

31 October 2016

September 2016 Quarterly Report

HIGHLIGHTS

Canning Basin- Derby Block: new work program granted and geological review completed

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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%).

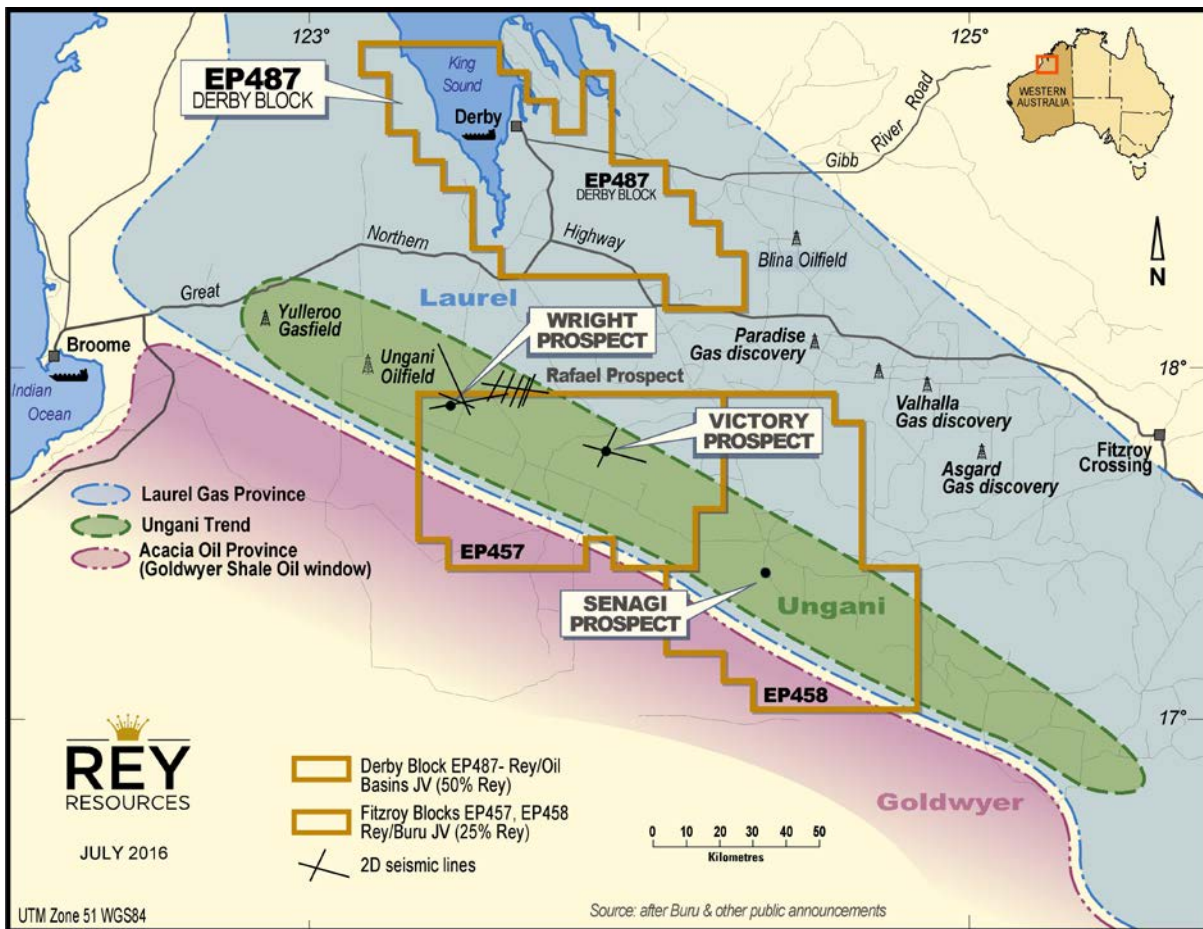


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

During the quarter ended 30 September 2016, the Operator continued interpretation and integration of the new 2D seismic data from the Rafael seismic survey (acquired by the JV in late 2015) with the other seismic and gravity data in EP457.

Analysis and integration of the results from the Victory 1 and Senagi 1 wells (drilled during late 2015 in EP457 and EP458 respectively) was largely completed. The Operator continued the preparation of final reports to document the results of the wells ahead of lodgement of the reports and all associated data with the regulator later in 2016.

