



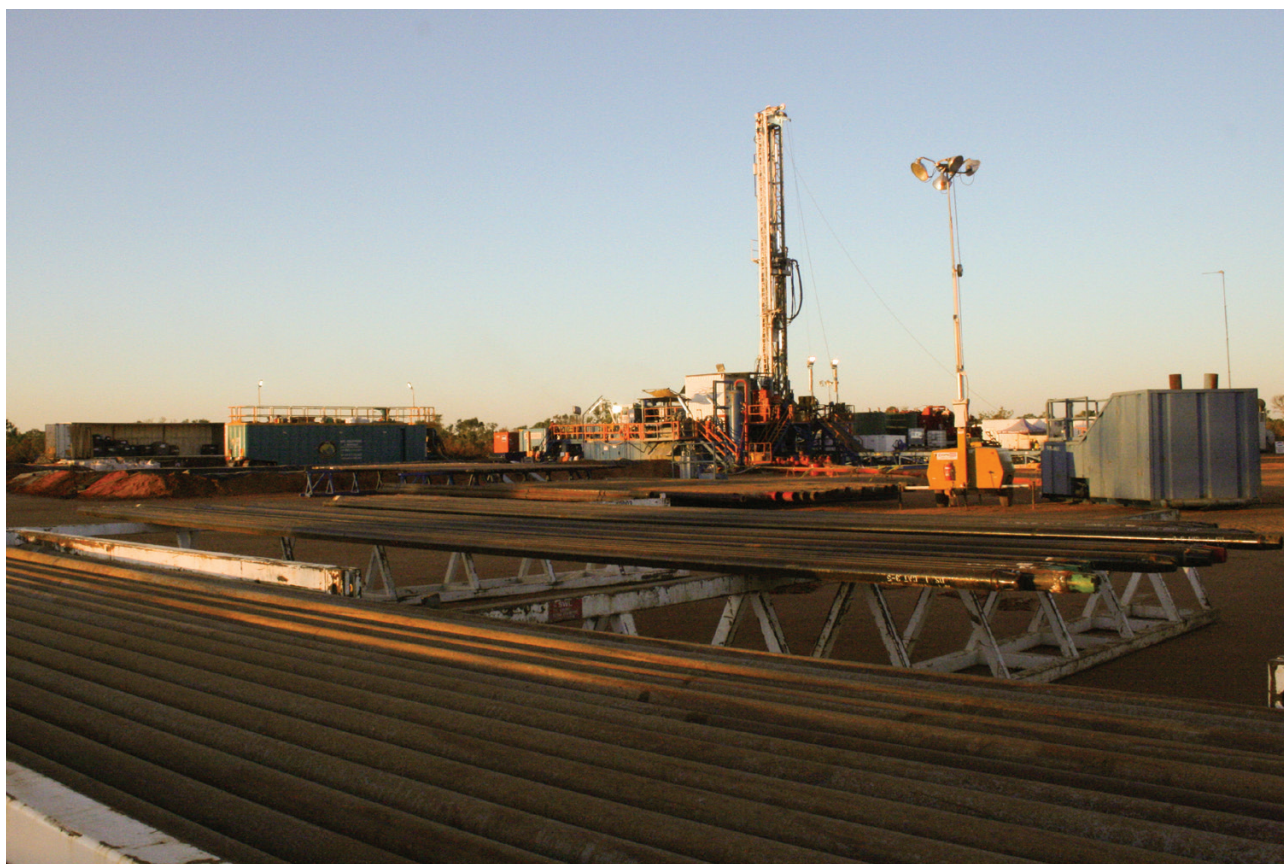
ANNUAL REPORT 2015


REY
RESOURCES
ACN 108 003 890

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Front and inside cover photos – Atlas Rig 2: Canning Basin



Corporate Directory

Directors

Ms Min Yang – Non-executive Chairman
 Mr Kevin Wilson – Managing Director
 Mr Geoff Baker – Non-executive Director
 Mr Dachun Zhang – Non-executive Director
 Mr Jin Wei – Non-executive Director

Company Secretary

Ms Shannon Coates

Registered Office

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 ACN 108 003 890

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Solicitors

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Stock Exchange

Australian Securities Exchange (ASX)
 ASX Code: REY

Website

www.reyresources.com

Company Profile

Rey Resources Limited (“Rey” or “Company”) is an ASX-listed company (ASX:REY) focused on exploring and developing energy resources in Western Australia’s Canning Basin and Perth Basin.

Rey holds a 25% interest in two prospective Canning Basin petroleum exploration permits (EP457 and EP458) known as the “Fitzroy Blocks” where two conventional oil wells are to be drilled in the second half of 2015. The first, Victory-1, was spudded on 9 September 2015. This provides a significant position in the emerging on-shore Canning Basin oil and gas province in which the Ungani oil field commenced commercial production in July 2015.

During the year Rey completed the acquisition of a 50% participating interest in the “Derby Block” (EP487) to the north of the Fitzroy Blocks. The Derby Block is considered prospective for both conventional and unconventional hydrocarbons. Planning is underway to commence exploration.

Rey also holds coal tenements in the Canning Basin, some contiguous with the Fitzroy Blocks, including those hosting the Duchess Paradise coal resources and reserves.

Rey continues to investigate targets in the Perth Basin within Exploration Permit 437 (“EP437”) in which it holds a 43.47% interest. The Dunnart-2 well spudded in EP437 in July 2014 and encountered good oil shows in August 2014, although no hydrocarbons flowed to surface during testing in June 2015.

Rey has continued to strengthen its position in the Perth Basin taking a cornerstone position in Norwest Energy NL (“Norwest”) in June 2015, with the intention of working with Norwest to develop opportunities around its interests in the Perth Basin.

In July 2014, Rey also announced it had entered a Strategic Cooperation Framework Agreement with China National Fuels Corporation, with the objective of jointly establishing and developing oil and gas opportunities together with associated infrastructure in Western Australia, with an emphasis on the Canning Basin.

Rey has an experienced Board and management team, committed to continuing to develop and increase its energy assets to deliver maximum value to its shareholders.

Barbwire 2D Seismic Survey

Atlas Rig 2: Canning Basin



Chairman's Message

Dear fellow shareholder,

It is my pleasure to deliver Rey Resources' Annual Report for the year ending 30 June 2015, my third as Chairman.

Our key focus remains our petroleum exploration business in the Canning Basin and Perth Basin.

Our interest in the Fitzroy Blocks straddles the continuation of the Ungani Trend. As this report goes to press we are participating in two oil exploration wells which will be drilled in the second half of 2015. We also took encouragement from commencement by Buru Energy Limited ("Buru") of commercial production from the Ungani field in July 2015, to the north west of the Fitzroy Blocks.

During the year, we extended our oil and gas exploration interests in the Canning Basin with the acquisition of a 50% interest in the Derby Block and also in the Perth Basin by taking a cornerstone investment in Norwest. Exposure to the two basins provides us geographic diversity and operating flexibility. We continue to examine opportunities to extend our portfolio of exploration properties in both of these prospective regions.

Our petroleum business will continue to gain momentum.

The outlook for development of the Duchess Paradise Coal Project remained challenging during the 2015 financial year, with continued depressed coal prices. We have sought to maintain the prospect in good standing, whilst minimising holding costs and awaiting an upturn in the business environment.

I would like to thank all shareholders for your support, and welcome those who joined during the year.

I also thank our staff and management team for their work over the past year and I look forward to that continuing over the next twelve months.



Min Yang
Non-executive Chairman



Business Performance and Outlook

OIL & GAS

Canning Basin – the Fitzroy Blocks

Equity interests in the Fitzroy Blocks (EP457 and EP458) are:

- Rey Oil and Gas Pty Ltd 25% (of which a 10% interest is free carried to production)
- Buru Fitzroy Pty Ltd 37.5% (Buru Energy Limited operator)
- Diamond Resources (Fitzroy) Pty Ltd 37.5% (100% subsidiary of Mitsubishi Corporation)

Rey's contribution to expenditure for the Fitzroy Blocks is 16.7% (as 10% of its interest is free-carried to production). The Fitzroy Blocks (comprising a combined area in excess of 10,000 km²) are located over parts of the southern flank of the Fitzroy Graben. The Fitzroy Blocks straddle three major trends:

- the Ungani conventional oil trend ("Ungani Trend") – the major focus of the Company;
- the Laurel Basin-Centred Gas Accumulation, conventional and unconventional gas; and
- the Goldwyer oil and gas unconventional shale.

The Ungani Trend includes identified leads and prospects in an area of prospectivity of at least 120 kilometres by 40 kilometres (over one million acres or 4,800 kilometres²). This extends diagonally, NW-SE, across the Fitzroy Blocks. The conventional dolomite reservoir oil discovery by Buru in 2011 at Ungani (located 15 kilometres northwest of EP457) on the trend running through the Fitzroy Blocks is a significant regional discovery event. Commercial production was established by Buru at Ungani in mid-2015.

Although Prospective (recoverable) Resources of the Laurel Formation within the Fitzroy Blocks have not been assessed by drilling to date, the formation extends across part of the Fitzroy Blocks. A wet gas accumulation has been identified immediately east of the Fitzroy Blocks which has the characteristics of a Basin-Centred Gas Accumulation.

The Goldwyer Shale Formation is characterised as a thick, regionally extensive organic rich "Bakken" shale analogue. The play type is regarded as highly prospective and clearly extends across part of the Fitzroy Blocks, although is believed to be at considerable depth.

A total of 112.5 line-kilometres of 2D seismic data were acquired at Mt Fenton and elsewhere in EP458 on the Barbwire Terrace during August 2014 and data processing was completed by the operator during the reporting year.

Two wells are planned be drilled in the Fitzroy Blocks in the second half of 2015. Victory-1 in EP457 was spudded on 9 September 2015. The Victory prospect is a large regional high (mapped closure of 30 kilometres²) on a depositional centre margin in a similar structural setting to Ungani. It is considered to have potential for oil in both the Laurel carbonate and Anderson / Laurel clastic reservoirs and for gas in the clastic reservoirs. The target depth is 1,750 - 2,400 metres. This will be followed by drilling of Senagi-1 in EP458. This is a shallow (~800 metre) structural target which is up-dip from an historical mineral borehole that encountered a well-developed dolomite with significant oil shows. As at the date of this report, the Victory-1 well was drilling towards the target depth and site preparation was underway for Senagi-1.

Canning Basin – the Derby Block

In June 2015, the Company’s wholly owned subsidiary Rey Lennard Shelf Pty Ltd (“RLS”) completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 (“Derby Block”) from Backreef Oil Pty Ltd (“Backreef”). The Company has also entered into a Joint Venture Agreement (“JOA”) with Oil Basins Limited (“Oil Basins”) (ASX: OBL), holder of the remaining 50% interest and permit Operator, for the operation of exploration programmes on the Derby Block, located in the Canning Basin of Western Australia.

The Derby Block is a large exploration permit of approximately 5,000 km² that was granted to Backreef (50%) and Oil Basins (50%) in March 2014. It occurs to the north of Rey’s existing interests in petroleum exploration licences in the Canning Basin. Under the Agreement, RLS has acquired Backreef’s 50% interest in the Derby Block for either \$2 million, to be paid on grant of a Production Licence in respect of EP487; or (at RLS’ election) a 2% royalty on future production (on RLS’s acquired 50% interest). In addition, RLS agreed to settle certain outstanding claims on Backreef by Oil Basins in connection with past expenses incurred on management of the Derby Block amounting to approximately \$391,000 and grant Oil Basins a 1% royalty over future production from RLS’ acquired 50% interest.

Key terms of the JOA between RLS and Oil Basins are as follows:

- Oil Basins will act as Operator until 1 January 2016, at which time RLS will assume operatorship of the Derby Block, subject to certain preconditions;
- until 1 January 2016, Oil Basins will seek to farm-out a 50% interest in the permit on behalf of the Joint Venture and Rey will participate in the farm-out subject to certain commercial terms being achieved, including funding of the first two years’ of the permit workplan on a 2 for 1 basis. This would result in both RLS and Oil Basins diluting to a respective 25% interest with the farminee at 50%; and
- other terms and conditions usual for an agreement of this sort.

Following completion of the acquisition, the Operator continued work on various environmental and planning approvals for a seismic acquisition survey. On 29 September 2015 the Operator sought a variation from the Department of Mines and Petroleum to either undertake the seismic programme in 2016 or replace this programme with a two-well drilling programme.

Perth Basin

Rey farmed into EP437 during 2014 through funding the drilling of Dunnart-2. The beneficial interests in the licence are as follows:

| | |
|---|-------------------|
| Rey (Rey Oil and Gas Perth Pty Ltd) | 43.47% |
| Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) | 43.47% (Operator) |
| Caracal Exploration Pty Limited | 13.06% |

The Dunnart-2 well spudded on 13 July 2014 and was completed in late August 2014. Oil shows over a 20 metre interval down into the granite basement were observed during the well site evaluation. Preliminary interpretations from wireline formation data indicate that there is a minimum of five metres of good quality reservoir sand development at the top of the Bookara Sandstone sequence that was thought to be oil bearing. The well was cased and suspended for a production test, which was completed in July 2015. The results of the test confirmed the Bookara Sandstone as a good quality reservoir but no oil flowed to surface.

The Joint Venture has identified at least ten prospects and leads on the licence. Additional mapping of the Wye area was conducted in light of results from the Waitsia gas discovery to the south of EP437 by AWE Limited. The Wye area consists of several fault bounded structures defined by vintage 2D seismic including a section of

High Cliff sandstone encountered further south at the Dongara and Waitsia fields some 40 kilometres to the southeast in the Perth Basin.

The Joint Venture is reviewing the prospects, particularly the Wye area, following the result of the Dunnart-2 flow test together with historic geochemical, geophysical and well data with structural mapping to define a drill ready prospect.

