

# June 2020

# Quarterly Report

## HIGHLIGHTS

### Corporate

- Increase in Liu's loan facility and extension of maturity date of ASF's and Liu's loan facilities

### Projects

- Restart negotiation with Native Title for Duchess Paradise Project
- E04/1386 Surrender
- R1 Geochemical survey Environmental Plan approved
- E04/1519 and E04/1770 renew approved

Authorised by:  
Board of Rey Resources Limited

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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 (via its wholly owned subsidiary Rey Oil and Gas Pty Ltd) (40%) and Buru Fitzroy Pty Ltd (**Buru Fitzroy**), a wholly owned subsidiary of Buru Energy Limited (ASX: BRU) (60% and Operator).

Rey holds a total 40% participating interest in the two blocks, but only has a 33.336% funding obligation until commercial production. This is due to a Funding Agreement whereby Buru Energy Ltd free carries 6.664% of Rey's 40% participating interest. Buru will continue to be the Operator for future exploration work.

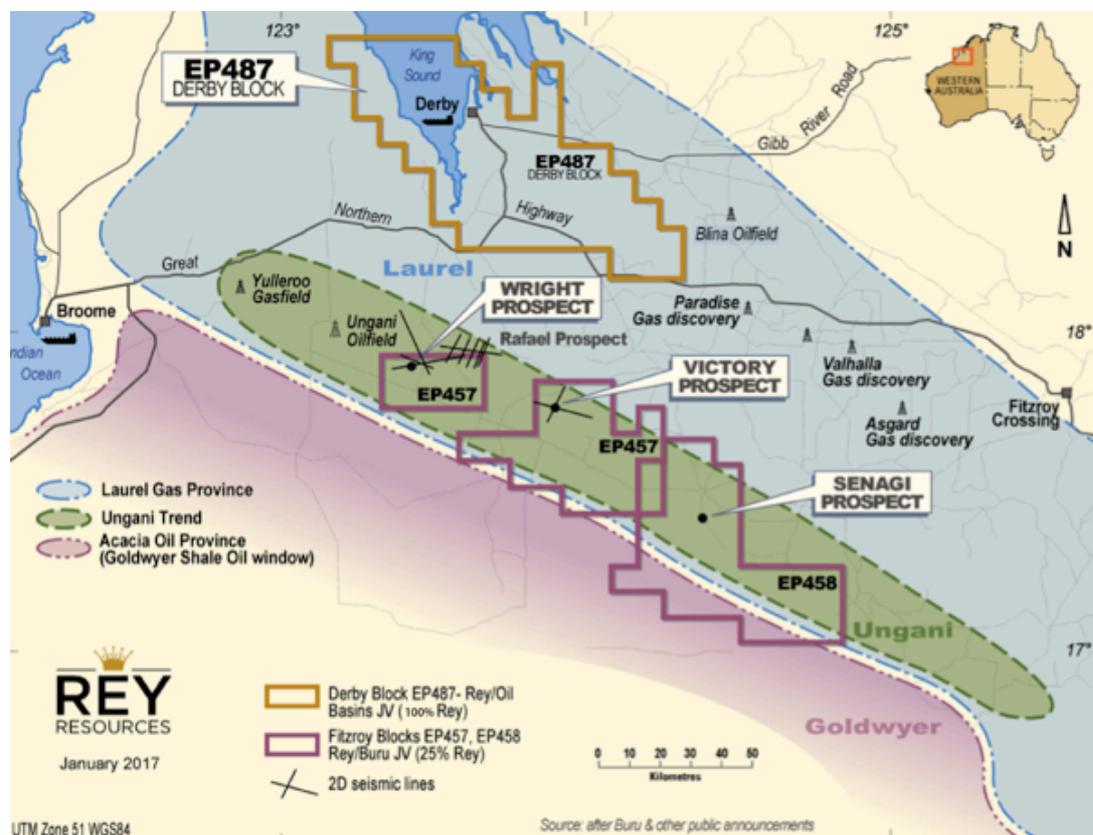


Figure 1: The three major prospective trends relative to Fitzroy Blocks EP457 and EP458 and Derby Block EP487.

