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# ANNUAL REPORT 2018

  
**REY**  
RESOURCES  
ACN 108 003 890



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# CORPORATE DIRECTORY

## Directors

Ms Min Yang	Non-Executive Chairman
Mr Wei Jin	Managing Director
Mr Geoff Baker	Non-Executive Director
Mr Dachun Zhang	Independent Non-Executive Director
Dr Zhiliang Ou	Independent Non-Executive Director
Mr Louis Chien	Alternate Director to Non-Executive Chairman, Ms Min Yang

## Company Secretary

Ms Shannon Coates

## Registered Office

Suite 5, 62 Ord Street  
West Perth WA 6005  
Tel +61 (08) 9322 1587  
Fax +61 (08) 9322 5230

## Principal Place of Business

Suite 2, 3B Macquarie Street  
Sydney NSW 2000  
Tel +61 (02) 8259 9620  
Fax +61 (02) 9251 9066

## Share Registry

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000  
GPO Box 3993  
Sydney NSW 2001

## Lawyers

Corrs Chambers Westgarth  
240 St Georges Terrace  
Perth WA 6000

## Auditor

KPMG  
International Towers Sydney 3  
300 Barangaroo Avenue  
Sydney NSW 2000

## Securities Exchange

Australian Securities Exchange (ASX)  
ASX Code: REY

## Website

[www.reyresources.com](http://www.reyresources.com)

## COMPANY PROFILE

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

Rey holds a 100% interest in (and is Operator of) EP487, the "Derby Block" and a 25% interest in two prospective Canning Basin petroleum exploration permits (EP457 and EP458) known as the "Fitzroy Blocks". Rey also holds a 100% interest in EP104, Retention Licence R1 and Production Licence L15, together the "Lennard Shelf Blocks".

Rey has participated in and completed a series of exploration works for these permits, including two deep conventional oil wells in the Canning Basin, more than 100km of new seismic line acquisition, 2300+km vintage seismic line reprocessing and multiple regional geology studies. Rey has planned integrated exploration activity for future Canning Basin development.

Rey also holds coal tenements in the Canning Basin, some contiguous with the Fitzroy Blocks, including those hosting the major Duchess Paradise Coal Project. On 17 July 2018, the Company entered into a cooperation framework agreement with Yuanrun Investment Ltd for the sale of 100% of the shares in Blackfin Pty Ltd which holds the Duchess Paradise Coal Project for a total consideration of A\$24 million. Shareholders approved the transaction on 13 September 2018.

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

## CHAIRMAN'S MESSAGE

Dear fellow Shareholder,

It is my pleasure to deliver Rey Resources' Annual Report for the year ending 30 June 2018.

Our key focus during this period remained on our coal project development and oil and gas exploration business in the Canning Basin in Western Australia.

During the year ended 30 June 2018, we completed the acquisition of the Lennard Shelf Blocks, which includes one petroleum Production Licence, L15, situated to the north of EP487, which will potentially provide Rey an opportunity to achieve production in the short term. The Lennard Shelf Blocks extend Rey's interests in the Canning Basin and enable Rey to conduct larger scale oil and gas exploration in the region. We also completed the planned new 2D seismic acquisition work for EP487, which will assist in the development of the Butler Prospect.

The Ungani Trend remains the priority exploration target in the Fitzroy Block, following the successful drilling on Ungani 4 and Ungani 5 by the Operator, Buru Energy Limited. Rey continues to work with the Joint Venture partners on an integrated study for identified leads in the Fitzroy Block.

Post the year end, the Company entered into a cooperation framework agreement with Yuanrun Investment Ltd for the sale of 100% of the shares in Blackfin Pty Ltd, which holds the Company's Duchess Paradise Coal Project, for a total consideration of A\$24 million. Further updates on this transaction can be obtained through our ASX announcements. Shareholders overwhelmingly approved the transaction on 13 September 2018. Duchess Paradise is still significant to Rey, with the intention that Yuanrun Investment Ltd will progress a listing and capital raising on the Hong Kong Stock Exchange to fund the future mine development. We are working with Yuanrun to progress the Duchess Paradise Coal Project.

I would like to thank all Shareholders for their 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 the next exciting year.



Min Yang  
Non-Executive Chairman

# BUSINESS PERFORMANCE AND OUTLOOK

## OIL & GAS

### 1. Canning Basin – the Fitzroy Blocks (EP457 and EP458)

#### 1.1 Background

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

Rey (Rey Oil & Gas Pty Ltd)	25%	(including 10% free carried to production)
Buru	37.5%	(Operator)
Diamond Resources (Barbwire)	37.5%	(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 5,000 kilometres<sup>2</sup>) 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 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 kilometre<sup>2</sup>). This extends diagonally, north-west to south-east, across the Fitzroy Blocks. The conventional dolomite reservoir oil discovery by Buru in 2011 at Ungani (located 15 kilometres north-west 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.

#### 1.2 Work program during the year

The Joint Venture drilled two exploration wells and completed the 100 line kilometre seismic survey program over prospects Rafael, Wright and Victory in 2015. The drilling results were continually analysed during FY2018.

Exploration well Victory-1 was spudded on 9 September 2015 in EP457, 185 kilometres east of Broome and 85 kilometres southeast of Buru Energy's producing Ungani Oilfield. The well was drilled with an Atlas Rig 2 to the programmed total depth of 2,600 metres. At a depth of 1,945 metres, complete lost circulation was encountered with high and erratic drilling rates similar to those encountered elsewhere by the Operator in the Ungani Dolomite. The drilling system was then switched to a managed pressure system but complete losses continued to a depth of 2,600 metres where logs were attempted to be run. Logs were initially unable to be obtained deeper than approximately 2,030 metres due to hole conditions and several further attempts were made to log the lower part of the hole below the lost circulation zone with no success. The difficulties in acquiring the logs were principally due to a well-developed shale section below the zone of lost circulation. During these logging operations, further problems with the casing were encountered. After considering the options for remedying the issue, and the associated costs, it was agreed by the joint venture to plug and abandon the well bore, meaning that a flow test of the horizon where circulation was lost was not operationally achievable. Abandonment was undertaken in accordance with all regulations and oil field practice to ensure all formations were effectively isolated.

The Senagi-1 conventional exploration well was spudded on 15 October 2015 in EP458, 240 kilometres south-east of Broome and 144 kilometres south-east of Buru Energy's Ungani Oilfield. Senagi-1 was drilled with the DDH1 Rig#31 (with Buru as Operator) and was drilled to a total depth of 1,045 metres. The well targeted conventional oil and gas in the Lower Laurel (Ungani Dolomite) and Devonian-aged (Nullara) carbonates. A total of 286 metres of continuous core was cut, with 97% recovered. A thin interval with vugular porosity with oil shows was observed in core however, the shows were interpreted to be residual. Valuable data was obtained which will assist with correlation of core and image logs over the very well developed vugular dolomite reservoir section. This correlation will provide more certainty in the interpretation of the dolomite reservoirs encountered in future wells. Wireline logs were obtained and the well was plugged and abandoned. All of the data from the well is being analysed by the Joint Venture to ensure the highest chance of success of the other prospects in the area.

The Operator completed the final reports for Victory-1 and Senagi-1 exploration wells. Both reports and all of the associated well data were lodged with the regulator, the Department of Mines, Industry Regulation and Safety ("DMIRS") and this completed all mandatory reporting and data submission requirements.

The Operator planned the committed first permit year Magneto-Telluric (MT) survey after being granted the second five year term on 6 January 2017.

The Joint Venture parties lodged applications for suspension of the work program requirements for EP457 and EP458 with the DMIRS on 28 July 2017. These applications were lodged due to the uncertainty generated by the WA Government's introduction of a moratorium on hydraulic fracture stimulation (fracking) pending the outcome of a scientific inquiry. A 24 month suspension of work program for the two permits was granted on 23 April 2018. Accordingly, the Operator has discontinued the planned Magneto-Telluric (MT) survey. The Operator continues to conduct geology studies over the permits and the MT survey is expected to be conducted in 2020.

## 2. Canning Basin - the Derby Block (EP487)

### 2.1 Background

The Derby Block (EP487) is a large petroleum exploration permit of approximately 5,000 kilometre<sup>2</sup>. It occurs to the north-west of Rey's interests in the Fitzroy Blocks. The Derby Block is considered to be predominantly a Wet Laurel Basin Centred Gas play ("BCG") which is regionally extensive throughout the Canning Basin and has been the subject of exploration in the Canning Basin by other parties in 2015, resulting in encouraging flow tests by Buru Energy at Valhalla and Asgard (please refer various BRU ASX releases including releases dated 20 January 2016 and 18 April 2016).

In June 2015, the Company's wholly owned subsidiary Rey Lennard Shelf Pty Ltd ("RLS") completed the acquisition of a 50% participating interest in EP487 from Backreef Oil Pty Ltd. The Company 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.

In June 2016, RLS assumed Operatorship of the Derby Block and Rey reached an agreement with Oil Basins to acquire its remaining 50% participating interest. In May 2017, Rey completed the transaction with Oil Basins and acquired the remaining 50% interest in EP487 via its wholly owned subsidiary, Rey Derby Block Pty Ltd ("RDB"). According to the agreement, Rey has an option to acquire Oil Basins Royalties Limited ("OBR"), a wholly owned subsidiary of OBL, for up to \$400,000 within 3 months if OBL fails to complete the sale of OBR within 6 months of completion of this agreement. OBR holds various royalties including two on hydrocarbon sales from Derby Block.