Investment in Norwest

Rey became a cornerstone investor in Norwest (ASX: NWE) in June 2015, via the subscription by a wholly owned subsidiary company for 53,056,027 shares, or approximately 4% of the total shares on issue in Norwest, at an issue price of \$0.004712, for a total investment of \$250,000.

The subscription follows discussions between Rey and Norwest about potential farm-in opportunities around Norwest's Perth Basin interests. The companies will continue to work together to develop these opportunities.

COAL

The Duchess Paradise Coal Project ("Duchess Paradise Project") is a proposed bituminous thermal coal operation of up to 2.5 million tonnes per annum in the Canning Basin, north Western Australia. A Definitive Feasibility Study ("DFS") of the Project was completed in June 2011.

The proposed Duchess Paradise Project included the use of a substantial part of the Derby Port ("Port") land area under a sublease by Rey from the Shire of Derby/West Kimberley ("SDWK"). The SDWK is in the process of investigating and planning a reconfiguration and expansion of the Port to provide for increased and diversified trade. In the June 2015 quarter Rey relinquished its exclusive sublease within the Port. Future export of coal is expected to be via negotiation of access to a multi-user bulk commodity export facility.

In April 2015 the environmental assessment of the proposed Duchess Paradise Project by the Western Australian Environmental Protection Authority ("EPA") was placed on hold by agreement between Rey and the EPA. The assessment suspension is currently valid until 30 July 2016 and can be resumed earlier by notice to the EPA. This provides the opportunity to establish the likely future export arrangements at the Port.

Rey continues to hold a number of other granted coal tenements and applications in the Canning Basin.



Annual Reserve and Resource Statement

The current Reserves and Resources Statement for the Duchess Paradise Project, located in the Canning Basin, Western Australia, is shown in Tables 1 to 3 below.

For further information on the Reserves and Resources estimates, please refer to the Company's ASX announcement dated 28 October 2014.

Table 1: P1-seam Reserves Estimates for Proposed Duchess Paradise Mine Plan – October 2014 (JORC 2012 Code)

| Mining Type | Proved | Probable | Total |
|---|-------------------|------------------|-------------------------------|
| Reserves (ROM Tonnes)¹ | | | |
| Slot Excavation | 2,016,000 | 495,000 | 2,510,000 |
| Highwall Mining | 18,427,000 | 5,333,000 | 23,760,000 |
| Total | 20,442,000 | 5,828,000 | 26,270,000 |
| Marketable Cleaned Tonnes (ar)^{2,3} | | | |
| Slot Excavation | 1,363,000 | 334,000 | 1,697,000 |
| Highwall Mining | 12,480,000 | 3,612,000 | 16,093,000 |
| Total | 13,843,000 | 3,947,000 | 17,790,000⁴ |

¹ (ROM) run of mine.

² (ar) as received.

³ Average Mine Recoveries and Yields to generate Marketable Cleaned Coal tonnages is presented in Table 2 below. A&B Mylec calculated a 67.3 percent wet yield based on coal quality data from 60 cored holes and seam thickness data from 380 available drill holes, as reported in the A&B Mylec 2011 DFS report (Including 2011 DFS report Addendum). The stated seam thickness data was supplied by Marshal Miller & Associates (now Cardno) for use in the 2011 DFS report Addendum. No further works has been completed by A&B Mylec since the completion of these 2011 works. Marshall Miller & Associates supplemented the thickness database with the available drill holes (385 holes) to derive a weighted average 67.7% wet yield.

⁴ An additional 2.7 million marketable cleaned tonnes (ar) derived from inferred resource are included in the mine plan, which totals 20.5 million tonnes (ar).

Table 2: P1-seam Marketable Cleaned Coal Estimate Derivation Factors – October 2014 (JORC 2012 Code)

| Type | Average Mine Recovery (%) | Total Run-of-Mine Coal (ar) ¹ (Mt) ² | Wet Yield based on Expected Total Moisture (%) ³ | Marketable Cleaned Coal ⁴ (ar) @ 17.3 % Total Moisture (Mt) ² |
|-----------------|---------------------------|--|---|---|
| Slot Excavation | 95 | 2.5 | 67.6 | 1.7 |
| Highwall Mining | 51 | 23.8 | 67.7 | 16.1 |
| Total | | 26.3 | 67.7³ | 17.8⁴ |

¹ (ar) as received.

² (Mt) million tonnes.

³ A&B Mylec calculated a 67.3 percent wet yield based on coal quality data from 60 cored holes and seam thickness data from 380 available drill holes, as reported in the A&B Mylec 2011 DFS report (Including 2011 DFS report Addendum). The stated seam thickness data was supplied by Marshal Miller & Associates (now Cardno) for use in the 2011 DFS report Addendum. No further works has been completed by A&B Mylec since the completion of these 2011 works. Marshall Miller & Associates supplemented the thickness database with the available drill holes (385 holes) to derive a weighted average 67.7% wet yield.

⁴ an additional 2.7 million marketable cleaned tonnes (ar) derived from Inferred Resources are included in the mine plan, which totals 20.5 million marketable cleaned tonnes (ar).

Reserves are included in the following resource statements.

Table 3: Duchess Paradise P1-seam Resources – October 2014 (JORC 2012 Code)

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

¹ Difference in Total Inferred Resources due to rounding.

Material Changes and Reserves and Resources Statement Comparison

The Company reviews its mineral Reserves and Resources at least annually in accordance with ASX Listing Rule 5.21. The date of reporting is post-30 June each year to coincide with the release of this Annual Report. If there are any material changes to its Reserves and Resources over the course of the year, the Company is required to promptly report these changes as they occur.

Rey has undertaken an annual review for the year ended 30 June 2015, which was conducted by Cardno Inc. The historical factors were examined and found not to have materially changed the Reserves and Resources of Duchess Paradise P1-seam from the time they were last reviewed and reported to ASX on 28 October 2014 (at which time the Reserves and Resources were updated in accordance with JORC 2012 and found not to have materially changed since reported in accordance with JORC 2004 on 6 April 2011 and 6 June 2011 respectively). The Duchess Paradise Project has not commenced active operation and hence no resource depletion has occurred for the review period. The result of the review was verification of the Coal Reserve estimate for the P1 seam of 17.79 million marketable tonnes (gross as-received basis), recovered over a mine life of approximately 10 years. The review also indicates that the resource defined in the ASX announcement on 28 October 2014 remains valid at 305.8 million tonnes in place.

Governance Arrangements and Internal Controls

The Company has ensured that the Reserves and Resources quoted are subject to good governance arrangements and internal controls. The Reserves and Resources reported have been generated by independent external consultants who are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, Rey management carries out regular reviews of internal processes and external contractors that have been engaged by the Company.

The Reserves and Resources were compiled in accordance with the December 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves”.



COMPETENT PERSONS STATEMENTS

Coal Reserve and Resources

Coal Quality

The coal quality information in this report was compiled under the supervision of and reviewed by Mr Andrew Meyers, who is a Fellow of the Australasian Institute of Mining and Metallurgy (Member since 1993) and Director of A&B Mylec Pty Ltd, metallurgical and coal technology consultants. Andrew Meyers has more than 20 years' experience in coal processing for coal projects and coal mines both in Australia and overseas. With this level of experience, he is adequately qualified as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code, 2012 Edition). Mr Meyers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Coal Resources Estimate

Estimate of P1-seam Resources in the Duchess Paradise area is 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 (the prevailing guidelines in place at the time of previous resource estimates);
- 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 has been reviewed by 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.

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), 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 serves 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.

Mr Keim and Mr Mullenex consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Coal Reserves Estimate

Estimate of P1-seam Reserves in the Duchess Paradise area is 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 (the prevailing guidelines in place at the time of previous resource estimates);
- JORC Code, 2012 Edition, 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 Reserves estimate and discussions presented in this report are 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 has been reviewed by Mr Gerard Enigk, B.S.M.E., P.E., Manager of Engineering for Cardno and Mr Peter Christensen, Mining Vice President for Cardno.

Mr Enigk has over 37 years of experience in coal-related work, including but not limited to coal reserve/resource estimation, mine planning and design, mine operations, mineral valuation and appraisals, and geotechnical evaluations. He is a Registered Member of the Society of Mining, Metallurgy, and Exploration (SME), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (AIME). Mr Enigk holds a Bachelor of Science degree in Engineering of Mines from The Pennsylvania State University and a Master's degree in Environmental Science from the West Virginia Graduate College, and is a Registered Professional Engineer in West Virginia. Mr Enigk has served in the capacity as Manager of Engineering and as a production supervisor for operating coal companies, and has extensive experience with surface and underground mining operations, including the use of highwall mining systems. Mr Enigk is a certified mine foreman in West Virginia. His education and experience qualify him as a Competent Person as defined in the JORC Code, 2012 Edition.

Mr Christensen has over 28 years of experience in underground and surface coal mining including the use of highwall mining systems. 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 Australasian Institute of Mining and Metallurgy, the Rocky Mountain Coal Mining Institute, the Denver Mining Club, and the Denver Coal Club. Mr Christensen is a certified underground mine foreman in New Mexico. Mr Christensen holds a Bachelor of Engineering degree in Mining Engineering from University of Queensland, Australia. He has broad international mining experience in open cut, underground and highwall coal mining. He has held various senior positions with major mining companies and service providers including roles of engineering manager, operations manager, project manager and statutory responsibility as Site Senior Executive in Queensland, Australia. His experience includes managing feasibility studies, new mine development, mining method and equipment selection, mine planning and cost estimation. He has conducted economic and financial evaluations of mining operations as well as audits and reviews of mining practices, cost structures and operating performance. He has also developed and implemented safety management systems. His education and experience qualify him as a Competent Person as defined in the December 2012 Edition of the *"The Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves"* (effective December 2012) (The JORC Code).

Mr Enigk and Mr Christensen consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Reserve and Resource Statement

This Annual Mineral Reserves and Resources Statement has been approved as a whole by Mr Peter Christensen (see details above).

Oil and Gas

The oil and gas technical information quoted in this Annual Report 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.



Atlas Rig 2: Victory-1



Financial Report

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Directors' Report

The Directors of Rey Resources Limited ("Rey", "Rey Resources" or "the Company") present their report together with the consolidated financial statements of the Company and its controlled entities ("the Group") for the financial year ended 30 June 2015.

1 DIRECTORS

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

Ms Min Yang – Non-executive Chairman

Mr Kevin Wilson – Managing Director

Mr Geoff Baker – Non-executive Director

Mr Dachun Zhang – Non-executive Director

Mr Jin Wei – Non-executive Director

Directors were in office from the start of the financial year to the date of this report.

Details of Directors' qualifications, experience, special responsibilities and directorships of other listed companies can be found on pages 18 to 19.

2 INFORMATION ON DIRECTORS AND OFFICERS

| Directors | Designation and independence status | Experience, expertise and qualifications | Directorships of other ASX listed companies during the last three years | Special responsibilities during the year |
|--|--|--|---|---|
| Current | | | | |
| <p>Min Yang Appointed on 13 September 2012</p> | <p>Chairman Non-executive</p> | <p>Ms Yang has extensive business connections in the Asia Pacific region, especially greater China, and has over twenty years of hands-on experience dealing with both private and state-run businesses in China. Over the years, she has proven her unique business insight and expertise in the identification, incubation and realisation of embryonic opportunities in the resources, commodities trading & residential estate and financial investment sectors.</p> | <ul style="list-style-type: none"> • ASF Group Ltd (September 2005, ongoing) • ActiveEX Limited (May 2012, ongoing) • Key Petroleum Limited (January 2014, ongoing) • Metaliko Resources Limited (August 2014, ongoing) | <ul style="list-style-type: none"> • Non-executive Chairman • Member, Audit and Risk Management Committee |
| <p>Kevin Wilson Appointed on 9 August 2007</p> | <p>Managing Director Executive</p> | <p>Qualifications - BSc (Hons), ARSM, MBA Mr Wilson has over 30 years' experience in the minerals and finance industries. He was the Managing Director of Leviathan Resources Limited, a Victorian gold mining company, from its IPO in 2005 through to its sale in 2006. His experience includes eight years as a geologist with the Anglo American Group in Africa and North America and 14 years as a stockbroking analyst and investment banker with CS First Boston and Merrill Lynch in Australia and New York.</p> | <ul style="list-style-type: none"> • Navarre Minerals (March 2011, ongoing) | <ul style="list-style-type: none"> • Managing Director |
| <p>Geoff Baker Appointed on 13 September 2012</p> | <p>Director Non-executive</p> | <p>Qualifications - BCom, LLB, MBA For the past 35 years Mr Baker has been active in Asia and China working in law and conducting an advisory practice in assisting companies doing business in the region. As an experienced lawyer qualified to practice in Australia and Hong Kong, he provides valuable assistance to international operations and in particular to the negotiation, structuring and implementation of joint venture and commercial agreements.</p> | <ul style="list-style-type: none"> • ASF Group Ltd (November 2006, ongoing) • ActiveEX Limited (February 2013, ongoing) • Key Petroleum Limited (alternate to Min Yang) (January 2014, ongoing) • Metaliko Resources Limited (August 2014, ongoing) | <ul style="list-style-type: none"> • Member, Audit and Risk Management Committee |

| Directors | Designation and independence status | Experience, expertise and qualifications | Directorships of other ASX listed companies during the last three years | Special responsibilities during the year |
|---|--|--|---|---|
| Dachun Zhang Appointed on 1 July 2013 | Director Non-executive Independent | <p>Mr Zhang has a Bachelor's Degree from Poznan University, Poland and a Master's Degree from the University of Wales, UK and was conferred the qualification of Senior Economist in Shipping Management by the Ministry of Communications of China.</p> <p>Mr Zhang was most recently Executive Director and President of China Merchants Group, as well as the Chairman of Merchants International Co. Ltd (a listed Hong Kong company). Previously his career was with COSCO (a Chinese company and one of the world's largest shipping groups) where he held the positions of Executive Vice-Chairman and President of COSCO (Hong Kong) Group Ltd, as well as Vice-Chairman of two Hong Kong listed companies: COSCO Pacific Co. Ltd and COSCO International Holdings Co. Ltd.</p> <p>Mr Zhang, a resident of Victoria, Australia brings extensive international experience and Chinese business relationships to the board of Rey.</p> | | <ul style="list-style-type: none"> Chairman, Audit and Risk Management Committee |
| Jin Wei Appointed on 2 December 2013 | Director Non-executive | <p>Mr Wei holds PhD in Science in China University of Geosciences. He has over 20 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.</p> | | <ul style="list-style-type: none"> Member, Audit and Risk Management Committee |

3 COMPANY SECRETARY

Ms Shannon Coates was appointed to the position of Company Secretary on 11 January 2012. Ms Coates holds a Bachelor of Laws from Murdoch University and has over 20 years' experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as company secretary to several ASX and AIM listed companies and unlisted companies, the majority of which operate in the mineral resources industry, both in Australia and internationally. Ms Coates is Director of Perth based corporate advisory firm Evolution Corporate Services Pty Ltd, which specialises in the provision of corporate services to ASX, JSE and AIM listed companies.