The Government announced on 8 July 2019 that it had approved an Implementation Plan (the Plan) following its consideration of the final report from the independent scientific inquiry panel. The Government also announced that a steering group made up of senior officials from key Government agencies developed the Plan and had been tasked with overseeing the implementation of the actions resulting from the Government's policy decisions relating to the findings and recommendations of the report. The Government also stated its intention to implement the recommendations and policy decisions by the end of 2020.

During the report period, the operator of Fitzroy Block is still promoting the farmout work program to investors. But this has been significantly delayed because of the travel restriction caused by COVID-19.

## 1.2 Derby Block (EP487)

The Company currently holds a 100% interest in petroleum exploration permit EP487, the Derby Block, via its 100% owned subsidiaries Rey Lennard Shelf Pty Ltd and Rey Derby Block Pty Ltd.

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 to Figures 2 and 3 below) and has been the subject of exploration elsewhere in the Canning Basin by other parties in 2015, resulting in encouraging flow tests by Buru at Valhalla and Asgard (refer to various BRU ASX releases including releases dated 20 January 2016 and 18 April 2016).

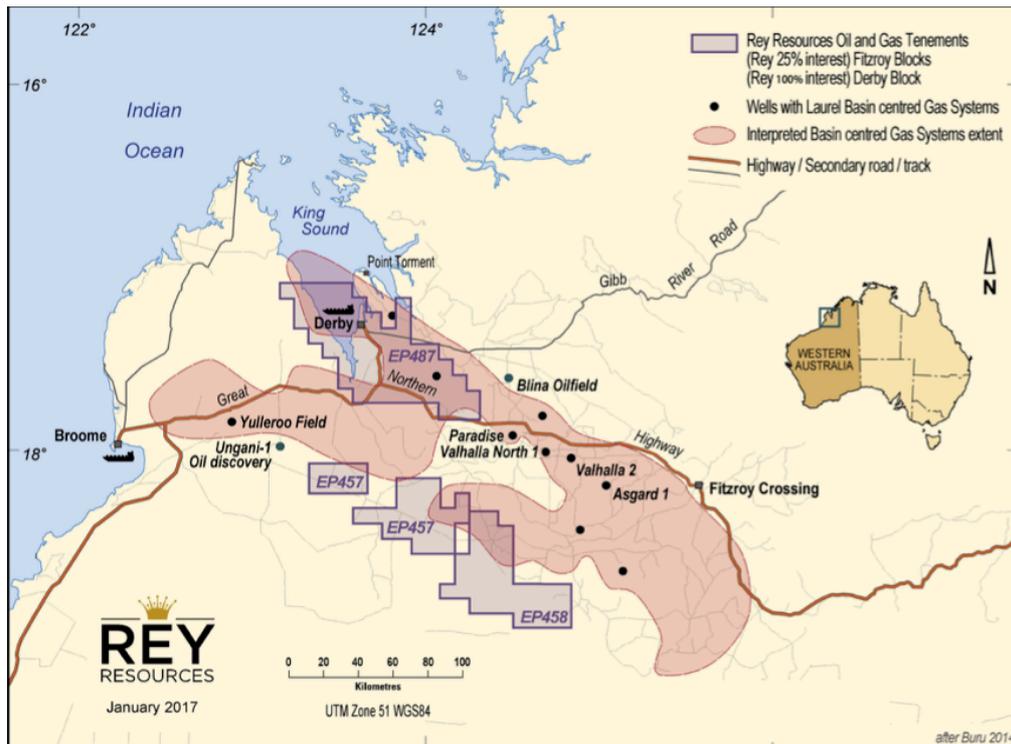


Figure 2: Interpreted extent of the Laurel Basin gas system in relation to Rey's petroleum interests (after Buru and others).

During the reporting period, Rey continued the preparation of farmout of current commitment well. Due to the effect of COVID-19, a letter has been lodged to DMIRS to state the willingness of another 12 month suspension and extension of EP487.

