



REY RESOURCES LIMITED

A.B.N. 84 108 003 890

**CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE
SIX MONTHS ENDED 31 DECEMBER 2020**

CORPORATE DIRECTORY

Directors

Ms Min Yang - Non-Executive Chairman

Mr Wei Jin - Managing Director

Mr Geoff Baker - Non-Executive Director

Mr Dachun Zhang - Independent Non-Executive Director

Mr Louis Chien - Alternate Non-Executive Director (alternate to Ms Min Yang)

Company Secretary

Mr William Kuan

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Auditor

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Securities Exchange

Australian Securities Exchange Code: REY

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DIRECTORS' REPORT

The Directors of Rey Resources Limited ("Rey" or "the Company") and its subsidiaries ("the Group") present their report together with the consolidated interim financial statements for the half-year ended 31 December 2020 and the auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

Name

Ms Min Yang – Non-Executive Chairman

Mr Wei Jin – Managing Director

Mr Geoff Baker – Non-Executive Director

Mr Dachun Zhang – Independent Non-Executive Director

Mr Louis Chien – Alternate Non-Executive Director (alternate to Ms Min Yang)

Company Secretary

Mr William Kuan

Principal Activities

The principal activities of Rey are exploring for and developing energy resources in Western Australia's Canning Basin. The Company currently holds a 40% interest in the Canning Basin petroleum permits EP457 and EP458 (known as the "Fitzroy Blocks") and a 100% interest in EP487 (known as the "Derby Block"). It also holds a 100% interest in L15, R1 and EP104 in Canning Basin, as well as holding coal exploration licences and applications for a coal Mining Lease (M04/453) in the Canning Basin. The Company has also invested in a Surat gas project in Queensland.

Review and results of operations

Financial Results

Net loss of the Group after income tax amounted to \$605,000 for the half-year ended 31 December 2020, an increase of approximately 0.5% compared with the loss of \$602,000 for the corresponding period last year.

Finance costs amounted to \$460,000 (2019: \$331,000) which was principally interest accrued for the loans granted by ASF Group Limited ("ASF") and Wanyan Liu, shareholders of the Company.

In August 2020, the Company repaid \$1.54 million outstanding loan principal to ASF. The \$2 million loan facility granted by ASF will remain available for redraw by the Company before maturity date which has been extended to 31 October 2021.

Corporate

On 8 July 2020, the Company announced the extension of its on-market buyback program for a further 12 months from 23 July 2020. During the reporting period, the Company bought back 205,723 shares at an average price of \$0.218 per share.

DIRECTORS' REPORT

Prior to the end of the financial period, the Company announced on 21 December 2020 that it has entered into a binding letter of agreement with Buru Fitzroy Pty Ltd ("Buru") and Origin Energy West Pty Ltd ("Origin") for the farmout of a 40% participating interest in each of EP457 and EP458 to Origin, with Buru and the Company each contributing a 20% participating interest in each tenement. A formal farm-in agreement is expected to be entered into between the parties by 31 March 2021.

The Company also announced on 21 December 2020 that it has participated in a Queensland Conventional Gas Project. Pursuant to a term sheet signed between the Company, Southernpec (Australia) Pty Ltd ("SouthnA") and Southernpec Holdings Pty Ltd, the Company will acquire up to 75% equity interest in SouthnA ("Acquisition") which holds significant interest in 7 conventional gas production licences in Surat Gas Project which is located just south of Roma GLNG asset in Surat Basin of Queensland. As at the date of this report, the Company has completed the first stage of the Acquisition and now owns 10% of the issued capital of SouthnA. As announced on 5 March 2021, the Company has agreed to extend the second stage of the Acquisition from 28 February 2021 to 16 April 2021.

For details of the above transactions please refer to the Company's announcements lodged with the ASX on 21 December 2020 and 5 March 2021.

Operating Review

1. Oil and Gas

1.1 Fitzroy Blocks (EP457 & EP458)

During the period, the operator continues the work program plan for the year of 2021. The budget and work program, which includes new seismic and geology study has been approved by Rey.

A legal binding letter of agreement has also been executed by Rey, Buru and Origin during the report period. According to the agreement, both Buru and Rey will farmout their respective 20% participating interests to Origin. Origin will need to fully fund several work programs including 2D seismic work with total costs of \$3 million across the two permits in 2021 and an optional one well drilling before 2025.