4 DIRECTORS' ATTENDANCE AT MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

| Director | Board | |
|--------------|-------|---|
| | A | B |
| Min Yang | 7 | 7 |
| Kevin Wilson | 7 | 7 |
| Geoff Baker | 7 | 7 |
| Dachun Zhang | 7 | 7 |
| Jin Wei | 7 | 7 |

A Number of meetings attended.

B Number of meetings held during the time the Director held office.

The Company has established an Audit and Risk Management Committee, comprising the four Non-executive Directors, with Mr Dachun Zhang as Chair. The number of Audit and Risk Management Committee meetings and number of meetings attended by each of the member of the Committee during the financial year are:

| Director | Board | |
|--------------|-------|-----|
| | A | B |
| Min Yang | 2 | 2 |
| Kevin Wilson | N/A | N/A |
| Geoff Baker | 2 | 2 |
| Dachun Zhang | 2 | 2 |
| Jin Wei | 2 | 2 |

A Number of meetings attended.

B Number of meetings held during the time the Director held office.

5 DIRECTORS' INTERESTS IN SECURITIES IN REY RESOURCES LIMITED

The relevant interest of each Director in the ordinary shares of Rey Resources Limited at the date of this report is set out as below:

| | Ordinary shares | Options over ordinary shares | Performance rights |
|--------------|------------------------|------------------------------|------------------------|
| Min Yang | 1,000,000 | Nil | Nil |
| Kevin Wilson | 4,485,006 | Nil | 3,426,667 ¹ |
| Geoff Baker | 1,000,000 | Nil | Nil |
| Dachun Zhang | 2,915,300 | Nil | Nil |
| Jin Wei | 1,200,000 ² | Nil | Nil |

¹ 2,426,667 Performance Rights subject to the Company's absolute total shareholder return over the measurement period 1 July 2012 to 30 June 2015 with a re-test date at 30 June 2016; 1,000,000 Performance Rights subject to the Company's absolute total shareholder return over the measurement period 1 July 2014 to 30 June 2017 with a re-test date at 30 June 2018.

² On 18 August 2014, Jin Wei advised he had ceased holding an indirect interest in 125,571,429 Rey shares, previously held as a result of being a shareholder and director of Crystal Yield Investments Ltd (which holds 70,571,429 Rey ordinary shares) and of Ricky Holdings Ltd (which holds 55,000,000 Rey ordinary shares).

6 REMUNERATION REPORT – AUDITED

This remuneration report outlines the Director and executive remuneration arrangements for Rey Resources in accordance with the requirements of the Corporations Act 2001 and its Regulations. The information in the report has been audited as required by Section 308(3C) of the Act.

6.1 Principles of compensation

For the purpose of this report key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The officers listed under KMP below are included in the report. The report will provide an explanation of Rey Resources' remuneration policy and structure, details of remuneration paid to KMP (including Directors), an analysis of the relationship between Company performance and executive remuneration payments, details of share-based payments, key terms of executive employment contracts and details of independent external advice received in relation to KMP remuneration.

2014 Key Management Personnel

The KMP of Rey Resources Limited during the year ended 30 June 2015 were:

Non-executive

| | |
|--------------|--|
| Min Yang | Non-executive Chairman (appointed 13 September 2012) |
| Geoff Baker | Non-executive Director (appointed 13 September 2012) |
| Dachun Zhang | Non-executive Director (appointed 1 July 2013) |
| Jin Wei | Non-executive Director (appointed 2 December 2013) |

Executive

| | |
|--------------|---|
| Kevin Wilson | Managing Director (appointed 9 August 2007) |
| Ian Pound | General Manager |

Remuneration policy

The successful performance of the Company is dependent on the quality and performance of Directors and executives, so the focus of the remuneration policy is to attract, retain and motivate highly competent people to these roles.

Four broad principles govern the remuneration strategy of the Company:

- 1 To set demanding levels of performance for KMP and to align their remuneration with the achievement of clearly defined targets.
- 2 To provide market competitive remuneration and conditions in the current market for high quality Directors and executives, particularly in Western Australia.
- 3 To align remuneration with the creation of shareholder value and the achievement of Company strategy, objectives and performance.
- 4 To be able to differentiate reward based on performance, in particular acknowledging the contribution of outstanding performers.

The Company seeks to provide fixed remuneration at the median level of the markets in which it competes for talent, and to provide the opportunity for a higher than median level of variable reward for those individuals who make an outstanding contribution to the success of the business.

The Board is responsible for matters relating to the remuneration of the Directors, senior executives and employees of the Company, including making recommendations in relation to the remuneration framework of the Company and the fees and remuneration paid to Directors and executives.

The Board seeks independent remuneration advice from time to time, and refers to relevant market survey data for the purposes of external comparison. Further details have been included in section 6.5.

Hedging policy

The Company's Securities Trading Policy prohibits all Directors and employees from entering into arrangements to protect the value of invested Long Term Incentive ("LTI") awards. The prohibition includes entering into contracts to hedge their exposure to unvested share rights and options awarded as part of their remuneration package.

Executive remuneration components

Executive remuneration is structured so that it supports the key remuneration principles outlined above, and is intended to motivate executives towards achievement of the annual objectives and longer term success of the Company. A Total Fixed Remuneration ("TFR") is paid which considers external market comparisons and individual performance. Performance linked compensation is available through the short term and long term incentive plans outlined below.

Fixed remuneration

Executives receive an annualised TFR from which they must have deducted statutory superannuation. They may elect to salary sacrifice further superannuation contributions and other benefits such as a motor vehicle. Accommodation assistance and medical insurance may be provided for employees from overseas or interstate where it is necessary to be able to attract key talent. A review of TFR is undertaken each year and reflects market movements and individual performance.

Short-term incentive

The objective of the short term incentive ("STI") plan is to align the achievement of the Company's annual targets with the performance of those executives who have key responsibility for achieving those targets. The only participant in the plan is currently the Managing Director.

Long-term incentive

Executives are eligible to participate in the Rey Resources Limited Executive Incentive Rights Plan ("2014 EIRP"), which was approved by shareholders at the Company's 2014 Annual General Meeting. The 2014 EIRP replaced the 2011 EIRP that was previously approved by shareholders. The EIRP aligns the reward of the participants with the long term creation of shareholder value. The Managing Director and the General Manager are eligible to participate in the plan.

Both the 2014 EIRP and 2011 EIRP enable participants to be granted rights to acquire shares subject to the satisfaction of certain conditions including progression of Rey project milestones and Total Shareholder Return ("TSR"). Subject to adjustments for any bonus issues of shares and capital reorganisations, one share will be issued on the exercise of each right which vests or becomes exercisable. No amount is payable by employees in respect of the grant or exercise of rights.

The EIRP forms an important component of the total remuneration of the Managing Director. The number of rights provided are based on 50% of TFR. The allocated rights are then subject to a three year vesting period which requires achievement of a compound annual growth in Total Shareholder Return hurdle for the vesting period, and where relevant achievement of additional performance conditions. The proportion to vest increases from 25% at a 10% compound annual growth rate, to 100% for achieving greater than 20% compound annual growth. The vesting condition may be retested one year after the three year vesting period.

The EIRP plan has been designed to deliver benefits based on the value of shares when performance and service conditions are satisfied. The benefits may be provided in cash or a combination of cash and shares.

The below table represents the remuneration mix for executives in the current year. The LTI amount is provided based on the share performance right in the current year.

| | Fixed Remuneration | STI | LTI |
|-------------------|--------------------|-----|--------|
| Managing Director | | | |
| Kevin Wilson | 85.48% | 0% | 14.52% |
| Other Executive | | | |
| Ian Pound | 100% | 0% | 0% |

Relationship between Company performance and remuneration

The objective of the Company's remuneration structure is to reward and incentivise the executives so as to ensure alignment with the interests of the shareholders. The remuneration structure also seeks to reward executives for their contribution in a manner that is appropriate for a company at this stage of its development. As outlined elsewhere in this Report, the remuneration structure incorporates fixed, annual at risk and long term incentive components.

For shareholders, the key measure of value is TSR. Other than general market conditions, the key drivers of value for the Company and a summary of performance are provided in the table following.

At this stage in the development of the Company, successful execution of the below drivers is the mechanism through which shareholder wealth will be created.

The only relevant financial measure at this point is the Rey share price for which the history is presented below. Absolute TSR performance is the basis for long term incentive awards under the EIRP.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---------------------------------|-------|-------|-------|-------|-------|
| Rey Closing Share Price 30 June | 0.105 | 0.105 | 0.052 | 0.075 | 0.199 |

Consequences of performance on shareholder wealth

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---------------------------------|------------|-----------|-----------|-----------|-----------|
| Profit (loss) | (\$10,200) | (\$3,304) | (\$7,678) | (\$8,919) | (\$5,601) |
| Dividends declared | - | - | - | - | - |
| Total shareholder return (TSR)% | 10% | 83% | (38%) | (60%) | 58% |

Non-executive Director fees

The policy on Non-executive Director ("NED") fees is to apply a remuneration framework in order to attract and retain highly capable NEDs and also in accordance with governance best practice. A fixed annual fee is paid in cash.

An aggregate fee limit for NED fees of \$400,000 was approved at the 2010 Annual General Meeting and no change is currently proposed.

NED fees comprise a fixed annual fee, with no participation in any performance rights plan.

The annual cash fees payable to each NED are as follows: Ms Yang \$96,000 per annum; Mr Baker \$120,000 per annum; Mr Zhang \$50,000 per annum; Mr Wei \$60,000 per annum. In addition, at the Annual General Meeting on 28 November 2014, Rey shareholder approval was received for the grant of 3,500,000 ordinary shares to Directors or their nominees (1,000,000 to Ms Yang, 1,000,000 to Mr Baker, 1,000,000 to Mr Jin Wei and 500,000 to Mr Zhang).

6.2 Directors' and executive officers' remuneration

The table below sets out the remuneration of the Group's KMP for the years ended 30 June 2014 and 30 June 2015.

| | Short Term Benefits | | | Post-employment Benefits | Other Long Term employee benefit | Share Based Payments | Termination Benefits | Total |
|---|----------------------|------------------|--------------|--------------------------|----------------------------------|----------------------|----------------------|-----------|
| | Cash salary/ Fees | Annual Incentive | Non-monetary | Super | LSL & AL | Rights/ Options | Termination Payments | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| M Yang – Non-executive Chairman – Appointed 13 September 2012 | | | | | | | | |
| 2015 | 96,000 | – | – | – | – | 90,000 | – | 186,000 |
| 2014 | 96,000 | – | – | – | – | – | – | 96,000 |
| K Wilson – Managing Director | | | | | | | | |
| 2015 | 332,420 | – | – | 31,580 | 422 | 61,910 | – | 426,332 |
| 2014 | 333,181 | – | – | 30,819 | 20,879 | (96,449) | – | 288,430 |
| G Baker – Non-executive Director – Appointed 13 September 2012 | | | | | | | | |
| 2015 | 120,000 | – | – | – | – | 90,000 | – | 210,000 |
| 2014 | 120,000 | – | – | – | – | – | – | 120,000 |
| D Zhang – Non-executive Director – appointed 1 July 2013 | | | | | | | | |
| 2015 | 50,000 | – | – | – | – | 45,000 | – | 95,000 |
| 2014 | 50,000 | – | – | – | – | – | – | 50,000 |
| J Wei – Non-executive Director – Appointed 2 December 2013 | | | | | | | | |
| 2015 | 60,000 | – | – | – | – | 90,000 | – | 150,000 |
| 2014 | 35,000 | – | – | – | – | – | – | 35,000 |
| I Pound – General Manager | | | | | | | | |
| 2015 | 280,000 | – | – | 26,600 | 12,923 | – | – | 319,523 |
| 2014 | 281,000 | – | – | 25,900 | 6,462 | (50,659) | – | 262,703 |
| TOTAL | | | | | | | | |
| 2015 | 938,420 | – | – | 58,180 | 13,345 | 376,910 | – | 1,386,855 |
| 2014 | 915,181 | – | – | 56,719 | 27,341 | (147,108) | – | 852,133 |

6.3 Equity instruments

6.3.1 1,000,000 share rights were granted to the Company's Managing Director during the financial year. The rights granted were provided at no cost to the recipient. The rights are issued as performance rights, which are conditional on the Company achieving certain performance hurdles.