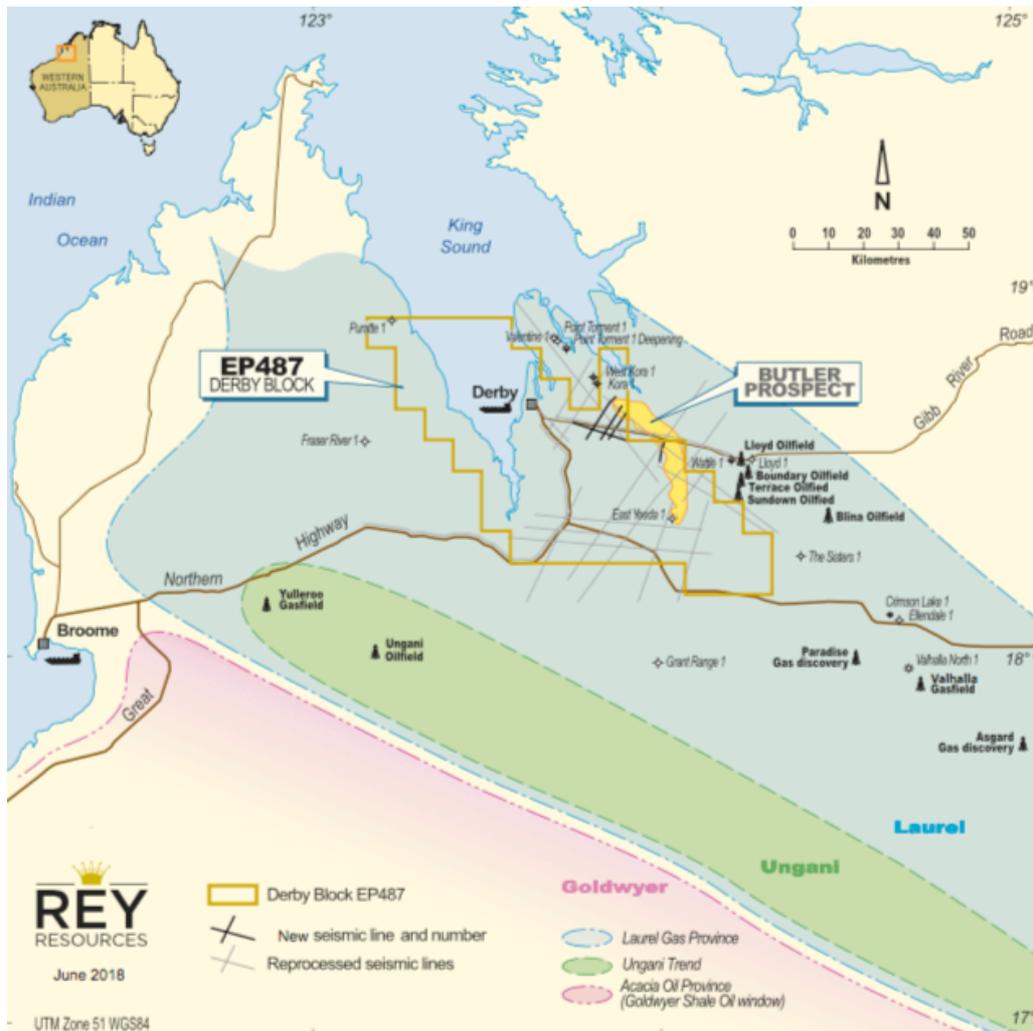


Figure 3: EP487 Location

### 1.3 Lennard Shelf Blocks

#### EP104, R1 and L15

Rey holds a 100% interest in the Lennard Shelf Blocks, comprising EP104, a Retention Lease (R1) and one Production Licence (L15). The Lennard Shelf Blocks are situated to the north of Rey's existing interests in the Canning Basin (refer Figure 4) petroleum exploration licence, EP487 covering a total area of approximately 1,145 km<sup>2</sup> and are considered prospective for conventional oil and tight gas.