Equity interests in the Derby Block are currently:

Rey (Rey Lennard Shelf Pty Ltd)	50%
Rey (Rey Derby Block Pty Ltd)	50%

### 2.2 Work program during the year

Since assuming Operatorship of the Derby Block, the Company has reviewed the status of the work completed on the permit to date in the context of the regional setting. On 21 September 2017, a work program revision and 12-month commitment work suspension and extension was granted by DMIRS. The two well drilling condition to December 2017 has been replaced by one well and 60 kilometre seismic acquisition by end of 2018.

Terrex was appointed as the contractor to conduct the planned 60 kilometre new seismic survey. The survey was completed in October 2017 without any safety or environmental issues. The seismic results were processed and received by the Company in November 2017 and are under interpretation. This work was planned in early 2017 to identify the Butler Prospect. The potential of conventional target, Butler Prospect, has been initially identified based on the geology studies results. The new seismic data will be used to optimise the well locations.

On 20 March 2018, a further 12 month commitment work suspension and extension was granted by the DMIRS. The commitment drilling is deferred to December 2019.



## 2.3 Prospective Resources

A new estimate of the gross prospective potential recoverable Resource estimate (Tcf gas recoverable) of the BCG play in the Derby Block (onshore portion) was provided by 3D Geo in June 2017. The Company's 100% interest in these Prospective Potential Recoverable Resources (unrisked, probabilistic estimate) of the Derby Block BCG play is provided in Table 1 below.

Prospective Potential Recoverable Resources SPE PRMS (2011) <sup>3</sup>				
		P90 <sup>1</sup>	P50 <sup>1</sup>	P10 <sup>2</sup>
Gas in place	Tcf <sup>1</sup>	68.0	169.6	412.9
Recoverable Gas	Tcf <sup>1</sup>	9.4	28.4	81.1
Recoverable Condensate	MMbbl <sup>2</sup>	239	707	2,066
Recoverable BOE	MMBOE <sup>4</sup>	1,852	5,283	15,096

**Table 1: Rey Resources' 100% attributable interest in the gross Prospective Potential Recoverable Resources estimate of the Laurel BCG in EP487 (estimate prepared by 3D-GEO June 2017).**

1. Tcf- trillion cubic feet.
2. MMbbl- million barrels.
3. SPE PRMS (2011) - Society of Petroleum Engineers Petroleum Resource Management System (2011).
4. MMBOE- million barrels oil equivalent. Calculated using ratio of 6.22 billion cubic feet of gas equivalent to 1 million barrels of crude oil.

*Prospective resources are the estimated quantities of petroleum that may be potentially recovered by the application of a future development project and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

## 3. Lennard Shelf Blocks – EP104, R1 and L15

In May 2018, Rey entered into a Sale and Purchase Agreement with Key Petroleum Ltd ("Key") and Indigo Oil Pty Ltd ("Indigo") to acquire the Lennard Shelf Blocks which were held by Key and Indigo, comprising an exploration permit ("EP104"), a Retention Lease ("R1") and one Production Licence ("L15"). The Lennard Shelf Blocks are situated to the north of Rey's existing interests in the Canning Basin petroleum exploration licence, EP487 covering a total area of approximately 1,145 kilometres<sup>2</sup> and are considered prospective for conventional oil and tight gas.

Rey has acquired from Key 100% of the shares in Gulliver Productions Pty Ltd ("Gulliver"), a wholly owned subsidiary of Key, which held majority interests in the Lennard Shelf Blocks.

In addition, Indigo agreed to transfer Indigo's interests in each of EP104, R1 and L15 to Gulliver. Following Completion of this transfer in August 2018, Gulliver now holds 100% of the Lennard Shelf Blocks. Further, Gulliver has agreed to grant a commercial royalty of 2.5% and 0.5% to Key and Indigo separately over R1 and L15 upon completion of each applicable transfer.

### 3.2 Work Program during the year

During the report period, Rey has completed a series of geological studies to identify potential exploration targets in the Lennard Shelf blocks, including the studies on the potential re-production of West Kora oilfield.

On 21 June 2018, a suspension and extension application in relation to the committed geochemical survey of EP 104 and R1 was lodged and was granted on 30 July 2018.

### 3.3 Prospective Resources

L15 is a production licence with production history in the West Kora oilfield. An estimation of oil Reserves and contingent oil Resources for the West Kora oilfield and Point Torment gas discovery in R1 was announced to ASX by Key on 30 September 2015.

## COAL

The Duchess Paradise Coal 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.

On 17 July 2018, the Company entered into a cooperation framework agreement with Yuanrun Investment Ltd for the sale of 100% of the shares in Blackfin Pty Ltd, which holds the Duchess Paradise Coal Project for a total consideration of A\$24 million. The transfer of the ownership of shares in Blackfin will only occur once approval of Rey's shareholders and approvals from the relevant governments and regulatory authorities has been obtained. Rey's shareholders approved the transaction on 13 September 2018.

# ANNUAL MINERAL RESOURCES AND RESERVES STATEMENT

The current Coal Mineral Resource for the Duchess Paradise Coal Project, located in the Canning Basin, Western Australia, is shown in Table 1 below.

**Table 1: 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 <sup>1</sup>	Total
60.2	78.5	51.3	115.7	167.1	305.8

<sup>1</sup> Difference in Total Inferred Resources due to rounding

For further information on the above summary of Mineral Resources estimates, please refer to the Company's ASX announcement dated 28 October 2014.

## Material Changes and Mineral Resources and Ore Reserves Comparison

The Company reviews its Mineral Resources and Ore Reserves 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 Mineral Resources and/or Ore Reserves over the course of the year, the Company is required to promptly report these changes as they occur.

Rey has undertaken an annual review of its Mineral Resources for the year ended 30 June 2018, which was conducted by independent consultant ROM Resources. The historical factors were examined and found not to have materially changed the estimate for the Mineral Resources of Duchess Paradise P1-seam from the time they were first reported to ASX on 28 October 2014 (at which time the Mineral 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). As the Duchess Paradise Coal Project has not commenced active operation, no resource depletion has occurred for the review period. The review indicated that the Mineral Resource defined in the ASX announcement on 28 October 2014 remains consistent to the date of this Annual Report, with an estimated total of 305.8 million tonnes in place.

As announced on 20 September 2017, the Company withdrew its Ore Reserves for the Duchess Paradise P1-seam, as first reported in 2011. During the year the Company engaged an expert to undertake a review with a focus on updating the economic and financial model which is expected to result in an increased Ore Reserve, in comparison to the 2011 DFS. Other factors that may also require revision include transportation pathways. As a result, the Company is not in a position to report the outcome of its annual review of Ore Reserves in this Annual Report.



## Governance Arrangements and Internal Controls

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

## Competent Persons Statements

### Coal Resources

#### *Coal Quality*

The coal quality information in this report was first reported to ASX on 28 October 2014. It was compiled under the supervision of and reviewed by Mr Andrew Meyers, a consultant to the Company, 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).

#### *Coal Resources Estimate*

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

- "The Australian Guidelines for the Estimation and Classification of Coal Resources " – September 2014 Edition prepared by the Coalfields Geology Council of New South Wales and the Queensland Resources Council; and
- JORC Code, 2012 Edition, and as adopted by the Australian Stock Exchange.

The P1-seam Resources estimate and discussion presented in this Annual Report is based on information supplied by Rey Resources or by companies employed by Rey Resources, as well as information collected during exploration activities under the guidance of Rey Resources. The information was approved by consultants to the Company Mr K. Scott Keim, C.P.G. , Area Manager, Senior Principal for Cardno, and Mr Ronald H. Mullenex, C.P.G., C.G.W.P., Senior Principal for Cardno. Rey Resources is not aware of any new information or data that materially affects the information included in the relevant market announcement and all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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

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

This Annual Mineral Resources and Reserves Statement is based on and fairly represents information and supporting documentation prepared by competent persons and has been approved as a whole by Mr Mak Biggs. Mr Biggs is a member of the AUSIMM, a recognised professional organisation and is adequately qualified as a competent person as defined in the JORC code, 2012 Edition. Mr Biggs is a consultant employed by ROM Resources. Mr Biggs consents to the inclusion in the Annual Report of this Annual Mineral Resources and Reserves Statement.

## **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.

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

## 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 2018.

### 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 Wei Jin	Managing Director
Mr Geoff Baker	Non-Executive Director
Mr Dachun Zhang	Independent Non-Executive Director
Dr Zhiliang Ou	Independent Non-Executive Director
Mr Louis Chien	Alternate Director to Non-Executive Chairman, Ms Min Yang

Details of Directors' qualifications, experience, special responsibilities and directorships of other listed companies can be found on pages 15 to 16.



