



REY RESOURCES LIMITED

A.B.N. 84 108 003 890

**CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE
SIX MONTHS ENDED 31 DECEMBER 2022**

CORPORATE DIRECTORY

Directors

Ms Min Yang - Non-Executive Chairman
Mr Wei Jin - Managing Director
Mr Yan Zhao- Executive Director
Mr Geoff Baker - Non-Executive Director
Mr William Kuan - Executive Director

Company Secretary

Mr William Kuan

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Auditor

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Securities Exchange

Australian Securities Exchange Code: REY

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DIRECTORS' REPORT

The Directors of Rey Resources Limited ("Rey" or "the Company") and its subsidiaries ("the Group") present their report together with the consolidated interim financial statements for the half-year ended 31 December 2022 and the auditor's review report thereon.

Directors

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

Name

Ms Min Yang – Non-Executive Chairman

Mr Wei Jin – Managing Director

Mr Geoff Baker – Non-Executive Director

Mr Yan Zhao – Executive Director (*appointed 29 November 2022*)

Mr Dachun Zhang – Independent Non-Executive Director (*resigned 29 November 2022*)

Mr Louis Chien – Alternate Non-Executive Director (*alternate to Ms Min Yang, resigned 1 October 2022*)

William Kuan – Executive Director (*appointed 6 March 2023*)

Company Secretary

Mr William Kuan

Principal Activities

The principal activities of Rey are exploring for and developing energy resources in Western Australia's Canning Basin. The Company currently holds a 20% interest in the Canning Basin petroleum permits EP457 and EP458 (known as the "Fitzroy Blocks"), a 100% interest in EP487 (known as the "Derby Block") and a 100% interest in L15, R1 and EP104 in Canning Basin (known as the "Lennard Shelf Blocks"). It also holds 2 exploration licences (E04/1519, E04/1770) and mining licence applications (M04/453) for Duchess Paradise Coal Project in the Canning Basin. The Company has also invested in a Surat gas project in Queensland.

Review and results of operations

Financial Results

Net loss of the Group after income tax amounted to \$1,093,000 for the half-year ended 31 December 2022, an increase of approximately 25.9% compared with the loss of \$868,000 for the corresponding period last year.

Finance costs amounted to \$823,000 (2021: \$661,000) which was principally interest accrued for the loans granted by ASF Group Limited ("ASF") and Wanyan Liu ("Liu"), shareholders of the Company. As at 31 December 2022, the Company has available loan facilities from ASF and Liu of \$2 million and \$3.52 million respectively.

Corporate

On 4 July 2022, the Company announced that Southernpec (Australia) Pty Ltd ("SouthnA") bought back all the fully paid ordinary shares in SouthnA held by Company for \$766,500, which was satisfied by the transfer of 7.5 million fully paid ordinary shares in PZE Limited ("PZE") held by SouthnA. PZE is a public company incorporated in Australia and is proposed to apply for listing on the ASX. As part of the proposed IPO, PZE acquired the Surat Gas Project from SouthnA by the issue of 35.5 million fully paid ordinary shares in PZE at an issue price of \$0.10 per share to SouthnA.

On 4 August 2022, the Company announced the extension of its on-market buyback program for a further 12 months from 18 August 2022. No shares were bought back by the Company during the reporting period.

DIRECTORS' REPORT

During the period, Mr Louis Chien resigned as Alternate Director to Ms Min Yang on 1 October 2022 and further on 29 November 2022, Mr Dachun Zhang resigned as Non-executive Director and Mr Yan Zhao was appointed Executive Director of the Company. Subsequent after the financial period end, Mr William Kuan was appointed Director of the Company on 6 March 2023.

Operating Review

1. Oil and Gas

1.1 Fitzroy Blocks (EP457 & EP458)

Since completion of the 2D Seismic in 2021, the operator keeps working on the processed data interpretation. Due to the seismic line extended to other permits in Canning Basin, operator needs to separate the data before a copy can be provided to Rey.

During the period, the operator has identified a couple of new targets which may form a new geology play that has never been identified in Canning Basin. The new play is different to the geology structure of Rafael discovery but with same good potential for testing. A 3D and 2D seismic plan have been proposed by Buru and under consideration by Rey management. Detailed drilling plan will be prepared by the operator in the second half of this financial year for drilling in 2024/2025 and the 2023 work program and budget has also been approved in October.