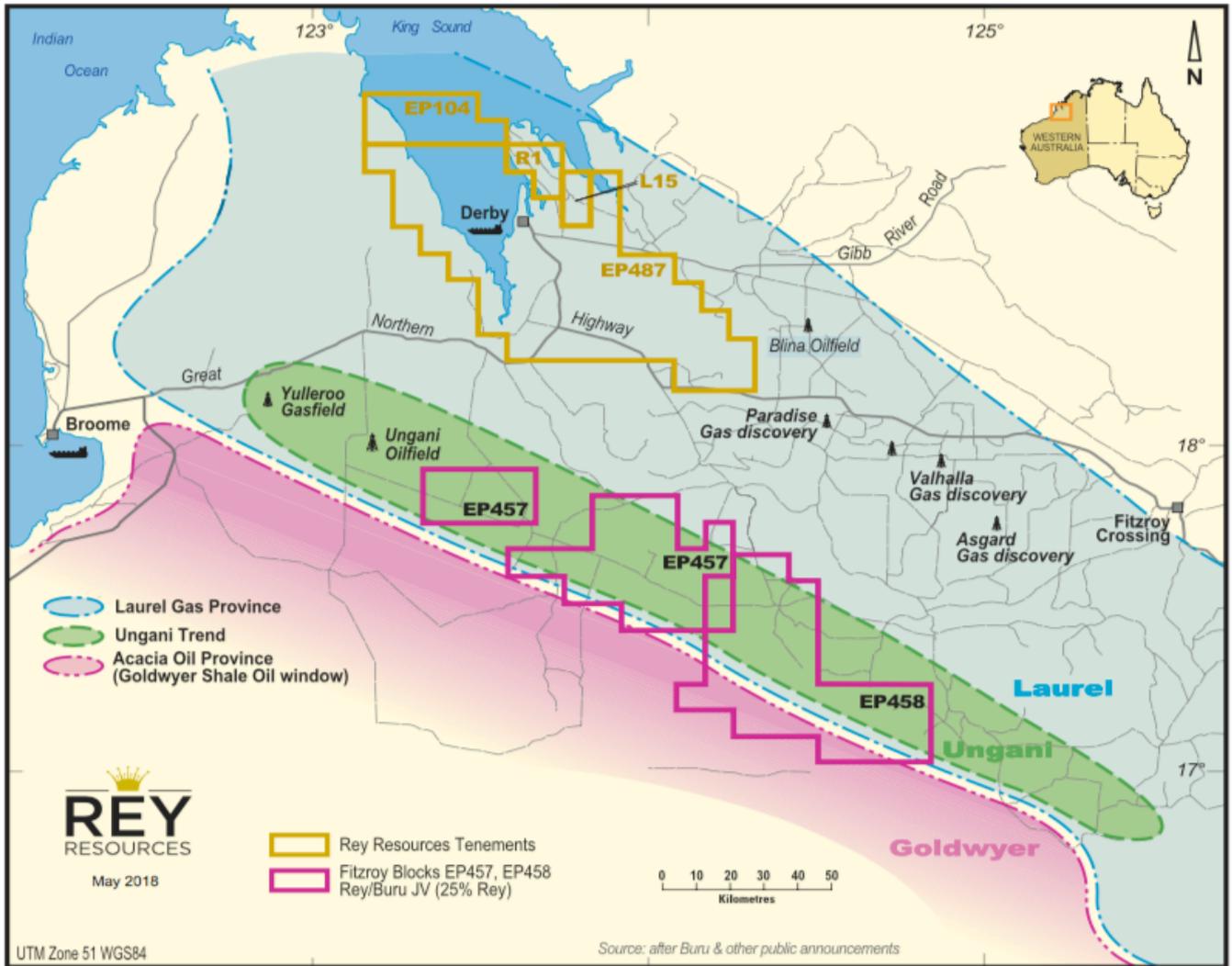


Figure 4: Location of Lennard Shelf Block and Rey's other oil and gas interests in the Canning Basin.

On 6 February 2020, Rey advised it had received a notice of withdrawal from Doriemus pursuant to the Agreements. This ceased the right of Doriemus to earn an interest in L15 and brings the L15 Farmout Agreement to an end. Because no interest in L15 has been transferred to Doriemus, Rey is and will continue to be the 100% holder of L15. Rey will seek new partners for the development of L15.

As requested by the Traditional Owners, Rey scheduled the heritage survey on 11 July 2019 for the geochemical survey in R1 and well inspection work in L15. A draft heritage protection agreement was also received and reviewed by Rey. On 11 July 2019, the heritage survey was completed, and final heritage clearance report was received on 24 July 2019.

Rey actively sought appropriate methods for the oil disposal and as discussed with DMIRS, it has been approved that Rey could remove the oil tank by end of September 2020.

