

29 July 2016

June 2016 Quarterly Report

HIGHLIGHTS

Canning Basin- Derby Block: operatorship achieved,
geological review underway

Corporate: \$3.7M rights issue completed
New MD appointed

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

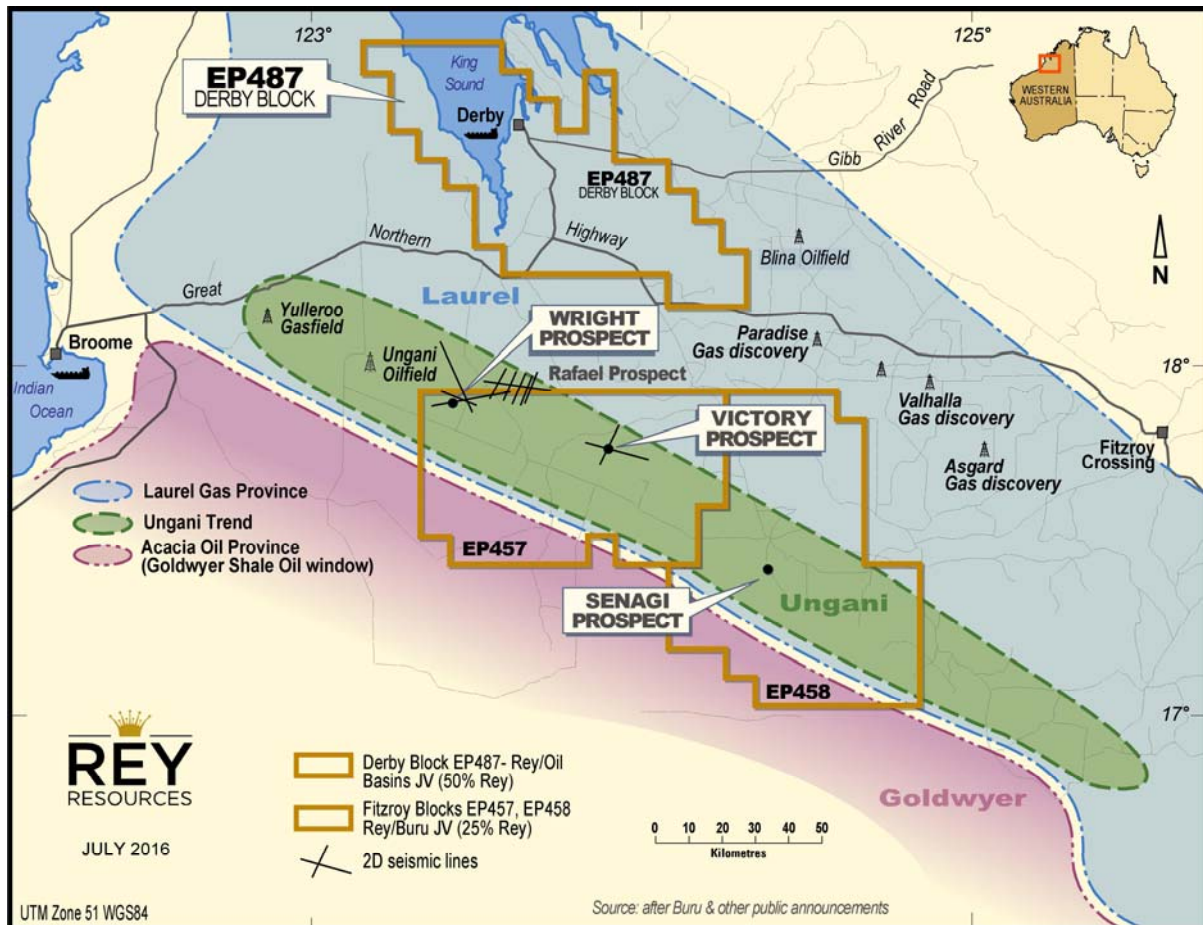


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

During the quarter ended 30 June 2016, the Operator commenced post completion reviews of the two wells drilled in 2015 including further analysis of the Senagi core.