On 13 February 2023, Rey announced that Origin has decided to withdraw from the Canning Basin and the 40% interests in each of the tenements previously assigned to Origin under the farm-in agreement will be assigned back to Buru and Rey equally in accordance with the pre-farmin equities. Accordingly, Buru will have a participating interest of 60% in each of the tenements, with Rey holding the remaining 40%.

1.2 Derby Block (EP487)

In considering the derisk of first well drilling in EP487, Rey proposed a 500km² 3D seismic survey cover the Butler prospect within EP487. The plan is supported by DMIRS and a work program variation, suspension and extension has been approved.

The current permit year 2 by end of 2023 includes all pre seismic works including detailed seismic plan, environmental plan, seismic contract negotiation and heritage survey. The new 3D Seismic survey will be due by end of 2024 then follow with the first commitment well in 2026. Environmental plan work has been started and Rey has appointed the contractor. Rey plans to discuss with seismic contractors for a detailed plan to firm the seismic lines location. Rey also will discuss with other stakeholders for the planned seismic very soon.

1.3 Lennard Shelf Blocks – EP104, R1 and L15

R1 renewal was approved during the report period. New terms will expire by 2027. The commitment work for the first two permit years will focus on the sidetrack well drilling and studies. Rey is working with contractors for the commitment works.

Onsite annual well inspection was carried out in September 2022 for the compliance of the well management requirements. The inspection report has been prepared with no major issues identified. Minor well valves replacement has been done for the L15 and R1 existing wells.

EP104 renewal is still pending but DMIRS has confirmed that it is under assessment.

1.4 Surat Gas Project

After termination of the investment termsheet for the Surat Gas Project and as agreed with Southernpec (Australia) Pty Ltd, Rey has received 7.5 million shares in PZE Limited which is a public company and proposed to apply for listing on the ASX.

2. Coal

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

Duchess Paradise Project

Rey continues the negotiation with Native Title for a heritage protection agreement for the mining activity. First draft of the agreement has been prepared and sent to Walalakoo Aboriginal Corporate. As of the date of this report, no clear comment or correspondence from the Native Title is received yet.

Further information

Further details of operations during the six months ended 31 December 2022 are reported in the Quarterly Activity Reports released to the ASX and also available on the Company's website.

Rounding of Amounts

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

Subsequent Events

On 13 February 2023, Rey announced that Origin has decided to withdraw from the Canning Basin and the 40% interests in each of the tenements previously assigned to Origin under the farm-in agreement will be assigned back to Buru and Rey equally in accordance with the pre-farm-in equities. Accordingly, Buru will have a participating interest of 60% in each of the tenements, with Rey holding the remaining 40%.

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

Lead Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2022.

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



Ms Min Yang
Chairman

13 March 2023
Sydney, NSW, Australia

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF REY RESOURCES
LIMITED**

As lead auditor, I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

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



SW Audit (formerly ShineWing Australia)
Chartered Accountants



Yang (Bessie) Zhang
Partner

Sydney, 13 March 2023

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

In thousands of dollars

| | NOTES | 31 Dec 2022 | 31 Dec 2021 |
|---|-------|----------------|---------------|
| Administrative expenses | | (212) | (151) |
| Employee benefit expense | 4 | (58) | (56) |
| Loss from operating activities | | (270) | (207) |
| Finance cost | | (823) | (661) |
| Loss before income tax expense | | (1,093) | (868) |
| Income tax | | - | - |
| Loss for the period | | (1,093) | (868) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the period, attributable to owners of the company | | (1,093) | (868) |
| Basic and diluted loss per share (cents) | 5 | (0.52) | (0.41) |