## 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><b>Min Yang</b> Appointed on 13 September 2012</p>	<p>Chairman Non-Executive</p>	<p>Min 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, Min Yang has proven her unique business insight and expertise in the identification, incubation and realisation of embryonic opportunities in the resources, commodities trading &amp; residential estate and financial investment sectors.</p>	<ul style="list-style-type: none"> <li>ASF Group Ltd (September 2005, ongoing)</li> <li>ActiveEX Limited (May 2012, ongoing)</li> <li>Key Petroleum Limited (January 2014, ongoing)</li> <li>Metaliko Resources Limited (appointed August 2014 and resigned October 2016)</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Chairman</li> <li>Member, Audit and Risk Management Committee</li> </ul>
<p><b>Wei Jin</b> Appointed Non-Executive Director on 2 December 2013. Appointed Managing Director on 1 July 2016</p>	<p>Managing Director</p>	<p>Wei Jin 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"> <li>Member, Audit and Risk Management Committee</li> </ul>
<p><b>Geoff Baker</b> Appointed on 13 September 2012</p>	<p>Director Non-Executive</p>	<p>Qualifications – BCom, LLB, MBA For the past 35 years Geoff 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, Geoff 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"> <li>ASF Group Ltd (November 2006, ongoing)</li> <li>ActiveEX Limited (appointed February 2013. Resigned June 2017 and re-appointed August 2017)</li> <li>Key Petroleum Limited (January 2014, ongoing)</li> <li>Metaliko Resources Limited (appointed August 2014 and resigned January 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Member, Audit and Risk Management Committee</li> </ul>

## 2. INFORMATION ON DIRECTORS AND OFFICERS (continued)

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><b>Dachun Zhang</b> Appointed on 1 July 2013</p>	<p>Director Non-Executive Independent</p>	<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"> <li>Chairman, Audit and Risk Management Committee</li> </ul>
<p><b>Zhiliang Ou</b> Appointed on 22 September 2016</p>	<p>Director Non-Executive Independent</p>	<p>Dr Ou has over 27 years of professional engineering and management experience in the oil and gas, mining and infrastructure industries both in Australia and China. He currently serves as an executive director of Hao Tian Development Group Limited, a company listed on the main board of the Hong Kong Stock Exchange. Dr Ou holds a Doctor of Philosophy degree in Civil &amp; Resource Engineering from the University of Western Australia. He also holds two Bachelor of Engineering degrees in Structural Engineering &amp; Engineering Management respectively.</p>		
<p><b>Louis Chien</b> Appointed Alternate Director to Non-Executive Chairman, Ms Min Yang on 11 January 2016</p>	<p>Alternate Director</p>	<p>Mr Chien was born in Shanghai, China, grew up and was educated in the United States, and is now based in Australia. He has 20+ years of corporate experience based in Australia, the United States and Singapore and has held various engineering and finance leadership positions within The Procter &amp; Gamble Company (P&amp;G). He has managed organisations across the Americas, Europe and Asia-Pacific, and is currently a director of ASX listed ASF Group Limited, and ASF Consortium Pty Ltd.</p> <p>Mr Chien holds a Master of Business Administration in finance from Kelley School of Business, Indiana University, and two bachelor degrees in Architecture, all attained in the United States.</p>	<ul style="list-style-type: none"> <li>ASF Group Ltd (May 2015, ongoing)</li> </ul>	

### 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 listed companies and public and private unlisted companies, the majority of which operate in the mineral resources industry, both in Australia and internationally. Ms Coates is Director to Perth based corporate advisory firm Evolution Corporate Services Pty Ltd, which specialises in the provision of corporate services to 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	Meetings	
	A	B
Min Yang	3	3
Wei Jin	3	3
Geoff Baker	3	3
Dachun Zhang	3	3
Zhiliang Ou	3	3
Louis Chien	-	-

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 one Executive and three Non-Executive Directors, with independent Non-Executive Director Mr Dachun Zhang as Chair. The number of Audit and Risk Management Committee meetings and number of meetings attended by each of the members of the Committee during the financial year are:

Director	Meetings	
	A	B
Min Yang	2	2
Wei Jin	2	2
Geoff Baker	2	2
Dachun Zhang	2	2
Louis Chien	-	-

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	200,000	Nil	Nil
Geoff Baker	200,000	Nil	Nil
Dachun Zhang	777,413	Nil	Nil
Wei Jin	200,000	Nil	Nil
Zhiliang Ou	Nil	Nil	Nil
Louis Chien	Nil	Nil	Nil

## 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 as 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, if any.

## 6. REMUNERATION REPORT – AUDITED (continued)

### 6.1 Principles of compensation (continued)

#### 2018 Key Management Personnel

The KMP of Rey Resources during the year ended 30 June 2018 were:

#### Non Executive

Min Yang	Non-Executive Chairman (appointed 13 September 2012)
Geoff Baker	Non-Executive Director (appointed 13 September 2012)
Dachun Zhang	Independent Non-Executive Director (appointed 1 July 2013)
Zhiliang Ou	Independent Non-Executive Director (appointed 22 September 2016)
Louis Chien	Alternate Director to Ms Min Yang (appointed 11 January 2016)

#### Executive

Wei Jin	Managing Director (appointed Non-Executive Director 2 December 2013, appointed Managing Director 1 July 2016)
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#### 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.
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.

## 6. REMUNERATION REPORT – AUDITED (continued)

### 6.1 Principles of compensation (continued)

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 unvested 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.

#### *Long term incentive*

Executives are eligible to participate in the Rey Resources Limited Executive Incentive Rights Plan ("EIRP"), which was adopted by shareholders on 23 November 2011 and re-approved at the Company's 2014 Annual General Meeting. The EIRP aligns the reward of the participants with the long term creation of shareholder value.

The EIRP enables participants to be granted rights to acquire shares subject to the satisfaction of certain vesting conditions which will be determined by the Board from time to time. 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 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.



## 6. REMUNERATION REPORT – AUDITED (continued)

### 6.1 Principles of compensation (continued)

#### 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 Total Shareholder Return ("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.

	2018	2017	2016	2015	2014
<b>Rey Closing Share Price as at 30 June</b>	0.32	0.20	0.145*	0.525*	0.525*

\* Adjusted for 5 into 1 share consolidation

#### Consequences of performance on shareholder wealth

	2018	2017	2016	2015	2014
<b>Profit (loss) (\$'000)</b>	(1,049)	(559)	(3,998)	(10,200)	(3,304)
<b>Dividends declared</b>	0	0	0	0	0
<b>Total shareholder return (TSR)%</b>	60%	38%	(72%)	0%	102%

#### 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 \$48,000 per annum payable to her related entity, Luxe Hill Limited; Mr Baker \$60,000 per annum payable to his related entity, Gold Star Industry Ltd; Mr Zhang \$25,000 per annum payable to his related entity, AMI Corporation Pty Ltd; Dr Ou \$54,000 per annum plus superannuation.

## 6. REMUNERATION REPORT – AUDITED (continued)

### 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 2017 and 30 June 2018.

	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	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>M Yang - Non-Executive Chairman - Appointed 13 September 2012</b>								
2018	48,000	-	-	-	-	-	-	48,000
2017	48,000	-	-	-	-	-	-	48,000
<b>G Baker - Non-Executive Director - Appointed 13 September 2012</b>								
2018	60,000	-	-	-	-	-	-	60,000
2017	60,000	-	-	-	-	-	-	60,000
<b>D Zhang - Non-Executive Director - Appointed 1 July 2013</b>								
2018	25,000	-	-	-	-	-	-	25,000
2017	25,000	-	-	-	-	-	-	25,000
<b>W Jin - Managing Director - Appointed Non-Executive Director 2 December 2013, appointed Managing Director 1 July 2016</b>								
2018	120,000	-	-	11,400	-	-	-	131,400
2017	90,000	-	-	8,550	-	-	-	98,550
<b>Z Ou - Non-Executive Director - Appointed 22 September 2016</b>								
2018	54,000	-	-	5,130	-	-	-	59,130
2017	41,954	-	-	3,985	-	-	-	45,939
<b>L Chien - Alternate Director - Appointed 11 January 2016</b>								
2018	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
<b>TOTAL</b>								
2018	307,000	-	-	16,530	-	-	-	323,530
2017	264,954	-	-	12,535	-	-	-	277,489

### 6.3 Equity instruments

**6.3.1** No share rights were granted during the financial year.

**6.3.2** No options and rights over ordinary shares in the Company were granted during the financial year.

## 6. REMUNERATION REPORT – AUDITED (continued)

### 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	Termination by Executive
Wei Jin	Ongoing	3 months' notice or payment in lieu.	3 months' notice or payment in lieu.

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 2018 financial year.

### 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:

2018	Held at 1 July 2016	Received as compensation	Received on exercise of options/rights	Other changes	Held at 30 June 2017
Directors					
Min Yang	200,000	-	-	-	200,000
Geoff Baker	200,000	-	-	-	200,000
Wei Jin	200,000	-	-	-	200,000
Dachun Zhang <sup>1</sup>	777,413	-	-	-	777,413
Zhiliang Ou	-	-	-	-	-
Louis Chien	-	-	-	-	-
Total	1,377,413	-	-	-	1,377,413

1. The shares are held by Greenhouse Investment (VIC) Pty Ltd ATF AMF Superannuation Fund, a related company of Dachun Zhang.

### 6.7 Movements in Option holdings

No KMP held or were issued options during the 2017 reporting period.

### 6.8 Movement in Share right holdings

No KMP held or were issued share rights during the 2017 reporting period.

## 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 Energy Limited and Mitsubishi Corporation, a 100% interest in the Derby Block EP487 and a 43.47% in petroleum exploration permit EP437.

## 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, with particular focus on its oil and gas assets.

### Oil and Gas

#### Fitzroy Blocks (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)

Fitzroy Block is considered prospective for conventional oil. It is close to Ungani oil field and on the Ungani Oil Trend. Two wells have been drilled in 2015 and tens of prospects has been identified by operator in the block for future development.

