REY RESOURCES LIMITED

A.B.N. 84 108 003 890

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

CORPORATE DIRECTORY

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

Company Secretary
Mr William Kuan

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Boardroom Pty Limited
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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 2021 and the auditor's review report thereon.

Directors

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

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

Company Secretary

Mr William Kuan

Principal Activities

The principal activities of Rey are exploring for and developing energy resources in Western Australia's Canning Basin. The Company currently holds a 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 $868,000 for the half-year ended 31 December 2021, an increase of approximately 43.5% compared with the loss of $605,000 for the corresponding period last year.

Finance costs amounted to $661,000 (2020: $460,000) 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 2021, the Company has available loan facilities from ASF and Liu of $2 million and $1.8 million respectively.

Corporate

On 22 July 2021, the Company announced the extension of its on-market buyback program for a further 12 months from 5 August 2021. No shares were bought back by the Company during the reporting period.

Subsequent to the half year ended, on 28 January 2022, the Company announced that it had agreed with Southernpec (Australia) Pty Ltd ("SouthnA"), which holds significant interests in the Surat Gas Project, that the Company would not proceed further on stages 2 and 3 of the investment in SouthnA. As at 31 December 2021, the Company completed stage 1 and part of stage 2 of the investment and is holding 20% equity interest in SouthnA.

DIRECTORS' REPORT

Operating Review

1. Oil and Gas

1.1 Fitzroy Blocks (EP457 & EP458)

During the period, the operator completed the planned 2D seismic as the farmout project. The seismic data has been received. The operator will also plan for the future drilling program based on the result of 2D seismic.

A new budget for 2022 has also been approved by the JV partners, the work will focus on the new seismic data interpretation and plan for the well in EP457 or EP487.

1.2 Derby Block (EP487)

In early 2021, Rey started to plan the 58km new 2D seismic over middle north part of EP487. The seismic is planned to obtain more information about the north part of the Butler Prospect. In October 2021, a 12-month well suspension application has been lodged to DMIRS to defer the commitment well drilling to end of 2022 so Rey could have enough time to complete the planned 58km new seismic in H1 2022.

In November 2021, Rey discussed with DMIRS to potentially introduce a farmin partner to conduct a larger scale seismic work. DMIRS agreed to hold the assessment of the previous well suspension application.

During the period Rey continued the seismic plan as well as the discussion with potential farmin partners for the work program. The first draft of the environmental plan for the original planned seismic is completed in late of 2021.

1.3 Lennard Shelf Blocks – EP104, R1 and L15

During the reporting period, Rey completed an integrity studies over R1, L15 and EP104. The studies include Lennard Shelf Blocks regional geology studies, engineering studies for Stokes Bay-1 and Point Tornment-1, R1 commercial studies, West Kora-1 initial development plan and EP104 geology review. The completed works shows good potential of the region as well as the potential of reuse the existing wells for future development. the committed geochemical survey and simulation studies for R1.

DMIRS also completed the site inspection in July 2021. The inspection report was received in September with 9 findings. Rey has addressed all the 9 findings and commit to carry out necessary remedy works for the R1 and L15 well site.

Rey is also preparing the renewal application for R1 and EP104 which will expire in October and July 2022 respectively. The initial renewal work program has been drafted and under discussion by Rey management.

1.4 Surat Gas Project

Rey entered a term sheet with Southernpec for its Surat Project in December 2020. The first stage investment was completed and the planned flow testing was completed in June 2021. During the reporting period, Rey ceased to proceed further with the second stage investment and agreed with Southernpec to continue the development of the assets with raising further funds to cover the reproduction and next stage drilling program.

2. Coal

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

Duchess Paradise Project

During the reporting period, Rey continues the discussion with Native Titleholder for the co-existing agreement and this has been referred to National Native Title Tribunal ("NNTT"). The Protocol for future formal agreement negotiation has been commented and send back by Rey in October. The Native Titleholder notice informed Rey that it will need to discuss the Protocol on their group meeting potentially in March/April 2022 and send responses to Rey.

Further information

Further details of operations during the six months ended 31 December 2021 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 28 January 2022, the Company announced that it had agreed with SouthnA that the Company would not proceed further on stages 2 and 3 of the investment in SouthnA. The parties have agreed to continue the development of the assets with raising further funds to cover the reproduction and next stage drilling program.

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 2021.