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

In thousands of dollars

| | NOTES | 31 Dec 2022 | 30 June 2022 |
|--|-------|---------------|--------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 101 | 172 |
| Trade and other receivables | 6 | 3 | 9 |
| Prepayments | | 1 | 3 |
| Total Current Assets | | 105 | 184 |
| Non-Current Assets | | | |
| Property, plant and equipment | 7 | 2 | 2 |
| Financial assets | 8 | 767 | 767 |
| Exploration and evaluation expenditure | 9 | 38,843 | 38,353 |
| Total Non-Current Assets | | 39,612 | 39,122 |
| Total Assets | | 39,717 | 39,306 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 10 | 390 | 403 |
| Employee benefits | 11 | 17 | 14 |
| Loans and borrowings | 12 | 14,343 | 63 |
| Total Current Liabilities | | 14,750 | 480 |
| Non-current Liabilities | | | |
| Loans and borrowings | 12 | - | 12,878 |
| Provision | | 3,647 | 3,535 |
| Total non-current liabilities | | 3,647 | 16,413 |
| Total Liabilities | | 18,397 | 16,893 |
| Net Assets | | 21,320 | 22,413 |
| EQUITY | | | |
| Share capital | 13 | 86,537 | 86,537 |
| Accumulated losses | | (65,217) | (64,124) |
| Total equity | | 21,320 | 22,413 |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

| <i>In thousands of dollars</i> | Share capital | Accumulated losses | Total |
|--|---------------|--------------------|---------------|
| Balance at 1 July 2021 | 86,537 | (62,326) | 24,211 |
| Total comprehensive income: | | | |
| Loss for the period | - | (868) | (868) |
| Total comprehensive income for the period | - | (868) | (868) |
| Transactions with owners recorded directly in equity: | | | |
| <i>Contributions by and distributions to owners</i> | | | |
| Share Buyback | - | - | - |
| Balance at 31 Dec 2021 | 86,537 | (63,194) | 23,343 |
| Balance at 1 July 2022 | 86,537 | (64,124) | 22,413 |
| Total comprehensive income: | | | |
| Loss for the period | - | (1,093) | (1,093) |
| Total comprehensive income for the period | - | (1,093) | (1,093) |
| Transactions with owners recorded directly in equity: | | | |
| <i>Contributions by and distributions to owners</i> | | | |
| Share Buyback | - | - | - |
| Balance at 31 Dec 2022 | 86,537 | (65,217) | 21,320 |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

In thousands of dollars

| | 31 Dec 2022 | 31 Dec 2021 |
|---|--------------|--------------|
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (317) | (186) |
| BAS (payments)/refund | 6 | 1 |
| Government Subsidy | - | 8 |
| Net cash used in operating activities | (311) | (177) |
| Cash flows from investing activities | | |
| Payments for exploration expenditure | (378) | (339) |
| Net cash used in investing activities | (378) | (339) |
| Cash flows from financing activities | | |
| Finance Costs | (702) | (568) |
| Proceeds from loans and borrowings | 1,320 | 1,250 |
| Repayment of loans and borrowings | - | (50) |
| Loans to other parties | - | (67) |
| Net cash generated from financing activities | 618 | 565 |
| Net increase/(decrease) in cash and cash equivalents | (71) | 49 |
| Cash and cash equivalents at 1 July | 172 | 36 |
| Cash and cash equivalents at 31 December | 101 | 85 |

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

1. REPORTING ENTITY

Rey Resources Ltd (the “Company”) is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half-year ended 31 December 2022 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2022 is available upon request from the Company’s registered office or at www.reyresources.com.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with *AASB 134 Interim Financial Reports* and the *Corporations Act 2001*. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2022. The consolidated interim financial statements were approved by the Board of Directors on 13 March 2023.

(b) Going concern basis

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

For the half-year ended 31 December 2022 the Group incurred a loss after tax of \$1,093,000 and incurred operating and investing cash outflows of \$689,000. As at 31 December 2022, the Group’s current liabilities exceeded current assets by \$14,645,000. The Group also had exploration expenditure commitments of \$908,000 for the twelve months from 31 December 2022.