100 line-km of 2D seismic data was acquired in EP457 during Q4 2015 over the prospects Rafael, Wright and Victory. Processing of this data was completed during 2016 and interpretation is ongoing. Early results suggest Wright to be a promising drill target.

As part of the title conditions of both EP457 and EP458, the Joint Venture is required to relinquish 50% of the licence area of both permits at the end of Title Year 6 in October 2016. Buru, as Operator, completed permit reviews in 2Q 2016 and proposed areas for mandatory relinquishment to the Joint Venture. Following consideration and unanimous agreement on the relinquishment areas by the JV parties, applications to renew both permits were lodged with the DMP in the current quarter.

1.2 Derby Block (EP487)

Also in the Canning Basin, the Company holds a 50% participating interest in, and is operator of, petroleum exploration permit EP487 ("the Derby Block") via its 100% owned subsidiary Rey Lennard Shelf Pty Ltd ("RLS"). Oil Basins Limited ("Oil Basins") (ASX: OBL), is 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 Basin by other parties in 2015, resulting in encouraging flow tests by Buru Energy at Valhalla and Asgard (various BRU ASX releases including releases dated 20 January 2016 and 18 April 2016).

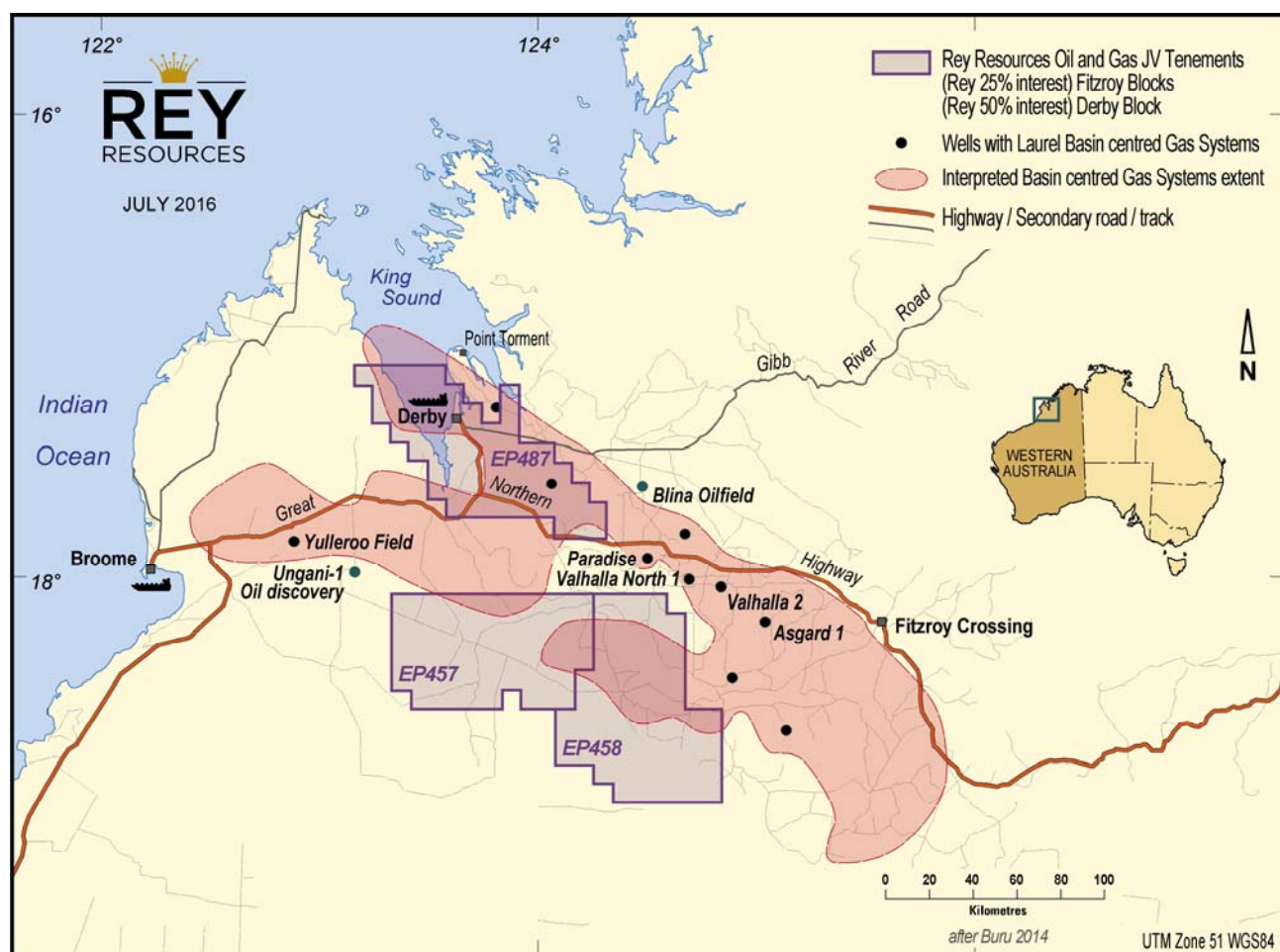


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

Prospective Resources

A new (preliminary) 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, probabilistic estimate) 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