1.2 Derby Block (EP487)

In September 2020, a 12 month extension and suspension application has been lodged to DMIRS in considering the impact of COVID-19 on the drilling preparation work. The application was approved in November 2020.

During the period Rey continued the commitment well location study and previous seismic interpretation work.

1.3 Lennard Shelf Blocks – EP104, R1 and L15

During the report period, Rey completed the committed geochemical survey and simulation studies for R1. The survey and study results are under analysis by Rey for future development plan.

Rey also actively sought appropriate methods for the oil disposal for the tank in L15. An extension application for oil disposal has been approved by DMIRS that Rey needs to complete the work before June 2021. Rey has approved the quotation from Buru for oil disposal.

2. Coal

Rey's thermal coal tenements are located in the Fitzroy Trough of the Canning Basin, north of Western Australia. The Canning Basin is well situated to feed the strong Asian demand for Australian export thermal coal for power generation.

Duchess Paradise Project

During the reporting period, Rey relinquished E04/1386 which is a small area of Duchess Paradise Project. The relinquishment has no impact on the two key tenements that covered by mining lease application. The resources estimate has also been withdrawn in consideration of the impact of the relinquishment. Rey is currently in discussion with a consultant for the re-assessing of the JORC resources.

Rey also restarts the co-existing agreement negotiation with Native Title for the mine development in future. A protocol with principal terms for formal agreement has been commented by Rey. The terms will be discussed with Native Title in early 2021.

Further information

Further details of operations during the six months ended 31 December 2020 are reported in the Quarterly Activity Reports released to the ASX and also available on the Company's website.

Rounding of Amounts

The Company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 2016/191. In accordance with that Class Order, amounts contained in this report and in the Financial Report have been rounded off to the nearest one thousand dollars or, where the amount is \$500 or less, zero, unless specifically stated to be otherwise.

Subsequent Events

On 5 March 2021, the Company announced that it has agreed to extend the second stage of the acquisition of Southernpec (Australia) Pty Ltd from 28 February 2021 to 16 April 2021.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Lead Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2020.

This report has been made in accordance with a resolution of Directors.



Ms Min Yang
Chairman

10 March 2021
Sydney, NSW, Australia

Auditor's Independence Declaration under Section 307c of the *Corporations Act 2001* to the directors of Rey Resources Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2020 there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- ii. No contraventions of any applicable code of professional conduct in relation to the review.

ShineWing Australia

ShineWing Australia
Chartered Accountants



Yang (Bessie) Zhang
Partner

Sydney, 10 March 2021

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

In thousands of dollars

	NOTES	31 Dec 2020	31 Dec 2019
Government Subsidy		50	-
Administrative expenses		(142)	(283)
Employee benefit expense	4	(53)	(147)
Gain on disposal of investment		-	159
Loss from operating activities		(145)	(271)
Finance income		-	-
Finance cost		(460)	(331)
Loss before income tax expense		(605)	(602)
Income tax		-	-
Loss for the period		(605)	(602)
Other comprehensive income		-	-
Total comprehensive loss for the period, attributable to owners of the company		(605)	(602)
Basic and diluted loss per share (cents)	5	(0.30)	(0.30)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

In thousands of dollars

	NOTES	31 Dec 2020	30 June 2020
ASSETS			
Current Assets			
Cash and cash equivalents		92	175
Trade and other receivables	6	24	18
Prepayments		1	3
Total Current Assets		117	196
Non-Current Assets			
Property, plant and equipment	7	3	3
Investment	8	400	-
Exploration and evaluation expenditure	9	36,818	36,432
Total Non-Current Assets		37,221	36,435
Total Assets		37,338	36,631
LIABILITIES			
Current Liabilities			
Trade and other payables	10	80	67
Employee benefits	11	7	5
Loans and borrowings	12	5,763	770
Total Current Liabilities		5,850	842
Non-current Liabilities			
Loans and borrowings	12	3,280	6,931
Provision		3,272	3,272
Total non-current liabilities		6,552	10,203
Total Liabilities		12,402	11,045
Net Assets		24,936	25,586
EQUITY			
Share capital	13	86,544	86,589
Accumulated losses		(61,608)	(61,003)
Total equity		24,936	25,586