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

- The Group had cash of \$101,000 as at 31 December 2022.
- The Company has a \$2 million loan facility from ASF Group Limited, which is available for draw down until 31 October 2023.
- The Company has a \$3.52 million remaining loan facility from Ms Wanyan Liu, which is available for draw down until 31 October 2023.
- The Group has prepared a cashflow forecast for the period to 31 March 2024. The cashflow forecast reflects:
 - The need to raise additional funding during the forecast period;
 - The need to renegotiate to extend the repayment of the loans from ASF Group Limited and Ms Wanyan Liu beyond their respective maturity dates;
 - Obtained the written confirmation from both ASF Group Limited and Ms Wanyan Liu that:
 - i) they will not call the loans owing from the Group within 12 months from the date of these consolidated interim financial statements;
 - ii) they have the intention to extend the loan facilities listed above for at least 12 months from the date of this financial statements; and
 - The need to defer or farm out the Group’s share of certain petroleum interests to meet committed and forecast expenditures.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

2. BASIS OF PREPARATION (continued)

(b) Going concern basis (continued)

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

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

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

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Rounding

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

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

(f) Use of estimates and judgements

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

Valuation of financial assets

The financial assets are measured at fair value in accordance with AASB 9 *Financial Instruments*. In determining the fair value, key assumptions would need to be included from a market participant's perspective in accordance with AASB 13. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on the information from both external and internal sources. The Group has measured the value based on the recent transaction price. Should these significant assumptions and estimation uncertainties change subsequent to the reporting date, it may result in a material adjustment to the carrying amounts of assets in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2022.

New standards and interpretations

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

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

4. EMPLOYEE BENEFIT EXPENSE

| <i>In thousands of dollars</i> | 31 Dec 2022 | 31 Dec 2021 |
|--------------------------------|-------------|-------------|
| Salaries and fees | 51 | 49 |
| Superannuation | 7 | 7 |
| | 58 | 56 |

5. LOSS PER SHARE

| | 31 Dec 2022 | 31 Dec 2021 |
|--------------------------------|-------------|-------------|
| Basic loss per share (cents) | (0.52) | (0.41) |
| Diluted loss per share (cents) | (0.52) | (0.41) |

The calculation of basic loss per share was based on the loss attributable to shareholders of loss \$1,093,000 (2021: loss \$868,000) and a weighted average number of ordinary shares outstanding during the half year of 211,927,539 (2021: 211,927,539).

The diluted loss per share for the half-year ended 31 December 2022 and 2021 were the same as the basic loss per share.

6. TRADE AND OTHER RECEIVABLES

| <i>In thousands of dollars</i> | 31 Dec 2022 | 30 June 2022 |
|---|-------------|--------------|
| Included in receivables are as follows: | | |
| Current | | |
| Other receivables | 3 | 9 |
| | 3 | 9 |

7. PROPERTY, PLANT & EQUIPMENT

| <i>In thousands of dollars</i> | 31 Dec 2022 | 30 June 2022 |
|--------------------------------|-------------|--------------|
| Plant and equipment | | |
| At cost | 181 | 181 |
| Accumulated depreciation | (179) | (179) |
| | 2 | 2 |

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

8. FINANCIAL ASSETS

In thousands of dollars

31 Dec 2022

30 June 2022

Measured at FVPL

Investment in PZE Limited ¹

| | |
|------------|-----|
| 767 | 767 |
| 767 | 767 |

1. Pursuant to a term sheet signed on 18 December 2020 between the Company, Southernpec (Australia) Pty Ltd ("SouthnA") which holds significant interests in 7 conventional gas production licences in Surat Gas Project located at Surat Basin in Queensland and Southernpec Holdings Pty Ltd, the Company would acquire up to 75% equity interest in SouthnA in three stages of which 10% for \$400,000 under the first stage was paid in December 2020. The parties further entered into a Supplementary Terms Sheet in May 2021 for the modification of second stage investment and the subscription of additional 10% equity interest in SouthnA by the Company for \$300,000, which was paid in May 2021.

On 28 January 2022, the Company announced that it would not proceed further on stages 2 and 3 of the investment and, in June 2022 Rey executed a share buy-back deed with SouthnA pursuant to which SouthnA bought back all the fully paid ordinary shares in SouthnA held by the Company (including the conversion of \$ 67,000 loan granted by the Company into additional shares in SouthnA) for 7.5 million fully paid ordinary shares representing approximately 5.93% in the issued capital of PZE Limited ("PZE ") as of 31 December 2022. PZE is a public company incorporated in Australia. PZE acquired the Surat Gas Project from SouthnA by the issue of 35.5 million fully paid ordinary shares in PZE at an issue price of \$0.10 per share to SouthnA.