Applications to renew EP457 and EP458 were submitted to the regulator on 21 July 2016. This followed agreement by the JV parties on the 50% areas of the permits to be mandatorily relinquished at the end of the current term of the permits on 23 October and the proposed work programs for the renewal of the permits.

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 elsewhere 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).

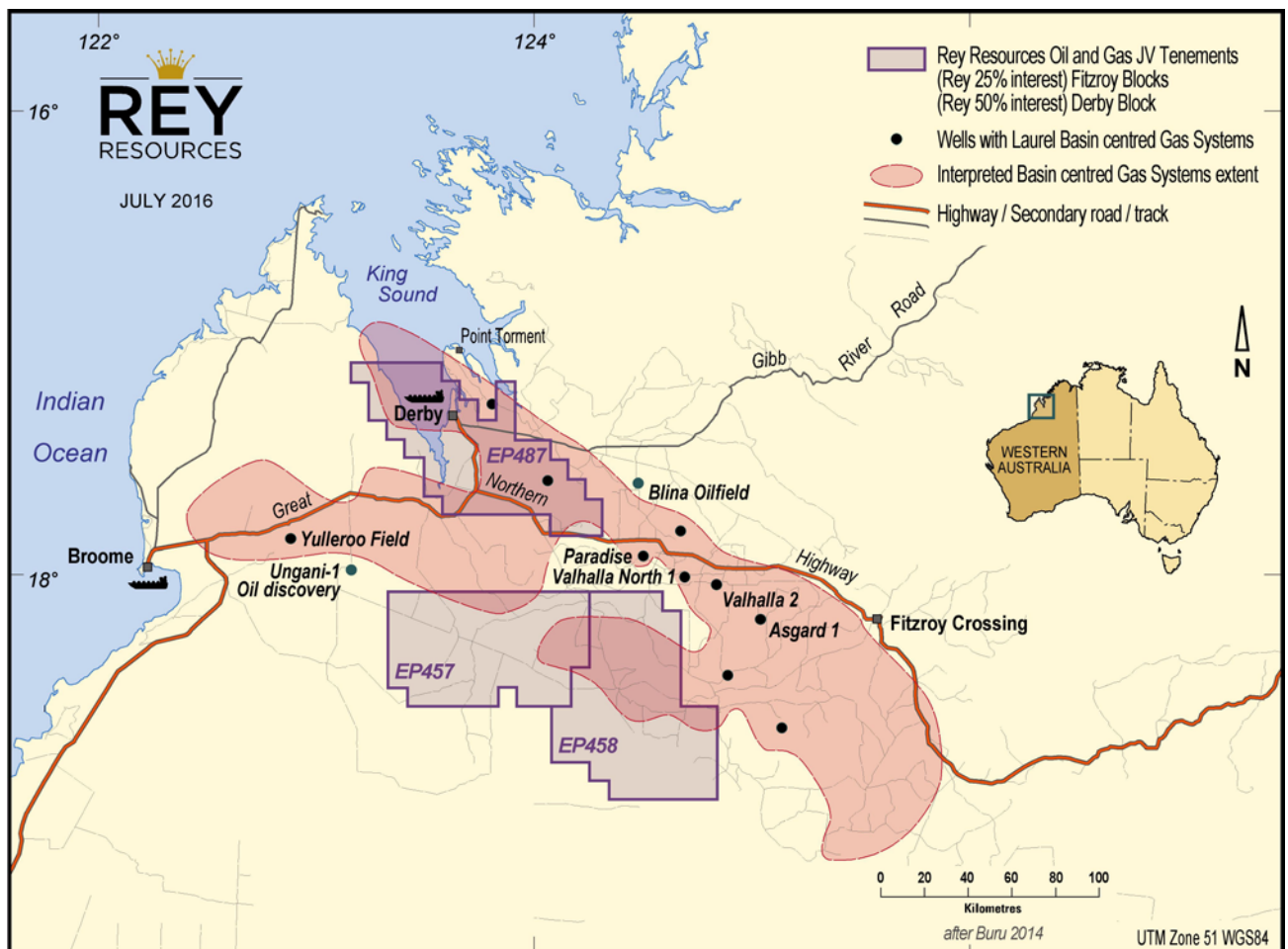


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

Prospective Resources

A 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 as previous operator (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.