EP457 and EP458 was granted a further five year term commencing on 6 January 2017 with first year commitment work of Magneto-Telluric (MT) survey.

During the reporting period, the 24 months suspensions of work program for the two permits was lodged on 28 July 2017 and granted on 23 April 2018. These applications were lodged due to the uncertainty generated by the WA government's introduction of a moratorium on hydraulic fracture stimulation pending the outcome of an independent scientific inquiry. Accordingly, the operator has discontinued the planned Magneto-Telluric (MT) survey. The operator is continually conducting geology studies over the permits and the MT survey is expected to be conducted in the near future.

#### Derby Block (EP487)

Rey Resources holds 100% equity interests in EP487 ("Derby Block") through the following wholly owned subsidiaries:

Rey Lennard Shelf Pty Ltd	50%
Rey Derby Block Pty Ltd	50%

The Derby Block is a large exploration licence with an area of approximately 5,000 km<sup>2</sup>. The block is considered prospective for basin centred wet gas. It occurs to the north of Rey's existing interests in petroleum exploration licences in the Canning Basin.



## 8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (continued)

On 21 September 2017, a work program revision and 12-month commitment work suspension and extension was granted by DMP. The two wells drilling condition to December 2017 has been replaced by one well and 60km seismic acquisition by end of 2018.

On 20 March 2018, a further 12 month commitment work suspension and extension was granted by DMP. The commitment drilling is deferred to December 2019.

During the report period, Terrex was appointed as the contractor to conduct the planned 60km new seismic survey. The survey was completed in October 2017 without any safety and environmental issues. The seismic results were processed and received by the Company in November 2017 and is under interpretation.

The potential of conventional target, Butler Prospect, has been initially identified based on the geology studies results. The new seismic data will be used to optimal the well locations.

### Lennard Shelf Blocks (EP104, R1, L15)

On 14 May 2018, the Company announced the acquisition from Key Petroleum Ltd ("Key") 100% of the shares in Gulliver Productions Pty Ltd ("Gulliver"), a wholly owned subsidiary of Key which holds majority interests in EP104, R1 and L15 (together the "Lennard Shelf Blocks"). In consideration, the Company agreed to transfer to Key 100% of its wholly owned subsidiary, Rey Oil & Gas Perth Pty Ltd, which sole asset is a 43.47% interest in EP437.

In addition, Indigo Oil Pty Ltd ("Indigo") agreed to transfer its interests in Lennard Shelf Blocks to Gulliver. Further, Gulliver agreed to grant a commercial royalty of 2.5% and 0.5% to Key and Indigo separately over R1 and L15 upon completion of each applicable transfer. The transaction with Indigo was approved by the regulators on 1 August 2018 and Rey holds 100% of the three permits by the report date.

L15 is a production licence with production history in West Kora oil field. An estimation of oil reserves and contingent oil resource for West Kora oilfield and Point Torment gas discover in R1 was provided by third party in September 2015. The estimated remaining reserves and resources is listed in table below.

### Estimated Remaining Reserves and Resources

		1P	2P	3P
		1C	2C	3C
West Kora Oilfield Recoverable Oil	mmSTBO1	0.25	0.38	0.66
West Kora Oilfield Recoverable Contingent Resources	mmSTBO	0.06	0.12	0.26
Point Torment Gas Discovery Recoverable Contingent Resources	BCF2	2.41	4.725	8.42

(Estimate prepared by Energetica Consulting in September 2015, refer to Key ASX releases dated on 30 September 2015).

## 8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (continued)

### Coal

#### Duchess Paradise Project

The Duchess Paradise Project is a proposed bituminous thermal coal in the Canning Basin, north Western Australia. A Definitive Feasibility Study of the Project was completed in June 2011. The project covers 3 tenements.

During the period, two tenements of the project have been renewed for one year until 20 January 2019 and 19 April 2019 respectively. Rey has also completed the first phase Definitive Feasibility Study update. The results significantly increased the recoverable reserves by the new mining method. A valuation also has been conducted by a third party in February 2018 and the calculation supports the carrying value of the project.

A Mining Licence covering three tenements is under application. Warden's court is considering the application after particular and support documents were lodged by Rey and objectors in early 2018. An initial result has come out that the decision of Warden related to EPA will not be affected by the environmental objections. The final recommendation of Warden's court will come out in second half of 2018 and then Minister is able to make final decision on the mining licence application. An access deed has also been drafted and commented negotiation with one of the objectors.

Rey also attended the PBC Board Meeting in mid June 2018 to present the new mining plan and Fitzroy River protection plan to Niykina Mangala People. Rey sincerely want to build a good relationship with local native title and help them to develop the community.

Rey and Yuanrun Investment Ltd ("Yuanrun") entered into a cooperation framework agreement ("Agreement") on 17 July 2018 for the sale of 100% of the shares in Blackfin Pty Ltd ("Blackfin"). Blackfin is a wholly-owned subsidiary of Rey which holds interests in a coal project in Western Australia, the Duchess Paradise Thermal Coal Project ("DP Project"). The consideration for the sale of Blackfin is A\$24,000,000, consisting of an initial cash payment of A\$2,000,000 and a convertible loan with a face value of A\$22,000,000.

The convertible loan of A\$22 million ("CL") will bear an interest of 3% per annum, payable on a quarterly basis. The CL will be guaranteed by a guarantor, the identity of whom is to be agreed by the parties. The CL will be convertible into shares in a project company ("Project Company"), which will hold interests in the DP Project, upon the Project Company's listing on a mutually approved stock exchange (preferably, the Hong Kong Stock Exchange) ("Listing"). The issue price for securities in the Project Company has not yet been determined. The Agreement contemplates that the Listing will occur within three years from all licenses being obtained for the Project Company. Within this three-year period, construction of a coal mine must also commence ("Construction"). If Listing and Construction do not occur within the three-year period, the parties can agree to negotiate on extending the period for Listing and Construction by a further 24 months. In the event that the Project Company is unable to achieve Listing and Construction within the agreed period, the Agreement shall be terminated by the parties and Yuanrun or the guarantor shall repay in full any remaining amounts under the CL together with any accrued interest in cash.

At the general meeting of the Company held on 13 September 2018, the Agreement has been approved by shareholders of the Company.

## 8. RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS (continued)

### Corporate

On 3 July 2017, the Company announced that it had entered into a loan agreement with Ms Wanyan Liu, a substantial shareholder of the Company, for a \$500,000 unsecured loan to the Company with interest accruing at the rate of 12% per annum for a term of 12 months which was subsequently extended to 31 December 2019.

The Company further entered into a loan facility agreement on 12 October 2017 with ASF Group Limited ("ASF"), pursuant to which ASF agreed to provide up to \$1 million standby facility ("Facility") to the Company at an interest rate of 12% per annum with maturity date on 11 October 2018. The Facility was subsequently increased to \$1.5 million and then \$2 million and extended to 31 December 2019. On 18 July 2018, ASF agreed to further extend the facility amount to \$2.5 million. As at 30 June 2018, a total of \$1.94 million of the Facility had been drawn down by the Company. At the date of this report, a total of \$2.4 million of the Facility has been drawn down.

On 14 May 2018, the Company announced the acquisition of a 100% interest in EP104, R1 and L15 from Key and Indigo. In consideration, the Company agreed to transfer to Key its interest in EP437 and the granting of a commercial royalty of 2.5% and 0.5% to Key and Indigo separately over R1 and L15 upon completion of each applicable transfer.

During the financial year, the Company undertook an on-market share buyback and bought back 90,000 shares at a cost of \$19,863. As part of the ongoing capital management strategy, the Company has on 7 June 2018 announced the extension of the on-market buyback program for a further 12 months from 22 June 2018.

### Finance review

The net loss of the consolidated entity after income tax for the year ended 30 June 2018 was \$1,049,000, compared with the loss of \$559,000 for last year, an increase of approximately 87%. The increase in loss for the year was mainly attributed by the increase in employee expenses and the accrued interests on the aforesaid loan facilities.

During the year, \$1,629,000 (2017: \$1,171,000) in exploration expenditure was capitalised, of which \$1,249,000 related to oil and gas exploration (2017: \$1,065,000) which included capitalised exploration expenditure recognised on the acquisition of EP104, R1 and L15.

## 9. DIVIDENDS

No dividend has been paid or declared by the Company during the financial year ended 30 June 2018 (2017: nil) and the Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2018.

## 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

As at the date of this report there were no performance rights on issue.

### Performance rights vested, forfeited or lapsed

No performance rights were vested and converted to shares during the year.

## 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 17 July 2018, Rey and Yuanrun entered into a cooperation framework agreement for the sale of 100% of the shares in Blackfin which holds the Duchess Paradise Thermal Coal Project. The consideration for the sale of Blackfin is A\$24,000,000, consisting of an initial cash payment of A\$2,000,000 and a convertible loan worth A\$22,000,000. The Agreement has been approved by shareholders of the Company at the general meeting held on 13 September 2018. As at the date of this report, the \$2 million cash has not been received. The Directors remain in negotiation with Yuanrun regarding the receipt of the deposit to crystallise the transaction.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## 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 Australian Securities and Investments Commission (ASIC) Class Order 2016/191. In accordance with that Class Order, amounts contained in the consolidated financial statements and Directors' report have been rounded off to the nearest one thousand dollars, unless specially stated to be otherwise.