During the report period, Rey received approval from DMIRS for the environmental plan for committed geochemical survey. The well integrate inspection for West Kora-1, Point Torment-1 and Stokes Bay-1 has been approved to be conducted before 30 September 2020 by DMIRS. Rey plan to complete the two works at same time in August 2020.

## L15

West Kora 1 is located within L15 (Production Licence) which is located on the Lennard Shelf, onshore Canning Basin, Western Australia. It comprises two graticular blocks covering an area of 163.46 square kilometres. L15 was granted on 1 April 2010 for a period of 21 years.

Rey engaged 3D Geo to review the Contingent Resources for L15. The results of this review were included in the Company's Annual Report, released to ASX on 28 October 2019.

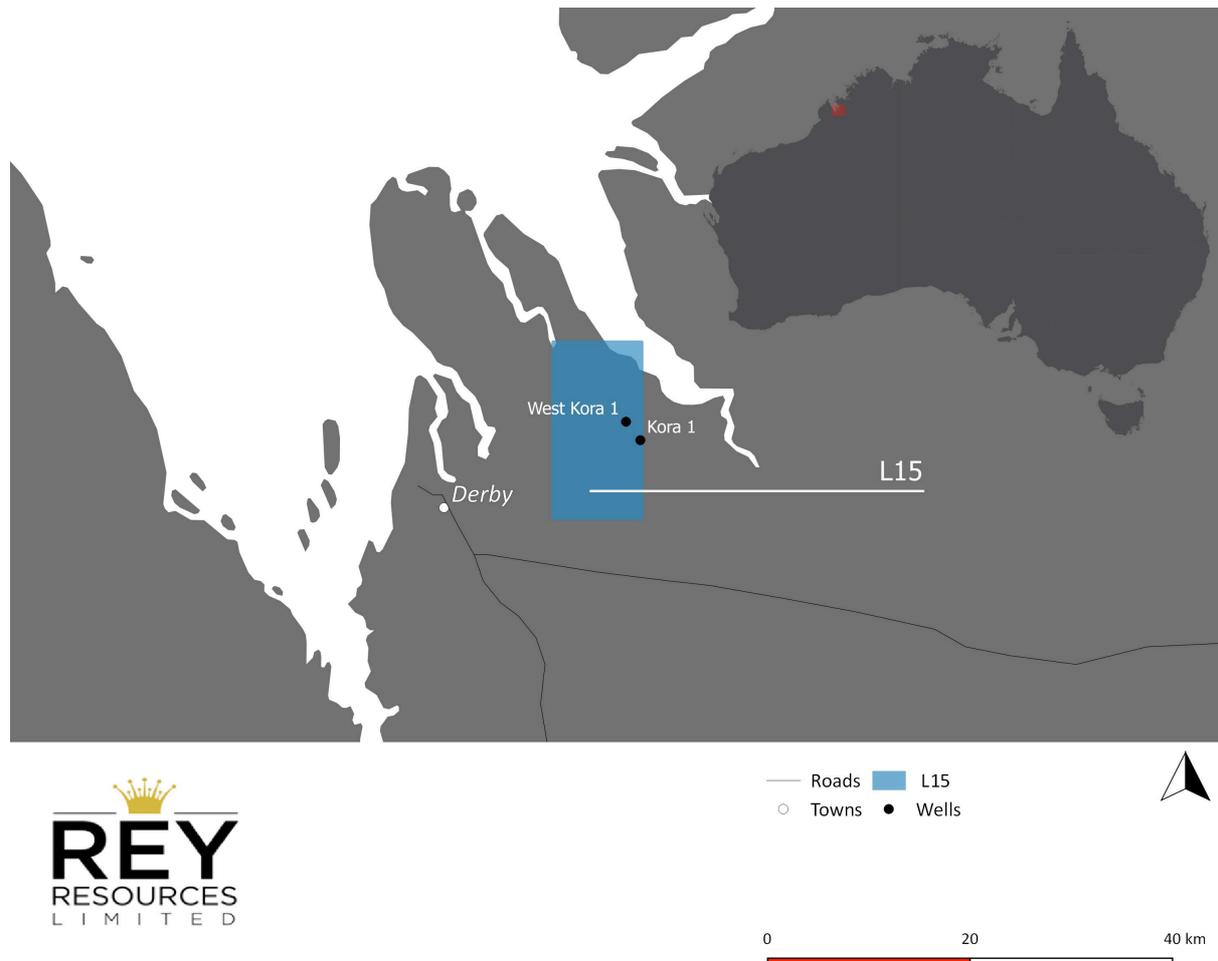


Figure 5: Map of L15 including locations of West Kora 1 Well

## 2. Coal

The Duchess Paradise Coal Project (**DP Project**) is a proposed bituminous thermal coal operation located in the Canning Basin of Western Australia and is partly contiguous with the Fitzroy Blocks. It has a reported Mineral Resource of 305.8Mt (JORC 2012 Code) (see ASX announcement on 28 October 2014).

Following the execution of the Access Deed with the last objector to the Mining Licence Application, the Court is making the final recommendations to the Minister. DMIRS also requested Rey to re-start the negotiation progress. Rey has appointed the negotiation representative and started to engage with Native Title parties for a heritage agreement negotiation.

### Duchess Paradise P1-seam Resources - October 2014 (JORC 2012 Code)

Duchess Paradise Resources Estimate (in-place, with <i>in situ</i> moisture) Million Tonnes <sup>1</sup>					
Measured	Indicated	Inferred (Interpolated)	Inferred (Extrapolated)	Total Inferred	Total
60.2	78.5	51.3	115.7	167.1	305.8

1. Some values do not sum due to rounding.

Rey surrendered the tenement of E04/1386 as result of refusal of term renew. E04/1386 located at south west corner of current mining licence application. Several holes were drilled in this tenement. Rey kept E04/1386 in past is in consideration of future exploration. The surrender of E04/1386 will not affect the interests of Rey in current mining licence application.

In May, E04/1519 which is covered by the mining licence application has been approved for renew.

## 3. Corporate

During the quarter, Dr Zhiliang Ou and Ms Shannon Coates resigned as Non-Executive Director and Company Secretary of the Company respectively. The Board would like to thank Dr Ou and Ms Coates for their contributions during their tenures with the Company and wishes them well with their future endeavours.

