

28 April 2016

March 2016 Quarterly Report

HIGHLIGHTS

- Canning Basin- seismic acquisition processing completed and interpretation commenced in the Fitzroy Blocks
- Canning Basin- new prospective resource estimation for Basin Centred Gas in Derby Block
- Rights issue and placement raises \$4.4 million

For further information, contact:
Phone: +61 08 9211 1999
Email: info@reyresources.com
Web: www.reyresources.com



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%).

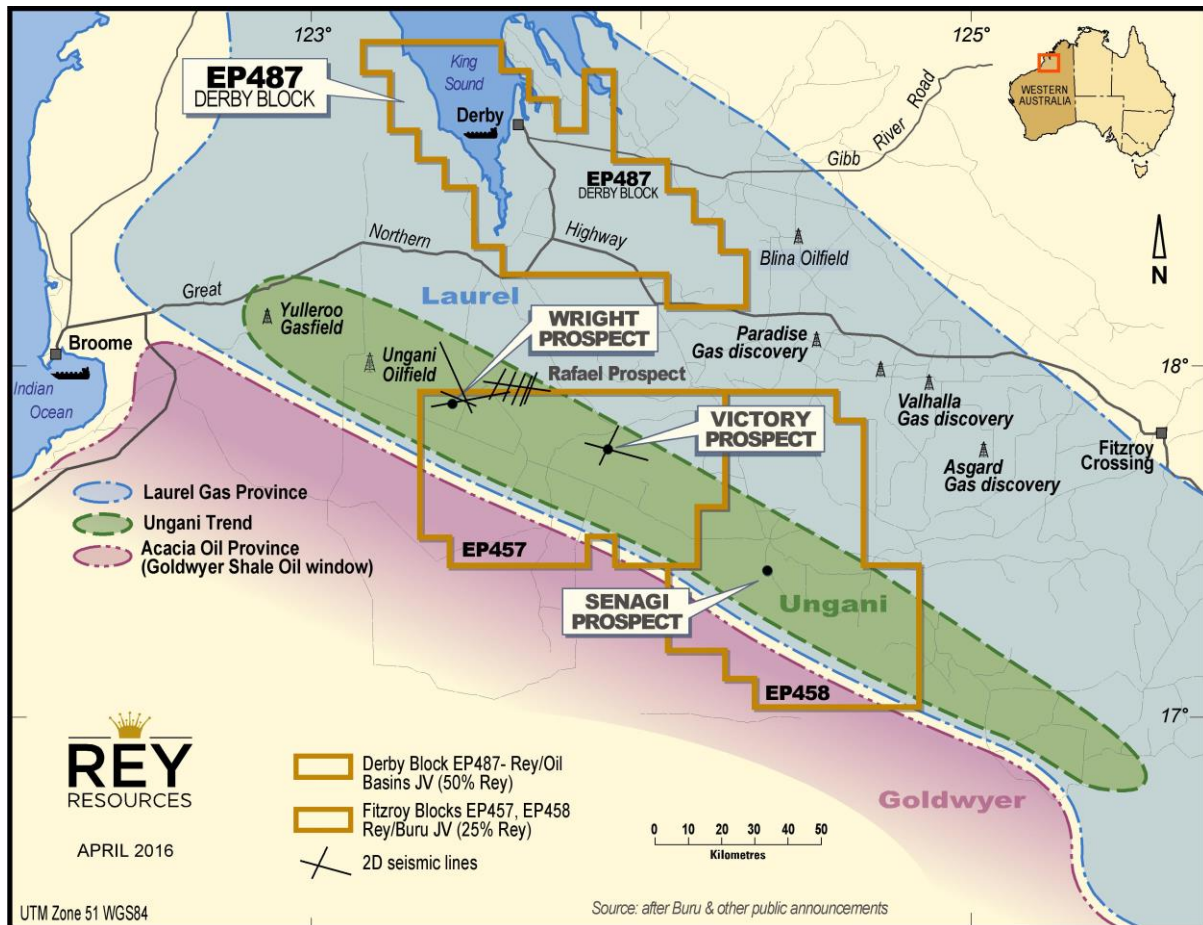


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

The Fitzroy Blocks Joint Venture drilled the Victory-1 well in EP457 and the Senagi-1 well in EP458 during Q4 2015 (refer Figure 1).