6.3.2 The valuation assumptions and methodology for the Share based payments (rights) are set out in Note 20 to the financial statements.

6.3.3 Rights over equity instruments granted as compensation

Details on rights over ordinary shares in the Company that were granted as compensation to the KMP during the reporting period and details on those rights that also vested during the reporting period are as follows:

| Name | Number of rights granted during FY 2015 ¹ | Investing condition | Grant Date | Fair value per share at grant date | Vest Date | Expiry Date |
|----------|--|---------------------|-------------|------------------------------------|--------------|--------------|
| K Wilson | 1,000,000 ¹ | TSR | 26 Nov 2014 | \$0.057 | 30 June 2017 | 30 June 2018 |
| | 2,426,667 ² | TSR | 22 Nov 2012 | \$0.043 | 30 June 2015 | 30 June 2016 |

¹ As approved at the 2014 Annual General Meeting

² As approved at the 2012 Annual General Meeting

6.3.4 Options and rights over equity instruments granted as compensation

Details of the vesting profiles of the options and rights granted as remuneration to the KMP are detailed below.

| Name | Number | Grant date | % vested in year | % forfeited/lapsed in financial year 2015 | Financial year in which grant vests |
|---------------------|-----------|------------|------------------|---|-------------------------------------|
| Share rights | | | | | |
| K Wilson | 985,294 | 22.11.2012 | 0% | 100% | Lapsed 30 June 2015 |
| K Wilson | 1,000,000 | 26.11.2014 | 0% | 0% | Vest 30 June 2017 |
| K Wilson | 2,426,667 | 22.11.2012 | 0% | 0% | Retest 30 June 2016 |

6.3.5 Movements in share rights

The movement during the reporting period of share rights over ordinary shares in the Company held by the KMP is detailed below.

The movement during the reporting period, by number of rights over ordinary shares in the Company held by the KMP is detailed below.

| Name | Held at 1 July 2014 | Other Changes ¹ | Held at 30 June 2015 | Vested during year |
|---------------------|---------------------|----------------------------|----------------------|--------------------|
| Share rights | | | | |
| K Wilson | 985,294 | (985,294) | – | – |
| K Wilson | 2,426,667 | – | 2,426,667 | – |
| K Wilson | – | 1,000,000 | 1,000,000 | – |

¹ Other Changes represent rights that lapsed or were issued during the year.

6.4 Key employment contracts

The table below summarises the key contractual provisions of the executive KMP.

| Name and Position | Contract Term | Termination by Company ¹ | Termination by Executive |
|-----------------------------------|---------------|---|--|
| Kevin Wilson Managing Director | Ongoing | 6 months' notice or payment in lieu. Pro-rata Annual Incentive is paid. Unvested Long-term Incentive vests. | 6 months' notice or payment in lieu. If terminate within 6 months of a Fundamental Change receives 6 months TFR at termination date ² . Board discretion to pay pro-rata Annual Incentive and unvested Long Term Incentive. |
| Ian Pound General Manager | Ongoing | 3 months' notice or payment in lieu. | 1 month notice or payment in lieu. |

¹ All executives may be terminated immediately for serious misconduct, with payment of TFR and accrued leave up until the termination date.

² A Fundamental Change occurs if the Company's shares are suspended from trading, the Company is delisted, or Mr Wilson is required to undertake a materially different role.

Non-Executive Directors are engaged by a letter of appointment for a term as stated in the Constitution of the Company. They may resign from office with reasonable notice to the Chairman. Non-Executive Directors receive annual fees. There are no post-employment benefits other than statutory superannuation.

6.5 Remuneration Consultant

The Board may seek advice on remuneration matters for the KMP and Non-Executive Directors from independent external advisors. Such advisors are appointed and directly engaged by the Chairman.

No external advisors were engaged on remuneration matters for the 2014-2015 year.

The Board is satisfied that the remuneration recommendations were made free from any undue influence by the members of the KMP to whom the recommendations related.

6.6 Movements in share holdings

Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held by each KMP, including their related parties, is as follows:

| 2015 | Held at 1 July 2014 | Received as compensation | Received on exercise of options/rights | Other changes | Held at 30 June 2015 |
|-------------------|---------------------------|-----------------------------|--|----------------------------|----------------------------|
| Directors | | | | | |
| Min Yang | – | 1,000,000 | – | – | 1,000,000 |
| Kevin Wilson | 4,485,006 | – | – | – | 4,485,006 |
| Geoff Baker | – | 1,000,000 | – | – | 1,000,000 |
| Jin Wei | 125,771,429 | 1,000,000 | – | (125,571,429) ¹ | 1,200,000 |
| Dachun Zhang | 2,415,300 | 500,000 | – | – | 2,915,300 |
| Executives | | | | | |
| Ian Pound | 353,000 | – | – | – | 353,000 |
| Total | 133,024,735 | 3,500,000 | – | (125,571,429) | 10,953,306 |

¹ On 18 August 2014, Jin Wei advised he had ceased holding an indirect interest in 125,571,429 Rey Shares, previously held as a result of being a shareholder and director of Crystal Yield Investments Ltd (which holds 70,571,429 Rey ordinary shares) and of Ricky Holdings Ltd (which holds 55,000,000 Rey ordinary shares).

6.7 Movements in Option holdings

No KMP held or were issued options during the 2015 reporting period.

6.8 Movement in Share right holdings

The movement during the reporting period in the number of share rights over ordinary shares in the Company by each KMP, including their related parties, is as follows:

| 2015 | Held at 1 July 2014 | Granted as compensation | Exercised | Other changes | Held at 30 June 2015 | Vested and exercisable at 30 June 2015 | Unvested and unexercisable at 30 June 2015 |
|-------------------|------------------------|----------------------------|-----------|------------------|-------------------------|--|--|
| Directors | | | | | | | |
| Min Yang | - | - | - | - | - | - | - |
| Kevin Wilson | 3,411,961 | 1,000,000 | - | (985,294) | 3,426,667 | - | 3,426,667 |
| Geoff Baker | - | - | - | - | - | - | - |
| Jin Wei | - | - | - | - | - | - | - |
| Dachun Zhang | - | - | - | - | - | - | - |
| Executives | | | | | | | |
| Ian Pound | - | - | - | - | - | - | - |
| Total | 3,411,961 | 1,000,000 | - | (985,294) | 3,426,667 | - | 3,426,667 |

7 PRINCIPAL ACTIVITIES

The principal activity of Rey Resources is exploring for and developing energy resources in Western Australia's Canning and Perth Basins. The Company holds coal exploration assets, a 25% interest in petroleum permits EP457 & 458 in joint venture with Buru and Mitsubishi Corporation and a 43.47% in petroleum exploration permit EP437.

Rey acquired a 50% interest in the Derby Block EP487 in the Canning Basin and entered into Joint Venture Agreement with Oil Basins who will act as Operator until 1 January 2016, at which time the Company will assume operatorship of the Derby Block, subject to certain preconditions.

Rey also acquired approximately 4% of the issued share capital Norwest in June 2015. Norwest is an Australian-based oil and gas company focused on the strategic exploration and development of its asset portfolio in Western Australia and the UK.

8 RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS

During the year, Rey Resources continued its strategy of exploring and developing energy resources in Western Australia's Canning Basin and Perth Basin, with particular focus on its oil and gas assets.

Oil and gas

Canning Basin

EP457 & EP458

Rey Resources holds a 25% interest in Exploration Permits EP457 and EP458 ("the Fitzroy Blocks"). The Fitzroy Blocks are located in the Canning Basin in the northwest of Western Australia. The equity interest in each permit is:

- Rey Oil and Gas Pty Ltd 25% (of which a 10% interest is free carried to production)
- Buru Fitzroy Pty Ltd 37.5% (Buru Energy Limited operator)
- Diamond Resources (Fitzroy) Pty Ltd 37.5% (100% subsidiary of Mitsubishi Corporation)

In August 2014 a total of 112.5 line-kilometres of 2D seismic was acquired in EP458 and planning is underway for an additional 100 line-km of 2D seismic acquisition in EP457 in the first half of 2015-16 financial year, over drilling prospects Wright and Victory.

Drilling of oil exploration wells Victory-1 in EP457 and Senagi-1 in EP458 was planned and approvals advanced with the target of drilling in the first half of 2015-16 financial year. Victory-1 spudded on 9 September 2015.

EP487

As announced on 1 June 2015, Rey Lennard Shelf Pty Ltd (a wholly owned subsidiary of Rey Resources) completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 from Backreef Oil Pty Ltd and entered into a Joint Venture Agreement with Oil Basins Limited. The equity interests in the permit are :

- Rey Lennard Shelf Pty Ltd 50%
- Oil Basins Limited 50%

Oil Basins is the appointed Operator until 1 January 2016 (or as extended with an Oil Basins introduced third party farminee) and Rey will become Operator from 1 January 2016 should no farmout occur by 31 December 2015.

Perth Basin

EP437

As reported in ASX announcement of 30 October 2014, Rey earned a 43.47% interest in EP437 by contributing 86.94% of the costs of the Dunnart-2 well, which was drilled in July-September 2014 under the management of Key Petroleum as Operator of the permit. The beneficial interests in EP437 are:

- Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) (Operator) 43.47%
- Rey Oil and Gas Perth Pty Ltd 43.47%
- Caracal Exploration Pty Limited 13.06%

The Dunnart-2 well encountered oil shows over a 20m interval. During flow testing in June 2015 no commercial hydrocarbons flowed to surface and the well has been decommissioned.

As announced on 30 January 2015, further prospects and leads have been identified. The JV is reviewing the prospects, particularly the Wye area following the result of the Dunnart-2 flow test together with historic geochemical, geophysical and well data with structural mapping to define a drill ready prospect.

Norwest Energy NL

In June 2015 Rey became a cornerstone investor in Norwest. The companies will work together to investigate and develop potential farm-in opportunities around Norwest's Perth Basin interests.

Coal

Rey Resources' thermal coal tenements are also located in Western Australia's Canning Basin and are partly contiguous with the Fitzroy Blocks. No field work was undertaken during the year. Rey has continued to refine its exploration tenement holding by surrendering areas with lower coal prospectivity, constrained access or deeper coal.

During the year, Rey and Mineralogy Pty Ltd agreed to discontinue all legal activity in relation to the October 2009 Mineralogy Pty Ltd applications for forfeiture and objections to applications for exemption from expenditure affecting 11 mineral exploration licences.

Rey and Mineralogy Pty Ltd agreed to discontinue all legal activity in relation to the October 2009 Mineralogy Pty Ltd applications for forfeiture and objections to applications for exemption from expenditure affecting 11 mineral exploration licences.

Duchess Paradise Coal Project

The Duchess Paradise Coal Project is a slot/highwall mine proposal for the mining and export of up to 2.5 million tonnes per annum of bituminous thermal coal, on which a positive DFS was completed at the end of June 2011.

Rey relinquished its sublease at the Derby Port during the June quarter 2015. This has allowed the lessor, the Shire of Derby/West Kimberley, to bring forward the planning, survey and geotechnical studies for redefining lease areas and further development at the Derby Port, aimed at facilitating multiple users. Future export of coal is expected to be via negotiation of access to a multi-user bulk commodity export facility.

In April 2015, the Duchess Paradise Coal Project environmental assessment was placed on hold.

During the first half of the financial year, Rey completed a review and update of its Duchess Paradise P1-seam thermal coal Resources and Reserves Statement to the 2012 edition of the JORC Code. As reported to the ASX on 28 October 2014, the review confirmed the Resources and Reserves Statements previously announced under the 2004 JORC Code. A review in August 2015 concluded that there had been no material change to the previously reported Resources and Reserves.

Corporate

During the year, Rey Resources raised a total of \$7 million (before costs) through the issue of new equity.

- On 30 June 2014 the Company announced that it was undertaking a capital raising to raise up to \$3 million (before costs) at 10 cents per share. The first tranche of \$1 million was received and shares issued on 10 July 2014; the second tranche of \$1.5 million was received and shares issued on 19 August 2014; and the third tranche of \$0.5 million was received on 4 September 2014 and shares issued on 9 September 2014.
- On 8 July 2014, Rey entered into a Strategic Cooperation Framework Agreement with China National Fuels Corporation, a China based energy company. The agreement formalises discussions that have occurred over the past 12 months and has a key objective that the parties will jointly establish and develop oil and gas opportunities together with associated infrastructure in Western Australia, with an emphasis in the Canning Basin.

- On 28 November 2014, the Company announced the proposed acquisition of a 50% interest in petroleum exploration permit EP487 (the Derby Block), located in the Canning Basin of Western Australia. The acquisition was completed on 1 June 2015, at which time Rey also entered into a JOA with Oil Basins (ASX: OBL), holder of the remaining 50% interest, for the operation of exploration programmes on the Derby Block.
- On 3 December 2014 the Company extended its on-market share buy back programme for a further 12 months. During the financial year a total of 1,806,445 shares (\$188,080) were bought back, with a further 797,000 shares (\$69,466) bought back from the end of the financial year to the date of this report.
- On 27 January 2015 the Company completed a further capital raising, raising \$4 million (before costs) at 8 cents per share.
- On 3 June 2015, Rey announced it had become a cornerstone investor in Norwest (ASX: NWE), via the subscription by a wholly owned subsidiary company for 53,056,027 shares, or approximately 4% of the total shares currently on issue in Norwest, at an issue price of \$0.004712, for a total investment of \$250,000.

Finance review

The loss for the Group after income tax for the year ended 30 June 2015 was \$10,200,000 (2014: \$3,304,000). This amount includes \$8,116,000 written off as a result of 19 mineral exploration tenements that were relinquished or converted to retention licence during the year.

During the period \$4,758,000 (2014: \$4,147,000) in exploration expenditure was capitalised, \$3,723,000 of which related to oil and gas exploration (2014: \$1,458,560).