As the Group does not have board representation and hold less than 20% of the voting power at PZE, the Group concluded that it had no significant influence in PZE and it is not an associate company of the Group. As a result, the investment is accounted for as financial assets measured at fair value.

9. EXPLORATION AND EVALUATION EXPENDITURE

In thousands of dollars

31 Dec 2022

30 June 2022

Costs carried forward in respect of:

Duchess Paradise ⁽ⁱ⁾

EP457 and EP458 ⁽ⁱⁱ⁾

EP104 ⁽ⁱⁱⁱ⁾

R1 ⁽ⁱⁱⁱ⁾

L15 ⁽ⁱⁱⁱ⁾

EP487 ^(iv)

Costs carried forward

| | |
|---------------|--------|
| 21,711 | 21,667 |
| 4,852 | 4,753 |
| 3,040 | 3,030 |
| 1,609 | 1,392 |
| 3,676 | 3,614 |
| 3,955 | 3,897 |
| 38,843 | 38,353 |

(i) Exploration and evaluation expenditure recognised in Duchess Paradise (coal project) is held solely by the Group. This project has two licenses. E04/1519 expired on 3 March 2023, application for renewal has been lodged and pending approval. E04/1770 is expiring on 19 April 2023, the Group will lodge the application for renewal in due course.

(ii) Exploration and evaluation expenditure recognised on EP457 and EP458 tenements (Petroleum project) under joint venture agreement with Buru Energy Limited. This amount includes the Group's proportionate share of exploration assets held by the respective joint venture entities. On 21 December 2020, a binding letter of agreement had been executed between Rey, Buru and Origin pursuant to which both Buru and Rey will farm-out 20% of their respective participating interest in each of EP457 and EP458 to Origin. On 15 April 2021, a formal farm-in agreement was executed between the parties and 40% interests in each of the tenements were accordingly transferred to Origin. On 13 February 2023, Rey announced that Origin has decided to withdraw from the Canning Basin and the 40% interests in each of the tenements previously assigned to Origin under the farm-in agreement will be assigned back to Buru and Rey equally in accordance with the pre-farm-in equities. Accordingly, Buru will have a participating interest of 60% in each of the tenements, with Rey holding the remaining 40%.

(iii) Acquisition costs and the exploration and evaluation expenditure recognised on EP104, R1 and L15 (Petroleum projects) which are held solely by the Group. EP104 expired in July 2022. Application for renewal has been lodged and pending approval.

(iv) Exploration and evaluation expenditure recognised on EP487 (Petroleum project) which is held solely by the Group.

In thousands of dollars

31 Dec 2022

30 June 2022

At cost

Movements in carrying amount:

Opening balance

Expenditure capitalised

Adjustment of restoration provision for L15, R1

Refund of cash call for EP457 and EP458

| | |
|---------------|--------|
| 38,843 | 38,353 |
| 38,843 | 38,353 |
| 38,353 | 37,230 |
| 378 | 931 |
| 112 | 214 |
| - | (22) |
| 38,843 | 38,353 |

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

9. EXPLORATION AND EVALUATION EXPENDITURE (continued)

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

10. TRADE AND OTHER PAYABLES

| <i>In thousands of dollars</i> | 31 Dec 2022 | 30 June 2022 |
|--------------------------------------|--------------------|---------------------|
| Unsecured liabilities | | |
| Sundry payables and accrued expenses | 55 | 106 |
| Withholding tax payable | 335 | 297 |
| | 390 | 403 |

11. EMPLOYEE BENEFITS

| <i>In thousands of dollars</i> | 31 Dec 2022 | 30 June 2022 |
|--------------------------------|--------------------|---------------------|
| Current: | | |
| Employee benefits | 17 | 14 |
| | 17 | 14 |

12. LOANS AND BORROWINGS

| <i>In thousands of dollars</i> | 31 Dec 2022 | 30 June 2022 |
|--------------------------------|--------------------|---------------------|
| Current: | | |
| Wanyan Liu ¹ | 13,582 | 63 |
| ASF Group Ltd ² | 761 | - |
| | 14,343 | 63 |
| Non-current: | | |
| Wanyan Liu ¹ | - | 12,160 |
| ASF Group Ltd ² | - | 718 |
| | - | 12,878 |