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

<i>In thousands of dollars</i>	Share capital	Accumulated losses	Total
Balance at 1 July 2019	86,597	(59,123)	27,474
Total comprehensive income:			
Loss for the period	-	(602)	(602)
Total comprehensive income for the period	-	(602)	(602)
Transactions with owners recorded directly in equity:			
<i>Contributions by and distributions to owners</i>			
Share Buyback	-	-	-
Balance at 31 Dec 2019	86,597	(59,725)	26,872
Balance at 1 July 2020	86,589	(61,003)	25,586
Total comprehensive income:			
Loss for the period	-	(605)	(605)
Total comprehensive income for the period	-	(605)	(605)
Transactions with owners recorded directly in equity:			
<i>Contributions by and distributions to owners</i>			
Share Buyback	(45)	-	(45)
Balance at 31 Dec 2020	86,544	(61,608)	24,936

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

In thousands of dollars

31 Dec 2020

31 Dec 2019

Cash flows from operating activities

Payments to suppliers and employees
BAS (payments)/refund
Government Subsidy

Net cash used in operating activities

Cash flows from investing activities

Payments for exploration expenditure
Payments for investments

Net cash used in investing activities

Cash flows from financing activities

Share Buy Back
Finance Costs
Proceeds from loans and borrowings
Repayment of loans and borrowings

Net cash generated from financing activities

Net (decrease)/increase in cash and cash equivalents

Cash and cash equivalents at 1 July

Cash and cash equivalents at 31 December

(180)	(422)
(7)	1
50	-
(137)	(421)
(384)	(518)
(400)	-
(784)	(518)
(45)	-
(307)	(170)
2,730	1,110
(1,540)	-
838	940
(83)	1
175	28
92	29

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

1. REPORTING ENTITY

Rey Resources Ltd (the “Company”) is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half-year ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2020 is available upon request from the Company’s registered office or at www.reyresources.com.

2. BASIS OF PREPARATION

The outbreak of the Novel Coronavirus (“COVID-19”) was declared as a ‘Global Pandemic’ by the World Health Organisation on 11 March 2020, developments throughout 2020 has caused great uncertainty for the oil, gas and coal industries and the global and Australian economy. This uncertainty has created risks and conditions that the Group has not encountered before. As a result, there has been a continual assessment of the impacts of COVID-19 on the consolidated interim financial statements arising from this major global risk.

(a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with *AASB 134 Interim Financial Reports* and the *Corporations Act 2001*. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2020. The consolidated interim financial statements were approved by the Board of Directors on 10 March 2021.

(b) Going concern basis

The consolidated interim financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2020 the Group incurred a loss after tax of \$605,000 and incurred operating and investing cash outflows of \$921,000. As at 31 December 2020, the Group’s current liabilities exceeded current assets by \$5,733,000.

The Directors have considered the following, in their assessment of the future funding of the Group:

- The Group had cash of \$92,000 as at 31 December 2020.
- The Company has a \$2 million loan facility from ASF Group Limited (the “ASF”), which is available for draw down until 31 October 2021.
- The Company has a total of \$8.5 million loan facility from Ms Wanyan Liu, with \$550,000 remaining facility available for draw down until 31 October 2021.
- The Group has prepared a cashflow forecast for the period to 31 March 2022. The cashflow forecast reflects:
 - The need to raise additional funding during the forecast period;
 - The need to renegotiate to extend the repayment of the loans from ASF Group Limited and Ms Wanyan Liu beyond their respective maturity dates;
 - Obtained the written confirmation from ASF that it will not call the interest payable owing from the Group within 12 months from the date of these consolidated interim financial statements;
 - Obtained the written confirmation from Ms Wanyan Liu that she will not call the principal of her loans owing from the Group within 12 months from the date of this consolidated interim financial report; and
 - The need to defer or farm out the Group’s share of certain petroleum interests to meet committed and forecast expenditures.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

2. BASIS OF PREPARATION (continued)

Rey is pursuing funding alternatives in the form of debt and equity, including discussions with existing shareholders, and with third parties for farming out certain petroleum interests.

The Directors believe that sufficient funding will be sourced, the repayment of loans extended, the loans will not be recalled and farm out parties will be sourced in the timeframes required and that the adoption of the going concern basis of preparation is therefore appropriate. The requirement to raise the necessary funding to meet its commitments and secure farm out parties, or defer expenditure, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and to be able to pay its debts as and when they fall due, and therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the consolidated interim financial statements.