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

Ms Min Yang
Chairman

14 March 2022
Sydney, NSW, Australia

SW Accountants & Advisors

Take the 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, during the six months ended 31 December 2021 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

ii. No contraventions of any applicable code of professional conduct in relation to the review.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Yang (Bessie) Zhang
Partner

Sydney, 14 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

In thousands of dollars

	NOTES	31 Dec 2021	31 Dec 2020
Government Subsidy		**-**	50
Administrative expenses		**(151)**	(142)
Employee benefit expense	4	**(56)**	(53)
Loss from operating activities		**(207)**	(145)
Finance cost		**(661)**	(460)
Loss before income tax expense		**(868)**	(605)
Income tax		**-**	-
Loss for the period		**(868)**	(605)
Other comprehensive income		**-**	-
Total comprehensive loss for the period, attributable to owners of the company		**(868)**	(605)
Basic and diluted loss per share (cents)	5	**(0.41)**	(0.30)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

In thousands of dollars

	NOTES	31 Dec 2021	30 June 2021
ASSETS			
Current Assets			
Cash and cash equivalents		**85**	36
Trade and other receivables	6	**77**	47
Prepayments		**1**	3
Total Current Assets		**163**	86
Non-Current Assets			
Property, plant and equipment	7	**3**	3
Investment	8	**700**	700
Exploration and evaluation expenditure	9	**37,594**	37,230
Total Non-Current Assets		**38,297**	37,933
Total Assets		**38,460**	38,019
LIABILITIES			
Current Liabilities			
Trade and other payables	10	**81**	65
Employee benefits	11	**13**	11
Loans and borrowings	12	**11,703**	-
Total Current Liabilities		**11,797**	76
Non-current Liabilities			
Loans and borrowings	12	**-**	10,411
Provision		**3,320**	3,321
Total non-current liabilities		**3,320**	13,732
Total Liabilities		**15,117**	13,808
Net Assets		**23,343**	24,211
EQUITY			
Share capital	13	**86,537**	86,537
Accumulated losses		**(63,194)**	(62,326)
Total equity		**23,343**	24,211

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 2021

In thousands of dollars	**Share capital**	**Accumulated losses**	**Total**
Balance at 1 July 2020	86,589	(61,003)	25,586
Total comprehensive income:			
Loss for the period	-	(605)	(605)
Total comprehensive income for the period	-	(605)	(605)
Transactions with owners recorded directly in equity:			
Contributions by and distributions to owners			
Share Buyback	(45)	-	(45)
Balance at 31 Dec 2020	**86,544**	**(61,608)**	**24,936**
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:	**-**	**-**	**-**
Balance at 31 Dec 2021	**86,537**	**(63,194)**	**23,343**

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 2021

In thousands of dollars	31 Dec 2021	31 Dec 2020
Cash flows from operating activities		
Payments to suppliers and employees	(186)	(180)
BAS (payments)/refund	1	7
Government Subsidy	8	50
Net cash used in operating activities	(177)	(137)
Cash flows from investing activities		
Payments for exploration expenditure	(339)	(384)
Payments for investments	-	(400)
Net cash used in investing activities	(339)	(784)
Cash flows from financing activities		
Share Buy Back	-	(45)
Finance Costs	(568)	(307)
Proceeds from loans and borrowings	1,250	2,730
Repayment of loans and borrowings	(50)	(1,540)
Loans to other parties	(67)	-
Net cash generated from financing activities	565	838
Net increase/(decrease) in cash and cash equivalents	49	(83)
Cash and cash equivalents at 1 July	36	175
Cash and cash equivalents at 31 December	85	92

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 2021

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 2021 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 2021 is available upon request from the Company's registered office or at www.reyresources.com.

2. BASIS OF PREPARATION

The outbreak of the Novel Coronavirus ("COVID-19") was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020, developments throughout 2021 has caused great uncertainty for the oil, gas and coal industries and the global and Australian economy. This uncertainty has created risks and conditions that the Group has not encountered before. Management has been following Australian governments' guidance and regulations in relation to the Covid-19 responses and no significantly negative impact from Covid-19 to the Group has been identified so far. There has been a continual assessment of the impacts of COVID-19 on the consolidated interim financial statements arising from this major global risk.

(a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with *AASB 134 Interim Financial Reports* and the *Corporations Act 2001*. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2021. The consolidated interim financial statements were approved by the Board of Directors on 14 March 2022.

(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 2021 the Group incurred a loss after tax of $868,000 and incurred operating and investing cash outflows of $516,000. As at 31 December 2021, the Group's current liabilities exceeded current assets by $11,634,000. And, the Group had commitments of $1,273,000 for the twelve months from 31 December 2021.

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

- The Group had cash of $85,000 as at 31 December 2021.
- The Company has a $2 million loan facility from ASF Group Limited, which is available for draw down until 31 October 2022.
- The Company has a $1.8 million remaining loan facility from Ms Wanyan Liu, which is available for draw down until 31 October 2022.
- The Group has prepared a cashflow forecast for the period to 31 March 2023. 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 they will not call the loans owing from the Group within 12 months from the date of these consolidated interim financial statements; and
  - The need to defer or farm out the Group's share of certain petroleum interests to meet committed and forecast expenditures.