9 DIVIDENDS

No dividend has been paid or declared by the Company during the financial year ended 30 June 2015 (2014: nil) and the Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2015.

10 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as noted elsewhere in this report, there have been no significant changes in the state of the affairs of the Company up to and including the date of this report.

11 LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Future information about the likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated Group.

12 PERFORMANCE RIGHTS OVER UNISSUED SHARES

Performance Rights on issue

During the financial period, 1,000,000 performance rights were issued to Managing Director, Mr Kevin Wilson (2014: Nil). Performance rights have no exercise price on vesting.

As at the date of this report there are 3,426,667 performance rights on issue. Details of performance rights over unissued shares in Rey Resources as at the date of this report are set out below:

| Class | Number | Grant date | Expiry date |
|--|-----------|------------------|--------------|
| Executive Performance Rights | 2,426,667 | 5 December 2012 | 30 June 2016 |
| Director Performance Rights ¹ | 1,000,000 | 28 November 2014 | 30 June 2018 |

¹ Subject to review on 30 June 2017.

Performance Rights vested, forfeited or lapsed

During the financial period, 2,485,294 unvested performance rights lapsed.

During or since the end of the financial year no other performance rights were forfeited, cancelled or lapsed.

13 OPTIONS OVER UNISSUED SHARES

Options on issue

During the financial year and as at the date of this report there are no options on issue.

14 ENVIRONMENTAL DISCLOSURE

The Group's operations are subject to various laws governing the protection of the environment in areas such as protection of water quality, waste emission and disposal, environmental impact assessments, exploration rehabilitation and use of, ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation in the state in which they operate and such licences include requirements specific to the subject site.

So far as the Directors are aware, there have been no material breaches of the Company's licences and all exploration and other activities have been undertaken in compliance with the relevant environmental regulations.

15 INDEMNITIES AND INSURANCE

During the financial year, the Company paid a premium to insure the Directors and officers of the Company against liabilities incurred in the performance of their duties. Under the terms and conditions of the insurance contract, the premium paid cannot be disclosed.

The officers of the Company covered by the insurance policy include any person acting in the course of duties for the Company who is, or was, a Director, Company Secretary or senior manager within the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be

brought against the officers, in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

16 SUBSEQUENT EVENTS

On 9 September 2015 the Victory-1 well was spudded in EP457 and was progressing at the date of this report.

17 PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this report, there are no leave applications or proceedings brought on behalf of the Company under section 237 of the Corporations Act 2001.

18 ROUNDING

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order 98/100, amounts included in the consolidated financial statements and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

19 NON-AUDIT SERVICES

There were no non-audit services provided by KPMG during this financial year.

20 AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the financial year ended 30 June 2015.

Signed in accordance with a resolution of Directors.



Min Yang

Non-executive Chairman

Sydney, Australia

24 September 2015

Auditor's Independence Declaration



Lead 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, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

R Gambitta
Partner

Perth

24 September 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

in thousands of dollars

| | Note | 30 June 2015 | 30 June 2014 |
|---|-------------|---------------------|---------------------|
| Other income | 4 | 14 | 9 |
| Exploration impairment | 11 | (8,117) | (1,416) |
| Administrative expenses | 5 | (2,147) | (2,017) |
| Loss from operations | | (10,250) | (3,424) |
| Finance income | 4 | 50 | 120 |
| Net finance income | | 50 | 120 |
| Loss before income tax | | (10,200) | (3,304) |
| Income tax benefit | 6 | – | – |
| Loss for the year, attributable to owners of the Company | | (10,200) | (3,304) |
| Other comprehensive income | | – | – |
| Items that will not be reclassified to profit or loss | | – | – |
| Items that may be reclassified subsequently to profit or loss | | – | – |
| Total comprehensive loss for the year, attributable to owners of the Company | | (10,200) | (3,304) |
| Loss per share | | | |
| Basic and diluted (cents per share) | 7 | (1.50) | (0.53) |

The notes on pages 40-70 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 30 June 2015

in thousands of dollars

| | Note | 2015 | 2014 |
|---|-------------|---------------|---------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 8a | 1,652 | 3,000 |
| Trade and other receivables | 9 | 58 | 50 |
| Prepayments | | 22 | 50 |
| Total current assets | | 1,732 | 3,100 |
| Non-current assets | | | |
| Security deposits | 9 | – | 38 |
| Property, plant and equipment | 10 | 20 | 8 |
| Exploration and evaluation expenditure | 11 | 34,796 | 38,155 |
| Total non-current assets | | 35,066 | 38,201 |
| Total assets | | 36,798 | 41,301 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | 129 | 268 |
| Provisions | 13 | 184 | 232 |
| Total current liabilities | | 313 | 500 |
| Non-current liabilities | | | |
| Provisions | 13 | 45 | 45 |
| Total non-current liabilities | | 45 | 45 |
| Total liabilities | | 358 | 545 |
| Net assets | | 36,440 | 40,756 |
| EQUITY | | | |
| Share capital | 14 | 81,072 | 75,565 |
| Reserves | 15 | 2,200 | 1,823 |
| Accumulated losses | | (46,832) | (36,632) |
| Total equity attributable to equity holders of the Company | | 36,440 | 40,756 |

The notes on pages 40-70 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 30 June 2015

in thousands of dollars

| | Share capital | Share based payment Reserve | Accumulated Losses | Total |
|--|----------------------|------------------------------------|---------------------------|---------------|
| Balance at 30 June 2013 | 70,425 | 2,089 | (33,328) | 39,186 |
| Total other comprehensive income | | | | |
| Loss for the period | - | - | (3,304) | (3,304) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | - | (3,304) | (3,304) |
| Transactions with owners recorded directly in equity: | | | | |
| <i>Contributions by and distributions to owners</i> | | | | |
| Issue of ordinary shares | 5,360 | - | - | 5,360 |
| Less: Transaction costs | (101) | - | - | (101) |
| Share-based payment transactions | - | (266) | - | (266) |
| Share buy back | (119) | - | - | (119) |
| Balance at 30 June 2014 | 75,565 | 1,823 | (36,632) | 40,756 |
| Loss for the period | | | (10,200) | (10,200) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | - | (10,200) | (10,200) |
| Transactions with owners recorded directly in equity: | | | | |
| <i>Contributions by and distributions to owners</i> | | | | |
| Issue of ordinary shares (Note 14) | 6,000 | - | - | 6,000 |
| Less: transaction Cost (Note 14) | (305) | - | - | (305) |
| Share-based payment transactions (Note 19) | - | 377 | - | 377 |
| Share buy back (Note 14) | (188) | - | - | (188) |
| Balance at 30 June 2015 | 81,072 | 2,200 | (46,832) | 36,440 |

The notes on pages 40-70 are an integral part of these consolidated financial statements..

Consolidated statement of cash flows
For the year ended 30 June 2015

in thousands of dollars

| | <i>Note</i> | 30 June 2015 | 30 June 2014 |
|---|-------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash paid to suppliers and employees | | (1,927) | (2,815) |
| Net cash used in operating activities | 8b | (1,927) | (2,815) |
| Cash flows from investing activities | | | |
| Interest received | | 47 | 116 |
| Cash received from R&D claims | | – | 545 |
| Investment in share | | (250) | – |
| Payments for property, plant and equipment | | (16) | – |
| Proceeds from sale of plant and equipment | | 10 | 53 |
| Recovery of rehabilitation bonds | | – | 256 |
| Recovery of other bonds | | 38 | 300 |
| Payments for exploration expenditure | | (4,757) | (3,760) |
| Net cash used in investing activities | | (4,928) | (2,490) |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares (net of costs) | | 5,695 | 5,360 |
| Share buy back | | (188) | (119) |
| Repayment of loans and borrowings | | – | (213) |
| Net cash from financing activities | | 5,507 | 5,028 |
| Net (decrease)/increase in cash and cash equivalents | | (1,348) | (277) |
| Cash and cash equivalents at the beginning of the year | | 3,000 | 3,277 |
| Cash and cash equivalents at the end of the year | 8a | 1,652 | 3,000 |

The notes on pages 40-70 are an integral part of these consolidated financial statements.

Notes to Financial Statements

1 REPORTING ENTITY

Rey Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 1121 Hay Street, West Perth, Western Australia, 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as "Rey" or the "Group"). The Group is a for-profit entity and is primarily involved in mineral and oil and gas exploration and project evaluation.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including the Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"). The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The consolidated financial statements were authorised for issue by the Board of Directors on 24 September 2015.

(b) Going concern

The consolidated 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 year ended 30 June 2015 the Group incurred a loss of \$10,200,000 and experienced net cash outflows of \$1,348,000. The loss for the period was significantly impacted by the recognition of impairment losses on exploration and evaluation assets of \$8,117,000. As at 30 June 2015 the Group has cash of \$1,652,000 and a net working capital position of \$36,440,000.

The Group has prepared a cashflow forecast for the 15 months ending 30 September 2016. The cashflow forecasts demonstrates the need to raise additional funding to meet both non-discretionary and discretionary expenditure. The forecast non-discretionary expenditure includes Rey's share of committed spend for exploration programs on the Canning Basin properties with a material amount due in the immediate term. Rey is considering funding alternatives in the form of debt and equity, including discussions with existing shareholders. Based on those alternatives, the directors are confident that sufficient funding will be available in the timeframes required and that the adoption of the going concern basis of preparation is appropriate.

Should the Group be unable to raise the necessary funding to meet its commitments, there is a material uncertainty in relation to as to whether the Group will continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(e) Use of estimates and judgements

The preparation of 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 estimates are revised and in any future periods affected.

Other information about assumptions, estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 6 – recoverability of tax losses.

Note 11 – ultimate recoupment of carried forward exploration expenditure.

Note 19 – key assumptions in determining the fair value of share based payments.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Rey Resources Limited and its subsidiaries.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains and expenses on transactions between companies of the consolidated entity are eliminated in preparing the consolidated financial statements.

(iii) Loss of control

On the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of enquiry related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounts investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Joint arrangement

Joint arrangements are defined as the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. These arrangements may be accounted for as a joint venture or a joint operation.

A joint venture, which is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than the rights to its assets and obligation for its liabilities. Interest in joint ventures are accounted for using the equity method.

A joint operation is an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator the Group recognises its relative share of its assets, liabilities, revenues and expenses.

(b) Foreign currency

Transactions in foreign currencies are translated to Australian dollars being the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Non derivative financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated depreciation rates for the current and comparative years are as follows:

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Plant and equipment | 20 – 40% |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Exploration and development assets

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

At the end of each reporting period, the capitalised exploration and evaluation expenditure is assessed for impairment. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of the site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plants, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective

evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables and held-to maturity securities

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(g) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-cost. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Rey Resources Limited. Current income tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

(j) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and share performance rights granted to employees.

(k) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's Chief Operating Decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Finance income and finance costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(n) Determination of fair values

Share-based payment transactions

The fair value of the Directors' performance rights is measured using Monte Carlo Sampling. The fair value of the executive rights is measured with reference to the share price at grant date. The fair value of the employee share options are measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(o) New standards and interpretations not yet adopted

In the year ended 30 June 2015, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business that are not already disclosed, and therefore, no change is necessary to Group accounting policies.

4 OTHER INCOME AND FINANCE INCOME

in thousands of dollars

Other income

Foreign exchange (gain)/loss

Other income

Finance income

Interest income

| | 2015 | 2014 |
|--|-------------|-------------|
| | – | 1 |
| | 14 | 8 |
| | 14 | 9 |
| | 50 | 120 |
| | 50 | 120 |

5 ADMINISTRATIVE EXPENSES

in thousands of dollars

Office supplies and expenses

Professional and consulting fees

Employee benefits expense (see below)

Depreciation and amortisation expense

Insurance premiums

Legal costs

Other expenses (inc Travel expense)

Employee benefits expense consists of:

Equity-settled share-based payments

Salaries and fees

Superannuation

| | 2015 | 2014 |
|--|--------------|--------------|
| | 263 | 330 |
| | 311 | 560 |
| | 1,192 | 507 |
| | 4 | 45 |
| | 50 | 140 |
| | 94 | 198 |
| | 233 | 237 |
| | 2,147 | 2,017 |
| | 377 | (266) |
| | 757 | 723 |
| | 58 | 50 |
| | 1,192 | 507 |

6 INCOME TAX EXPENSE

in thousands of dollars

| | 2015 | 2014 |
|--------------------------------------|------|------|
| Income tax recognised in loss | | |
| Current tax benefit | - | - |
| Deferred tax (benefit) | - | - |
| Income tax benefit | - | - |

Reconciliation of prima facie tax on accounting loss before tax to income tax (benefit)/expense

in thousands of dollars

| | 2015 | 2014 |
|---|----------|---------|
| Accounting loss before tax | (10,200) | (3,304) |
| At statutory income tax rate of 30% (2014: 30%) | (3,061) | (990) |
| Non-deductible expenses | (259) | (335) |
| Tax exempt income | - | 164 |
| Tax losses for which no deferred tax asset was recognised | 3,319 | 1,161 |
| Income tax benefit | - | - |

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Statement of financial position | | Profit or loss | |
|--|------------------------------------|----------|-------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| <i>in thousands of dollars</i> | | | | |
| Deferred tax liabilities | | | | |
| Exploration and evaluation expenditure | (10,438) | (11,446) | 1,008 | (6,775) |
| Other | – | (16) | 16 | 28 |
| Gross deferred tax liability | (10,438) | (11,462) | 1,024 | (6,747) |
| Deferred tax assets | | | | |
| Tax loss carry-forwards | 10,339 | 11,382 | (1,043) | 6,760 |
| Other | 99 | 80 | 19 | (13) |
| Gross deferred tax asset | 10,438 | 11,462 | (1,024) | 6,747 |

Tax losses

At 30 June 2015, the Group has tax losses arising in Australia of \$68,414,279 (2014: \$60,719,333) that are available for offset against future taxable income. The Group has not recognised a deferred tax asset in relation to these tax losses (other than an offset to the deferred tax liability) as realisation of the benefit is not regarded as probable.