(c) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis.

(d) Functional and presentation currency

The consolidated interim financial statements are presented in Australian Dollars which is the Company's and the Group's functional currency.

(e) Rounding

The Company is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

The ASIC class order CO 2016/191 permits the rounding of amounts in the consolidated interim financial statements and Directors' reports prepared under Chapter 2M of the *Corporations Act 2001*. There are restrictions on the extent to which certain information can be rounded, such as remuneration of Directors, executive officers and auditors.

(f) Use of estimates and judgements

The preparation of the consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2020.

New standards and interpretations

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

4. EMPLOYEE BENEFIT EXPENSE

In thousands of dollars

	31 Dec 2020	31 Dec 2019
Salaries and fees	48	133
Superannuation	5	14
	<u>53</u>	<u>147</u>

5. LOSS PER SHARE

	31 Dec 2020	31 Dec 2019
Basic loss per share (cents)	(0.30)	(0.30)
Diluted loss per share (cents)	(0.30)	(0.30)

The calculation of basic loss per share was based on the loss attributable to shareholders of loss \$605,000 (2019: loss \$602,000) and a weighted average number of ordinary shares outstanding during the half year of 212,085,536 (2019: 212,188,439).

The diluted loss per share for the half-year ended 31 December 2020 and 2019 were the same as the basic loss per share.

6. TRADE AND OTHER RECEIVABLES

In thousands of dollars

	31 Dec 2020	30 June 2020
Included in receivables are as follows:		
Current		
Other receivables	24	18
	<u>24</u>	<u>18</u>

7. PROPERTY, PLANT & EQUIPMENT

In thousands of dollars

	31 Dec 2020	30 June 2020
Plant and equipment		
At cost	181	181
Accumulated depreciation	(178)	(178)
	<u>3</u>	<u>3</u>

8. INVESTMENT

In thousands of dollars

	31 Dec 2020	30 June 2020
Investment in Southernpec (Australia) Pty Ltd ¹	400	-
	<u>400</u>	<u>-</u>

1. On 21 December 2020, the Company announced that it has signed a term sheet with Southernpec (Australia) Pty Ltd ("SouthnA") and Southernpec Holdings Pty Ltd, pursuant to which the Company will acquire up to 75% equity interest in SouthnA ("Acquisition") which holds significant interest in 7 conventional gas production licences in Surat Gas Project which is located just south of Roma GLNG asset in Surat Basin of Queensland. As at the date of this report, the Company has completed the first stage of the Acquisition and is now interested in 10% of the issued capital of SouthnA.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

9. EXPLORATION AND EVALUATION EXPENDITURE

In thousands of dollars

31 Dec 2020

30 June 2020

Costs carried forward in respect of:

Duchess Paradise ⁽ⁱ⁾	21,535	21,514
EP457 and EP458 ⁽ⁱⁱ⁾	4,515	4,370
EP104 ⁽ⁱⁱⁱ⁾	2,951	2,944
R1 ⁽ⁱⁱⁱ⁾	808	660
L15 ⁽ⁱⁱⁱ⁾	3,326	3,281
EP487 ^(iv)	3,683	3,663
Costs carried forward	36,818	36,432

- (i) Exploration and evaluation expenditure recognised in Duchess Paradise which is held solely by the Group. The project has two exploration licenses. E04/1519 will expire on 19 April 2021, extension application will be submitted at end of March 2021. Extension application for E04/1770 has been lodged on 2 March 2021.
- (ii) Exploration and evaluation expenditure recognised on EP457 and EP458 tenements under joint venture agreement with Buru Energy Limited. This amount includes the Group's proportionate share of exploration assets held by the respective joint venture entities.
- (iii) Acquisition costs and the exploration and evaluation expenditure recognised on EP104, R1 and L15 (together the "Lennard Shelf Blocks") which are held solely by the Group.
- (iv) Exploration and evaluation expenditure recognised on EP487 which is held solely by the Group.