Gas in place	Tcf ³	28.5	71.1	173.3
Recoverable Gas	Tcf ³	4.3	12.3	35.6
Recoverable Condensate	MMbbl ⁴	101.9	307	908
Recoverable BOE	MMBOE ⁵	791.5	2,289.5	6,634.0

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 assume an additional 10% of Laurel section.
- ³ Tcf- trillion cubic feet.
- ⁴ MMbbl- million barrels.
- ⁵ MMBOE- million barrels oil equivalent. Calculated using ratio of 6.22 billion cubic feet of gas equivalent to 1 million barrels of crude oil.
- 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.

On 12 February 2016, Rey announced that it and RLS had commenced legal proceedings against Oil Basins in the Supreme Court of Western Australia seeking orders that Oil Basins resign as the Operator of EP487 in accordance with the terms of the Joint Operating Agreement between Rey, RLS and Oil Basins.

The proceedings were heard in the Western Australian Supreme Court on 25 May 2016. On 26 May 2016, the Supreme Court ruled in favour of the Company and Oil Basins was ordered to immediately resign as operator.

Since assuming operatorship, the Company has reviewed the status of the work completed on the permit to date in the context of the regional setting and proposed new well sites to the joint venture as well as geophysical studies.

1.3 Perth Basin

EP437

The Company earned a 43.47% interest in EP437 in 2014. 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 Limited</i>	<i>13.06%</i>