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 2021.

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

In thousands of dollars	**31 Dec 2021**	**31 Dec 2020**
Salaries and fees	**49**	**48**
Superannuation	**7**	**5**
	56	**53**

5. LOSS PER SHARE

	31 Dec 2021	**31 Dec 2020**
Basic loss per share (cents)	**(0.41)**	**(0.30)**
Diluted loss per share (cents)	**(0.41)**	**(0.30)**

The calculation of basic loss per share was based on the loss attributable to shareholders of loss $868,000 (2020: loss $605,000) and a weighted average number of ordinary shares outstanding during the half year of 211,927,539 (2020: 212,085,536).

The diluted loss per share for the half-year ended 31 December 2021 and 2020 were the same as the basic loss per share.

6. TRADE AND OTHER RECEIVABLES

In thousands of dollars	**31 Dec 2021**	**30 June 2021**
Included in receivables are as follows:		
Current		
Other receivables	**77**	47
	77	47

7. PROPERTY, PLANT & EQUIPMENT

In thousands of dollars	**31 Dec 2021**	**30 June 2021**
Plant and equipment		
At cost	**181**	181
Accumulated depreciation	**(178)**	(178)
	3	3

8. INVESTMENT

In thousands of dollars	31 Dec 2021	30 June 2021
Investment in Southernpec (Australia) Pty Ltd [1]	**700**	700
	700	700

1. Pursuant to a term sheet signed on 18 December 2020 between the Company, Southernpec (Australia) Pty Ltd ("SouthnA") and Southernpec Holdings Pty Ltd ("SouthnH", SouthnA's parent entity), the Company will 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. Further investment could be made if all conditions to commence the second stage are satisfied or waived. If the Group decides to withdraw from the transaction, pursuant to the Supplementary Terms Sheet, SouthnH will have an option to acquire from the Company those 20% equity interests for $700,000 within 90 days. Refer to the Company's announcements dated 21 December 2020 and 17 May 2021 for details of the transaction.

SouthnA holds significant interests in seven conventional gas production licences in Surat Gas Project located at Surat Basin in Queensland. As at the balance sheet date, the Company holds 20% equity interest in SouthnA. Notwithstanding the 20% equity interest, the Group has assessed that the investment is not an associate company at this stage. The Group does not have board representation at SouthnA at the balance date; therefore, no significant influence. 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 2021	30 June 2021
Costs carried forward in respect of:		
Duchess Paradise [(i)]	**21,609**	21,590
EP457 and EP458 [(ii)]	**4,665**	4,648
EP104 [(iii)]	**3,001**	2,971
R1 [(iii)]	**1,023**	868
L15 [(iii)]	**3,489**	3,390
EP487 [(iv)]	**3,807**	3,763
Costs carried forward	**37,594**	37,230

(i) Exploration and evaluation expenditure recognised in Duchess Paradise (coal project) is held solely by the Group. Tenement E04/1386 was surrendered and fully impaired in financial year 2020. The project has currently two tenements including E04/1519 and E04/1770. E04/1519 will be expire on 19 April 2022.

(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 Origin now holds 40% interests in each of the tenements. Origin shall elect by 5 January 2024 whether to carry and fund the first $6m for one exploration well to be drilled on the Permits. If Origin elects to drill the well, the drilling needs to be completed by 5 January 2025 or such later date agreed by the parties. If Origin elects not to drill the well, it can choose to either withdraw from the Joint Ventures (and assign the Farmin Interests back equally to Buru and Rey) or remain in the Joint Ventures and assign a 10% interest in the Permits back to each of Buru and Rey.

(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 will be expire on 29 July 2022.

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

In thousands of dollars	31 Dec 2021	30 June 2021
At cost	**37,594**	37,230
	37,594	37,230
Movements in carrying amount:		
Opening balance	**37,230**	36,432
Expenditure capitalised	**365**	749
Adjustment of restoration provision for L15, R1	**(1)**	49
	37,594	37,230

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

In thousands of dollars	31 Dec 2021	30 June 2021
Unsecured liabilities		
Sundry payables and accrued expenses	**81**	65
	81	65

11. EMPLOYEE BENEFITS

In thousands of dollars	31 Dec 2020	30 June 2020
Current:		
Employee benefits	**13**	11
	13	11

12. LOANS AND BORROWINGS

In thousands of dollars	31 Dec 2021	30 June 2021
Current:		
Wanyan Liu [1]	**11,023**	-
ASF Group Ltd [2]	**680**	-
	11,703	-
Non-current:		
Wanyan Liu [1]	**-**	9,772
ASF Group Ltd [2]	**-**	639
	-	10,411

1. 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. As at 31 December 2021, a total of $10 million had been drawn down by the Company.