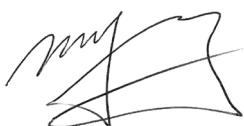
## 19. NON-AUDIT SERVICES

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 30 and forms part of the Directors' report for the financial year ended 30 June 2018.

Signed in accordance with a resolution of Directors.



Min Yang  
Non-Executive Chairman  
Sydney, Australia  
27 September 2018

# 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 of Rey Resources Limited for the financial year ended 30 June 2018 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.

KPMG

Daniel Camilleri

*Partner*

Sydney

27 September 2018

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.

## Rey Resources Limited

### Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

*in thousands of dollars*

	Note	30 June 2018	30 June 2017
Other income/(expense)	4, 12	(42)	145
Impairment reversal /(loss) of exploration and evaluation assets		(1)	-
Administrative expenses	6	(844)	(704)
Loss from operations		(887)	(559)
Finance income	4	1	3
Finance costs	5	(163)	(3)
Net finance costs		(162)	-
Loss before income tax		(1,049)	(559)
Income tax benefit	7	-	-
Loss for the year attributable to owners of the company		(1,049)	(559)
Other comprehensive income		-	-
Total comprehensive loss for the year, attributable to owners of the Company		(1,049)	(559)
<b>Loss per share</b>			
Basic and diluted (cents per share)	8	(0.49)	(0.27)

*The notes on pages 35-64 are an integral part of these consolidated financial statements*



## Rey Resources Limited

### Consolidated statement of changes in equity

For the year ended 30 June 2018

In thousands of dollars

	Share capital	Reserves	Accumulated Losses	Total
Balance at 30 June 2016	85,683	2,238	(50,830)	37,091
<b>Total comprehensive income:</b>				
Loss for the period	-	-	(559)	(559)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(559)	(559)
<b>Transactions with owners recorded directly in equity:</b>				
<b>Contributions by and distributions to owners</b>				
Issue of ordinary shares (Note 17)	1,000	-	-	1,000
Less: transaction Cost(Note 17)	-	-	-	-
Share-based payment transactions	-	(2,238)	2,238	-
<b>Balance at 30 June 2017</b>	<b>86,683</b>	<b>-</b>	<b>(49,151)</b>	<b>37,532</b>
Loss for the period	-	-	(1,049)	(1,049)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,049)	(1,049)
<b>Transactions with owners recorded directly in equity:</b>				
<b>Contributions by and distributions to owners</b>				
Issue of ordinary shares	-	-	-	-
Less: transaction Cost	-	-	-	-
Share buy back	(20)	-	-	(20)
<b>Balance at 30 June 2018</b>	<b>86,663</b>	<b>-</b>	<b>(50,200)</b>	<b>36,463</b>

The notes on pages 35-64 are an integral part of these consolidated financial statements



## Rey Resources Limited

### Consolidated statement of cash flows

For the year ended 30 June 2018

*in thousands of dollars*

	Note	30 June 2018	30 June 2017
<b>Cash flows from operating activities</b>			
GST refund		(2)	7
Miscellaneous Income		-	41
Cash paid to suppliers and employees		(853)	(944)
<b>Net cash used in operating activities</b>	9b	<b>(855)</b>	<b>(896)</b>
<b>Cash flows from investing activities</b>			
Interest received		-	3
Payments for property, plant and equipment		(2)	(3)
Payments for exploration expenditure		(1,617)	(1,171)
<b>Net cash used in investing activities</b>		<b>(1,619)</b>	<b>(1,171)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares (net of costs)		-	1,000
Share buy back		(20)	-
Proceeds from loans and borrowings		1,940	500
Repayment of loans and borrowings		-	-
Finance costs		-	-
<b>Net cash from financing activities</b>		<b>1,920</b>	<b>1,500</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(554)</b>	<b>(567)</b>
Cash and cash equivalents at the beginning of the year		590	1,157
<b>Cash and cash equivalents at the end of the year</b>	9a	<b>36</b>	<b>590</b>

The notes on pages 35-64 are an integral part of these consolidated financial statements

# Notes to the consolidated financial report

For the year ended 30 June 2018

## 1. REPORTING ENTITY

Rey Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 5, 62 Ord Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as "Rey Resources" 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 27 September 2018.

### (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 2018 the Group incurred a loss of \$1,049,000 and incurred operating and investing cash outflows of \$2,474,000. As at 30 June 2018 the Group had cash of \$36,000, net working capital deficiency of \$2,630,000 and net assets of \$36,463,000.

The Group has prepared a cashflow forecast for the period ending 31 October 2019. The cashflow forecasts demonstrates the expected receipt of \$2 million for the sale of Duchess Paradise and also 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 and Perth properties while discretionary expenditure includes staff costs, company overheads etc. The Directors are evaluating funding alternatives in the form of debt and equity, including discussions with existing shareholders, and with third parties for farming out certain petroleum interests.

## Notes to the consolidated financial report (continued)

### 2. BASIS OF PREPARATION (continued)

The Directors believe that sufficient funding will be available in the timeframes required and that the adoption of the going concern basis of preparation is appropriate. The matters referred to above indicate the existence of a material uncertainty 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

#### (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 Corporations Instrument 2016/191 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 2(b) | - Going concern   |
| Note 7    | - Recoverability of tax losses.                                   |
| Note 13   | - Ultimate recoupment of carried forward exploration expenditure. |

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.

## Notes to the consolidated financial report (continued)

### 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 equity 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 arrangements

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 is 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.

## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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

###### *Loans and receivables*

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 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.



## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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. This expenditure is 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.

## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 may be uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

#### **(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.

## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.



## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below:

##### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group expects to adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

## Notes to the consolidated financial report (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group expects to adopt this standard from 1 July 2018. The impact of its adoption is yet to be finalised, however no material impacted is expected on the financial statement of the group from adopting this standard.

#### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed.

## Notes to the consolidated financial report (continued)

### 4. OTHER INCOME AND FINANCE INCOME

*in thousands of dollars*

#### Other income/(expense)

Change in fair value of investment  
Others

#### Finance income

Interest income

	2018	2017
	(53)	106
	11	39
	(42)	145
	1	3
	1	3

### 5. FINANCIAL COSTS

*in thousands of dollars*

#### Financial costs

Bank charges  
Interest on loans

	2018	2017
	1	3
	162	-
	163	3

### 6. ADMINISTRATIVE EXPENSES

*in thousands of dollars*

Office supplies and expenses  
Professional 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:

Salaries and fees  
Superannuation

	2018	2017
	225	194
	2	144
	319	167
	5	3
	10	16
	198	112
	85	68
	844	704
	282	150
	37	17
	319	167

## Notes to the consolidated financial report (continued)

### 7. INCOME TAX EXPENSE

*in thousands of dollars*

	2018	2017
<b>Income tax recognised in profit or loss</b>		
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*

	2018	2017
Accounting loss before tax	(1,049)	(559)
At statutory income tax rate of 27.5% (2017: 30%)	(288)	(168)
Non-deductible expenses	(25)	(71)
Tax losses for which no deferred tax asset was recognised	313	239
Income tax benefit	-	-

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>in thousands of dollars</i>	Statement of financial position		Profit or loss	
	2018	2017	2018	2017
<b>Deferred tax liabilities</b>				
Exploration and evaluation expenditure	(10,704)	(11,189)	485	(352)
Other	(4)	(4)	-	2
Gross deferred tax liability	(10,708)	(11,193)	485	(350)
Deferred tax assets				
Tax loss carry forwards	10,692	11,180	(488)	445
Other	16	13	3	(95)
Gross deferred tax asset	10,708	11,193	(485)	350
<b>Net deferred tax asset</b>	-	-	-	-

#### Tax losses

At 30 June 2018, the Group has tax losses arising in Australia of \$79,503,136 (2017: \$76,790,474) 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. The ability of the Group to utilise these tax losses will depend on whether the Group is determined to pass the Australian Tax Office rules of continuity of ownership test, or failing that, the same business test.

#### 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.

## Notes to the consolidated financial report (continued)

### 8. LOSS PER SHARE

*in thousands of dollars*

#### Earnings

Earnings used in calculating basic and diluted earnings per share attributable to the owners of the company

**2018**

**2017**

(1,049)

(559)

#### Number of ordinary shares

Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted loss per share

**2018**

**2017**

212,484,287

208,549,966

Basic loss per Share (cents per share)

(0.49)

(0.27)

Diluted loss per Share (cents per share)

(0.49)

(0.27)

#### Calculation of loss per share

Basic loss per share is calculated as loss for the period attributable to shareholders of \$1,049,000 (2017: \$559,000 loss) divided by the weighted average number of ordinary shares of 212,484,287 (2017: 208,549,966). The diluted loss per share for the year ended 30 June 2018 and 2017 were the same as the basic loss per share as the outstanding performance share rights had an anti-dilutive effect to the basic loss per share.