During the quarter ended 31 March 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, is expected to complete permit reviews in 2Q 2016 and propose to the Joint Venture the least accessible and least prospective blocks for relinquishment.

1.2 Derby Block (EP487)

Also in the Canning Basin, the Company holds a 50% participating interest in 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).

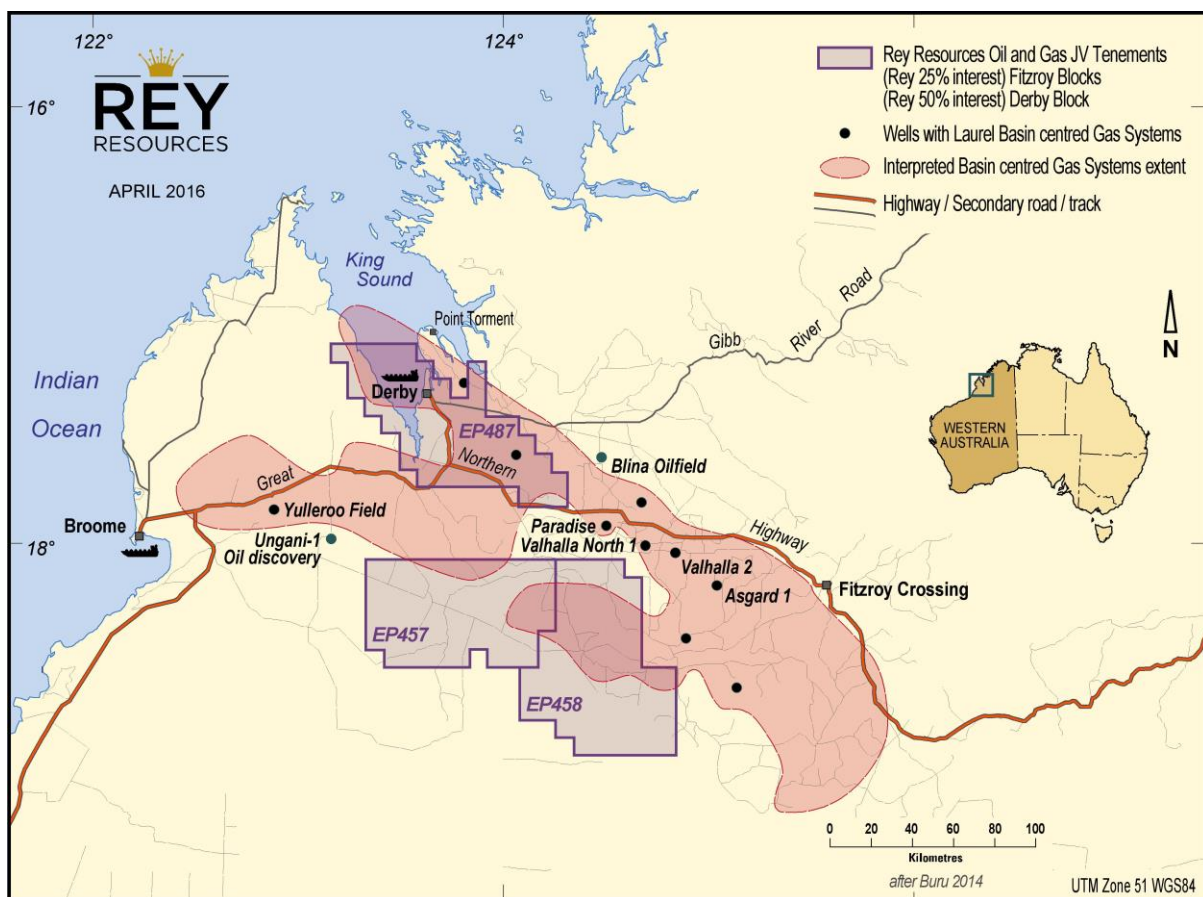


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

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	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	-	-	-	-

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. Withheld, pending clarification from Oil Basins.
- 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 13 April 2016, Oil Basins reissued the Prospective Potential Recoverable Resources statement on an attributable basis (OBL ASX release dated 13 April 2016) and a subsequent corrected version on 14 April 2016 (OBL ASX release dated 14 April 2016).