In thousands of dollars

31 Dec 2020

30 June 2020

At cost	36,818	36,432
	36,818	36,432
Movements in carrying amount:		
Opening balance	36,432	35,912
Expenditure capitalised	386	1,198
Impairment	-	(692)
Others	-	14
	36,818	36,432

For further information on exploration expenditure refer to note 15 on commitments. The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or evaluation stage is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas, or the securing and maintaining of rights to tenure.

10. TRADE AND OTHER PAYABLES

In thousands of dollars

31 Dec 2020

30 June 2020

Unsecured liabilities

Sundry payables and accrued expenses	80	67
	80	67

11. EMPLOYEE BENEFITS

In thousands of dollars

31 Dec 2020

30 June 2020

Current:

Employee benefits	7	5
	7	5

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

12. LOANS AND BORROWINGS

In thousands of dollars

	31 Dec 2020	30 June 2020
Current:		
Wanyan Liu ¹	5,163	770
ASF Group Ltd ²	600	-
	5,763	770
Non-current:		
Wanyan Liu ¹	3,280	4,838
ASF Group Ltd ²	-	2,093
	3,280	6,931

- On 27 June 2017, an unsecured loan of \$500,000 was granted by Wanyan Liu ("Liu"), a substantial shareholder of the Company, with maturity date extended to 31 March 2021 and interest bearing 12% per annum ("First Liu Loan"). On 18 April 2019, the Company entered into another loan agreement with Liu for the granting of \$3 million additional loan ("Second Liu Loan"), with maturity date on 31 December 2020 and interest bearing at 12% per annum payable quarterly by cash. On 17 July 2019, the Company entered into a new loan agreement with Liu pursuant to which Liu agreed to grant a further loan facility of \$3 million ("Third Liu Loan") to the Company maturing 31 December 2021 and interest bearing 12% per annum. On 25 June 2020, the Company announced that Liu has agreed to increase the Second Liu Loan from \$3 million to \$5 million and extend the maturity date from 31 December 2020 to 31 October 2021. As at 31 December 2020, the First Liu Loan and the Third Liu Loan had been fully drawn down and \$4.45 million had been drawn down under the Second Liu Loan.
- An unsecured loan of \$3.8 million ("ASF Loan Facility") was granted by ASF Group Ltd ("ASF"), a substantial shareholder of the Company, with maturity date on 31 December 2019 and interest bearing at 12% per annum. On 31 December 2019, the Company announced that it has agreed with ASF to reduce the ASF Loan Facility from \$3.8 million to \$2 million and to extend the maturity date from 31 December 2019 to 31 March 2020. The Company further announced on 25 June 2020 that the maturity date was further extended to 31 October 2021. In August 2020, the Company repaid \$1.54 million outstanding loan principal to ASF and the whole \$2 million ASF Loan Facility will remain available for redraw by the Company before the maturity date. The outstanding balance of \$600,000 as at 31 December 2020 represents the interest payable to ASF.

13. ISSUED CAPITAL

	6 months to 31 Dec 2020		12 months to 30 June 2020	
	\$'000	Number	\$'000	Number
Ordinary Shares				
At the beginning of the reporting date	86,589	212,160,439	86,597	212,188,439
Share buy back ¹	(45)	(205,723)	(8)	(28,000)
On issue at the end of the period	86,544	211,954,716	86,589	212,160,439

- On 8 July 2020, the Company announced the extension of the on-market buyback program for a further 12 months from 23 July 2020. For the six months ended 31 December 2020, a total of 205,723 shares were bought back at a cost of \$45,000 and cancelled.

14. CONTINGENCIES

Parent Entity Guarantee in respect of the debt of subsidiaries

The Company provides loan or debt guarantee to its wholly owned subsidiary companies. As of 31 December 2020, no subsidiaries hold any debt or loan balances with third parties.

15. COMMITMENTS

At 31 December 2020, the total commitments for both mineral exploration tenements and the Group's share in petroleum exploration permits in which it has joint venture interests for the following five years are \$9,029,000 (30 June 2020: \$9,370,000). These obligations may be varied from time to time, subject to approval by the DMP.

<i>In thousands of dollars</i>	Mineral	Petroleum	Total
Year 1	81	911	992
Year 2-5	0	8,037	8,037
Total	81	8,948	9,029

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

16. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement principles adopted in this report are consistent with those applied in the Group's Annual Financial Statements for the year ended 30 June 2020.