### 9a. CASH AND CASH EQUIVALENTS

*in thousands of dollars*

Cash at bank and in hand

**2018**

**2017**

36

590

Cash and cash equivalents

36

590

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

## Notes to the consolidated financial report (continued)

### 9b. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>in thousands of dollars</i>	Note	2018	2017
Cash flows from operating activities			
Loss for the period		(1,049)	(559)
Adjustments for:			
Depreciation	11	5	3
Write back Impairment of capitalised exploration expenditure		(12)	-
Change in fair value of investment	12	53	(106)
Finance costs		162	-
Loss/(Profit) on disposal of fixed assets		-	2
Other non-cash transactions		-	(2)
		(841)	(662)
(Increase) / decrease in trade and other receivables		1	5
(Increase) / decrease in prepayments		(1)	6
Increase / (decrease) in trade and other payables		(27)	(90)
Increase / (decrease) in employee benefits		13	(155)
Net cash used in operating activities		(855)	(896)

### 10. TRADE AND OTHER RECEIVABLES

<i>in thousands of dollars</i>	2018	2017
Current		
Other receivables	22	23
	22	23



## Notes to the consolidated financial report (continued)

### 11. PROPERTY, PLANT AND EQUIPMENT

*in thousands of dollars*

Property, plant and equipment
At cost
Accumulated depreciation
Total property plant and equipment

2018	2017
181	179
(172)	(167)
9	12

#### Movements in carrying amounts:

*in thousands of dollars*

Balance as at 1 July
Additions
Disposals
Depreciation expense
Balance as at 30 June

2018	2017
12	15
2	-
-	-
(5)	(3)
9	12

### 12. INVESTMENT

*in thousands of dollars*

Investment in Norwest Energy NL at fair value as at 1 July
Changes in fair value of investment

2018	2017
212	106
(53)	106
159	212

On 5 June 2015, Rey subscribed for \$250,000 of Norwest Energy NL (Norwest) shares at a price of \$0.004712 per share. The closing price of Norwest shares as at 30 June 2018 was \$0.003 per share. This investment is classified as a fair value through profit or loss financial asset and accordingly fair value changes are recorded in the profit and loss statement.

## Notes to the consolidated financial report (continued)

### 13. EXPLORATION AND EVALUATION EXPENDITURE

*in thousands of dollars*

Exploration and evaluation expenditures carried forward in respect of:

Duchess Paradise <sup>1</sup>

EP457 and EP458 <sup>2</sup>

EP437 <sup>3</sup>

EP104, R1 and L15 <sup>4</sup>

EP487 <sup>5</sup>

Costs carried forward

	2018	2017
Duchess Paradise <sup>1</sup>	21,942	21,562
EP457 and EP458 <sup>2</sup>	10,789	10,640
EP437 <sup>3</sup>	-	2,717
EP104, R1 and L15 <sup>4</sup>	5,740	-
EP487 <sup>5</sup>	3,354	2,377
Costs carried forward	41,825	37,296

1. Exploration and evaluation expenditure recognised in Duchess Paradise which is held solely by the Group.
2. Exploration and evaluation expenditure recognised on EP457 and EP458 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 Ltd ("Key") and Pilot Energy Ltd. This amount includes The Group's proportionate share of exploration assets held by the EP437 tenement owners. On 14 May 2018, the Company announced the acquisition from Key 100% of the shares in Gulliver Productions Pty Ltd ("Gulliver"), a wholly owned subsidiary of Key which holds majority interests in EP104, R1 and L15 (together the "Lennard Shelf Blocks"). In consideration, the Company agreed to transfer to Key 100% of its wholly owned subsidiary, Rey Oil & Gas Perth Pty Ltd, which sole asset is a 43.47% interest in EP437. In addition, Indigo Oil Pty Ltd ("Indigo") agreed to transfer its interests in Lennard Shelf Blocks to Gulliver. The transaction with Indigo was approved by the regulators on 1 August 2018 and Rey now holds 100 % of the three permits. Further exploration works may be carried out by the Company and the costs for the Lennard Shelf Blocks were accordingly classified as exploration and evaluation expenditures in these financial statements.
4. Exploration and evaluation expenditure recognised on EP104, R1 and L15. Detail refers to note 3 above.
5. 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 June 2017, Rey Derby Block Pty Ltd, a wholly owned subsidiary of the Company, completed the acquisition of a 50% interest from Oil Basins Ltd and the Group now holds a 100% beneficial interest in EP487.

*in thousands of dollars*

At cost

	2018	2017
At cost	41,825	37,296
	41,825	37,296

#### Movements in carrying amount:

*in thousands of dollars*

Opening balance

Disposal of interest in EP437

Acquisition of interests in EP104, R1, L15

Current year expenditure capitalised

	2018	2017
Opening balance	37,296	36,125
Disposal of interest in EP437	(2,716)	-
Acquisition of interests in EP104, R1, L15	5,616	-
Current year expenditure capitalised	1,629	1,171
	41,825	37,296

## Notes to the consolidated financial report (continued)

### 13. EXPLORATION AND EVALUATION EXPENDITURE (continued)

An exploration and evaluation asset is recognised in relation to an area of interest if the following conditions are satisfied:

- (a) The rights to tenure of the area of interest are current; and
- (b) At least one of the following conditions is also met:
  - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
  - (ii) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Tenements where tenure is not intended to be continued have been fully impaired as at 30 June 2018. Management expected to extend the right of tenure for tenements approaching expiry.

### 14. TRADE AND OTHER PAYABLES

*in thousands of dollars*

#### **Unsecured liabilities**

Sundry payables and accrued expenses

	2018	2017
	84	111
	84	111

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

### 15. EMPLOYEE BENEFITS

*in thousands of dollars*

#### **Employee benefits**

Current

Non-current

	2018	2017
	16	3
	-	-
	16	3

## Notes to the consolidated financial report (continued)

### 16. PROVISION

*in thousands of dollars*

	2018	2017
Restoration provision (L15, R1)	2,900	-
	2,900	-

During the year, the Company acquired from Key Petroleum Ltd and Indigo Oil Pty Ltd 100% interests in EP104, R1 and L15 (refer note 13). The restoration provision related to the West Kora 1 well and disused production facilities in Production License L15, which was estimated based upon converting the well to a water well following confirmation from the pastoral lease owner and removing the tank farm and restoring the site back to its original condition.

### 17. ISSUED CAPITAL

*in thousands of dollars*

	2018	2017
212,405,266 (2017: 212,495,266) fully paid ordinary shares	86,663	86,683
	86,663	86,683

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

	2018		2017	
	Number	\$'000	Number	\$'000
On issue at beginning of the year	212,495,266	86,683	992,381,876	85,683
Shares issued during the year:				
1 July 2016 <sup>1</sup>			3,426,667	-
17 Oct 2016 <sup>2</sup>			66,666,666	1,000
Share consolidation <sup>3</sup>			(849,979,943)	-
Share buy back <sup>4</sup>	(90,000)	(20)	-	-
Transaction costs relating to share issues			-	-
On issue at the end of the year	212,405,266	86,663	212,495,266	86,683

- On 1 July 2016, 3,426,667 share performance rights held by Mr Wilson vested and were converted to fully paid ordinary shares of the Company.
- On 17 October 2016, the Company completed a private placement to raise \$1 million (before costs) via the issue of a total of 66,666,666 shares at an issue price of \$0.015 per share to sophisticated investors.
- On 1 December 2016, shares of the Company were consolidated on a five (5) into one (1) basis. Accordingly the total number of issued shares of the Company after consolidation became 212,495,266 shares.
- During the year ended 30 June 2018, a total of 90,000 shares were bought back at a cost of \$20,000 and cancelled. On 7 June 2018, the Company announced the extension of the on-market buyback program for a further 12 months from 22 June 2018.

## Notes to the consolidated financial report (continued)

### 18. 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 ended 30 June 2018, all outstanding share performance rights were either lapsed or exercised and the share based payments reserves were reversed accordingly.

### 19. COMMITMENTS

#### (a) Operating lease commitments

There was no non-cancellable operating lease commitment for the Group.

#### (b) Exploration expenditure commitments

The commitments are required in order to maintain the Group'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.

<i>In thousands of dollars</i>	<b>Mineral</b>	<b>Petroleum</b>	<b>Total</b>
<b>Year 1</b>	112	7,602	7,714
<b>Year 2-5</b>	-	28,584	28,584
<b>Total</b>	<b>112</b>	<b>36,186</b>	<b>36,298</b>

During the year, the Company acquired from Key and Indigo 100% interests in EP104, R1 and L15 (refer note 13). Pursuant to the agreement, Key and Indigo would be granted a royalty of 2.5% and 0.5% separately over R1 and L15 upon completion of each applicable transfer. The royalty is payable based on the value of wellhead of petroleum recovered and produced from the licences.

## Notes to the consolidated financial report (continued)

### 20. GROUP ENTITIES

Consolidated subsidiaries	Country of incorporation	Ownership Interest	
		2018	2017
Blackfin Pty Limited <sup>4</sup>	Australia	100%	100%
Rey Cattamarra Pty Limited	Australia	100%	100%
Rey Derby Pty Limited	Australia	100%	100%
Rey Derby Block 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 <sup>1</sup>	Australia	-	100%
Rey Freney Pty Limited <sup>1</sup>	Australia	-	100%
Rey Victory Pty Limited	Australia	100%	100%
Camballin Energy Pty Limited <sup>1</sup>	Australia	-	100%
Rey Oil and Gas Pty Limited	Australia	100%	100%
Rey Oil and Gas Perth Pty Limited <sup>2</sup>	Australia	-	100%
Rey Lennard Shelf Pty Limited	Australia	100%	100%
Humitos Pty Ltd	Australia	100%	100%
Gulliver Productions Pty Ltd <sup>3</sup>	Australia	100%	-

1. Deregistered during the financial year

2. Disposed to Key Petroleum Ltd in May 2018. Detail refers to note 21.

3. Acquired from Key Petroleum Ltd in May 2018. Detail refers to note 21.

4. To be disposed to Yuanrun Investment Ltd pursuant to the cooperation framework agreement dated 17 July 2018 which had been approved by shareholders at the general meeting of the Company held on 13 September 2018.