On 25 June 2020, Rey announced that it has agreed with ASF Group Limited (“ASF”) for the extension of maturity date of the \$2 million loan facility granted by ASF from 30 June 2020 to 31 October 2021. Rey also agreed with Wanyan Liu (“Liu”) for the increase in one of the loan facilities granted by Liu from 3 million to 5 million and the extension of maturity date of that loan facility to 31 October 2021.

Subsequent after the end of the quarter and as part of its ongoing capital management strategy, the Company announced on 8 July 2020 the extension of its on-market buyback program for a further 12 months from 23 July 2020. During the quarter, the Company did not buy back any share under the on-market buyback program.

As required pursuant to section 6 of the Company’s Appendix 5B, the Company paid approximately \$51,000 to related parties during the quarter, of which \$22,000 were consulting fees and \$29,000 were Director fees.

## 4. Competent Persons Statements

### **Coal Resources Estimate**

The estimate of P1-seam Resources in the Duchess Paradise area was first reported to ASX on 28 October 2014, in accordance with:

- “The Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves” – 2003 Edition prepared by the Coalfields Geology Council of New South Wales and the Queensland Mining Council;
- JORC Code, 2012 Edition, and as adopted by the Australian Stock Exchange; and
- ASX Companies Update 03/07 and the JORC paper of June 19th, 2007, Guidance for Practitioners.

The P1-seam Resources estimate, and discussion presented in this report is based on information supplied by Rey Resources or by companies employed by Rey Resources, as well as information collected during exploration activities under the guidance of Rey Resources. The information was approved by consultants to the Company Mr K. Scott Keim, C.P.G Area Manager, Senior Principal for Cardno, and Mr Ronald H. Mullenex, C.P.G., C.G.W.P., Senior Principal for Cardno. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement.

Mr Keim has over 32 years of experience in coal-related work, including but not limited to coal exploration and coal reserve/resource estimation. He is a member of the Society of Mining, Metallurgy, and Exploration (SME), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (AIME). He is also a member of the American Institute of Professional Geologists (AIPG). He has served as a member of the Board of Directors of The Penn State Research Foundation, and on the Advisory Board to the Virginia Center for Coal and Energy Research, affiliated with the Virginia Polytechnic Institute and State University. Mr Keim holds a Bachelor of Science degree from The Pennsylvania State University. His education and experience qualify him as a Competent Person as defined in the JORC Code, 2012 Edition.

