exploration Licence Applications were withdrawn during the quarter. A Retention Licence application was also withdrawn after the end of the reporting quarter.

3. Corporate

As announced on 1 December 2015, by mutual agreement between the Company and Managing Director, Mr Kevin Wilson, the Company provided the requisite 6 months' notice to terminate Mr Wilson's employment, effective 31 May 2016. The Company acknowledged and thanked Mr Wilson for his valuable contributions to Rey Resources.

On 4 January 2016 the Company announced a change to its registered office address to Suite 5, 62 Ord Street, West Perth WA 6005.

On 11 January 2016 the Company appointed Mr Louis Chien as alternate director to Chairman, Ms Min Yang. Mr Chien holds a Master of Business Administration from Kelley School of Business, Indiana University and two bachelor degrees in Architecture. He is principally responsible for the management of investment development, financial, and operational activities for ASF Group Limited ("ASF").

The Company continues to draw on its loan facility agreement with its major shareholder, ASF, as referred to in the Company's previous quarterly report for the September 2015 quarter, released on ASX on 30 October 2015 ("Loan Facility"). The Loan Facility is a standby facility under which Rey can draw down as required. Funds remain available from ASF to meet Rey's future commitments.

Discussions for the provision of longer term equity funds from interested third parties have continued to advance but no terms have been agreed as yet.

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. No shares were acquired and cancelled during the quarter. A total of 3,058,596 shares were acquired and cancelled since the scheme was first initiated on 17 December 2013.

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
Louis Chien	Non-executive Director (Alternate to 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 approximately 711.0 million ordinary shares on issue and 3.4 million performance rights as at 31 December 2015.

Share Registry

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

Registered Office

Rey Resources Limited
Suite 5, 62 Ord Street
West Perth WA 6005 Australia
Mailing address: 3B Macquarie St, Sydney, NSW, 2000
Tel: +61 2 8259 9620
info@reyresources.com
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Tenement Tenure Status (as at 31 December 2015)

Tenure ID ¹	Tenure Type	Holder (Rey subsidiary company)	Ownership% begin quarter	Ownership% end quarter
	Mineral Licences			
E04/1386	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1519	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1520	Exploration Licence	Rey Freney Pty Ltd	100	0
E04/1521	Exploration Licence	Rey Freney Pty Ltd	100	0
E04/1522	Exploration Licence	Rey Freney Pty Ltd	100	0
E04/1523	Exploration Licence	Rey Freney Pty Ltd	100	0
E04/1768	Exploration Licence	Rey Freney Pty Ltd	100	0
E04/1770	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1833	Exploration Licence	Rey Freney Pty Ltd	100	0
E04/2380	Exploration Licence Application	Blackfin Pty Ltd	100	0
E04/2397	Exploration Licence Application	Rey Victory Pty Ltd	100	0
L04/0058	Miscellaneous Licence Application	Blackfin Pty Ltd	100	100
M04/0453	Mining Lease Application	Blackfin Pty Ltd	100	100
R04/2	Retention Licence	Camballin Energy Pty Ltd	100	0
R04/3 ²	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 Withdrawn post end of 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")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(1,241)	(2,472)
	(b) development	(4)	(48)
	(c) production	-	-
	(d) administration	(352)	(665)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	4
1.5	Interest and other costs of finance paid	-	-
	Net Operating Cash Flows	(1,596)	(3,181)
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
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
1.13	Total operating and investing cash flows (carried forward)	(1,596)	(3,176)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,596)	(3,176)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares net of costs	-	-
1.15	Share buy- back cost	-	-
1.16	Proceeds from borrowings	1,400	1,650
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	(70)
	Net financing cash flows	1,400	1,580
	Net increase (decrease) in cash held	(196)	(1,596)
1.20	Cash at beginning of quarter/year to date	252	1,652
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	56	56

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

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	174
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'ooo	Amount used \$A'ooo
3.1 Loan facilities	(2,000)	(1,650)
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	850
4.2 Development	30
4.3 Production	-
4.4 Administration	400
Total	1,280

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'ooo	Previous quarter \$A'ooo
5.1 Cash on hand and at bank	56	252
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	56	252

Changes in interests in mining tenements

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

Appendix 5B

Mining exploration entity quarterly report

6.1	Interests in mining tenements relinquished, reduced or lapsed	R04/2		100%	0%
		E04/1520		100%	0%
		E04/1521		100%	0%
		E04/1522		100%	0%
		E04/1523		100%	0%
		E04/1768		100%	0%
		E04/1833		100%	0%
		E04A/2380		100%	0%
		E04A/2397		100%	0%
6.2	Interests in petroleum tenements acquired or increased				

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 (description)				
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	710,953,074		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through buy-backs				
7.5	*Convertible debt securities (description)				

+ See chapter 19 for defined terms.

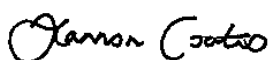
Appendix 5B
Mining exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)				
7.8	Issued during quarter				
7.9	Exercised during quarter	-			
7.10	Expired during quarter				
7.11	Cancelled during quarter	-			
7.12	Performance Rights (description)	<div> <div>2 426,667</div> <div>1,000,000</div> <div>3,426,667</div> </div>			<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: 29 Jan 2016

(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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+ See chapter 19 for defined terms.