The Company assumed operatorship in June 2016, and since then has continued geological and petrophysical studies, as well as reprocessing of vintage seismic lines, to inform new proposed well sites.

On 30 September 2016, a one-year work program extension for Year 2 was granted by the Department of Mines and Petroleum. The work program now requires the drilling of two wells in 2017.

The Company continues to plan a 70km seismic program in early 2017 following cessation of the wet season and is commencing the preparatory work for its future drilling activities including preparation of a data room to assist in farmout discussions.

During the quarter the Company issued three cash calls to its partner OBL. These cash calls are in default and as a consequence the Company issued a Buy-out notice to OBL, as announced to ASX on 20 October 2016.

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>	43.47%
<i>Rey (Rey Oil and Gas Perth Pty Ltd)</i>	43.47%
<i>Pilot Energy Limited</i>	13.06%

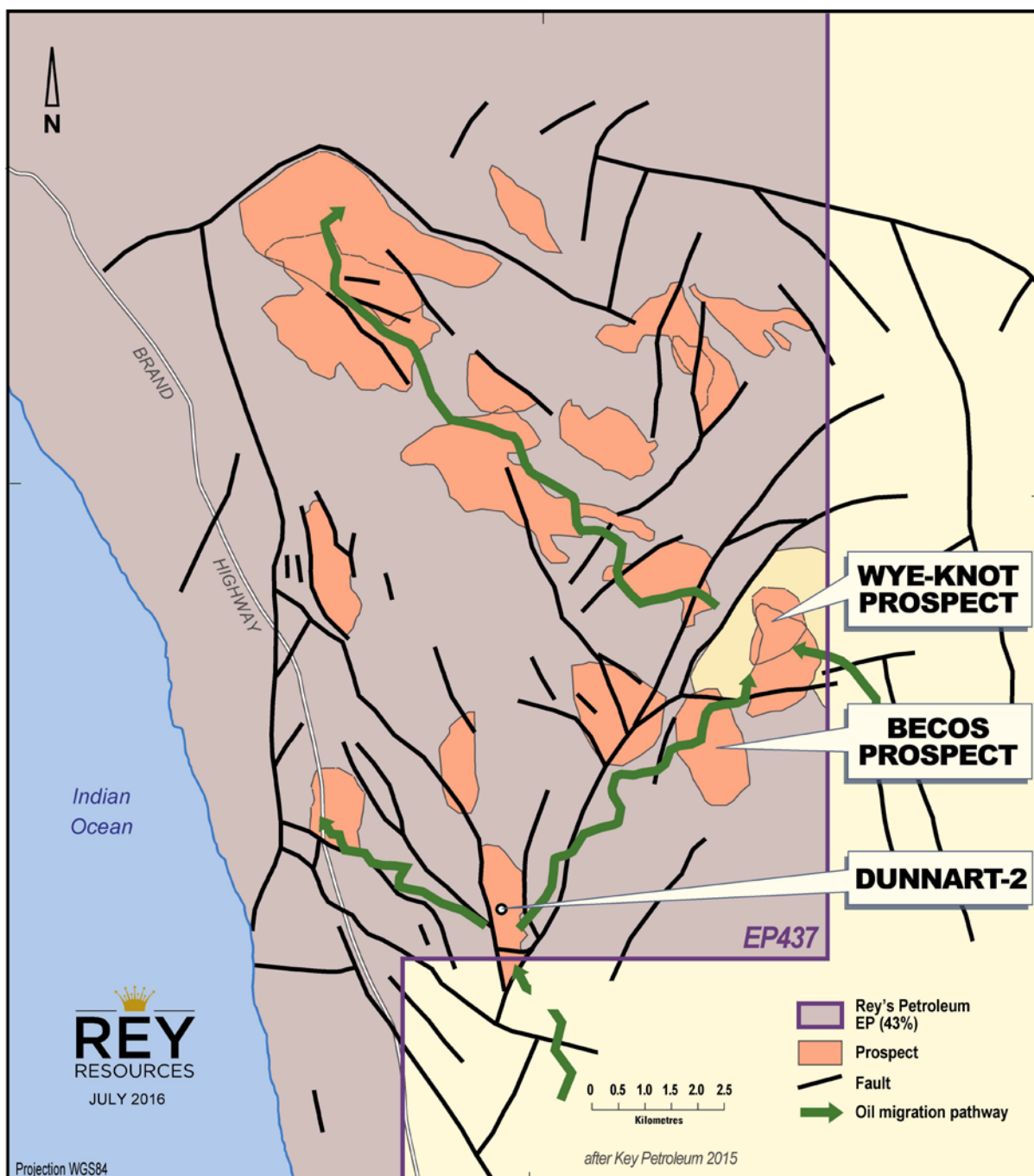


Figure 3: EP437 in the Perth Basin with prospects.

During the quarter the joint venture reviewed the operator's budgets and work supportive of the proposed drilling of the Wye Knot prospect as the Year 3 commitment well.

Work undertaken during and subsequent to the quarter involved a comprehensive review of wells in the vicinity of the Wye area and updated geophysical mapping study of the Wye area (eastern part of the permit).

The proposed Wye Knot-1 well is designed to test the potential for an oil leg below the gas pay encountered in Wye-1 in the Triassic Bookara and Arranoo Sands. The gas in the Wye-1 discovery well is dry, and compares well to the dry gas at the Dongara oil and gas field directly south which is not in equilibrium with the Dongara oil.

The gas is believed generated largely from the Irwin River Coal measures, and the oil is likely sourced from the Lower Triassic Kockatea Shale.

Timing of Wye Knot-1 in 2017 is subject to commercial discussions around participation by joint venture partners and the initiation of stakeholder engagement, including agricultural activities by landowners.

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 was withdrawn during the quarter. This is expected to enable the stay on hearing certain objections against the grant of a Mining Lease to be lifted and the hearing of these objections in the Warden's Court to proceed.

3. Corporate

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

On 5 July 2016, the Company announced that Mr Wei Jin was appointed Managing Director of the Company. Mr Jin has been a Director of the Company since 2 December 2013. He holds a PhD in Science from the China University of Geosciences with over 22 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.

The Company appointed Dr Zhilang Ou as Independent Non-Executive Director on 23 September 2016. Dr Ou holds a Doctor of Philosophy degree in Civil & Resource Engineering from the University of Western Australia. He has over 27 years of professional engineering and management experience in the oil and gas, mining and infrastructure industries both in Australia and China. Dr Ou currently serves as an executive director of Hao Tian Development Group Limited, a company listed on the main board of the Hong Kong Stock Exchange.