Tax consolidation

Rey Resources Limited and its 100% owned Australian resident subsidiaries formed a tax-consolidated group with effect from 1 July 2009. The first consolidated income tax return for the Group was filed for the tax year ended 30 June 2010. Rey Resources Limited is the head entity of the tax-consolidated group.

7 LOSS PER SHARE

in thousands of dollars

| | 2015 | 2014 |
|--|-------------|-------------|
| a. Loss attributable to owners of the Company | (10,200) | (3,304) |
| | No. | No. |
| b. Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted loss per share | 679,468,199 | 625,384,492 |
| c. Basic loss per share (cents per share) | (1.50) | (0.53) |

At 30 June 2015, the Company's potential ordinary shares, comprising 3,426,667 share performance rights (2014: 4,911,961) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

8a CASH AND CASH EQUIVALENTS

in thousands of dollars

| | 2015 | 2014 |
|---------------------------|--------------|--------------|
| Cash at bank and in hand | 1,652 | 3,000 |
| Cash and cash equivalents | 1,652 | 3,000 |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 21.

8b RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| <i>in thousands of dollars</i> | <i>Note</i> | 2015 | 2014 |
|---|-------------|----------------|----------------|
| Cash flows from operating activities | | | |
| Loss for the period | | (10,200) | (3,304) |
| Adjustments for: | | | |
| Depreciation | 10 | 4 | 45 |
| Impairment of capitalised exploration expenditure | 11 | 8,117 | 1,416 |
| Equity-settled share-based payment expense | 5 | 377 | (266) |
| Interest income | | (50) | (300) |
| Other benefit | | (8) | (432) |
| | | (1,760) | (2,841) |
| (Increase)/decrease in trade and other receivables | | (8) | 71 |
| (Increase)/decrease in prepayments | | 28 | 396 |
| Increase/(decrease) in trade and other payables | | (139) | (400) |
| Increase/(decrease) in provisions and employee benefits | | (48) | (41) |
| Net cash used in operating activities | | (1,927) | (2,815) |

9 TRADE AND OTHER RECEIVABLES

| <i>in thousands of dollars</i> | 2015 | 2014 |
|--------------------------------|-------------|-------------|
| Other receivables | 58 | 50 |
| Security deposits | – | 38 |
| | 58 | 88 |
| Current | 58 | 50 |
| Non-current | – | 38 |
| | 58 | 88 |

10 PROPERTY PLANT AND EQUIPMENT

in thousands of dollars

| | 2015 | 2014 |
|--|-----------|----------|
| Property, plant and equipment | | |
| At cost | 198 | 242 |
| Accumulated depreciation | (178) | (234) |
| Total Property, plant and equipment | 20 | 8 |

Movements in carrying amounts:

in thousands of dollars

| | 2015 | 2014 |
|------------------------------|-----------|----------|
| Balance as at 1 July | 8 | 94 |
| Additions | 16 | – |
| Disposals | – | (41) |
| Depreciation expense | (4) | (45) |
| Balance as at 30 June | 20 | 8 |

11 EXPLORATION AND EVALUATION EXPENDITURE

in thousands of dollars

| | 2015 | 2014 |
|---|---------------|---------------|
| Costs carried forward in respect of: | | |
| Incurred at cost by the Group on assets not governed by Joint Venture Agreements ¹ | 23,579 | 30,478 |
| Capitalised share of exploration assets under Joint Venture Agreements ² | 7,932 | 7,266 |
| Capitalised share of exploration assets under Joint Venture Agreements ³ | 2,445 | 411 |
| Capitalised share of exploration assets under Joint Venture Agreements ⁴ | 840 | – |
| Costs carried forward | 34,796 | 38,155 |

¹ Exploration and evaluation expenditure recognised in exploration assets held solely by the Group.

² Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Buru Energy Limited and Mitsubishi Corporation. This amount includes the Group's proportionate share of exploration assets held by the respective joint venture entities.

³ Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Key Petroleum Pty Ltd and Caracal Exploration Pty Ltd. This amount includes the Group's proportionate share of exploration assets held by the EP437 tenement owners.

⁴ Exploration and evaluation expenditure recognised on tenements under joint venture agreement with Oil Basins Ltd. This amount includes the Group's proportionate share of exploration assets held by the EP487 tenement owners.

in thousands of dollars

| | 2015 | 2014 |
|-------------------------------|---------------|---------------|
| At cost | 52,363 | 47,603 |
| Accumulated impairment losses | (17,567) | (9,448) |
| | 34,796 | 38,155 |

Movements in carrying amount:

in thousands of dollars

| | 2015 | 2014 |
|--|---------------|---------------|
| Opening balance | 38,155 | 15,569 |
| Transfer from asset held for sale (Note 7) | – | 20,400 |
| Current year expenditure capitalised | 4,758 | 4,147 |
| Impairment | (8,117) | (1,416) |
| R&D refund offset | – | (545) |
| | 34,796 | 38,155 |

During 2015, as a result of the impairment testing process at 30 June 2015, the Group recognised an impairment loss of \$8,117,000 with respect to relinquishment of 18 coal tenements exploration license and 1 coal tenement exploration license changed to retention license. The impairment loss was recognised in 'exploration impairment' on the Consolidated Statement of Profit or Loss and other Income.

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or evaluation phase is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas.

Tenements where tenure is not intended to be continued have been fully impaired as at 30 June 2015.

Blackfin Pty Ltd, a subsidiary of the Company, lodged applications for exemption from expenditure in relation to 11 of its exploration licences for the 2009 expenditure year. Mineralogy Pty Ltd ("Mineralogy") lodged objections to the applications for exemption from expenditure and forfeiture applications affecting the 11 exploration licences. During the year Rey and Mineralogy agreed to discontinue all legal activity concerning the exploration licences and the Mining Warden dismissed the matters.

12 TRADE AND OTHER PAYABLES

in thousands of dollars

| | 2015 | 2014 |
|--------------------------------------|-------------|-------------|
| Unsecured liabilities | | |
| Trade payables | 2 | 174 |
| Sundry payables and accrued expenses | 127 | 94 |
| | 129 | 268 |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

13 PROVISIONS

in thousands of dollars

| | 2015 | 2014 |
|--------------------|-------------|-------------|
| Current | | |
| Employee benefits | 184 | 152 |
| Other ¹ | – | 80 |
| | 184 | 232 |
| Non-current | | |
| Employee benefits | 45 | 45 |
| | 45 | 45 |

¹ The dismissal of legal matters concerning eleven plained mineral tenements resulted in the reversal of an \$80,000 provision.

14 ISSUED CAPITAL

in thousands of dollars

| | 2015 | 2014 |
|--|---------------|---------------|
| 711,750,074 (2014: 630,202,151) fully paid ordinary shares | 81,072 | 75,565 |
| | 81,072 | 75,565 |

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares participate in the proceeds on winding up of the parent entity in proportion to the numbers of shares held.

Movements in shares on issue

| | 2015 | | 2014 | |
|---|--------------------|---------------|--------------------|---------------|
| | Number | \$'000 | Number | \$'000 |
| On issue at the beginning of the year | 630,202,151 | 75,565 | 560,733,873 | 70,425 |
| 1 July 2013 ¹ | – | – | 149,000 | – |
| 14 October 2013 ² | – | – | 53,571,429 | 3,000 |
| 29 October 2013 ³ | – | – | 17,000,000 | 1,360 |
| 30 June 2014 ⁴ | 10,000,000 | – | – | 1,000 |
| Share buy back (18/02/14-30/06/14) | – | – | (1,252,151) | (119) |
| Shares issued during the year: | | | | |
| 19 August 2014 ⁴ | 15,000,000 | 1,500 | – | – |
| 9 September 2014 ⁴ | 4,854,368 | 500 | – | – |
| 28 November 2014 ⁵ | 3,500,000 | – | – | – |
| 27 January 2015 ⁶ | 50,000,000 | 4,000 | – | – |
| Share buy back (01/07/14-30/06/15) ⁷ | (1,806,445) | (188) | – | – |
| Transaction costs relating to share issues | – | (305) | – | (101) |
| On issue at the end of the year | 711,750,074 | 81,072 | 630,202,151 | 75,565 |

¹ On 1 July 2013, the Company allotted 149,000 shares to Ian Pound (General Manager) on vesting of retention rights issued on 23 June 2011.

² On 14 October 2013, the Company issued 53,571,429 fully paid ordinary Rey shares issued to Crystal Yield Investments Limited on conversion of the payment of \$3 million in relation to the Duchess Paradise Project acquisition.

³ On 29 October 2013, Crystal Yield Investments subscribed to a further 17,000,000 shares at an issue price of 8 cents per share.

⁴ On 30 June 2014 the Company announced that it was undertaking a capital raising of up to \$3 million (before costs) at 10 cents per share. The first tranche of shares was issued on 10 July 2014 and \$1 million received before 30 June 2014; the second tranche was issued on 19 August 2014; and the final tranche of 4,854,368 shares was issued for 10.3 cents per share on 9 September 2014.

⁵ Issue of shares to directors following approval at the Company's AGM.

⁶ On 27 January, the Company completed a private placement to raise \$4 million (before costs) via the issue of a total of 50,000,000 shares at an issue price of 8 cents per share to two Hong Kong-registered sophisticated investors.

⁷ On 3 December 2013, the Company commenced an on-market buyback for up to 10% of its issued capital over the period of 12 months. In the period to 30 June 2015, 1,806,445 shares were bought back and subsequently cancelled, with an average share cost of 10.41c.

Options and share performance rights

For information relating to the Rey Resources Limited employee option plan and share performance rights plan, including numbers granted, exercised and lapsed during the financial year and the numbers outstanding at year-end, refer to Note 19.

15 RESERVES

Share based payments reserve

The share based payments reserve records the fair values recognised in accounting for employee share options and share rights awarded as share-based payments. During the year to June 2015 the share based payment reserve increased \$368,782 due to the issue of 3,500,000 new shares to Non-Executive Directors and the expensing of share performance rights granted to the Managing Director. In addition, 985,294 market condition Share performance rights lapsed during the year.

16 COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

in thousands of dollars

Not later than one year¹

Later than one year but not later than five years

| | 2015 | 2014 |
|---|-------------|-------------|
| Not later than one year ¹ | 86 | 115 |
| Later than one year but not later than five years | – | – |
| | 86 | 115 |

¹ 1121 Hay Street West Perth office lease expires in February 2016.

(b) Exploration expenditure commitments

The commitments are required in order to maintain the Company's interests in good standing with the Department of Mines & Petroleum (DMP). It includes commitment for both mineral exploration tenements and also the Company's share in petroleum exploration permits in which it has joint venture interests. These obligations may be varied from time to time, subject to approval by the DMP.

in thousands of dollars

| | Mineral | Petroleum | Total |
|----------|----------------|------------------|---------------|
| Year 1 | 455 | 4,059 | 4,514 |
| Year 2-5 | 470 | 5,278 | 5,748 |
| | 925 | 9,337 | 10,262 |

17 GROUP ENTITIES

Consolidated subsidiaries

| | Country of incorporation | Ownership interest | |
|---------------------------------------|--------------------------|--------------------|------|
| | | 2015 | 2014 |
| Blackfin Pty Limited | Australia | 100% | 100% |
| Rey Cattamarra Pty Limited | Australia | 100% | 100% |
| Rey Derby Pty Limited | Australia | 100% | 100% |
| Rey Derby Port Operations Pty Limited | Australia | 100% | 100% |
| Rey Royalty Chile Pty Ltd | Australia | 100% | 100% |
| Rey Mt Fenton Pty Limited | Australia | 100% | 100% |
| Rey Freney Pty Limited | Australia | 100% | 100% |
| Rey Victory Pty Limited | Australia | 100% | 100% |
| Rey Camballin Energy Pty Limited | Australia | 100% | 100% |
| Rey Oil and Gas Limited | Australia | 100% | 100% |
| Rey Oil and Gas Perth Limited | Australia | 100% | 100% |
| Rey Lennard Shelf Limited | Australia | 100% | – |
| Humitos Pty Ltd | Australia | 100% | – |

18 JOINT VENTURE INTERESTS

Joint venture agreements have been entered into with third parties. Details of joint venture agreements are disclosed below. These are accounted for as joint operations.

Assets employed by these joint ventures and the Group's expenditure in respect of them is brought to account initially as capitalised exploration expenditure (refer Note 11) and disclosed distinctly from capitalised exploration costs incurred on the Group's 100% owned projects.

Buru/Mitsubishi/Rey Joint Venture

On 18 March 2013, the Company entered into an agreement with Buru Energy Limited and Mitsubishi Corporation pursuant to which the Company acquired an additional 15% interest in exploration permits EP457 and EP458 in the Canning Basin, Western Australia.

The interest in the two exploration permits, known as "The Fitzroy Blocks", are:

- Buru Energy Limited 37.5% (Operator)
- Mitsubishi Corporation 37.5%
- Rey Resources Limited 25% (of which a 10% interest is free carried to production).

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under this joint venture agreement at the reporting date is \$7,931,895 (2014: \$7,265,765) (Note 11).

Rey/Key/Caracal Joint Venture

On 29 May 2014, Rey Oil and Gas Perth Ltd (a wholly owned subsidiary company of the Company) entered into an agreement with Key Petroleum (Australia) Pty Ltd and Caracal Exploration Pty Ltd to farm in to Exploration Permit EP437 in the North Perth Basin, Western Australia.