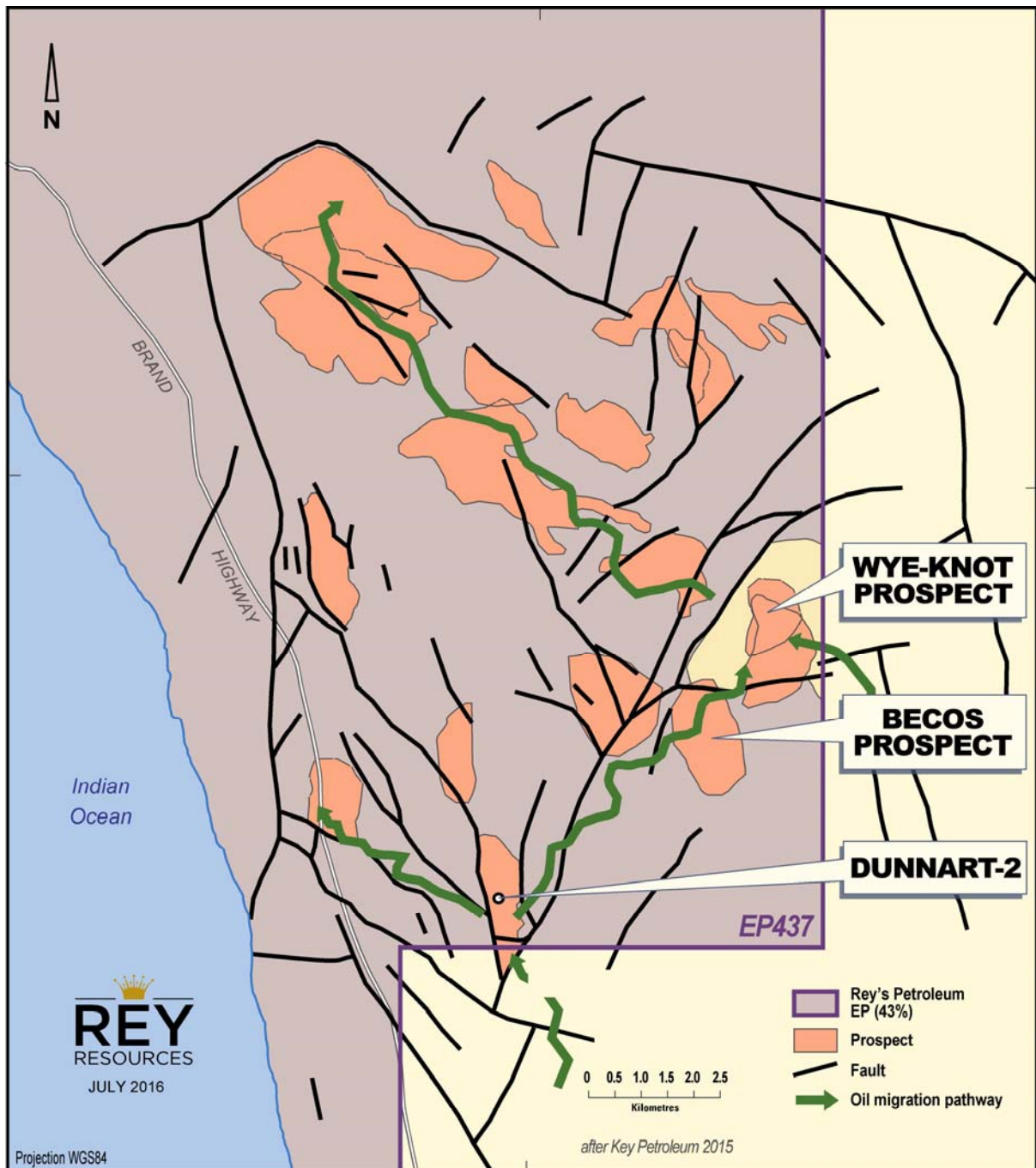


Figure 3: EP437 in the Perth Basin with prospects.

The Joint Venture continued to review the prospectivity of the basin during the quarter and decided to reprocess approximately 130kms of vintage 2D seismic data across the Wye Not and Becos prospects. The permit conditions requires a commitment well in 2017.

2. Coal

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

The Duchess Paradise environmental approval assessment remains on hold while various matters are examined. No field work was undertaken during the quarter.

3. Corporate

On 26 February 2016 the Company announced a 1 for 3 non renounceable rights issue at 1.5 cents per share to raise up to \$3.7 million before costs. As announced on 5 April 2016, entitlement applications were received for 141,692,231 new shares and a further 87,804,814 new shares were applied for as additional shortfall shares, raising approximately \$3.4 million before costs. On 29 April 2016 it was announced that the remaining shortfall of 18,598,424 shares was placed to investors, completing the rights issue. The funds raised by the rights issue have and will be used to pay down the Company's loan facility and finance petroleum exploration activities and working capital during 2016.