## Notes to the consolidated financial report (continued)

### 21. JOINT OPERATION 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 13) and disclosed distinctly from capitalised exploration costs incurred on the Group's 100% owned projects.

#### Rey/Buru/Mitsubishi 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 under this joint venture agreement at the reporting date was \$10,789,000 (2017: \$10,640,000) (note 13)

#### Rey/Key/Pilot Joint Venture and Rey/Indigo Joint Venture

On 29 May 2014, Rey Oil and Gas Perth Ltd (a wholly owned subsidiary 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.

On 14 May 2018, the Company announced the acquisition from Key Petroleum Ltd ("Key") 100% of the shares in Gulliver Productions Pty Ltd ("Gulliver"), a wholly owned subsidiary of Key which holds majority interests in EP104, R1 and L15 (together the "Lennard Shelf Blocks"). In consideration, the Company agreed to transfer to Key 100% of its wholly owned subsidiary, Rey Oil & Gas Perth Pty Ltd, which sole asset is a 43.47% interest in EP437.

Following the completion of the transaction, Rey had no Joint Venture relationship with Key, Pilot and Indigo. As at the report date, Rey holds 100% interests in EP104, R1 and L15 and no interests in EP437.

## Notes to the consolidated financial report (continued)

### 22. 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 20.

#### (c) KMP compensation

Disclosures relating to compensation of the KMP compensation comprised:

##### Individual Directors and executives compensation disclosures

	2018	2017
Short term benefits	307,000	264,954
Post-employment benefits	16,530	12,535
	323,530	277,489

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.

## Notes to the consolidated financial report (continued)

### 22. RELATED PARTIES (continued)

#### (d) Transactions with related parties

	2018	2017
<b>ASF Group Ltd</b>		
Service fees	120,000	85,000
Loan granted (inclusive of interest) <sup>1</sup>	2,041,717	-
<b>Wanyan Liu</b>		
Loan granted (inclusive of interest) <sup>2</sup>	560,164	500,000

1. An unsecured loan of \$2,000,000 was granted by ASF Group Ltd, a substantial shareholder of the Company, with maturity date on 31 December 2019 and interest bearing at 12% per annum. On 18 July 2018, ASF agreed to further extend the facility amount to \$2.5 million. The loan is repayable on demand with three months notice from the lender. Subsequent to 30 June 2018, a further \$460,000 has been drawn down against the ASF loan.

2. An unsecured loan of \$500,000 was granted by Wanyan Liu, a substantial shareholder of the Company, with maturity date on 31 December 2019 and interest bearing at 12% per annum. The loan is repayable on demand with one month notice from the lender.

3. Refer to note 13 for transaction between the Company and Key Petroleum Ltd ("Key"). ASF Group Ltd is a substantial shareholder in both the Company and Key.

### 23. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 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:

*in thousands of dollars*

	2018	2017
<b>Financial assets</b>		
<b>Financial assets measured at fair value</b>		
Share investment <sup>1</sup>	159	212
<b>Financial assets not measured at fair value</b>		
Cash and cash equivalents	36	590
Trade and other receivables	22	23
<b>Total</b>	217	825
<b>Financial liabilities</b>		
<b>Financial assets not measured at fair value</b>		
Trade and other payables	84	111
<b>Total</b>	84	111

1. In support of a strategic alliance, Rey subscribed for \$250,000 of Norwest Energy NL (Norwest) shares at a price of \$0.004712 per share on 5 June 2015. The closing price of Norwest shares as at 30 June 2018 was \$0.003 per share.

## Notes to the consolidated financial report (continued)

### 23 . FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### 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:

	2018	2017
Neither past due nor impaired	22	23

#### 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 2018 and 30 June 2017, 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.

## Notes to the consolidated financial report (continued)

### 23. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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:

#### 2018

*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
<b>Financial liabilities</b>							
Trade and other payables	84	84	84	-	-	-	-
Loans from a shareholder	2,602	3,042	-	-	3,042	-	-
	2,686	3,126	84	-	3,042	-	-

#### 2017

*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
<b>Financial liabilities</b>							
Trade and other payables	111	111	111	-	-	-	-
Loans from a shareholder	500	560	-	560	-	-	-
	611	671	111	560	-	-	-

#### 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 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.

*in thousands of dollars*

#### Variable rate instruments

	2018	2017
Cash and cash equivalents	36	590
	36	590

At the reporting date, the Group had a total of \$2.5 million term loan facilities from shareholders. Due to the fixed interest rate of the loans, the Group is not exposed to interest rate fluctuations.

#### 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 \$624 (2017: \$4,429).

## Notes to the consolidated financial report (continued)

### 23. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### Fair values

The Group's share investment measured at fair value at the end of the reporting period on a recurring basis and categorised into Level 1 fair value hierarchy as defined in AASB 13 Fair value measurement. The fair value of the share investment is measured using unadjusted quote price on the Australian Securities Exchange.

During the year ended 30 June 2017 and 2018, there were no transfers between Level 1 and Level 2 or transfer into or out of Level 3.

Except for the share investment, the carrying amounts of other financial assets and financial liabilities are assumed to approximate their fair values due to their short-term nature.

### 24. 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 2018 \$'000	Mineral 2017 \$'000	Petroleum 2018 \$'000	Petroleum 2017 \$'000	Corporate 2018 \$'000	Corporate 2017 \$'000	Total 2018 \$'000	Total 2017 \$'000
<b>Consolidated Revenue</b>								
Total Reportable segment revenue	-	-	-	-	-	-	-	-
<b>Other income</b>	-	104	12	-	-	41	12	145
Impairment reversal of assets	-	-	(1)	-	-	-	(1)	-
Impairment of investment	-	-	-	-	(53)	-	(53)	-
Interest revenue	-	-	-	-	-	3	-	3
Finance costs	-	-	-	-	(163)	(3)	(163)	(3)
Administration cost	-	-	-	-	(844)	(704)	(844)	(704)
<b>Profit/(loss) before income tax benefit</b>	-	104	11	-	(1,060)	(663)	(1,049)	(559)
income tax benefit	-	-	-	-	-	-	-	-
<b>Loss after income tax benefit</b>	-	104	11	-	(1,060)	(663)	(1,049)	(559)
<b>Assets</b>								
Other Assets	-	-	-	-	240	850	240	850
Segment assets	21,942	21,562	19,883	15,734	-	-	41,825	37,296
<b>Total assets</b>	21,942	21,562	19,883	15,734	240	850	42,065	38,146
<b>Liability</b>								
Other liabilities	-	-	-	-	2,702	614	2,702	614
Segment liabilities	-	-	2,900	-	-	-	2,900	-
<b>Total Liabilities</b>	-	-	2,900	-	2,702	614	5,602	614
<b>Capital Expenditure</b>	380	106	1,249	1,065	-	-	1,629	1,171

## Notes to the consolidated financial report (continued)

### 25. SUBSEQUENT EVENTS

On 17 July 2018, Rey and Yuanrun entered into a cooperation framework agreement for the sale of 100% of the shares in Blackfin Pty Limited ("Blackfin") which holds the Duchess Paradise Thermal Coal Project. The consideration for the sale of Blackfin is A\$24,000,000, consisting of an initial cash payment of A\$2,000,000 and a convertible loan worth A\$22,000,000. The Agreement has been approved by shareholders of the Company at the general meeting held on 13 September 2018. As at the date of this report, the \$2 million cash has not been received. The directors remain in negotiation with Yuanrun regarding the receipt of the deposit to crystallise the transaction.

No other matter or circumstance that is not already disclosed in these financial statements has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years

### 26. AUDITORS REMUNERATION

*in dollars*

#### **Audit services**

Auditors of the Company

*KPMG Australia:*

Audit and review of financial reports

Other assurance services

	2018	2017
Audit and review of financial reports	62,000	58,700
Other assurance services	2,000	-
	<u>64,000</u>	<u>58,700</u>



## Notes to the consolidated financial report (continued)

### 27. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was Rey Resources Limited.

*in thousands of dollars*

#### A. Result of parent entity

Loss for the year	(1,059)	(600)
Total comprehensive loss for the year	(1,059)	(600)

#### B. Financial position of the parent entity

Total current assets	65	614
Total non-current assets	37,263	35,705
<b>Total assets</b>	<b>37,328</b>	<b>36,319</b>

Total current liabilities	2,695	608
Total non-current liabilities	-	-
<b>Total liabilities</b>	<b>2,695</b>	<b>608</b>

<b>Net assets</b>	<b>34,633</b>	<b>35,711</b>
-------------------	---------------	---------------

#### Total equity of the parent entity comprising of:

Share capital	86,663	86,683
Reserves	-	-
Accumulated losses	(52,030)	(50,972)
<b>Total equity</b>	<b>34,633</b>	<b>35,711</b>

#### C. Parent entity contingencies

As at 30 June 2018 and 2017, there are no contingent liabilities of the parent entity.

#### D. Parent entity capital commitments

As at 30 June 2018 and 2017, 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

As at 30 June 2018 and 2017, 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 2018 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 2018.

Signed in accordance with a resolution of the Directors.