Following the completion of the farm in the beneficial interests in EP437 are as follows:

- | | |
|---|-------------------|
| • Key Petroleum Limited (Key Petroleum (Australia) Pty Ltd) | 43.47% (Operator) |
| • Rey Oil and Gas Perth Pty Ltd | 43.47% |
| • Caracal Exploration Pty Ltd | 13.06% |

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed in this farm in agreement at the reporting date is \$2,445,281 (2014:\$411,016) (Note 11).

Rey/Oil Basins Joint Venture

On 29 May 2015, Rey Lennard Shelf Pty Ltd ("RLS" a wholly owned subsidiary of the Company) completed the acquisition of a 50% participating interest in petroleum exploration permit EP487 ("the Derby Block") from Backreef Oil Pty Ltd. RLS entered into a Joint Operating agreement with Oil Basins Ltd (holder of the remaining 50% interest), for the operation of exploration programmes on the Derby Block, located in the Canning Basin of Western Australia.

The interests in the exploration permit are:

- | | |
|------------------|---|
| • RLS | 50% (assuming operatorship on 1 January 2016 under certain preconditions) |
| • Oil Basins Ltd | 50% (acting as operator until at least 1 January 2016) |

Until 1 January 2016, Oil Basins has the right to seek to farmout an interest in the permit and Rey will participate in the farmout subject to certain commercial terms being achieved, including funding of the first two years' of the permit workplan on a 2 for 1 basis. This would result in both RLS and Oil Basins diluting to a respective 25% interest with the farminee at 50%.

The total amount of the Group's capitalised interest in EP487 is \$839,559 (2014:Nil) (Note 11).

19 SHARE BASED PAYMENTS

(a) Description of the share-based payment arrangements

The Group has the following share-based payment arrangements:

Share option programme (equity-settled)

On 2 June 2006, the Group established a share option programme that entitles key management personnel (KMP) to purchase shares in the Company. The plan is subject to ASX Listing Rules. In accordance with these programmes, options are exercisable at the market price of the share at the date of the grant. No options remain at 30 June 2015.

Share performance rights programme (equity-settled)

On 29 November 2010, the Group established a share performance rights programme. The 2010 Executive Incentive Rights Plan ("2010 EIRP") enables eligible participants to be granted rights to acquire shares subject to the satisfaction of certain conditions.

Executives are also eligible to participate in the 2011 Executive Incentive Rights Plan ("2011 EIRP"), which replaced the 2010 EIRP and was approved at the 2011 Annual General Meeting. The 2010 EIRP and 2011 EIRP align the reward of the participants with the long term creation of shareholder value as outlined below.

Both the 2011 EIRP and 2010 EIRP enable participants to be granted rights to acquire shares subject to the satisfaction of certain conditions. Subject to adjustments for any bonus issues of shares and capital reorganisations, one share will be issued on the exercise of each right which vests or becomes exercisable. No amount is payable by employees in respect of the grant or exercise of rights.

The 2010 EIRP relates to the period 1 July 2010 to 30 June 2013 with provision for a one year retest. The 2011 EIRP, issued in November 2012, relates to the period 1 July 2011 to 30 June 2014 with provision for a one year retest; and for share rights issued in November 2012 for the period 1 July 2012 to 30 June 2015 with provision for a one year retest. At the end of the measurement periods (either first or second), the following vesting scale will be applied to the share rights given to executive Directors. This will be based on the compound annual growth rate over the relevant period. The retest of provision only applies if none of the share rights for Directors vest at the end of the First Test Period.

Vesting Scale:

| Performance level | Compound Annual Rate of the Company's Total Shareholder Return (TSR) over the Measurement Period | Vesting% |
|----------------------|--|----------------------------------|
| <Threshold | <10% | - |
| Threshold | 10% | 25% |
| >Threshold & <Target | >10% & <15% | Pro rata based on the % achieved |
| Target | 15% | 50% |
| >Target & <Stretch | >15% & <20% | Pro rata based on the % achieved |
| Stretch | ≥20% | 100% |

In relation to the share rights granted to the executive KMP, the Board has determined the service and/or performance conditions that need to be satisfied for incentive rights to vest along with the relationship between the various potential levels of performance and levels of vesting that may occur. Performance conditions will be determined by the Board for each tranche of each offer and may vary between offers.

Following the end of the measurement period, the Board will determine for each tranche of incentive rights to which the measurement period applies, the extent to which they vest. If the incentive rights in a tranche have not vested and there is no opportunity for those incentive rights to vest at a later date, they lapse.

(b) Share-option programme

Terms and conditions of share-option programme

No options were outstanding at the beginning of the year ended 30 June 2015.

The terms and conditions relating to the grants of the share-option programme that were in existence at the start of the previous year are as follows:

| Grant date/ employees entitled | Number of instruments | Vesting conditions | Exercise price | Contractual life of options | Expired during Year |
|--|--------------------------|--------------------------|-------------------|--------------------------------|------------------------|
| Option grant to KMP on 24 June 2008 | 1,000,000 | Vest on 9 August 2010 | \$0.30 | 5.129 years | Expired August 2013 |
| Option grant to KMP on 26 November 2008 | 500,000 | Vest on 9 August 2012 | \$0.50 | 4.704 years | Expired August 2013 |
| Lapsed during the year | (1,500,000) | | | | |
| Total outstanding at 30 June 2014 | nil | | | | |

The number and weighted average exercise prices of share options in existence during the year to 30 June 2015 were are as follows:

| <i>in thousands of dollars</i> | Weighted average exercise price (\$) | Number of options | Weighted average exercise price (\$) | Number of options |
|--------------------------------|--|----------------------|--|----------------------|
| | 2015 | 2015 | 2014 | 2014 |
| Outstanding at 1 July | – | – | 0.37 | 1,500,000 |
| Exercised during the period | – | – | | – |
| Expired during the period | – | – | 0.37 | (1,500,000) |
| Granted during the period | – | – | – | – |
| Outstanding at 30 June | – | nil | – | nil |
| Exercisable at 30 June | – | nil | – | nil |

(c) Share rights programme

Terms and conditions of share rights programme

The terms and conditions relating to the grants of the share rights are as follows:

| Grant date/employees entitled | Number of instruments | Vesting conditions | Contractual life of rights |
|--|-----------------------|--|----------------------------|
| Rights grant to Director in 22 November 2012 | 2,426,667 | Subject to the Company's absolute total shareholder return over the measurement period 1 July 2012 to 30 June 2015. Subject to retest on 30 June 2016. | 4 years |
| Rights grant to Director in 28 November 2014 | 1,000,000 | Subject to the Company's absolute total shareholder return over the measurement period 1 July 2014 to 30 June 2017. | 3 years |
| Total | 3,426,667 | | |

The number and weighted average exercise prices of share performance rights are as follows:

| | Weighted average exercise price (\$) | | Number | |
|--------------------------------|--------------------------------------|-------------|--------|-------------|
| | 2015 | 2015 | 2014 | 2014 |
| <i>in thousands of dollars</i> | | | | |
| Outstanding at 1 July | – | 4,911,961 | – | 7,509,961 |
| Granted during the year | – | 1,000,000 | – | – |
| Vested during the year | – | – | – | – |
| Lapsed during the year | – | (2,485,294) | – | (2,598,000) |
| Outstanding at 30 June | – | 3,426,667 | – | 4,911,961 |

Inputs for measurement of grant date fair values

The grant date fair value of the rights granted, the vesting conditions of which were subject to the Company's absolute total shareholder return over the measurement period, was measured based on Monte Carlo simulation model. The grant date fair value of other share-based payments was measured based on the fair value of the shares on the grant date and for options issued fair value was measured based on the Black-Scholes valuation model. The inputs used in the measurement of the fair values at grant date of the share-based payment plans, which were subject to the vesting conditions relating to the Company's absolute total shareholder return are the following:

Valuation of Director and Executive performance rights

| Grant Date | 28 November 2014 | 22 November 2012 | |
|--|------------------|------------------|--------------------------------------|
| | | Tranche A | Tranche B |
| Start of measurement period | 1 July 2014 | 1 July 2012 | 1 July 2011 |
| End of first DPR measurement period | 30 June 2017 | 30 June 2015 | 30 June 2014 |
| End of second DPR measurement period | 30 June 2018 | 30 June 2016 | 30 June 2015, retest 30 June 2016 |
| Spot price at start of measurement period (\$) | \$0.105 | \$0.22 | \$0.08 |
| Share price at grant date | \$0.09 | \$0.06 | \$0.06 |
| Volatility of share (%) | 90.0 | 90.0 | 90.0 |
| Risk free rate (4.0 years) (%) | 2.4 | 2.63 | 2.63 |
| Dividend yield | Nil | Nil | Nil |
| Expected life (years) | 2.59 | 1.57 | 2.57 |
| Director performance rights (DPR) Fair Value at Grant Date (\$/DPR) | 0.057 | 0.033 | 0.043 |

20 RELATED PARTIES

(a) Parent entity

The ultimate parent entity within the Group is Rey Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 17.

(c) KMP compensation

Disclosures relating to compensation of the KMP compensation comprised:

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03, is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Loans to KMP and their related parties

There were no loans given to KMP and their related parties.

21 FINANCIAL RISK MANAGEMENT

Categories of financial instruments

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| <i>in thousands of dollars</i> | 2015 | 2014 |
|--|--------------|--------------|
| Financial assets | | |
| Financial assets measured at fair value | | |
| Share investment | 250 | – |
| Financial assets not measured at fair value | | |
| Cash and cash equivalents | 1,652 | 3,000 |
| Trade and other receivables | 58 | 88 |
| Total | 1,982 | 3,088 |
| Financial liabilities | | |
| Financial assets not measured at fair value | | |
| Trade and other payables | 129 | 268 |
| Total | 129 | 268 |

In support of a strategic alliance, Rey subscribed for \$250,000 of Norwest shares at a price of \$0.004712 per share on 5 June 2015, resulting in approximately 3.68% of total Norwest shares on issue. These shares are in an active market. At the end of 30 June 2015, the fair value measurement of Norwest shares is about the same.

Trade and other receivables: analysis of age of financial asset

The aging of trade and other receivables at the reporting date that were not impaired was as follows:

| | 2015 | 2014 |
|-------------------------------|-------------|-------------|
| Neither past due nor impaired | 58 | 50 |

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group does not use any form of derivatives for speculative purposes. The Group is not at a level of exposure that requires the use of derivatives to hedge its exposure.

The main risks the Group is exposed to through its financial instruments are liquidity risk and market risk which includes interest rate risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, and trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

The Group limits its exposure to credit risk in respect of cash and cash equivalents and other deposits with banks by only dealing with reputable banks with high credit ratings.

In respect of trade and other receivables, the Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The Group is not exposed to any significant credit risk as there were no trading operations during the year.

At 30 June 2015 and 30 June 2014, there was no allowance for doubtful debts and there were no receivables past due but not impaired.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market, by continuously monitoring forecast and actual cash flows and ensuring that adequate uncommitted funding is available and maintained. Refer Note 2(b).

The following are the expected maturities of financial assets and the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2015

In thousands of dollars

| | Carrying amount | Expected/contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|------------------------------|-----------------|---------------------------------|------------------|-------------|-----------|-----------|-------------------|
| Financial liabilities | | | | | | | |
| Trade and other payables | 129 | 129 | 129 | – | – | – | – |
| Loans and borrowings | – | – | – | – | – | – | – |
| | 129 | 129 | 129 | – | – | – | – |

2014

In thousands of dollars

| | Carrying amount | Expected/contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|------------------------------|-----------------|---------------------------------|------------------|-------------|-----------|-----------|-------------------|
| Financial liabilities | | | | | | | |
| Trade and other payables | 268 | 268 | 268 | – | – | – | – |
| Loans and borrowings | – | – | – | – | – | – | – |
| | 268 | 268 | 268 | – | – | – | – |

Currency risk

The Group is not exposed to currency risk at the reporting date because the Group holds no financial assets or liabilities denominated in foreign currency.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market interest rates on interest-bearing financial instruments.

At the reporting date, the Group had the following mix of financial assets exposed to interest rate risk. There were no financial liabilities exposed to interest rate risk.

in thousands of dollars

Variable rate instruments

Cash and cash equivalents

Security deposits

| | 2015 | 2014 |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | 1,652 | 3,000 |
| Security deposits | – | 38 |
| | 1,652 | 3,038 |

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased profit or loss by \$23,850 (2014: \$45,576).

Fair values

The carrying amounts of financial assets and financial liabilities approximate fair value.

22 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 | Petroleum | Corporate | Total |
|--|----------------|---------------|----------------|-----------------|
| Consolidated-2015 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | | | | |
| Total Reportable segment revenue | – | – | – | – |
| Other income | 14 | – | – | 14 |
| Impairment of assets | (8,117) | – | – | (8,117) |
| Interest revenue | – | – | 50 | 50 |
| Finance costs | – | – | – | – |
| Administration cost | – | – | (2,147) | (2,147) |
| Profit/(loss) before income tax benefit | (8,103) | – | (2,097) | (10,200) |
| Income tax benefit | – | – | – | – |
| Loss after income tax benefit | (8,103) | – | (2,097) | (10,200) |
| Assets | | | | |
| Other assets | – | – | 2,002 | 2,002 |
| Segment assets | 23,578 | 11,218 | – | 34,796 |
| Total assets | 23,578 | 11,218 | 2,002 | 36,798 |
| Liability | | | | |
| Other liabilities | – | – | 358 | 358 |
| Total liabilities | – | – | 358 | 358 |
| Capital expenditure | 1,217 | 3,540 | – | 4,757 |

23 SUBSEQUENT EVENTS

On 9 September the Victory-1 well was spudded in EP457 and was progressing at the date of this report.