The Group's financial instruments consist mainly of deposits with banks and accounts receivable, payable and share investment.

in thousands of dollars

31 Dec 2020

30 June 2020

Financial assets

Financial assets not measured at fair value

Cash and cash equivalents	92	175
Trade and other receivables	24	18
Investment ¹	400	-
Total	516	193

Financial liabilities

Financial liabilities not measured at fair value

Trade and other payables	80	67
Total	80	67

1. On 21 December 2020, the Company announced that it has signed a term sheet with Southernpec (Australia) Pty Ltd ("SouthnA") and Southernpec Holdings Pty Ltd, pursuant to which the Company will acquire up to 75% equity interest in SouthnA ("Acquisition") which holds significant interest in 7 conventional gas production licences in Surat Gas Project which is located just south of Roma GLNG asset in Surat Basin of Queensland. As at the date of this report, the Company has completed the first stage of the Acquisition and is now interested in 10% of the issued capital of SouthnA.

17. OPERATING SEGMENTS

The Group operates in two segments, mineral exploration and development and petroleum exploration in one geographical location, Western Australia. The consolidated financial results from these segments are equivalent to the financial statements of the Group.

Operating segment information

	Mineral 6 months ended 31 Dec 2020 \$'000	Mineral 6 months ended 31 Dec 2019 \$'000	Petroleum 6 months ended 31 Dec 2020 \$'000	Petroleum 6 months ended 31 Dec 2019 \$'000	Corporate 6 months ended 31 Dec 2020 \$'000	Corporate 6 months ended 31 Dec 2019 \$'000	Total 6 months ended 31 Dec 2020 \$'000	Total 6 months ended 31 Dec 2019 \$'000
Consolidated								
Revenue								
Total Reportable segment revenue	-	-	-	-	-	-	-	-
Other income	-	-	-	-	50	159	50	159
Finance costs	-	-	-	-	(460)	(331)	(460)	(331)
Administration cost	-	-	-	-	(195)	(430)	(195)	(430)
Profit/(loss) before income tax benefit	-	-	-	-	(605)	(602)	(605)	(602)
income tax benefit	-	-	-	-	-	-	-	-
Loss after income tax benefit	-	-	-	-	(605)	(602)	(605)	(602)
Capital Expenditure	21	38	364	480	-	-	385	518
Assets								
Other Assets	-	-	-	-	520	325	520	325
Segment assets	21,535	22,132	15,283	14,618	-	-	36,818	36,750
Total assets	21,535	22,132	15,283	14,618	520	325	37,338	37,075
Liability								
Other liabilities	-	-	-	-	12,402	6,931	12,402	6,931
Segment liabilities	-	-	-	3,272	-	-	-	3,272
Total Liabilities	-	-	-	3,272	12,402	6,931	12,402	10,203

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

18. SUBSEQUENT EVENTS

On 5 March 2021, the Company announced that it has agreed to extend the second stage of the acquisition of Southernpec (Australia) Pty Ltd from 28 February 2021 to 16 April 2021.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of Rey Resources Limited ("the Company"):

1. the consolidated interim financial statements and notes, as set out on pages 5 to 15, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of financial position of the Group as at 31 December 2020 and of its performance for the half-year period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Ms Min Yang
Chairman

10 March 2021
Sydney, NSW, Australia

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF REY RESOURCES LIMITED

Report on the Consolidated Interim Financial Statements

We have reviewed the accompanying consolidated interim financial statements of Rey Resources Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2020, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, the directors' declaration and notes to the consolidated interim financial statements comprising significant accounting policies and other explanatory information.

Director's Responsibility for the Consolidated Interim Financial Statements

The directors of the Company are responsible for the preparation of the consolidated interim financial statements that give a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of consolidated interim financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated interim financial statements are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Rey Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the consolidated interim financial statements of the Group are not in accordance with the *Corporations Act 2001* including:

1. Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
2. Complying with AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the consolidated interim financial statements which indicates that the Group incurred a net loss of \$605,000 and had operating cash outflows of \$137,000 for the half-year ended 31 December 2020. The Group's current liabilities exceeded current assets by \$5,733,000 as at 31 December 2020. As stated in Note 2(b), these conditions, along with other matters as stated in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



ShineWing Australia
Chartered Accountants



Yang (Bessie) Zhang
Partner

Sydney, 10 March 2021