On 3 February 2016, the Department of Mines and Petroleum approved a variation to the Year 2 work program. Well site locations have been proposed by Oil Basins for consideration by the Joint Venture for drilling in 2016, in satisfaction of the EP487 Year 2 permit conditions.

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. These legal proceedings will also seek a declaration that RLS is appointed Operator of EP487.

The proceedings have been tentatively listed for hearing in the Western Australian Supreme Court on 25 May 2016.

1.3 Perth Basin

EP437

The Company earned a 43.47% interest in EP437 in 2014. The beneficial interests in EP437 are:

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

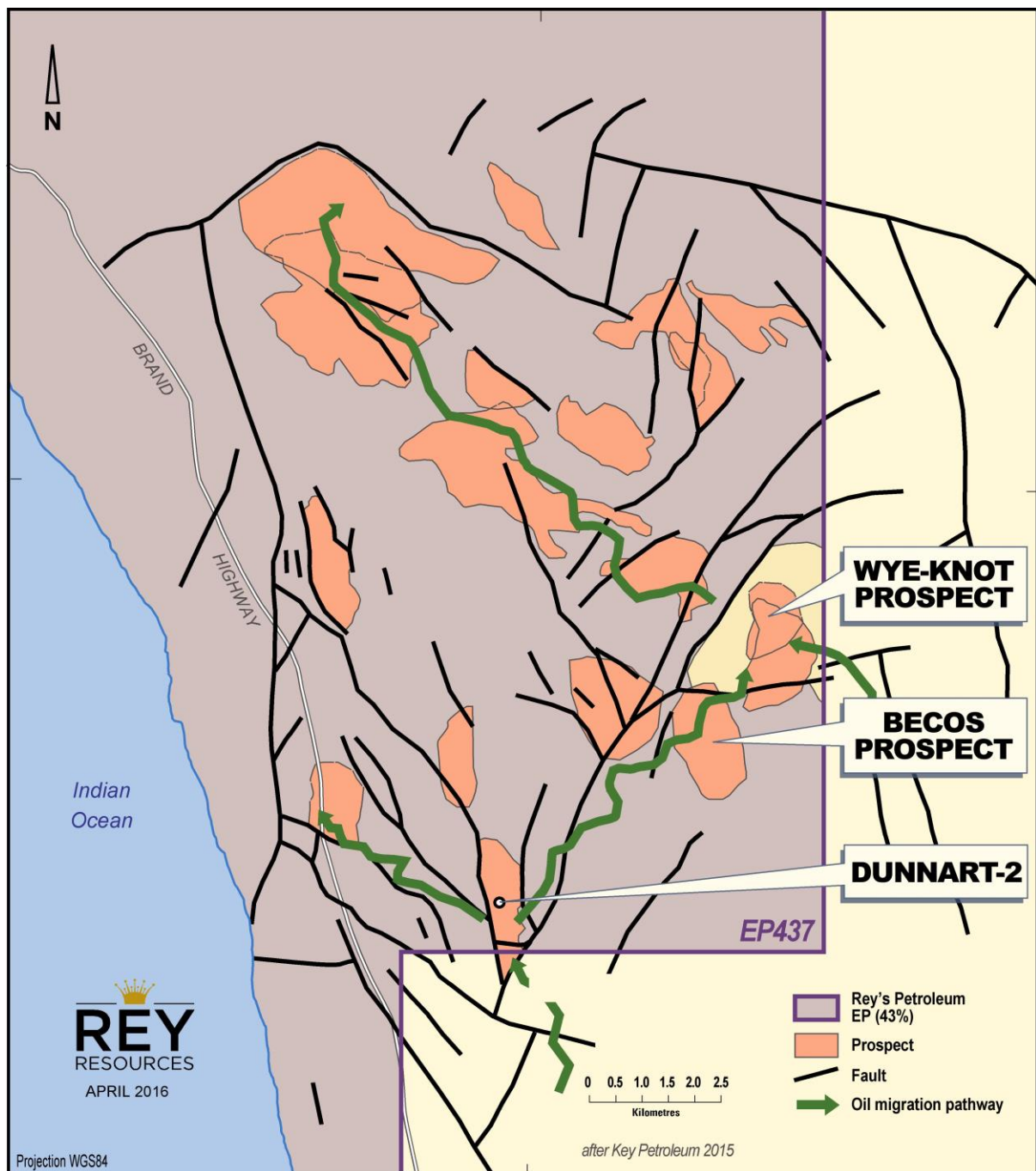


Figure 3: EP437 in the Perth Basin with prospects.