24 AUDITOR'S REMUNERATION

in dollars

Audit services

Auditors of the Company

KPMG Australia:

Audit and review of financial reports

2015

2014

57,538

69,870

57,538

69,870

Other services

Auditors of the Company

KPMG Australia:

Taxation services

–

46,230

Independent experts report

–

–

Scrutineer's role at AGM

–

–

–

46,230

25 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2015 the parent entity of the Group was Rey Resources Limited.

In thousands of dollars

A. Result of parent entity

Loss for the year

(2,071)

(1,880)

Total comprehensive loss for the year

(2,071)

(1,880)

B. Financial position of the parent entity

Total current assets

1,719

3,122

Total non-current assets

55,968

50,849

Total assets

57,687

53,971

Total current liabilities

121

403

Total non-current liabilities

229

45

Total liabilities

350

448

Net assets

57,337

53,523

Total equity of parent entity comprising of:

Share capital

81,072

75,565

Options reserve

2,200

1,823

Accumulated losses

(25,935)

(23,865)

Total equity

57,337

53,523

C. Parent entity contingencies

There are no contingent liabilities of the parent entity.

D. Parent entity capital commitments

At balance date the parent entity has not entered into any material contractual agreements for the acquisition of property, plant or equipment.

E. Parent entity guarantees in respect of the debts of its subsidiaries

There are no guarantees entered into by the parent entity.

Directors' Declaration

The Board of Directors of Rey Resources Limited declares that:

- (a) The consolidated financial statements, accompanying notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
- giving a true and fair view of the financial position as at 30 June 2015 and performance of the consolidated entity for the financial year ended on that date; and
 - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The Directors draw attention to Note 2(a) of the consolidated financial statements, which includes a statement of compliance with the International Financial Reporting Standards.
- (c) The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.
- (d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has received the declaration by the Managing Director and Financial Controller required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

Signed in accordance with a resolution of the Directors.



Min Yang

Non-executive Chairman

Sydney, Australia

24 September 2015

Independent Auditor's Report



Independent auditor's report to the members of Rey Resources Limited

Report on the financial report

We have audited the accompanying financial report of Rey Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, 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 year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).

Management have disclosed the key assumptions and risks associated with the going concern assessment, including the financial positions and performance of the Group to 30 June 2015 and the requirement to raise additional funding within the next 15 months in order to continue as a going concern.

Emphasis of matter regarding going concern

Without modification to the opinion expressed above, we draw attention to the following matter. As a result of the facts set out in note 2(b), there is a material uncertainty which may cast significant doubt regarding the ability of the Company to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts raised in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in section 6 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Rey Resources Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

R Gambitta
Partner

Perth

24 September 2015

ASX Additional Information

Additional Shareholder Information

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this Annual Report is set out below. The information was current as at 7 September 2015.

Corporate Governance Statement

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Corporate Governance Principles and Recommendations (“ASX Principles”) released by the ASX Corporate Governance Council. The ASX Principles require the Board to consider the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles. For the 2015 financial year, the Company followed and reports against the 3rd Edition of the ASX Principles. The Company’s 2015 Corporate Governance Statement is available from the Company’s website at reyresources.com/corporate/corporate-governance/.

Top 20 Shareholders

The 20 largest shareholders of the Company as at 7 September 2015 are listed below:

| Name | Number of shares | Percentage held % |
|---|--------------------|-------------------|
| 1 ASF CANNING BASIN ENERGY PTY LTD | 130,000,000 | 18.28 |
| 2 MISS WANYAN LIU | 84,100,000 | 11.82 |
| 3 CRYSTAL YIELD INVESTMENTS LIMITED | 70,571,429 | 9.92 |
| 4 RICKY HOLDINGS LIMITED | 55,000,000 | 7.73 |
| 5 MISS MEI CHI JOYCE LEE | 45,34,074 | 6.37 |
| 6 START GRAND GLOBAL LIMITED | 40,103,583 | 5.64 |
| 7 JADE SILVER INVESTMENTS LIMITED | 35,070,210 | 4.93 |
| 8 NEWAY ENERGY INTERNATIONAL LIMITED | 27,676,107 | 3.89 |
| 9 XIAO HUI ENTERPRISES LIMITED | 26,097,765 | 3.67 |
| 10 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 18,299,483 | 2.57 |
| 11 MR HAITAO GENG | 15,000,000 | 2.11 |
| 12 UNIQUE INVESTMENT HOLDINGS PTY LTD <UNIQUE INVEST HOLDINGS A/C> | 14,980,000 | 2.10 |
| 13 TONG HENG HOLDINGS LIMITED | 9,230,628 | 1.29 |
| 14 JADE SILVER INVESTMENTS LTD | 5,550,000 | 0.78 |
| 15 BROWNSTONE INTERNATIONAL PTY LTD | 5,000,000 | 0.70 |
| 16 MEGA AHEAD LIMITED | 4,947,829 | 0.69 |
| 17 MEGSHA TAN | 4,854,368 | 0.68 |
| 18 SMART FAMOUS INTERNATIONAL HOLDINGS LIMITED | 4,315,639 | 0.60 |
| 19 MR BRUCE CLEMENT PRESTON <SUPER FUND A/C> | 4,119,402 | 0.57 |
| 20 MR KEVIN JOHN WILSON & MRS JOLA WILSON <LINCOLN SUPERFUND NO 1 A/C> | 3,485,006 | 0.49 |
| TOTAL TOP 20 SHAREHOLDERS | 603,748,523 | 84.92% |

Substantial Shareholders

An extract of the Company's register of substantial shareholders (being those shareholders who held 5% or more of the issued capital on 7 September 2015 and who have provided substantial shareholding notices to the Company) is set out below:

| Shareholder | Number of shares | Percentage held |
|---|------------------|-----------------|
| ASF Canning Basin Energy Pty Ltd ¹ | 130,000,000 | 19.84 |
| Wanyan Liu ² | 84,100,000 | 13.14 |
| Crystal Yield Investments Ltd/Ricky Holdings Ltd ³ | 125,571,429 | 19.89 |
| Jade Silver Investments Limited ⁴ | 40,620,210 | 5.65 |
| Start Grand Global Limited ⁵ | 40,103,583 | 5.62 |

¹ As provided to the Company on 19 August 2014.

² As provided to the Company on 14 July 2014.

³ As provided to the Company on 1 November 2013.

⁴ As provided to the Company on 25 February 2015.

⁵ As provided to the Company on 29 January 2015.

Distribution of Equity Securities

There were 692 holders of less than a marketable parcel of ordinary shares (being 1,342,319 shares on 7 September 2015).

The number of shareholders by size of holding is set out below:

Fully Paid Ordinary Shares

| Size of Holding | Number of holders | Number of shares |
|------------------|-------------------|--------------------|
| 1 - 1,000 | 333 | 79,136 |
| 1,001 - 5,000 | 314 | 1,003,740 |
| 5,001 - 10,000 | 243 | 2,007,650 |
| 10,001 - 100,000 | 752 | 27,543,869 |
| 100,001 and over | 192 | 680,327,679 |
| TOTALS | 1,834 | 710,962,074 |

The number of performance right holders by size of holding is set out below:

Performance Rights

| Size of Holding | Number of holders | Number of performance rights |
|------------------------|--------------------------|-------------------------------------|
| 1 - 1,000 | - | - |
| 1,001 - 5,000 | - | - |
| 5,001 - 10,000 | - | - |
| 10,001 - 100,000 | - | - |
| 100,001 and over | 1 | 3,426,667 |
| TOTALS | 1 | 3,426,667 |

Voting Rights

Ordinary Shares

For all ordinary shares, voting rights are on a show of hands whereby every member present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

Performance Rights

There are no voting rights attached to performance rights.

On-market Share Buy-back

On 3 December 2013, Rey Resources announced an on-market share buy-back of up to 10% of its issued share capital on market over a 12 month period. On 3 December 2014, Rey Resources renewed its on-market share buy-back for a further 12 month period. As at the date of this Annual Report, pursuant to the current buy-back, Rey had bought back 2,403,445 shares.

Securities Exchange

Rey Resources is listed on the Australian Securities Exchange (ASX code: REY).

Tenement Schedule

The tenement schedule for the Group as at the date of this Annual Report is tabulated below:

| Licence Type | Licence No. | Holder | Area (Ha) | Percentage Held |
|--------------|-------------|---|-----------|-----------------|
| EL | E04/1386 | Blackfin Pty Ltd | 1,627 | 100% |
| EL | E04/1519 | Blackfin Pty Ltd | 11,386 | 100% |
| EL | E04/1770 | Blackfin Pty Ltd | 6,834 | 100% |
| EA | E04/2380 | Blackfin Pty Ltd | 1,627 | 100% |
| EA | E04/2397 | Rey Victory Pty Ltd | 9,742 | 100% |
| EA | E04/2418 | Rey Victory Pty Ltd | 18,524 | 100% |
| EA | E04/2419 | Rey Mt Fenton Pty Ltd | 22,363 | 100% |
| R | R04/2 | Camballin Energy Pty Ltd | 1,297 | 100% |
| RA | R04/3 | Blackfin Pty Ltd | 1,627 | 100% |
| MA | M04/453 | Blackfin Pty Ltd | 12,964 | 100% |
| LA | L04/58 | Blackfin Pty Ltd | 3,137 | 100% |
| EP | EP457 | Rey Oil and Gas Pty Ltd/Buru/DR | 503,780 | 25% |
| EP | EP458 | Rey Oil and Gas Pty Ltd/Buru/DR | 576,022 | 25% |
| EP | EP437 | Rey Oil and Gas Perth Pty Ltd/Key/Caracal | 71,573 | 43.47% |
| EP | EP487 | Rey Lennard Shelf Pty Ltd/Oil Basins | 505,840 | 50% |

R: Retention Licence

RA: Retention Licence Application

EL: Exploration Licence

EA: Exploration Licence Application

MA: Mining Lease Application

LA: Miscellaneous Licence Application

DR: Diamond Resources (Fitzroy) Pty Ltd

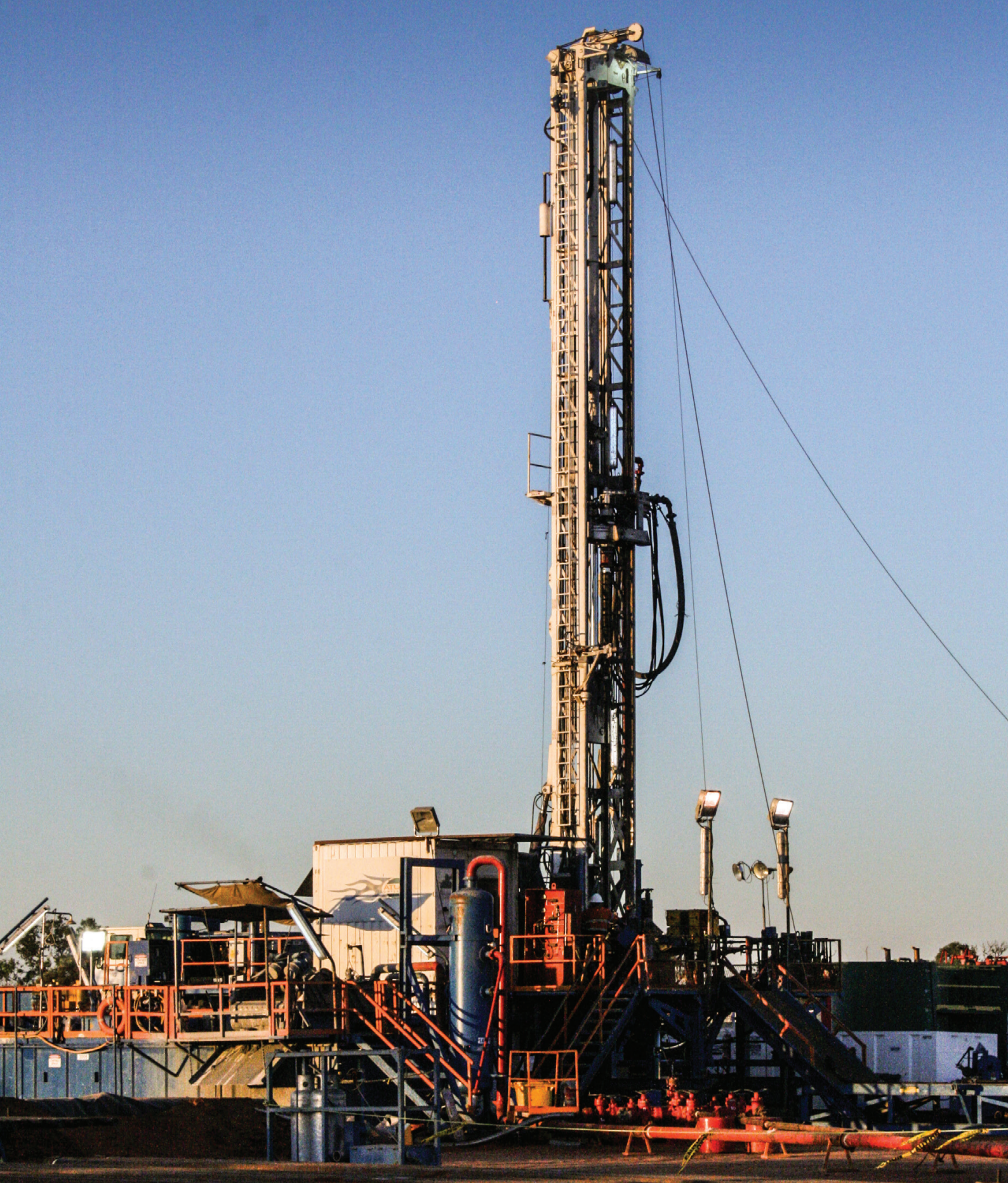
EP: Exploration Permit Petroleum

All licences are located in Western Australia.

Back cover photo – Atlas Rig 2: Canning Basin



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