- An unsecured loan of \$500,000 was granted by Wanyan Liu ("Liu"), a substantial shareholder of the Company, with maturity date on 31 March 2021 and interest bearing 12% per annum ("First Liu Loan"). On 18 April 2019, the Company entered into another loan agreement with Liu for the granting of \$3 million additional loan ("Second Liu Loan"), with maturity date on 31 December 2020 and interest bearing at 12% per annum payable quarterly by cash. On 17 July 2019, the Company entered into a new loan agreement with Liu pursuant to which Liu agreed to grant a further loan facility of \$3 million ("Third Liu Loan") to the Company maturing 31 December 2021 and interest bearing 12% per annum. On 25 June 2020, the Company announced that Liu agreed to increase the Second Liu Loan from \$3 million to \$5 million and extend the maturity date from 31 December 2020 to 31 October 2021. On 30 April 2021, the Company announced that Liu agreed to consolidate the aforesaid three loan facilities and to increase the loan facility amount by \$4 million to a total of \$12.5 million and extend the maturity date to 31 October 2022. On 22 June 2022, the Company announced that Liu agreed to increase the loan facility amount by \$4.5 million to a total of \$17 million and to extend the maturity date to 31 October 2023. As at 31 December 2022, a total of \$13.48 million had been drawn down and \$3.52 million loan facility remains available for draw down by the Company. The Company has obtained written confirmation from Liu that she has the intention to extend the loan facilities listed above for at least 12 months from the date of this financial statements.
- An unsecured loan of \$3.8 million was granted by ASF Group Ltd ("ASF"), a substantial shareholder of the Company, with maturity date on 31 December 2019 and interest bearing at 12% per annum. On 31 December 2019, the Company announced that it has agreed with ASF to reduce the facility amount from \$3.8 million to \$2 million and to extend the maturity date of the loan facility from 31 December 2019 to 31 March 2020. The maturity date was subsequently further extended to 31 October 2023. As at 31 December 2022, \$761,000 representing accrued interests remain outstanding and the total \$2 million loan facility remains available for draw down. The Company has obtained written confirmation from ASF that it has the intention to extend the loan facilities listed above for at least 12 months from the date of this financial statements.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

13. ISSUED CAPITAL

| | 6 months to 31 Dec 2022 | | 12 months to 30 June 2022 | |
|--|-------------------------|-------------|---------------------------|-------------|
| | \$'000 | Number | \$'000 | Number |
| Ordinary Shares | | | | |
| At the beginning of the reporting date | 86,537 | 211,927,539 | 86,537 | 211,927,539 |
| Share buy back ¹ | - | - | - | - |
| On issue at the end of the period | 86,537 | 211,927,539 | 86,537 | 211,927,539 |

1. On 4 August 2022, the Company announced the extension of its on-market buyback program for a further 12 months from 18 August 2022. No shares were bought back by the Company during the reporting period.

14. CONTINGENCIES

Parent Entity Guarantee in respect of the debt of subsidiaries

The Company provides loan or debt guarantee to its wholly owned subsidiary companies. As of 31 December 2022 and 30 June 2022, no subsidiaries hold any debt or loan balances with third parties.

15. COMMITMENTS

At 31 December 2022, the total commitments for both mineral exploration tenements and the Group's share in petroleum exploration permits in which it has joint venture interests for the following five years are \$15,401,000 (30 June 2022: \$6,915,000). These obligations may be varied from time to time, subject to approval by the DMP.

| <i>In thousands of dollars</i> | Mineral | Petroleum | Total |
|--------------------------------|---------|-----------|--------|
| Year 1 | 104 | 804 | 908 |
| Year 2-5 | 104 | 14,389 | 14,493 |
| Total | 208 | 15,193 | 15,401 |

16. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement principles adopted in this report are consistent with those applied in the Group's Annual Financial Statements for the year ended 30 June 2022.