The Joint Venture continued to review the prospectivity of the basin during the quarter and decided to reprocess seismic data across the Wye Not and Becos prospects and undertake petrophysical reinterpretation of existing wells prior to prospect finalisation and ranking.

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. A Retention Licence application was withdrawn during the reporting quarter.

3. Corporate

On 4 January 2016 the Company announced it had changed 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 the non-executive 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. Mr Chien is also a director of ASF Group Limited ("ASF") where he is principally responsible for the management of investment development, financial, and operational activities.

The Company continues to utilise its loan facility agreement with one of its major shareholders, ASF, as referred to in the Company's quarterly report for the September 2015 quarter, released on ASX on 30 October 2015 ("Loan Facility"). The Loan Facility is a standby facility of up to \$2 million under which Rey can draw down as required. On 15 February it was announced to the ASX that the loan term had been extended to 30 June 2016. The loan facility was fully drawn down as at 31 March 2016 and \$1 million was repaid post the end of the quarter.

On 4 February 2016 the Company announced a placement of 33,333,333 fully paid ordinary at 3 cents per share to raise \$1 million. The placement was made under the Company's existing placement capacity under Listing Rule 7.1 and to Ms Wanyan Liu, a sophisticated investor qualifying under s708 of the Corporations Act 2001 (Cth).

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. The rights issue closed on 31 March 2016, raising a total of approximately \$3.4 million before costs. 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.

A total of 229,497,045 new fully paid ordinary shares were issued to subscribers post the end of the quarter in connection with the rights issue. The Company is in negotiations to place the rights issue shortfall of 18,598,424 shares. The Company's total issued capital following the rights issue is 973,783,452 ordinary shares (before any shortfall placement). The funds raised by the rights issue will be used to pay down the Company's loan facility and finance petroleum exploration activities and working capital during 2016.

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	Alternate 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 had approximately 744.3 million ordinary shares on issue and 3.4 million performance rights as at 31 March 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
info@reyresources.com
www.reyresources.com

Tenement Tenure Status (as at 31 March 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
R04/3	Retention Licence Application	Blackfin Pty Ltd	100	0
	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")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(772)	(3,276)
	(b) development	(32)	(49)
	(c) production	-	-
	(d) administration	(391)	(1,056)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	-	4
1.5	Interest and other costs of finance paid	-	-
	Net Operating Cash Flows	(1,195)	(4,377)
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	-	-
	- Bonds paid	-	-
	Net investing cash flows	-	6
1.13	Total operating and investing cash flows (carried forward)	(1,195)	(4,371)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,195)	(4,371)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares net of costs ¹	3,717	3,717
1.15	Share buy-back cost	-	-
1.16	Proceeds from borrowings	350	2,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(2)	(72)
	Net financing cash flows	4,065	5,645
	Net increase (decrease) in cash held	2,870	1,274
1.20	Cash at beginning of quarter/year to date	56	1,652
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,926	2,926

1. Includes \$1M received during the quarter pursuant to the Company's placement of 33.33M shares at 3c plus \$2.717M received during the Company's Rights Issue which remained open at the end of the quarter. A further \$650k was received under the Rights Issue post the end of the quarter.

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	113
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)	(2,000)
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	450
4.2 Development	50
4.3 Production	-
4.4 Administration	200
Total	700

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	2,926	56
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,926	56

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
-----------------------	----------------------------------	--	----------------------------------

+ 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	744,286,407	744,286,407		
7.4	Changes during quarter ¹ (a) Increases through issues (b) Decreases through buy-backs	33,333,333	33,333,333		3 cents
7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

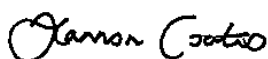
+ See chapter 19 for defined terms.

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>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		

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: 28 April 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.

== == == == ==