Mr Mullenex has over 40 years of experience in diverse geologic and hydrogeologic applications related to all aspects of coal geology. One of his specific areas of expertise involves application of stratigraphic and deposystem analysis to coal resource and reserve delineation and mineability determination. Mr Mullenex is a member of the American Institute of Professional Geologists, the Association of Engineering Geologists, the Geological Society of America (Coal Geology and Hydrogeology Divisions), SME of AIME, Association of Ground Water Scientists and Engineers (division of National Ground Water Association), International Mine Water Association, and the American Society of Mining and Reclamation. Mr Mullenex holds both Bachelor of Science and Master of Science degrees in Geology from West Virginia University. He has served on the Visiting Committee for the Department of Geology and Geography at WVU. His education and experience qualify him as a Competent Person as defined in the JORC Code, 2012 Edition.

### **Petroleum Exploration**

The technical information quoted for the Derby Block has been compiled and/or assessed by Mr. Keven Asquith who is a qualified petroleum reserves and resources evaluator. Mr Asquith is Director of 3D-GEO Pty Ltd and has over 30 years of geotechnical experience in the Petroleum Industry, as well as seven years of Project Management in the Government Sector. His experience includes four years at ESSO Resources Canada, 16 years at BHP Petroleum in Melbourne and the 10 years consulting at 3D-GEO. Keven has an Honours BSc in Geology and a Diploma in Project Management. He has been a member of the American Association of Petroleum Geologists for over 25 years. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement.

*The technical and the prospective reserves and resources information quoted for L15 is quoted from Rey's announcement on 14 May 2018 and was compiled and/or assessed by Mr Doug Barrenger. Mr Barrenger received a BSc degree (geology) from the Australian National University and a Graduate Diploma in computing Science from the Queensland University of Technology. He has more than 35 years of experience in the petroleum industry. He has written numerous Independent Expert Reports, Resource Reports and Acreage and Resource Valuations, for IPO on several stock exchanges. He was the General Manager Subsurface at Exoma Energy through 2012 and is a founding partner of Fluid Energy Consultants (2013). He is a member of the Petroleum Exploration Society of Australia (PESA), the Society of Petroleum Engineers (SPE) and a thirty five-year, Active Member of the American Association of Petroleum Geologists (number 330431). The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement.*

## Corporate Directory

### Board of Directors

Min Yang	Non-Executive Chairman
Wei Jin	Managing Director
Geoff Baker	Non-executive Director
Dachun Zhang	Independent Non-Executive Director
Louis Chien	Alternate Non-Executive Director (alternate to Min Yang)

### Company Secretary

William Kuan

### Capital Structure

Rey Resources is listed on the Australian Securities Exchange (ASX: REY) and had 212,160,439 ordinary shares on issue as at 30 June 2020.

### Share Registry

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## Tenement Tenure Status (as at 30 June 2020)

Tenure ID <sup>1</sup>	Tenure Type	Holder (wholly owned Rey subsidiary company)	Ownership% beginning quarter	Ownership% end quarter
<b>Mineral Licences</b>				
E04/1519	Exploration Licence	Blackfin Pty Ltd	100	100
E04/1770	Exploration Licence	Blackfin Pty Ltd	100	100
M04/0453	Mining Lease Application	Blackfin Pty Ltd	100	100
<b>Petroleum Permits</b>				
EP457	Exploration Permit	Rey Oil and Gas Pty Ltd	40	40
EP458	Exploration Permit	Rey Oil and Gas Pty Ltd	40	40
EP487 <sup>2</sup>	Exploration Permit	Rey Lennard Shelf Pty Ltd ("RLS")	50	50
EP487 <sup>2</sup>	Exploration Permit	Rey Derby Block Pty Ltd ("RDB")	50	50
L15 <sup>3</sup>	Production Licence	Gulliver Productions	100	100
R1	Retention Licence	Gulliver Productions	100	100
EP104	Exploration Permit	Gulliver Productions	100	100

<sup>1</sup> All tenements are located in Western Australia.

<sup>2</sup> 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.