2. 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 2022. As at 31 December 2021, $680,000 representing accrued interests remain outstanding and the total $2 million loan facility remains available for draw down.

13. ISSUED CAPITAL

	6 months to 31 Dec 2021		12 months to 30 June 2021	
	$'000	Number	$'000	Number
Ordinary Shares				
At the beginning of the reporting date	**86,537**	**211,927,539**	86,589	212,160,439
Share buy back [1]	**-**	**-**	(52)	(232,900)
On issue at the end of the period	**86,537**	**211,927,539**	86,537	211,927,539

1. On 22 July 2021, the Company announced the extension of its on-market buyback program for a further 12 months from 5 August 2021. 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 2021, no subsidiaries hold any debt or loan balances with third parties.

15. COMMITMENTS

At 31 December 2021, 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 $6,902,000 (30 June 2021: $7,293,000). These obligations may be varied from time to time, subject to approval by the DMP.

In thousands of dollars	Mineral	Petroleum	Total
Year 1	101	1,172	1,273
Year 2-5	-	5,629	5,629
Total	101	6,801	6,902

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 2021.

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

in thousands of dollars	31 Dec 2021	30 June 2021
Financial assets		
Cash and cash equivalents	**85**	36
Trade and other receivables	**77**	47
Investment [1]	**700**	700
Total	**862**	783
Financial liabilities		
Financial liabilities not measured at fair value		
Trade and other payables	**81**	65
Total	**81**	65

1. Refer to Note 8 for details of the investment.

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

Consolidated	**Mineral 6 months ended 31 Dec 2021 $'000**	Mineral 6 months ended 31 Dec 2020 $'000	**Petroleum 6 months ended 31 Dec 2021 $'000**	Petroleum 6 months ended 31 Dec 2020 $'000	**Corporate 6 months ended 31 Dec 2021 $'000**	Corporate 6 months ended 31 Dec 2020 $'000	**Total 6 months ended 31 Dec 2021 $'000**	Total 6 months ended 31 Dec 2020 $'000
Revenue								
Total Reportable segment revenue	**-**	-	**-**	-	**-**	-	**-**	-
Other income	**-**	-	**-**	-	**-**	50	**-**	50
Finance costs	**-**	-	**-**	-	**(661)**	(460)	**(661)**	(460)
Administration cost	**-**	-	**-**	-	**(207)**	(195)	**(207)**	(195)
Profit/(loss) before income tax benefit	**-**	-	**-**	-	**(868)**	(605)	**(868)**	(605)
income tax benefit	**-**	-	**-**	-	**-**	-	**-**	-
Loss after income tax benefit	**-**	-	**-**	-	**(868)**	(605)	**(868)**	(605)
Capital Expenditure	**-**	21	**-**	364	**-**	-	**-**	385
Assets								
Other Assets	**-**	-	**-**	-	**866**	520	**866**	520
Segment assets	**21,609**	21,535	**15,985**	15,283	**-**	-	**37,594**	36,818
Total assets	**21,609**	21,535	**15,982**	15,283	**866**	520	**38,460**	37,338
Liability								
Other liabilities	**-**	-	**-**	-	**11,797**	9,130	**11,797**	9,130
Segment liabilities	**-**	-	**3,320**	3,272	**-**	-	**3,320**	3,272
Total Liabilities	**-**	-	**3,320**	3,272	**11,797**	12,402	**15,117**	12,402

18. SUBSEQUENT EVENTS

On 28 January 2022, the Company announced that it had agreed with SouthnA that the Company would not proceed further on stages 2 and 3 of the investment in SouthnA. The parties have agreed to continue the development of the assets with raising further funds to cover the reproduction and next stage drilling program.

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 2021 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

14 March 2022
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 accompanying consolidated interim financial statements of Rey Resources Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2021, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, the directors' declaration and notes to the consolidated interim financial statements comprising significant accounting policies and other explanatory information.

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 2021 and of its performance for the six months 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.

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

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Take the lead

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 2021 and its performance for the six months ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

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

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 $868,000 and had operating and investing cash outflows of $516,000 for the six months ended 31 December 2021. The Group's current liabilities exceeded current assets by $11,634,000 as at 31 December 2021. As stated in Note 2(b), these conditions, along with other matters as stated in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Yang (Bessie) Zhang
Partner

Sydney, 14 March 2022