On 11 October 2016, the Company announced the placement of 66,666,666 fully paid ordinary shares for \$1 million at an issue price of \$0.015 per share. The placement funds will be used for further exploration on the Company's oil and gas assets and general working capital.

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
Zhilang Ou	Non-executive Director

Company Secretary

Shannon Coates

Capital Structure

Rey Resources is listed on the Australian Securities Exchange (ASX: REY) and had approximately 1.06 billion ordinary shares on issue at 30 September 2016.

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
Tel: +61 2 8259 9620
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Tenement Tenure Status (as at 30 September 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 and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

REY RESOURCES LIMITED

ABN

84 108 003 890

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(692)	(692)
(b) development	-	-
(c) production	-	-
(d) staff costs	(158)	(158)
(e) administration and corporate costs	(114)	(114)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(963)	(963)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,157	1,157
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(963)	(963)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	194	194

Mining exploration entity and oil and gas exploration entity quarterly report

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	194	1,157
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	194 <i>(see Explanatory Note)</i>	1,157

Explanatory Note

The Company has a track record in raising funds by way of equity issues or loans. On 11 October 2016, the Company announced that it had raised \$1 million by way of a placement of 66,666,666 fully paid ordinary shares at an issue price of \$0.015 per share. The subscription money had been received on 17 October 2016, which will be used for further exploration on the Company's oil and gas assets and general working capital.

6. Payments to directors of the entity and their associates

- | | Current quarter
\$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 36 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

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7. Payments to related entities of the entity and their associates

- | | Current quarter
\$A'000 |
|--|------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

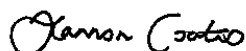
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	459
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	126
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	585

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



31 October 2016

Sign here:
(Director/Company secretary)

Date:

SHANNON COATES

Print name:

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.