The Group's financial instruments consist mainly cash and cash equivalents, trade and other receivables, investment, trade and other payables, and loan and borrowings.

| <i>in thousands of dollars</i> | 31 Dec 2022 | 30 June 2022 |
|---|-------------|--------------|
| Financial assets measured at amortised cost | | |
| - Cash and cash equivalents | 101 | 172 |
| - Trade and other receivables | 3 | 9 |
| Financial assets measured at FVPL | | |
| - Investment in PZE Ltd | 767 | 767 |
| Total financial assets | 871 | 948 |
| Financial liabilities measured at amortised cost | | |
| Trade and other payables | 390 | 403 |
| Total financial liabilities | 390 | 403 |

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

17. OPERATING SEGMENTS

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

Operating segment information

| | Mineral 6 months ended 31 Dec 2022 \$'000 | Mineral 6 months ended 31 Dec 2021 \$'000 | Petroleum 6 months ended 31 Dec 2022 \$'000 | Petroleum 6 months ended 31 Dec 2021 \$'000 | Corporate 6 months ended 31 Dec 2022 \$'000 | Corporate 6 months ended 31 Dec 2021 \$'000 | Total 6 months ended 31 Dec 2022 \$'000 | Total 6 months ended 31 Dec 2021 \$'000 |
|--|--|--|--|--|--|--|--|--|
| Consolidated | | | | | | | | |
| Revenue | | | | | | | | |
| Total Reportable segment revenue | - | - | - | - | - | - | - | - |
| Other income | | | | | | | | |
| Finance costs | - | - | - | - | (823) | (661) | (823) | (661) |
| Administration cost | - | - | - | - | (270) | (207) | (270) | (207) |
| Profit/(loss) before income tax benefit | - | - | - | - | (1,093) | (868) | (1,093) | (868) |
| income tax benefit | - | - | - | - | - | - | - | - |
| Loss after income tax benefit | - | - | - | - | (1,093) | (868) | (1,093) | (868) |
| Capital Expenditure | - | - | - | - | - | - | - | - |
| Assets | | | | | | | | |
| Other Assets | - | - | 767 | 700 | 107 | 166 | 874 | 866 |
| Segment assets | 21,712 | 21,609 | 17,131 | 15,985 | - | - | 38,843 | 37,594 |
| Total assets | 21,712 | 21,609 | 17,898 | 16,685 | 107 | 166 | 39,717 | 38,460 |
| Liability | | | | | | | | |
| Other liabilities | - | - | - | - | 14,750 | 11,797 | 14,750 | 11,797 |
| Segment liabilities | - | - | 3,647 | 3,320 | - | - | 3,647 | 3,320 |
| Total Liabilities | - | - | 3,647 | 3,320 | 14,750 | 11,797 | 18,397 | 15,117 |

18. SUBSEQUENT EVENTS

On 13 February 2023, Rey announced that Origin has decided to withdraw from the Canning Basin and the 40% interests in each of the tenements previously assigned to Origin under the farm-in agreement will be assigned back to Buru and Rey equally in accordance with the pre-farm-in equities. Accordingly, Buru will have a participating interest of 60% in each of the tenements, with Rey holding the remaining 40%.

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

DIRECTORS' DECLARATION

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

1. the consolidated interim financial statements and notes, as set out on pages 5 to 15, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of financial position of the Group as at 31 December 2022 and of its performance for the half-year period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Ms Min Yang
Chairman

13 March 2023
Sydney, NSW, Australia

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

Report on the Consolidated Interim Financial Statements

Conclusion

We have reviewed the consolidated interim financial statements of Rey Resources Limited (the Company and its subsidiaries (the Group)) which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying consolidated interim financial statements of the Group do not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the consolidated interim financial statements which indicates that the Group incurred a net loss of \$1,093,000 and had operating and investing cash outflows of \$689,000 for the six months ended 31 December 2022. The Group's current liabilities exceeded current assets by \$14,645,000 as at 31 December 2022. As stated in Note 2(b), these conditions, along with other matters as stated in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibility of the Directors' for the Consolidated Interim Financial Statements

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

Auditor's Responsibilities for the Review of the Consolidated Interim Financial Statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the consolidated interim financial statements are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



SW Audit (formerly ShineWing Australia)
Chartered Accountants



Yang (Bessie) Zhang
Partner

Sydney, 13 March 2023