As announced on 30 October 2015, the Company secured a \$2 million loan facility agreement with one of its major shareholders, ASF Group Limited ("Loan Facility"). On 16 May 2016, the Company announced that it had repaid the Loan Facility in full by the amount of \$1,082,270 (principal plus interest). The Loan Facility term expired on 30 June 2016.

On 10 May 2016 the Company announced that it was implementing a buyback of up to 10% of its issued capital over a period of 12 months. No shares have been acquired under the buyback since the commencement of the scheme.

On 1 June 2016 it was announced that Mr Kevin Wilson had completed his 6 month notice period and resigned his role as Managing Director. Post the end of the quarter, on 5 July 2016 it was announced that Mr Jin Wei had been appointed Managing Director.

On 1 July 2016, pursuant to the Company's share incentive scheme and as part of Mr Wilson's termination payment, 3,426,667 share performance rights held by Mr Wilson vested and were converted to an equivalent number of Rey ordinary shares.

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
Jin Wei	Managing Director
Louis Chien	Alternate Director (Alternate to Chairman)
Geoff Baker	Non-executive Director
Dachun Zhang	Non-executive Director

Company Secretary

Shannon Coates

Capital Structure

Rey Resources is listed on the Australian Securities Exchange (ASX: REY) and had approximately 992.4 million ordinary shares on issue and 3.4 million performance rights as at 30 June 2016.

Share Registry

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

Registered Office

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West Perth WA 6005 Australia
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Tenement Tenure Status (as at 30 June 2016)

Tenure ID ¹	Tenure Type	Holder (wholly-owned 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
E04/1770	Exploration Licence	Blackfin Pty Ltd	100	100
L04/0058	Miscellaneous Licence Application	Blackfin Pty Ltd	100	100
M04/0453	Mining Lease 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 ²	Exploration Permit	RLS	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 Royalties attaching to EP487: RLS may, at its election, on the grant of a production licence on EP487, either: grant Backreef Oil Pty Ltd a 1% royalty on sales proceeds from future production from its interest in EP487; or pay \$2 million to Backreef. In addition, Oil Basins Royalties Pty Ltd has a 1% royalty on sales proceeds from future production from RLS' interest in EP487.

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 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(350)	(3,626)
	(b) development	-	(49)
	(c) production	-	-
	(d) administration	(380)	(1,436)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4	8
1.5	Interest and other costs of finance paid	(82)	(82)
	Net Operating Cash Flows	(808)	(5,185)
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	-	6
1.10	Loans from other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Bonds received	35	35
	- Bonds paid	-	-
	Net investing cash flows	35	41
1.13	Total operating and investing cash flows (carried forward)	(773)	(5,144)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(773)	(5,144)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares net of costs	1,004	4,721
1.15	Share buy- back cost	-	-
1.16	Proceeds from borrowings	-	2,000
1.17	Repayment of borrowings	(2,000)	(2,000)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	(72)
	Net financing cash flows	(996)	4,649
	Net increase (decrease) in cash held	(1,769)	(495)
1.20	Cash at beginning of quarter/year to date	2,926	1,652
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,157	1,157

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	114
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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	306
4.2 Development	-
4.3 Production	-
4.4 Administration	273
Total	579

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	1,157	2,926
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,157	2,926

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				
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	992,381,876	992,381,876		
7.4	Changes during quarter ¹ (a) Increases through issues (b) Decreases through buy-backs	248,095,469	248,095,469	1.5 cents	1.5 cents
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

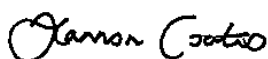
+ See chapter 19 for defined terms.

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)	2 426,667 1,000,000 <u>3,426,667</u>			<i>Vesting date</i> 01.07.2016 01.07.2016
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		

1. 1. Shares issued during the quarter pursuant to the Company's share placement. A further 229,497,045 shares were issued post the end of the quarter pursuant to a Rights Issue.

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 July 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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