**Min Yang**

Non-Executive Chairman

Sydney, Australia

27 September 2018



# Independent Auditor's Report

To the shareholders of Rey Resources Limited

## Report on the audit of the Financial Report

### Opinions

We have audited the **Financial Report** of Rey Resources Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

- Consolidated statement of financial position as at 30 June 2018;
- 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 then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audits of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Material uncertainty related to going concern

We draw attention to Note 2(b), "Going concern" in the financial report. The conditions disclosed in Note 2(b), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing the cash flow projections by:
  - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices;
  - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows including the impact of the share issue subsequent to year end for feasibility, quantum and timing. We used our knowledge of the client, its industry and current status of those initiatives to assess the level of associated uncertainty.
- Reading Directors minutes and relevant correspondence with the Group's advisors to understand the Group's ability to raise additional shareholder funds, and assess the level of associated uncertainty; and
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principle matters giving rise to the material uncertainty.

## Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Exploration and evaluation expenditure (\$41,825,000)	
Refer to Note 13 'Exploration and Evaluation Expenditure'	
The key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation expenditure capitalised (E&amp;E) is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the significance of the activity to the Group's business and the balance (being 99% of total assets); and</li> <li>the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&amp;E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed.</li> </ul> <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> <li>the determination of the areas of interest;</li> <li>documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&amp;E activities; and</li> <li>the Group's determination of whether the E&amp;E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.</li> </ul> <p>In assessing the presence of impairment indicators, we focused on those that may draw</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard;</li> <li>We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programs planned for those for consistency with documentation such as license related technical conditions, joint venture agreements, results of the external expert engaged by the Group, and planned work programs;</li> <li>For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses;</li> <li>We tested the Group's additions to E&amp;E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard;</li> <li>We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&amp;E in certain areas. We corroborated this through interviews with key operational and finance personnel;</li> <li>We analysed the Group's determination of recoupment through successful development and exploitation of the area or by its sale by evaluating the Group's documentation of planned future/continuing activities including work</li> </ul>

<p>into question the commercial continuation of E&amp;E activities for areas of interest where significant capitalised E&amp;E exists. In addition to the assessments above, and given the financial position of the Group and restrictive events imposed we paid particular attention to:</p> <ul style="list-style-type: none"> <li>• documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&amp;E activities;</li> <li>• The ability of the Group to fund the continuation of activities;</li> <li>• The impact of the restrictive event imposed on the Group to the implications to carrying forward capitalised E&amp;E; and</li> <li>• Results from latest activities regarding the existence or otherwise of economically recoverable reserves.</li> </ul> <p>These assessments can be inherently difficult, particularly in uncertain or depressed market conditions such as those currently being experienced in Australian oil and gas exploration.</p>	<p>programs and project and corporate budgets for a sample of areas;</p> <ul style="list-style-type: none"> <li>• We obtained project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&amp;E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding;</li> <li>• We assessed the impact of the unconventional drilling moratoriums to the Group's planned continued exploration and evaluation activities. We read correspondence from the Government of Western Australia which imposed the moratorium to understand the scenario and status, and compared this to the Group's proposed level and timing of recommencement activity to that prior to the moratorium. We used this knowledge to assess the Group's decision to continue to carry E&amp;E on these areas, and the consistency of the decision for commercial continuation of activities; and</li> <li>• We compared the results regarding the existence of reserves for consistency to the treatment of E&amp;E and the requirements of the accounting standard.</li> </ul>
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**Other Information**

Other Information is financial and non-financial information in Rey Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Corporate Directory and Directors' Report. The Annual Mineral Reserves and Resources Statement is expected to be made available to us after the date of the Auditor's report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Report that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that give a true and fair view and are free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about the Financial Report as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our Auditor's Report.





## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Rey Resources Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in section 6 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Daniel Camilleri

*Partner*

Sydney

27 September 2018

## ASX ADDITIONAL 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 13 September 2018.

### 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 2018 financial year and to the date of this report, the Company followed and reports against the 3rd Edition of the ASX Principles. The Company's 2018 Corporate Governance Statement is available from the Company's website at <http://reyresources.com/corporate/corporate-governance/>

### Substantial Shareholders

An extract of the Company's register of substantial shareholders (being those shareholders who held 5% or more of the issued capital of the Company 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	34,666,667	16.31
Miss Wanyan Liu	34,068,800	16.03
Merchant Central Limited	25,114,286	11.82
Neway Energy International Limited	14,450,580	6.80
Mrs Yinxin He	13,337,285	6.28
Start Grand Global Limited	12,361,500	5.82
Miss Mei Chi Joyce Lee	12,092,553	5.69
Start Link Investments Limited	10,959,614	5.16

## Top 20 Shareholders

The 20 largest shareholders of the Company are listed below:

Name	Number of Shares	Percentage Held %
ASF CANNING BASIN ENERGY PTY LTD	34,666,667	16.32%
MISS WANYAN LIU	34,068,800	16.04%
MERCHANT CENTRAL LIMITED	25,114,286	11.82%
NEWAY ENERGY INTERNATIONAL LIMITED	14,450,580	6.80%
MRS YINXIN HE	13,270,000	6.25%
START GRAND GLOBAL LIMITED	12,361,500	5.82%
MISS MEI CHI JOYCE LEE	12,092,553	5.69%
START LINK INVESTMENTS LIMITED	10,959,614	5.16%
JADE SILVER INVESTMENTS LIMITED	9,352,056	4.40%
XIAO HUI ENTERPRISES LIMITED	6,959,404	3.28%
MR JIARONG HE	6,128,491	2.89%
BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	6,110,416	2.88%
MR HAITAO GENG	3,000,000	1.41%
TONG HENG HOLDINGS LIMITED	1,846,126	0.87%
JADE SILVER INVESTMENTS LTD	1,480,000	0.70%
FOREVER GRAND GROUP LIMITED	1,150,837	0.54%
BROWNSTONE INTERNATIONAL PTY LTD	1,000,000	0.47%
MEGA AHEAD LIMITED	990,326	0.47%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	972,128	0.46%
MR KEVIN JOHN WILSON & MRS JOLA WILSON <LINCOLN SUPERFUND NO 1 A/C>	830,335	0.39%
<b>TOTAL TOP 20 SHAREHOLDERS</b>	<b>196,804,119</b>	<b>92.66%</b>

## Distribution of Equity Securities

There were 680 holders of less than a marketable parcel of ordinary shares (being 1,666 shares on 13 September 2018).

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	583	169,486
1,001 - 5,000	448	1,246,911
5,001 - 10,000	171	1,314,588
10,001 - 100,000	185	4,992,749
100,001 and over	49	204,661,532
<b>TOTALS</b>	<b>1,436</b>	<b>212,385,266</b>

### Voting Rights

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.

### On-market Share Buy-back

On 7 June 2018, 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. In the 2018 financial year and to the date of this Annual Report, Rey Resources has bought back 20,000 shares pursuant to the current share buy-back.

### 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 report is tabulated below:

Licence Type	Licence No. <sup>1</sup>	Grant Date	Expiry Date	Holder	Area (Ha)	Percentage Held
EL	E04/1386	21/01/2004	20/01/2018	Blackfin Pty Ltd <sup>2</sup>	1,627	100%
EL	E04/1519	20/04/2006	19/04/2018	Blackfin Pty Ltd <sup>2</sup>	11,386	100%
EL	E04/1770	4/03/2009	3/03/2019	Blackfin Pty Ltd <sup>2</sup>	6,834	100%
MA	M04/0453	Pending	Pending	Blackfin Pty Ltd <sup>2</sup>	12,964	100%
EP	EP457	24/10/2007	05/01/2022 <sup>1</sup>	Rey Oil and Gas Pty Ltd	251,737	25%
EP	EP458	24/10/2007	05/01/2022 <sup>1</sup>	Rey Oil and Gas Pty Ltd	292,050	25%
EP	EP487 <sup>3</sup>	14/03/2014	13/12/2021	Rey Lennard Shelf Pty Ltd	505,840	50%
EP	EP487 <sup>3</sup>	14/03/2014	13/12/2021	Rey Derby Block Pty Ltd	505,840	50%
L	L15 <sup>4</sup>	01/04/2010	21/03/2031	Gulliver Productions	16,346	100%
R	R1 <sup>4</sup>	11/10/2016	10/10/2022	Gulliver Productions	24,516	100%
EP	EP104 <sup>4</sup>	30/01/2015	29/07/2022	Gulliver Productions	73,596	100%

EL: Exploration Licence

MA: Mining Lease Application

EP: Exploration Permit Petroleum

L: Production Licence

R: Retention Licence

- All licences are located in Western Australia
- On 17 July 2018, the Company entered into a cooperation framework agreement with Yuanrun Investment Ltd for the sale of 100% of the shares in Blackfin Pty Ltd which holds the Duchess Paradise Coal Project for a total consideration of A\$24 million. Shareholders approved the transaction on 13 September 2018.
- Royalties attaching to EP487: Rey Lennard Shelf Pty Ltd may, at its election, on the grant of a production licence on EP487, either: grant Backreef Oil Pty Ltd a 1% royalty on sales proceeds from future production from its former interest in EP487 or pay \$2 million to Backreef.
- Royalties attaching to L15, R1 and EP104: Gulliver granted Key Petroleum Ltd and Indigo Oil Pty Ltd a 25% and 0.5% royalty respectively over the three blocks.



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